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NSIPS EXCLUSIVE REPORT



Group Of 19 Rejects Kissinger's "Compromise" Proposal, Holds Firm On General Debt Moratorium Demand

Sept. 10 (NSIPS) — According to highly informed diplomatic sources the Group of 19 developing country representatives to the Paris Conference on International Economic Cooperation — the "North-South talks" — met this morning and decided to completely reject the agenda proposals put forward by the advanced sector Group of 8 for reconvening the Paris talks. The source said that the Group of 19 resolved to hold firm on the program of the recent Colombo Non-aligned summit which calls for general debt moratorium for the developing countries. Their action was communicated to the Group of 8, which met tonight in Paris. Under U.S. Secretary of State Henry Kissinger's direction, the Group of 8 had called for negotiations on Third World debt to take place only on a "case-by-case" basis. This proposal had emerged from three days of meetings held to "unify" the advanced sector's position.

The decision of the Group of 19 will shock those layers in the United States, including the Ford Administration, and elsewhere in the advanced sector, who have thus far refused to acknowledge the determination of the developing countries in implementing general debt moratoria, unilaterally if necessary, and the new world economic order. A high source in the Ford Administration responded to today's developments by saying that while he still did not expect the Third World to declare a unilateral debt moratorium, if it did, the Administration "would not consider it an act of war." If Kissinger succeeds in his attempts to sabotage the Paris talks, he will force unilateral action by the developing countries.

The Group of 19 has scheduled a meeting tomorrow morning in Paris to consider the positions adopted by the Group of 8 meeting this evening. If the Group of 8 refuses to accept the Third World's demand for general debt moratoria at tonight's meeting, the Group of 19 will likely decide tomorrow to not participate in the Paris talks, scheduled to begin on Sept. 13, and to declare unilateral debt moratoria.

The developing countries have maintained their firm stand on the debt issue despite the numerous attempts by the U.S. Secretary of State to undermine their unity. The so-called "compromise" on the debt issue rejected today was godfathered by Kissinger and put forward through his mouthpieces Conference Co-Chairmen Canadian Foreign Minister MacEachen and Venezuelan Minister for Foreign Economic Relations Perez Guerrero. It would have retained the Kissinger formulation that debt problems be handled on a "case-by-case" basis — a ploy aimed at busting up the unity of the Third World. Sources close to the talks report that Indonesia and Algeria have played a key role in holding the line against Kissinger and keeping the Group of 19 unified around the position outlined in the Colombo declaration.

Kissinger has further tried to convince the developing countries to "modify" their position by leaking that the outcome of the Paris talks will be determined by the U.S. elections and thus "nothing can happen" before Nov. 2. This lie has been circulated among the delegates at the conference as well as in numerous Atlanticist press outlets.

The U.S. Labor Party has issued several memos to developing sector governments over the last several days urging them to ignore the antics of the U.S. Secretary of State and remain unified behind the Colombo resolution. In fact, the memos emphasized, the results of the U.S. elections will largely be determined by the decisions taken in Paris over the next few days.

The series of meetings this week preparatory to the reconvening the North-South talks were necessitated by the deadlock that developed over the debt issue at the July session of the talks. That meeting broke down in bitterness as the Group of 8 steadfastly maintained the Kissinger-authored position of only discussing debt problems on a "case-by-case" basis tied to austerity. Prior to their action today, the developing countries had warned publically numerous times that they would not participate in the future sessions of the Paris talks unless the advanced sector countries agree — prior to the convening — to discuss general debt moratoria.

The outcome of the Paris talks will determine whether the developing countries have the collaboration of the capitalist nations to bring about an orderly demise of the dollar empire and a new monetary system — a fact which gives the proceedings a crucial character. Without such collaboration the world economy will be forced to undergo a period of uncontrollable chaos as the Third World takes unilateral action on the debt question.

The Group of 19 decision to offer the developed countries one more opportunity to change their position is aimed to increase the already broad splits within the Group of 8 on the debt issue. Agence France Presse reported earlier this week that the strong stand on debt adopted by the developing countries had provoked tremendous "preoccupation" throughout Europe. In the past Sweden and Holland have supported the concept of general debt moratoria, while the governments of both Italy and Japan are sympathetic to the Third World and strong opponents of Kissinger's tactics. Today's action by the Group of 19 — a de facto declaration of their intent to take unilateral action if forced — may result in a realignment of political forces in the advanced sector decisively in favor of those circles not willing to sacrifice themselves for Wall Street's dollar empire.

