



BANCO CENTRAL DE LA REPUBLICA DOMINICANA

**THE DOMINICAN ECONOMY AND ITS
ADJUSTMENT PROCESS**

By
Bernardo Vega
Governor of the Central Bank
of the Dominican Republic

Speech Delivered before the
American Chamber of Commerce

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Santo Domingo, Dominican Republic
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MR. PRESIDENT, AND MEMBERS OF THE BOARD OF DIRECTORS
OF THE AMERICAN CHAMBER OF COMMERCE:
DISTINGUISHED GOVERNMENT OFFICIALS:
LADIES AND GENTLEMEN:

IT'S BEEN OVER TWELVE YEARS SINCE I GAVE MY FIRST CONFERENCE
BEFORE THIS CHAMBER. I ONCE AGAIN APPRECIATE THE KIND
INVITATION AND, ABOVE ALL, THE ACCEPTANCE BY THE BOARD TO
DEFER IT PRECISELY TO TODAY, SINCE IT GIVES ME THE OPPORTUNITY
TO EXPAND ON THE ECONOMIC TOPICS WHICH WERE REVEALED TO THE
NATION LAST WEEK.

THE UNIVERSALITY OF THE CRISIS

EIGHT DAYS AGO, IN HIS SPEECH, THE PRESIDENT EXPLAINED "THIS
IS NOT A CRISIS OF THE GOVERNMENT, THIS IS A CRISIS OF THE
NATION". I WOULD ADD TO THIS SENTENCE BY SAYING: "THIS IS
A CRISIS OF LATIN AMERICA, FROM WHICH WE SUFFER AS A NATION
THEREIN LOCATED".

IN EFFECT, IF WE BREAK A BIT FROM OUR INSULAR PERSPECTIVE
AND IF WE ANALYZE WHAT IS HAPPENING IN LATIN AMERICA WE
WILL SEE THAT THE PROBLEM IS OF A REGIONAL NATURE AND,
CONSEQUENTLY, IS DUE TO EXTERNAL FACTORS IN THE REGION AND
NOT SO MUCH TO THE INTERNAL ECONOMIC POLICIES OF EACH COUNTRY.
WITH REFERENCE TO CENTRAL AMERICA, FOR EXAMPLE, THE KISSINGER
REPORT SAYS: "THE PRESENT CENTRAL-AMERICAN JUNCTURE IS ALSO,

IN PART, THE RESULT OF EVENTS AND FORCES EXTERNAL TO THE REGION. THE INCREASE IN ENERGY COSTS, THE DROP IN THE WORLD MARKET PRICE OF COFFEE, SUGAR AND OTHER SIMILAR EXPORT PRODUCTS, THE RECESSION IN THE DEVELOPED WORLD AND THE EXPLOSIVE INCREASE IN INTERNATIONAL INTEREST RATES, HAVE ALL UNDERMINED ECONOMIC PROGRESS".

LAST YEAR ONLY TWO COUNTRIES IN LATIN AMERICA AND THE CARIBBEAN, BOTH VERY SMALL, INCREASED THE VALUE OF THEIR EXPORTS OVER 10%: BARBADOS AND BAHAMAS (TABLE NO. 1). TEN COUNTRIES INCREASED THEIR EXPORTS BY LESS THAN 10% AND FIFTEEN HAD A REDUCTION IN THEIR EXPORTS. THIS, TOGETHER WITH HIGH INTEREST COSTS AND THE INCREASE IN IMPORT PRICES, NECESSARILY CAUSED THAT MEASURES BE TAKEN TO REDUCE IMPORTS. LAST YEAR, IN 19 COUNTRIES OF THE REGION, IMPORTS DECREASED, INCLUDING DRAMATIC DROPS ABOVE 40% IN VENEZUELA, MEXICO AND URUGUAY, AND ABOVE 20% IN ECUADOR, PERU, CHILE, ARGENTINA AND BRAZIL. LAST YEAR, IMPORTS INCREASED IN ONLY EIGHT COUNTRIES (TABLE NO. 2) AND IN NONE OVER 14%. THE BALANCE IN CURRENT ACCOUNT, THAT IS THE DIFFERENCE BETWEEN EXPORTS AND IMPORTS OF MERCHANDISE AND SERVICES WAS NEGATIVE, LAST YEAR, FOR ALL THE COUNTRIES OF THE REGION EXCEPT FOR THE TWO LARGE EXPORTERS OF OIL: MEXICO AND VENEZUELA (TABLE NO. 3). AS A RESULT OF THIS CRISIS AND EXCLUDING THE OIL EXPORTING COUNTRIES, NO COUNTRY OF LATIN AMERICA FINISHED THE PAST YEAR WITH FOREIGN CURRENCY RESERVES HIGHER THAN FIVE MONTHS OF IMPORTS OF GOODS AND SERVICES. INCLUSIVE, NINE COUNTRIES HAD NEGATIVE RESERVES (TABLE NO. 4).

ALSO, AS IS LOGICAL, MONETARY DEVALUATION WAS THE RULE AND NOT THE EXCEPTION, AND EVEN SIX COUNTRIES HAD OFFICIAL DEVALUATIONS ABOVE 100% (TABLE NO. 5). ONLY ELEVEN COUNTRIES HAD POSITIVE GROWTH IN THEIR GROSS NATIONAL PRODUCT, NONE HIGHER THAN FOUR PER CENT, WHILE FOURTEEN COUNTRIES HAD NEGATIVE GROWTH. THE REGION, IN TOTAL, HAD A NEGATIVE GROWTH OF 2.9% (TABLE NO. 6). THE WEIGHTED AVERAGE FOR INFLATION LAST YEAR WAS 118.9% (TABLE NO. 7).

UNDOUBTEDLY, MANY OF YOU ANTICIPATED WHAT NECESSARILY HAD TO OCCUR IN OUR COUNTRY, BY SIMPLY READING IN THE PRESS THE MEASURES THAT WERE BEING TAKEN IN MEXICO, VENEZUELA, JAMAICA, CUBA AND PERU, TO MENTION ONLY A FEW COUNTRIES. TEN DAYS AGO IN MEXICO, FOR EXAMPLE, THE PRICE OF EGGS INCREASED BY 40% AND SUGAR 30% .

THERE IS A PROVERB: "IT'S A FOOL'S CONSOLATION TO KNOW EVERYONE IS IN THE SAME BOAT", AND THAT IS THE REASON WHY IN SPITE OF THE GENERAL ACKNOWLEDGEMENT OF THE UNIVERSALITY OF THE PROBLEM, AND THE FACT THAT IT IS NOT CAUSED BY NATIONAL FACTORS, THE PEOPLE OF LATIN AMERICA AND THE CARIBBEAN, WHO ARE NOT FOOLS, DO NOT RESIGN OR CONSOLE THEMSELVES BEFORE WHAT IS IN FACT A REDUCTION IN THEIR STANDARD OF LIVING CAUSED BY THE REST OF THE WORLD. THIS IS TAKEN ADVANTAGE OF BY POLITICIANS IN THE OPPOSITION, IN DEMOCRATIC COUNTRIES OF THE REGION, WHO ORIENT THAT FRUSTRATION TOWARDS CRITICISM OF THE GOVERNMENT, EVEN WHEN,

AS HAS OCCURRED IN COSTA RICA, VENEZUELA AND ARGENTINA, CHANGES IN GOVERNMENT, BY THE NATURE ITSELF OF THE CRISIS, CANNOT REDUCE ITS EFFECTS.

THE GUILTY PARTIES

FROM THE ABOVE, A LOGICAL QUESTION ARISES: WHO IS THEN RESPONSIBLE FOR THIS CRISIS? AS IN ALL ECONOMIC MATTERS, THE ANSWER IS NOT SIMPLE. NEVERTHELESS, WE COULD IDENTIFY THREE GROUPS OF COUNTRIES: THE UNITED STATES, THE INDUSTRIALIZED COUNTRIES OF EUROPE AND JAPAN, AND OIL EXPORTING COUNTRIES.

