BANCO CENTRAL DE LA REPUBLICA DOMINICANA

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RESULTS, CHALLENGES AND PERSPECTIVES

Remarks by

HECTOR VALDEZ ALBIZU
GOVERNOR OF THE CENTRAL BANK
OF THE DOMINICAN REPUBLIC,
TO THE MEMBERS OF THE
AMERICAN CHAMBER OF COMMERCE
OF THE DOMINICAN REPUBLIC

Wednesday, March 22, 1995
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Ladies and Gentlemen:

I have the privilege of sharing this occasion with you today as speaker, in response to the kind invitation extended to me by the American Chamber of Commerce. I am very grateful on behalf of the institution which I represent and on my own, as it is a great satisfaction to talk to an audience to which I have been related for so many years.

On this opportunity, as has become traditional, I have the intention of presenting a review of the Dominican economy during 1994 and the guidelines of our macroeconomic policies, and later to expand upon some elements of comparison to the economy of Latin America. Finally, I wish to share with you some thoughts on the main trends of the world economy and the perspectives we have for our own future.

I. SUSTAINABLE GROWTH

During this last year, the Dominican economy has had what we could call a satisfactory growth rate. Real GDP reached a growth rate of 4.3%, surpassing the 3% growth of 1993. This rate was higher than the average 3.7% growth of Latin American economies, and of the 3% growth of the world economy and the 4% growth in the United States. It should be pointed out that our economy has grown at an average annual rate of 5.2% during the last three years, which could be considered a good pace of expansion, if we compare it to the levels that are being reached internationally.

Last year's growth, which has been considered positive by the international financial institutions, deepened the confidence in the future of the Dominican economy, if we take into consideration that it was a year in which we suffered a great drought and a year in which we had general elections.

The most dynamic sectors in expansion were traditional exports, which increased 24.6%, and services, as free zone exports grew 12.8% and accounted for 12,000 new jobs, and tourism grew 7.2%, generating us US$1,148 million and opening 2,436 new rooms. Another sector that contributed to the growth of the GDP was mining, with a significant increase of 92.5%, reversing the negative trend which had started in 1991. The construction sector also grew 6.6% and communications 9.7%.

External Sector

According to the Economic Commission for Latin America and the Caribbean (ECLAC), the Dominican Republic had the second best results in Latin America for its current account in the Balance of Payments, with a deficit of only 1.2% of the GDP, that is, a deficit of US$134.6 million.

This result was due to a combination of a strong growth of 23.8% in income from goods and services exports and a reduction of outflows, because interest on external debt decreased 33% compared to 1992. This is due to the fact that during the last three years the Dominican Republic reduced its external debt by US$692 million, becoming the only country in the region to accomplish this during 1994. Thus, the external debt balance (to December 1994) came to US$3,922 million, compared to US$4,614 in 1991.

This considerable effort to reduce the debt was accomplished by accumulating international reserves, without tapping into new sources of financing, following the austere and cautious policy outlined by President Joaquín Balaguer. If we look back to the beginning of the debt crisis of 1982 we would see what a long way we have come, if we note that the interest on the debt proportionate to exports represents only 8% today, compared to 24% at that time.

On the other hand, the completion of the private sector debt restructuring, with payments in the amount of US$172.3 million and the intervention of the Central Bank in the foreign exchange market in the amount of US$238 million in order to absorb the excess of domestic spending during the first three quarters of 1994, accounted for the deficit in the balance of payments, estimated to be US$347 million.

In spite of this, the country's external situation has been more satisfactory during the last few months. We are able to inform that, as of March 17, the international gross reserves of the Central Bank totaled US$404.7 million, which means that the balance of US$270.6 million which we had on August 31, 1994 has been recuperated, even though payment of debt service in the amount of US$213.4 million was made during that period of time. In this regard, the Central Bank has been able to honor its external payments on time.

