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Opening Address by the Chairman of the Boards of Governors
the Hon. **MAURICIO CÁRDENAS**,
Governor of the IMF and the World Bank Group for **COLOMBIA**,
at the Joint Annual Discussion

2016 Annual Meetings
Address by the Chairman of the Boards of Governors
Honorable Mauricio Cárdenas
Governor for Colombia

Esteemed Governors, Madame Lagarde, President Kim. Welcome to the 2016 Annual Meetings of the IMF and World Bank, and the 70th Plenary of the Boards of Governors. Please join me in thanking Madame Lagarde and President Kim for their extraordinary dedication and leadership, in particular for their efforts to preserve and promote global economic cooperation in a challenging world.

It is a great honor for me to chair this event on behalf of my country. Colombia's development has accelerated impressively in recent years due to responsible macroeconomic management, institutional strengthening and effective social interventions. Our economy has been growing steadily and our social indicators have improved consistently.

Yet, we continue to pay the high human and economic cost of a 52 year-long armed conflict with FARC. President Santos is determined to put an end to it and begin a new chapter in our history. Today the Norwegian Nobel Committee decided to award him the Nobel Peace Prize for 2016. As the Committee says "The award should also be seen as a tribute to the Colombian people who, despite great hardships and abuses, have not given up hope of a just peace, and to all the parties who have contributed to the peace process. This tribute is paid, not least, to the representatives of the countless victims of the civil war."

Peace will not only save lives. Conflict exacerbates poverty through various channels: It lowers productivity as it destroys infrastructure; it reduces investment by weakening confidence; it grants fewer educational opportunities to our young; and it breeds higher unemployment.

We estimate that peace alone will accelerate potential economic growth by at least one percentage point per year. But in those rural areas where the conflict has been more intense, the benefits will be significantly larger.

A peace agreement was reached. It envisions the demobilization and reintegration of FARC rebels; it provides justice and reparation to victims, including more than 6 million people that have been displaced from their homes. It also promotes a more open democracy.

However, last Sunday, in a plebiscite, Colombians rejected the agreement by a small margin. Fear and uncertainty temporarily defeated hope and opportunity.

These are symptoms of a wider global trend: fear of working with outsiders, the perception that integration hasn't worked and will not work—at least not for everyone—and a profound distrust in the capacity of the political system to deal with these issues.

With millions living in poverty, feeling the effects of income inequality and unemployment, many were persuaded that the costs outweighed the benefits, and that it was better to reverse course.

These tensions, and the sentiment of voters, are similar to what we see in advanced economies today. Whether it's mass immigration, refugee crises, or simply more competition due to globalization, citizens want to "take back control." In many advanced economies this is reflected in decisions to adopt stricter border controls, to abandon integration, and to introduce protectionist measures.

In a sense, this is a failure of leadership. Instead of defending an evidence-based approach to progress and making the case for hard choices, many have chosen the easy path of playing on people's fears and advocating policies of isolation.

Building walls around problems maybe a simple answer but it is not a real solution.

So what are we to do? How to exercise effective leadership in a world of distrust?

The first priority is to strongly address the backlash against open markets. International trade is the lifeblood of the global economy. It drives firms to specialize and innovate. If we stop that process—even temporarily—we will limit future productivity growth, especially in developing and emerging countries where these gains will be larger.

One option to circumvent this backlash is to promote regional integration, as we in Colombia have done with the creation of the Pacific Alliance, together with Chile, Mexico, and Peru. This deep economic integration is bringing more opportunities to businesses and more jobs to our citizens.

We can also develop and implement growth-oriented policies at the country level. For example, through an innovative model of PPPs, the private sector is currently investing \$15 billion dollars in roads, the largest infrastructure program in our history and one of the largest in the emerging world today. This program will improve competitiveness by significantly lowering transportation costs. It will also increase our long-term productivity growth.

But country level actions need to be complemented with active multilateralism, by which I mean global economic coordination and cooperation. Opportunities for most of our countries depend heavily on global prospects. This is why the IMF and World Bank are indispensable. If we don't foster and preserve a framework for cooperation, we risk reversing the gains obtained from open and dynamic markets.

These institutions should continue to assist policymakers by providing advice, developing institutional capacity, and lending to countries in need.

One example is the need of a better global financial safety net, through renewed and expanded IMF lending facilities. Strengthening the financial position of the World Bank Group to better respond to challenges is a first step. The Bank should remain focused on the needs of the poorest and most vulnerable.

But this will not be effective without properly strengthening governance. The Bank and Fund need to be organized in a fairer and more democratic way.

Multilateralism and the search for peace are very much the same: both have the potential to bring great prosperity, but both can be easily derailed by fear. We must look beyond the short-term political gains of nationalism and protectionism, just as it is Colombia's duty to reach a peaceful solution to our internal conflict.

A pragmatic approach to incorporate the views of those that want to make adjustments to the Peace Agreement is necessary. It will help us consolidate a new nation that will be safer, more prosperous, more just, more equitable, and better educated. Two days ago the young came out to the streets in massive numbers and sent a very clear message: They want peace; they want political leaders to set aside their differences and work together to reach an agreement soon, before the chance for peace vanishes.

Inclusive growth, more trade and greater cooperation are our goals. But our toolkit will only work if we are successful at compensating the most vulnerable who are set to lose. Otherwise they will become the feeding ground for the advocates of isolation.

I'm convinced we can defeat the politics of fear. But we need to make the case for integration with passion, honesty, courage and determination. As the Nobel Committee said this morning we all should have "strength to succeed in this demanding task". This is a battle we cannot afford to lose—we risk losing our main engines for progress and leaving behind those who need our help the most.

I thank you for your commitment to building a world where decisions are based on the principles that these institutions embody.