

Yugoslav spokesmen address the urgency of the world debt crisis

At a mid-June meeting with foreign journalists in Belgrade, Deputy Mayor Radomir Stefanovic said that wages in Yugoslavia have had to be reduced by 20 percent over the last four years, while national and local budgets were reduced by 5-10 percent annually since 1978.

Dr. Anton Vratuša, the head of the Yugoslav delegation at UNCTAD VI, which is meeting in Belgrade's Sava Centar until June 30, gave some figures in his speech which explain where the money "saved" by wage and budget reductions went: "Because of increased interest payments on the earlier contracted credits alone, Yugoslavia had to give away about \$2.5 billion from its accumulation in the three-year period 1979-1982"—thanks to Paul Adolph Volcker, you might add. "Nevertheless," Vratuša continued, "Yugoslavia has managed to meet all its obligations on time, but with great sacrifice on the part of its population, and stagnation of production."

While some politicians like Stefanovic pretend—at least in public—that Yugoslavs have a unlimited capacity for belt-

tightening and have lived "beyond their means" for too long, others have begun to think that it is primarily external economic and financial conditions which must be changed.

On April 11, the Yugoslav daily with the widest circulation, *Politika Ekspres*, carried an article on Club of Life founder Helga Zepp-LaRouche and the proposal that indebted developing countries form a "debtors cartel" to force the creditors to the negotiating table, "but on the conditions of the developing countries." Entitled "Debt Bomb," that article caused shock waves. A Yugoslav journalist in Paris said that until he saw that article, he would have never believed that such a thing could appear in a Yugoslav newspaper!

At UNCTAD VI, the Yugoslav delegation is actively lobbying for the Non-Aligned proposal of calling a new international conference on money and finance "with universal participation," i.e. outside the IMF. As Janez Stanovnik, a senior member of the delegation, told *EIR*, one key issue to be discussed at such a conference would be a "common approach" of all debtor countries vis-à-vis their creditors.

Interview: Janez Stanovnik

'A cartel for common action by debtors is realistic'

The following interview with Mr. Janez Stanovnik, former cabinet member of the Yugoslav government, was conducted at the UNCTAD VI conference in Belgrade. Mr. Stanovnik served as executive secretary of the U.N. Economic Commission for Europe for 15 years. Now retired, he is a senior adviser to the Yugoslav government on matters of foreign economic policy. Mr. Stanovnik was interviewed by EIR correspondents Edith Vitali and Hartmut Cramer on June 14.

EIR: The head of your delegation, Dr. Anton Vratuša, called for new proposals to deal with the debt situation on June 13. Recently there has been a lot of explicit discussion of the idea that the Ibero-American countries should unite for a joint renegotiation of their foreign debt. Some even speak about creating a debtors' cartel in order to challenge the already existing creditors' cartel [the Ditchley Group of international

bankers]. It is argued that such a joint action should be done to force negotiations for a new just monetary system.

Would your country support these moves? Has there been some discussion of this idea at this conference?

Stanovnik: Not at this conference, to the best of my knowledge. But from the New Delhi [Non-Aligned summit] document, you could very well see that there was action in this respect. In my view, the New Delhi recommendations for consultations for a more systematic study of the problem is a very sound one. I think that this is the right kind of approach. As you suggested yourself, we are today faced with the creditors' cartel, the new commercial banks' institute in New York.

In addition, the links between the commercial banks and the International Monetary Fund, which had not existed before, have evidently created a new situation. If you examine [IMF head Jacques] de Larosière's speech in Florida, you

can see that he revealed very clearly what the new situation is.

The IMF coordinates with the commercial banks in a way that will give them a stamp of approval or guarantee for the purpose of getting the commercial banks to continue their lending operations in the indebted countries. The IMF has a tremendously powerful device, which we call conditionalities. With the conditionalities, the IMF is conditioning the debtor countries to create an environment propitious to private lending and the repayment of debts.

