SOME LESSONS FROM THE NINETEEN-EIGHTIES
STATEMENT BY
MR. NEVILLE V. NICHOLLS PRESIDENT OF THE
CARIBBEAN DEVELOPMENT BANK
TO THE BOARD OF GOVERNORS
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I. INTRODUCTION

Mr. Chairman, Distinguished Governors, Members of the Board of Directors, Your Excellencies, Observers, Guests, Vice-Presidents and other Members of Staff of the Caribbean Development Bank, Ladies and Gentlemen.

I am delighted, Mr. Chairman, by your gracious welcome to us all. And I am impressed by the splendour which your Government has brought to this Opening Ceremony. The warmth of your welcome and the excellent preparations made for this Meeting and on our behalf, are indicative of the high esteem in which your Government holds our Caribbean Development Bank.

It is well known that the Bahama Islands are splendid hosts. They are attractive in the finest sense. They draw people to them. Little wonder, therefore, that is was here that the errant Christopher Columbus made his original landfall in the Americas. We have enjoyed your warm welcome before. For it was within these islands in 1970 that the concept of an institution to assist the economic development of our Region became a reality at the Inaugural Meeting of the Bank's Board of Governors. It was to these Islands that we came again in 1980 to hold our Annual Meeting and to celebrate our Tenth Anniversary. Today, it is to these Islands that we have returned on this our Twentieth Anniversary.

In recording our thanks to The Bahamas for hosting this meeting and for the very solid role it has played - in partnership with the other member countries - in supporting CDB over the first two decades of its existence, I am extremely pleased to observe that the projects which CDB has, in turn, financed in The Bahamas have contributed to the maintenance and improvement of this country's health, wealth and prosperity. Ours is now a solid partnership from which both sides have benefitted considerably.

The Bank remains unshakably committed to the further development and expansion of the economy of The Bahamas, and looks forward to working in close harmony with the Government to identify other viable undertakings for which capital financing might be provided.

II. HIGHLIGHTS OF CDB'S PERFORMANCE IN 1989

Mr. Chairman, we have just witnessed the close of one of the most momentous decades in the economic history of the Caribbean. Because of the nature of our institution, we have been intimately involved in the course of many of the economic developments of that decade and, in many instances, have made substantial contributions to the outcome in our Region. Indeed, the record of this Bank is one in which we can all justifiably take great pride.

Nonetheless, I must resist the urge to present, at this stage, the impressive details of the Bank's performance during the 1980s. Instead, I would like to share with you one highlight which in human terms exemplifies the best that we have been over the years. In 1980, as part of the activities to mark its Tenth Anniversary, our Bank announced the award of three scholarships - one in Accounting, one in Agriculture and one in Engineering. The scholarships were tenable at the

University of the West Indies (UWI) for a three-year period leading to a Bachelor's Degree. The scholarship for Accounting was awarded to a promising student from St. Vincent and the Grenadines, Mr. Maurice Leroy Edwards, who proceeded to do exceptionally well at UWI, Cave Hill Campus, and after graduation, to perform excellently in both the public and private sectors of St. Vincent and the Grenadines. Today, I am delighted to draw to your attention the fact that Mr. Edwards, who is now Acting Director General in the Ministry of Finance in St. Vincent and the Grenadines, is now a member of the Board of Directors of CDB. Indications are that the other two scholarship winners are also distinguishing themselves.

Although I have refrained from imposing on this distinguished assembly, a chronicle, however concise, of the Bank's major achievements over the last decade, I must, however, as is customary, say something about the Bank's performance in 1989.

Mr. Chairman, 1989 was a year of outstanding success. Principal among the year's achievements is the Bank's expansion to 25 members. The Federal Republic of Germany completed all formalities and acceded to membership in October. I wish to join you, Mr. Chairman, in extending a very warm welcome to the Governor and Delegation of the Federal Republic of Germany.

1989 was another year of significant net transfer of resources -US$18.7 million - to our Borrowing Member Countries as a group, and I must point out this unique position which the Caribbean Development Bank currently holds among international financial institutions in this regard.

It was a year of restored balance to project financing, in the sense that loan approvals from Ordinary Capital Resources in 1989 represented 58% of total lending in comparison with only 20% in 1988, arising from the fact that Ordinary Capital Resources grew with the accession of Italy late in 1988 and the Federal Republic of Germany in 1989.

