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Statement by the Hon. **CARLOS SAUL MENEM**,
President of the **REPUBLIC OF ARGENTINA**,
at the Annual Meetings of
the Boards of Governors of the International Monetary Fund
and the World Bank Group

**STATEMENT TO THE 1998 JOINT ANNUAL MEETINGS
OF THE BOARDS OF GOVERNORS OF THE INTERNATIONAL MONETARY
FUND AND THE WORLD BANK GROUP
BY DR. CARLOS SAÚL MENEM
PRESIDENT OF ARGENTINA**

WASHINGTON, D.C.

Mr. President of the United States,

Mr. Chairman of the Meetings of the IMF and World Bank,

Mr. Managing Director of the IMF,

Mr. President of the World Bank,

Mr. President of the IDB,

Governors,

Ladies and Gentlemen:

These meetings provide us with a unique and historic opportunity to address the major challenge facing us at the end of the 20th century; namely, how are we to achieve sustained economic growth that benefits all mankind?

There is a broad consensus that a globalized economy based on market forces is singularly well-equipped to achieve this objective.

At the same time, however, there is also a fear of recurrent financial crises, the consequences of which are likewise “globalized.”

Such crises cause uncertainty, and they undermine stability and the rule of law.

It is frightening to think that a person’s entire assets or livelihood can be completely at the mercy of sudden market reactions triggered by events occurring in other countries.

Individual nations can no longer afford the productivity gaps created by delays in reforming their political, economic, and social institutions.

Make no mistake; such delays have had short-term repercussions. To make matters worse, these repercussions can assume crisis proportions and, when coupled with weak political, fiscal, and monetary institutions, may evolve from crisis to collapse.

What we are dealing with, then, is a moral issue, one which we must address if we are to muster political support for a global economy based on market forces.

Lest there be any doubts, we are all well aware that inequity is not an inevitable consequence of market forces or of globalization.

Just as governments have the power to influence how fast growth occurs in a society, so too they can use that power to control how equitable that growth is. The challenge is not simply to maximize the gains to be shared, but also to maximize the number of beneficiaries.

This is the philosophy of Pope John Paul II, who has just completed the 20th year of his historic tenure as pope and with whom we in Argentina feel great affinity in every respect.

In order to make up for lost time, and in order to tackle the many problems and challenges ahead, it is essential to implement policies designed to reform institutional structures.

Political leadership and social consensus are all that is required to move the process forward.

Argentina confronts the crisis

In this century, there was a time when Argentina was basking in seemingly infinite prosperity, but decades of inflation and political chaos followed, leaving Argentina on the verge of social ruin.

However, in the 1990s we succeeded in transforming an economy ravaged by hyperinflation, speculation, and systemic corruption.

The keys to achieving this absolute economic miracle were:

- the political will to undertake the reforms;
- the social consensus necessary to bring about, by democratic means, changes which would normally require more than one generation; and,
- coordination with international institutions, which provided us with technical and financial support.

To that end, we have worked side by side with the IMF, the World Bank, and the IDB to achieve macroeconomic stability, deepen structural reforms, and adopt policies aimed at improving the economic fortunes of the poorest members of society.

We in Argentina have restored our society's ethical values.

This is a prerequisite for the normal functioning of any economic system, particularly for a society based on private enterprise and private property.

We definitively eradicated:

- systemic corruption on the part of government employees exercising arbitrary regulatory power;
- state enterprises propped up by infusions of taxpayer money;
- government deficits funded by the unrestricted printing of money, or worse yet, by measures resulting in the confiscation of money.

Structural reforms have enabled us to put in place a sound and competitive market economy.

Today, even amidst the crisis, Argentina is steadily increasing the reserves and deposits in its financial system.

Deposits amount to US\$76 billion, and the banking system is backed by US\$40 billion in international reserves, liquidity requirements and a contingency safety net.

In addition, the World Bank and the IDB are supporting Argentina with fast-disbursing resources to assist us in our efforts to weather the global turmoil.

The financial reform measures that have enabled Argentina to achieve these results are:

- convertibility with backing of over 100 percent;
- stricter liquidity and solvency requirements for the financial system;
- strengthened banking supervision;
- improved maturity structure of external public debt;
- privatization of official banks;
- establishment of a capital market through the privatization of the pension system; and

- adoption of rules-based on transparency in financial and fiscal information, in line with IMF recommendations.