You have this contradictory situation that, in the 1970s, in an attempt to escape too-rigid conditionalities, the developing countries went to the private banks and borrowed on commercial terms, at a time when the interest rates were negative in relation to the export earnings. Starting from 1978-79, the situation was reversed. Real interest rates, in relation to the export prices, became very high, when at the same time indebtedness was high. The developing countries were obliged to borrow more and more on the very short term and under more and more difficult terms. Therefore the indebtedness increased, and when this was combined with the decline in their export earnings, then you have the creation of the "debt bomb" which, let me say, threatens to explode.

EIR: If the Ibero-American countries were to unite to form what we call a debtors' cartel, would your country support this?

Stanovnik: There are things which you could theoretically consider as potentially possible. I will tell you something which may shock you, but in all fairness I think that it is totally impossible to think of a debtors' cartel.

Why? Because the cases of individual countries are so tremendously different, and countries are exposed to such terrific pressures from the creditors' side, that in my view a debtors' cartel is like an empty gun. I must say, in all fairness, that I do not believe that a debtors' cartel is a realistic approach. Please do understand that I do not think that, as an idea, it is not an excellent idea, but when you come to the practical life it simply does not work. Why? Because there are other things, not only economic logic. Look, all economic logic speaks for a debtors' cartel. When one side monopolizes, it is only logical that the other side monopolizes also. But the situation here in the power structure, in the balance of power, is such that it is just totally impossible to get to it.

EIR: What we heard from Ibero-American representatives is that there are two levels involved: First, you would have a joint definition of principles, how the debt should be renegotiated; and second, the technical negotiations with the banks should be done individually.

Stanovnik: Yes, this is different. This is exactly the idea of New Delhi. The idea of New Delhi was to gradually, through consultations, come to multilateral rules for the debt renegotiation. This is different. But it is a debtors' cartel in the form of a threat of moratorium that I am skeptical about.

"Cartel" is a nasty word, and the moment you use the word, you immediately think of the worst. I am all for a systematic information and study of the problem, because at the present, the situation of individual countries is very different and the creditors are approaching individual countries in a very, very selective way. They use different strategies for each one. For the purpose [of debt renegotiation], if you understand as a cartel systematic information which then leads to the common behavior of the debtor countries, this is different. This I think is realistic and is certainly something we should be aiming for.

EIR: Polish planning minister Janusz Obodowski proposed a 20-year framework for debt repayments with an eight-year grace period to allow industry to recover. Do you think that this is something which could be the result of such consultations?

Stanovnik: Now you have this proposal for a new world monetary and financial conference. Rules for rescheduling should certainly fall within the framework of such a conference. What is on the table at present is the proposal to start thinking and preparing such a conference. Of course, the issues are so tremendously large and numerous that you must first make a selection of which issues you will treat at such a world monetary and financial conference. And after you have made the decision which are the key points, then of course there will be a lot of thinking which will go in before we really could proceed with the conference.

Look at UNCTAD VI. At a conference like this, it is like an international circus. The real thing is the work which precedes the conference. The conference is actually done before the high dignitaries convene. If anybody thinks that here in these corridors the work is being done, it is not so. You must first do the homework and after you have done the homework then you present it. But before that you make diplomatic contacts and so forth. Usually, the final declarations are written before the ministers come to the session.

EIR: The homework for this conference was done at New Delhi and Buenos Aires.

Stanovnik: That is right.

EIR: One question on the speech of U.S. Undersecretary of State Kenneth Dam. Some people were astonished that it was very conciliatory in tone. Do you think that it was merely cosmetic, or were there elements in it that show that the United States, under the pressure of the crisis and the pressure of the Non-Aligned movement for a new world economic order, is forced into a more serious negotiation mood?

