

## Banking by Valerie Rush

### A case of nerves

*The Federation of Latin American Bankers met in Bogotá to calm each other's terror of the debt bomb.*

Three hundred Ibero-American bankers and economists joined with a smaller delegation from the United States, Canada, and Europe in Bogotá, Colombia the week of Nov. 13-16 to discuss the continent's foreign debt and its international implications.

Meeting under the auspices of the Latin American Federation of Banks (Selabam) the bankers without exception accepted one obvious truth: the debt is unpayable. Beyond that, they clustered like frightened sheep, feeding each other platitudes about the need for solidarity between creditors and debtors, and about the coming brighter future for Latin America.

Only one speaker had the courage to describe the situation accurately, and he too fell short of proposing the fundamental solution—a long-term moratorium on debt payments, while a new, development-oriented monetary system is organized. That speaker was Peruvian Jorge Carrera, president of Selabam.

In his opening statement, he startled participants with his assertion that "From the Rio Grande to Cape Horn extends one vast mosaic of prostration, conflict, and concern. Countries are paying hard for the weakness of their economy; governments proclaim with false optimism, without conviction, what internal policy demands of them; businessmen abandon their growth plans, adopting the language and strategy of sheer survival, and dominating the scene is the formidable figure of the debt, crushing and

implacable."

Carrera warned: "We are walking on the edge of a precipice. The statements of our governments are blunted by the need to justify a policy and to calm a nervous clientele. But the truth is that the price of the recession is becoming unsustainable."

Although he did not propose a debtors' club, Carrera concluded that "Making the integration of this continent a reality is an immediate possibility and, more than a beautiful but rhetorical ideal, is a decisive recourse."

Carrera's warnings were weakly echoed in other presentations, for example, that of the Mexican deputy director of credit, José Angel Durria Treviño, and of Roberto Marcuse of the Grupo Sudameris of the Banco Latino-Venezuela.

It took a clever performance by American investment banker Richard S. Weinert of the New York consulting firm Leslie Weinert and Company to introduce the only concrete proposals offered to the weak-hearted Latin American bankers. His proposals were those of the colonial agent wooing the natives into handing over their sovereignty "for their own good."

Weinert's speech was touted as a "highly sympathetic" view of the debt crisis. He emphasized that the debt problem was not a Latin American one but a global one, and that traditional recipes of increasing exports and reducing imports were not the solution, since the markets do not exist for the first, nor the political, social, and eco-

nomical flexibility for the second.

In Jesuitical style, he chastised the Latin American debtors for their failure to look after their own interests, and urged them to form a Ditchley-style institute of international finance, the better to stay informed on what the creditors were up to.

Then Weinert came to his solution: a Rohatyn-style Global Big MAC. Using the examples of the refinancing of bankrupt New York City and the Chrysler Corporation, Weinert noted:

"One element is that the burden of adjustment was widely shared among all the parties involved. . . . A second element is that in both cases, a public-sector entity stepped in. . . . Third, to achieve this, extensive collaboration of commercial banks was needed. . . . Finally, both New York City and Chrysler spent a great deal of time and effort lobbying and pressuring. They themselves were the principal innovators of their rescue plans."

Weinert's scheme for do-it-yourself austerity by the debtor nations is hardly a new one. What was nonetheless impressive was his ability to package it so inoffensively. "My point is not to try to argue for one approach or another, but to observe that it should be the borrowers who are devising such plans. . . ."

The conference concluded on the same vague and nervous note on which it had begun, with the Ibero-American bankers assuring themselves that if the New York investment banker was rooting for them, things couldn't be that bad.

Fortunately, it won't be Ibero-America's bankers making the final decisions on how the continent should overcome the debt crisis at the summit meeting of the continent's heads of state in Quito, Equador next January.