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Latin American nations to seek interest rate cut

BY OUR FOREIGN STAFF

LATIN AMERICAN foreign and finance ministers, due to meet shortly for emergency talks on the region's foreign debt problem, are expected to use maximum political and economic leverage in an effort to limit the call on their resources represented by higher U.S. interest rates.

Among the demands likely to be made in the forthcoming meeting are:

- A grace period of six years for commercial debts with amortisation phased over a subsequent period of nine years.
- Expenditure on debt service to be fixed at a top limit of perhaps no more than 15 per cent of annual export revenue.
- A substantial reduction in interest rates.
- The transformation of part of the debt principal into negotiable bonds.

"This is not an academic exercise like the recent economic summit in Quito. This is for real," said one senior UN official yesterday.

"Everyone is conscious that Argentina has a great many commitments to honour before the end of June if U.S. banks are not to have to declare some Argentine loans non-performing. That deadline is concentrating everyone's mind."

Ministers of Mexico, Colombia, Brazil and Venezuela are to meet—probably in Bogota—in the aftermath of the tough statement on rising world interest rates and the increasing debt burden released by their four governments at the weekend.

The final time and venue have not been fixed but the gathering could be called before the London summit of the leading industrial nations scheduled for June 7-9.

The UN Economic Commission for Latin America and the Caribbean says the recent rise in the U.S. prime rate from 11 to 12.5 per cent, if prolonged for a year, will cost Latin America an additional $3.3bn

pressures on governments represented by the austerity programmes required if they are to meet ballooning debt service charges are increasing rapidly.

The political crisis unfolding in Bolivia in the wake of the government's austerity package decreed last month is being observed with nervousness by Latin American governments.

Latin American governments believe they can detect an

De la Madrid . . . disappointed by U.S. visit

increased sensitivity in Washington recently to the region's debt problems.

Some sense a new disposition on the part of the U.S. Federal Reserve to explore ways of relieving financial pressures though President de la Madrid of Mexico returned from his visit to Washington last week disappointed with the reception accorded to Mexico's problems.

On Tuesday Sr Affonso Celso Pastore, the Brazilian central bank governor, speaking in the U.S. capital warned: "If high interest rises persist Brazil will be in big difficulties next year."

The four-nation statement on debt problems at the weekend and plans for a ministerial meeting have been widely welcomed in Latin America with Peru, Ecuador, Chile, Venezuela