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Experts Claim Debt Relief Plans Being Implemented By Banks & Debtor Nations

by John Neagle

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At the Council of the Americas annual conference at the State Department on May 12, former White House adviser Norman Bailey said various plans proposed to resolve the debt problem are presently being implemented as the banks and the countries devise agreements of their own. Bailey is an economic consultant, expert on Third World debt. Speaking on a panel titled, "Coping with Debt," Bailey asserted, "The debt is being swapped, it is being written down, it is being written off, it is being capitalized, it is being bought back, it is being refinanced." He added that attempts at debtor and creditor cartels and united fronts have failed. "Now the individual debtor countries and their commercial bank creditors are devising their own arrangements...including [elements of] the plan offered by Treasury Secretary James Baker in October 1985." Next, Bailey stated that, "The [commercial] banks have become more flexible" in transactions with debtors. The banks have confronted the fact that Latin America's \$380 billion debt is not going to be paid back on time or in full. "The financial system of the western world has not collapsed." Another panelist, James W. Conrow, US Treasury deputy assistant secretary for developing nations, said the US debt relief policy continues to advocate growth. He emphasized that the debt problem "took some time to arise, [and] it will take some time to get out of," probably longer than "two or three years." Progress in Baker plan reforms, said Conrow, can be observed in the domestic reforms implemented in debtor countries, while in Latin America, the rate of debt growth has declined in the last five years, debt-export ratios have improved, inflation has declined, and capital flight has been reduced. For Conrow, the most important need at present is new investment flows into the region. Toward this end, he said, the Congress should approve US contributions to the World Bank's new affiliate, the Multilateral Investment Guarantee Agency (MIGA).

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