

## Debate over debt strategy breaks out in the G-77

by Peter Ennis and Dennis Small in Buenos Aires

Nicaraguan Foreign Minister Miguel D'Escotto reiterated before the Group of 77 meeting the call for a debtors' association, first issued at the Non-Aligned Conference in New Delhi. "Just as the developed countries have united as creditors, we developing countries should unite ourselves as debtors, not to impose solutions but, on the basis of respect for national profiles of each debt and each credit, to find solutions which make possible the prosperity of all," D'Escotto told the conference of the Third World cabinet ministers.

The call for an association of the debtors issued by the secretary-general of SELA, Carlos Alzamora, in the name of that institution (see below) has further shaken up the environment at the conference, breaking through the effort to depict the Ibero-American nations as totally opposed to such bold actions. The statement counters the arguments that have been circulating to keep separated the necessary combination of countries for an Ibero-American debtor's cartel, and reflects SELA's optimism about the openings that have begun to show at the conference in such countries as Brazil and Argentina.

Alzamora's argument, like D'Escotto's, is that the developing sector countries should at least consider the levels of coordination which the creditors have achieved, a view increasingly heard in the halls of the G-77 meeting and in the pages of the Argentine and other Ibero-American press.

While there was lots of talk "around" the conference of a debtors' cartel, inside, in the speeches of the ministers to the plenary session which began on April 5, the tone has been a careful one, widely characterized as "moderate" and "pragmatic," as has been the case with most of the official docu-

ments which have formed the basis for the discussion within the conference committees. Nevertheless, many of the speeches contain paragraphs on debt and other issues that reflected the huge fight on the issue of the debtors' cartel that surrounds the conference proceedings.

### Argentina sets a 'pragmatic' tone

The ministerial level of the conference was inaugurated April 5 by Argentine President Reynaldo Bignone, and he gave what most delegates called a completely "flat" speech. He used many of the "correct" words, such as the usual call for a "new international economic order," but the tone was characterized by the following statement: Bignone said the developing countries should act with "political common sense in order to avoid being carried away by attitudes which could lead us to extreme positions."

Bignone pointed out the big problem the developing countries are having with debt. But he motivated action to alleviate the problem as necessary "to preserve the world economic order," rather than to construct a new one. "The debts of many countries will have to be refinanced at convenient terms and interest if the world economy is to be kept afloat." He also said, "It is hoped that" private banking sources will not increase conditionalities on their loans.

Several delegates pointed out that they were interesting paragraphs in Bignone's speech. First of all, Bignone directly linked the decline in world trade to the debt crisis, arguing that "the strangulation of world trade" has come about because "settlement of the debt or merely the payment of the interest on them absorbed a large part of the resources that

otherwise might have been earmarked for imports.”

He also paid some lip service to forces calling for a debtors' cartel by saying that the developing countries “must exchange information, share experiences and realize that the problem of the debt is not the unilateral responsibility of the debtors, but also concerns the creditors, and that both parties, in a common effort, must overcome this pressing problem.” For their part, the developing countries must act with “a high degree of responsibility”—an explicit rejection of the formation of a debtors' cartel.

Overall, Ibero-American delegates in particular were divided in their interpretation of the Bignone speech. One delegate known to strongly favor the debt bomb said he saw “some positive light” in the reference the Argentine president made to need for “exchange of information.” The same delegate linked Bignone's comments to a comment made the day before by Brazil's Saraiva about the existence of a common program of developing countries to deal with the debt problem. But another Latin delegate said, “This is all demagoguery; in the meantime our countries are being destroyed by the IMF.”

### **Latins hint at 'collective action'**

Bignone also made mention in his speech of the economic warfare Argentina suffered at the hand of the British during the Malvinas War, and he called for the developing countries to “agree on the establishment of mechanisms which will enable us to give a congruent response to those who, forgetting international principles and norms, resort to economic pressures as another weapon in the arsenal of their dissuasive power.”

