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## **Conflict Between U.S. & Inter-american Development Bank May Soon Be Resolved**

*by John Neagle*

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According to Treasury Secretary Nicholas Brady, the Bush administration is committed to resolving a two-year-old dispute with the Inter-American Development Bank. If a compromise is reached with Washington, the IDB could receive a \$23 billion capital increase from the US and other major capitalist nations. The conflict began when Washington demanded veto power over lending decisions. The US provides 35% of IDB lending capital. Former Treasury Secretary James Baker argued that the bank needed reform, since it was overstaffed, inadequately managed, and issued loans under inadequate conditions. The US would demand a veto, he said, until the Bank implemented reforms. Other stockholders, mainly Latin American nations, rejected the demand. Baker then refused to support the capital increase. Only 2.5% of the capital increase would be put up in cash. Under existing agreements, the remainder would consist of "callable capital," representing a contingent liability of creditor governments, in case the bank itself experienced a financial crisis. For the US the actual outlay would be about \$175 million paid in over four years. Earlier in January, for the first time since 1987, the US joined 11 other members of a board of governors committee to discuss the capital increase. According to IDB president, Enrique Iglesias (former Uruguayan foreign minister), bank stockholders are hoping for a final resolution of the conflict by March 20, the date of an annual meeting in Amsterdam. The Bank has already commenced a restructuring, which includes plans to lay off 11% of the staff. Once the principal source of credit to Latin America, IDB lending dropped to \$1.8 billion in 1988, from a record \$3.5 billion in 1984. (Basic data from New York Times, 01/30/89)

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