

# Third World debt and financial restructuring dominate debate

by Peter Ennis in New Delhi

In New Delhi, the summit's economic committee, which was charged with the task of formulating the response of the Non-Aligned nations to the deepening economic crisis, closeted itself in virtual around-the-clock discussions. The tight security that surrounded the entire conference made it difficult to gain access to the economic committee's proceedings, but numerous interviews and discussions with participants have enabled *EIR* to reconstruct the committee's debate.

Barely had the work of the economic committee gotten under way than the issues to be confronted were sorted out and priorities were set. Additional issues such as trade, commodities, food, etc. received relatively little direct attention, and those sections of the declaration dealing with these issues were quickly agreed upon and set aside.

Deliberations revolved around four themes: a) the future of the international monetary system; b) the murderous debt burden of developing countries; c) a new formula for the convening of long-sought global economic negotiations; and d) the program of "immediate measures."

## The international monetary system

The future of the IMF system has been at the center of the North-South dispute for many years, and the insistence by successive American and British governments that no talks can be convened which call into question the "competence" and "jurisdiction" of the IMF, has blocked negotiations. Those institutions are heavily weighted by voting rights in favor of the developed countries, and it is the IMF that is the principal enforcer of contractive "adjustment" programs in the developing sector.

Since 1976, the Non-Aligned countries have been calling for the establishment of a "new international monetary system," a demand repeated by the New Delhi summit. The economic declaration reads: "An important feature of the current world economic situation is the manifest inadequacy of the Bretton Woods system, which was established at a time when economic and political conditions were vastly different, and only a few developing countries were sovereign independent nations. The Heads of State or Government stress the need to create a new equitable and universal international monetary system."

To place this question in the international spotlight, India

proposed that the Non-Aligned nations call for an international conference on monetary issues and finance for development, which would be "aimed at meeting effectively" the "development and other financing requirements of the world economy."

There was never much doubt that India's proposal would be adopted by the summit. The important question was the scope and jurisdiction of the proposed conference. Would it be designed to "propose reforms" of the IMF system, or would it try to bring about a comprehensive reorganization of that system?

The outcome of the debate on this issue was clearly resolved in favor of those who sought broad powers for the conference. One delegate from India said that the monetary conference "would be full-fledged and international" and "would have powers of treaty-making." Another said that "though the economic declaration does not say that the conference would be designed to create a new monetary system, it does say that the conference would be 'aimed at' providing credit for the development of the world economy. Now, since the current world monetary system does not effectively provide credit for world economic development, it goes without saying that the conference would be designed to bring about a new monetary system."

The outcome of the discussion on IMF conditionalities, however, was more equivocal. The final declaration, reflecting the proposal of Grenada for the formation of an anti-IMF "watchdog committee," called for the establishment of a "panel of experts" which could mediate disputes between the IMF and developing countries. The declaration also called for "an immediate review" of IMF conditionalities programs. However, participants in the debate pointed out that the sections of the declaration that criticized the IMF took great care to not "upset the Fund" and thus used extremely moderate language. This was the result of a broader debate in the committee over how far the Non-Aligned nations should distance themselves from the IMF.

On March 10, even before the heads of state formally began their summit, a leading apologist for the IMF within the Indian delegation, Mr. L. K. Jha, began a concerted effort to shift the monetary conference proposed by India into a "reformist" mode.

Speaking at a press conference, Jha said that the proposal submitted by India is "within the existing structural framework, within the IMF, the World Bank, and so on." He also said that the developing countries do not plan any "encroachments on the autonomy of the World Bank and the IMF." He argued that the proposed international monetary conference, would be designed to "advise" the IMF on how best to reform the monetary system, but that it would then be up to the IMF policy-making bodies to accept or reject the recommendations.

Sources close to the Indian delegation reported that Jha greatly overstepped his authority in making those statements. It was reported that the press conference was called to counteract an article printed in a prominent Indian newspaper that day by a World Bank partisan, Jagdish Bhagwati, who called on the Non-Aligned nations to become "more realistic" and to abandon their demands for a new international economic order. While Jha was authorized only to restate India's position on global negotiations, he took the opportunity to press the pro-IMF factional view on the crucial international monetary system issue.

Two days later, a top official of the Indian foreign ministry, Mr. Romesh Bhandari, spoke to the press and in effect corrected the Jha statement. "Why are we asking for an international conference on money and finance for development?" Bhandari asked. "That is already spelled out in our draft declaration. All of the questions of the existing institutions having become outdated, inequitable, having become unjust, having become insufficient to deal with the type of financial and monetary problems which the world is facing. Now, certainly some concept of some institutions formed in 1945 cannot, perhaps, be the appropriate tool to deal with the type of crisis the world is facing in the 1980s. Therefore, the call for an international conference on money and finance for development."