Monetary Policy

Regarding the monetary and exchange policies, as you can remember, after I was appointed to the Central Bank, the Monetary Board took certain measures oriented toward stabilizing the economy and correcting the expansion of internal spending. On September 7, the official exchange rate was modified, the surplus of the commercial bank deposits in the Central Bank was frozen, and a ceiling was placed on the amount of credit the Banco de Reservas could give the public sector. Further, financial certificates were issued to allow demonetization in the amount of $800 million Dominican pesos, reducing the Central Bank credit in the economy.

These measures allowed control over monetary aggregates and were no obstacle in permitting the commercial banks to raise their credit by 16% to the private sector, or roughly $2,692 million Dominican pesos. This indicator is evidence that there was an adequate flow of credit to the economy. In its turn, the source of credit financing originated mainly due to an increase in time deposits of 19.6%, stimulated by high deposit rates.

Public Finances

Balanced public accounts and monetary control are considered fundamental conditions in order to maintain price stability and balanced external accounts. Because of this, when the President assumed his mandate last August, he took vigorous measures to reestablish the balance of the treasury accounts which had been seriously affected by the reduction of income from customs duties and by an inadequate account of income and expenditure at the National Budget Bureau. This deficit of the consolidated public sector -which was eventually corrected- represented 2.9% of the GDP. I think it is important to note the effort made by the government not only to stop this situation but to considerably reduce it.

As proof of this effort, the current savings of the central government was equal to 8.3% of the GDP, higher than in 1993. It is well known that this has been a constant that has permitted a strong program of public investments and it is a key factor to the growth of the Dominican economy. This policy has been one of the main achievements of the present Administration, for it has taken special interest in that capital spending is financed with current savings, and not by Central Bank or Banco de Reservas financing so as to maintain macro stability and the purchasing capacity of the people.

Variations in the Consumer Price Index

The rate of inflation, measured by the variation of the Consumer Price Index from December to December, was 14.3%. By the end of November, we had estimated that the rate of inflation would be 12.9% but by the year's end this projection was surpassed because on top of the traditional Christmas spending we suffered a severe shortage of flour, sugar, rice and propane gas.

The internal price situation has become normal and today we can say that there was only a 0.39% inflation in February. We must be cautious, however, so that inflation doesn't diminish the purchasing capacity of the low income population and that financial resources are not used in speculative activities, keeping them away from productive investments. In this sense, we shall maintain austere policies in the expansion of expenditures, encouraging internal savings to become the main source of public and private investments.

II. MACROECONOMIC STABILITY POLICIES

Let me share with you now some thoughts on the challenge inherent in the design and execution of an economic policy oriented to maintaining the stability of the main macroeconomic variables and to achieving a sustainable development.

Managing economic policy under the present conditions requires the combination of two elements: the implementation of structural reforms which will allow for a competitive economy in the new international scheme for global opening, and the maintenance of macroeconomic stability.

This compels the authorities to deal simultaneously with the macro objectives of reducing inflation, maintaining a viable balance of payments and achieving a growth rate that is socially acceptable. At the same time, we must try to reach structural goals, like achieving an efficient allocation of resources through the promotion of a more competitive productive sector and a favorable environment for exports, lower intermediation costs and real interest rates, the prudential strengthening of financial institutions and the modernization of the tax system and the labor market. And all this must be implemented in a coherent way.

Something similar must be said about the administration of monetary policy. A restrictive monetary policy can reduce inflationary pressure, but it raises interest rates, reducing the incentive for private sector investment while increasing the value of currency and attracting foreign capital.

In a similar manner, an expansive monetary policy requires a fiscal policy based on the accumulation of an important fiscal surplus in order to maintain price stability and a stable exchange rate. Though private investors would get their resources from the banks at low rates, public investments and spending on education and health would be reduced, with negative effects on development.

Some would like for the monetary authorities to favor a bigger money supply and more substantial reductions of the interest rates in order to stimulate the economy. This can be done only when it is sustained by greater savings, otherwise it would result in an increase of demand for goods and services, and a greater deficit in our external commerce. A greater demand for foreign currency would mean the devaluation of our national currency and/or the loss of the Central Bank's international reserves. In the end, prices would be higher. Savers and workers would see the real value of their financial assets and salaries diminished because of the inflation. And interest rates would again rise.

