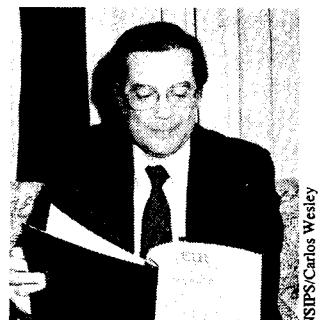


Interview: Nicolas Ardito Barletta, World Bank vice-president



NSPS/Carlos Wesley

'Latin America's economies must make adjustments'

World Bank Vice-President for Latin America Nicolas Ardito Barletta invited EIR correspondent Carlos Wesley for a chat at the bank's Washington headquarters on Aug. 17. A University of Chicago-trained economist, Dr. Barletta said he had just concluded a two-week seminar on "Western values" at the Aspen Institute, the Colorado-based think-tank chaired by Atlantic Richfield's Robert O. Anderson. Over lunch in the luxuriously appointed—and subsidized—World Bank executive dining room, Barletta spoke about his philosophical outlook—British liberalism—and his economic theories—"everything for which there is a market, has value." He defended his leading role in the creation of Panama's offshore banking center, reportedly a hotbed of illicit money laundering, on the basis that it created wealth—"services are productive"—and he insisted that the depressed economies of the underdeveloped countries will recover if they are willing to make "adjustments," such as devaluing their currencies, cutting their budgets, and eliminating food subsidies for the poor. Excerpts from the interview follow.

Wesley: You and I know that there is a huge financial crisis at this moment. In the case of Ibero-America, the collective foreign debt of over \$300 billion is, in our estimation, unpayable.

Barletta: The crisis is a serious one, but it's manageable. The crisis goes beyond debt. It has to do with the whole global economic situation. . . . I think that some of the actions already under way are beginning to help the situation.

Number one, the countries in Latin America have had to adjust their economies to the situation of the balance of payments, as realistically as possible. That has a short-run high social cost. However, it allows them to move their economies toward a position in which they can take advantage of an economic recovery.

Number two, those adjustment policies need to be supported by the international financial community, so that they can ease the adjustment process.

Number three, the world's economy needs to have a sustained recovery and to maintain open trade, so that with an increased volume of exports, and better prices for those exports, the Latin American countries can go back to being

able to service their debt, and at the same time provide sufficient employment for their people. . . .

I also think that the Latin American countries can help themselves, by increasing their own intra-regional trade. . . .

Wesley: What you are saying sounds very similar to the proposals to ostensibly give some leeway on debt, which in reality would prevent growth with the excuse that "we have to live within our limitations." . . .

Barletta: No, what we are saying is that. . . . the Latin American countries, by doing what they are doing in 1983, can poised themselves to take advantage of an economic recovery that has already started, and that needs to be sustained by the industrial countries through 1984, 1985 and so on. . . . There is a critical problem of timing here; the solutions under way cannot go on for three or four years, because we will then be in a real problem. . . .

Wesley: . . . You are essentially telling the countries in the Third World: hold on a little longer, there is a recovery going on in the United States and the rest of the OECD countries, everything will be okay. However, EIR's LaRouche-Riemann econometric forecast, which has proven to be the only accurate model during the past few years, confirms that there is no recovery. This is a view shared by others in the know, including Fritz Leutwiler, the head of the BIS.

Barletta: The information I have seen, from different sources, tends to support the view that there is already a recovery taking place in the U.S. economy. . . . At the same time, the Latin American countries should not and cannot keep waiting. They need to continue adjusting their economies. . . .

Wesley: When you talk about adjustment, in reality you mean austerity measures, for example, in the case of Brazil. Are you talking about cutting people's lives before you say the necessary levels of adjustment have been achieved?

Barletta: Of course not. But this is the kind of decision that, in the final analysis, only the governments of those countries can take. . . . What I tried to say before, is that adjustment is necessary in the sense that fiscal deficits have to be cut

down, that domestic savings have to increase, that resources have to be utilized more efficiently, that policy for export has to be defined consistently, and put in place effectively, by the Latin American countries, so that in effect they can regain efficient growth, and efficient generation of employment. . . . Obviously, this is painful in the short run. The critical thing here is not to allow it to become very prolonged, because if it becomes very prolonged, then it becomes unsustainable. . . .

