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In a June 15 speech in Indianapolis, Ind., US Treasury Secretary James Baker defended the US debt relief plan bearing his name. According to Baker, free market economic reforms in debtor countries continue being the most important element of the strategy. Baker delivered his speech to over 150 economic experts from 20 nations throughout the hemisphere attending a three-day Pan-American Economic Leadership Conference, which began June 14.

The Secretary claimed that reforms which provide incentives to private initiative have the greatest probability of fomenting "sustainable and non-inflationary growth." These reforms, he said, are summarized by reductions in government participation in the economy, cutbacks in public spending, and adopting internationally competitive economic policies. With such reforms in place, Baker asserted, the United States would "go the extra mile" to encourage commercial banks to continue lending to Latin America, and where necessary, to support expanded lending activities by multilateral institutions. Baker cited Argentina, Chile, Mexico and Uruguay as countries which have realized successful economic reforms, including reductions in fiscal deficits, sales of public companies to the private sector, and the elimination of an assortment of bureaucratic and legislative measures which debilitated private sector initiatives.

The Secretary criticized Peru, saying that President Alan Garcia has cut himself off from the international financial community by unilaterally limiting payments on that country's foreign debt since 1985, and by escalating state economic intervention. Baker declared that the plan, presented in October 1985 at the joint World Bank and IMF meeting in Seoul, is sufficiently flexible to take into account the specific needs of each debtor nation on an individual basis, as well as to incorporate modifications over time. The US, he said, will continue assisting Latin America by keeping its markets open. He admitted that opponents in Congress were attempting to restrict imports, but that the Reagan administration has no intention of ceding to such pressures.

In reaction to Baker's speech, Uruguayan Foreign Minister Enrique Iglesias said, "I cannot disagree that we need discipline. But the funds to spur growth are not forthcoming." Iglesias' comments were echoed by many of the Latin American delegates. To finance economic recovery in the region, the minister said, "public funds will make the initial push, and it will invite private funds." He argued that public funds, which would come from institutions such as the Inter-American Development Bank (IDB) and the World Bank, would help break the "vicious circle" in which growth is stifled as investment capital is held back waiting for the economy to pick up.

According to Gustavo Cisneros, president of a Venezuelan consulting firm, the need for economic reform and the need for capital go together. Debtor nations, however, will have to look to the World Bank and the IDB for the "seed money" to start growth to attract private funds, he said. In the words of Pedro-Pablo Kuczynski, co-chairman of First Boston International and a former Peruvian Energy and Mines Minister, "We need public money to `jump start' the growth." Some delegates to the

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conference also expressed the hope that private investment money would be available. Carlos Despradel, the Dominican Republic's Ambassador to the US from 1982 to 1985, said he was hopeful his country could spur growth by attracting investment in tourism, light industry, services, and agriculture.

While many delegates cited actions that would stimulate the regional economy, others noted that change in the slow growth observed throughout the industrialized capitalist nations Latin America's export market is not foreseeable in the immediate future. As stated by Alexandre Kafka, who represents Brazil and eight other Latin American countries at the International Monetary Fund, the dramatic growth rates experienced by the industrial nations in the 1950s and 1960s "has run its course."

He added, "This makes the solution to the debt problem more difficult." At present, it does not appear likely that the World Bank or the IDB will receive significant increases in contributions that would allow them to expand their operations. The United States, major contributor to the IDB, offered to expand its contribution significantly as long as certain Bank reforms were made, including an effective veto power over loan approvals. In the face of opposition by most IDB member nations, this offer was withdrawn earlier this year. Talks on replenishing the IDB's funds are set for June 23-24.

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