

and the risks to our prosperity unless we act on the IMF request and take some other steps designed to make sure that America does not become a sea of prosperity in an ocean of distress.

We also have to continue to invest in the education of our people. We have to have smaller classes, more teachers, modernized schools, all the classrooms hooked up to the Internet, and higher standards.

We need a real Patients' Bill of Rights. We need to protect the environment. We need to protect our democracy by passing bipartisan

campaign finance reform. All these items, also, are before Congress now.

It is truly encouraging to me how we have put aside partisan differences to save our children and their future from drugs. We have to do that on other issues critical to our future now—and even in the weeks before the election in November. We must stay focused on your business.

Thanks for listening.

NOTE: The President spoke at 10:06 a.m. from the Oval Office at the White House.

Remarks to the Council on Foreign Relations in New York City *September 14, 1998*

Thank you very much, Pete. Hillary and I are delighted to be here with you and Joan, and I'm glad to be joined by Secretary Rubin and Jim Harmon, Gene Sperling, other members of our team. I'm glad to see Dick Holbrooke over here; I hope, if we can overcome the inertia of Congress, he will soon be a member of the team again. And I thank David Rockefeller and Les Gelb and others who welcomed us here today.

The subject that I want to discuss—let me just say one thing in advance—I'm going to give you my best thoughts. We have been working on this for 3 years at some level of intensity or another, going back to the Naples G-7 meeting in the aftermath of the Mexican financial crisis. I have done everything I could do personally to reach out across the country, and indeed across the world, for any new ideas from any source. I'm going to give you my best thinking today about what we can do, but I want you to know that I'm here, and if I had my druthers, this would be about a 3-hour session where I'd give this talk and then I would listen for the rest of the time.

So I want to encourage you, if you think we're right, to support us. But if you have any ideas, for goodness sake, share them, because I agree with what Pete said. This is the biggest financial challenge facing the world in a half century. And the United States has an absolutely inescapable obligation to lead, and to lead in a way that's consistent with our values and our

obligation to see that what we're doing helps lift the lives of ordinary people here at home and all around the world.

The Council on Foreign Relations has always stood for political and economic freedom, since right after World War I. And I think one of the things that has impacted all of us, and it was implicit in what Pete said, is that for the last decade the growth of freedom around the world—with more than half the people in the world living under governments of their own choosing; more than half the villages, the one million villages, in China now even electing their own governments; and this sweeping replacement of command and control economies by market economies—I think it seems to have happened so easily, so effortlessly, so inexorably that I think we think the trend is inevitable and irreversible. But if you consider today's economic difficulties, disruptions, and the plain old deep, personal disappointments of now tens of millions of people around the world, it is clear to me that there is now a stark challenge not only to economic freedom, but, if unaddressed, a challenge that could stem the rising tide of political liberty as well.

Obviously, we have profound interests here. It is a great irony that we are at a moment of unsurpassed economic strength at a time of such turmoil in the world economy. We, I think, all of us in this room, know that our future prosperity depends upon whether we can work with others to restore confidence, manage

change, stabilize the financial system, and spur robust global growth.

For most of the last 30 years, the United States and the rest of the world has been preoccupied by inflation, for reasons that all of you here know all too well. And it was a good thing to be preoccupied with. Today, the low and stable inflation we enjoy has been critical to our economic health, and low inflation has also contributed to that of many other nations as well. But clearly, the balance of risks has now shifted, with a full quarter of the world's population living in countries with declining economic growth or negative economic growth.

Therefore, I believe the industrial world's chief priority today, plainly, is to spur growth. It seems to me there are six immediate steps we should take to help contain the current financial turmoil around the world, and then two longer term projects in which we must be involved.