Pakistan's minister of planning, Mahbub ul-Haq, formerly a World Bank official, played a similar role to Jha, using every opportunity to argue that the developing countries should not challenge the IMF system. Haq spread the word throughout the corridors of the conference that India's proposal for an international monetary meeting was a "misguided idea," and that what was needed instead was a more limited "new Bretton Woods-type conference." U.S. financial officials had coined this term as part of their effort to use the international debt crisis to expand the powers of the IMF to those of a world central bank. Haq also said that the developing countries should be "realistic" and recognize that they should remain within the IMF system.

The main issue of the heated debate on debt was whether any type of "collective action" would be advocated in dealing with the creditors of the North, or whether the debt issue would be treated as purely a bilateral creditor-debtor relationship. The bilateral approach to the debt crisis has been termed by Henry Kissinger a "case by case" approach.

Throughout the summit, the debt issue was ever present

in hallway discussion, and Indian newspapers as well as the committee meetings. Journalists of every ideological stripe kept the issue publicly alive by constantly asking officials at press conferences to confirm or deny the latest "report" that consideration was being given at the summit to wholesale repudiation of foreign debts by the Non-Aligned nations or to the formation of a "debtors' cartel."

Many delegates pointed out that the proposal for a "new Bretton Woods" conference to strengthen the usurious IMF system was made only after U.S. private banks were threatened with bankruptcy late last year, when Brazil, Mexico, and other developing countries were unable to repay their debts. "This shows how sensitive the private banks are on the debt issue," one delegate said. This theme was echoed by Ambassador Sobhan of Bangladesh, who told a press conference: "If it takes the debt issue to bring the industrialized countries to the negotiating table, well, well and good."

Within the committee itself, the debate revolved largely around four proposals.

The first two were submitted by India in the draft of the economic declaration prepared before the conference. These two proposals were a) for the "collective negotiation" by the developing countries of a multilateral framework for the restructuring of developing countries' debt burden; and b) the establishment of an International Debt Commission to study all aspects of the debt crisis. The term "collective negotiation" used in the Indian draft was to become controversial, because it implied joint action by the developing countries on the debt issue—a proto-debtors' cartel.

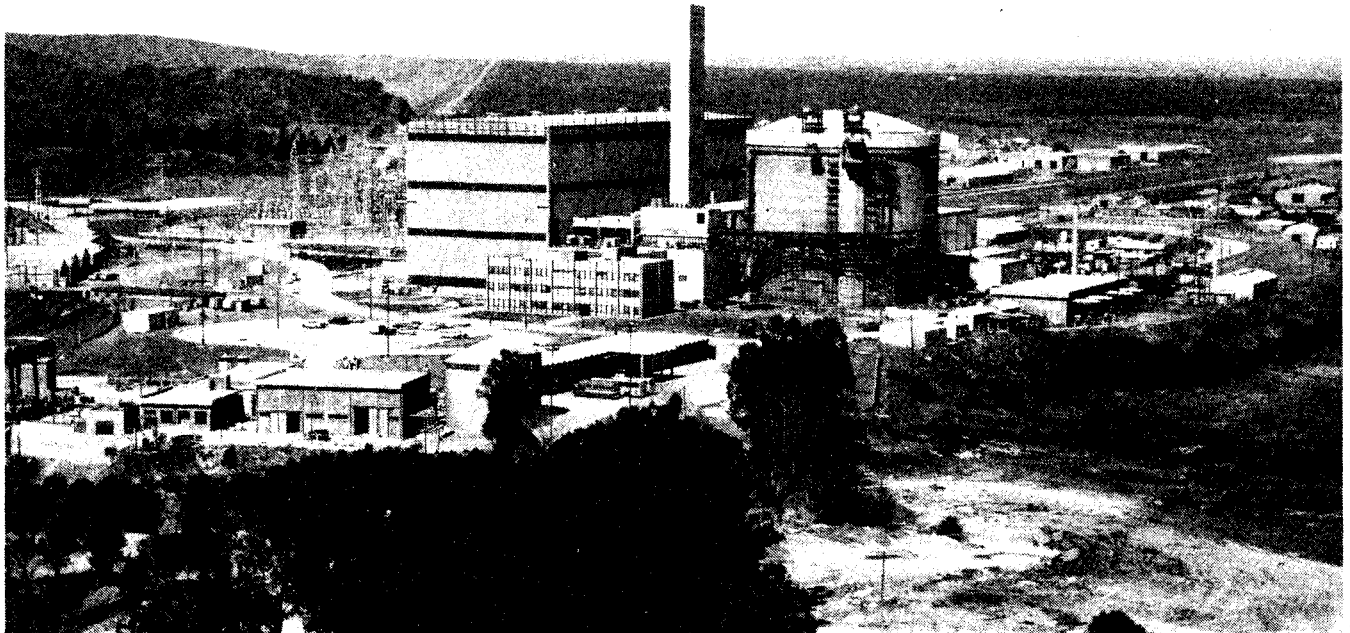
The third proposal on debt was submitted by Nicaragua and made public by that country's leader, Daniel Ortega, in his speech to the plenary session of the summit. The proposal called for the establishment of an "organization of debtor countries," and the idea carried particular weight because Nicaragua had earlier been chosen chairman of the Economic Committee. Ortega's proposal to the plenary read as follows:

We firmly believe that, in the face of the strategy of the poor debtors, and in the same way as the private international banks, the industrialized free market economies, and the international organizations have their own instruments and strategies, it is just, and even a right of the poor countries to establish an organization of debtor countries that would allow us to:

bring together in one organization with voluntary, universal participation, the debtor countries;  
[conduct] joint efforts and actions that would induce the creditors to seriously consider the necessity of a new international economic order; . . .

We should therefore consider massive transfer of resources that would allow our countries the possibility for development. In that way resources would also be generated to meet obligations.

If this is implemented, it would be possible to take



Courtesy of the Argentine National Atomic Energy Commission

*Argentina was the first Ibero-American nation to install nuclear energy. Above, the nuclear plant at Embalse, which has just gone into operation. Argentina played a major role at the New Delhi summit in passing a resolution in favor of nuclear energy.*

up, within the framework of the United Nations, reforms of the International Monetary Fund and the World Bank.

Without trying to present miraculous formulas, we believe that this effort is possible, and we propose the creation of a common organization of debtor countries that could well be called the "New Delhi Group."

Finally, Pakistan, with strong backing from Jamaica, submitted a fourth proposal, for the creation within the IMF of a "debt restructuring facility." Pakistan's Haq was very frank in admitting that this proposal presumes greater IMF surveillance over developing countries, and that the proposal echoes a similar idea recently circulated by Wall Street banker Felix Rohatyn.

A number of countries tried to remove all reference to "collective action" from the economic declaration, arguing that such a reference would prejudice them in their bilateral negotiations with the IMF and the private banks. This view was reportedly expressed by Argentina, Peru, Jamaica, and others, according to sources involved in the closed door sessions.

### **Asian positions**

Committee sources reported that, after especially Argentina spoke forcefully on this issue, several Asian countries adopted a similar position, including Sri Lanka, Pakistan, and the ASEAN group of Southeast Asian countries. Sri

Lanka was particularly important because that country was vice-chairman of the Economic Committee, and played a key role in the working group of the committee, which negotiated rough spots and redrafted controversial sections of the economic declaration.

India, for the most part, was sympathetic to the Nicaraguan view, but was not prepared to be outspoken on the issue so long as Argentina and other countries were intractable. "The Latin Americans that agreed with Argentina held the Non-Aligned hostage," one participant in the summit's deliberation said. "If they don't change their view then it will be hard for the developing countries to use debt as a weapon. After all, it is the Latin American countries that have the debt."

The result of the committee's debate was one of the most hastily constructed paragraphs ever to appear in a Non-Aligned conference document. In the section on the "immediate measures" program dealing with indebtedness, all reference to "collective" action was removed. The final paragraph calls for: "Exchange of information between the developing countries on their negotiations with regard to their external debt, and, where desirable, collaboration between them in such negotiations" and "Development of a comprehensive, equitable, multilateral framework for the restructuring of the debt burden of development countries in order to provide an orderly international response to the possible emergence of serious debt crises."

The first sentence clearly reflects the proposal made by Nicaragua's Ortega. The second sentence, reflecting the Argentine view, omits any reference to "collective" negotiation on the establishment of the proposed framework to control debt crises.

A later section of the declaration makes reference to the proposal submitted by Pakistan for the establishment of a debt restructuring facility. Sources pointed out, however, that the wording of the declaration on this account is significantly different from that used by Pakistan in motivating the proposal. The declaration makes no reference to the facility being located within the IMF, as Pakistan had proposed, and it clearly states that debt reorganization should be conducted on "appropriate terms." Said Bangladesh's Sobhan: "Talk of the developing countries accepting greater conditionalities from the IMF is pure speculation."