Stanovnik: I don't think I am revealing any radical secret, but the Mexican situation and the Brazilian situation must have had an impact on the thinking in the United States. Clearly, after these calamities, there has been sound thinking by bankers, by economists and high government officials. Kenneth Dam's statements, I agree with you, were much

more conciliatory in tone, though you could have read certain changes only between the lines. He has not yet announced any radical changes. But he certainly has not taken rigid positions. In this respect, I see his statement as a most welcome development because he does lay the ground now for intelligent negotiations.

EIR: Is the agreement on tripartite cooperation among Yugoslavia, India, and Egypt a model for South-South cooperation?

Stanovnik: Unfortunately, not yet. The tripartite preferential agreement is not a new thing. I am sorry to say that the trade exchanges among these three countries over the last two decades were not really flourishing. One reason is that they produce more or less the same things. I believe that a generalized system of trade preferences among all the developing countries is workable only if it is combined with some kind of a joint fund for those who will not directly benefit from such a general system of preferences, namely the least-developed countries who do not export much. Part of the benefits which will be derived by the newly industrialized countries from the developing countries' associations must be used to create a development fund.

EIR: Is this related to Egyptian President Hosni Mubarak's idea, which he came up with here in Belgrade, for the creation of a new "bank of the South"?

Stanovnik: Yes, particularly if we get some Arab money in such a bank. This bank will have to have a lending facility for development which will provide very low-rate, easy-term loans or even grants to the least-developed countries. Only in this way can I see that the solidarity of the South could work. For me, this is not a utopian idea. I see the major incentive for industrialization to take place in the South by horizontal development of trade in the South.

EIR: What do you think will be the outcome of this present UNCTAD conference?

Stanovnik: It is rather early to predict this now, but I can tell you what the Yugoslav delegation is working for. The Yugoslav delegation announced that they would like to see a joint strategy for revival of development in the world. Positive measures must be taken for the revival of the South, and I consider this a very sound strategy because finally the South is coming into its own, like the United States came into its own in the middle of the 18th century and challenged Great Britain. At that time, William Pitt stated in the British Parliament, "We will never buy manufactured products from the United States." You can see now how much they are buying from the United States. I think it is foolish to say, "We will never buy from the developing countries." Let us join forces. We do not ask that everything must be done in 24 hours. We are asking for a longer-term strategy of transition. But this transition means integration of the developing countries as equal partners in the world economy.

Dr. Anton Vratuša

'Debt is the obstacle to reactivating world economy'

The following are excerpts from the speech given June 13 at the UNCTAD VI conference by Dr. Anton Vratuša, the head of the Yugoslav delegation. Dr. Vratuša is head of the foreign affairs committee of the Yugoslav Parliament.

It is evident that there can be no stable and lasting economic recovery, not even in the developed countries, without an economic reactivation and development of the developing countries. . . .

The medium- and long-term debt of the developing countries has increased by seven and a half times since 1971 and reached, in 1982, the sum of over \$600 billion. Moreover, due to the deteriorating pattern of these debts, the annual amount of debt-servicing of the developing countries has increased by 12 times, reaching the sum of \$131 billion. . . .

This is, therefore, one of the major obstacles to the reactivation of the world economy and restructuring of the existing system of international economic relations. Thus, we are witness to a paradoxical situation: that new loans, if provided, are no longer used for economic development, but for servicing debt. In addition, rescheduling of debts and new credits are made "conditional" in a manner imposing deflationary policies on the developing countries, thereby aggravating their position still further.

The question arises: what would be the situation in the world economy if all the countries required to do so reduced their imports? Yugoslavia belongs to those countries which have achieved very dynamic development in the period after its liberation. However, like many other developing countries, in the past few years it has also been confronted with the problem of external liquidity hampering its further development. Just due to increased interest payments on the earlier contracted credits, Yugoslavia had to give away about \$2.5 billion from its accumulation in the three-year period 1979-82.

Nevertheless, Yugoslavia has managed to meet all its obligations on time, but with great sacrifices on the part of its population and stagnation of production. All these considerations lead to a conclusion that it is imperative to take a different course. The problem of debt burden can no longer be dealt with in a conventional, outdated manner. New approaches are needed, while fully recognizing the fact that the debtor countries are not responsible for the present crisis. The inadequate international monetary and financial system and high interest rates, which are not the result of market

mechanisms but of monetary and fiscal policies, are but some elements testifying to this. . . .

