# Cross-Conditionality Banking Regulation and Third-World Debt

### Edited by

## Ennio Rodríguez

Project Coordinator, Investment Programme for Central America, UN Commission for Latin America and the Caribbean

#### and

## Stephany Griffith-Jones

Fellow, Institute of Development Studies, University of Sussex



# Contents

Lis	t of Tables and Figures	vii
Lis	t of Acronyms	x
Pre	face	xii
No	tes on the Contributors	xv
PA	RT I BANKING REGULATIONS, THIRD- WORLD DEBT AND THE SPREAD OF CROSS-CONDITIONALITY	1
1	The Political Economy of Banking Regulations  Ennio Rodríguez	3
2	European Banking Regulations and Third-World Debt: The Technical, Political and Institutional Issues Stephany Griffith-Jones	28
3	Cross-conditionality or the Spread of Obligatory Adjustment: A Review of the Issues and Questions for Research Stephany Griffith-Jones	52
PΑ	RT II CASE STUDIES	85
4	Adjustment and Conditionality in Chile (1982–88) Ricardo Ffrench-Davis	87
5	A Path in the Maze: Costa Rica, Cross-conditionality and Development Ennio Rodríguez	120
6	Sweet Entanglement: Argentina and the World Bank (1985–89)	156
	Diana Tussie and Mirta Botzman	130
7	World Bank	404
	René Villarreal	191

	_
V1	Contents
<b>4 4</b>	Comen

8	8 Cross-conditionality and Obligatory Adjustment in the 1980s: The Case of Tanzania	
	Joshua Doriye	227
9	Conditionalities and Cross-conditionalities in the 1980s: The Jamaican Experience	
	Sandra Henry	265
10	Conclusions	
	Ennio Rodríguez and Stephany Griffith-Jones	323
T	1	241

# List of Tables and Figures

#### **TABLES**

1.1	Exposure of nine top US banks to twelve LDC	
	largest borrowers, 30 June 1983	5
1.2	Average reserves for LDC loans by creditor country, 1987	15
1.3	Average reserves for LDC loans for top US banks, June 1987	16
1.4	Tax and accounting treatment of loan-loss reserves, 1989	23
2.1	Tax treatment and level of loan-loss reserves, December 1988	34
2.2	Bank of England loan matrix provisions	43
3.1	Standby, extended, and structural adjustment	1.5
0.1	facility (SAF) agreements as of 31 October 1987	63
3.2	Policy components in SALs and in concurrent IMF	00
	arrangements	70
3.3	Countries with IMF upper credit trade	
	arrangements, 31 October 1987	73
3.4	Types of policy measure requested in return for	
	SAL finance, 1980-October 1986	77
4.1	Foreign debt of Chile, 1980-88	89
4.2	Real exchange rate and import tariffs: Chile,	
	1980–89	90
4.3	GDP, GDP per capita and investment: Chile,	
	1980–88	91
4.4	Quantitative performance criteria and outcome for	
	IMF standby and EFF: Chile, 1983-8	94
4.5	Net transfers by creditor, 1983-8	103
4.6	Production, consumption, investment and external	
	shocks per capita: Chile, 1980-88	107
5A.1	Costa Rica: external debt indicators, 1975, 1980-86	144
5Å.2	Costa Rica: debt outstanding and disbursed, 1975,	
	1980–86	146
5A.3	Costa Rica: social indicators, 1950, 1963, 1973,	
	1984 and 1988	147
5A.4	Costa Rica: balance of payments, 1968-86	148

SA.S	Costa Rica: composition of exports, 1980–88	150
5A.6	Costa Rica: inflation, unemployment and wages, 1975-88	151
5A.7	Total exports, traditional and non-traditional by destination, 1965, 1970, 1975, 1980 and 1985	
	(US \$ million)	152
5A.8a	Total exports, traditional and non-traditional by destination, 1965, 1970, 1975, 1980 and	
	1985 (%)	153
5A.8b	Total exports, traditional and non-traditional by destination, 1965, 1970, 1975, 1980 and 1985	
	(percentage by group)	154
5A.9	Non-traditional exports to third markets by	154
JA.J	destination, 1980–87	155
6.1	Indicators of solvency in 1987	165
7.1	Mexico: terms of trade evolution	196
7.2	Evolution of internal and external adjustment	170
2	components: 1970–86	200
7.3	Mexico: evolution of financial service balance,	
	1976–86	201
7.4	Mexico's proposals on the foreign debt	201
7.5	Latin America and the Caribbean debt	
	rescheduling with private banks	203
7.6	Letters of intent signed with the International	
	Monetary Fund	204
7. <b>7</b>	IMF lending to Mexico	207
7.8	Summary of the basic issues of the negotiations	
	with Mexico's creditors, 1986-9	210
7.9	World Bank lending to Mexico conditionality	
	components	212
8.1	Indicators of economic and financial crisis	230
8.2	Factors affecting purchasing power of exports	233
8.3	Export crops – real producer prices	234
8.4	Fiscal policy performance	246
8.5	Actual credit expansion in relation to ceilings	248
8.6	Exchange rate regime during the programme	252
8.7	Real producer prices	254
8.8 9.1	Financing of imports during the programme period	262
7.1	Areas in which the Jamaican government promised to carry out reforms	.271
9.2	USAID economic assistance to Jamaica: 1981–7	.271
7.6	OBATO CONOMIC assistance to Jamaica: 1901-/	2/4

	Dist of Tubies und Figures	IX
9.3	Stabilisation measures under the IMF	278
9.4	Adjustment measures under the World Bank's	
	structural adjustment loans	279
9.5a	The public enterprise sector adjustment	
	programme	282
9.5b	Trade and financial sector adjustment loan	283
9.6	Jamaica: selected macroeconomic indicators,	
	1980–88	286
9A.1	IMF agreements: 1981–7	319
9A.2	Financial sector reform	319
9A.3	World Bank SALs/SECALs	320
9A.4	SAL-related World Bank projects/credits	320
FIGU	RES	
3.1	Options for countries starting from a position of	
	large negative resource transfers	59
7.1	Economic growth in Mexico, 1981-7	192
7.2	Inflation	193
7.3	Minimum wage: 1980–87	193
7.4	Income distribution: 1980–86	194
7.5	External debt and service costs	195
7.6	Percentage over or undervaluation of the Mexican	
	peso in three price indices	197
7.7	Current account balance quarterly, 1982.1-1988.4	197
7.8	Exports and imports, as a percentage of GDP	198
7.9	Savings and investment, as a percentage of GDP	199
7.10	Distribution of World Bank lending to Mexico	219

219