IN THE NORTH-AMERICAN CASE PERMIT ME TO QUOTE THE RECENT REPORT OF DOCTOR JOSE FRANCISCO PEÑA GOMEZ TO THE "INTERAMERICAN DIALOGUE" GROUP, PRESIDED BY U.S. AMBASSADOR SOL LINOWITZ. OUR MAYOR SAID: "THE GREATEST RESPONSIBILITY IN THIS SOCIALLY-UNJUST INTERNATIONAL SITUATION FALLS ON THE UNITED STATES AS LEADER OF THE CAPITALIST WORLD, SINCE THIS COUNTRY IS INCURRING IN ALL THE STRUCTURAL FAULTS WHICH ARE BEING IMPUTED TO THE LATIN-AMERICAN COUNTRIES, SINCE ITS FISCAL DEFICIT IS LARGER EACH DAY, PRESENTLY REACHING THE UNPRECEDENTED AMOUNT OF \$200 BILLION DOLLARS, WHILE THE ACCELERATED CONSUMPTION OF IMPORTED PRODUCTS AND THE INEFFICIENCY AND LACK OF COMPETITIVENESS OF NORTH-AMERICAN INDUSTRY CREATE DEFICITS, EACH YEAR GREATER, IN THE BALANCE OF TRADE. LAST YEAR, THE TRADE GAP OF THE UNITED STATES WAS \$70 MILLION DOLLARS, WHICH IS 50% HIGHER THAN IN 1982 AND THREE TIMES HIGHER THAN IN 1976".

THE LARGE FISCAL DEFICIT OF THAT COUNTRY IS WHAT MAKES INTERNATIONAL INTEREST RATES INCREASE. MR. DELAROSIERE, MANAGING-DIRECTOR OF THE INTERNATIONAL MONETARY FUND, GAVE A SPEECH LAST MONTH WHICH WAS QUOTED BY THE NEW YORK TIMES IN THE FOLLOWING MANNER: "LAROSIERE, IN A STRONG CRITICISM OF UNITED STATES ECONOMIC POLICY, SAID THAT THE BUDGET DEFICIT OF THE UNITED STATES IS KEEPING INTEREST RATES UNUSUALLY HIGH AND IS THREATENING WORLD ECONOMIC RECUPERATION", ADDING THAT "THE UNITED STATES IS PRINCIPALLY RESPONSIBLE FOR THE LEVEL OF INTERNATIONAL INTEREST RATES BEING TWO OR THREE POINTS HIGHER THAN WHAT IT HAS HISTORICALLY BEEN".

TWO WEEKS AGO, IN A SPEECH, DOCTOR PEÑA GOMEZ, CALCULATED THAT IN THE CASE OF OUR \$185 MILLION DOLLAR LOAN, IF INTEREST RATES WOULD HAVE KEPT AT THE 1979 LEVEL AT WHICH IT WAS CONTRACTED, OUR COUNTRY WOULD HAVE PAID, TO DATE, \$28 MILLION LESS THAN WHAT IT HAS HAD TO PAY FOR INTEREST ALONE. THOSE INTEREST RATES PROMOTE CAPITAL FLIGHT FROM THIRD WORLD COUNTRIES AND DISCOURAGES U.S. INVESTMENT ABROAD, PARTICULARLY TOWARDS DEVELOPING COUNTRIES, AND THE DEFICIT IN ITSELF REDUCES U.S.-FOREIGN AID. ON THE OTHER HAND, THE OVERVALUATION OF THE DOLLAR, STIMULATES PROTECTIONISM IN THAT COUNTRY AND CONTRIBUTES TO THE PROGRESSIVE DETERIORATION OF ITS BALANCE OF PAYMENTS IN CURRENT ACCOUNT.

ON THEIR PART, EUROPEAN COUNTRIES AND JAPAN ARE EQUALLY GUILTY SINCE THEY MAINTAIN THEIR HIGH PROTECTIONIST POLICIES WHICH MAKE ACCESS OF LATIN-AMERICAN PRODUCTS TO THOSE MARKETS SO DIFFICULT, PARTICULARLY AGRICULTURAL ONES. THE INVESTMENT AND AID FLOWS FROM THOSE COUNTRIES HAVE ALSO BEEN REDUCED.

IN THE CASE OF OIL-EXPORTING COUNTRIES, THE MAJORITY OF WHICH BELONG TO THE THIRD WORLD, THE COOPERATION EXPECTED FROM THEM HAS NOT MATERIALIZED. IN MANY CASES, THEIR LARGE INCOME HAS BEEN SQUANDERED AND DIRECT TRANSFERS TO THE THIRD WORLD HAVE BEEN VERY SMALL. EXPERIENCE HAS PROVEN THAT THE USE OF INTERNATIONAL COMMERCIAL BANKS AS A MEANS OF INDIRECT TRANSFER OF RESERVES OF OIL COUNTRIES TO DEVELOPING COUNTRIES IS NOT ONLY NOT FUNCTIONAL, BUT IT HAS ALSO BEEN RESPONSIBLE FOR TODAY'S REGIONAL EXTERNAL DEBT PROBLEM. IN THE DOMINICAN CASE, FOR EXAMPLE, LAST YEAR FOR EACH DOLLAR OF MERCHANDISE WE EXPORTED, WE HAD TO USE THE GREAT PROPORTION OF 59 CENTS FOR THE PAYMENT OF OIL PRODUCTS ALONE.

THE DOMINICAN REPUBLIC AND THE CRISIS

ONLY DOMINICANS THAT ANALYZE THE RECENT BEHAVIOUR OF ALL THE COUNTRIES OF THE REGION OR THAT HAVE THE OPPORTUNITY OF TRAVELLING THROUGH IT, ARE AWARE OF A FACT: IN SPITE OF THE DOMINICAN REPUBLIC BEING ONE OF THE COUNTRIES WHOSE TERMS OF TRADE HAVE DETERIORATED THE MOST IN THE REGION, (TABLE NO. 9) IT IS AMONG THE ONES THAT, UP TO NOW, HAVE BEST DODGED THE CRISIS. LET THE OBJECTIVITY OF STATISTICS EVIDENCE THIS FACT.

LAST YEAR, AFTER CUBA, WE WERE THE COUNTRY WHOSE GROSS DOMESTIC PRODUCT, IN REAL TERMS, INCREASED THE MOST IN THE REGION, WHEREIN MERELY 11 COUNTRIES HAD POSITIVE GROWTH (TABLE NO. 6).

OUR INFLATION WAS THE SEVENTH LOWEST AND WAS THE LOWEST OF ALL AMONG COUNTRIES OF AT LEAST THE SAME SIZE AS OURS (TABLE NO. 7).

IN 19 COUNTRIES OF THE REGION, IMPORTS WERE REDUCED LAST YEAR WHILE OUR IMPORTS INCREASED ONLY 1.8% AND IN SIX OTHER COUNTRIES THEY INCREASED PROPORTIONATELY MORE. (TABLE NO. 2). OUR EXPORTS IN 1983 INCREASED BY 2%, THIS BEING SURPASSED ONLY BY EIGHT COUNTRIES, WHILE 15 COUNTRIES SHOWED REDUCTIONS IN THEIR EXPORTS (TABLE NO. 1). THE CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS, THAT IS, THE DIFFERENCE BETWEEN OUR EXPORTS AND IMPORTS OF GOODS AND SERVICES, AS A PERCENTAGE OF THE SIZE OF OUR ECONOMY, WAS THE NINTH LOWEST IN THE REGION (TABLE NO. 10).

THIS EFFORT OF OUR GOVERNMENT TO FACE THE INTERNATIONAL CRISIS HAS NOT GONE BY UNNOTICED. A FEW DAYS AGO, AT THE WHITE HOUSE, I HEARD PRESIDENT REAGAN SAY TO PRESIDENT JORGE BLANCO, THE FOLLOWING:

"PRESIDENT JORGE BLANCO, YOUR GOVERNMENT IS TODAY ENSURING A BETTER TOMORROW. YOU ARE MEETING THE CHALLENGE HEAD ON, WORKING DILIGENTLY TO REBUILD YOUR ECONOMY THROUGH FISCAL RESPONSIBILITY AND COURAGEOUS REFORM IN PUBLIC ADMINISTRATION. YOU'VE IMPROVED YOUR COUNTRY'S BUSINESS AND INVESTMENT CLIMATE. AND BY STRESSING THE IMPORTANCE OF THE PRIVATE SECTOR, AND BY PROVIDING PRACTICAL INCENTIVE FOR INVESTMENT, YOU'VE MADE CERTAIN THE DOMINICAN REPUBLIC WILL BE PART OF THE ECONOMIC UPSURGE NOW TAKING PLACE IN THE UNITED STATES AS IT SPREADS THROUGHOUT THE GLOBAL ECONOMY".

