

Debt issue erupts at UNCTAD meeting

by Hartmut Cramer and Edith Vitali in Belgrade

Expectations for success in reversing the world's deep economic depression were minimal going into the Sixth United Nations Conference on Trade and Development (UNCTAD) which convened in Belgrade, Yugoslavia on June 6. The just-concluded Williamsburg summit of the industrialized nations had avoided serious discussion of economic policy, and nothing better was expected from an UNCTAD conference, judging from the rhetorical nature of the previous gatherings of some 4,000 representatives from every nation on the globe, gatherings which have occurred every four years since 1959.

But the opening week of UNCTAD VI changed all expectations. Heads of state or delegations of such leading developing nations as Egypt, India, Brazil, Colombia, and Venezuela have joined in presenting specific proposals for a route out of the depression. Mammoth economic growth on a global scale lasting into the next century, they argue, must be powered by the industrialization of the South.

"For the first time in economic history, the developing sector can serve as the motor of growth for the world economy," Colombian President Betancur stated in a message sent to the conference. India's Prime Minister Indira Gandhi reminded the conference: "It has been said that the economies of some important countries are recovering. Not all share this optimism. I am amongst those who believe that no sustained revival in the North is possible without the development of the South. The world is too integrated to permit segmentation."

The developing sector's similar forcefulness on the need for sweeping institutional changes in the world's financial and monetary systems to accomplish such growth has caught the International Monetary Fund's austerity proponents by

surprise, and has been met with hostility by crucial representatives of the industrialized countries.

Overturing the grip of Adam Smith upon the industrialized sector will take concerted action on the part of the developing sector, most likely utilizing the "debt weapon." Action is not to be looked for from UNCTAD VI itself, but from the decisions taken privately among the delegates of developing countries' governments, mingling with such leading Ibero-American policymakers as SELA (Latin American Economic System) head Carlos Alzamora and former Mexican President Luis Echeverría, who are attending the Belgrade meeting, that will determine the actions taken in the immediate months ahead.

The new decisiveness of the developing sector leaders was summarized by Indira Gandhi in her address. "Are we not bound by a new kind of surrogate colonialism?" she asked. "Is it not time for us to pause from our daily concerns to ponder over the new dependency? Instead of reacting, should we, the developing, not think of acting on our own?"

'A world development bank and a billion jobs'

Speaking in the name of the nations of Africa, Egyptian President Mubarak delivered a stunning outline for how such a global development strategy could work, proposing the creation of a "world development bank" that could finance infrastructural projects across the developing sector—and provide a billion jobs in the process!

A revolutionary upsurge of the world economy can be generated "through the implementation of major development projects in the Third World, with participation on the

part of developed countries. Such projects could give tremendous boosts to the world economy," Mubarak declared. "The South should no longer be regarded as a mere source of raw materials, and markets for the consumption of manufactured goods; it should be treated as full partner in the process of development and economic recovery."

If "we have enough imagination and determination to accomplish major expansion and investments in a non-conventional manner," we can meet the "need for nearly a billion job opportunities from now until the year 2000," the Egyptian president stated.

"The required economic reform is a radical one," he acknowledged, and it requires "the creation of capable institutional frameworks. . . to provide the necessary infrastructure funding opportunities and available investment chances and the guarantee for such investments." To carry this out, Mubarak proposed "the international community adopt the idea of establishing a world bank for development, and to take concrete steps for the implementation of this idea."

The world development bank proposed by Mubarak complements the Indian government's efforts to organize a "conference on money and finance with universal participation" to negotiate a replacement system for the bankrupt Bretton Woods system, an idea adopted by 101 Non-Aligned nations at the New Delhi summit this March. In her speech at Belgrade, Indira Gandhi reiterated that the Bretton Woods institutions "were meant primarily to promote the interests of the advanced countries. The internal contradictions inherent in the system soon became apparent. This basic structural flaw distorts the functioning of these institutions. . . . What was initially supposed to be advantageous to the developed, but not specifically helpful to the developing, has turned out to be bad for both."