### **Global negotiations**

"Global negotiation" was another point of contention for the economic committee because it goes to the heart of the strategy pursued by the developing countries for the last four years in their efforts to bring about a new international economic order. Global negotiations, as first envisioned by the Non-Aligned at the 1979 Heads of State Summit in Havana, would consist of a U.N. conference at which fundamental economic issues could be dealt with and negotiated in a coordinated and comprehensive manner.

The emphasis placed by some countries at the summit on the need for the underdeveloped countries to emphasize "immediate measures" was viewed by Algeria and Bangladesh in particular as a potentially dangerous move, because it would sacrifice the main demand made by the developing countries for the last four years, without getting anything from the North in return. They argued that some formula would have to be found to integrate the demand for global negotiations with the demand for immediate measures. Pakistan quickly sided with Algeria in the dispute, while India was less concerned with formally and rigidly adhering to the global negotiations framework; Pakistan's support of Algeria was, however, viewed as a political ploy.

After extensive negotiation, the economic committee decided to try to convince the North to convene a conference within the United Nations which would conduct global negotiations in two phases. The conference would be convened early next year, after the Group of 77 developing nations conducts informal negotiations with the North over the formal agenda for the conference.

Phase One of the conference would take up issues which do not explicitly challenge existing monetary institutions, such as trade and commodities, by assigning the topics to be discussed to one or another international agency, such as GATT, the United Nations Food and Agriculture Organization, and so forth. Particular financial issues would be assigned to the IMF.

Simultaneously with the convening of the conference, a "working group" would be established to discuss an agenda for Phase Two of the conference. Phase Two would negotiate the reorganization of the existing international economic system, including agencies like the IMF. It is precisely this issue which has blocked the start of global negotiations for almost four years, and the developing countries have not fundamentally lessened their demand that the IMF system itself be the subject of negotiation.

There is considerable speculation that the United States, Britain, and other countries will not agree to holding Phase One of the talks, not to mention Phase Two, because of the

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*India proposed 'collective negotiations' by developing nations of a framework for restructuring the debt burden. India also proposed the establishment of an International Debt Commission to study the debt crisis. The term 'collective negotiations' became controversial, for it implied a proto-debtors' cartel; Nicaragua called outright for the establishment of an 'organization of debtor countries.'*

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"linkage" established between the two. Many delegates also voiced the concern that the talks could be "balkanized" by dividing them into phases.

### **Program of immediate measures**

The "immediate measures" program is the weakest section of the economic declaration, and would barely make a dent in today's economic crisis, even if its four main sections—on finance, energy, food, and trade—were to be implemented in their entirety. Of these four sections, only the proposals in the finance section for the reorganization of developing-sector debt provides a lever against the downward slide in the world economy. Technically, the proposal for an International Conference on Money and Finance for Development is also included in the immediate measures program.

# 'World needs peace and development'

*The following are excerpts from the economic declaration of the seventh summit of Non-Aligned nations, issued in New Delhi, India on March 12.*

## I. Introduction

1) The Heads of State or Government (HSG) reviewed the worsening of the world economic situation. The crisis of international economic relations and the widening gap between developing and developed countries have emerged as the most serious problem and source of instability threatening world peace and security. The earnings of developing countries had shown an ominous decline while interest rates on foreign loans had dramatically increased. Medium- and long-term lending to developing countries had fallen. Their balance of payment deficits and their debt burden had reached crushing levels. Measures at present contemplated and proposed were totally inadequate to deal with these problems.

2) Under the present unjust world economic system, the levers of power are firmly in the hands of a few developed countries, and are often used to the detriment of the interests of developing countries. There can be no hope of anything but at best a short-lived revival of the world economy. Nor can there be an equitable and viable system of international economic cooperation without a basic and fundamental change in the approaches and policies of the developed countries with respect to the establishment of the new international economic order.

3) The developing countries were facing extremely bleak prospects. The developed countries too were facing the problem of record idle productive capacity and mounting unemployment. While some of the developed countries favored the strengthening of international economic cooperation, others resisted it. The developed countries as a whole can no longer, under any pretext, shy away from their share of responsibility for international economic cooperation, nor can they afford to ignore the fundamentally indivisible nature of global prosperity.

4) The HSGs affirmed that all countries should be permitted in a real sense peaceful progress world-wide. Progress in the developing countries would help rejuvenate the stag-

nating economies of the developed countries. An improvement in the economies of developed countries would create better development prospects for developing countries. In an increasingly interdependent world, the economic fortunes and political stability of both groups of countries were more and more intertwined.

5) Peace and development are interrelated and the international community cannot be assured of durable peace so long as the economic disparities between nations were widening. Stable global development and viable international order required the halting of the arms race, followed by urgent disarmament measures that will release sorely needed resources for development. Orderly development and progress can take place only in an atmosphere of peace, harmony and cooperation. Political freedom and economic progress are inseparable. . . .