The economic boom has been based on foreign direct investment amounting to US\$800 million per month. Investment in the amount of US\$70 billion has been projected through the year 2002, and this for a country with a GDP of US\$340 billion.

These indicators evidence the peak period of record growth for Argentina in the 20th century; furthermore, its economic performance during this period has been accompanied by a strong tendency toward a more equitable distribution of the benefits of growth.

Hyperinflationary Argentina was the most dualistic period of our history.

There is nothing more inequitable than the collapse of the fiscal system, financial instability, and hyperinflation.

Since our work began in 1989, the poorest 20 percent of Argentina's population have increased their share in income distribution by 10 percent, whereas the wealthiest 20 percent have seen their share fall by 11 percent.

In 1989, 38 percent of Argentines lived below the poverty line, whereas today the corresponding figure is only 18 percent.

Infant mortality—that most revealing of social indicators—has fallen 27 percent since 1989.

And, 100 percent of children of school age are attending primary school.

Here, we must thank the World Bank and the IDB, which have funded a portion of Argentina's social and infrastructure programs.

We have achieved this social progress in a context of sound fiscal discipline, that is well on its way toward budgetary balance, and allows us to project for 1999 a budget deficit of less than 1 percent of GDP.

In addition, we have a precautionary extended arrangement with the IMF and have been systematically meeting all the targets agreed upon in all our programs with the Fund since we took office.

Moving from endemic inflation to a stable economy has made it necessary to make the transition from window-dressing to transparency, based on verifiable and public economic data.

Another example of political determination to lead a process of structural transformation can be found in Brazil under the leadership of President Fernando Henrique Cardoso, whose policies have received the unwavering support of the Brazilian people.

We are absolutely certain that our partner and brother Brazil will be successful.

The challenge today

Crises bring opportunities for change, but they do not always come with ready-made solutions.

Simply put, crises demand change but do not point the way.

It is necessary to rethink the traditional country categories, which are no longer useful for understanding the events currently unfolding around the world.

There are emerging countries which are profoundly stable, such as Argentina; and there are other countries which are extremely unstable and which are currently posing a danger to the world economy.

The time has come to adopt a more universal approach.

The next step is global integration with a view to sustainable development for all; in other words, development that benefits countries and their peoples.

However, we must wipe out the last vestiges of protectionism and production subsidies still lingering in the developed economies if we are to achieve free and fair trade.

Moreover, it is absolutely vital to pursue transparency and ensure continuity in the economic reform processes.

This is the time for all to defend the principles of globalization.

In order to move in this direction, however, we must strengthen and modernize the Bretton Woods institutions.

Because the IMF and World Bank have a vital role to play in restoring market confidence and stability, these institutions must be provided with full financial support and be equipped with the resources they need to carry out their tasks successfully, drawing upon the lessons learned in the past in order to avert such situations of instability more effectively.

Argentina's 1999 budget provides for an increase in its appropriations for these institutions.

It is our responsibility as political leaders, businesspeople, and academics to implement policies that will enable us to seize the opportunities and overcome the challenges of the new world era.

I have arrived at these conclusions in my capacity as head of state and political leader.

Today, as we face the future, we should be more optimistic about the crisis and how it will develop; however, I wish to emphasize that overcoming the crisis will require concerted efforts on the part of the advanced countries and emerging countries.

It is incumbent upon the more advanced countries to take up their responsibility at this time of global crisis and to turn that sense of responsibility into immediate political action.

I am firmly convinced that with the support of all the world's nations, and with the leadership of the United States and the G-7, it will be possible for us to meet these global challenges head-on.

I have every confidence that at our next annual meetings, we shall be applauding the success of our concerted policy efforts.

As we stand on the threshold of a new millennium, we should reaffirm our goal, which must be to establish in all countries of the world a political leadership that can overcome the difficulties that arise after the collapse of all ideologisms.

We must strive untiringly to impart a social dimension to the course of history, which is currently proceeding along the path of globalization.

That is why we are emphasizing policies of enlightened cooperation able to make a positive social impact since for us the ultimate aim of our efforts is precisely the welfare of our people.

We believe that the human being should be our prime concern and that all our political, social, and economic efforts should be for the benefit of mankind.

We are convinced that in order to address the serious problems facing the world, the Argentine program, adapted to the special circumstances of each nation, is the path that leads us out of the current crisis.

May God bless you.