It was also a year of greater focus, within the Bank, on maintaining a sensible balance between economic progress and environmental protection in the Caribbean. I thank the Governments of both Canada and France for their significant assistance towards this objective.

It was a year of substantially higher indirect financing and direct technical assistance towards making the Region's Private Sector more dynamic and its export production more vibrant.

It was a year of increased training activity by the Bank, directed at both the Public Sector and the Private Sector, with the objective of making the Region more competitive in consonance with my **Statement to this assembly last year in Port of Spain.**

Moreover, it was a year of purposeful preparation within the Bank towards the mobilisation of additional hard and soft resources; in analysing international developments and assessing their probable impact on the near- and medium-term prospects of the Borrowing Member Countries (BMCs); and in the formulation of policies and strategies for the new decade.

For the next few minutes, Mr. Chairman, I would like to point out some of the more pertinent facts and figures resulting from the operations of the Bank in 1989.

Gross loan approvals of US$75.6 million were 15% higher than in 1988, setting a new record. Generally, projects were processed with greater skill and, subject to responses from our borrowers on information and policy requirements, with greater rapidity. Nineteen loans were approved for 13 countries during the year, including some which had sustained severe damage during hurricane Hugo in September. In addition, continuing intensification of supervision helped to minimise the number of problem areas in projects under implementation.

Total disbursements, at US$58.8 million, also reached a new record, and have pushed cumulative disbursements over the life of the Bank to almost US$600 million.

It is particularly noteworthy that CDB's administrative expenses have been contained while its lending and other operational activities have exceeded previously attained levels. In current dollar terms, the annual administrative expenses for each of the five years 1984 through 1988 were lower than the 1983 level; and that for 1989 was a mere 0.1% higher than in 1983. OCR interest rates were lowered by 145 basis points between 1985 and 1989. That was essentially made possible by the containment of administrative expenses; and through adequate levels of equity subscriptions made available by a growing membership. Even lower rates might have been possible had callable capital been adequate to allow CDB to borrow, like the other multi-lateral development banks, from the international capital markets when interest rates and exchange rates were very favourable. The Bank's administrative efficiency and the capacity to keep unit costs down in spite of its relatively small scale of operations in 17 small borrowing countries is a commendable achievement of which we should not lose sight even though we continue the quest to improve on past efficiencies.

Net income from Ordinary Capital Resources was US$6.9 million compared with US$6.5 million in 1988.

At the end of the year, net cumulative financing totalled US$788 million, of which 55.5% went to the Less Developed Countries. Further, about 75% of the Bank's financing from "Soft Fund" Resources over the past 20 years has gone to the LDCs. Since the LDCs account for only 13% of the population of the BMCs, these percentages indicate how well the Bank has been fulfilling its mandate of paying special regard to the needs of the LDCs.

Overall, the Bank continued to provide significant support to the Region in capital financing, in training and in the critical area of national economic management. In collaboration with other international institutions, the Bank continued the efforts towards finding an acceptable formula for the resolution of the Guyana arrears situation, and to participate in a structured economic recovery programme for that country.

Mr. Chairman, the Bank's management continues to monitor the arrears situation closely given the importance of avoiding arrears on its loan portfolio for institutions such as ours. A resolution of the Guyana arrears problem now seems imminent. Antigua and Barbuda, the other country with persistent arrears, has been making periodic payments towards the reduction of such arrears. Since the other BMCs have no persistent arrears, if the Guyana arrears are indeed cleared soon, then CDB's arrears situation will look comparatively quite good.

The most important satisfaction for us, however, is the good economic performance of most of the BMCs in the year - particularly the LDCs - to which it was CDB's mandate to pay special attention. Indications are that in most of these countries output increased, as did public sector savings; and they showed consistently healthy external account balances.

We continued the policy of close consultation with the member states and other financial organisations, and on several occasions during 1989, and continuing in early 1990, I took the opportunity to visit Borrowing Member Countries to familiarise myself with conditions and to maintain ongoing contact with Governors in between these Annual Meetings. We are deeply indebted to our Governors for their continuing wise counsel and guidance in helping our institution to attain its objectives.

Mr. Chairman, the achievements to which I have adverted have been the results of conscientious and hard work by all, and I publicly commend the Board of Directors, my Management colleagues and other Staff of the Caribbean Development Bank for their contributions. I am also appreciative of the continuing financial and other forms of support which the Bank has received from its members and nonmember contributors such as The Netherlands and the United States of America and the multilateral institutions.