## II. World Economic Situation

8) The economic crisis now threatens to engulf the whole world in a major depression, worse than the Great Depression of the 1930s.

9) World production declined by 1.2 percent in 1981, and a further fall took place in 1982. The recession in developed countries has led to unemployment in excess of 10 percent of the labor force, a proportion which is without precedent since the Great Depression. World trade stagnated for two years in succession.

These developments have had particularly adverse consequences for the developing countries as a whole. In the past two years, they have suffered a loss of foreign exchange availability on the following counts: (i) export earnings have fallen by \$150 billion, partly as a result of a catastrophic decline in commodity prices; (ii) debt service payments have risen by \$37 billion, partly as a result of high interest rates; (iii) the annual rate of private bank lending to developing countries has fallen by \$25 billion.

Allowing for offsetting factors, the net foreign exchange flows suffered by developing countries during this period is estimated at about \$200 billion. This massive decline in foreign exchange availability translates itself into a corresponding decline in import capacity of developing countries, thereby reducing the exports of developed countries and threatening a major and cumulative contraction in world economic activity. This alarming process has already begun.

The devastating impact and debilitating effects of the crisis on the economies of the developing countries as a whole, and the least developed countries in particular, had added to their vulnerability. By the end of 1981, the reserves of the developing countries were only a little above \$110 billion, which could finance barely two and a half months' imports. The debt burden of the developing countries had shot up to \$540 billion and the burden of servicing the debt was as high as \$106 billion per annum. The balance of payments deficit of developing countries amounted to \$62 billion

in 1982, and is expected to increase in 1983. All these had forced a number of developing countries to defer repayment of loans and seek rescheduling of their debts. This rescheduling has been made even more difficult by the imposition of conditions and restrictions.

10) The HSG identified the following as among the most important factors which have contributed towards aggravating the international economic crisis:

- (i) squandering of vast human and material resources in an unproductive arms race;
- (ii) inward-looking policies followed by leading developed countries;
- (iii) a financial and monetary crisis confronting the developing countries;
- (iv) adverse trading conditions characterized by:
  - (a) protectionist barriers imposed by developed countries against imports from developing countries,
  - (b) the steady deterioration in the terms of trade of developing countries.

11) The heads of government view with grave concern the extremely low and in some cases negative rate of growth of the majority of developing countries, particularly in most African countries. The 36 countries designated as least developed countries, 26 of which were African, recorded no growth at all over their level in 1980. The situation of those in the Sahel region was desperate. Other developing countries faced a harsh—even hostile—external environment in their efforts to eliminate extreme poverty. The situation of the majority of African countries was so serious as to require urgent corrective measures.

12) An important feature of the current world economic situation is the manifest inadequacy of the Bretton Woods system, which was established at a time when economic and political conditions were vastly different and only a few developing countries were sovereign, independent nations. The heads of government stressed the need to create a new, equitable, and universal international monetary system. . . .

### **III. Negotiations for the Establishment of the New International Economic Order**

#### **A. Assessment**

16) Numerous international conferences have taken place which have scrutinized practically every dimension of the international economic system. The negotiations in these conferences have not yielded significant results; as a result, there has been hardly any progress towards the establishment of the new international economic order. . . .

#### **B. Strategies for forthcoming international economic negotiations**

19) The movement of Non-Aligned countries should fashion its strategies for forthcoming international economic negotiations on the basis of a thorough analysis of the world economic situation. Future negotiations should be guided by a new concept of international security which recognizes the interest of all nations and all peoples in survival and world development. . . .

### **IV. Global Negotiations Relating to International Economic Cooperation for Development**

25) The heads of government expressed their firm con-

## **‘The inalienable right to nuclear energy’**

Leaders of Third World nations meeting in New Delhi this month at the summit of Non-Aligned nations called access to nuclear technology for development an “inalienable right” of nations. The section of the political communiqué dealing with nuclear development reads:

“The Heads of State or Government reiterated that full or unrestricted access to nuclear technologies for peaceful purposes under non-discriminatory conditions is an inalienable right of every state. They stressed the need to respect the options and decisions which are made in this sphere without jeopardizing related policies and programs

regarding the nuclear fuel cycle or international cooperation in the peaceful use of nuclear energy.

“The Heads of State or Government abhor the pressure and threats directed against the developing countries to prevent them from accomplishing their program for developing nuclear energy. In this connection, it was reiterated that non-proliferation should not be made a pretext for preventing states from exercising their full right to acquire and develop nuclear technology for peaceful purposes geared to economic and social development in accordance with their priorities, interests, and needs.