Echoing Bignone on this issue, the Colombian foreign minister said it was appropriate that the Group of 77 was meeting in Argentina, since that nation had directly engaged in a fight against colonialism and that the effort currently being waged by developing countries to obtain a new international economic order is fundamentally the same struggle waged by Argentina. The Colombian minister said that “the iron-clad determination” of Argentina to regain the Malvinas Islands “should inspire all of us.” Bolivia made a similar statement to the plenary, raising the possibility that “the spirit of the Malvinas” might break out among the Latin American delegations, leading to unity on broader issues.

The speech delivered by Brazilian Foreign Minister Ramiro Saraiva was similar to that of Bignone. He said that the debt crisis of developing countries was actually “a crisis of the financial system and even, in wider terms, of the global economic system.” He also rejected the idea that the “problem of indebtedness will be resolved exclusively by the implementation of austerity policies by the developing countries.” However, the minister never even broached the question of how the crisis might be solved.

At the same time he warned the international bankers and

their domestic representative in Brazil, Planning Minister Antonio Delfin Netto, that some in Brazil wish not to continue Brazil's current suicidal course. “How long will the fragile social, economic, and political fabric of the nations of the South be able to resist the shockwaves caused by the economic and commercial policies of the great economic centers?” The crisis if “reaching unbearable levels of political and social tension” in the developing sector, Saraiva said. “Our peoples cannot be deprived of the hope for development. Our countries cannot have their growth prospects treated as a hypothetical byproduct of the recovery of the main countries of the North, which is itself uncertain and precarious.”

The speech by Colombian foreign minister Lloreda Caicedo was the strongest delivered. Speaking on behalf of the Latin American group, Lloreda gave a lengthy description of the debt crisis. He said that even though Colombia is not a country badly affected by the debt crisis, his government recognizes the need for a united front (*frente solidaria*) of the developing countries on the question of debt. He reiterated two proposals earlier put forward by Colombian president Betancur, the first calling for a fund to subsidize interest payments by developing countries and the second calling for a limitation on the percentage of export earnings a developing country would have to spend on debt service payments in any given year.

“We must say to the more advanced countries that despite our material limitations, we have not lost the capacity to think,” Lloreda Caicedo reminded the ministers at the end of his speech. “That we conceive of economy as a science in the service of man, and not man in service of the economy. That we visualize modern technology as an opportunity to redeem and not to destroy. In a word, we are here to lay the basis for a new world economic order which make possible coexistence and well-being.”

Bolivian Foreign Minister Mario Velarde scored British economics. “Instead of finances serving the development of production, the latter is a prisoner of finances. The invisible hand of Adam Smith, in which some still try to believe since it favors their egotistical interests, is strangling the world economy.” The solution must lie in the common interests of North and South,” Velarde added, “not in the invisible hand of he, whom upon killing, can die as well.” Eventually, “those who eat our hunger” must realize, “our lack of bread can one day provoke desolation and hunger for them also.”

### **India presents Non-Aligned stand**

The foreign minister of India, Narasimha Rao, gave a special speech to the plenary in India's capacity as chairman of the Non-Aligned movement. Rao gave a detailed report on the New Delhi summit emphasizing the theme that development and peace are inseparable. His speech was largely constructed from the final documents of the Delhi summit.

Speaking for the Non-Aligned movement, Rao called for “the development of a comprehensive, equitable, multilateral

framework for the restructuring of the debt burden of the developing countries." Indian Commerce Minister Singh, speaking for his government alone, called again for the convoking of an International Monetary and Financial Conference. "The idea is to put in place a monetary and financial system which can effectively meet the development and other financing requirements of the international community, particularly those of the developing countries, and the need for growth-oriented structural changes," Singh stated, in the most explicit statement yet by an Indian official that the conference implies the complete overhaul of the international monetary system, not some vague discussions of "problems."

