

Debt pushed off agenda at the G-77 meeting?

by Peter Ennis and Dennis Small in Buenos Aires

Through their deputies on the scene, the British Commonwealth and the creditors' cartel of the bankers and the International Monetary Fund (IMF) are trying to do at the Buenos Aires conference of the Group of 77 (G-77) association of developing countries what they did not succeed in doing at the New Delhi summit of Non-Aligned nations: channel all discussion of the Third World debt crisis into proposals for the creation of a world central bank, run by the IMF.

The conference began on March 28 and was attended in the first week largely by middle-level technocrats from 125 member nations. It has seen an effort by the government of Jamaica—whose head of state is officially the Queen of England—and by such notorious spokesmen for British financial interests as Raul Prebisch of the United Nations Economic Commission on Latin America, to squelch all discussion of proposals for joint renegotiation of the Third World's foreign debt or creation of a "debtors' cartel." The Jamaicans, who chair the G-77 finance committee, are being backed in this effort by major Ibero-American debtor countries, including conference host Argentina, Mexico, and Brazil.

The Jamaicans are also leading an attempt to roll back the decisions already taken at a heads of state level by more than 100 governments at the New Delhi Non-Aligned summit. The Jamaican chairman, Anthony Hill, of the committee considering international financial issues, is attempting to block G-77 endorsement of the New Delhi call for the immediate convening of an international conference on money and finance which would discuss major new flows of capital for development into the world economy and the creation of a new international monetary system. Hill, backed by Mexico, Brazil, Argentina, and Saudi Arabia, has used "procedural"

arguments, even claiming at one point that the issue is "too complicated" and "requires further study."

The Buenos Aires G-77 meeting is charged with preparing the positions of the developing countries for the upcoming June meeting of the United Nations Conference on Trade and Development (UNCTAD) in Belgrade. Many delegates, particularly from African and Asian nations, view the Non-Aligned summit in New Delhi in March, which focused on international economic issues, as having set the political tone for the G-77 meeting and that the key strategic decisions were already made in New Delhi and should be simply concretized in the G-77 proposals for UNCTAD.

A world central bank

The Commonwealth's organizing on behalf of the International Monetary Fund is not unexpected. At the New Delhi summit, Commonwealth agents like Jamaican Prime Minister Edward Seaga and Pakistan's Mabub ul-Haq countered the debtors' cartel proposal with the plan backed by the Brandt Commission and the "Ditchley Group" of bankers to convert the IMF into a world central bank. The essence of this "new Bretton Woods" plan is described by New York City's former economics czar Felix Rohatyn, who proposes converting the IMF into a giant collection agency modeled on the "Big MAC" that destroyed New York City in the mid-1970s. Rohatyn proposes effecting an exchange of \$300 billion in Third World debt held by banks; the IMF would assume these loans and extend long-term "Global MAC" bonds in return. The IMF would then become the enforcer for collecting this debt, appropriating revenues from sales of nations' commodities or advising the collection of debt by force if need be. The



Raul Prebisch

advantage of such a scheme, say its proponents, is that it will prevent the formation of a debtors' cartel and avert the option of establishing a new system for extending development credits.

Immediately following the New Delhi summit, Dr. Persuad of the Economics Division of the Commonwealth Secretariat told *EIR* that the Commonwealth and the Ditchley Group of bankers would release a document at the end of July entitled "Bretton Woods II." The idea, Persuad said, "is to give an answer to the most pressing problems of world finances without disrupting the current system. . . . We are confident nothing will happen between now and July regarding the increasing motion toward a joint renegotiation of the foreign debt being discussed in Latin America. . . . Mexico, Brazil and Argentina are only trying to improve their negotiating position. Besides the Commonwealth countries are in full agreement with our perspective for a Bretton Woods II and would never go along with anything else."

The economics counselor at the Jamaican mission to UNCTAD, Mrs. Klaton, added proudly that the Commonwealth nations had been instrumental at the regional meetings of the G-77 African, Asian, and Ibero-American groups which preceded the Buenos Aires conference in undermining motion toward joint debt renegotiation. "We were very, very active at the [the Ibero-American regional meeting at] Cartagena—we were also very successful. The Cartagena resolution strongly addressed the Commonwealth's countries' views. I would not worry about the possibility of a joint approach to the debt. . . if it did not happen at Cartagena where we were just countries from our region, then much less at Buenos Aires."

Setting the tone

In the opening days of the conference, spokesmen for the government of Argentina, together with ECLA's Raul Prebisch tried to create an environment favorable to the "new Bretton Woods" perspective.

Argentine Foreign Minister Juan Aguirre Lanari opened the conference with a weak speech that called for "systematic, concise and pragmatic solutions" to the world economic crisis. Such solutions, he said, "must be coherent with reality." Warning against an excessively "confrontationist" posture by the nations of the South, Aguirre Lanari emphasized that the developing countries must raise an "audible and understandable voice" to the advanced sector nations.

The Argentine minister referenced the "inadequate international economic structure," and stressed the need for real development; he also underscored the importance of fortifying "collective economic security," first put forward by the Latin American Economic System (SELA). But he added that calls for unity of the developing nations and "South-South" cooperation that came out of the New Delhi summit were meant only to complement existing multilateral and bilateral negotiations with the North. These proposals in no way contradicted such negotiations, Aguirre Lanari emphasized.

Other Argentine officials, many of whom work for the UNCTAD bureaucracy, have flatly stated that the proposals for a debtors' cartel and joint renegotiation of the foreign debt "are not an alternative" and "will not emerge from this conference." Given that the UNCTAD Secretariat, which is led by Brandt Commission member Jan Pronk, itself supports the plan to convert the IMF into a world central bank, and is circulating documents at the conference to that effect, this is not surprising.

