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U.S. House Subcommittee Prepares Trade Legislation

by LADB Staff
Category/Department: Region
Published: 1987-03-31

On March 22 president of the Inter-American Development Bank (IDB), Antonio Ortiz Mena, told assembled governors in Miami that during 1986 the Bank approved loans valued at over $3 billion for Latin American and Caribbean nations. Ortiz Mena's presentation consisted of a synopsis of the IDB annual report. Last year's total of $3.037 billion in approved loans was slightly lower than loans approved in 1985 ($3.061 billion) and 1984 ($3.567 billion). According to Ortiz Mena, approved loan totals in the last three years were on the decline because of the foreign debt burden on regional economies, which has exercised severe limits on counterpart funds for project financing.

Next, the Bank official stated that while the IDB has sufficient funds to approve the same quantity of loans this year as in 1986, completion of the seventh "replenishment" of funds from western nations is necessary to pursue future operations. In particular, he said the IDB must obtain a total of $25 billion to function through 1990, and avoid seeing borrower nations in the region exporting more capital for loan repayment to the IDB than they receive.

Negotiations for the seventh replenishment were initiated last year, and according to the IDB report, the proceedings are already one year behind schedule due to disagreements among member nations over changes in the Bank’s voting rights system. The IDB report states that in 1986 the region continued to suffer the effects of the economic recession which began in the early 1980s, and that a substantial portion of regional income was dedicated to foreign debt interest payments. As a result, some nations continue experiencing difficulties in securing adequate resources for counterpart funding, which translates to the deferment of important social welfare projects.

Peru was mentioned as an exemplary case of deferred development projects, result of scarcity of counterpart funds. Loans approved by the IDB for Peru have consistently declined, from $264.9 million in 1983, to only $14.5 million in 1985, and $19.2 million in 1986. In 1986, the Bank disbursed a total of $2.265 billion in loan monies.

The largest loan recipients last year were Uruguay, Guatemala, Jamaica, Haiti, Trinidad and Tobago, El Salvador, and Barbados. A summary of the large loans approved in 1986 follows: Argentina, $520 million; Brazil, $430 million; Chile, $360 million; Mexico, $330 million; Ecuador, $270 million; Costa Rica, $180 million; Bolivia, $140 million, and the Dominican Republic, $140 million. In 1986, the IDB approved loans for $894 million, or 29.5% of the total, to agriculture, industry, mining and tourism development. Another $1.1136 billion, or 33.6% of the total, went to energy, transport, and communications projects.

Next, loans dedicated to social infrastructure projects, which includes health, education and urban development, totaled $936.6 million, equivalent to 30.9% of the total. The remainder of the loans approved in 1986 went to export financing, and pre-investment studies, among other projects. Finally, the annual report indicated that in 1986 for the first time since 1980, the number of member
nations increased. Norway joined the IDB last year, bringing the total of member nations to 44. The
meeting in Miami began March 22, and is the 28th annual meeting of member nation governors.
(Basic data from UPI, 03/22/87)

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