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Inter-american Development Bank President On Debt Crisis

by John Neagle

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In an article published June 12 by Mexican daily Excelsior, Inter-American Development Bank president Enrique Iglesias wrote that Latin America and the hemisphere in general have basically two alternatives in resolving the debt crisis. The first is the "path of reason" consisting of mutual concessions, and the second, "false solutions of confrontation and violence" which produce only losers. In the article titled, "El Camino de la Razon, Unica Via," Iglesias asserts that the imperative for any solution is to promote domestic savings in debtor nations, and therefore, investment capacity. According to Iglesias, the current development crisis demands implementation of "macroeconomic reforms that will liberate market forces and correct disequilibriums by means of a system that promotes production and penalizes speculation." The IDB president pointed out that in recent years the evolution of the international market has generally been negative for Latin America. Market expansion, while positive for the region in terms of opportunities for export growth, also triggered higher interest rates. Consequently, while in some cases Latin American nations exported more, export prices were flat or in decline, and debt service payments increased. (Basic data from Notimex, 06/12/89)

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