To take the immediate first, we must work with Japan, Europe, and other nations to spur growth. Second, we will expand our efforts to enable viable businesses in Asia to emerge from crippling debt burdens so they can once again contribute to growth and job creation. Third, we've asked the World Bank to double its support for the social safety net in Asia to help people who are innocent victims of financial turmoil. Fourth, we'll urge the major industrial economies to stand ready to use the \$15 billion in IMF emergency funds to help stop the financial contagion from spreading to Latin America and elsewhere. Fifth, our Ex-Im Bank, under the leadership of Jim Harmon, will intensify its efforts to generate economic activity in the developing world immediately, in the next 3 months. And sixth, Congress must live up to its responsibility for continued prosperity by meeting our obligations to the International Monetary Fund.

Secretary Rubin has been working with his counterparts in the G-7 to get cooperative support for several of these measures. I understand Chairman Greenspan is also consulting with his counterparts on these items as well.

As we take these immediate steps, we also must intensify our efforts to reform our trade and financial institutions so that they can respond better to the challenges we now face and those we are likely to face in the future. We must build a stronger and more accountable global trading system, pressing forward with

market-opening initiatives, but also advancing the protection of labor and environmental interests and doing more to ensure that trade helps the lives of ordinary citizens across the globe.

Above all, we must accelerate our efforts to reform the international financial system. Today I have asked Secretary Rubin and Federal Reserve Board Chairman Greenspan to convene a major meeting of their counterparts within the next 30 days to recommend ways to adapt the international financial architecture to the 21st century.

Over the past 6 years, our strategy at home of fiscal discipline, investment in the skills of our people, and open trade has worked for all Americans: unemployment at a 28-year low, inflation a 32-year low, wages rising at twice the rate of inflation after decades of stagnation. And on October 1st we'll have the first balanced budget in 29 years.

But the global economy brought a lot of that prosperity to us, and now fast-moving currents have brought or aggravated problems in Russia and Asia. They threaten emerging economies from Latin America to South Africa. With a quarter of the world's population in declining growth, we must recognize what Chairman Greenspan said the other day: We cannot forever be an oasis of prosperity. Growth at home depends upon growth abroad. A full 30 percent of our growth, just since I became President, has been due to our expanding positive involvement in the global economy.

That's why ordinary Americans should care if Asia or Russia or South America is on solid economic footing. These people are our customers. With one-third of the growth of our economy coming from exports, much of it from emerging markets, we know that those markets will falter as their economies flatten. When the problem is widespread and perceived to be moving in the wrong direction, we have seen that our stock market can react, having a direct and immediate impact on the wealth of the American people.

These nations are also our competitors. And under conditions of decent equilibrium, that is a very good thing, indeed. But when their currencies drop precipitously, the prices of their goods fall; they could undercut the sales of our own goods here at home that are otherwise profitable, dramatically increasing our trade deficit

under circumstances that could cause the American people to turn away from open trade toward protectionism in a way that has terrific negative consequences long-term for our global growth objectives.

Finally, these nations are our friends, our allies, and our security partners. Where economic turmoil plunges millions into sudden poverty and disrupts and disorients the lives of ordinary people, the risks of political and social instability and of a turn from democracy clearly rise. Just look at Russia. Russia is facing an economic crisis that threatens the extraordinary progress the Russian people have made in just 7 years, building a new society from the ground up. The ruble and the stock market have plummeted; banks are weak; tax collections have slowed; the government has trouble paying its debts and its salaries. Some Russians have become wealthy, but many, many more are struggling to provide for their families. I talked to some of them when I was in Russia just a few days ago.

Amid such political uncertainty and economic difficulty, some now talk of abandoning the path of reform and returning to policies of the past, even policies that have already failed. At worst, adversity in Russia could affect not only the Russian economy and prospects for our economic cooperation—at worst, it could have an impact on our cooperation with Russia on nuclear disarmament, on fighting terrorism and the spread of weapons of mass destruction, on standing together for peace, from the Balkans to the Middle East.

Now Russia has a new Prime Minister, Mr. Primakov, who's been in office a grand total of 4 days. He and President Yeltsin face one of the great challenges of their time. Never has there been a more important moment to set a clear direction for the future, to affirm the commitment of Russia to democracy and to free markets, and to take decisive steps to stabilize the economy and restore investor confidence.

