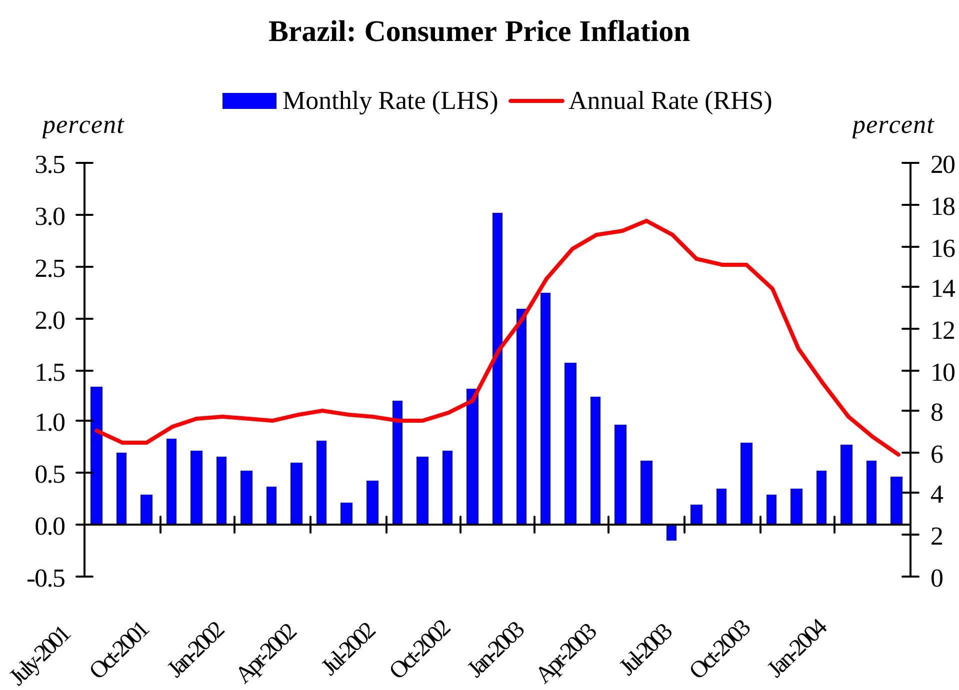
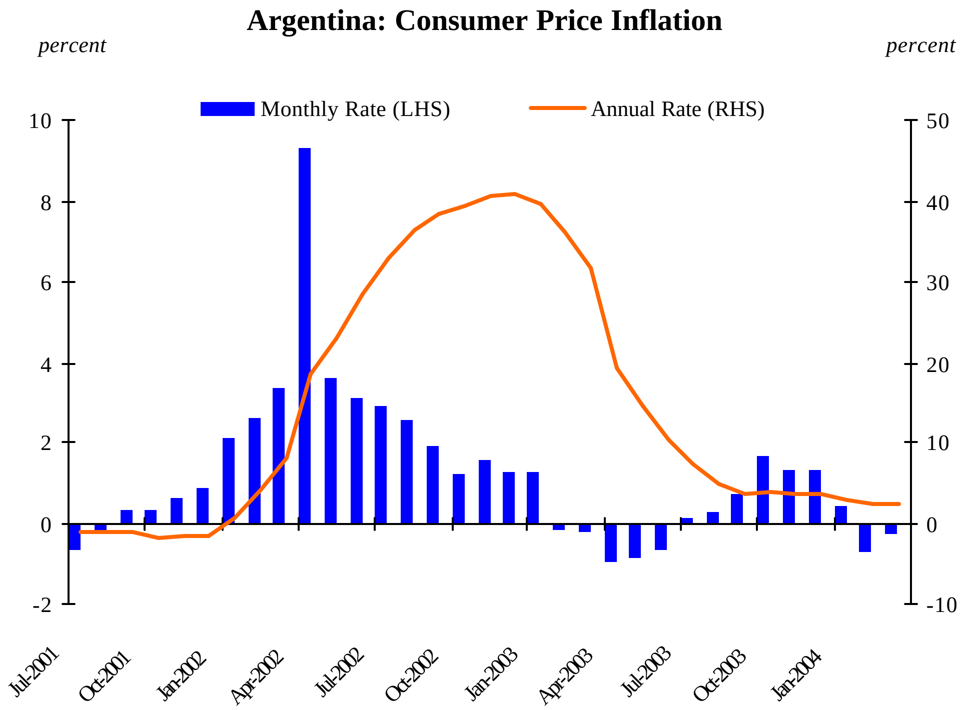
Achievements in monetary policy in Brazil and Argentina merit particular attention. Both countries experienced large currency depreciations in 2002. Yet sound monetary management prevented these depreciations from turning into inflationary spirals. We saw a bulge in inflation in both countries as the effects of the depreciation worked their way into consumer prices, followed by a rapid and sustained reduction in inflation resulting from effective monetary restraint. These prudent policies enabled Brazil's central bank to achieve inflation of 9.3 percent in 2003 when market inflation expectations at the beginning of that year exceeded 13 percent. And they enabled Argentina to reduce inflation from 41 percent in 2002 to less than 4 percent in 2003.

See the charts for Brazil and Argentina reflecting the Consumer Price Inflation below:



"In Brazil, improved confidence in fiscal policy and the downward trend in inflationary expectations have enabled the central bank to aggressively cut interest rates over the last 10 months. Real interest rates are now less than 10 percent, helping to spur faster economic growth and higher levels of investment. Brazil's consolidated interest expense has declined from 13.9 percent of GDP during the first two months of 2003 to 8.2 percent for the same period this year."



"We saw a bulge in inflation in both countries as the effects of the depreciation worked their way into consumer prices, followed by a rapid and sustained reduction in inflation resulting from effective monetary restraint." These prudent policies enabled Argentina to reduce inflation from 41 percent in 2002 to less than 4 percent in 2003.