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I.m.f.-world Bank Annual Governors Meeting: Summary Of Events & Statements

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Sept. 21: Argentine officials met with International Monetary Fund managing Michel Camdessus to discuss a stand-by loan agreement. The talks occurred on the eve of the IMF-World Bank annual meetings to begin with internal discussions between industrialized and developing nations. Camdessus said Brazil's request for a six-month stand-by credit was unnecessary. He added that Brasilia must first offer an economic reform program that deserves support. Next, the IMF director said Peru's suspension of foreign debt service payments was "unfair." He added that 85 IMF members, including nine in Latin America, were worse off than Peru and still paid their debts.

Sept. 24: Mexican Finance Secretary Pedro Aspe challenged industrialized nations' projections of economic recovery in the Third World. Speaking on behalf of Mexico, Venezuela, Spain and Central America at the IMF interim committee meeting, he pointed out that growth rate declines are projected for industrialized nations in 1989 and 1990, and substantial trade and fiscal disequilibria persist in the world's major economies. In addition, said Aspe, non-tariff protectionist barriers are increasing. According to Aspe, debtor nations' adjustment efforts can hardly be expected to result in rapid recovery of economic growth in this context. The secretary said, "New increases in international interest rates, and reduced export markets due to protectionist measures or deteriorating terms of trade could neutralize benefits derived from measures aimed at strengthening debt strategies...In Latin America, the foreign debt represents the most serious threat stability, development and democracy. The large number of countries in the region that today have partially or wholly suspended debt service is an objective and clear testimony of this situation." Aspe asserted that because many industrialized nations have focused on monetary policy at the expense of necessary fiscal and structural adjustments, there is constant pressure on interest rates. Next, Aspe warned against "premature complacency" regarding the foreign debt crisis on the part of IMF and World Bank governors. The debt, he said, must be considered a priority in discussions of global economic strategies and planning. For debtor nations' adjustment efforts to bring results, there must be a corresponding and adequate response by the international financial community, he added. Sept. 25: Finance ministers of developing nations called on the industrial powers to boost aid spending and remove trade obstacles to help Third World nations achieve economic recovery. The ministers "emphasized the need to ensure that the emergence of regional trading arrangements did not adversely affect developing countries' market access and the ultilateral trading system." This statement was in reference to the recently concluded US-Canada free trade agreement and the scheduled market integration by year-end 1992 by the 12-nation European Economic Community. Meeting as the Development Committee, the ministers said "industrial countries should take seriously their responsibilities in respect of the impact which their policies have on developing countries." The committee "noted the adverse effects of industrial and agricultural protectionism on the effective implementation" of free trade that would benefit developing nations. Committee chairperson, Zimbabwe's Finance Minister B.T.G. Chidzero, said industrial powers were largely responsible for many developing nations' problems because of their own protectionism, price declines for many commodities to the detriment of Third World exporters, agricultural subsidies.
and exchange rate fluctuations. World Bank president Barber Conable told reporters he did not foresee major problems in finalizing at the annual meeting a plan to create a $100 million fund derived from Bank profits to help heavily indebted nations repay their debts. The money, he said, would go to countries with a combined debt of "perhaps some $2 billion." Conable said the fund would be used to buy back commercial bank debt at a discount. Consequently, he added, the real impact of the plan would be far more significant than its actual suggested size. (Basic data from DPA, 09/21/89; Notimex, 09/24/89; AFP, 09/25/89)

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