All of us know how delicate the administration of monetary policies can be, when many times the decision making process is complicated by the wish to attain conflicting goals. Thus, the institutional responsibility of the Central Bank lies in maintaining price stability while maintaining the purchasing capacity of our currency, while making financial flows suitable to the real demands of the economy. This is our great responsibility.

Presently, the situation seems clear. Today, we can say that as of March 7 of this year, the commercial banks show a solid position regarding their liquidity in the Central Bank, with a surplus in the legal reserve requirement of $1,345 million Dominican pesos, having a total of 7 billion 849 million Dominican pesos in cash and vault accounts and Central Bank certificates. It is because of this that we understand that the financial conditions exist for market forces to act and for interest rates to slowly diminish, taking into consideration international interest rates and the local rate of inflation.

Likewise, the orderly control of payment mechanisms and other monetary aggregates, allows us to foresee a relative condition of stability in the exchange rate, and to assure a reasonable growth in the real GDP.

III. THE DOMINICAN ECONOMY IN THE INTERNATIONAL CONTEXT

I have considered it convenient to insert the analysis of the Dominican economy in the context of the international economy, stopping to compare the more relevant national statistical indicators with those of Latin America as a whole. This approach will allow us to place the behavior of our economy in a broader perspective, giving us a more accurate insight into the levels we have reached.

A) Latin America

During the last decade, many Latin American and Caribbean countries experienced a severe external debt crisis that forced them to adjust their economies in order to free resources that would allow them to pay their international obligations. This process translated in the pauperization of the quality of life of many sectors of the population. Today this period is known as "the lost decade".

While this was going on in this hemisphere, a group of Asian countries achieved considerable success in their economic and social development. Our economies not only stagnated, they regressed in their position relative to the world economy.

The 90s are taking shape as the decade of recuperation. This is the decade to make up for the time lost, to win the race toward progress. Allow me to present to you a new vision of our country in this stage of the regional economy.

It is possible that many of you will be surprised with the revealing indicators we are going to present.

Let us start by saying that during the last four years the growth of our economy in real terms has surpassed that of other countries of the region by more than 50%, according to numbers provided by ECLAC. This definitely puts us in one of the first places in the race toward economic recovery. But even more, while the Dominican GDP per capita during 1994 was higher by 9.3% than 1991, the region's GDP only reached a growth of 4.3% during the same period of time. We will have a clearer idea of what these numbers mean when we point out that while in 1993 the growth of the GDP per capita in our country was 1.2%, during 1994 it doubled to 2.4%.

This period's economic expansion has not been the result of favorable international circumstances in which our growth was brought along by a bonanza in the prices of our traditional exports or by way of the external indebtedness of our public sector. On the contrary: we have had negative terms of trade during this period and the biggest reduction of the external public debt of all the Latin American nations. From 1991 to 1994, the Dominican external debt declined by 15%, while that of the rest of the region had grown by 17%.

Another important aspect is that in the developed countries there exists today a tendency to produce more services than goods, and what is more, the industrial goods incorporate less raw materials by unit of product. As a consequence of this, markets and prices for our raw materials are reduced in the industrialized nations, as the market for services expands. Still, our economy seems to be finding an answer for the new circumstances that are emerging in the international markets.

In order to adapt to this new reality we have developed a strong export service industry, where tourism, whose performance stands out today as one of the most dynamic in the world, has a relevant role. In other words, it seems that we are in the right place at the right time. Actually, our possibilities for development lie in this new modality of insertion in the changing world economy and not in the fortuitous periods in which international prices favour us or where we are immersed in a process of external indebtedness. It is from this viewpoint that we have to look at our country and at its potential for development.

It is precisely the dynamism of the export of goods and services that is breaching the gap of the current account. During 1994 the deficit of the Dominican current account, in relation to the GDP, was one of the lowest, reaching 1.2%, while the rest of the region registered 3.5%. This implies that external savings, for our economy, has been losing importance and, on the contrary, growth has rested on domestic savings. As a result, the rate of domestic savings during the period we are analyzing has been one of the highest in all Latin America.

