Opening Remarks

GUILLERMO ORTIZ

Let me welcome you all to this Per Jacobsson panel. This is the last of the IMF-sponsored events in this very fruitful week. We just had a board meeting of the Foundation, and the Vice Chairman of the Foundation and the First Deputy Managing Director of the IMF, David Lipton, gave us a reflection. I had asked him a question: How do you feel leaving the meetings as opposed to when you had just come into the meetings? And he said, well, the IMF put out all these documents prior to the meeting. We were told that day that we were a little bit pessimistic, that we were a little bit somber. But then, he said, last night they went to a panel sponsored by Citi, and Willem Buiter, who is, as you know, the chief economist for Citi, said that the IMF had been extremely optimistic. So he leaves it somewhere in between, and that's a good place to be.

But before we begin, let me thank Julio Velarde for being such a great and gracious host who also has agreed to be on the panel today. So thank you very much, Julio. We appreciate this very much.

Let me also acknowledge the participation, presence, and energy of Kate Langdon, who is the Vice President of the Foundation and also a Deputy Director in the Communications Department at the IMF. So thank you for everything, Kate.

We are going to talk about Latin America and, well, this is not the best of times for Latin America, but it's also not the worst of times. As we were recalling in the previous meeting, Latin America in the 1980s was worried about very different things. In the 1970s and 1980s, we were worried about hyperinflation. We were worried about democracy, the existence of military regimes.

And Latin America undoubtedly has come a long way from those years. But it's not the best of times either. You have all read the IMF report, so I'm not going to try to put this in context except to mention a few things. Obviously during the boom years, Latin America was able to strengthen its macro framework, its monetary exchange rate policy framework, to build up cushions in the form of international reserves—fiscal cushions.

And the (sort of) flexible exchange rate regime really consolidated in most Latin American countries in the early part of the century. Obviously, terms of trade were a very powerful force in allowing Latin American countries to improve their macro stance, but obviously, the tide has turned, and we have several headwinds. One, of course, is China, because of the China slowdown and the impact of commodity prices.

The other one is financial turmoil related to the uncertainty regarding monetary policy, timing, and strength of normalization of the Fed, on the one hand, and very loose monetary policy in other parts of the world, in Europe and Japan. So this kind of differentiation is a source of uncertainty, of course.

And then, you have specific issues in each one of the countries apart from these general trends. So let me begin, Carmen, by—oh, I'm sorry, I forgot to introduce the speakers. They need no introduction!

We have Carmen Reinhart, who is currently a chaired professor at the Kennedy School of Harvard after a long, very distinguished academic career. Rodrigo Valdés, who is the Minister of Finance of Chile. I will not go into his curriculum because it's all in the papers that you have.

And Julio, our host, thank you very much for participating in the panel.