THE COMMUNIQUE:

Cartagena Statement of Consensus

1. The foreign and finance ministers of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Dominican Republic, Uruguay, and Venezuela met in Cartagena on June 21 and 22, 1984. . . .
7. They declared that the Latin American debt problem largely stems from drastic changes from the conditions under which those debts were originally contracted, especially in regard to liquidity and interest rates. . . . These changes, which came from the industrialized countries and were outside the region's ability to determine, prove the co-responsibility of debtors and creditors. . . .
10. They reiterated that it is the responsibility of each country to conduct negotiations on its foreign debt. At the same time, they warned that recent experience shows that the foreign debt problem of the developing countries cannot be resolved exclusively through dialogue with the banks, the isolated action of multilateral financial institutions, or the mere behavior of the marketplace. Thus, general policy lines on restructuring and financing which will serve as guidelines for the individual negotiations of each country must be defined and accepted.
12. They also recognize that said guidelines must envision the concept of equity in the distribution of the costs of economic reordering. The adjustment process must be symmetrical and equitable for it to be effective. Sustained expansion of the world economy requires changes in the economic policies of some industrialized countries. They called for the urgent adoption by these countries of policies to keep stimulating their economies with the reduction of interest rates and without prejudicing anti-inflationary goals. . . .
15. They declared that direct foreign investment could play a complementary role in providing capital and contributing to technology transfer, job creation, and export generation, so long as it abides by the policies and legislation of the countries of the region. However, its contribution in terms of foreign exchange to the solution of external imbalances is limited, and therefore foreign investment could not be a decisive element in the solution of the foreign debt problem.
16. They adhered to the President of Colombia's call for the creation of an international financial system which would permit vigorous growth of the developing countries to raise the living standards of their peoples.

Proposals

18. The foreign and finance ministers decided to propose:
    - A. Adopting measures leading to the drastic and immediate reduction of nominal and real interest rates on the international markets, which should be a basic goal of the greatest efforts of the governments of the industrialized countries. . . .
    - D. Put into practice temporary measures to soften the impact of high interest rates, such as a compensatory window at the IMF, official loans at concessionary rates for that purpose, extending payment terms; although it is warned that these mechanisms have only limited usefulness, since they simply postpone the problem.
    - E. That in renegotiations, each country's debt profile and capacity for economic recovery and payment be taken into account and terms and grace periods be substantially improved. . . .
    - G. Foreign debt renegotiations should not commit more than a reasonable proportion of export income, compatible with preserving adequate living standards and internal productive activity and considering the unique characteristics of the economy of each country.
    - H. Creditors' demands that the commercial risk of the private sector be indiscriminately and involuntarily transferred to the public sector must be eliminated.
    - I. Regulatory rigidities of some international financial centers which automatically punish developing countries' credit ratings and which prevent the granting of new financing must be eliminated. Recognition of the special quality which sovereign countries have as debtors to the international financial community and adaptation of operant codes to that quality.
    - J. Reactivation of credit flows to the debtor countries—now virtually suspended in many cases—and the urgent renewal of short-term credits to finance trade and other operations needed by said countries. . . .
    - M. Revision of the IMF's conditionality criteria in the following aspects:
        - i) Priority must be placed upon the growth of production and employment, taking into account the specific economic, political, and social circumstances of each country.
        - ii) Fiscal and balance of payment targets should exclude the impact of increases in international interest rates beyond those foreseen by the stabilization program, so as not to reduce public investment or imports below reasonable levels.

iii) Changes in agreed-upon monetary targets must be made to absorb unexpected increases in inflation rates. . . .

Consultation and monitoring

19. In order to carry out the guidelines and proposals expressed in this Statement of Consensus, to facilitate a dialogue with the creditor countries, to continuously examine the international economic conjuncture, and to evaluate the implementation of the initiatives posed, the foreign and finance ministers resolved to maintain a mechanism of regional consultation and monitoring. This mechanism will be open to participation by the other countries of the region.
20. They agreed that it would serve to:
    i) Facilitate regional exchange of information and experience, and support requests for technical aid on debt, financing, and related questions.
    ii) Promote contact with other developing countries outside the region.
    iii) Promote dialogue with the governments of the creditor countries and, in a proper mode, with multilateral financial institutions and the international banks.
23. They expressed their willingness to meet with the governments of the industrialized countries to reflect together on the multiple aspects and economic, social, and political consequences of Latin America's foreign indebtedness, taking into account the need to seek a solution for the excessive burden this imposes and to create favorable conditions for the development of the indebted countries and the sustained expansion of world economy and trade, safeguarding the interests of all those involved.
24. They agreed to hold another meeting to evaluate the actions deriving from the Cartagena Statement of Consensus in regard to debt financing and related issues. This meeting will take place in Buenos Aires before the next annual meeting of the IMF and IBRD [World Bank], or at the moment when some extraordinary event makes it necessary.

'We can't wait any longer for a solution'

EIR *interviewed several of the foreign ministers at Cartagena to sound out their views on the debt crisis.*

Venezuelan Foreign Minister Isidro Morales Paul:

EIR: There is a persistent rumor in financial circles that interest rates will increase to about 20%. What are the debtor countries planning to do in this respect?
Morales Paul: This is one of the issues we have to take on in order to make the creditors understand that the indefinite growth of interest rates will become a snow ball that could smash all of us.

EIR: What do you think about Bolivia's declaraton of a debt moratorium?
Morales Paul: It seems to have been a step resulting from very complex and difficult conditions that we cannot analyze hurriedly. It is the case of a sovereign country that, having reached a certain point, sees itself forced to make a decision of this nature. Each country has its own characteristics and I don't think that this solution can be applied for all countries.

EIR: The creditors have launched Henry Kissinger's proposal of paying the debt with state enterprises. What do you think of this proposal?
Morales Paul: I entirely disagree with that proposal; it would mean a return to the conditions under which our countries were living 50 years ago.

Chilean Foreign Minister Jaime del Valle:

EIR: It is said in financial circles that interest rates will keep rising until the end of this year.
Del Valle: This shows that it is absolutely impossible for our countries to continue paying the debt with this amount of interest. A total inability to pay the debt would be the result.

EIR: You mean that the increase in the interest rates would cause a forced moratorium?
Del Valle: An obligatory moratorium, since there would be no country, whatever its good will, that could pay.

Colombian Foreign Minister Rodrigo Lloreda Caicedo:

EIR: All those who have come here have said that this is not a meeting to constitute a debtors' cartel. Why is there such an insistence on the subject? Could it be that they are afraid of the creditors' reprisals?
Lloreda Caicedo: No, we are not afraid of any reprisals; this is merely a meeting in which the creditor countries are going to be asked to help the debtor nations. This help should come right now; it cannot wait for six months or a year, it must be right now. Otherwise who knows what could happen.