But it was Raul Prebisch's "extemporaneous" hour-and-a-half speech on March 28 that attempted to give the marching orders to the participants. A long-time asset of the British financial oligarchy, Prebisch has run the Economic Council on Latin America to focus Latin America's development efforts on light consumer industries and import substitution as opposed to heavy industry and capital-goods production. He spoke at the conference in his capacity as the first president of UNCTAD.

Billed as an opponent of monetarism, Prebisch attacked the "harsh conditionalities" of the IMF and demanded "productive" rather than "speculative" activity. But his message was to create a "new Bretton Woods" in which the IMF would serve as the regulator of the world financial system. Prebisch reserved special praise for Felix Rohatyn's plan to restructure developing-sector debt, and to stretch out existing loans to 25 to 30 years at lower interest rates. Echoing the line of the Anglo-American banking community, Prebisch warned that it would be "imprudent" to place developing sector nations in an "unacceptable dilemma" by denying credits. Increased credit flows to the Third World must be guaranteed by in-

creasing quotas to the International Monetary Fund. Under intense questioning from the press, led by *EIR*'s Ibero-America editor Dennis Small, Prebisch admitted that he opposed the formation of a debtors' cartel and advocated instead "collaboration with the IMF and World Bank to achieve real development. . . a debtors' cartel will only bring harsh reprisals, and make matters worse for the debtors."

Accelerating crisis

Having been under the gun of the International Monetary Fund and foreign creditors for some months, the Argentine government apparently feels that it can curry favor with the banks by organizing against a debtors' cartel, as it did in New Delhi. The irony is that Argentina is bankrupt: it is receiving no credits and paying no debt. According to one highly-placed source in Buenos Aires, "the country is in total default. . . it is not paying one penny of debt." Debtor collusion with the Ditchley and Commonwealth group in hopes of getting a few crumbs of credit will merely hasten the political and economic disintegration to which all these nations are currently subject.

Conference participants saw evidence of this in Buenos Aires where 7 million workers shut down the country on March 28 in a successful general strike protesting the government's adherence to austerity policies. It was the second such strike in four months and was followed 24 hours later by a mass demonstration in downtown Buenos Aires to demand immediate changes in the government's economic policy. Labor leaders are talking about another general strike soon.

Elsewhere on the continent, leaders of Ecuador's labor movement announced they would indefinitely extend their general strike held on March 23-24, until the government responds seriously to their demands to reject the International Monetary Fund's bailout program.

Even while representatives of Ibero-America's largest debtors are collaborating with the Commonwealth crowd at the G-77 meeting to squelch proposals for a debt moratorium, the debt structure of their own countries is crumbling. In Brazil, discussion is reportedly taking place at the highest levels on how to declare a generalized debt moratorium on its \$86 billion debt, and what kind of cabinet shakeup would be required to carry out radical changes in economic policy that would accompany it.

Reflecting that this is not just rumor, the March 28 edition of the Rio de Janeiro daily *O Globo* reported that there is a "movement of businessmen" trying to "get rid of cabinet members," a reference to the man who is enforcing imposition of the IMF program, Planning Minister Antonio Delfim Netto. Mario Garnero, a business associate of U.S. Secretary of State George Shultz, recently complained that Sao Paulo industrialists were conspiring to "overthrow" Delfim, and issued a statement warning that "no one should talk about these questions [ministerial changes] in these times of difficulties."

One individual being discussed as a possible replacement

for Delfim is Olavo Setubal, the respected president of Banco Itau, who just traveled to Europe to sound out reactions to a possible Brazilian moratorium. Herbert Levy, a congressman and banker from São Paulo who is close to Setubal, told reporters in late March that a moratorium "would mean declaring the failure of a good part of the international banking system. . . . Yet, our debts are now being paid with the bankers' own money, a fact that cannot be ignored."

Rearguard action

The beginning of the second week of discussion on April 4 could see a shift of some kind in the conference environment. The higher-level Foreign and Trade ministers from member nations will be present, and discussion on the economic crisis and proposed solutions is expected to sharpen. Documents produced by the regional G-77 conferences, particularly those at the Asian nations at Baghdad and the African group at Libreville, include hard-hitting statements on the nature of the world economic crisis and propose immediate solutions that will have to take into account in the preparation of final resolutions. In their policy statement on the world crisis, the African members of the G-77 document the way in which IMF conditionalities have dismantled their economies, forcing drastic reductions in imports and cancellation of development projects. World economic relations "are verging on the brink of collapse," the document states, with "consequences that will be incalculable."

Delegate sources report that already a battle is raging within the committee on international finance with strong opposition to the Jamaican line from the Asians and Africans. The Jamaican chairman's attempt to produce a draft statement "synthesizing" the statements of the three regional conferences has been rejected and a new draft is going to be drawn up. One Asian delegate angrily reported that the Jamaicans had selected a drafting committee whose meetings were being kept secret from them and other delegations. India and Bangladesh, the chairman of the Non-Aligned and the current chairman of the G-77 respectively, are expected to lead a fight to maintain the decisions taken at the Delhi summit.

Aside from the three major committees, those on trade (chaired by India), commodities (chaired by Nigeria), and international finance (Jamaica), a fourth informal committee has been set up to deal with the subject of cooperation among developing countries and to draft the final ministerial declaration and the overall statement of the G-77 on their assessment of the current world economic crisis. This fourth committee is chaired by Algeria, with India playing an important secondary role. Sources at the conference report that they are expected to produce a document which will have three main points: a call for a world recovery program based on the "immediate action" program adopted at the Delhi summit; a call for fundamental restructuring of the world economic system through "global negotiations;" and an endorsement of the New Delhi call for an international conference on money and finance.