“Likewise, they supported the convening of a United Nations conference for the promotion of international cooperation in the peaceful uses of nuclear energy, after adequate preparation, with the view to adopting universally acceptable principles of international cooperation in this field on an equitable and non-discriminatory basis.”

Also added to the political communiqué was a condemnation of the Israeli attack on Iraq’s nuclear reactor.

viction that global negotiations remained the most important and comprehensive endeavor of the international community for the restructuring of international economic relations, the accelerated development of the economies of developing countries, and for strengthening multilateral economic cooperation on the basis of mutual benefit. . . .

28) The heads of government reaffirmed their commitment to the early launching of the global negotiations and reiterated their belief in the basic approach of the negotiations, namely a simultaneous, coherent and integrated treatment of the major issues confronting the global economy. The current global economic crisis, which has exposed the fundamental weaknesses of the international economic system and institutions, has made it imperative and urgent for the major issues of the world economy to be considered in an interrelated manner within the framework of global negotiations. They, therefore, urged the developed countries to respond positively and constructively to the efforts of the developing countries for the early launching of global negotiations. As a demonstration of their resolve to impart a fresh political impetus to global negotiations, the heads of government decided to propose the convening of a conference within the United Nations to launch global negotiations in early 1984, taking up in the first phase those issues on the formulation and allocation of which agreement would have been reached. During this first phase, parallel efforts should be made through a working group of the conference for expanding the global negotiations to include in the second phase other issues, particularly those affecting the structure of the international economic system and institutions.

## **V. Program of Immediate Measures in Areas of Critical Importance to Developing Countries**

29) In the meantime, the solution of the immediate problems of developing countries brooks no delay. The heads of government decided that all possible efforts should be made to ensure the initiation of negotiations for the adoption and effective implementation of a program of immediate measures in favor of developing countries. They resolved to vigorously pursue these measures as appropriate at the forthcoming conferences within the United Nations system. They recognized that some of these immediate measures have implications for medium- and long-term action as well as for structural changes in the existing international economic system and that such negotiations would be continued within the framework of global negotiations when launched.

### **A. Monetary and Financial Issues and Transfer of Resources**

#### *Official Development Assistance (ODA)*

- i) Attainment of 0.7 percent of GNP as ODA by 1985. . . .

#### *Indebtedness*

- (iii) Exchange of information between the developing

countries on their negotiations with regard to their external debt and, where desirable, collaboration between them in such negotiations. Development of a comprehensive, equitable, multilateral framework for the restructuring of the debt burden of developing countries in order to provide an orderly international response to the possible emergence of serious debt crises.

- (iv) Conversion of all outstanding bilateral official development assistance loans into grants for the least developed countries.

#### *International Monetary Fund*

- (v) Increase of IMF quotas beyond that agreed in the recent interim committee meeting, to a level of SDR 125 billion.

- (vi) A sizeable allocation of the SDRs sufficient to provide much-needed liquidity over and above the requirement for paying the 25 percent reserved tranche component of the recent quota increase. . . .

- (viii) Replenishment of the IMF Trust Fund by further sale of IMF gold and the use of these resources for subsidized lending to eligible developing countries.

- (ix) Immediate review of IMF conditionality with a view to ensuring consistency with the kind of adjustment process which developing countries can adopt, keeping in mind when prescribing certain policy changes, their economic situation, the structural nature of their imbalances, and the need to encourage expansion in production as an integral part of structural adjustment. It is essential to avoid adjustment processes which jeopardize the development process. . . .

#### *World Bank*

- (xi) Substantial expansion of the current lending program of the IBRD. . . .

### **B. Trade and Raw Materials**

- (xv) Substantially increased market access in developed countries for export from developing countries. . . .

- (xxiii) The conclusion, where possible, of arrangements on particular commodities to prevent any fall in price. . . .

### **C. Energy**

- (xxxi) A net expansion in World Bank lending in the energy sector. . . .

### **D. Food and Agriculture**

- (xxxiv) Expansion and enlargement of the food financing facility of IMF, to cover other essential food items. . . .

- (xxxvi) Establishment of a food security system through a system of developing country-owned food reserves. . . .

- (xxxvii) Adoption as a matter of urgent priority of a special international program of food aid and financial assistance to relieve the hard-hit countries of Africa.

- (xxxviii) Increased flow of resources for investment in food and agricultural production, as well as for the development of indigenous research capacity.

**E. International Conference on Money and Finance for Development**

(xxxix) The heads of government stressed the need for a comprehensive reform of the existing inequitable and outdated international monetary and financial system. To this end, they called for the convening of an international conference on money and finance for development, with universal participation, aimed at meeting effectively the development and other financing requirements of the international economy, particularly those of the developing countries, and the need for growth-oriented structural adjustment. This conference should not be regarded as a precondition for the launching of the global negotiations and would become an integral part of these negotiations when they are launched. They called upon the developing countries to pursue this objective as a matter of urgency in all relevant forums for the early convening of the conference. . . .

