LADB Article Id: 77935
ISSN: 1060-4189

Argentine Economy Minister: Further Sacrifices by Debtor Nations Not Possible

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Category/Department: Argentina
Published: 1986-10-02

In a Sept. 30 speech at the joint annual meetings of the International Monetary Fund (IMF) and the World Bank in Washington, Argentine Economy Minister Juan Sourrouille stated that Latin America has virtually sacrificed a decade of development due to international disequilibriums which gave rise to the foreign debt crisis, combined with the absence of global responses to the situation. Appointed spokesperson for Latin America, Spain and the Philippines at the meetings, Sourrouille presented a summary of indicators to demonstrate the economic difficulties experienced by developing nations, and particularly those of Latin America. Highlights of the minister's summary appear below: In 1986, per capita consumption has declined for the fifth consecutive year by 5% in oil-exporting nations as a whole, and by 3% per year among all debtor nations.

Taking all debtor nations in aggregate, the cumulative decline in per capita consumption since 1981 is more than 14%. Gross domestic product (GDP) per capita in Latin America declined again in 1986, bringing the current aggregate to 1977 levels. Terms of trade vis-a-vis creditor nations have declined in 1986. The cumulative deterioration in terms of trade during the past five years is 17%. Latin American net capital export this year is expected to reach $30 billion, nearly 30% of total regional exports. In the past four years, net capital export from the region is estimated at about $106 billion.

Sourrouille said, "From the perspective of developing nations, it is difficult to understand the complacency that seems to predominate in industrialized countries regarding the evolution of the world economy." He added that developing nations have undertaken "formidable efforts" to solve their problems, but the same has not occurred in developed countries. Next, the minister pointed out that developing nations reduced current account deficits by nearly 80% between 1982 and 1985, in the context of abnormally high interest rates and declining terms of trade. This context, he said, was largely the outcome of policy changes by industrialized nation governments.

Sourrouille said reduced inflation experienced by industrialized nations was a benefit of deteriorating terms of trade. The price containment realized in these countries, he explained, can be explained in large part by falling prices for raw materials. Despite the anti-inflationary policies implemented by industrialized nations, economic growth in those countries continues at a slow pace, while balance of payments disequilibriums are increasing.

Sourrouille claimed these phenomena threaten to exacerbate protectionist pressures, which further cripple developing nations' exports, and thus, economic growth potential. Meanwhile, he said, developing nations are obligated to export more and earn less, while also cutting back on imports in order to adjust their own balance of payments. Sourrouille emphasized that import cutbacks by developing nations, equivalent to a quarter of all imports of World Bank member nations, represent an important factor reinforcing world economic recession. The latter is manifested, he added, in the 30 million unemployed in industrialized nations. Sourrouille claimed that

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despite international consensus on the necessity of vigorous economic growth, the industrialized countries appear to be less than enthusiastic about implementing required economic policies. If developing nation economies are not stimulated, he asked, how are the means to recover living standards achieved a decade ago to be achieved? At this juncture, Sourrouille pointed out that economic recovery requires financial resources. "No increase in efficiency in the use of financial resources can compensate for the sheer absence of resources" resulting from massive capital export. "Without resources, there can be no economic growth, and without growth, it is impossible to create a dynamic climate adequate to stimulate investments which are the only formula for growth." Sourrouille told his audience that if a formula is not found to reinitiate the flow of financial resources to debtor nations, "it will be necessary to explore other solutions which eliminate the dead weight of the accumulated debt on the potential for economic expansion..." In this regard, he emphasized that debtor nations paid more than $51 billion in amortization and interest in 1985, while private bank loans continued in decline. At the same time, he added, real interest rates were four percent above historical norms. Sourrouille also called for increased financial resources made available by the IMF and the World Bank. If economic growth is reestablished, he said, correction of present disequilibriums will be easier to achieve. He concluded by saying that for developing nations, the decision to reestablish economic growth "is not negotiable."

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