### Final document being hammered out

As we go to print, the final political statement of the conference—called the Buenos Aires Message and addressed to the countries of the "North"—is in final stages of preparation. It has been hammered out by the representatives of four countries, India, Algeria, Argentina, and Mexico. Worst among them, according to well-informed sources, is Mexican representative Jorge Eduardo Navarrete, an anglophile who has the post of Sub-Secretary of Economic Affairs at the Foreign Ministry, and is part of the old "foreign ministry mafia" which hounded López Portillo as well. Navarrete is reportedly being "terrible, intransigent, and obsessive" at the meetings of the committee.

On the debt issue, the final economic document which will be issued when the conference ends on April 9, of which *EIR* has obtained an advance copy, does not come in any way near the position adopted at the New Dehli conference, itself a compromise position. In the last days of the conference, this document was converted into a specific resolution to be introduced into the UNCTAD meeting by the Group of 77.

On the debt issue, the group will not make any proposal on private debt, but will only propose action relating to official debts. This decision was taken at the insistence of Brazil and Mexico in particular; their representatives argued that any statement on the question of private debt would constitute interference into their "sovereign" discussions with their private creditors!

The resolution is remarkably convoluted, even by the standards of conference documents. On the crucial issue of private debt, the resolution states: "Notwithstanding the different debt profiles of individual developing countries, a generalized approach is required, including guidelines in dealing with the problem of private debts through rescheduling and/or refinancing, this does not imply a uniform set of solutions."

The Indian proposal for an International Conference on Money and Finance for Development has also been a highly contested issue throughout the entirety of the conference proceedings. At the insistence of a group of countries led by Brazil, Mexico, and Saudi Arabia, with the backing of the Jamaican head of the Finance Committee, Anthony Hill (see *EIR*, April 12), the Indian proposal was *not* included in the documents that will be binding on the negotiations at the June

UNCTAD meeting in Yugoslavia. Instead, the proposal was included in the conference's general political declaration.

Hill personally invited the International Monetary Fund's observer to the G-77 to attend all meetings of the finance committee, despite the fact that the meetings were private and to be attended only by official delegates to the conference. When his antics were questioned, Hill lied that the finance committee's proceedings were "public."

The Queen's agent also tried to organize opposition to a resolution passed by the trade committee, according to which the United States and the European Community countries would be asked to lift all trade restrictions on products from developing-sector nations. Hill was told that if he organized opposition to the resolution, Jamaica would receive special benefits in the context of the Reagan administration's "Caribbean Basin Initiative." When the resolution came up for a vote on April 7 before the G-77 plenary session, Hill told the delegates that approval of the resolution "would not be a good idea." He unsuccessfully tried to garner support for his view, but no one in the room would back him.

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### Documentation

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## SELA's Alzamora calls for unity of debtors

*Below is the text of the April 7 statement issued in Buenos Aires by Carlos Alzamora, secretary-general of the Latin American Economic System (SELA).*

In the Group of 77 lies the broad framework of common action and solidarity of the developing countries in their battle for a more equitable participation in the benefits of the world economy to which they offer their labor and resources. But to the degree that each region finds itself affected in a particular way by one or another type of problem, the solution to those problems acquires its own priorities. This is the case in Latin America with the problem of the foreign debt, which is the most pressing of all not only for its intrinsic importance, but because the way in which we solve it will also determine how other problems are resolved. To the extent that it demands, or not, the concentration of all our resources, energies, and efforts, it will be to the detriment of the development and well-being of our own peoples. That is to say, it is essential that we not sacrifice this well-being and security of our own societies to those of others, and that we must find a point of conciliation which allows us to meet financial commitments without strangling our economies or mortgaging our future.

In the process of provoking and organizing this negotiation, it becomes the sovereign and legitimate right of the

debtor countries to form the relationships or associations required for the success of this negotiation, when and however they deem convenient, just as the creditor nations have done. Furthermore, I think it would be very healthy for debtors and creditors to have the greatest organization and coordination possible so as to maintain the delicate operation of placing this gigantic debt under guarantees of discipline and control. It is clear that this arrangement—I refer to a genuine, durable, and viable one, and not one which must be renovated and patched up every day—has no solution within the traditional and orthodox framework, and requires a global and negotiated solution which involves the responsibilities of debtors and creditors, because it is understood that the immense magnitude of the problem surpasses the individual capacity of governments, banks, and international organizations.

