



## XV Meeting of the Latin American Network of Central Banks and Finance Ministries

**November 27 and 28, 2001**

1300 New York Avenue NW, Washington, D.C.  
Cecilio Morales Room (12<sup>th</sup> Floor)

**Tuesday – November 27, 2001**

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**8:30 – 9:00 a.m.**                      **Registration** – Main Lobby, 1300 New York Ave., NW

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**9:00 – 9:15 a.m.**                      **Opening**   Guillermo Calvo, Chief Economist, Inter-American Development Bank

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### Session I

**9:15 – 10:15 a.m. World Economic and Financial Outlook**

**Chair:**                      Juan Antonio Morales-Anaya, President, Central Bank of Bolivia  
**Speakers:**              Carmen Reinhart, International Monetary Fund

How serious is the global slowdown? What are the prospects for the length and depth of the U.S. recession? What is the outlook for international financing to emerging markets? What is the outlook for key Latin American trade and financial markets?

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**10:15 – 10:30 a.m. Coffee Break**

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### Session II

**10:30 – 12:15 p.m. Latin American Economic Outlook: Trends and Perspectives**

**Chair:**                      Guillermo Calvo, Chief Economist, Inter-American Development Bank  
**Speakers:**              Ernesto Talvi, Executive Director, CERES, Uruguay  
                                 Arturo Galindo, Research Economist, Inter-American Development Bank  
                                 Ilan Goldfajn, Director of Economic Policy, Central Bank of Brazil  
                                 Francisco Rodriguez, Chief Economist, National Assembly of Venezuela  
                                 Alejandro Werner, Director of Economic Studies, Central Bank of Mexico

How healthy was the Latin American economy coming into the current global slowdown? Is there a debt overhang? What are the main economic and financial effects of the negative global economic outlook on Latin America? Given that Latin America's recent recovery was led by exports, what is the outlook now that there is a global slowdown? Is there a risk of generalized collapse? The situation of Brazil, Mexico and Venezuela.

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**12:15 – 12:30 p.m.**                      **Photograph of the group** - Atrium (1<sup>st</sup> floor)

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**12:30 – 2:15 p.m.**                      **Luncheon** (Las Americas Dining Room, 7<sup>th</sup> Floor, by invitation only)  
**Keynote Speaker:** John Taylor, Undersecretary of International Affairs,  
US, Department of Treasury  
Hosted by Ms. K. Burke Dillon, Executive Vice-President, Inter-American Development Bank

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### Session III

**2:30 p.m. – 4:00 p.m.**                      **Analytical Aspects of Sovereign Debt Restructuring: Swaps and Buybacks**

**Chair:** Ricardo Hausmann, Professor, Kennedy School of Government  
**Speakers:** Fernando Broner, Professor, University of Maryland  
Eduardo Fernandez-Arias, Lead Research Economist, Inter-American Development Bank  
Lee Buchheit, Esq., Cleary Gottlieb

Efficiency gains achieved by voluntary debt restructuring, as well as their appropriation by debtors and creditors, have been extensively analyzed in connection with Brady operations. To what extent is that analysis still applicable? What do new sovereign debt models developed in the last ten years have to say about it? What form of official financial support would be most effective? On the legal side, what majorities are needed to change cross-bond clauses and how do they affect economic value? What are the prospects for bondholders who do not enter a debt restructuring agreement and how do they compare with new bondholders in terms of de facto seniority? How can partial guarantees, own or third party, ease the resolution process?