Further, on this Twentieth Anniversary, we must note that the Bank's performance in 1989 cannot, indeed should not, be looked at in isolation. We must acknowledge the solid foundation laid and the contributions made by past Presidents Sir Arthur Lewis and Mr. William Demas, by past Governors, Directors, and staff who have all contributed greatly to the Bank's efforts over the last 20 years.

Mr. Chairman, no review of 1989 would be complete for the Bank without mention of the death, in the last month of the year, of a former Governor for Grenada - the late Prime Minister of that country - the Rt. Honourable Herbert Blaize. He would have enjoyed the Twentieth Anniversary Symposium on "CDB to the Year 2000"; for at these meetings between 1985 and 1988 he had consistently urged his fellow Governors to spend some time on the kind of discussion and exchange of views that took place during the Symposium. His wise counsel will be missed in this forum.

In concluding these remarks about the performance of the Bank, let me stress that all indications are that the path through the 1990s will be strewn with major obstacles to Caribbean development. Our tasks as a development bank are far from complete. The Bank needs unstinted support now. That is why we hope that we will be able to conclude successfully the planned general capital increase and also get the much-needed replenishment of the Special Development Fund to assist in addressing the many developmental problems which still confront us.

So much, Mr. Chairman, for the Bank's performance in 1989. I now propose to say something about the economic performance of the Region during the 198Os, and seek to identify some of the lessons we have learned.

III. THE '80s IN RETROSPECT

1. Introduction

It is customary, perhaps even fashionable, that at the start of a new decade - or if your prefer, at the end of an old one - we take time to reflect. The decade of the 1990s has just begun. At the same time, CDB celebrates 20 years of development banking. And also, many startling changes which may well have both favourable and unfavourable implications for our Region, are taking place worldwide.

All these changes have come at the end of a decade which began with the industrial world going into its most serious recession since the end of the second world war. The subsequent sustained recovery in the OECD countries has still not spread to the majority of the developing countries. Indeed the decade saw the collapse of commodity prices and the emergence of a horrendous debt crisis which has ravaged the economies of many commodity producing regions.

Mr. Chairman, these events could not have failed to affect a Region as open as ours. At the start of the decade one of our BMCs earned the major share of its export proceeds from petroleum products and another two were among the major producers of bauxite. In quite a few, sugar was still a dominant export. This country of lovely islands was already a major service-oriented economy. It was inevitable, that the events of an era that saw the most massive gyration in the world economy from a state of materials dependency to one of knowledge and technological dependency, should have shaken the economies of the Caribbean Region. How did we respond?

2. Overall Regional Performance

In a decade characterised by generally continuing weak international demand for and low prices of some of our major exports, Caribbean Countries increasingly came to understand that their domestic economic difficulties were caused not only by events in the external environment but also by structural imbalances in their domestic economies. Consequently, the decade was characterised by ongoing efforts by the BMCs to adopt more coordinated and targeted approaches to national economic management. Significantly, there were wide differences in the fortunes of the 17 BMCs. Some had high growth rates whilst others witnessed sustained periods of low, if not negative, growth. The larger BMCs which had the generally weaker performance were more constrained by a debt overhang and the negative consequences of excessive monetary growth in an earlier period as well as during the decade.

a. Output, Foreign Exchange Earnings and Debt

Whatever domestic causes may have contributed to the relatively poor fortunes of our larger BMCs, it is undeniable that they were exacerbated by the collapse in demand for their major commodities such as bauxite and petroleum. Compared to the mid-1970s, there was a significant fall both in output and the value of these commodities. This led to a considerable reduction in foreign exchange earnings in the region as a whole. On the other hand, those parts of the region which relied predominantly on tourism and the export of bananas for foreign exchange receipts, did, on the whole, very well for most of the decade. This, from the vantage point of the Region as a whole, was insufficient to completely counteract the negative consequences of the decline in demand for bauxite and oil. There was at the same time, fairly limited scope in the short run for the compression of imports. And it is well known that there has been a decline in concessionary financing to the Region.

It is therefore not surprising, that although the region pursued adjustment programmes, its stock of external debt grew from US$3.2 billion in 1980 to US$7.5 billion in 1988.

b. Standard of Living and Social Conditions

Already, by the end of the 1970s, a severe contraction in domestic expenditure had begun to take place in Guyana and Jamaica. Although this decline began to be arrested in Jamaica early in the 1980s, that economy never returned to the plateau of the previous decades. In Guyana, performance continues to worsen. Trinidad and Tobago continued to have a buoyant economy propelled by the high price of oil until around 1982. Thereafter, that economy began to decline as well. In all of these countries, public sector real expenditures, including those on wages and employment, were reduced.