THE SECOND YEAR AGREEMENT WITH THE INTERNATIONAL MONETARY FUND

WHAT HAS LATIN AMERICA DONE TO FACE THE MOST ACUTE CRISIS SINCE THE '30'S? ITS EFFORTS HAVE BEEN ORIENTED IN TWO DIRECTIONS.

FIRST, SINCE THE CRISIS IS ORIGINATED BY POLICIES FOLLOWED BY THE LEADING INDUSTRIALIZED AND OIL-EXPORTING COUNTRIES, IT HAS PURSUED THAT THEY MODIFY THEIR POLICIES SO THAT PART OF THE BURDEN OF ADJUSTMENT, FALLS, AS IN JUSTICE IT SHOULD ON THEM. THESE MODIFICATIONS INCLUDE, AMONG OTHERS, REDUCTION OF FISCAL DEFICITS, AMENDMENTS TO PROTECTIONIST POLICIES, SUPPORT OF PRICE STABILIZATION AGREEMENTS OF PRIMARY PRODUCTS AND TO THE REFORM OF THE INTERNATIONAL MONETARY SYSTEM.

DIFFERENT INTERNATIONAL FORUMS HAVE BEEN USED TO DISCUSS THESE MATTERS, ONE OF THE MOST RECENT BEING THE MEETING AT QUITO, ECUADOR, WHEREIN OUR COUNTRY HAD AN OUTSTANDING PERFORMANCE. UNFORTUNATELY, THESE MEETINGS HAVE NOT GIVEN MUCH RESULTS.

IN SECOND PLACE, AND IN VIEW OF THIS SITUATION, LATIN AMERICA WITH ITS DEPLETED MONETARY RESERVES HAS HAD NO OTHER CHOICE BUT TO SEE HOW THE WELLBEING OF ITS CITIZENS IS REDUCED, SINCE THAT AND ONLY THAT IS WHAT A DETERIORATION IN ITS TERMS OF TRADE IMPLIES. A COUNTRY THAT RECEIVES LESS

FOR ITS SALES AND, WITH THOSE REDUCED SALES, HAS TO PAY MUCH MORE FOR WHAT IT PURCHASES, IS A COUNTRY WHOSE STANDARD OF LIVING IS LOWERED AS WOULD HAPPEN WITH ANY COMPANY OR FAMILY AND A COUNTRY IS SIMPLY A GROUP OF FAMILIES AND COMPANIES. LATIN-AMERICAN ECONOMIES HAVE TO ADJUST THEMSELVES TO THIS SITUATION AND THIS IS PRECISELY WHAT IS KNOWN IN TECHNICAL JARGON AS THE "ADJUSTMENT PROCESS", A PAINFUL AND COSTLY PROCESS IN ECONOMIC AS WELL AS POLITICAL TERMS AND, ABOVE ALL, AN UNJUST PROCESS SINCE IT IS THE THIRD WORLD THAT IS ADJUSTING ITSELF AND NOT THE COUNTRIES RESPONSIBLE FOR THE SITUATION.

A COUNTRY THAT THROUGH THE DETERIORATION OF ITS TERMS OF TRADE SUFFERS A DEFICIT IN ITS CURRENT ACCOUNT BALANCE, THAT IS, BETWEEN ITS EXPORTS AND IMPORTS, HAS REALLY TWO OPTIONS. TO DRASTICALLY REDUCE ITS IMPORTS IN ORDER TO RETURN TO EQUILIBRIUM, WHICH WOULD IMPLY A SEVERE BLOW TO THE CONSUMPTION OF ITS CITIZENS AND THE COUNTRY'S INDUSTRIES, OR TO REDUCE THOSE IMPORTS LESS DRASTICALLY AND FINANCE THE REMAINING DEFICIT WITH RESOURCES TEMPORARILY PROVIDED BY THE INTERNATIONAL ECONOMIC COMMUNITY. THOSE RESOURCES COULD REPRESENT NEW LOANS OR THE DEFERMENT OF PAYMENT AT MATURITY OF LOANS ALREADY CONTRACTED. ALL OF LATIN AMERICA AND THE CARIBBEAN, WITHOUT EXCEPTION, HAS CHOSEN THE ROAD OF ADJUSTMENT WITH FINANCING, SINCE IT REPRESENTS A LESS SEVERE, LESS VIOLENT AND LESS TRAUMATIC ADJUSTMENT. THE CASE IS THE SAME AS THAT OF A FAMILY WHOSE INCOME IS REDUCED AT THE SAME TIME THAT ITS COST OF LIVING INCREASES AND, UPON SEEING ITS STANDARD OF LIVING LOWERED, IT BORROWS SO AS NOT TO TIGHTEN ITS BELT EVEN FURTHER.

WHAT FORM DOES THAT FINANCING TAKE? IT TAKES THE FORM OF NEW LOANS FROM COMMERCIAL BANKS AND THE DEFERMENT OF THE DEBT ALREADY CONTRACTED WITH THEM; IT TAKES THE FORM OF DEFERMENT OF DEBTS THAT ARE DUE TO FOREIGN GOVERNMENTS AND IT ALSO TAKES THE FORM OF NEW LOANS FROM THE WORLD BANK AND GOVERNMENTS SUCH AS THE U.S. GOVERNMENT.

BUT THE REALITY IS THAT, TODAY, COMMERCIAL BANKS DO NOT GIVE NEW LOANS, NOR RENEGOTIATE THE ONES ALREADY DUE, IF THE COUNTRY IN QUESTION DOES NOT HAVE AN AGREEMENT WITH THE INTERNATIONAL MONETARY FUND. NOR DO THE GOVERNMENTS OF RICH COUNTRIES ACCEPT A DEBT RENEGOTIATION IF THE COUNTRY DOES NOT HAVE AN AGREEMENT WITH THE INTERNATIONAL MONETARY FUND AND, MORE RECENTLY, WE HAVE SEEN IN THE CASE OF JAMAICA, COSTA RICA AND DOMINICAN REPUBLIC ITSELF, HOW THE U.S. GOVERNMENT SUSPENDS DISBURSEMENT OF SOME AID FUNDS UNTIL THE COUNTRIES IN QUESTION REACH AN AGREEMENT WITH THE IMF.

THAT IS THE TRUTH. IT IS TRUE THAT IT SHOULD NOT BE THAT WAY BUT, THAT DOES NOT STOP IT FROM BEING THE TRUTH. CREDITORS WANT TO ASSURE THEMSELVES THAT LATIN-AMERICAN COUNTRIES ADJUST THEIR ECONOMIES IN SUCH A WAY THAT THEIR EXPORTS INCREASE AND THEIR IMPORTS DECREASE SO THAT THEIR EXTERNAL SECTORS BE ONCE AGAIN FEASIBLE AND, ON THE OTHER HAND, IT IS THE FUND'S FUNCTION TO ASSURE THE FEASIBILITY OF THOSE ECONOMIES IN THE LIGHT OF THE CONSTRAINTS OF A GIVEN INTERNATIONAL SITUATION.

OUR AGREEMENT HAS PRECISELY THE OBJECTIVE OF MAKING OUR EXPORTS GROW AND CAUSING A REDUCTION OF OUR IMPORTS BY

BASICALLY ACHIEVING BOTH OBJECTIVES THROUGH THE PRICE SYSTEM, INCREASING THE INCOME OF EXPORTERS AND RAISING THE COST OF IMPORTS. THE FIRST IS ACCOMPLISHED WITH EXCHANGE INCENTIVES GRANTED TO TRADITIONAL AND NON-TRADITIONAL EXPORTS, INCLUDING EXPORTS OF SERVICES. THE SECOND IS ACHIEVED THROUGH THE TRANSFER TO THE FREE MARKET OF IMPORTS OF GOODS AND SERVICES AND THE PAYMENT OF AD-VALOREM DUTIES, BASED ON THE RATE OF EXCHANGE OF SAID MARKET AND, IN ADDITION, WITH DIRECT PROHIBITION ON IMPORTS.