The potential for such movement away from the Rockefeller Atlanticist machine is shown by several developments this

week. Il Popolo, the official paper of Italian Premier Andreotti's Christian Democratic Party, denounced Kissinger's delaying tactics on the North-South talks, stating that the developing sector-advanced sector talks are "too important for the future order of the world — a new economic order based on scientific collaboration and not international cartels" — to be sabotaged.

Japan is the other key country pushing the advanced sector toward open negotiations with the Third World. The Japanese government has given tacit approval to Indonesia's leadership in the Non-aligned group, and also snubbed Kissinger, saying that the U.S. is the main problem holding back Japan from considering acceptable Third World demands.

The most open breach in Atlanticist ranks came in West Germany several days ago when Horst Ehmke, a member of the

presidium of the ruling Social Democratic Party, endorsed the new international economic order and debt moratoria in a public exchange with the European Labor Party. Informed sources reveal that Ehmke's remarks accurately reflect the official, although still passive, position of the SPD.

In addition, Brazil and Zaire, both representing the Third World in Paris, unexpectedly broke from Wall Street's dictated economic policies and into the pro-debt moratoria camp. This week, Zaire announced that it is demanding of its creditors a 5-year moratorium on its debts. This announcement was quickly followed by a large raw materials trade deal concluded between Zaire and the German Democratic Republic. Brazil, meanwhile, is on the verge of concluding huge development deals with Japan.

Kissinger 'Leak' On N-S Talks: Wait Until November

PARIS, Sept. 9 (NSIPS) — The following is a translation of an Agence France Presse dispatch datelined, Brussels, Sept. 6. Headlined, "The North-South talks in Danger" the dispatch has appeared in several papers, including the Mexican daily Excelsior. Sources here close to the North-South talks report that the portions concerning the U.S. elections and their effects on the talks are identical to formulations being circulated by U.S. Secretary of State Henry Kissinger's representatives here and elsewhere.

Sources from the European Economic Community (EEC) revealed today signs of extreme preoccupation on the future of North-South dialogue in Paris, where the further activities of the conference are expected to resume next Tuesday (Sept. 13).

The nine countries of the EEC will hold meetings on Sept. 6 and Sept. 7 and will continue into Sept. 9 with a conference of the eight participants from the industrialized sector: the EEC, Sweden, Spain, the U.S., and Japan while the representatives of the Third World will hold their meeting Sept. 10.

In principle, the four commissions of the North-South dialogue should meet Sept. 13, but the problem of external indebtedness of the developing nations has made the continuation of this conference very difficult.

Last July, the Group of 8 (the developed sector's representatives-ed.) adopted a program concerning the indebtedness calling for dealing with the problem on "a flexible, case-by-case basis."

The text of this accord was submitted by the co-chairman of the conference, Allan MacEachen (of Canada) on behalf of the industrialized nations, who examined it along with the co-chairman from the developing sector, Manuel Perez Guerrero of Venezuela.

Without having any knowledge of the secret contents of these conversations, well informed sources indicated that the countries of the "South" (the developing sector) are demanding a general moratorium on their debts and are very suspicious of the "case-by-case" formula because it can potentially divide the Third World bloc.

It was also pointed out that the electoral campaign in the United States may prevent the U.S. from taking definitive positions at the talks until after November, when the name of the new President is known. In the event of a victory by Democratic Party candidate Jimmy Carter, it is expected that there will be changes reflected in the North-South dialogue as well as in position of the EEC, whose attitude up to now has been one of prudence, concluded European sources in Brussels.

White House Advisor: "No Embargo" By U.S. If 3rd World Declares Debt Moratorium

WASHINGTON, D.C., Sept. 10 (NSIPS) — Following is the transcript of an NSIPS interview with a White House economics adviser today on the Third World Group of 19's demand for general debt moratoria at the Paris North-South talks.

NSIPS: What is your comment on the G-19 decision on general debt moratoria?

A: Our assessment is that we are, in part, playing out a great charade. Those questions involve the present difficulties of some of the developing countries, but, most important, the future terms of the flows of aid and investment capital to those countries. Personally I do not believe that even in the worst of circumstances — the breakdown of these talks — that there would be anywhere near the type of catastrophe that your

analysis points to. . . . But I am sympathetic in some ways to your statement of the problem.

NSIPS: Our organization has advised many Third World governments that if they took unilateral action on debt, the United States would not engage in a trade embargo or military action, and would be willing to negotiate.

