Inter-American Bar Association

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JOHN O. DAHLGREN *

The following matters were presented at a meeting of the Inter-American Bar Association on November 15, 1978:

XXI CONFERENCE—SAN JUAN, PUERTO RICO

Dr. Angel L. Tapia, President of the Colegio de Abogados de Puerto Rico, the host association, Council member Judge Antonio J. Bennazar, and Lic. Raúl González, Chairman of the Local Organizing Committee, are actively finalizing arrangements for the XXI Conference which will be held in San Juan, Puerto Rico, August 25-31, 1979. The central theme for the Conference is “Ownership, Use, and Protection of the Continental Shelf.” It is anticipated that there will be a special session during the Conference for the presentation and consideration of papers submitted on the central theme.

In addition to the topics to be considered by the various committees, round table discussions will also be held during the Conference on the following topics: 1) human rights and their protection in the American countries; and 2) legal aspects and responsibilities of nations in supporting environmental protection.

LAW STUDENTS AWARD

The Inter-American Bar Association will be giving an award at its XXI Conference to the law student presenting the best paper on the Central Theme or any of the other topics approved for round table discussions during the Conference. The selection of the best paper will be entrusted to a special committee. Law students will be advised of this award in due course through Deans of law schools in their respective countries.

COUNCIL MEETING—LIMA, PERU

The next meeting of the IABA Council will be held in Lima, Peru, at the invitation of the Colegio de Abogados de Lima. The purpose of this meeting is to finalize organizational plans for our XXI Conference.

* Mr. Dahlgren is the Secretary General of the Inter-American Bar Association. He is the regular contributing editor to the Lawyer for this report.
The Foundation is organizing a seminar to take place at the University of Costa Rica, San José, Costa Rica, February 6-9, 1979, on the American Convention on Human Rights. The seminar is in cooperation with the OAS Inter-American Commission on Human Rights. The newly elected Chairman of the Commission is the Brazilian jurist, Dr. Carlos Alberto Dunshee de Abranches, Treasurer of the IABA and member of its Council and Executive Committee. Further information on the seminar may be obtained by writing to the President of the Inter-American Bar Foundation, Charles R. Norberg, 1819 H Street, N.W., Suite # 310, Washington, D.C. 20006.

REMARKS BY H.E. CARLOS GARCÍA BEDOYA,
THE AMBASSADOR OF PERU

The Foreign Debt Problems of the Developing Countries: The Peruvian Case

To begin with, I should like to express my appreciation for the kind invitation extended to me by the Inter-American Bar Association which offers me the privilege of participating at this luncheon-meeting. I wish to make particular mention of Dr. John O. Dahlgren, Secretary General of the Association, not only for the purpose of thanking him for his cordial words of introduction, but also of noting his important contribution to the prestige that the Association enjoys, both in the United States and in Latin America.

As you know, my remarks will deal with the developing countries and their foreign debt problems, with special emphasis on the case of Peru. I would like to have my words on this subject interpreted as informal comments from a colleague in the profession rather than from the head of a diplomatic mission.

I speak from the viewpoint of someone who has been following closely this issue, which, in the case of Peru, has just led to the meeting of the Club of Paris for the rescheduling of debt obligations due in the next two years. My comments only tend to pose certain questions and preoccupations.

In general terms, one could say that the rescheduling exercise of the Peruvian public debt with the principal creditors in Paris was the latest step in an important phase of financial housekeeping begun recently. At the same time, it is the first step in establishing the basis for economic recovery after a rather long period of profound crisis in the national economy.
Briefly, the program arrived at involves an agreement to reschedule ninety percent of debt payments due in 1979 and 1980, payments that during this two-year period were excessively concentrated. The Paris agreement constitutes a new program of repayment, after a two-year grace period, for lapses of four or five years, at adequate interest rates and with a no less favorable treatment for each creditor.

I would like to point out that although the described agreement has the established characteristics for a refinancing exercise, it also has certain aspects in its conceptual organization that may, or could, give rise to a precedent for development affairs. In the Peruvian case, public debt rescheduling is taking place together with a reprogramming of debts with private banks, on the one hand. On the other, it provides for debt-relief for the same period covered by the standby agreement with the International Monetary Fund, an instrument aimed at the adequate development of financial policy in Peru. Finally, the Paris agreement has been sought parallel to the careful selection of adequately financed major development projects for the immediate future, within a concept which aims at establishing realistic priorities that can reconcile the unavoidable austerity of present day Peru with the constant development rate demanded by our people and our future.