But if Russia is willing to take these steps, we must do everything we can to provide support to them. Because again I say, as long as ordinary people don't feel any benefits from this, in the end it's going to be difficult to sustain the direction we think the world should take.

On the other hand, we need to be honest with Russia and everyone else. No nation, rich or poor, democratic or authoritarian, can escape the fundamental economic imperatives of the global market. No nation can escape its dis-

cipline. No nation can avoid its responsibility to do its part.

But since all economies are increasingly interdependent, fear and uncertainty about the economy of one country can prompt investors to pull money out of other countries thousands of miles away. Markets work best when they are driven neither by excessive inflows or outflows of capital based on indiscriminate optimism or pessimism.

Regardless of what changes in policies or institutions may be warranted, we have to say we'll only be able to help those countries who are willing to help themselves. If a nation chooses to print money indiscriminately, to wink at cronyism or corruption, to hide bad loans and protect corrupt or inefficient banks, then investors, foreign and domestic, sooner or later will withdraw their investments, with consequences both swift and severe.

That is why we support the fundamental approach of the International Monetary Fund to extend assistance only when nations have taken responsibility, strengthening their banking systems, introducing honest accounting and open markets, awarding credit on merit instead of connections.

Still, what has been done is clearly not enough to reverse the decline in particular countries, to douse the flames of the international financial crisis, to support steady and sustainable growth in the future. In the face of this new challenge, America can and must continue to act and to lead to take the urgent steps needed today to calm the financial crisis, restart the engine of growth in Asia, and minimize the impact of financial turmoil on other nations, and to make certain that for tomorrow the institutions and rules of international finance and international trade are prepared to support steady and sustainable growth over the long term.

First and foremost, the leading economic nations must act together to spur global growth. Our strong and growing economy here has made a major contribution to global growth, just as our weak economy was holding the world back 6 years ago when I attended my first G-7 meeting in Tokyo and every other country said the first thing they needed was for America to put its economic house in order. We did that.

Now, I believe strongly we must maintain our fiscal discipline. It has led to lower interest rates

and a huge investment and job growth. Maintaining economic growth is the best thing we can do right now, not only for the United States but for the global economy.

I would also remember that back in 1993 we had a general agreement that what was needed was America should get rid of its deficit, Europe should lower its interest rates, and Japan should open its markets. There was this general agreement that if we did all those things, we would have a remarkable resumption of growth.

Europe did moderate its interest rates. And the then Prime Minister, now the Finance Minister, Mr. Miyazawa, oversaw a significant market-opening trade agreement between the United States and Japan, which also benefited others, not just us. And of course, we got rid of our deficit. The results were quite satisfactory for several years for us.

Now Europe has to continue to pursue policies that will spur growth and keep their markets open because they, too, must be able to provide markets for Asian goods as those nations seek to find their footing. But the key here is Japan, for the second largest economy in the world, by far the biggest economy in Asia, has now gone several years without any economic growth. Thank goodness, a lot of their ordinary citizens have been able to maintain a decent life because of the wealth of their country and probably because of the enormous personal savings rate they have enjoyed for many, many years now.

But it is difficult to see how any actions of the world community can be successful in restoring growth in Asia in the absence of the restoration of growth in Japan, which would enable Japan to lead the region out of its present condition. Therefore, we must support Japan and do everything we can to help create the conditions in which together we can all lead again, just as we did in 1993.

Their challenges are quite formidable. They have to spur domestic demand, revive a banking system, restore confidence, deregulate the economy, and open markets. And we all know all the forces that seem to be working against these developments in Japan. But I would remind you that this is a very strong, sophisticated nation full of people of knowledge and enormous achievement. It is fully capable of playing its world leadership role. I believe its business leaders right now know what needs to be done and would support it.

Next week I'm going to meet with Prime Minister Obuchi here in New York to discuss how America can support Japan's efforts to restore economic growth and investor confidence. And I will do everything I can to try to make sure that, as we go forward, we have America, Europe, and Japan all doing our part to get beyond this present moment, just as we did back in 1993.