This has been determined by the austere and prudent policy implemented in the administration of the government's finances. It is also the reason for being in the first place among the countries of the region in relation to the rate of savings. No other country comes close to ours in this respect. The strong rates on investment and savings have been possible due to the high proportion of public savings.

But there is something else that allows us to assure you that we are walking on firm ground. It is the fact that the level of the rate of inflation, as indicator of macro stability during the last four years, puts us in a very special situation in relation to the other countries of the region. The performance of the general domestic price index presents the best results of the region after Panama.

There is another aspect to which I would like to call your attention. I am referring to the process of reforms in our economy, which we could say has not progressed as fast as we would have liked. If we look at it in the region's context, however, we can say we are not in a bad position and even that we have a relevant position in comparison to that of other countries of Central America and the Caribbean in matters such as tax, labor and financial legislation and in the reform of basic education. And the bills for foreign investment and energy privatization are now pending approval of Congress.

It should be noted that these achievements have been attained within the framework of political stability and social tranquility that we enjoy. This has allowed the formation of an atmosphere of coexistence which favors solutions to real conflicts in society through negotiation and compromise. Unfortunately, this has not been the case in all of the region.

When we look at our economy from this Latin American perspective, we have reason to feel optimistic for the future. The economy grows as we accommodate our productive apparatus to the changes in world markets, while at the same time we maintain a healthy balance in the external and domestic aspects of our economy and an enviable price stability.

These thoughts should not be interpreted as unfounded complaisance. Not for a moment do I lose sight of the enormous challenge that lies in the need to overcome our condition as a poor and underdevelped country. May this suffice to arouse the enthusiasm that should arise from recognizing our progress in relation to the Latin American environment.

B) World Economy

Today, more than ever, we have to look at our economy within the framework of the world situation. What happens here has to do with what happens outside the country. Our economic behavior is influenced by price variations of exports and imports, and the flow of foreign capital; by changes in international patterns of work specialization, migrations, tourism and by new technologies. Likewise, our nation does not find itself outside the evolution of world organizations and of universal trends of thought.

This is reflected by the fact that our communication media, the public and private rhetoric, is full of new phrases that reflect the signs of the times, the language of our times. Globalization, competitiveness, market economy, industrial reconversion, privatization, are identified with sustained development and democracy, as values shared by the international community of which we are a part.

It is true that nations have always been interrelated. Nevertheless, today the speed with which transformations in world economy occur are evident. Changes are profound and occur in the productive, technological, financial and institutional areas. Their speed leaves us little time for assimilation.

Almost overnight the world was transformed by the dismemberment of the Soviet Union and the unification of Germany. Democracy became the ruling government in all latitudes. The revolution in communications has allowed us to follow these events as if they were our own.

The flow of international trade, its constant changes in direction, and the innovations in the supply of goods and services, has created new demands and markets, thus altering our daily lives.

But perhaps what is most spectacular are the modifications registered in the financial and exchange world markets. Today, under the influence of new technologies in communication and computers, capitals move massively from one country to another, seeking to maximize money benefits. The transactions are instantaneous from one corner of the world to the other. It could be said that the international financial community is interconnected through an enormous and efficient net. In the end, everybody has to do with everything. The world of money does not sleep and it seems as though in it nothing is impossible.

Learning From Another's Experience

Years ago, a considerable part of the banking and savings and loans system of the United States entered into a chain reaction bankruptcy process. Likewise, the Maastricht monetary agreements which were supposed to give the final touch to the European Economic Community, were surprisingly held up in the chaos of the exchange and financial world markets.

We need not go so far. Mexico, which was considered an economy on its way to modernization and industrialization, before the bewildered eyes of the world community, suddenly suffered a financial collapse of enormous proportions. And this happened without having been foreseen by the world economic "intelligentsia".

It is worth mentioning that the Dollar is struggling in markets where it had always maintained its hegemony, threatened by the yen and the German Mark.

This is the world in which our economy evolves, ruled by vertiginous changes, its effects and long-term tendencies hard to grasp and difficult to foresee.

Our Vision

Allow me, ladies and gentlemen, to express concisely, how we perceive the world situation with regard to our economy.

