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Witnesses Testifying At Senate Subcommittee Hearing Call For Reduction Of Third World Nations' Foreign Debt

by John Neagle

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On Feb. 8, witnesses at Senate banking subcommittee hearings called for consideration of debt reduction as a means to preclude the collapse of governments in the hemisphere. The hearing was the first of a series planned by Sen. Paul Sarbanes (D-Md.), chair of the International Finance and Monetary Policy subcommittee. According to Harvard professor Jeffrey Sachs, an adviser to Bolivia and other Latin American governments, "We must give support to centrist politicians to keep them in power...We need to send a message that relief is at hand for governments that are serious (about economic reform). Believe me, there are governments now that are serious, but they're drowning, because they're not getting that message." Subcommittee members Timothy Wirth (D-Colo.) and John Heinz (R-Pa.), reported that not only is the US losing its traditional markets in Latin America, but Japan is moving in. American Express Co. Vice President Harry L. Freeman told the subcommittee that US economic partners in Europe and Asia are desperately looking for leadership from Washington in solving the debt problem, which he described as "the monster that bars a better world order." Sarbanes called for a new international debt management authority that would undertake the refinancing of poor-country debt on an international basis. Under 1988 trade legislation, Treasury Secretary Nicholas Brady is required to report to Congress by Feb. 23 on the feasibility of such a new authority. The law also directs US banking agencies to report on the extent of any regulatory obstacles to negotiated reductions in the Third World's debt service obligations. Five witnesses called for accelerated debt reduction or debt postponement. They agreed that since the crisis became apparent in 1982, creditor banks have improved their position, while debtor nations have not. Witnesses calling for aid to debtor countries included Sachs, Freeman, Rodney B. Wagner of the Morgan Guaranty Trust Co., Rodrigo Botero of the Inter-American Dialogue, and John Williamson of the Institute for International Economics. (Basic data from Washington Post, 02/09/89)

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