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# The Inter-American Bar Association

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## INTER-AMERICAN BAR ASSOCIATION

JOHN O. DAHLGREN\*

The Inter-American Bar Association continues to be actively engaged in the development of law and in intensifying efforts to obtain and maintain peace through the administration of justice. Its upcoming meeting of the Council in Quito, Ecuador, October 6-7, 1986 and its XXVI Conference in Buenos Aires, Argentina, April 4-10, 1987 are generating great interest among lawyers from the American countries.<sup>1</sup>

At the Buenos Aires Conference, many substantive topics will be discussed in-depth and resolutions adopted with recommendations not only directed to basic legal concepts of interest to lawyers in the hemisphere but also to the international community. Highlights on the agenda will be comprehensive discussions on judicial reform, administration of justice, terrorism, human rights, an environmental protection code for the Western Hemisphere, space law, legal education and also 200 years of constitutionalism in the Americas which has been proposed by the host association, the Federación Argentina de Colegios de Abogados, as a central theme for the Conference.

On May 2, 1986, H.E. Mario Ribadeneira, Ambassador of Ecuador to the United States, presented the following address at the National Lawyers Club, Washington, D.C., on the Latin American debt crisis.

*Presentation by H.E. Mario Ribadeneira, Ambassador of Ecuador, Inter-American Bar Association Washington, D.C. May, 1986*

I am sure that all of you at the Inter-American Bar Association have heard so much about the Latin American debt crisis that you will hardly want to hear again about its origins, its impact on

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1. Information regarding these programs may be obtained by writing to the Inter-American Bar Association Executive Headquarters, Suite 450, 1889 F Street, N.W., Washington, D.C. 20006.

the Latin American countries, the threat to the stability of the international banking system, and other related problems. This notwithstanding, I will avail myself of the opportunity of addressing this select group, knowledgeable and concerned with international issues and no doubt influential in Washington, to discuss the Latin American debt from a different perspective.

Since Ecuador is one of the few countries that is perceived to have faced up to the crisis and adopted an adjustment program that has commanded respect and credibility from creditor governments, commercial banks and multi-national financial institutions alike, I shall start by outlining, in very broad strokes, what this plan entails.

The Ecuadorian program is based on the premise that the debt incurred by our country, public or private in nature, must be paid, because we subscribe to the notion that debtors have a moral obligation to do so, notwithstanding our conviction that, if there was irresponsibility in the accumulation of high levels of indebtedness in Latin countries, it was shared irresponsibility.

Our adjustment plan comprises:

1. The re-scheduling of our international obligations, for the years 1985 to 1989, both with private banks and creditor governments, thus reducing the level of required payments from sums equivalent to over seventy percent of our export revenues to a more manageable twenty-eight percent (the drop in oil prices has since changed this relationship back to a projected forty-six percent in 1986). This re-scheduling was completed in December, 1985 with commercial banks and the Paris Club countries, in both cases, on a multi-annual basis, as opposed to the yearly rescheduling process that had been and continues to be standard procedure for most countries.

2. The restoration of discipline in fiscal spending to reduce deficits. This has been accomplished by cuts in governmental spending and the virtual elimination of subsidies on fuels, wheat, and other items. This has allowed us to even achieve a surplus in the consolidated public sector accounts of approximately two percent of GDP in 1985—a remarkable achievement for any country and particularly for one in the process of development.

3. Inflation has been attacked and reduced from a high average of sixty-three percent in 1983 to a yearly average of twenty-four percent for 1985. This was done by a combination of strong

incentives to increase the internal supply of goods, particularly food, and through monetary policies that have provided enough resources to keep the economy moving, but prevented a surge of demand for goods and services.

4. A very active program to foster exports and thus generate a substantial trade surplus that allowed us to meet interest payments without resorting to additional forced-lending from the commercial banks, and to maintain a level of imports commensurate with the needs of the productive sectors.

5. A vigorous program to open Ecuador to foreign investment by giving the investor elements of security such as the availability of non-business risks insurance as provided by OPIC [the Overseas Private Investment Corporation], and access to international arbitration for the settlement of disputes related to investment, as provided by the international agreement sponsored by the World Bank, as well as by streamlining and generally simplifying bureaucratic requirements and procedures, and by doing away with many of the legal limitations that had prevailed for many years through the Andean region; in summary, a program providing an adequate investment climate.

6. The adoption of a policy of market-determined prices for agricultural products and a general change of emphasis in the development strategy, focusing on agriculture, oil, mining and export-oriented industries as the favored activities.

The adoption and implementation of this adjustment plan has required a degree of commitment and a determination to carry it out that is uncommon among the developing countries. It has had social costs which a majority of Ecuadorians have accepted in exchange for the hope of regaining the economic stability and sustained development and growth, to which Ecuadorians became accustomed during the years that preceded the crisis.

