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INTER-AMERICAN DEVELOPMENT BANK

Latin, Caribbean leaders prepare for the economic worst

Latin American and Caribbean countries are bracing for repercussions from a U.S. slowdown while urging the Inter-American Development Bank to find ways to boost future lending for countries that may need potential rescues.

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The Dominican Republic is boosting its foreign reserves; Ecuador -- which resisted the fading Washington prescription of economic restructuring -- has stretched out debt payments to free up more money for immediate needs; while Chile has been setting aside its windfall copper profits in a national piggy bank.

Despite a series of confident speeches Tuesday at the closing session of the Inter-American Development Bank's annual meeting, financial leaders from Latin American and Caribbean nations said they are taking concrete steps to brunt the potential impact of the U.S. credit and financial crisis.

Uncertainty over how some countries will fare, especially smaller nations buffeted by the negative impact of climate change, was the undercurrent at the five-day meeting that took place at the cavernous Miami Beach Convention Center.

As finance ministers delivered reports on the economic situations in their own countries, many called on the IDB to make changes that would allow it to increase its lending ceiling at a time when many borrowing countries may need to turn to the regional development bank for funding.

"The bank's lending capacity is hobbled at a crucial time for the region," said Brazil's Planning Minister Paulo Bernardo Silva, noting that demand for IDB financing exceeds its $8 billion lending limit by approximately the same amount.

In a sign of the apprehension and need to coordinate a defense from chill economic winds from the United States, finance ministers are planning to gather on June 14 in Cancun, Mexico, for a dialogue, said Ecuadorean Finance Minister Fausto Ortiz.

Buoyed by a recent export boom, the region's five-year performance of more than 5 percent average annual growth dazzles in comparison to the lackluster performance in the previous two decades.

But realism is beginning to seep in.

"It's going to be a challenge for Latin America this year to live up to these optimistic numbers we've put on the table," said William R. Rhodes, first vice chairman of the Institute of International Finance and Citigroup vice chairman, referring to the institute's forecast of 4.4 percent economic growth for the region in 2008.

Dean Barrow, the prime minister of Belize who spoke on behalf of Central America countries, warned if the United States does plunge into a recession, "those regional economies which have very close financial ties with the United States stand to be especially affected."

Ortiz said the Ecuadorean government had lessened the burden of public debt service by stretching out payments and freeing up money for urgent spending. "These resources we can direct to the agricultural sector and infrastructure, which had been completely abandoned," Ortiz said, adding that one of the country's priorities was emergency aid to thousands left homeless by floods in February.

Héctor Valdez Albizu, governor of the Dominican Republic's Central Bank, said that finance authorities had raised the key overnight interest rate to constrict lending and also built up foreign reserves -- both measures designed to cushion the impact of the U.S. economic problems. "In the Dominican Republic, the impact [from the United States] is not going to be immediate; there will be a lag," Valdez said.

Still, the Dominican Republic is particularly vulnerable since it depends on the United States as an export market and for remittances.

But no country compares to Chile in terms of precaution. The country has been saving its windfall earnings from copper exports for a rainy day, which many expect to arrive with a drop in commodity prices.

"This is a different crisis than the ones we have seen in the last two decades," said Andrés Velasco, Chile's finance minister, referring to the U.S. problems. While the region has taken steps to protect itself, Velasco asked: "Can we be certain about the extent of the U.S. slowdown or repercussions? The answer is we do not know yet."

"So far, so good, but certainly everybody in the region is alert," IDB President Luis Alberto Moreno said Tuesday as the meeting was coming to a close.

"This is one of the crises that has really hit the world economy that did not start in Latin America," he said. "It started with cold winds and we don't know how cold those winds are yet."

The Miami Herald was one of the media partners at the Inter-American Development Bank's annual meeting.