HOWEVER, NEITHER THE DOMINICAN AUTHORITIES, NOR THE IMF, CONSIDER THAT TODAY'S PREMIUM LEVEL IN THE FREE MARKET IS THE LEVEL WHICH PERMITS THE OBJECTIVE OF REACHING THAT EQUILIBRIUM. IT IS AN EXCEEDINGLY HIGH LEVEL AND THAT IS THE REASON WHY THE PROGRAM WITH THE IMF FOR THE SECOND YEAR OF THE AGREEMENT LOOKS, THROUGH VARIOUS MECHANISMS, FOR A REDUCTION OF THAT PREMIUM RATE. IF I WERE ASKED WHICH PREMIUM LEVEL WOULD BE ADEQUATE, I WOULD ANSWER SAYING THAT A PREMIUM OF ONE PESO, THAT IS, A RATE OF EXCHANGE OF TWO PESOS PER DOLLAR, IS THE LEVEL WHICH ADEQUATELY STIMULATES EXPORTS AND WHICH, ON THE IMPORT SIDE, REDUCES THEM SUFFICIENTLY. THAT TARGET-LEVEL WE WILL PROBABLY NOT REACH IN 1984, BUT WE WILL IN 1985. THERE WILL BE MOMENTS OF TEMPORARY INCREASES BUT, IN SPITE OF THAT, THE TENDENCY WILL BE FOR A PROGRESSIVE REDUCTION IN ORDER TO REACH THAT TARGET-LEVEL.

THAT REDUCTION IN THE PREMIUM WILL BE ACHIEVED NOT ONLY THROUGH THE POLICY OF NOT ISSUING CREDIT ("INORGANICOS"), BUT ALSO THROUGH THE SALE TO THE FREE MARKET OF AT LEAST \$80 MILLION DOLLARS DURING THE REST OF THIS YEAR AND EVEN

MORE ADDITIONAL RESOURCES THE COMING YEAR. WE ATTACH TO THIS SPEECH A TABLE OF THE EXCHANGE BALANCE WHICH SHOWS OUR CAPACITY TO SELL THOSE \$80 MILLION DOLLARS TO THE FREE MARKET THIS YEAR (TABLE NO. 11).

THAT OBJECTIVE WILL ALSO BE ACHIEVED THROUGH A STRONG REDUCTION OF THE TOTAL IMPORT LEVEL WHICH, AS WE WILL SEE LATER ON, IS ALREADY BEING ACHIEVED, AND AS NON-TRADITIONAL EXPORTS GROW AND NOURISH THAT MARKET. THE NON-TRANSFER OF OIL AND OF FOOD WITH INTERNATIONAL FINANCING, ALSO HELPS IN REACHING THIS OBJECTIVE.

ONE OF THE PROBLEMS CAUSED BY THE IMF AGREEMENT DEALS WITH THE SUSPENSION OF THE REGISTRATION OF NEW FOREIGN INVESTMENTS UNDER LAW 861, THE DILEMA OF BLOCKED FUNDS, AND THE NEW FOREIGN DEBTS OF THE PRIVATE SECTOR UNDER LAW 251. WE ARE VERY CONSCIOUS OF THESE PROBLEMS INHERENT TO THE TRANSITORY NATURE OF THIS ADJUSTMENT PROCESS. NEVERTHELESS, THIS PROBLEM DOES NOT AFFECT NEW INVESTMENTS IN THE TOURIST OR FREE-ZONE AREAS, TWO PRIORITY SECTORS.

THE NEW DOMINICAN ECONOMIC MODEL

THIS ADJUSTMENT OF THE DOMINICAN ECONOMY, PROVOKED BY THE INTERNATIONAL SITUATION, SINCE IT LOOKS FOR INCREASED EXPORTS AND REDUCED IMPORTS, ACTUALLY IMPLIES THE ADOPTION OF A NEW MODEL OF DOMINICAN ECONOMIC GROWTH. THE EFFECTS OF THIS MODEL ARE ALREADY BEING FELT.

DURING THE FIRST THREE MONTHS OF THIS YEAR OUR EXPORTS INCREASED TO \$219 MILLION IN COMPARISON WITH \$199 MILLION DURING AN EQUAL PERIOD LAST YEAR, BUT THE REAL IMPORTANT DATA IS THAT NON-TRADITIONAL EXPORTS INCREASED FROM \$18 MILLION TO \$31 MILLION, THAT IS, AN EXTRAORDINARY 66% RISE, AND THIS IS SO BECAUSE NON-TRADITIONAL EXPORTS HAVE BECOME EXCEEDINGLY PROFITABLE AND ALL BUSINESSMEN HAVE COME TO REALIZE IT. AS AN INDUSTRIALIST TOLD ME THE OTHER DAY: "THE BUSINESS THAT FROM NOW GENERATES THE DOLLARS IT NEEDS, WILL DO WELL".

ON THE IMPORT SIDE, AND EXCEPT FOR OIL AND IMPORTS BY INESPRE, THAT IS, TALKING ABOUT IMPORTS IN THE FREE MARKET, THESE WERE REDUCED BY \$59.1 MILLION DURING THE FIRST TWO MONTHS OF 1984, IN RELATION TO THE FIRST TWO MONTHS OF 1983. IF MAINTAINED, IT WOULD IMPLY A REDUCTION OF \$325 MILLION PER YEAR. THIS IS ONE OF THE MAIN FACTORS THAT PRESSURES THE PREMIUM DOWNWARD.

THIS MODEL, BEING BASED ON THE REDUCTION OF IMPORTS IN A COUNTRY WHERE, UNFORTUNATELY, THE BULK OF ITS TAXES DEPEND ON THEM, ALSO IMPLIES A TAX REFORM WHICH EMPHASIZES DIRECT AND INTERNAL CONSUMPTION TAXES SINCE, TO THE CONTRARY, WE WOULD BE DOOMED TO A REDUCTION IN PUBLIC INVESTMENT. THIS WOULD NOT BE AT ALL CONVENIENT IF WE TAKE INTO ACCOUNT THAT WHILE IN 1960, GOVERNMENT EMPLOYEES REPRESENTED 9.6% OF THE ECONOMICALLY-ACTIVE POPULATION, IN 1980, THIS PROPORTION HAD BEEN REDUCED TO ONLY 7.6%. I BELIEVE IT PROPER TO QUOTE HEREWITH THE FOLLOWING PARAGRAPHS FROM THE LAST PASTORAL LETTER FROM OUR BISHOPS.

"A NOTABLE LACK OF SOCIAL SENSIBILITY MAKES DOMINICANS SURPRISINGLY RELUCTANT TO ALL TYPES OF TAXES. SUSTAINED FRAUD (OFTEN OFFERED AND AGREED), EXCEPTIONS GRANTED, FEAR OF A DEFICIENT ADMINISTRATION AND THE REPEATED EXPERIENCE OF THE IRRATIONAL OR INADEQUATE USE OF PUBLIC FUNDS, WEAKEN AMONG US THE FISCAL SYSTEM AND DEplete AND DESTROY THE MORALITY OF THE STATE TO DEMAND TAXES. IT IS A SAD REALITY. NEVERTHELESS, TAXES ARE NECESSARY BECAUSE THEY ASSUME, IN SOCIETY, THE FUNDAMENTAL ROLE OF EQUITABLE DISTRIBUTION OF THE BURDEN OF PUBLIC EXPENSES AND THE JUST RE-DISTRIBUTION OF INCOME AND CAPITAL.