A: I would not disagree with that. There would be no embargo. I can foresee— no, I can envision — circumstances, but I regard them as unlikely, that should this train of events begin, the first reaction of the United States would be disbelief that the developing countries were ready to live with the longer-term consequences for their economies. We would take slow, moderate, and restrained action. I am not really sure that you could construct a case under which precipitous action on the part of the United States would make any sense. In the longer-term what we would be most unbending on, is that these countries incurred substantial amounts of debts, which represent a transfer of resources. It seems to me that in some cases — take the PL 480

stuff — you could say write it off, because ten years ago a bushel of wheat was in effect free. . . . But countries who transferred goods and services are going to look at this differently.

NSIPS: The U.S. wrote off Lend Lease and Marshall Plan debts in the past. What is your position towards such a write-off for the Third World?

A: I could see circumstances in which a write-off would be possible, in which there was a sense of crisis and catastrophe, and a conviction on the part of the developed countries that there was no chance that responsible action by the developing countries to run themselves as viable units would succeed. This would mean washing our hands of part of the world.

NSIPS: The U.S. didn't write off Europe after World War Two?

A: Those circumstances were markedly different. There was a shared sense of purpose.

NSIPS: President Echeverria has called on the U.S. to share in building a New World Economic Order. . . . Couldn't there be such a shared sense of purpose with the Third World?

A: I have to relate things back to specifics. Relations between the U.S. and Mexico are based on mutual respect. There is a sense in the U.S. that Mexico has done their best to solve their problems. It would be my belief that what would be possible there might not be possible otherwise. But I would be astonished if Mexico joined in a general debt moratorium.

NSIPS: You say you cannot conceive of precipitous action by the U.S. to stop Third World debt moratoria. Isn't Henry Kissinger running all over the world starting wars, confrontations and coups for just that purpose?

A: I am sure the response of the State Department would be different. I don't have a great deal of respect for their dealings with economic questions. They live in terror of being isolated in some damn meeting in some part of the world. No principle is too great to be sacrificed to avoid this.

Bankers React To G-19 Decision To Demand Moratoria At Paris

NEW YORK, Sept. 10 (NSIPS) — Following are responses of financial community and government sources to the Group of 19's decision to take a firm stand in support of debt moratorium at the Paris North-South talks which reconvene next week.

Chief of international exchange at a major New York banking house: The threat of a debt moratorium by the Third World is as real now as it has ever been. At this point the strategy of the Eurodollar market banks, whose deposits are totally OPEC sight deposits, is to take these 'hot dollars' and immediately convert them into either longer term deposits or to put them into bank equity. This is what was behind the Bruxelles Lambert merger with Drexel Burnham and Dean Witter of New York. . . . Bank of America is floating 7 million new shares of common stock worth about \$200 million all over the world. By getting Arab and European banks involved in U.S. securities — especially those based outside the continental U.S. and hence 'safer' in the eyes of Arab dollar-holders — the idea is to convert 'hot' Eurodollar deposits into bank equity. Other, New York banks will float equity shortly.

U.S. Treasury Third World Department spokesman: Yes there are basic disagreements between the Group of 8 and G-19. Beyond that I am not allowed to comment.

Western European central banker: They (the Europeans) haven't fully faced the perspective of general debt moratorium; they'll need a head-on collision, at Paris or Manila (the Oct. 4 IMF conference-ed.). It's the main issue, but not their focus. The Germans can resist, and they do intend to resist, they're resistant. Still, I think that the French government will back up the Italians in their political demand to the IMF to stop the IMF auction of gold. (French support of the Italian demand was officially made known later in the day-ed.).

Al Bennet, chief economist, Chemical Bank: They won't do that. They won't do that. There won't be a new monetary system. The Third World is less dumb than you think it is. They are merely strengthening their bargaining position. We'll have to give them longer stretchouts if worse comes to worst. Zaire is the messiest thing around. But Brazil, Mexico, Argentina won't.

Arthur Tower, Loeb Rhoades international department: We will witness a collapse of this order if what you say is true. But I tell you we will all go bankrupt. You talk about industrialists. We will recall our loans to them and bankrupt them with us. As for the Third World, we'll take 'em to court. There are legal procedures you know. You talk about an international central bank, when we already have problems with the ones we have. New international institutions never work. You know what happened to the League of Nations, don't you. . . . If we go bankrupt so will you.

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