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ADDRESS BY THE PRESIDENT OF CHILE  
AT THE INAUGURAL SESSION

*Ricardo Lagos Escobar*

1. On behalf of the Republic of Chile, I would like to extend a very warm welcome to our friends, the Governors, guests, and staff of the IDB. We are very happy to have you here under our roof.
2. As we have said before, Chile is deeply appreciative of what the IDB has accomplished over the years. The Bank's first president was a distinguished Chilean, Felipe Herrera, whose bold vision and eloquence helped shape a Bank that was different in more ways than one and which, to many, was an impossible dream at the start.
3. Some questioned the idea in writing: how could a bank be efficient if it were run by its borrowers? How efficient could it be if most of its Board members would be Latin Americans who would be the majority shareholders?
4. Nevertheless, in a world in the grips of the Cold War we Latin Americans were able to show those fears to be groundless. Today, our Inter-American Development Bank is a robust, powerful, and creative institution.
5. The IDB did indeed mark a departure from other models of the time, promoting technical assistance, training programs, and projects to build up higher education, science and technology.
6. When some labeled our institution an integration bank, many were surprised at the phrase. But then and now the Bank has been precisely that. This is why we are equipped today to turn to new issues, bringing to bear the same imagination and resolve that were trademarks of the Bank's founders.

7. The Latin American and Caribbean region is both a reality and an aspiration:

- It is a corner of the world's geography that dreams of roads and communications.
- It is a neighborhood with dreams of community and integration.
- It is a past yearning to be future.
- It is a cornucopia of diversity.
- It is a longing for freedom, as the night longs for dawn's arrival.

8. Development is a process in which yesterday's rules are yesterday's news, to paraphrase my friend the President of Uruguay. The one thing we can be certain of is that tomorrow will bring new surprises.

9. The IDB, this inter-American bank, embarked on its mission on the threshold of the 1960s. If every era is in some way its own world, the sixties seem to be unique. A world of closed economies—initially closed from outside, by the international economy—when the Great Depression arrived in the 1930s and changed the rules, and governments of all persuasions had to push for import substitution.

10. Later on we made a virtue of necessity, through there were always voices that warned against raising the barriers too high.

11. How did we look at integration in the 1960s?

- As a pooling of our weaknesses.
- As a lowering of tariffs within our own community.
- As a possibility of complementing each other's economies in the region but with a high wall outside. We did not even contemplate the possibility of competing with the rest of the world.

12. That wall was a still largely unstructured world economy and also—leave us not forget—the world dividing line during the Cold War. Cold though that war may have been, it heated up some of our countries more than once.

13. That world began to change in the 1970s and 1980s following the 1970 dollar crisis and the first oil crisis.

14. The transnationalization of large corporations speeded up. Financial capital galloped toward the new communications technologies. Both hurdled the barriers we had tried to erect and, in passing, they brought down the Berlin Wall.

15. In our region, in Latin America, we too were able to move forward, opening up new avenues that promised greater freedom and more democracy, after a long dark chapter of authoritarian governments. We gave Latin America a different face.

16. Today we are caught up in the globalization process referred to by President Batlle.

17. We could debate the definition of “globalization” but, whatever we decide it to mean, it is here to stay.

18. The world changed, and when we took a long hard look we found that we had to learn new ground rules and discard the ones instilled in us earlier.

19. The need to find ways out of the debt crisis undoubtedly helped make our economic policies more homogeneous than ever before in Latin American economic history. We had come back to an international economic scenario under new conditions. During that era of the so-called Washington Consensus it was clear what we needed to do.

20. In some countries, where globalization and the new approaches were broached from a democratic base, the social costs were perhaps lower. Here, we did it half under an authoritarian government and half under a democratic one. The social costs are higher under an authoritarian system.

21. Democracy seeks greater equity. It may not always be successful, but one thing is certain: without democracy, the costs are always shared unfairly. In that scenario one knows in advance who the winners and losers will be. In a democracy there is at least the possibility of a level playing field.

22. In our democracies today, despite having done our work well, stable growth continues to be elusive and equity seems to be more a quest than a certainty. Poverty is still very much among us, a harsh affront that creates injustices every day.

23. We knew what had to be done and we have done it. Chile’s growth rate today is between 5 percent and 5.5 percent; inflation will stand at 3 percent this year. Attesting to our lowered barriers, our tariffs will fall to 6 percent within three years—with some exceptions, I hasten to add, so Jorge Batlle will not call me on this at the next meeting. We have also progressed on other fronts. We want to open up the capital markets even more and have left a welcome margin of autonomy in our monetary policies. Today we have heard President de la Rúa’s bold statement on some tasks ahead.

24. He has clearly mapped out his government’s commitment to many of these important issues, which are the cornerstone on which the edifice can be raised. We can only applaud the courage and conviction underpinning this commitment and offer our

support, because Argentina's fortunes are the fortunes of each of our countries. Good luck, Mr. President, with the decision you have set out here today.

