

Europe Reacts To Colombo

European IMF Official: Europe, Ford Will Accept Colombo

The following is an interview conducted this week by NSIPS with a top-ranking European official of the International Monetary Fund.

NSIPS: Is your government informed about the Third World's plans for unilateral debt moratorium?

A: Yes, I think the point is to put this into effect before the (Oct.4) Meeting of the Fund.

NSIPS: How do you see the Europeans responding?

A: I would envisage a French and British proposal for a concession on the debt issue, giving in to some aspects of debt moratorium.

NSIPS: But hasn't the debt issue already been settled unilaterally?

A: Yes, that's true, but it is not possible for my government to publicly endorse the resolutions from Colombo. The point of such concessions is to let it be known that we want to see how some things can be resumed, afterwards.

NSIPS: You mean a new international monetary system?

A: Well, yes.

NSIPS: Do you believe that Ford is willing to go along?

A: I would guess that Ford is willing to do this.

NSIPS: Will the Europeans wait for the Eurodollar market to break down to begin negotiations?

A: It is hard to say. Even before a collapse, some of the countries might be willing to negotiate. There have been some studies done at the (—) central bank and elsewhere, about how to go about this. But I don't think it would be realistic for my government to endorse anything of this sort just at this point. We will have to wait and see.

NSIPS: How does the state of mind of the U.S. financial community impress you?

A: I don't believe they have taken this situation much into account. I am thinking now of the typical banker. I have not seen even one serious piece in their press on this problem.

Italians, Soviets: Three-Way Trade For Development

Avanti, the daily of the Italian Socialist Party (PSI), excerpted Aug. 29 an "interesting article by Soviet economist Nkrashov" on the potential for the Soviet Union and Third World to collaborate on development of energy resources in Western Europe. Nkrashov is quoted: "... One of the possible roads for resolving the energy problems of Western Europe... is that of pan-European cooperation in the development of high consumption energy plants... of the construction of large industrial energy complexes..."

"... The traditional relations of Europe with the developing countries of the Mideast and northern Africa will be maintained. These relations assure to Western Europe the import of millions of tons of crude oil, natural gas, and ferrous and non-ferrous metals and other raw materials..."

"The forms of participation of the Western countries in all the spheres of cooperation with the East can be various: from granting credits for machinery or technology to the construction of complexes and factories on a compensatory basis; a vast array of reciprocal contracts could be represented by co-production in exchange for technical experience..."

Avanti comments on the offer for expanded trade: "The evaluations of the Soviet economist are without doubt in-

teresting... and it is interesting to note the co-involvement of Yugoslavia in... The general scheme of development approved in the course of the recent meeting of the Comecon countries at Berlin... the energy link represents the further development of national economies in these countries..."

French Employers Support Colombo

The following statement was made exclusively to NSIPS by a monetary specialist for the French Employers Association, the CNPF:

The CNPF is not against the Colombo perspective. On the contrary, due to its concern to stop inflation, of which the dollar sector is the number one culprit, the CNPF is willing to support a debt moratorium coming from the Third World... It would even be positive... The CNPF wants a return to gold as a standard, which is the only rigor we think is immediately available from a monetary standpoint. The CNPF discounts the ability of SDRs (Special Drawing Rights —ed.) or the U.S. dollar to hold up against the crisis any longer. We need a consolidation, or debt moratorium, if you insist, call it what you will: something to sponge up the excess liquidity... It is unfortunate if some New York banks have to go down... If they were so foolish as to overlend to the Third World... But I am confident that these banks do not represent the whole U.S. banking system, Trade could still go on.

BRD Press:

Credits Are Gifts

The following article, appearing under the title "Foreign Credit: The Creditor's Illusion — The Impotent German Lender", in the Sept. 2 edition of the Sueddeutsche Zeitung, signals the discovery by the stunned editors of that newspaper that many debts held in the post-Colombo world will not be paid.

"Foreign Credit: The Creditor's Illusion — The Impotent German Lender" — by Walter Wannemacher

Leaving aside emergency aid following catastrophies, the sole purpose of political foreign credits is to cover up temporarily the consequences of bad government. Otherwise, governments would not have financed any Potemkin villages with their printing presses, and the free interplay of market forces would have then soon taken care of an adjustment in the balance of foreign exchange payments. But if such Potemkin villages are financed with foreign credit, then the deficit in output balance, and consequently in the foreign exchange balance, will become regularly larger for the borrower.

Looking back over the past two decades, not one exception can be found to this rule. To be sure, foreign credits do effect temporary relief from uncomfortable necessities; but they subsequently make the problem even worse. Such a problematic future has already begun for a whole number of developed industrial nations — Italy, England, Denmark — and no one has the courage to stop and think about the hardships which a solution to the problem will demand...

If there is no currency available to maintain imports, they must be borrowed from somewhere. The present run on foreign credits is completely outstripping the last orgy in un-blissful memory, that of the 1920s. The traditional creditors' potency is being continually undermined. Only Saudi Arabia is growing into its role as the world's super-creditor.