The second step we should take is to intensify our efforts to speed economic recovery in Asia. When countries like South Korea and Thailand have taken strong and responsible steps, the freefall has ended; progress is being made. But the human cost of Asia's collapse is only now being fully felt. Recent press reports have described an entire generation working its way into the middle class over 25 years, then being plummeted into poverty within a matter of months. The stories are heartbreaking: doctors and nurses forced to live in the lobby of a closed hospital; middle class families who owned their own homes, sent their children to college, traveled abroad, now living by selling their possessions.

It is in our interest to help these nations and these people recover. They will become once again our great markets and our great partners. It is also the right thing to do. We've worked with international lenders, like the IMF, to help these nations to adopt pro-growth budget, tax, and monetary policies, but clearly we're going to have to do more to restore Asian growth. We must work to lift the weight of private sector debt that has frozen the Asian economies.

Today I'm asking Secretary Rubin to work with other financial authorities and international economic institutions to enhance efforts to explore comprehensive plans to help Asian corporations emerge from massive debt where individual firms have been swept under by systemic national economic problems, rather than their own errors. We need to get credit flowing again. We need to get business back to making products, producing services, creating jobs.

Third, Asian businesses need assistance, but so do millions of Asian families. We must do more to establish an adequate social safety net in recovering nations. Wrenching economic transition without an adequate social safety net can sacrifice lives in the name of economic theory and, I might add, can generate thereby so much resistance that reform grinds to a halt. If we

want these countries to do tough things, we have to protect the most defenseless people in the society, and we have to protect people who get hurt when they didn't do anything wrong. I think that is terribly important.

With our support, the World Bank and the Asian Development Bank have started to deal with these challenges, but they have to expand their efforts. There is simply not enough being done. I asked them to double their aid through an expanded social compact initiative focusing on job assistance, basic needs, and economic transition; on children and the elderly; on groups most vulnerable to economic change. And I want to commend Jim Wolfensohn for his efforts and his willingness to lead this expanded initiative.

Fourth, we have to be ready to respond immediately, and with financial force if necessary, to the currency crisis, if it spreads, especially if it threatens the economies of Latin America, where nations have struggled to make progress to do the right thing only to find themselves buffeted by economic storms outside their control. Therefore, the major economies should stand ready to activate the \$15 billion now in the emergency funds of the IMF, the general agreement to borrow, to ensure that the IMF continues to support reform and fight economic contagion.

Fifth, our Export-Import Bank will increase its commitments to specific economic development projects over the next 3 years—3 months—projects which will have concrete benefits for ordinary citizens in other countries, projects which will increase our own exports and thereby help our economy, and ones which can help to restore confidence in countries that they are not alone and that actual, specific, positive developments can occur.

Sixth, for the effort of the international community to succeed, America simply must meet its own obligations to the International Monetary Fund. After a year of financial firefighting, the IMF's resources are badly strained. Every day we don't act, we undermine the confidence the world badly needs that we are trying to restore. Congress simply must assume its responsibility for our leadership in the economy.

In my State of the Union Address, I said it was better to prepare for a storm when the skies were clear than when the clouds were overhead. Well, 8 months later, the clouds are closer, and you can nearly hear the thunder.

Now, the Senate, by an overwhelming bipartisan majority, has, thankfully, approved our obligation to fund our part of the International Monetary Fund. But with only 5 weeks left in this congressional session, there is still no action from the House of Representatives.

Let me put this as plainly as I can. Failure by this Congress to pay our dues to the IMF will put our own prosperity at risk. Failure to act will send a sharp signal that at a time of economic challenge, our lawmakers were unwilling to protect our workers, our businesses, our farmers from the risk of global economic change and unwilling to maintain our leadership in building a global economic system that has benefited us more than any other nation.