"Debt crises are there because private international banking, alert and sensitive as it is to opportunities for profitable recycling, cannot perform the function which, by its very nature, can be undertaken only by suitably strengthened international organizations dealing with problems of money and finance for a developing world economy," Mrs. Gandhi said. "Strong international organizations must be truly representative of the international community. To consider these matters, we have called for a conference with universal participation. The mutuality of interests of different nations and peoples must be fully recognized."

Mubarak's proposal also resembles the Global Infrastructure Fund plan issued by the Japanese Mitsubishi Research Institute several years ago, a proposal for the creation of a \$500 billion fund to finance the construction of 8 to 10 crucial infrastructure projects around the globe which could serve as the motor force for joint North-South development. The Global Infrastructure Plan has found sympathy among officials of Japan's Ministry of International Trade and Industry (MITI), which sent 14 delegates to UNCTAD VI. The comment by one well-informed Ethiopian delegate that the de-

Mubarak in Belgrade: 'a bank for development'

Below are excerpts from Egyptian President Hosni Mubarak's address to the UNCTAD VI conference in Belgrade.

[The post-war period] witnessed major changes in the world, resulting from the scientific and technological revolutions which made our world a single entity. . . . the world in general witnessed a period of unprecedented boom and the standard of living in developed countries marked a considerable rise. However, such major changes, rooted in the industrial and scientific background of the developed countries, have no parallel in our developing world. The problems of developing nations as a whole remain unsolved. . . .

Dear friends, the major objective to which our efforts should be directed in the coming stage should be the realization of a big upsurge through the implementation of major development projects in the Third World with participation on the part of developed countries. Such projects could give tremendous boosts to the world economy. . . .

The world needs nearly a billion job opportunities from now and until the year 2000. Now, it may be asked, how could such a huge number of job opportunities be secured unless we have enough imagination and determination to accomplish major expansion and investments in a non-conventional manner. The developing countries have tremendous natural potentialities hitherto untapped, and this affords the North an opportunity to participate in the process of developing the South, while the latter would become a basic factor for the achievement of world prosperity. The South should no longer be regarded as a mere source of raw materials, and markets for the consumption of manufactured goods; it should be treated as a full partner in the process of development and economic recovery.

Increased production and accelerated growth in the world can be achieved through major development projects at regional levels in developing areas. . . . But they require above all the creation of capable institutional frameworks which must undertake the conduct of feasibility studies to determine which areas would be the most appropriate for the implementation of such projects and to provide the necessary infrastructure funding opportunities and available investment chances and the guarantee for such investments.

. . . I believe it is high time for the international community to adopt the idea of establishing a world bank for development, and to take concrete steps for the implementation of this idea, as well as the idea for the establishment of the Bank of the South which we have proposed at the New Delhi Non-Aligned summit. Participation in this bank should not be confined to developing nations and must be open for participation by all countries.

veloping sector regards Japan as "an asset" in the current world situation indicates the appreciation Japanese support for an industrialization approach has gained.

The IMF holds on

Those who intend to use the debt crisis to enforce "controlled disintegration" in the advanced sector and the Third World energetically reject such policy proposals. Exemplary was West Germany's economics minister, Otto Graf Lambsdorff, who on behalf of the European Community stated categorically that the "competence and autonomy of the Bretton Woods institutions must be preserved."

The fragile argument used by the IMF supporters at the conference is that UNCTAD VI is not the appropriate forum to discuss changes in monetary policy; such debates should take place only inside the IMF or World Bank.

Much publicity is being given as well to "clever" proposals for a "Bretton Woods II" Conference. "Bretton Woods II" is the catch-phrase given by those proposing to "reform" the IMF, not abolish it or the policies it has advocated. Under such arrangements, emanating variously from such circles as New York banker Felix Rohatyn, the Brandt Commission, and sections of the British Commonwealth, payment on debt might be stretched out, but no adequate credits for development would be scheduled.