In the international financial field, Mexico and other traumatic experiences lead us to conclude that, in spite of great technological advances, innovations in financial management and the assessment of international experts, the wise saying still holds that, he who deals with money, especially other people's money, must guide his steps based on prudence. This is the inviolable principle which governs our performance at the Central Bank.

There is another aspect which we wish to point out: the so called "Tequila effect", which has startled the great Latin American economies and has caused Argentina to make a preventive movement and seek an agreement with the International Monetary Fund.

In our situation, within the limits of prudent expectation, we believe that the aftermath of the Mexican experience must not provoke fear in the Dominican people. Contrary to the major economies in the region, which have available in their financial markets the so-called "hot capital" of institutional origin, driven by greater yield-seeking, we have private capital flows to and from our country, placed by those who live outside the country and by those who live here, and which respond basically to the flux of exchange and interest rates and, most of all, to the confidence in the future of the nation.

On this point, while other countries have to defend themselves from the "Tequila effect", we have to follow its evolution carefully, but without aprehension, being firm in our macroeconomic stability goals, such as fiscal equilibrium, proper control of the monetary aggregates, and a low level of deficit in the balance of payments current account.

Regarding the fears that arise from the effects that the devaluation of the dollar upon our economy, I would like to point out that although it is true that it would make our imports and the service of the debt more expensive, on the other hand it would favor our exports to Europe and Japan. And in the mid-term, it would produce a departure of our import trade to cheaper markets.

From this situation there arises another issue which I would like to emphasize. It is true that the international situation exerts a significant influence upon the economies of the region, but it is no less certain that its effects do not affect us in the same manner or intensity. For this reason, there are no universal policies which can be applied successfully in any place, moment or circumstance. It is very important to understand this. Actually, there are trends of opinion which tells us how to gear the economy, the enterprises and the financial institutions. Without lessening their importance, these ideas must be analyzed to determine their relevance in accordance to the moment's realities.

The Challenges Of Opening Markets

Another issue of special importance to us is the speedy evolution of the world economy, particularly in reference to the production and trade of goods and services. We must make an effort to anticipate, with certainty, where these tendencies are leading us. It seems that the Latin Americans, and Dominicans in particular, are destined to an imminent competition in all fields. This is an unavoidable reality which we must face with creativity, expeditiousness, and courage. Laments do us no good.

Within the complex and speedy evolution of the world economy, two fundamental issues must be pointed out that indicate to us the inevitable opening of the economy. The first is the new economic order which is being sought by the establishment of the World Trade Organization, and which commits nations to observe rules oriented to a greater competition. The second is the United States' proposal to transform the continent into a great free trade zone.

For the Dominican Republic, this is not a speculative issue. It is something so tangible we are already experiencing its effects.

Before an audience such as this one, I don't need to elaborate on the potential effects that the new world order, as embodied by the WTO, would have upon the Dominican economy. Likewise, it is evident that regional integration stands before us as a real challenge. Forced by circumstances we are, in fact, about to begin a regional trade integration process. The Free Trade Agreement among the United States, Mexico and Canada changed the rules of the game as to our principal export sector, free trade zones, as well as the tax exempt status of raw materials imports for purposes of export manufacture because it eliminated the condition of equality we enjoyed before Mexico, and which gave this country a preferential position.

This reality has forced us to request parity within that scheme. As you all know, this constitutes a two-way street. If we obtain parity, we would need to consent to the opening of our economy to the northern exporter. In other words, the defense of our export industry would bring greater exposure to international competition from the rest of the economy, through the integrationist embrace with the commercial block dominated by the United States. After the Mexican crisis, the possibilities that the United States Congress concedes parity to exports from Central America and the Caribbean have increased. At this time this is being considered in Congress.

Another aspect we should mention is that recently, the Haitian Congress approved a new customs' tariff regime reducing significantly the tariffs in effect in that neighboring country, to a range between 0% to 15%.

It is obvious that each country has the sovereign right -within the limits agreed before the World Trade Organization- to fix its custom is tariffs, according to their level of economic development. The Dominican authorities are fully aware that the pace of liberalization of our foreign trade must conform to the effective capacity of the country's productive sectors to respond competitively to the opening. In this respect, the programming of our reform process must not be altered.