The major casualty of cutbacks in public expenditure during the 1980s was social infrastructure. Health, transportation, education and other facilities deteriorated because adequate budgetary allocations could not be made to maintain facilities, purchase supplies and equipment, and to recruit skilled, technical and competent personnel. In some cases, substantial funding was indeed available from external sources to finance capital investments but inadequate attention was paid to the recurrent cost implications, including maintenance.

c. Skills Base and Employment

Part of the Region's performance problem lies in the inadequacies of our education system. Expansion of public services with the coming of self-rule, and introduction of new economic activities such as mining, manufacturing and tourism, since the 1950s, created a need for major shifts in the skills base required for efficient economic management. However, the education sector was ill-equipped to respond and, by the 1980s, the need for a fundamental structural change in the skills base became acute. This was evidenced by more open structural unemployment, inability to maintain the expansion and diversification of production to exploit new trade agreements, and a decline in export competitiveness of a broad range of industries because of low quality and productivity.

As growth slowed and in several countries became negative and social conditions deteriorated, emigration increased among the skilled and semi-skilled workforce, impatient with wages that did not keep pace with inflation and with their expectations. This worsened an already acute shortage of skilled labour in the Region.

Although in the 1980s, the tourism and manufacturing sectors, and towards the end of the decade the construction boom provided substantial new employment opportunities throughout the Region, unemployment in many countries remains extremely high and is, in these countries, a severely pressing issue. This highlights some of the structural problems, including the continued failure of some countries to identify suitable employment opportunities for the labour force and bottlenecks which restrict movement of labour intra-regionally to take advantage of opportunities in, for instance, the British Dependencies which still have an acute shortage of skilled labour. In addition, the composition of the labor force suggests that an increasing proportion of young adults (14-24 years) is experiencing difficulty finding jobs. Eighteen years ago, the first President of the Bank, Sir Arthur Lewis, speaking in this very forum about unemployment in the Region said: "it is an agonising human problem, in its own right, that so many of our youngsters, on leaving school, may tramp the streets for a whole year or two before finding their first job. No one of us deserves happiness while this condition lasts".

3. Lessons From the Difficulties of the 1980s

Increasingly during the 1980s, most of the BMCs had come to understand that domestic economic difficulties were caused not only by external shocks and the vagaries of the international economic environment, but also by fundamental structural imbalances in the domestic economies themselves. Consequently, the decade was characterised by ongoing efforts by BMCs to adopt whatever approaches were deemed necessary to counteract those imbalances.

As a result, much of the decade that has just ended, has been one of structural adjustment for the BMCs. For many of our citizens, this has come on top of an earlier similar adjustment that began toward the end of the 1970s. Not surprisingly therefore, our people are beginning to feel an element of adjustment fatigue and are beginning to ask "How much longer?"

Although, Mr. Chairman, I am not pretending to have an answer to that, I think that if we can reflect for a little while, on some of the lessons that have come out of this period of adjustment, we may be able to hasten its end somewhat. We may even learn to avoid some of the circumstances that have forced so tiresome a period of adjustment on all of us.

What are some of these lessons? A major lesson we should have all learned by now, and that is implicit in what I have already said, is that in a world of everchanging technology, consumer preference and price structures, periodic structural adjustments are necessary. In large complex economies with several major industries, this process can take place in single industries with relatively benign consequences for the economy as a whole. This is none other than the theory of innovations that Josef Schumpeter sketched in his Theory of Economic Development. In less diversified economies, the consequences of adjustment are necessarily more pervasive. And this has to be kept in mind always. Nonetheless, understanding that structural adjustment is inevitable, could probably prevent the tardiness that has sometimes characterised the implementation of much needed adjustment.

The second lesson I would wish us to note is that the consequences of adjustment are bound, on the whole, to be in the first place, unpleasant. The need for structural adjustment, may sometimes be perceived early and appropriate measures may be implemented before too much harm has occurred, even in a relatively simple economy. Some of our economies have had this experience in the decade. More often than not, the need for structural adjustment is signalled by a balance of payments disequilibrium. [1/] In a monetary union such as some of our BMCs have, it may show up in the fiscal imbalance instead. Whatever the case, measures must be put in place to correct the imbalance because, such imbalances are by nature not sustainable for long periods and only so when non-residents permit the country to have access to their resources.

