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Canadian Banker Rejects Voluntary Reduction Of Third World Debt By Banking Community

by John Neagle

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On April 25 in Montreal during an address to a business group, president of the Royal Bank of Canada, Allan Taylor, said that it is not realistic to expect creditor commercial banks to voluntarily reduce Third World nations' debt. He added that in banking practice, simply erasing a loan from the books is equivalent to debt pardon which would mean that a given bank terminate its relationship with developing countries. Voluntary reduction of Third World debt by commercial banks is a key element in the debt relief plan presented by US Treasury Secretary Nicholas Brady. The Toronto Dominion bank and some regional US banks, said Taylor, who have written off loans to Third World nations simultaneously terminated their relationship with the debtors. Next, the bank executive pointed out that while the purchase of debt paper at a discount is also a form of debt pardon, this transaction is not perceived as such in banking philosophy. The Royal Bank holds \$4.3 billion in loans to Latin American countries. The Brady plan suggests "voluntary reduction" of Third World debt by private banks via selling loan paper at a discount among other others of debt pardon. The International Monetary Fund has also suggested that banks adopt such strategies, while simultaneously offering new loans. Canadian bankers have reacted negatively to the Brady plan and IMF suggestions. (Basic data from Notimex, 04/25/89)

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