I would say that the financial and monetary questions now rank among top priorities of the international community. This is also attested to by the initiatives to convene a world conference on this subject, which in turn confirms that the proposals adopted by the summit conference of Non-Aligned countries in New Delhi were justified as well as timely.

underlined the importance of universal participation at the conference, and the need to meet the development and other financial requirements of the international economy, particularly those of the developing countries, and the need for growth-oriented structural adjustments.

Documentation

'Zepp-LaRouche defends capitalism and Third World!'

The article on Club of Life founder and European Labor Party chairman Helga Zepp-LaRouche excerpted below appeared in Yugoslavia's largest-circulation daily, Politika Ekspres, April 11 under the heading "Debt Bomb." The article was written by Tanjug's (the Yugoslav press agency) Bonn correspondent, Milenko Babic.

[Humanity must be in really serious trouble] as logic begins to sound very like folly. The height of folly is that three nuclear bombs guarantee peace more than one!

At present, Helga Zepp-LaRouche assuredly proposes yet another: the debt bomb. She asserts that the indebted developing countries are potentially the biggest power of the contemporary world. And she concludes that if it were to be put to use, this power would accelerate the building of a new world economic order.

One more folly? Maybe. But with the overflow of follies to which modern man is subjected, why not listen also to Zepp-LaRouche? I talked to her in Wiesbaden, which is, so to speak, on the American bank of the Rhine.

It is not easy to describe Helga Zepp-LaRouche, 35. A politician? Yes, as she is the chairwoman of the European Labor Party (EAP). That is one of the registered parties which participated on March 6 in the extraordinary elections in the Federal Republic of Germany.

A dreamer? Perhaps, because she has the "recipe for development." . . . She founded the Club of Life, which is counterposed to the "Malthusianism of the Club of Rome." The ideologue of her club is her husband, the otherwise renowned American politician Lyndon LaRouche, 54. . . .

Zepp-LaRouche believes in her development recipe. The medicine prescribed by her is necessary to cure the world from the disease which is called the existing world financial and economic order, headed by the International Monetary Fund!

The virus of this disease, according to Zepp-LaRouche, is the many-headed financial oligarchy of the West, and respectively of the most powerful industrialized countries. The issue is not the states, but the private bankers.

These bankers dominate the IMF, and the IMF dictates to the world rules of conduct which will lead to the apocalypse of humanity. Only with the new world economic order can this calamity be reversed, Zepp-LaRouche thinks. In the center, of course, are the debts of the developing countries, for the moment approximately \$700 billion. The debt could be a moral means for pressure and the main instrument to bring about global negotiations. Why? How?

Zepp-LaRouche proposes a cartel of debtors. The countries with the highest debts, in particular the Latin American ones, could form such a cartel, like OPEC which the oil producers created. Such a cartel could declare a moratorium and stop repaying the debts.

The IMF, and the financial oligarchy, would be forced to accept a global dialogue, but under the conditions of the developing countries. The aim?

First: Write off the debts of the poorest countries completely. Already, the idea of demanding repayment of their debts from these countries is immoral. For Zepp-LaRouche, this is a very urgent step.

Second: For the remaining indebted countries, it is necessary to transform short-term credits with high interest into long-term credits with low interest. For her, this is a second step towards recovery.

Third: The new economic order, having ended the monopoly over technology and promoting the free transfer of technology to the underdeveloped countries, calls for creating an alliance of sovereign states for the international division of labor. For Zepp-LaRouche, this is "the only way for humanity to survive," since "the depression creates the conditions for fascism." . . .

Utopia? Folly? Or both? Maybe something third? . . .

