

**INTERNATIONAL MONETARY FUND
WORLD BANK GROUP**

J

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

Press Release No. 57

October 6 - 8, 1998

Statement by the Hon. TONY DE BRUM ,
Governor of the Bank for MARSHALL ISLANDS ,
at the Joint Annual Discussion

STATEMENT OF THE GOVERNOR OF THE BANK
FOR THE REPUBLIC OF THE MARSHALL ISLANDS

Tony de Brum

I wish to thank the people and the government of the United States for hosting this year's Annual Meetings. Unlike last year's meetings, where cautious optimism prevailed, this year great fears have arisen. These fears encompass both the future of global capitalism and indeed the future of the World Bank itself. The Marshall Islands also shares these fears.

Micronesia's Status

The countries of Micronesia constitute a very small percentage of the world's economy. However, our unique location in the center of the Pacific Ocean, provides us with an excellent vantage point to observe and maintain a partnership with both Asian countries and the Americas. We are in the middle of nowhere, yet we are also in the middle of everything.

Our current economy was initially formed based upon grants and reparations from the United States. More recently, we have received loans and grants from the Asian Development Bank. This has not been a pain free structuring. Our past dependence upon government employment has led to reductions and increased unemployment. However, in the past decade, the value of our fishery industry has been recognized by Asia, North America, and Europe. It is our goal to see that this resource is not plundered or under-sold. With the help of our friends in Australia, the South Pacific Forum, and North America, we are succeeding in this goal. We believe that our fishery industry will provide sustainable economic growth and related employment for our citizens.

The Marshall Islands is in a unique situation. Our economic development is at the stage of a developing nation, yet we have unfettered access to the United States. Our currency, by treaty, is the U.S. dollar, and we do not suffer the fear of massive currency devaluation. The access to the United States has allowed a number of our citizens to enjoy the benefits of education and employment within the United States. This creates an abnormality; our resident citizens can see the benefits of successful capitalism, yet live in what is perceived as a third-world environment.

The economic benefits of living in a developed nation, once enjoyed, cannot be dismissed. It is with this in mind that we share the deep concern of our cousins in Malaysia and Indonesia. Seemingly overnight, their prosperity has vanished, replaced with fear and suffering. While a macroeconomist can analytically describe a negative growth rate, the suffering of the people in the affected nations cannot be adequately described.

Observations

Looking to the East and to the West, we have great concerns. We see the potential for instability and uncontrolled nationalism. Being a small country, we are continually amazed at the lack of understanding and bureaucracy of the world's economic organizations. Currently, everyone agrees that a "contagion" exists, yet no one seems to have answers. The remedies that historically worked for western nations are not working in an Asian environment. The World Bank meets and makes fine tuning adjustments, the Group of Seven meets and announces its optimism, and the United States announces new reforms and goals. Yet, the "contagion" continues, with Russia in default and South America unstable. Furthermore, the greatest minds in economics cannot seem to agree on a proper and achievable solution.

This situation can only lead to provincial thinking and political and organizational blame. Fault-finding is greatest once a crisis has been identified. While the Marshall Islands is somewhat insulated from this crisis, we wait impatiently for some consensus—some form of leadership—to pull the world together. The time wasted in assessing blame will only insure that the problem grows.

Frankly, in my week here, I've witnessed a variety of speakers expound on theories that only create so much hot air. I fear that many of our experts on economic theory have become so enamored with the past successes of the economy that they are empty shells when dealing with adversity. It is surprising that in my week here the most interesting article I've read describing the economic situation and possible solutions was not from a noted staff member of the World Bank, but from the former U.S. Secretary of State, Henry Kissinger. He eloquently stated that the role of politics in economic reform cannot be overstated and has been seemingly overlooked in the past year. We urge our colleagues not to confuse capitalism with democracy.

We live in a time of instant communications, making us truly global in the delivery of bad news. What the world needs is not technical discussions of stock indexes, capital flows, or projected GNP but reassurance. In short, if the "contagion" is to be controlled, decisive leadership must be shown. The question I raise with the Bank and to my fellow Governors is, "are we capable of providing that leadership?" If not, then who is, and how can we assist them.

Thank you for this opportunity and honor to address this assembly.