In their speeches, the President of Argentina, the foreign ministers of Brazil and Colombia, stressed this point. And from the creditor countries, so have such authoritative spokesmen as Henry Kissinger and Helmut Schmidt, with vision, foresight, and political realism. But if the debtor countries do not formulate their positions and proposals, in the end these negotiations will have to be carried out in the unilateral framework of the creditor nations; and this carries with it a very great responsibility for those who insist on ignoring the problem, or leaving it to fate, when they have an important potential, which, used together, could efficiently protect the interests of our peoples. That the press or public opinion refers to us as a club, cartel, or debtors' union, is only proof that the theme has found an echo in the conscience of our peoples, who follow this process with great intensity. But we should not prejudge the character or the purpose of this type of association already created by the creditor nations. Nor should we confuse it with the idea of collective renegotiation of the debt which is repeated in bad faith to create confusion, and which, because of the variety of actors, circumstances, and characteristics, is both impossible and unnecessary.

What we propose is an agreement on the basic conditions for terms of payment, interests, and conditions by which the debt becomes payable. To establish multilaterally the norms, principles, and guidelines which should govern bilateral processes of debt negotiation. To exchange information and experiences, but naturally not for the morbid pleasure of knowing how the one who preceded us was ruined, but to coordinate and consolidate a negotiating position beneficial to each and every one, which does not bypass realism and which can foresee and be watchful.

Without question, the debtor countries have the right to associate themselves so as to better protect their interests, as the creditors have done, when it is demanded by their sovereign will and the necessities of a negotiation which requires coordination and the simultaneous contributions of the debtors and the creditors to insure viable, efficient, and stable results.

## Ibero-America gets threats from creditors

by Cynthia Rush

On April 1, as delegates to the Group of 77 developing nations conference met in Buenos Aires, the Argentine news service DYN published the text of a message that was reportedly delivered to President Reynaldo Bignone from the country's foreign creditors in Europe and London. The message, communicated through Argentina's ambassador to the European Community, Dante Simone, warned that "any deviation by Argentina in the area of debt payment or violation of agreements with the IMF, could result in the application of what is defined in international forums as 'exemplary punishment,' as a lesson to the other large debtors."

DYN explained that the ultimatum was intended to avert the possibility that Argentina might unite with other Ibero-American debtors to jointly renegotiate their foreign debt, or even opt for a "unilateral payments rebellion." The bankers not only ordered the current government to "scrupulously comply with agreements made with the IMF," but demanded that the next elected government, scheduled to take power in January 1984, continue application of IMF policies.

International wire services published their own reports on the DYN story, which were subsequently run by leading newspapers in Venezuela and Peru as the major weekend news item. An Associated Press wire in Venezuela's *El Nacional* appeared under the headline "Argentina Under Strong Pressures Due to Virtual Entry into Debtors' Club."

These crude threats are being made because the International Monetary Fund and other creditor banks do not have the Ibero-American situation under control.

In a letter to Ecuador's President Oswaldo Hurtado, published by the Mexican press April 6, Mexican President Miguel de la Madrid expressed full support for Hurtado's recent proposal to have all Ibero-American countries taking "concerted action" in the economic crisis.

The Ecuadorean president has proposed that the governments of the region adopt a joint economic program which would be drawn by the Latin American Economic System (SELA) and the Economic Commission for Latin America (CEPAL) and would include an increase in exports and imports among the Ibero-American countries and a favorable renegotiation of those countries' foreign debts. "We are conscious," de la Madrid says in his letter, "that the actions each of us undertake in our countries will not have the positive result we expect if at the same time we do not re-order the