It would not be realistic to suggest that the refinancing agreement attained for Peru can serve as a useful precedent, capable of being applied for all instances of debt problems of the Third World. But, nevertheless, it does seem to suggest in a certain manner an attitude of flexibility and trust on the part of the international financial community that might gradually help to revise positions and criteria which have until now been markedly rigid. Unfortunately, these criteria are deeply embedded in an economic and financial order that is incapable of satisfying fully the interests and aspirations of developing countries.

Obviously what is essential is an agreement to put into effect a new international economic order in which the problem of indebtedness, within the flow of financial resources, would be solved together with that of trade, in a closely-knit interdependence of the developed and developing world, an interdependence of growing and mutual benefit. But, of course, this objective still seems rather remote, whereas the suffocating pressure of the debt grows with brutal force in a good part of our countries.
This is not the time to attempt an evaluation of the complex and controversial problem of the indebtedness of the developing countries. Let us simply say that while there exist divergences of opinion as to its causes, there is agreement in that the problem has now acquired enormous magnitude during the present decade. It is not a problem common to all developing countries; nor are the magnitudes sufficiently clear so that they may satisfy global evaluations, as it is true that there have been poor as well as relatively rich developing countries which have embarked upon substantial debts. Many have done it in order to allow for a more gradual adjustment to meet the exigencies of the oil crisis. Others have done it in order to increase investment in key natural resources.

A significant fact is that within a diversity of motives, the external debt of the developing world has doubled in three years, between 1973-76. Today, the total indebtedness of the developing countries amounts to the staggering sum of two hundred billion dollars. Latin American countries’ over-all debt stands at ninety billion dollars, the major portion of which corresponds to Brazil and Mexico. Debt service obligations have increased substantially for most countries; the periods of maturity have shortened; there have been cases where there has been an exaggerated dependence on private sources of financing.

In a word, there is a widespread fear that developing countries may have reached the ceiling of their borrowing capacity, and that they may face difficulties to meet the service of their debts in the next few years, to such a degree, that what has happened to Peru may serve as a pre-announcement of situations that may be even more critical and explosive.

That singularly severe experience tends to demonstrate that the problem of the debt is, from our point of view, just one dimension of the general problem of development in an international context which is inadequate because of its chaotic nature, whether in the flow of financial resources, the conditions of trade, or in regard to the monetary framework in which it should be solved.

I think the need to reshape the post-war system is evident. It has proven highly unstable in its monetary dimension since 1971, and it has never really been adequately stable as an international trade system. What ought to be sought as a replacement is a notion of harmonious development of the international economy, in such terms as it would provide equitable welfare for all participating parties, including the developing world. To a necessary extent, such a new sys-
tem would require the redrafting of the concept of international adjustment for balance of payments disequilibria, so that it includes mechanisms that may ensure a steady flow of financial resources to comply with the agreed targets of the International Development Strategy.

We are convinced that corrective measures derived from a difficult balance of payments situation must avoid, to the extent that it is possible, policies of a recessive nature, as a precondition for attaining international financial cooperation. That is why an eventual global thinking-out or general solution of the debt problem of developing countries must give preference to such a logical principle, that is, the preservation of a non-recessive atmosphere in the country concerned, whatever the adjustment process that may be technically requisite.

I think it is clear in Peru that the refinancing exercise, while indispensable, is not sufficient to attain recovery. It represents a second-step forward, after the financial stabilization implicit in the agreement with the Fund. However, there remains the need to reactivate a production program.

The Government of Peru has outlined a complex program which inevitably establishes certain priority areas as incentives to that reactivation. I would like to point out, among the more important measures, those which I feel could serve as substantial bases for such a recovery:

1. Support to the manufacturing sector, for the promotion of non-traditional exports.

2. A cautious promotional role of the state in the reactivation of agricultural productivity.

3. Innovative formulas in the mining sector, such as might include tripartite investment (foreign-national-state), among others.

As conclusions to these informal remarks about the debt problem of the developing world, allow me to explain that, insofar as it refers to Peru, there appears to be a wide consensus that economic recovery and a qualitative enhancement of our productivity can take place only if there is a prior consciousness as to the need for national unity to face a crisis of such magnitude, as well as for the consolidation of the process of democratic transference which will culminate in 1980.