**Modalities**

31) The heads of government requested the chairman to invite a group of heads of government to hold discussions with other world leaders on the substance of the New Delhi declarations and message. The Chairman had, in her inaugural address, given a call for a meeting of Heads of State or Government at the thirty-eighth session of the United Nations General Assembly. This will provide an early opportunity to hold such discussions at the highest level. . . .

**IX. Monetary and Financial Issues**

39) The heads of government considered that, in the present international situation, it is essential to secure a massive transfer of resources to the developing countries as well as a cancellation of the external debt owed to developed countries by the least developed countries.

45) The heads of government emphasized that effective use of the resources provided for IMF depends upon the appropriateness of IMF conditionality. This calls for a different framework for conditionality from the traditional approach of the Fund, which emphasizes short-term adjustment through demand management. They noted that a policy change by the IMF in 1981 towards supply-side-oriented adjustment programs was short-lived and that demand management policies were today more entrenched than ever before.

46) The heads of government expressed their deep concern for the critical situation of the developing countries regarding their external debts. Official debt is a small part of the outstanding debt of developing countries and in recent years the non-official component had increased very considerably, imposing a heavy burden of debt service obligations. They urged consideration of the setting up of an international debt restructuring facility to help refinance the existing debts of the developing countries for a long-term period on appropriate terms. These issues should be examined in depth in the international monetary conference proposed above.

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# The New Delhi Appeal

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*The following is a special appeal to world governments and peoples issued by the Seventh Heads of State and Government Summit of the Non-Aligned movement. This is the first such appeal since the appeal for world peace issued at the founding Non-Aligned Summit in 1961 in Belgrade. Subtitles have been added.*

1. Our world is increasingly turbulent and insecure. International economic relations continue to be characterized by inequality, domination, and exploitation. The gravity of the situation is evident in the intensification of the arms race, in the resistance of the strong to the initiatives for change in favor of the weak, in great power involvement in regional conflicts, and

2. Peace and peaceful co-existence, independence, disarmament, and development are the central issues of our time. But peace must be based on justice and equality because the intolerable inequality and exploitation established by colonialism and imperialism remain the most important causes of tension, conflict and violence in the world.

3. We, the Heads of State or Government of Non-Aligned countries, appeal to the great powers to halt the arms race which is consuming, at an ever-increasing rate, the scarce material resources of our planet, destroying the ecological balance and wasting much of our finest scientific talent in sterile and destructive pursuits. These should be used to revitalize and restructure the world economy. The resources released by measures of disarmament should be diverted to promote the development of developing countries.

4. The Non-Aligned countries, speaking for the majority of the world community, want an immediate halt to the drift towards nuclear conflict which threatens not only the well-being of humanity in our times, but of future generations as well. The nuclear weapon powers must heed this voice to the people of the world. From all indications, 1983 may be a crucial year for nuclear disarmament. We urge the nuclear weapon powers to adopt urgent and practical measures for the prevention of nuclear war. They should agree on an international convention prohibiting the use or threat of use of nuclear weapons in any circumstances and stop further production and development of nuclear weapons. It is also essential that they observe existing arms limitation agreements while seeking to negotiate broader and more effective programs leading to general and complete disarmament, particularly nuclear disarmament, under international supervision.

5. The world economic crisis, which originated in some

of the major industrialized countries, has now become truly global in character and scope. In developed countries it has led to economic stagnation and rising unemployment to which they have reacted by adopting protectionist and other inward-looking policies. In developing countries, whose economies are specially vulnerable, it has led to enormous balance of payments deficits, mounting debt burden and worsening terms of trade due to the steep fall in their commodity prices and to the sharp rise in the prices of industrial products which they have to import. All this has brought many of these countries to the brink of disaster.

6. Never before have the economic fortunes of many of the developed and developing nations been so closely linked together. Yet, many rich nations of the world are turning in the midst of this common crisis to the catastrophic bilateralism of the 1920s and 1930s rather than to enlightened multilateralism. They still refuse to recognize that the economic revival of the North is simply not possible without the economic survival of the South. Solutions to these problems must necessarily be global.

## **'Existing economic order—inadequate'**

7. The present crisis has demonstrated the inadequacy of the existing international economic order to deal with the problems of development. A thorough-going restructuring of this order through a process of global negotiations is necessary. All hurdles must now be overcome so that these negotiations can be launched without delay. Non-Aligned countries have committed to strive for the establishment of the new international economic order based on justice and equity.

