

IMF LOOKS EAST AFTER QUOTA INCREASE

By Lawrence Malkin
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WASHINGTON — The International Monetary Fund formally announced its approval Tuesday of a 50 percent increase in its resources to help handle requests for financing from the emerging market economies in Eastern Europe as well as from other developing nations.

Highlighting the forthcoming credit demands from the East was the disclosure by a Polish delegation to the IMF's spring meeting that Poland is seeking an 80 percent reduction in interest payments to foreign banks and governments as their contribution to the country's economic revival.

A communique issued by the IMF's policy-making Interim Committee said that the additional \$60 billion in credit resources is expected to be in place by the end of 1991 and that, despite objections made by developing countries, "every effort" must be made to deal with the problem of delinquent loans.

Under a new suspension procedure proposed by the Fund, a nation that falls into financial arrears can lose its vote and representation before the executive board following a decision by 70 percent of the board's directors.

If there was any doubt about the determination of the industrialized nations to install a punishment procedure, the Canadian finance minister, Michael Wilson, chairman of the Interim Committee, said at a press conference that. "There is a clear link. The quota will not take place until a suspension amendment is voted."

The quota agreement satisfies virtually all demands by the United States. As a gesture toward developing country protests, the United States agreed to a compromise proposed by the French finance minister Pierre Bergeyov to review IMF quotas three years from now instead of in 1995 or even later, as Washington originally suggested.

That does not guarantee more IMF funds will be available then, only that the process will start. The one just completed has lasted at least three years.

The agreement opens the possibility of temporary assistance to countries in arrears, which had been stalled until the IMF financial package was agreed. Industrial countries had organized temporary financial support groups, and the IMF managing director Michel Camdessus said they can start operating.

The support group for Vietnam, which was led by France but was stalled by political pressure from the U.S. State Department, is now expected to try to raise finance to help that country back to creditworthiness. A regular IMF surveillance team is due in Hanoi in a few weeks.

Poland, another country turning toward a market economy after generations of Communist rule, sent Finance Minister Leszek Balcerowicz and his deputy Janos Sawicki to the IMF to start lobbying for Polish debt relief. They also visited the U.S. Congress, where they met Representative Dan Rostenkowski, Democrat of Illinois and chairman of the Ways and Means Committee.

Courtesy — International Herald Tribune ■