Wesley: [EIR founder] Lyndon LaRouche has proposed Operation Juárez, which calls on the Latin American countries to form a debtors' cartel, to force the advanced sector to negotiate a new world economic order. Technology would be transferred from the North to the South, real growth would take place in the South, and exports from the North would increase, without the painful "adjustments" you are imposing. Why not adopt LaRouche's approach? Why not a debtors' cartel? Why not a new world economic order?

Barletta: I think that no responsible public sector official of any Latin American country today is proposing any debtors' cartel. They are all very much aware that any action on that front would be detrimental to everybody, including themselves, because, that could get the whole world into a situation of charges and countercharges; we know where we start, but we don't know where we end. There has been sufficient improvement in the situation, we have to keep working and have faith that if all the parties do their part, we can move to recovery. . . . At the same time we have to be prepared to take care of any crises that may ensue. . . .

Wesley: The World Bank has always advocated "appropriate" technology, and opposed real technology. How then can the developing countries produce sufficiently to pay back the debt? . . .

Barletta: First of all, as a Latin American, I am a great believer in the growth and development of the Latin American countries. I have great faith in the potential of their people, and in the fact that through our efforts, our work, our discipline, we can, over the next 20 years, become more developed countries. That is why I work in this institution. . . . I also think, that the development of the Latin American countries, the development of their markets, is beneficial to the developed countries. . . . On the other hand, I think that the Latin American countries have to continue to do their homework. . . .

Twenty-five percent of our [World Bank] lending goes for agricultural development of different kinds in Latin America; 25 percent of our lending in Latin America goes for energy development. Ten percent goes for urban development of different kinds. . . . We are trying to transfer technology to the Latin American countries that is both real and appropriate to their needs, including utilizing technology

generated within the Latin American countries. . . .

The critical thing here is that prices of the factors of production be taken into account, to make sure that the production is most efficient—so that, for example, some Latin American countries do not begin to implement heavily capital-intensive industries, heavily subsidized by fiscal incentives, which could be detrimental to employment generation. The critical thing is that they try to use as much labor as capital, and that is what I mean by appropriate technology. Sometimes, the technology best suited for a developed country, such as the United States or Canada, may not be the technology best suited in a Latin American country, because the salary ranges are different, and the critical thing is to use the technology that would permit the utilization of sufficient labor, and sufficient productivity, to allow for those products to be exported.

Wesley: Translated into practice, what your policy has meant—by emphasising labor-intensive, as against capital-intensive production—is that the populations of the underdeveloped countries have been kept in a state of colonial backwardness. It has also meant that those countries are increasingly not able to produce sufficiently to sustain their populations. The World Bank's solution to this problem has been and remains: "Then, cut your population." That is the one area you left out when you spoke about what the World Bank's money goes for.

Barletta: What we stress is the appropriate combination of capital and labor. . . . The key problem in Latin America is employment generation. We would be doing the wrong thing if we utilize only capital-intensive industries.

Latin America is in a long wave of population growth. It used to be 3 percent per year. Now it is something like 2.4 percent per year for all of Latin America. Fortunately it has begun to go down; still, the increase in the labor force for the next 10 years is going to be above 3 percent per year. So, we go back to the same problem: employment generation. . . . We have to take care of it by reducing the rate of growth of the population, we are not reducing the population. . . .

Wesley: Dr. Barletta, the country that you and I come from, the Republic of Panama, is larger than Belgium. Belgium has six times as many people. Panama is also larger than Israel, and Israel has three to four times the population of Panama. Israel and Belgium are developed, advanced countries with much higher living standards. Doesn't this suggest that a larger population can be sustained if you have an industrializing nation?

Barletta: The critical thing here for Panama, is to increase the level of training of the population, to increase productivity. . . . We have to increase the level of investment, but we have to find the right technologies to create as much employment as possible.