What To Do?

What must we do before this situation? One thing is clear: we cannot look back toward the already surmounted protectionist schemes. Like Sarah, Lot's wife, we would risk becoming a pillar of salt.

The neoliberal proposal introduces the opening of the economy, compressing customs tariffs and eliminating all barriers to goods and service imports so that the market forces, by themselves, promote production effectiveness and economic and social development. It is a coherent and simple reasoning that, from a strictly theoretical standpoint would look viable.

The neoliberal proposal has been criticized for the impact the policies surrounding this trend might cause on jobs, on income distribution, on the preservation of legitimate economic agents and on the State's own role as an articulator of society. The alternative of drastic changes in the trends which have ruled the economic function and the correlative lack of social protection which it implies, has been said, by Pope John Paul II in his Encyclical Letter Centesimum Annus, to promote a "savage capitalism".

Against this proposal stands another trend of thought which suggests a model in which material and social progress would be equally dependent on market forces, but with the understanding that the complexity of development requires an efficient authority which can provide the process with leadership, in concert with civil society; an authority which is capable of controlling great social imbalances and engaging the market forces, when needed, within a framework of ample national agreement.

This last proposal apparently poses greater complications in its implementation than the trend which proposes to let the market act freely. It has also been questioned for its implications in patronizing a state that is protectionist, interventionist and benefactor, distorting the economy when applying subsidies, price controls and fiscal and custom overprotection and thus inhibiting the laws of trade.

I realize this subject deserves a deeper and more extensive treatment. But I do not think it is oversimplifying to assert that at present, to varying degrees, the majority of nations maintain a debate about the options we have presented here. However, we cannot continue wasting time in academic debates about the virtues of one model or another. A pragmatic and intelligent solution would be to develop our own scheme, based on our own experiences, circumstances and potentials.

Along these lines, it might be useful to observe the experience in the Asian countries which in the last decades have reached an astonishing development. Imported role models are not advisable, but it is convenient to stop and analyze the great pragmatism with which they have evolved. If these experiences imply any lesson for us, it is that a universal formula that works mechanically in all circumstances does not exist. The challenges of economic development are much more complex. They require acting with a practical sense of reality, concordant with the social forces in order to reach national objectives.

If we refuse to execute the changes needed within the framework of a world on an integrationist path, as would be the case if we were to postpone liberalization, it would mean prolonging the implicit inefficiencies in the economy, and running the risk of isolating ourselves from trade exchange, widening progressively the gap in terms of economic, social and political development, with the rest of the world.

Like many of our neighbors, this is our great challenge. To search for our own way to development under the present circumstances has become an unavoidable task if we want to continue advancing towards social and economic prosperity. We must be pragmatic enough to define our national medium and long term goals, through the concerted effort of the principal sectors in the country, committed to the construction of our own development model.

IV. PERSPECTIVES OF THE DOMINICAN ECONOMY

Let us now see the future perspectives of the economy in the short and mid-term.

Since January, the Central Bank has been applying its monetary program for the year 1995, based on the following goals:

a) An economic growth rate of 4%

b) Between 7% and 9% Consumer Price Index Variance.

c) Balance of Payment Current Account Deficit of US$87 million equivalent to 0.8% of GDP; and

d) Minimum yield of Net International Reserves: US$35 million.

The economic policy assumptions for the realization of this scenario are the following:

a) Fiscal stability

b) Growth of monetary emission: 14.2%, growth of money supply: 11.9%

c) Improvement of 17% in the terms of exchange, under the price rise projection of nickel, coffee, sugar, amongst others.

d) Rise of 9.6% in the import values.

e) Bank credit expansion of 12.5% to the private sector or some 2 billion 766 million Dominican Pesos.

These projections for I995 have been outlined within a mid-term perspective. It has been projected that the Dominican economy will grow in the period I996-2000, at an average rate of 5%, keeping inflation at international levels, without fiscal or monetary imbalance. In these base scenario projections, the current account deficit of the balance of payments would be less than 1% of GDP, being financed by foreign private mid and long term investments, and with an annual accumulation of the Net International Reserves of the Central Bank of $60 million dollars.