Concerted action to spur growth, helping Asia through private sector debt restructuring, and a strengthened social safety net, helping to protect the rest of the world through the use of the IMF's emergency fund, increasing the activity of the Ex-Im Bank, and meeting our own obligations to the IMF: these are the six immediate steps we want to take.

But we must also be willing to take action for the long run to modify the financial and trading institutions of the world to match the realities of the new economy they serve. By creating the WTO, the World Trade Organization, in 1994, we began to build a modern trading system. We must redouble our efforts to tear down barriers around the world. But as I said in Geneva last May, we must do more to ensure that spirited economic competition among nations never becomes a race to the bottom in environmental protection, consumer protection, or labor standards.

We are working to open the procedures of the WTO to participation by the public and the full range of affected interests so that people will know and see and be able to do for themselves things which will ensure that the trading system makes the world better for all the people in all the countries.

We've already completed 260 trade agreements, opening markets in areas from autos to telecommunications. Next year we will host the meeting of the world's trade ministers to set the agenda for expanded trade in the first decade in the new century.

History teaches us that at a time of worldwide difficulty, it would be folly to retreat into a protectionist shell. We must keep trade flowing among nations. But I will say again, if we want

to do that, we have got to give ordinary citizens and the groups that represent them in countries all over the world the sense that it is going to be done in a fair way, consistent with nations' obligations to advance the interests of their working people and protect not only their national but the global environment.

This November, when I meet with the leaders of the Asian economies at the APEC meeting, we will move forward to further open markets in Asia. And when Congress returns next year, I will work to pass legislation to open markets further, from trade negotiating powers to the African trade initiative. I will do so in a way that I believe will win broad support from a majority of both parties.

From the G-7 meeting in Halifax in 1995, in the wake of the Mexican financial crisis, to the Birmingham meeting this year, we have been working, also, with our major economic partners to plan for new financial architecture for the 21st century.

For the first time, this year we included key emerging markets in the process in a new Group of 22, recognizing their important stake in the global economy. This group has been working together for nearly a year now to improve the global financial assistance with a special focus on improving financial sectors, on transparency, and on private sector burden sharing.

I just want to emphasize again that even as we respond to the urgent alarms of the moment, we must speed the pace of this systemic work as well. That is why I have asked Secretary Rubin and Chairman Greenspan to convene the finance ministers and central bankers of the G-7 and key emerging economies in Washington within 30 days to develop a preliminary report to the heads of state by the beginning of next year on strengthening the world financial system.

We must develop policies so that countries can reap the benefits of free-flowing capital in a way that is safe and sustainable. We must adapt the IMF so that it can more effectively confront the new types of financial crises, minimizing their frequency, severity, and human cost. We need to consider ways to extend emergency financing when countries are battling crises of confidence due to world financial distress as distinct from their own errors in policy. We must find ways to tap the energy of global markets without sentencing the world to a cycle of continued extreme crises.

For half a century now in our national economy, we have learned not to eliminate but to tame and limit the swings of boom and bust. In the 21st century, we have to find a way to do that in the global economy as well.

I've discussed this in recent days with Prime Minister Blair of Great Britain, who is now the Chair of the G-7. He shares my belief that this is an urgent task. It is critical to the mission that he and I and Prime Minister Prodi of Italy will be discussing next week at the New York University Law School in a very interesting meeting that the First Lady and others in our administration helped to organize on how to extend the benefits of the world economy to all and how to strengthen democracy in a time of such sweeping economic change.

Now, let me just say it all again very briefly. In short, we must improve our ability to address the current financial emergency, and we must build a system to prevent such future emergencies, whenever possible, and to blunt their impact when they do occur. There is no mission more critical to our own strength and security.

And let me say this again, what is at stake is more than the spread of free markets and their integration into the global economy. The forces behind the global economy are also those that deepen democratic liberties: the free flow of ideas and information, open borders and easy travel, the rule of law, fair and evenhanded enforcement, protection for consumers, a skilled and educated work force. Each of these things matters not only to the wealth of nations but to the health of freedom. If citizens tire of waiting for democracy and free markets to deliver a better life for them, there is a real risk that democracy and free markets, instead of continuing to thrive together, will begin to shrivel together. This would pose great risks not only for our economic interests but for our security.