Cavaliers of Currency

Industrial countries can certainly give commodity credits by doing without payment on their exports for a while. If these

credits are to be paid back when due, the debtor must have recourse to finance credits. The volume of the Euromarket — this gigantic product of the currency cavaliers — nonetheless remains crucial in the end for the question of how long the debtor's solvency exists, at least as a fiction. The only remaining real sources for the maintenance of the necessary fictitious growth of the Euromarket are the assets of the oil sheiks (petrodollars) and the money smuggled into anonymous accounts by tax frauds and political bosses... As long as oil sheiks, tax frauds or political bosses pay in to the Eurobanks, this expectation holds true, ... i.e., the Euromarket lives on its own

growth. But no one dares think about what would happen if, one day, this growth is stalled...

Credit can only make sense when it is connected to a tit-for-tat political guarantee. If we finance productive progress as a consequence of a new technology which the debtor himself does not possess, then we have contributed to the increase of the "achievements" which the government in question can parade before its subjects, and on which it can support its reputation. It is only fair to also demand another political service in exchange. The latter can justify its internal write-off, since in reality this only represents a gift.

Chicago Reacts To Colombo

Sept. 4 (NSIPS) — The temporary shock of Colombo is beginning to wear off among critical layers of the Chicago industrial-financial faction. There have been sharp signals from this layer in the few days since the Mexican peso's devaluation that, after all, a "new world economic order" might not be the worst of all possible worlds.

The indecisiveness and wishful thinking of this layer of capitalist leaders, more than anything else, has been responsible for the lack of initiative regarding the Non-Aligned movement's development proposals by the U.S. White House since the Ford administration's victory over Rockefeller forces at the Republican National Convention. Now, however, leading spokesmen for Chicago corporations, including the nation's largest accounting firm, are reporting that, in their view, there is just no alternative to an International Development Bank arrangement which would include the Third World, the OECD countries and the Comecon in co-development efforts at the conclusion of generalized, orderly debt moratoria.

Similarly, regional banks in Illinois and Wisconsin, and many medium-sized industrial firms in the Chicago area have expressed the view that the large commercial banks in the East are simply over-extended; they are willing to conduct study and negotiation with U.S. Labor Party spokesmen over the future of the world economy. A general pro-growth perspective has also been advised by leading Republican Party spokesmen from southern California, the Rocky Mountain states, and such oil-belt states as Texas, Oklahoma and Louisiana, involving support for massive transfer of technology to the Third World.

On the other hand, the new reality is being sharply resisted by the large commercial banks in the Midwest, the First National of Chicago and Continental Illinois, whose spokesmen still insist that the Colombo conference resolutions were insignificant. These banks, which have a stake of their own in the Euro-dollar financial bubble, were supported by the Chicago Tribune, which this week lashed out at the Colombo Non-Aligned conference, without even a mention of that meeting's call for general debt moratoria.

The following are a few of the responses of leading corporate executives in the Chicago area to the Colombo Non-Aligned movement's development proposals, the Mexican peso devaluation, and general prospects for a new world economic order.

Member, Board of Directors, Sears-Roebuck:

"The reason for Echeverria's devaluation of the peso was to preempt a series of destabilizations against Mexico during the North-South meetings (Sept. 15 — ed.).

I was at the State Department for five years and I can tell you that there are many people at the State Department that would agree with your assessment that Mr. Kissinger is responsible (for the events in Mexico).

We've had the new world economic order under assessment for a good period and we are aware that the only alternative to it is panic and nuclear confrontation.

Over the past few weeks we have been searching for alternatives to generalized debt moratoria and we haven't been able to come up with anything... In general, we are in agreement with the new world economic order... It looks like the new world economic order is the only way to save democracy in the U.S.

We're Ford supporters and we don't like Carter. Carter is a product of Wall St., and those wise guys... I mean "wise men," are ready to do to the dollar what they did to the peso.

The business community is now political. Sears is organized politically vis-a-vis Colombo.

Sr. Partner, Arthur Anderson (accounting):

I know Echeverria personally, and I know that he is committed to debt moratoria... The peso devaluation was a necessary tactical maneuver.

Debt moratoria is nothing new, it's happened before. I'm not opposed to it, and I'm in general agreement with the outline of the International Development Bank... But you have to put together a general cost-benefit sheet... who's going to be affected, who isn't, etc.

I've spoken to a lot of economic experts and they agree with me that the 50 per cent devaluation of the peso was insane... it was crazy.

President, large Chicago-based corporation:

The debt has reached astounding proportions... the larger banks are well overextended... If I were them (a Third World country), I would have done the same thing... The banks we're talking about involve North-South and East-West trade. It sounds workable.

Treasury Department: No Comment On "Rumors"

The following are excerpts of a telephone interview with Robert Pelican, an official of the U.S. Treasury who conducted the Nairobi debt negotiations for the U.S. under the direction of Assistant Secretary Gerald Parsky, and who will be the Treasury negotiator in the Paris meeting of the Conference on International Economic Cooperation. During the UNCTAD IV Nairobi negotiations Pelican was instrumental in postponing the debt talks and diverting them to CIEC as that as considered by Kissinger as a "safer" and more "controllable forum".

NSIPS: Your success in continuing "negotiations" in which nothing happens seems to be coming at an end...

Pelican: You have said nothing that is new. You can trace all these demands (Non-Aligned and Group of 19 demand for debt moratorium — ed.) back to the Manila declaration. They