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Statement by the Hon. **ARMEN R. DARBINIAN**,
Governor of the Fund for the **REPUBLIC OF ARMENIA**,
at the Joint Annual Discussion

Armen R. Darbinian
Prime Minister of the Republic of Armenia

Honorable Mr. Chairman,
Honorable Mr. President,
Honorable Mr. Managing Director,
Dear Governors,
Distinguished guests,
Ladies and Gentlemen,

It is a pleasure to be here this morning, to have this opportunity to speak before such a distinguished and knowledgeable audience. On behalf of the Government of Armenia I welcome the participants of the WB/IMF Annual meeting. It is my belief that this gathering today will have a major role in overcoming the pressing issues that the global economy faces today.

1998 has been a year of achievements and challenges for all of us and moreover, it has been a period of learning. We have been witnessing new accomplishments in the areas of economic growth, poverty alleviation and integration trends. At the same time, we have also been witnessing the consequences of the recent financial crisis.

Today, almost everyone agrees that an integrated international financial system is essential for development. Improving the financial system can lead to higher growth and reduce the likelihood and severity of crises. In speaking about financial reform, we need to treat liberalization as a means rather than an end.

The future of the international monetary system has now become a subject, which is widely discussed. We appreciate the IMF's efforts to work with the member governments on proposals to strengthen the architecture of the international financial system by identifying steps that can be taken to minimize the risks of crises in the future. We need to have a global system that is stable, sound, open, transparent, and fair.

The crisis, which began in Thailand in mid-1997 has spread beyond Asia to Russia and is now affecting countries all over the globe. The affected countries and the other emerging market economies need to continue to undertake the hard work of disciplined macroeconomic policies, which involve sound public finance, a stability oriented monetary policy and a pragmatic and transparent approach to exchange rate management. In this regard great importance should be attached to the role of IMF and the World Bank in the following three directions:

- first, maintenance of stability in international financial markets,
- second, prevention of the expansion of financial crises and provisional support to affected countries,
- third, introduction of new consultations mechanisms on a regional level.

In elaborating on this last point, it is our understanding that we would gain more if the IMF starts its Article IV Consultations on a regional level in addition to the state level. With regard to economic policy development many of the countries that are closely cooperating with international financial institutions are on the contrary very passive on regional level. Consultations on a regional level would provide us with a possibility to substantially decrease the threat of the expansion of financial crises and will highly contribute to economic growth.

The 21st century, I believe, will be a period of economic integration among countries. At this point, we are witnessing the emergence of new developments, such as integrated communications system; regional infrastructure development; and a free movement of labor, commodities and capital. There is a pressing need for joint management and operation of oil and gas pipelines; communications; construction of roads and railways, which will result in the more effective utilization of the existing infrastructures. These will provide additional possibilities for the countries to fully use their potential.

Regional co-operation is a first priority foreign policy issue for Armenia. We repeatedly express our readiness to foster such co-operation. As such, Armenia is proving its commitment to this on a day to day basis, be it within the framework of co-operation among the Caucasian States, the NIS, the BSEC countries, and the TRACECA program. This is also demonstrated by Armenia's stance to acquire membership in the World Trade Organization. Last year, we joined the 8th Article of the IMF Articles of Agreement. Also, Armenia is among the few countries that have joined the 4th Article of the mentioned Agreement.

However, to our great regret, we have to state that regional cooperation in the Caucasus is obviously being hampered by the blockade imposed on Armenia by Turkey and Azerbaijan. No region can reach its full development potential while attempts are being made to isolate one of its components. Such attempts are doomed to failure, as they hinder regional cooperation, which has become an imperative as we enter the 3rd millenium.

We understand that the efficient utilization of Armenia's possibilities, afforded by its strategic location, is directly linked to the political stability and economic prosperity of the country. In this regard, the Government of Armenia has adopted the following policies for the coming five years:

- First, in the political arena, our goal is the creation of a democratic society;
- Second, in the economy the major task for us is the formation of a legal basis that will establish a competitive framework for a liberalized market economy. Also, we need to encourage of the supremacy of private ownership;
- And third, in the social sphere, we recognize that the state should guarantee a necessary level of social protection for everyone, and should provide citizens with the possibility to fully apply their potential.

Today, the economy of Armenia has demonstrated significant achievements. A strong economy is the guarantee for a strong country; this has become the slogan of 21st century Armenia. Since the beginning of 1998 a transition was made from the stabilization policies that were adopted at the start of independence to strategies for high economic growth and maximum encouragement of investments. The new Government's program of macroeconomics, structural, sectional and institutional development policies, approved by the Parliament of Armenia in May 1998, has introduced the concept "From Stabilization to Economic Growth". The implementation of this program is to provide by yearend 6 percent or more real GDP growth annually, with inflation lower than 10 percent. Consequently, an unprecedented high rate of economic growth was registered, and also new export possibilities were discovered.

A substantial increase in the volume of investments has been observed this year in Armenia. I would like to emphasize the importance of IFC and MIGA in providing support for investors throughout the world and I encourage them to expand their activities in our country as well. I am sure that building upon Armenia's strong macroeconomic and structural reform record, these institutions could be more responsive to the country's pressing investment needs.

Investment in human capital is the another important point of our policy. We believe that Armenia's highly educated labor force is one of the major factors contributing to the country's future economic growth. The Government of Armenia gives priority to the reforms in the education and health sectors in its overall economic reform program. In this regard we are going to enhance our relationships with the World Bank.

To summarize I want to restate the message that the long term and sustainable economic growth will enable us to meet the challenges that we are facing today in our collective goal of creating a peaceful, integrated and a stable world.

Thank you.