False altruism never was convincing, but . . . Zepp-LaRouche doesn't even pretend to be an altruist. She openly lectures for capitalism and its interests, but its "genuine interests." What are these?

The West needs new markets, and therefore it is foolish to send the Third World into bankruptcy. If you want to prop up capitalism, you must have a strong market. The financial oligarchy, however, does not work for the benefit of capitalism, which they are pushing toward suicide. They are less capitalists than pre-capitalists. . . . An oligarchy is . . . based on feudalism, according to Zepp-LaRouche.

[These are] her distinctive, but convincing views. Zepp-LaRouche is for capitalism, but does that [necessarily] mean that she is against the Third World?

India's steel industry shows the potential for a North-South industrial takeoff

EIR correspondents Ortrun and Hartmut Cramer conducted the following interviews during a five-week visit to India in March and April, following the March Non-Aligned summit meeting in New Delhi. As the *EIR* correspondents found, the propaganda being circulated in Europe by such proponents of Malthusian policy as the Club of Rome that development projects in the Third World amount to nothing more than "cathedrals in the desert" is refuted by India's steel industry. The current production levels of India's steel plants, the living standards in the towns built with the plants, and particularly the commitment of the engineers, managers, and workers, show how such development projects can transform a nation.

In the 35 years since independence, India has tripled agricultural production, quadrupled coal production, and increased steel and cement production tenfold. Generation of electricity has been increased 20 times and fertilizer production 200 times, and both a machine-building industry and nuclear industry have been built from nothing. As a result of this industrialization, as well as mass education and modern medical programs, India's population has nearly doubled from 350 million in 1947, and includes an industrial labor force of 50 million, and the fourth-largest number of scientists in the world.

Yet India's industry and agriculture are facing two acute bottlenecks: the lack of sufficient energy and water. Proposals for a National Energy Grid and a National Water Grid, both under discussion throughout the nation, could only be realized by international financial and technological efforts—which could be launched by the new world economic order under discussion at the Non-Aligned summit.

India's 35 years of economic miracles were achieved under the dirigist policies of Jawaharlal Nehru, known in India as the "Symphony of Industrialization." This policy was responsible for the creation of the industrial cities of Jamshedpur, Rourkela, and Ranchi. Jamshedpur was built by the founder of India's steel industry, Jamsetji Tata, after he visited the American steel cities of Birmingham, Pittsburgh, Chattanooga, and Cleveland in 1902. Tata built his city, with the help of American engineers and in the face of

severe British opposition, in the heart of India's ore-rich area. Both Jamshedpur and Rourkela, which was designed with the help of German engineers, not only include excellent education, medical, and social facilities, but also sponsor rural development programs for the surrounding villages.

Interview: M. M. Bhatnagar

'We have brought vital know-how to India'

The Heavy Engineering Corporation (HEC) in Ranchi, one of Asia's largest heavy engineering complexes, was started by the government of India in 1959 with Soviet and Czechoslovakian assistance. It consists of the Roundry Forge Plant, one of the largest in the world; the Heavy Machine Building Plant, the largest of its kind in Asia; and the Heavy Machine Tools plant. HEC is the pioneer of self-reliance in the field in India and possesses the technical know-how, engineering capability, and manufacturing facilities to design, manufacture, and supply a wide range of equipment as well as complete plants to steel and other metallurgical industries on a turnkey basis, from concept to commissioning.

HEC's product range includes complete coke ovens, blast furnaces, rolling mills, sintering plants, steel converters, and metallurgical cranes as well as bulk material handling equipment such as wagon loaders, large size excavators, and crushers of various types. Heavy castings, forgings, and a variety of heavy machine tools are designed and manufactured conforming to rigid international standards.

HEC has primarily served the Indian core industries like the steel, mining, aluminium, and cement industry, but has also contributed to the heavy electrical industry, the building of ships and railways, and the drilling of deep wells in the drought-affected areas of India.

M. M. Bhatnagar, the general manager of the Heavy Machine Building Plant (HMBP) and one of the leading