It is foreseen that the terms of trade will be slightly unfavorable during all years included in the above mentioned period, but the income of our exports on goods, services and private transferences would increase by 40%, and the amount of the debt would be reduced by 10%.

Through a sensitivity study, the items that would affect with greater or lesser intensity the results of the balance of payment during the next five years have been identified.

a) If the export volume of goods increases in 1% we would receive around an additional US$7 million per year.

c) For each 1% increase of tourism income, our economy will receive an additional US$10 million per annum.

d) For each percentage point decrease in international interest payments, debt service would drop by around US$37 million annually.

d) For each dollar decrease in the sale price of a barrel of oil, our imports would be reduced by US$164 million per annum.

As you can observe, our economy is very sensitive even to small changes in the international environment. The best strategy to reduce our external vulnerability consists in maintaining a sustained growth, strengthening the efficiency of our economy and diversifying and increasing exports of goods and services.

To that end, I want to announce that shortly I will submit to the Monetary Board an initiative for the Dominican Institute of Technology (INDOTEC) to give prompt and vigorous technical assistance to industry and the export sector, in order to improve its competitiveness and quality control of its goods. To this end, we will propose a Board of Directors to administer this Institution, composed of representatives from the small and mid-size industry. Likewise, we are seeking before international organizations, the creation of a financing fund to assist in industrial and export conversion.

Final Comments

Allow me to make some comments about the much debated Monetary-Financial code. The Prudential Norms executed by the Monetary Board in 1992 as part of the financial reform reflect the efforts made by the monetary authorities to make the monetary market more efficient and transparent, and to strengthen banking sector supervision, to obtain a reduction in costs of intermediaries, so that interest rates can be offered which stimulate productive investments and savings, and greater service options, while the resources of the depositors remain safe.

The Code being debated in Congress will create an adequate framework to promote the development of a solid, agile and competitive banking system, as well as a modern supervisory and regulatory system, with clear and precise prudential and banking norms adapted to our realities, adjusted to the actual situation and to forseeable circumstances. Its application would be down-to-earth, certain, at an appropiate speed, keeping us within the limits of the Basel Norms in order to conform to them within the framework of a strengthened financial system.

This is why we have recently submitted to the Monetary Board some measures which conform to the code and fit the experience we have obtained in the application process of the norms. The time has come when the monetary authorities and the financial sector must work in concert, as parts of a machinery which must function in a synchronized and harmonic fashion. The Central Bank, taking as reference its accumulated experience, is in its best disposition, together with the Banks Superintendency and the financial sector, to work on the adaptation of the norms, in the transition period established, to the reality of the moment.

Before I finish, I wish to refer to the possibility of signing a Stand-by Agreement with the IMF. As I have already declared on other opportunities, the Government and Central Bank authorities have already adopted the bulk of the measures demanded by the IMF to enter into a program of this kind, without having an agreement with the IMF.

The relative advantages derived from an agreement with the IMF would be the following:

a) The service of the debt would be reduced through a Paris Club restructuring.

b) We would have at our disposal US$60 million direct financing from the IMF to support the balance of payments.

c) It would function as a disbursement facility for other loans from the international development banks (IDB, IBRD, Lomé IV).

d) It would strengthen even further the confidence of international and national economic players in the stabilization of the Dominican macroeconomic horizon.

Nevertheless, we are facing a deliberation process regarding the benefits of such an agreement and the rigidity which accompanies the handling of economic policies.

Finally, I want to excuse myself before you if I have extended myself unduly in this talk. I wanted to share with such a representative audience, information and thoughts about our development.

I believe the most important thing is to work without dismay in the urgent task of updating ourselves as an economy, as a society, as a state, converting the challenges of the times into an opportunity for growth, focusing our attention in the quality of life of all the Dominicans. If we do not consider people - as so wisely indicated the

Conference of the Latin American Episcopate gathered in Santo Domingo in October 92 - as the center and the moving force of develoment, little would the figures we have analyzed matter.

For this task, in a democratic society such as ours, we are all summoned.

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