8. Concurrently, immediate measures must be taken to start a process of recovery and to bring the world economy back to the path of sustained growth, the activation and stimulation of the growth process in the developing countries must be a key objective of this endeavor. Immediate measures are needed in several areas. Special emphasis must be placed on enabling developing countries, particularly the least developed countries, to solve their acute balance of payments problems without interrupting their development process. At the same time, satisfaction of their basic needs of food and energy, enhanced access to markets, and fair prices for commodities must be ensured. Protectionist trends must be reversed and immediate measures to dismantle trade barriers implemented. It is necessary to put an end to unequal exchange between developed and developing countries. Besides, many developing countries are in a tragic situation

because of their inability to meet their debt obligations. This serious problem should be urgently addressed.

### **Call for conference on development**

9. We propose the immediate convening of an international conference on money and finance for development, with universal participation, and a comprehensive restructuring of the international monetary and financial system.

10. We are deeply concerned about the tensions and confrontations between the great powers and their disturbing effects on Non-Aligned countries. We are determined to resist economic and political pressures that might be exerted by any great power against small and vulnerable states.

11. Urgent political issues, such as the pressing need to restore to the brave Palestinian people, who are waging a heroic struggle against Israeli forces, their inalienable right to establish a national sovereign state of their own in accordance with UN resolutions; the withdrawal of Israel from Jerusalem, Occupied Palestine and Arab territories and from Lebanon, the independence of Namibia to be achieved by the speedy implementation of Security Council Resolution 435; the need to achieve peace in Central America through political negotiations between the parties concerned, as well as the problems in Southeast Asia, Southwest Asia, the Indian Ocean, the Mediterranean, and other areas in the world, call for a sincere effort on the part of all countries of the world to resolve them in accordance with the principles of peace and justice, independence and equality.

No less urgent is the common responsibility of all of us to ensure that our fellow human beings everywhere live in dignity and honor. Many wrongs have been perpetrated on the continent of Africa and its long-suffering people. The people of South Africa are bravely struggling against the obnoxious and oppressive system of racism and apartheid. We reaffirm our solidarity with the African people and their noble cause. There are some great powers in a position to help achieve this objective faster and, hopefully, with less suffering all around. We earnestly urge them to do so.

12. We, on our part, are committed to pressing these and other critical issues at the 38th session of the United Nations General Assembly. We urge the Heads of State or Governments of all countries of the world to join us there. We stand ready to cooperate with them in finding equitable, fair, speedy, and just solutions to these problems. Our destiny is common.

13. The crisis which confronts our civilization today is unprecedented in history. Great tasks call for wise decisions. We appeal to the great powers to give up mistrust, engage in sincere, forward-looking negotiations in a spirit of shared good faith to reach agreement on various disarmament measures, and to find a way out of the deepening economic crisis which threatens all of us. Unitedly, the members of the Non-Aligned movement are prepared to do everything in their power to assist in this process. The earth belongs to us all—let us cherish it in peace and true brotherhood, based on the dignity and equality of man.

## **The summit defuses political bombshells**

by Paul Zykofsky in New Delhi

The prophets of doom, who had predicted that the Non-Aligned movement would split apart at the New Delhi summit conference, have been proven wrong. Mrs. Gandhi pointed a finger at "some people" who "may have wished the movement to quarrel and divide," but told reporters as the conference closed that "we have disappointed them."

The New Delhi summit was faced with a number of very troublesome conflicts involving member states of the movement, such as the Iran-Iraq war, the situation in Southeast Asia, and the Afghanistan issue.

Well aware that these topics could create a destructive rift, the Indian hosts made it clear before the summit that they were eager to focus on "the less divisive" issues—for example, the economic crisis—and avoid troublesome political issues as much as possible. In the end, however, while economics received a great deal of attention, the battle over political questions could not be avoided. It was only deft action by Mrs. Gandhi and the Indian delegation which saw the summit through to a successful conclusion.

The six-day summit-level meetings also provided ample opportunities for informal bilateral summit meetings. Although no precise count is available, the number of parallel meetings held by the more than 70 Heads of State and Government—the largest number ever assembled in one place—was in the hundreds. Pakistani President Zia ul-Haq alone met with over 30 Heads of State and Government. One of the most important of these bilateral meetings was that held between Yasser Arafat and Lebanese President Amin Gemayel, the first since Gemayel took office.

### **Iran-Iraq war**

The outcome of the conference remained in doubt until the very end, as the result of a fierce conflict over the Iran-Iraq war. Originally scheduled to conclude on March 11, the conference had to continue into the early hours of March 12