Having outlined Ecuador's response, and emphasizing once again that Ecuador, because of its own resources and its willingness to make adjustments, is looked upon as one of the Latin American countries that could soon look forward to economic stability and restored growth, I must also say that we do not feel at all smug or complacent with our accomplishments, we remain deeply concerned with the debt crisis and the known, but not often publicly recognized fact that the progress made, if any, on a continental basis since 1983, is painfully and dangerously slow.

There are two dramatic and excruciating problems for Latin Americans, both of which bear heavily on U.S.-Latin American relations: the struggle with the debt and the Central American crisis. Americans probably think that these are problems that are totally disassociated, one from the other. The problem of the international debt has been generally portrayed as a financial problem between commercial banks that over-lent and bad debtors that would prefer not to pay. Only recently with the Baker Initiative, was there a recognition by the U.S. Government that this is a problem with serious and dangerous social and political connotations, and one that requires the involvement of the U.S. Government. Unfortunately, the Baker Initiative provides a diagnosis of the problem, but offers only general and certainly insufficient solutions.

The Central American crisis and particularly the consolidation of the Sandinista Regime in Nicaragua is perceived in the U.S. to be a political and strategic problem as well as one of national security, insofar as the Sandinista Regime is considered Marxist and, therefore, willing to support Soviet and Cuban interests in this hemisphere.

Within Latin America, however, these two problems, with the high emotional reactions that they generate in the minds of a great majority of Latin Americans, are linked together—the U.S. being the link between them. Most Latin Americans feel that the U.S.-Nicaraguan problem is in fact an East-West confrontation in Latin territory, with overtones of U.S. interventionism and imperialism, and that the debt crisis, with the impoverishment that it brought about, is a cruel imposition to which the U.S. is fundamentally insensitive.

I was very interested to read an article by Henry Kissinger under the title *First, Latinize It*, which referred to the matter of aid to the Nicaraguan *contras*. Dr. Kissinger supports the assistance to the *contras* as the only practical alternative to carry out U.S. policy, and then goes on to propose that the U.S. should simultaneously seek to “Latinize” the search for a solution, with a program containing the following components:

1. That Nicaragua terminate its special relationship with Cuba and the Soviet Union and that the economic support now received from Eastern bloc countries be made available from a fund set up by Latin America with West European and Japanese support;

2. That the U.S. commit itself to providing economic assis-

tance to Nicaragua, once it meets the criteria applied to other Central American nations now receiving support;

3. That all Cuban, Soviet and Libyan advisors be replaced by Latin American experts;

4. That all Central American countries limit the size of their armed forces to levels "generally comparable to those of 1979";

5. That all Central American countries subscribe to a pact of non-aggression and non-intervention in the affairs of others, and do not engage in subversions;

6. That an internal process of conciliation be set in motion under the auspices of other Latin American countries; and

7. That the process, including the corresponding verification, be guaranteed by major regional powers, the Contadora countries, or the Organization of American States (OAS).

This, in my opinion, is a program that most Latin American leaders would support theoretically. It is compatible with the Contadora proposals and the recent recommendations of the Inter-American Dialogue Group.

Dr. Kissinger's proposal brought to my mind the complaint, often voiced in the U.S., that the Contadora countries and in fact Latin American countries in general, speak on the Nicaragua issue with a double voice, and fail to place sufficient pressures on the Sandinista Government to comply with its 1979 commitments to the OAS. I am sure that Latin America would like to see a Nicaragua with no foreign intervention of any kind and would accept a Nicaraguan revolution that remains within its borders, but what incentives are there for the leaders of Latin nations of the hemisphere to *Latinize* the problem as Dr. Kissinger proposes, knowing that such action would have high political cost?

What incentive is there to provide the support to the U.S. that it would like to see from Latin America on an issue so dear to the U.S., if on the other hand it is not prepared to "Americanize" the debt crisis, which so traumatizes Latin societies?

I would like to leave with you today the following thought: The debt crisis is as alive today as it was in 1983. It is a problem that can bring about the demise of incipient Latin American democracies and bring about chaos to the hemisphere. The crisis is not going to blow away with time. It will only disappear if countries receive significant relief on interest costs and further deferral

of capital payments, and if substantial flows of capital are available to restore growth. Secretary Baker was right when he said that only through growth over a long period of time will the crisis end and the risks be averted. If the above is recognized at last, would it not be logical for the United States to take the lead in the solution of the crisis so that Latin America may perceive that these two hemispheric problems can be solved by North-South cooperation within the hemisphere?

If the U.S. is to have Latin support for its concerns over Central America, it needs to show concern and take actions that would allow Latin America to restore some of its shattered hopes.