Robert Muldoon, the prime minister of New Zealand, endorsed such a new Bretton Woods system a year ago, he reminded people in his speech at Belgrade. Since then, he claims to have gained the support of Canadian Prime Minister Pierre Trudeau, who, Muldoon said, is "ready to be convinced," and British Prime Minister Margaret Thatcher, who "will move at the right time." He further disclosed that Italy "will definitely come," especially representatives of the top-level private sector. Japanese banks and the international banks in general, predicted Muldoon, will come around to the idea of a Bretton Woods II conference. "The only problem is the United States," he complained.

"The IMF should provide long-term money supplies, but coupled with direct control over the national economies for several years to oversee structural changes," Muldoon elaborated. "Principally there is not very much wrong with the IMF," he went on, implying that the main problem is its lack of "surveillance" powers over advanced-sector economies.

Confronted by *EIR* correspondents with the fact that his proposal is not a reform, but just a bailout of the big banks; he nearly exploded. "I don't like the term bailout. It has an emotional touch. That is the problem with the U.S. Congress. They see Bretton Woods II proposals as a bailout scheme for the big banks, and therefore they don't support it."

The unified approach presented by the key leaders of the Southern nations thus far, however, has shaken apart the foundations of those pre-planned strategies of argument on behalf of the IMF, sending their authors back to the drawing boards. Officials of the West German economics ministry were overheard commenting in the halls that they have sent

for new instructions from their capital, since the calls for a new monetary system have been so strong and numerous that they feel very isolated. "We can't stick to simply saying 'no' for four weeks!" they exclaimed.

The debt weapon

With June as the month for a showdown between Brazil and the IMF, the prospect for a total repudiation or moratorium on the \$90 billion of debt owed by Brazil is increasing daily (see Special Report), despite strong denials by Brazilian officials.

Though cautious in tone, the message delivered to the conference by Brazil's foreign minister, Saraiva Guerreiro, was unmistakable. "The IMF cannot impose a medicine that will kill the patient," he said at a press conference. He added: "Brazil has the intention to not default, but nobody can foresee what will occur if the situation deteriorates. A default would be a defeat for Brazil, but also for the creditors." Asked what the Brazilians think about forming a debtors' cartel, Saraiva said, "There are two levels involved. The rules for debt renegotiation should be collectively discussed among the debtors, whereas the technical negotiations should be carried on by each country separately."

In a separate interview with *EIR*, Saraiva Guerreiro warned that while Brazil is committed to meeting its debt payments, there are "physical" limits to austerity, and Brazil's debt cannot be paid at the expense of "dismantling the productive apparatus of the country."

Venezuela's foreign minister, José Zambrano Velasco, used his speech to place on the table the possibility of a unified position of the debtors to force the North to negotiate conditions. "The creditors have organized themselves to coordinate their efforts; therefore, it is only logical that the debtors do what is necessary to coordinate their positions," Zambrano told the delegates. *EIR* learned that the British-run UNCTAD bureaucracy applied major, last-minute pressure to Zambrano to get him to change precisely this phrase in his speech, and that when they failed, they simply blacked out distribution of the speech in Belgrade! *EIR* obtained excerpts of it only from stories carried in the Ibero-American press.

Intense discussions continue in the halls of the conference. Yugoslav officials are meeting frequently with their Brazilian and other Ibero-American counterparts, and the Asian countries, led by India, are actively taking part in these deliberations on the question of debt and a new international monetary system. Inside the Brazilian delegation, there are heated discussions underway on whether the country should go for a debt moratorium.

Prime Minister Gandhi, asked at a press conference whether she would support the formation of a debtors' cartel, responded by saying, "So far, this has not been formed. If such a situation arises, we'll have to see what to do." A member of the Argentine delegation said smilingly, "Argentina does not yet support a Brazilian moratorium. But that could change tomorrow."