

A look at the outcome of recent IMF and WB meetings.
Growth with exclusion vs. Sustainable human development?

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Argentine democracy, through Acts 23696 and 23697, passed by the National Parliament in 1989, determined the legal framework through which the economic organization of the country was decided. It was done copying the recipe: “the road towards progress without frontiers”, taken from the well-known scheme of the “Washington Consensus”. The central policies undertaken to achieve it, were: privatizations, public services concessions, deregulation, decentralization, economic openness, monetary reform (“convertibility”) and changes in the social security system. The pace at which it was being implemented surprised the world and International Organisms. Investment, the national product and productivity grew sharply. Throughout all this process there were winners and losers, being the national industry among the latter. International Financing Organisms as well as the most powerful countries applauded the first five years’ performance. For that reason such period used to be called “the Argentine miracle”. The recipe had been tested and had to be applied in other countries. However, such process was interrupted by the Mexican devaluation. The internal economic scheme could not withstand an external unfavorable shock caused by the volatility of financial flows, deepened later by the shocks that took place from 1997 onwards, in Asia first, in Russia then and in Brazil in 1999, which made evident the structural vulnerability of such scheme.

As it had happened at the end of the ‘80s, the internal and external debt crisis, the fiscal unbalance, high interest rates, generalized capital flights as well as negative net investment produced a sharp fall of per capita income and an unforeseen increase in poverty and indigence. There are areas where 70 % of the population live below poverty line and 39% are indigent. The consequent social disintegration jeopardized our country’s social peace. Nobody in Wall Street nor in Buenos Aires wants to take responsibility for the mistakes made, but costs have to be paid. More than half of the population is paying at the expense of living in an ignoble way and within an unequal system of recourses distribution. Children die of starvation in a country specialized in producing food and with an unprecedented social debt.

Argentina tries not to lose its place in the international arena, despite its default. We have already reached two agreements with the International Monetary Fund over the current year, but I am doubtful about their results. The inertia imposed in negotiations by the big decision powers, such as the G-8 and International Financing Organisms, shows a lack of awareness about the serious situation which the population of developing countries is going through.

On June 23rd, Mr. Horst Kohler, the IMF Managing Director, called a meeting with OSC leaders. I participated in it together with some religious leaders and OSCs with greatest credibility. Kohler explained he had called this meeting because he wanted

to “learn” and listen to the participants he had never invited before, since he had always met government and private capital representatives.

The meeting was harsh and tough. Acknowledging our share of responsibility in the crisis and expressing the need to build up a trustworthy, viable and transparent country, we asked the IMF to revise its techniques and to take into account the ethical aspect in addition to the terrible social consequences resulting from some of the measures taken by them. They were told: “Debts cannot be paid at the expense of suffocating a country’s economy and no government can morally request deprivations incompatible with human dignity”.

Kohler admitted that so far there has been no equilibrium between the economic and social agenda. He even restated they are pursuing talks with social organizations in order to find new ways to defeat poverty. Although we, as participants, had the feeling that our demands had not been understood properly by the IMF, Kohler said in a press conference that “it had been one of the most important meetings” he had ever been to.

This is our chance to ratify our idea. Growth is not fair if there is social inequality or if the possibility to “satisfy economic, social and cultural rights, indispensable to human dignity and to his free development” is denied. (Universal Human Rights Declaration. Art 22). The world must adopt the tools to put those rights into effect. (Art.28). The international postwar environment changed considerably. We need a renewed attitude, increasing cooperation and appropriate tools.

The agenda proposed by Bretton Woods’ agreements is different from the Millennium Development Objectives (MDO).The ‘30’s crisis together with the rebirth of an extreme nationalism were the consequences of the Second World War. **Undoubtedly, it was a postwar structure.** Winners wanted to uphold economic power.

Nowadays the situation is different. More than half a century afterwards -in September, 2000- the Millennium Declaration establishes eight objectives to diminish extreme poverty to a half by mid-2015.This new international agenda was ratified by the International Conference on Financing for Development, held in Monterrey(2002), and again this year in France (Evian), by the G-8 leaders.

In order to solve the world problem of “increasing inequality”, the rules underlying the main international economic organisms that responded to a postwar structure, have to be modified. The connection between civil society and big political and economic decisions is a necessary requisite to achieve real channels that can also guarantee a sustainable democracy. It has been demonstrated today that development not only depends on the physical capital, but most importantly on the “social capital”, being an “organized civil society” the first generator of it. Should this not happen, it will be difficult to apply the MDO for the year 2015.

Going back to Argentina’s case, it continues being representative. Notwithstanding our extreme poverty, the lack of genuine employment for 15 million people and the decline in Human Development Rate, in 2002 and 2003, our country paid Multilateral Organisms more than the disbursements received and our export balances show a strong surplus. This is due not to higher competitiveness, but to a stronger adjustment in our investment and import level that unfavorably affect our level of

activity, employment, income and internal assets available. Besides, while the value of its assets were guaranteed to Multilateral Organisms an unfavorable treatment was given to our social security system. This is Argentina's reality.

In all international forums, the need to increase financing to eliminate poverty is stated. However, one of the most important absences in the international financing structure is **the lack of mechanisms to find an orderly and effective solution** to sovereign debt situations. What we have to identify are concrete and immediate actions.

The Dubai meeting –September 2003- recommends **a greater participation and a more efficient representation of developing countries and countries with economies in transition**, in the WB and the IMF decision-taking process. On the other hand, in a General Assembly meeting held on August 5th, 2003 (art.137), it was pointed out the need to implement “a study group, within the financing for development process that would pursue a solution to the debt problem as an integral part of an international strategy to foresee and solve the economic crisis.

A greater world awareness about the situation of inequality was seen in Dubai. Participants ratified the need to accelerate progress and results in relation with the MOD connected with the rendering of services, especially an initiative to find “a rapid way to education for all”. Argentina raised a proposal to exchange external debt for education investment, in the same way as other countries outlined proposals related to environmental assets. We must also mention the great effort made by some European countries to help solve the problem of some of their small savers whose depreciated Argentine bonds had been transferred by market manipulators in 2001. Lastly, I think it necessary to implement a fair and transparent arbitration process.

The Doha meeting of the WTO –November 2001- acknowledges the relation among trade, debt and finances to improve the multilateral system capability. A paradox lies in the core of International Trade: even though it is capable of reducing poverty substantially, such potential is not taken advantage of since its rules are changed in favor of rich countries. Cancún results make us be on the alert, by showing that the negotiating power in regional trade meetings between “developed and “developing countries” is greatly unequal.

There are eight development objectives in the Millennium, but we need to point out that “one of the them conditions the others” and its achievement depends on the attitude of the most powerful world countries. That objective is “encouraging a world partnership for development”. That is the key. Thank you.

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