"FROM THE MORAL POINT OF VIEW INDIRECT TAXES ARE LESS JUST AND EQUITABLE, SINCE THEY INDISCRIMINATELY DISTRIBUTE THE TAX BURDEN AMONG THOSE THAT DO NOT HAVE MUCH AND THOSE THAT DO HAVE SOMETHING. THE MOST JUST AND EQUITABLE TAX IS THE DIRECT ONE SINCE IT IS PROPORTIONATE TO THE AMOUNT OF INCOME AND CAPITAL OF THE TAXPAYER, AND IT SHOULD BE PROGRESSIVE. NEVERTHELESS, ACCORDING TO THE AMOUNT, IT COULD BE REDUCED IN PROPORTION TO REINVESTMENTS FOR THE PURPOSE OF INCREASING PRODUCTION AND DECREASING UNEMPLOYMENT, OR THROUGH DONATIONS OR IN FAVOR OF THE COMMON WELLBEING.

"MORALLY, DIRECT TAXES SHOULD NOT ONLY TAX HIGH AND MEDIUM INCOME, BUT ALSO FORTUNES. WITHOUT DOUBT, THESE ARE ONE OF THE PRINCIPAL SOURCES OF UNJUST SOCIAL CONTRASTS. THE EFFICIENT INSTRUMENT IN THIS FIELD IS THE INHERITANCE TAX, PARTICULARLY IN DIRECT LINE, AND THE TAX ON CAPITAL GAINS, WHICH ARE NOT DERIVED FROM A SERVICE RENDERED.

"UNFORTUNATELY, DIRECT TAXATION IS THE ONE MOST SUBJECT TO FRAUD. IT WOULD BE UNFORTUNATE IF AMONG US, DUE TO LACK OF

SEVERE CONTROL, CLEVER FRAUDS AND DISHONESTY OF CERTAIN GOVERNMENT OFFICIALS OR PUBLIC EMPLOYEES, DIRECT TAXES WOULD BE DUE BY THOSE THAT HAVE THE MOST AND ONLY FAITHFULLY PAID BY THE LOW AND MEDIUM INCOME CLASSES AND BY CERTAIN PROFESSIONALS".

IN ORDER TO REDUCE THE IMPORT OF FOOD, THEREBY STIMULATING LOCAL PRODUCTION, PURCHASE PRICES HAVE BEEN OR WILL BE INCREASED TO THE FARMER FOR SORGHUM, CORN, EDIBLE OILS AND MILK. UNFORTUNATELY, THIS CAN ONLY BE ACHIEVED BY ALSO INCREASING THE SALES PRICE TO THE PUBLIC.

THE ELIMINATION OF FOREIGN EXCHANGE QUOTAS TO THE INDUSTRIAL SECTOR MAKES COMPETITION NOW MORE EFFECTIVE BY THE SUPPRESSION OF WHAT, IN REALITY, WERE PRIVILEGES IN FAVOR OF INDUSTRY ALREADY ESTABLISHED AND ~~THOSE~~ MOST ACTIVE FOUR YEARS AGO.

BEFORE TAKING OATH, AND EVEN DURING THE ELECTORAL CAMPAIGN, THE PRESENT GOVERNMENT SAID THAT ITS PRIORITY AREAS FOR PRIVATE INVESTMENT WERE INDUSTRIAL FREE ZONES, EXPORT AGROINDUSTRY AND SUBSTITUTION OF IMPORTED FOOD, TOURISM AND MINING.

AN ANALYSIS OF THE NEW DOMINICAN ECONOMIC MODEL AND, SPECIFICALLY OF THE POLICIES RECENTLY ADOPTED BY THE GOVERNMENT, PROVE HOW THOSE PRIORITIES ARE KEPT SINCE, PRECISELY, IT IS THOSE SECTORS THAT **BENEFIT** FROM THESE NEW POLICIES.

ASSEMBLY INDUSTRIES IN THE FREE ZONES HAVE BEEN GRANTED, FOR THE FIRST TIME, AN EXCHANGE INCENTIVE OF 48%, WHICH WILL MAKE THOSE INDUSTRIES MORE COMPETITIVE IN THEIR COSTS IN RELATION TO THOSE EXISTING IN OTHER NEARBY CARIBBEAN COUNTRIES. WITH THIS INCREASED DEGREE OF COMPETITIVENESS, OUR COUNTRY WILL BE ABLE TO BENEFIT TO A MAXIMUM FROM THE CARIBBEAN BASIN INITIATIVE WHICH GIVES FREE ACCESS TO PRODUCTS ASSEMBLED IN THE DOMINICAN REPUBLIC, DESTINED TO THE LARGE U.S. MARKET. WE ANTICIPATE THAT THE PRIVATE SECTOR, BOTH DOMINICAN AND FOREIGN, WILL ALSO TAKE ADVANTAGE OF THE SOFT CREDIT GRANTED BY "FIDE" FOR THE ESTABLISHMENT OF COMPLETELY PRIVATE NEW FREE ZONES IN THOSE CITIES WHERE THEY DO NOT YET EXIST. IT IS ALSO OUR UNDERSTANDING THAT "AID" WILL PROVIDE RESOURCES TO THE DOMINICAN GOVERNMENT FOR ENLARGING THE EXISTING GOVERNMENT FREE ZONES.

ON THE OTHER HAND, THE RECENT MEASURES TAKEN BY THE MONETARY BOARD IN RELATION TO THE REGISTRATION OF FOREIGN INVESTMENT AND REPATRIATION OF PROFIT, DO NOT AFFECT FREE ZONES IN ANY MANNER.

ANOTHER PRIORITY SECTOR, AGROINDUSTRIES, HAS ALSO RECEIVED BENEFITS AS PART OF THE DOMINICAN ADJUSTMENT PROCESS, SINCE ALL TRADITIONAL AS WELL AS NON-TRADITIONAL EXPORTS OF INDUSTRIAL PRODUCTS, HAVE RECEIVED NEW EXCHANGE INCENTIVES. AS WE HAVE ALREADY MENTIONED, IN ORDER TO REDUCE THE VOLUME OF FOOD THAT WE PRESENTLY IMPORT AT SUCH HIGH COST, NEW, MUCH HIGHER PURCHASE

PRICES TO FARMERS HAVE BEEN OR WILL BE ESTABLISHED SO AS TO MAKE THEIR LOCAL PRODUCTION AN ECONOMIC ONE. THE RESOURCES AVAILABLE AT "FIDE" FROM "AID", ALSO PROVIDE THE NECESSARY CREDIT TO MAKE THIS NEW INVESTMENTS FEASIBLE. THE STATE SUGAR COMPANY HAS ALREADY ADOPTED MODALITIES OF CO-INVESTMENT WITH THE PRIVATE, LOCAL OR FOREIGN SECTOR FOR NEW AGROINDUSTRIES, AS HAS OCCURRED WITH PINEAPPLE AND AFRICAN PALM AND WILL ALSO PROBABLY OCCUR IN THE AREA OF CITRUS FRUITS.

A THIRD PRIORITY AREA WHICH HAS ALSO RECEIVED MUCH STIMULUS WITHIN THE NEW ECONOMIC SCHEME, IS THE TOURIST SECTOR, AS SHOWN BY THE FLOWS IN RECENT MONTHS, SINCE IT HAS BENEFITTED IN THE EXCHANGE AREA, MAKING OUR COUNTRY THE MOST ECONOMIC PLACE IN THE CARIBBEAN FOR TOURISTS COMING FROM THE DOLLAR ZONE PROVIDED HOTELS AND RESTAURANTS OFFER THE TOTAL EXCHANGE BENEFIT TO SAID TOURISTS.

WE KNOW THAT UNFORTUNATELY, TODAY, THIS IS NOT HAPPENING IN ITS TOTALITY AND WE ARE PREPARING MEASURES THAT WILL ASSURE THAT THOSE BENEFITS REACH TOURISTS SO AS TO MAINTAIN AND INCREASE FLOWS SINCE, THE REAL IMPORTANT THING FOR HOTELS AND RESTAURANTS IS NOT TO CHARGE A LOT OF MONEY TO A FEW TOURISTS BUT, RATHER, TO CHARGE A LOT OF TOURIST REASONABLE PRICES SO THAT THEIR TOTAL INCOME WILL THUS INCREASE. SOON, WE WILL HAVE A LOAN AVAILABLE OF APPROXIMATELY \$47 MILLION FROM THE INTERAMERICAN DEVELOPMENT BANK FOR THE CONSTRUCTION OF HOTELS THROUGHOUT THE COUNTRY.