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**4:00 p.m. – 4:15 p.m.**                      **Coffee Break**

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### Session IV

**4:15 p.m. – 6:00 p.m.**                      **Argentina: Diagnosis and Resolution**

**Chair:** Guillermo Calvo, Chief Economist, Inter-American Development Bank  
**Speakers:** Ernesto Talvi, Executive Director, CERES, Uruguay  
Guillermo Perry, Chief Economist, LAC, The World Bank  
Ricardo Hausmann, Professor, Kennedy School of Government

What are the roots of the financial deterioration? Is it a fiscal imbalance due to fiscal indiscipline? Is it the recessionary bias of the currency board under the shocks experienced in recent years? Is it the inevitable consequence of an exogenous sudden stop of capital inflows in an economy with a small tradable sector and a highly dollar-indebted non-tradable sector? Is there a policy lesson to be learned? In any event, would fiscal adjustment be enough to unlock the door to the solution path, i.e., lead to private investment and growth? Is the market perception of low credibility of the zero-deficit fiscal plan based on a political assessment of willingness or an economic assessment of effectiveness? Does the risk of a banking crisis influence the market's skeptical posture? Can dollarization make a difference? Is pure floating or inflation targeting an alternative? Will restructuring solve fiscal sustainability problems? Will this be enough to reinstate growth? If, not what else needs to be done? What are the risks for the financial sector? What needs to be done to cover all bases and provide a comprehensive solution?

**Wednesday – November 28, 2001**

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**Session V**

**9:00 a.m. – 10:45 a.m.      Crisis Resolution: Bankruptcy Institutions for Sovereigns**

Disorderly defaults and lack of clear rules for crisis resolution are frequently mentioned as key obstacles for efficient ex-post resolution and, a fortiori, the development of efficient financial markets ex-ante. There is much less agreement on remedies. Some favor pure market resolution, possibly based on contract clauses designed to roll-over debts or facilitate renegotiation with small majorities. A variant of market-based solutions includes the establishment of minimal official intervention into market default renegotiation in order to provide a safety net to market values and avoid the risk of meltdown. Others favor official intervention in the form of mandatory legal stand-stills while renegotiation takes place, possibly under the vigilance of the official sector to make sure that bargaining powers are fair and conducive to a constructive solution. In the extreme, official intervention takes the form of a sovereign bankruptcy court inspired in its domestic counterpart. In this case, the official sector discriminates between excusable and frivolous default and establishes a financial framework to ensure an efficient resolution. The key question is what solution provides the best balance between ex-post efficiency and moral hazard within the realm of feasible institutions.

**Chair:** Eduardo Fernandez-Arias, Lead Research Economist, IDB  
**Speakers:** Lee Buchheit, Esq. Cleary Gottlieb  
Mohamed El-Erian, PIMCO  
Matthew Fisher, Assistant Director, International Capital Markets Department,  
International Monetary Fund  
Adam Lerrick, Director of the Gailliot Center for Public Policy  
Augusto de la Torre, Regional Financial Services Advisor LAC Region, The World Bank

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**10:45 a.m. – 11:00 a.m.      Coffee Break**

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**Session VI**

**11:00 a.m. – 12:45 p.m.      Instruments to Cover Liquidity and Contagion Risks: What Can IFIs and Countries do?**

**Chair:** José de Gregorio, Member of the Board, Central Bank of Chile  
**Speakers:** Claudio Loser, Director - Western Hemisphere, International Monetary Fund  
Ilan Goldfajn, Director of Economic Policy, Central Bank of Brazil  
Moisés Schwartz, Director General of International Affairs, Ministry of Finance of Mexico  
Eduardo Lizano, President, Central Bank of Costa Rica  
Guillermo Calvo, Chief Economist, Inter-American Development Bank

Is there anything still missing in IMF Contingent Credit Lines (CCLs) from the countries' viewpoint? Is there a case for a regional CCL to address liquidity and risk concerns of small countries? Besides CCLs can an emerging market fund (EMF) address systemic issues adequately for the rest of the countries? What type of contingent contracts can countries issue to cover themselves against liquidity shocks? Is there a market for them? How can IFI's help in developing these markets?

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**1:00 p.m. – 3:00 p.m.      Working Lunch (Executive Dining Room, 7<sup>th</sup> Floor):**

- Report on IDB/IMF/WB November 14-15 meeting on **Latin American Outlook: The Role of the International Financial Institutions**; tour de table seeking ideas on how multilaterals may contribute to alleviate Latin America's problems
  - Agenda ideas for next meeting
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