25. Our circumstances today bear little resemblance to the situation a decade ago. It is unlikely that we will be revisited by the tide of external savings that flooded our economies and enabled us to finance deficits in pursuit of stable growth.

26. Conditions today are different. We need to relearn how to grow with less external savings, how to be more productive and more efficient-the three challenges that Enrique Iglesias has placed before us.

27. One concern is that the otherwise welcome productivity gains that ensue as we become more efficient, producing more with fewer workers, also can set the stage for high unemployment.

28. This means we need to be very clear on one thing: in today's world we have no choice but to straddle two worlds without losing our balance. On the one side, we have moved deeper into the global economy, a voyage from which there is no turning back. On the other, we are Latin America: our roots, our neighbors, our brothers and sisters, our culture, our history, our future lie here.

29. The region's countries thus must strive to integrate against this new backdrop. As Fernando de la Rúa rightly said, thinking of current arrangements like MERCOSUR, "integration starts here, among ourselves". Having one foot firmly in this world can embolden us to position the other in the global world we want to be part of.

30. When I say that we have to have one foot in each of two worlds I mean that though the global economy may hold boundless promise, we still have a very inequitable income distribution at home. Our institutions that operate with the international economy are more advanced than our social-development institutions.

31. If we intend to become partners in world trade, at some point we will be asked about our social, labor and environmental legislation. We have to be clear on these issues because we want to make our own rules, not inherit someone else's. These questions are most certainly going to come up.

32. Consequently, just as we must get down to work on what we know needs to be done in the spheres of economic policy, fiscal responsibility, balanced budgets, low inflation, and low tariffs in order to compete globally, we must also be capable of extending a social safety net for our people. Let no one say that because we have provided such a net we will never be able to compete.

33. Being a part of the advanced economy is not at odds with what we need to do here at home.

34. We cannot seriously pretend to compete yet have widespread tax evasion in our economies. Suffice it to say that others whose tax revenues are not that different from ours can pay 3.5 billion dollars in agricultural subsidies.
35. We want our countries to be businesslike. We know what we want to accomplish on the economic front, but we still have work to do on social tasks that need to be tackled by common agreement among us all.
36. I think we also need to be able to achieve genuine integration within our region. Integration means more than tariff integration, where everyone moves in a given direction. We must also integrate geographically, via infrastructure, and policy-wise, by adopting common fronts on a variety of issues. Shared objectives are what can make our integration process-our foot in this region-a key instrument to equip us to contend with future challenges.
37. I think it is enlightening to look at this “having a foot in both worlds” as the essence of Latin America. Our region has always straddled the two.
38. There are two simultaneous and mutually reinforcing tasks awaiting us: we must integrate into a globalizing world and we must do so with a home-grown common agenda.
39. Let us be clear: the trade agenda is converging with a broader development agenda. We will not opt for self-sufficiency without development, nor will we choose development without integration. This is the main issue we would need to tackle here.
40. Let us not become divided over tariff levels, since we all know where tariffs are heading. Instead let us get on with the far broader task at hand. In the end, it comes down to growth with equal opportunity for all, since this is the ethical touchstone of our times.
41. Here is where we need to be able to participate in today’s changed world and rise to its challenges. There are pressures on all sides for us to partake of the benefits of the global economy, and the ethical implications are momentous.
42. As we sail into the new global economy we do not want the ship to stop, but we do want better conditions on the crossing. As Eduardo Galeano put it, we do not want to see *more travelers shipwrecked than survivors* along the way. We want everyone to emerge from the journey alive and in better shape than when they left.
43. Every decade, every year, every day brings with it new challenges. As all of us are aware, and as President Iglesias reminded us, today’s challenge is the digital divide that will continue to widen unless we take steps to bridge it.

44. It is here that the Inter-American Development Bank is called upon, now as always, to energize the two-part process unfolding simultaneously in the region-intra-regional integration and integration into the global economy.

45. The IDB is much more than a bank: it is an idea, a chord. It now is up against a tremendous institutional challenge, which is to support innovative development projects and serve as a trusted forum for dealing with complex issues of regional integration, be they new information technology networks, integration infrastructure, or how to shape a common agenda to prepare for the globalized world that awaits us.

46. That world has rules and regulations, as has been said here very clearly. Any attempt to change them will entail a tremendous effort and a meeting of minds on our part.

47. This is perhaps the core commitment that needs to be maintained. The Bank is also an ethical community. Ethics works two ways—first through the services the Bank has been providing for nearly half a century, and second through the fundamental values pursued by the IDB's founders, which remain current today no matter how much the world has changed. How to fit that era's values to today's environment is the concrete task for the here and now.

48. For all these reasons, I believe that this Forty-second Meeting of the Board of Governors is taking place at a critical juncture. I have every confidence that you will illuminate the path so that we can come to the next meeting with renewed energy, greater certainty, and fewer quandaries.