FINALLY, WE HAVE THE MINING SECTOR WHICH, LAST WEEK, ALSO RECEIVED EXCHANGE INCENTIVES.

AS CAN BE SEEN, THE ENUNCIATION OF THESE FOUR PRIORITY AREAS OVER TWO YEARS AGO, IN PRACTICE HAS BEEN VALIDATED BY TODAY'S ECONOMIC POLICIES, WHICH PRECISELY EMPHASIZE THESE FOUR AREAS PROVIDING THEM WITH HIGH PROFITABILITY, CONVERTING THEM IN THE NEW GREAT INVESTMENT OPPORTUNITIES IN OUR COUNTRY FOR THE PRIVATE SECTOR.

POLITICAL FEASIBILITY OF THE ADJUSTMENT

HAVING SAID THE ABOVE, IT IS NOT LESS TRUE THAT MANY QUESTION THE FEASIBILITY OF THE PRESENT LATIN-AMERICAN ADJUSTMENT PROCESS, UNLESS THE INTERNATIONAL SITUATION IMPROVES AND THE SO CALLED "RULES OF THE GAME" ARE ALSO MODIFIED IN ORDER THAT THE COSTS OF THE BURDEN BE SHARED, IN A MORE SYMMETRIC MANNER, BY INDUSTRIALIZED COUNTRIES, OIL-PRODUCING AND DEVELOPING ENERGY IMPORTING COUNTRIES. THOSE THAT SO THINK, ARE POINTING TOWARDS ARGENTINA, FOR EXAMPLE, THE ONLY ENERGY AND FOOD SELF-SUFFICIENT NATION AND, WHICH, AT THE SAME TIME, POSSESSES A VERY HEAVY EXTERNAL DEBT BURDEN.

AS TO THE MANNER OF MODIFYING THE RULES OF THE GAME AND AS TO A BETTER FORM OF SHARING THE BURDEN, MUCH HAS BEEN WRITTEN AND PROPOSED, CONSEQUENTLY IT IS DIFFICULT TO ADD NEW IDEAS. BUT MY PREOCCUPATIONS DO NOT ALLOW ME TO SIMPLY BACK, FOR EXAMPLE, THE QUITO DECLARATION. I WOULD LIKE TO TAKE ADVANTAGE OF THIS OPPORTUNITY TO ADD, FOR WHATEVER IT IS WORTH, SOME IDEAS OF MINE ON THE SUBJECT, PARTICULARLY ON INTERNATIONAL COOPERATION AND THE DOMINICAN REPUBLIC.

THE CARIBBEAN BASIN INITIATIVE HAS OPENED THE BULK OF THE U.S. MARKET TO OUR COUNTRY. THE ONLY THING LEFT NOW IS TO ACCOMPLISH THE SAME FOR THAT OTHER LARGE MARKET, THE EUROPEAN ECONOMIC COMMUNITY.

ALL OF THE COUNTRIES OF THE INSULAR CARIBBEAN, WITH THE EXCEPTION OF THE DOMINICAN REPUBLIC, HAITI AND CUBA, ENJOY THE BENEFITS OF THE LOME CONVENTION, INCLUDING PREFERENTIAL ACCESS TO THE EUROPEAN COMMON MARKET. HOWEVER, CUBA HAS ACCESS TO THE MARKET OF EUROPEAN COMMUNIST COUNTRIES, THEREFORE THE PROBLEM OF ACCESS IS RESTRICTED TO THE TWO COUNTRIES THAT SHARE OUR ISLAND. THAT CONVENTION INCLUDES FINANCIAL AID PROGRAMS AND COMPENSATION MECHANISMS TO OFFSET REDUCTIONS IN EXPORTS OF PRODUCTS SUCH AS CACAO, COFFEE, AND BAUXITE, AGREEMENTS WHICH COULD WELL BE EXTENDED IN THE FUTURE SO AS TO INCLUDE TOBACCO AND NICKEL. OF PARTICULAR INTEREST TO OUR COUNTRY IS THE PREFERENTIAL ACCESS OF SUGAR TO THAT COMMON MARKET. IF SPAIN AND PORTUGAL ENTER THE EUROPEAN COMMON MARKET, AS IT IS PROBABLE, THE SUGAR REQUIREMENTS OF THE REGION WILL INCREASE AND THIS WOULD JUSTIFY AN INCREASE IN THE AMOUNT OF SUGAR TO BE IMPORTED, WHICH COULD WELL ORIGINATE FROM THE DOMINICAN REPUBLIC. THEREFORE, UNDER THE CONVENTION, THE EUROPEAN COMMON MARKET IS MUCH MORE ACCESSIBLE TO FRENCH AND BRITISH EX-COLONIES, ABOVE ALL, FOR THEIR TROPICAL PRODUCTS.

NEVERTHELESS, NOTHING IN THE BY-LAWS OF THAT CONVENTION STATES THAT THE COUNTRIES PARTICIPATING BE NECESSARILY FORMER COLONIES AS HAS BEEN PROVEN BY THE INCORPORATION OF ETHIOPIA, LIBERIA AND NEW GUINEA. ARTICLE 186 OF THE TREATY ESTABLISHES THAT NATIONS COULD BELONG TO IT "WHOSE ECONOMIC STRUCTURE AND

PRODUCTION IS COMPARABLE TO AFRICAN, CARIBBEAN AND PACIFIC NATIONS, MEMBERS OF THE CONVENTION". THAT DEFINITION HAS THE PURPOSE OF EXCLUDING LARGE COUNTRIES SUCH AS INDIA AND BRAZIL, SINCE, IN REALITY, ONLY COUNTRIES THE SIZE OF THE DOMINICAN REPUBLIC AND CENTRAL AMERICA FIT UNDER IT. IN ADDITION, THE FACT OF BEING AN ISLAND-CARIBBEAN ECONOMY IS IMPORTANT SINCE THE CONVENTION GIVES SPECIALLY ADVANTAGEOUS TREATMENT TO ISLANDS IN THE CARIBBEAN.

THE NEW VERSION OF THE LOMÉ CONVENTION ENTERS INTO EFFECT A YEAR FROM NOW. THIS IS THEREFORE THE OPPORTUNE MOMENT FOR REQUESTING THE INCORPORATION TO THE SCHEME OF NEW COUNTRIES SUCH AS OURS. IT ALSO SEEMS THE OPPORTUNE MOMENT FROM A POLITICAL POINT OF VIEW, DUE TO THE EXCELLENT RELATIONSHIP BETWEEN THE DOMINICAN GOVERNMENT AND THE GOVERNMENTS OF FRANCE AND ITALY. IF SPAIN AND PORTUGAL ENTER THE EUROPEAN ECONOMIC MARKET, AS IT IS PROBABLE, THEN THE POLITICAL SUPPORT OF THE DOMINICAN REQUEST WILL BE GREATER, IN VIEW OF THE ALSO EXCELLENT RELATIONSHIP BETWEEN THOSE TWO GOVERNMENTS AND OURS.

THE POLITICAL AND ECONOMIC ADVANTAGES OF THE PARTICIPATION OF A COUNTRY SUCH AS THE DOMINICAN REPUBLIC IN THE EUROPEAN COMMON MARKET HAVE EVEN BEEN NOTED BY U.S. POLITICAL SECTORS. THE KISSINGER REPORT, FOR EXAMPLE, IN ONE OF ITS ECONOMIC RECOMMENDATIONS STATES: "WE BELIEVE THAT THE EUROPEAN COMMUNITY SHOULD EXTEND TRADE PREFERENCES TO CENTRAL AMERICA UNDER THE LOME CONVENTION, SINCE THE UNITED STATES IS EXTENDING BENEFITS THROUGH THE CARIBBEAN BASIN INITIATIVE TO CARIBBEAN COUNTRIES, BENEFICIARIES OF THE LOME CONVENTION". THIS MEANS THAT IF JAMAICA, BARBADOS AND TRINIDAD, AMONG SEVERAL CARIBBEAN ISLANDS, PARTICIPATE IN

THE CARIBBEAN BASIN INITIATIVE, AND IN THE BENEFITS OF THE LOMÉ CONVENTION, THE KISSINGER COMMISSION CONSIDERS IT LOGICAL THAT CENTRAL AMERICA, WHICH ALSO PARTICIPATES IN THE CARIBBEAN BASIN INITIATIVE, SHOULD ALSO PARTICIPATE IN THE EUROPEAN SCHEME. MAKING USE OF THE LOGIC IN THAT ARGUMENT, WE WOULD ADD THAT THE UNITED STATES SHOULD SUGGEST THAT THE DOMINICAN REPUBLIC ALSO ENTER IN THAT SCHEME. THIS IS, THEREFORE, A JUNCTURE WHICH MUST BE TAKEN ADVANTAGE OF SO THAT THE EUROPEAN ECONOMIC COMMUNITY NOT ONLY STUDY CENTRAL-AMERICAN PARTICIPATION, BUT DOMINICAN AS WELL.