In some measure therefore, the "side-effects" of adjustment are inevitable. We have a responsibility to help our people understand that the hardships they encounter during periods of adjustment, do not have to be the result of the villainy of anyone. Their severity is, however, undoubtedly intensified by delay in implementing corrective policies. We should endeavour, at all reasonable cost, to lessen these negative consequences - cushion the shock - of structural adjustment. But it would be irresponsible to suggest that those consequences can be entirely avoided.

My immediate predecessor understood these issues clearly. Addressing the Fourteenth Annual Meeting of this Board in May 1984, he had, inter alia, the following to say:

> "particularly over the last ten years, the lack of internal and external balance in the economies of developing countries may have gone deeper than can be put right by policies of mere economic stabilisation; and a structural adjustment programme is what is called for; not only must aggregate demand be managed, but an increase in aggregate supply... is also required. This is because certain features of the world economy may have changed adversely in a permanent way - for example, the rise in the price of energy, or massive increase in external debt service payments, or the loss or diminution of an important source of foreign exchange earnings."

Nonetheless, it appears that even then, we may have underestimated the severity of the shock that the restoration of full balance would entail. Overall, we seem to have experienced adjustment fatigue. This leads me, Mr. Chairman, to the third lesson. Put briefly, there is no quick fix to an economy that has moved into a fundamental balance of payments disequilibrium and that requires a structural adjustment for it to return to the stable equilibrium. This has an implication that should not be missed. If, in a democratic society, the population is going to be exposed to a relatively long period of repressed expectations, there will have to be a high degree of political consensus. In other words, adjustment programmes have got to pass the test of political sustainability as well as that of economic and financial feasibility. This may sometimes require no more than an astute phasing of the various measures of adjustment. More often it will entail a level of participation by a wide cross section of the society, including the cooperation of political adversaries, in the planning of the adjustment programme.

The fourth lesson I think we can draw from our protracted period of adjustment, has been alluded to repeatedly in what I have said before. Let me, though, restate it in this way.

I believe that the basic theory about the adjustment of a small open economy to a balance of payments disequilibrium, and the further reforms to restore lost competitiveness that we now call Structural Adjustment, is simple and, as I said earlier, quite well-known. What is at least as important as an understanding of the basic theory, is an appreciation of any special circumstances which may confront the country in need of adjustment.

It is regrettable that these special circumstances are often not fully appreciated by external agencies who assist us in the design of our adjustment programmes. It is, for instance, difficult to deny that insufficient attention was paid to the unintended social consequences of some of our earlier structural adjustment programmes.

On the other hand, I believe we will find that, as the disequilibrium worsens, not only does the uniqueness of the country-specific circumstances decline, but the influence of domestic policy-makers and advisors weakens. This, in my opinion, adds poignancy to the fifth lesson I think we should draw from the structural adjustment experiences of the 1980s. The lesson is that whenever there is a perceived need for adjustment, we must act promptly. Delay worsens the situation.

There is a corollary to the premium we are placing on speedy implementation of adjustment policies, once they become necessary. It should follow that there should exist mechanisms for sound analysis of our ongoing economic performance so that deviations from the desired path can be quickly perceived. This must be coupled with thorough professionalism combined with a respect for the professionalism of those analysts who are entrusted with the duty of warning us of any dangers they objectively anticipate. Let me give you an illustration of what I mean.

The openness of our economies imposes a severe limitation on the range of viable policies at our disposal. However, monetary policy supported by appropriate fiscal and trade policy regimes offers a powerful tool to avoid and/or intercept a deterioration in the balance of payments of our economies. If at the earliest observation by our policy-makers that our balance of payments was running into trouble, we were prepared to make the appropriate fiscal and monetary adjustments - "nip it in the bud" - so to speak, there would be far less likelihood that a serious deterioration requiring protracted and larger doses of the bitter medicine of adjustment or of very heavy debt burdens could become necessary. I think, Mr. Chairman, you will agree that we have been afforded an excellent example of the success of fiscal restraint imposed by monetary arrangements from the experiences of those of our BMCs that are part of the East Caribbean Central Bank (ECCB) arrangement, or that use, as a medium of exchange, the US dollar. I do not think it is beyond the competence of the rest of the Region, which has a more discretionary monetary system, to draw the proper conclusions.

