3-24-1987

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IDB Governors Reject U.S. Move to Control Veto Power on Loans

by LADB Staff
Category/Department: Region
Published: 1987-03-24

According to a report by the NEW YORK TIMES (03/24/87), Treasury Secretary James Baker was rebuffed by Inter-American Development Bank (IDB) governors in his crusade to win control of the IDB's loan-making process on March 23 at the bank's 28th annual meeting. In a morning address to some 3,000 member nation officials and private bankers, he said, "We are seeking a greater say in IDB decisions for the non-borrowing member countries." However, he made no mention of the Reagan administration's previous insistence that a vote representing 65% of the bank's ownership be required to approve a loan. In contrast to the International Monetary Fund (IMF) and the World Bank, the IDB's existing voting rights permit borrower nations to make decisions on the distribution of funds rather than leaving such decision-making the exclusive prerogative of creditor nations.

The Reagan administration is seeking the authority to impose an effective US veto on practically all non-commercial IDB loans. If adopted, the proposal presented by Baker would give the US far greater control of the purse strings than it enjoys in both the IMF and the World Bank. The US demand is opposed by all Latin American members of the IDB. Meanwhile, some expansion of western control is considered acceptable by Latin American and European member nations. Most agree to allow three of the 12 directors to refer a loan application for further consideration and possible veto.

The United States has resisted this proposal, saying that it can depend only on Canada for support. The Reagan administration is asking for modification in voting procedures such that a 35% vote would be required to defer a loan, and a vote of 40% could kill a loan. Since the US contributes 34.5% of the bank's capital, it exercises 34.5% of the vote. Consequently, if the US request is adopted, Washington could exercise exclusive veto power on any loan proposal. Without any apparent pique, Baker said, "It's off the table now. I'm not going to leave it hanging out there." He added that he might reintroduce the proposal at a meeting of world finance ministers in Washington in two weeks.

Latin American and European officials say that the US has already captured substantial influence over the management of the bank and in particular the criteria and procedures it uses in making loans. They also noted the administration's success in thwarting the election of a member of the government of Nicaragua to one of the bank's 12 executive directorships. Nicaragua had been scheduled to take the position as part of the normal rotation among directors, but the seat was given to El Salvador instead. (Basic data from NEW YORK TIMES, 03/24/87)