WE KNOW THAT AT PRESENT THE EUROPEAN ECONOMIC COMMUNITY IS STUDYING THE POSSIBILITY OF A BILATERAL AGREEMENT WITH THE CENTRAL-AMERICAN COUNTRIES, AS A PRELIMINARY STEP TO THEIR EVENTUAL MEMBERSHIP. IF OUR COUNTRY FROM NOW ON IS EXCLUDED FROM THAT ANALYSIS, I AM AFRAID OUR FUTURE PARTICIPATION WILL BE VERY DIFFICULT.

I DO NOT WANT TO FINISH WITHOUT MAKING SOME REFERENCE, ALTHOUGH BRIEF, TO WHAT HAS OCCURRED IN THE COUNTRY IN THE LAST TWO DAYS, AND SINCE I HAVE BEEN TALKING ABOUT EUROPE AND THE UNITED STATES, I SHALL SIMPLY QUOTE TWO FAMOUS SENTENCES FROM EACH ONE OF THOSE CONTINENTS.

IN EUROPE, OVER SIXTEEN YEARS AGO, THE FOLLOWING PHRASE BECAME POPULAR: "FOR AN EXTRAORDINARY SITUATION, EXTRAORDINARY MEASURES AND SACRIFICES IN THE SAME PROPORTION". TODAY, WITHOUT EXCEPTION, ALL DOMINICANS COULD VERY WELL APPLY THEMSELVES THAT PHRASE. THIS SENTENCE DID NOT SPRING FORTH FROM ANY ERUDITE GAUL, BUT RATHER, IT APPEARED SPONTANEOUSLY SCRIBBLED IN THE WALLS OF PARIS, IN THE FORM OF GRAFFITI, IRONICALLY, DURING THE VIOLENT STUDENT REVOLT OF MAY 1968. I AM SURE THE

ANONYMOUS AUTHOR OF THAT SENTENCE WOULD NOT FEEL PLEASED BY MY USE OF IT TODAY, UNDER THE PRESENT CIRCUMSTANCES, BUT THAT IS NO REASON WHY THE MESSAGE SHOULD NOT HAVE FULL VALIDITY.

THE SECOND PHRASE, THE NORTH-AMERICAN ONE, IS FROM JOHN F. KENNEDY. THE DECEASED PRESIDENT SAID: "WHEN THE WORD CRISIS IS WRITTEN IN CHINESE, IT IS COMPOSED OF TWO SYMBOLS -THE FIRST REPRESENTS DANGER AND THE SECOND REPRESENTS OPPORTUNITY". OUR GOVERNMENT AND ITS PARTY, TAKING ADVANTAGE OF THE WISDOM OF THE MOST ANCIENT CULTURE OF THE WORLD, COULD VERY WELL TAKE NOTICE OF THE SECOND SYMBOL.

THANK YOU

BANCO CENTRAL DE LA REPUBLICA DOMINICANA
 Departamento de Estudios Económicos
 División de Comercio Exterior

CUADRO NO. 1

VARIACION ANUAL PORCENTUAL DE LAS EXPORTACIONES DE BIENES DE
 AMERICA LATINA Y EL CARIBE, POR PAISES, EN ORDEN DECRECIENTE
 1982-1983

Pais	Exportación (FOB) %
Barbados	16.2
Bahamas	14.9
Brasil	8.6
Granada	5.6
El Salvador	4.0
Haití	3.9
Uruguay	3.3
Chile	2.2
República Dominicana	2.0
Panamá	1.9
Argentina	1.5
Honduras	0.4
Nicaragua	-0.5
México	-0.6
Ecuador	-2.0
Jamaica	-4.2
Bélice	-5.0
Bolivia	-5.3
Guatemala	-5.4
Colombia	-6.4
Costa Rica	-6.4
Venezuela	-7.2
Guyana	-8.7
Perú	-11.1
Trinidad y Tobago	-12.5
Paraguay	-14.3
Surinam	-21.0

Fuentes : - Fondo Monetario Internacional,
 Estimaciones del CEMLA y
 Banco Central de la Rep. Dcm.

BANCO CENTRAL DE LA REPUBLICA DOMINICANA
 Departamento de Estudios Económicos
 División de Comercio Exterior

CUADRO NO. 2

VARIACION ANUAL PORCENTUAL DE LAS IMPORTACIONES DE BIENES DE
 AMERICA LATINA Y EL CARIBE, POR PAISES, EN ORDEN ASCENDENTE
 1982-1983

País	Importación (FOB) %
Venezuela	-43.0
México	-41.4
Uruguay	-40.2
Ecuador	-32.5
Perú	-29.5
Chile	-21.6
Argentina	-21.2
Brasil	-20.6
Paraguay	-17.4
Surinam	-17.2
Panamá	-16.7
Guatemala	-11.2
Granada	-8.5
Guyana	-6.4
Jamaica	-5.8
Honduras	-4.0
Colombia	-3.5
Bélice	-1.0
El Salvador	-0.3
Nicaragua	0.1
República Dominicana	1.8
Bolivia	6.4
Barbados	6.9
Costa Rica	7.3
Trinidad y Tobago	7.8
Haití	10.2
Bahamas	13.6

Fuentes : Fondo Monetario Internacional,
 Estimaciones del CEMLA, y
 Banco Central de la Rep. Dom.

OFP/durán.

Santo Domingo, D.N.
 26 de marzo de 1984.

CUADRO NO. 3

PRINCIPALES RESULTADOS DE LA BALANZA DE PAGOS 1981-83
SALDO EN CUENTA CORRIENTE

(En millones US\$)

	1981	1982	1983
Méjico	-14,096	-3,155	3,300
Venezuela	2,385	-3,457	2,021
Bélice	-15	-11	-14
Granada	-23	-36	-24
Barbados	-85	-50	-42
Bahamas	-93	-40	-73
Uruguay	-478	-434	-77
Guayanas	-187	-142	-131
Haiti	-222	-140	-157
Surinam	-123	153	165
Honduras	-321	-251	-221
El Salvador	-266	-265	-239
Guatemala	-565	-375	-264
Ecuador	-1,027	-1,215	-313
Jamaica	-338	-416	-340
Panamá	-506	-535	-345
Costa Rica	-426	-230	-385
Bolivia	-395	-164	-119
República Dominicana	-406	-442	-149
Nicaragua	-650	-580	-575
Chile	-4,733	-2,264	-1,062
Perú	-1,567	-1,882	-1,085
Paraguay	-1,041	-1,288	-1,249
Trinidad y Tobago	390	-710	-1,128
Colombia	-1,657	-2,243	-2,782
Argentina	-4,592	-2,476	-2,084
Brasil	-11,745	16,281	-8,300

CUADRO NO. 4

RESERVAS INTERNACIONALES NETAS EN MESES DE IMPORTACION DE
BIENES Y SERVICIOS

P A I S	1983
Venezuela	9.1
Trinidad-Tobago	6.1
Colombia	4.9
Chile	4.5
Uruguay	4.5
Paraguay	2.6
México	2.1
Perú	1.9
Surinam	1.6
Bahamas	1.2
Granada	0.6
Argentina	0.5
Ecuador	0.5
Barbados	0.5
Guatemala	0.4
Brasil	0.2
El Salvador	-0.6
Honduras	-1.2
Haití	-1.2
Costa Rica	-1.6
República Dominicana	-2.8
Nicaragua	-4.2
Guyana	-9.2
Jamaica	-10.8
Bolivia	-10.9