We see around the world the international aggressors, the harborers of terrorists, the druglords. Who are these countries? They're authoritarian nations without democracy and without open markets. Nations that give their people freedom are good neighbors. When nations turn away from freedom, they turn inward toward tension, hatred, and hostility.

We now have a chance to create opportunity on a worldwide scale. The difficulties of the moment should not obscure us to the advances of the last several years. We clearly have it within our means, if we do the right things, to lift

billions and billions of people around the world into a global middle class and into participation in global democracy and genuine efforts toward peace and reconciliation. That is a possibility, but recent events show it is not a certainty. At this moment, therefore, the United States is called upon once again to lead, to organize the forces of a committed world, to channel the unruly energies of the global economy into positive avenues, to advance our interests, reinforce our values, enhance our security.

In this room, I think it is not too simple to say we know what to do. The World War II generation did it for us 50 years ago. Now it is time for us to rise to our responsibility, as America has been called upon to do so often so many times in the past. We can, if we do that, redeem the promise of the global economy and strengthen our own Nation for a new century.

Thank you very much.

NOTE: The President spoke at 12 p.m. in the David Rockefeller Room at the Council on Foreign Relations Building. In his remarks, he referred to Peter G. Peterson, chairman of the board, Council on Foreign Relations, and his wife, Joan Ganz Cooney; Richard C. Holbrooke, U.S. Ambassador-designate to the United Nations; David Rockefeller, honorary chairman, and Leslie H. Gelb, president, Council on Foreign Relations; Prime Minister Yevgeniy Primakov and President Boris Yeltsin of Russia; Minister of Finance Kiichi Miyazawa and Prime Minister Keizo Obuchi of Japan; James D. Wolfensohn, president, World Bank; Prime Minister Tony Blair of the United Kingdom; and Prime Minister Romano Prodi of Italy.

Remarks at a Unity '98 Luncheon in New York City September 14, 1998

Thank you very much, all of you, for your warm welcome. Thank you, Denise, for having us here today and for sticking up for our party and for doing the work you have done in your daughter's memory and for being a true friend to Hillary and me. We are so grateful to you.

I want to thank Patti and Natalie for that unusual and perfectly wonderful version of "Over the Rainbow." One of the best things about being President is just being able to meet people that you've listened to sing or perform all your life, and then all of a sudden you get to know them, and then they do things like that, which are great gifts.

I'd like to thank Steve Grossman, who has been heroic in his work for our party. He is indefatigable, and he's effective, and he's a good man. And I'm very grateful to him for his leadership.

I want to thank the Members of Congress who are here—I look forward to saying to Mr. Rangel, "Chairman Rangel"—to Nancy Pelosi, to Carolyn Kilpatrick. Dick Gephardt just had to leave and has done a terrific job of holding our caucus together and working on things together. I thank Tom Daschle and Bob Torricelli

and Senator Kerrey, who just had to leave. He said he was going back to cast an agriculture vote. And I said, "How are you going to vote?" He said, "I'm from Nebraska." He said, "Whatever it is, I'm going back to vote for the farmers." [Laughter] And I appreciate his being here, and I appreciate Bob Torricelli's unbelievable work to help in this project. And I am very grateful for Tom Daschle's leadership in the Senate.

You know, last Friday Hillary and I had a lot of people down to the White House from New York—they weren't all from New York, but a lot of them were—when we had a celebration for Irish-Americans, for the progress that's been made in the Irish peace process. And I was thinking about what it was that our involvement there had to do with what we've tried to do at home. I was thinking about all the times that Hillary has been to Northern Ireland on her own to help women's groups who, predictably, even when the men's were still acting like fools, were out there working across religious lines to create a peace climate.

And I was thinking that there's something about the roots that we feel to Ireland—just