The sixth lesson, therefore, is that borrowing to avoid undertaking necessary adjustment or to delay adjustment will not work. On the other hand, external financing, particularly on concessionary terms, is essential to ameliorate the pains of adjustment. The financing provided by donors and institutions should be appropriate to the programme designed so that the debt service stream on incremental financing would be less than the balance of payments improvements resulting from the programme. This is to avoid debt servicing problems.

These, Mr. Chairman, have been some of the more important general lessons associated with the structural adjustment experience of our BMCs during the 1980s. However, there are a few other broader lessons which go beyond the realm of structural adjustment - a framework which itself is only designed to create a favourable macro-economic climate. The first broader lesson is that political, social and economic stability is a critical ingredient in maintaining investor and producer confidence and hence in stimulating investment and eventually output.

Mr. Chairman, the Commonwealth Caribbean has a history, indeed a reputation, of stable but progressive political and social climates. These characteristics have obviously helped all the BMCs immeasurably in cushioning the shocks of the 1980s. Structural adjustment programmes are more likely to succeed when there is popular consensus, social stability and economic discipline. I think that we all recognise how crucial a role our social, political and economic climates play in enabling economies that are in the process of structural adjustment to weather the storm. We cannot afford to forget it.

Mr. Chairman, our BMCs do not have an over-abundance of material resources. Given this fact, we should concentrate our limited time and resources on development strategies that are congruent with whatever comparative advantage we have or can attain in a reasonably short time. This requires that, although we should strive to involve all sectors in our struggle to make a better Caribbean for the future, we should not expect either the public or the private sector to take on more tasks than it can competently perform. Each sector has an important role to play.

Mr. Chairman, I have tried to argue:

i. that the process of structural adjustment is a necessary one which emanating from the nature of a modern economic system;
ii. that in small open developing economies, with a relatively small industrial base such as ours, the process will inevitably be more pervasive than in a more complex economy;
iii. that adjustment is bound to entail, in some measure, the diminution of living standards and this is more likely to be endured if there is a greater level of social solidarity in the country;
iv. that the sooner we start on a period of needed adjustment the more relevant to our circumstances and the less painful it is likely to be;
v. that resources on appropriate terms are essential to ameliorate the pain of deep structural adjustment; and
vi. that we cannot afford to relent in our quest for efficiency in the use of our limited resources and the exercise of sound economic discipline in a climate that engenders confidence and breeds success.

For after all, the purpose of structural adjustment is to restore balance to our economies and put them on a sustainable growth path. Some people see structural adjustment as unnecessary. It must never be conceived of as an end in itself. In spite of the hardships that it may impose on our citizens, we should not recoil from necessary structural adjustment. And we need to sustain it until it is effective. Our programme of adjustment to the circumstances of the 1980s has been painful but I believe it was necessary. Already in most parts of the Region, we have economies that are better equipped to face the challenges of the 1990s than they would have been if they had not endured that necessary pain.

Mr. Chairman, much of what I have said, so far, has been about lessons that we in this lovely region could ourselves distil from our experiences in the 1980s. In other words, I have been talking about what we could do for ourselves. In a world where altruism is scarce, it would perhaps be foolish not to emphasise those lessons first. But the world economy is, in a sense, a closed system. Once developing regions have done their best to stabilise their economies and adjust their economic structures to new realities, surplus economies should regard themselves as having an obligation to make available, on less than onerous terms, the resources and the markets that are necessary to complete the process of structural adjustment. CDB wishes to place on record its appreciation for the support it has received from its non-borrowing members, and from non-member contributors and urge that others in their position should follow their example.

IV.

V. CONCLUSION

These first twenty years of CDB's existence have been a challenging period for the people of our Region. We have not, in sheer economic terms, performed as well as some other regions. And, we have often been our own sternest critics. But throughout, for the most part, our Region has remained a democratic and peaceful one. I think you will agree with me, Mr. Chairman, that CDB has made its contribution to the progress we have, on the whole, achieved. CDB remains committed to respond to whatever challenge our Region assigns it, as our BMCs strive to come out of the crucible of structural adjustment with some gain to show for the hardships so many of our citizens have peacefully endured.

[1/] Elaborating on a theory by J.S. Mills, John Maynard Keynes in his classic 1929 article in the Economic Journal "the German Transfer Problem" demonstrated that such imbalances always eventually impel a retraction in domestic expenditure by the economy in serious disequilibrium.