ASV/mar.-

Santo Domingo, D.N.-
26 de marzo de 1984.-

CUADRO NO. 5
AMERICA LATINA Y EL CARIBE

VARIACION PORCENTUAL DE LOS TIPOS DE CAMBIO, 1981-83
(En porcentajes anuales 1/)

PAIS	1981	1982	1983
Argentina	-139.1	-487.8	-304.5
Bolivia	-	-161.6	-258.4
Brasil	-76.7	-92.8	-221.5
Perú	-46.5	-65.0	-133.5
Uruguay	-18.7	-29.5	133.2
México	-6.8	-124.3	-118.4
Chile	-	-30.5	-54.9
Ecuador	-	20.0	-47.7
Colombia	-15.3	-17.6	-23.0
El Salvador	-	-	-11.2
Costa Rica	-153.9	-72.7	-9.1
Jamaica	-	-	-6.2
Venezuela	-	-	-0.1
Guatemala	-	-	-
República Dominicana	-	-	-
Trinidad y Tobago	-	-	-
Paraguay	-	-	-
Panamá	-	-	-
Nicaragua	-	-	-
Honduras	-	-	-
Haití	-	-	-
Surinam	-	-	-
Bahamas	-	-	-
Barbados	-	-	-
Guyana	-10.3	-6.8	-
Belise	-	-	-
Granada	-	-	-

Fuente : FMI, Estadísticas Financieras Internacionales, febrero de 1984.

1/ La moneda uruguaya comenzó a flotar en noviembre 26, 1982.

VPV/durán.

26-3-1984.

CUADRO NO. 6

AMERICA LATINA Y EL CARIBE

PAIS	PRODUCTO BRUTO INTERNO REAL TASAS DE CRECIMIENTO 83/82
1.- Cuba	4.0
2.- República Dominicana	3.9
3.- Bahamas	3.6
4.- Nicaragua	2.9
5.- Argentina	2.8
6.- Jamaica	1.6
7.- Colombia	1.0
8.- Haití	1.0
9.- Barbados	1.0
10.- Granada	0.5
11.- Honduras	0.3
12.- Costa Rica	-0.5
13.- Trinidad & Tobago	-1.0
14.- Chile	-1.5
15.- Guatemala	-2.0
16.- Venezuela	-2.9
17.- Ecuador	-3.3
18.- Brasil	-4.0
19.- México	-4.5
20.- Uruguay	-4.7
21.- Paraguay	-5.5
22.- Surinam	-5.5
23.- Perú	-7.7
24.- Guyana	-8.1
25.- Bolivia	-11.1
26.- Panamá	-
27.- El Salvador	-
28.- Belice	-
Promedio Ponderado	-2.9
Mediana	0.5

VPV/mar.-

Santo Domingo, D.N.-
26 de marzo de 1984.-

CUADRO NO. 7
 AMERICA LATINA Y EL CARIBE
Indice de Precios al Consumidor, 1983

(En porcentajes)

País	Variación Anual en Promedio 1983
Panamá	2.2
Bahamas	3.8
Surinam	5.6
Granada	6.1
Barbados	6.5
Haití	6.5
República Dominicana	6.9
Guatemala	7.0
Belice	7.0
Venezuela	10.0
Honduras	10.0
Jamaica	11.6
El Salvador	13.0
Paraguay	14.3
Colombia	16.7
Trinidad y Tobago	18.2
Chile	27.4
Nicaragua	28.5
Costa Rica	32.5
Ecuador	48.6
Uruguay	49.7
Guyana	50.0
México	110.6
Perú	111.1
Brasil	138.0
Bolivia	275.6
Argentina	342.6
Promedio ponderado ^{1/}	118.9
Mediana	14.3

Fuentes: FMI, estadísticas nacionales y estimaciones del CEMLA.

^{1/} : Con base en la ponderación del PIB a precios corriente de cada país correspondiente al año anterior.

VPV
 igc.-
 26-3-84.-

BANCO CENTRAL DE LA REPUBLICA DOMINICANA
 Departamento de Estudios Económicos
 División de Comercio Exterior

CUADRO NO. 8

VALOR DE LAS IMPORTACIONES DE PETROLEO Y SUS DERIVADOS Y EXPORTACIONES
 TOTALES DE LA REPUBLICA DOMINICANA, 1973-1983, POR AÑO

(En miles de RD\$)

Años	Importaciones de Petróleo y sus Derivados (1)	Exportaciones Totales (2)	% de Exportación (1 ÷ 2)
1973	42,336	442,085	9.58
1974	153,643	636,826	24.13
1975	168,462	893,795	18.85
1976	171,109	716,366	23.89
1977	187,771	780,481	24.06
1978	199,007	675,528	29.46
1979	314,872	868,594	36.25
1980	448,767	961,857	46.66
1981	497,367	1,188,021	41.87
1982	451,642	767,744	58.83
1983 *	461,296	785,176	58.75

* Cifras sujetas a rectificación

FUENTES: a) Importaciones de Petróleo y Derivados:
 Refinería Dominicana de Petróleo; Falconbridge
 Dominicana; Corporación Dominicana de Electrici-
 dad, Lubridom y Distribuidoras (Shell, Esso,
 Texaco e Isla).

b) Exportaciones:

Fomulario No. 92: Dirección General de Aduanas.

MG/RAV/jeeh;

23/4/1984.-

TERMINOS DE INTERCAMBIO DE LA REPUBLICA DOMINICANA
1962 - 1983
CUADRO NO. 9

AÑO	INDICE	
1962	63.9	
1963	69.2	
1964	71.7	
1965	62.6	
1966	66.6	} Promedio 70.2
1967	66.4	
1968	72.5	
1969	76.6	
1970	70.0	
1971	62.7	
1972	64.0	
1973	63.8	
1974	68.8	
1975	100.0	
1976	65.8	} Promedio 52.3
1977	65.4	
1978	54.3	
1979	48.6	
1980	50.0	
1981	66.8	
1982*	48.5	
1983*	45.8	

NOTA: Los años 1982 y 1983, incluidos en el último período, son estimaciones del FMI.

FUENTE: International Financial Statistics, Supplement on Trade Statistics, No.4, 1982.

CUADRO NO. 10

(En por ciento del PBI en dólares corrientes)

SALDO EN CUENTA CORRIENTE 1983

Venezuela	2.8
Méjico	2.6
Uruguay	-1.4
Ecuador	-2.4
Guatemala	-2.9
Argentina	-3.1
Barbados	-3.8
Brasil	-4.3
República Dominicana	-5.1
Chile	-5.6
Perú	-6.7
El Salvador	-6.9
Honduras	-7.4
Colombia	-7.4
Bolivia	-8.0
Panamá	-8.0
Haiti	-8.9
Bélice	-8.9
Jamaica	-9.7
Costa Rica	-12.8
Surinam	-14.0
Nicaragua	-16.5
Trinidad Tobago	-18.6
Granada	-21.1
Paraguay	-26.0
Guayana	-28.4

CUADRO NO. 11

BALANZA CAMBIARIA
MAYO - DICIEMBRE 1984

(En Millones US\$)

A. <u>INGRESOS</u>	<u>871.8</u>
Exportaciones de Bienes	481.5
Exportaciones de Servicios	47.3
Préstamos (BID, BIRF, FMI, AID, BANCO CENTRAL DE VENEZUELA, ACUERDO DE SAN JOSE, ETC.)	343.0
B. <u>EGRESOS</u>	<u>732.6</u>
Pagos de combustible	298.5
Cartas de crédito ya abiertas	104.9
Gastos del Gobierno	8.7
Intereses de la deuda externa	120.8
Amortización de préstamos (BANCO CENTRAL DE VENEZUELA, BID, BIRF, AID Y BANCOS COMERCIALES)	119.7
Ventas al mercado libre	80.0
<u>EXCESO DE INGRESOS SOBRE EGRESOS DE DIVISAS (A-B)</u>	<u>139.2*</u>

* Se aplicará al aumento de reservas y a la reducción de atrasos.

LMP/fgc
24/4/84.-