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LADB Staff

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Recommended Citation
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by LADB Staff
Category/Department: Region
Published: 1987-09-01

Government representatives of Cartagena Consensus nations convened August 26-28 in Montevideo for a technical level discussion of several related topics, including the evolution of respective foreign debt burdens, trade and finance for development. Cartagena nations include the region's 11 largest debtors (Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Peru, Dominican Republic, Uruguay and Venezuela), and account for over 90% of the Latin American foreign debt.

In an Aug. 26 interview with Prensa Latina, Carlos Perez del Castillo, director of international economic affairs at the Uruguayan Foreign Ministry, said that interest rates on the debt must be reduced and terms of trade improved in order to maintain much less enhance regional economic growth rates. The Uruguayan diplomat stated that the major objective of the technical meeting was to elaborate concrete proposals for coordinated action, which will later be discussed by the 11 nations' economy, finance and foreign ministers.

Major agenda topics for the three-day meeting included the impact of rising interest rates; debt discounting on secondary markets; international monetary system reform; and, related trade and finance issues. According to Perez del Castillo, debt burden relief in the immediate future is possible only through lower interest rates and higher export prices for Latin American products in the world market. If these developments do not occur "spontaneously," he said, "[W]e must devise alternative means of reducing debt service payments. The region's socio-economic development has already been reversed or is stagnant...this situation cannot continue."

On Aug. 27, Argentine participants at the meeting presented a document stating that the resource transfer from debtor nations to industrialized countries has become a central topic for political dialogue. According to Argentina, such a dialogue would not necessarily imply a conflict of interest between debtors and creditors, since its objectives would be to identify joint measures to achieve world economic recovery, brakes on protectionist practices, and relief for debtor nations. These three themes are "reciprocal, and inextricably related." The Argentine statement emphasized that debt burden relief would permit debtor nations to reduce the resource transfer, which in turn would lead to increased import purchases.

The bulk of such imports would derive from industrialized nations. In outlining the relationships between the state of the world economy and the regional debt burden, the Argentines mentioned declining growth rates for the past two years experienced by the world’s richest economies West Germany, Canada, United States, France, Italy, Japan and Britain. Meanwhile, growth in world trade declined, as did export volume from developing non-oil producer nations. The document continued by emphasizing pessimistic prospects in the foreseeable future for world trade and...
dynamic growth among the "Big Seven" capitalist nations. "There is no possible solution to the debt problem if...payment capacity remains solely a function of trade growth."

Next, the Argentine delegation declared that the issue is not strictly one of debt payment capacity (i.e., foreign currency obtained in export sales and other operations), but rather extends to the availability of financial resources for debt service alongside many other spending priorities. Increased exports will resolve the debt problem only if such activity brings domestic growth and larger state budgets. Finally, the statement emphasized that a focus on debtor nations’ export prospects is counterproductive. "[S]uch an option may not be viable, and even if it was, it is not likely to be a desirable one, given that debt service is above all determined by interest rates and by the sheer size of the debt. Industrialized nations bear a great deal of responsibility for the primary determinants of debt service..."

At the conclusion of the meeting on Aug. 29, Perez del Castillo told reporters that conference results were the "best" so realized by Cartagena nations. "[W]e are now talking about very concrete issues. We no longer release projections on the debt, but instead offer options and alternatives to resolve the problem, which is becoming more serious through time." He said a coordinated action by the region's major debtor nations cannot be ruled out, and particularly joint measures concerning interest rates. In addition to traditional issues exchange of information on the debt situation, and steps pursued by governments in respective renegotiations, the Uruguayan diplomat said the participants prepared a series of concrete recommendations for joint action. (Basic data from several reports by AFP, Prensa Latina)

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