

Banker Picks Countries Who Will Declare Debt Moratorium

Oct. 1 (NSIPS) — The following is an interview with the partner responsible for the Third World at a New York investment banking house.

Q: Did you hear (Guyanese Foreign Minister Frederick) Will's speech (at the United Nations General Assembly Sept. 27)?

Banker: I sure did. But I tell you Mexico and Brazil won't actually go with a unilateral declaration of debt moratorium. These two may pay lip-service to it but they aren't going to do it. They have told us so privately.

Q: Oh, yeah!! Who else has told you they won't go along?

Banker: As you know I've been traveling all over on this question. So far I'd say I'm sure about Liberia, Madagascar, Tunisia, Morocco, Brazil, Mexico, and let's see who else. I'm not really sure about Argentina, but Chile I think won't go along. Oh yes, Ivory Coast. We are working on Egypt. Algeria will go along. Yugoslavia has problems and most probably will. The Sudan won't. Indonesia probably will. That's more or less it.

Q: In that case it's all over for the Eurodollar market and the New York commercial banks, isn't it?

Banker: Oh, no, if the amount involved is around 50 billion dollars then it can be handled. The market has been preparing for it for many months now.

Q: Forget about numbers. It's the panic withdrawal of deposits that will collapse the shebang.

Banker: Hrrm! Now I gotta go, we'll talk some more later.

Third World Countries Are Already In Default

The following item is reprinted from the United Nations General Assembly Bulletin circulated by NSIPS at the UN Oct. 1.

Contrary to the lie that unilateral debt moratorium will damage the credit standing of Third World countries, most Third World countries are already in default on their debts. UNCTAD, the Swiss Bank Corporation, and other authorities note that these countries are involved in a destructive political charade, with the cooperation of their bankrupt Euro bankers, to cover up these defaults.

The following examples show that there is already general default on Eurodollar loans.

BRAZIL

Brazil, with the largest debt in the Third World of 29 billion dollars, is also bluntly characterized by Loeb, Rhoades, and other major Wall Street investment banks as "the biggest time bomb of disaster for the Euromarket." The monetarist indexation of Milton Friedman has reduced real wages by 80 per cent and so destroyed labor skills and industry that Bankers consider fully half of Brazil's foreign debt unpayable and technically in default. "The Federal Reserve is just not reviewing Brazilian paper on the banks' books," said one source.

The Brazilian government, long the favorite of the New York banking community, has been forced to demand that multinationals in Brazil accept equity shares in Brazilian industry in return for 5 billion in debts the government has openly told them it cannot pay. Under this pressure to own what is obviously bankrupt, the multis and banks retaliated with a trade and other credit embargo on Brazil. The country is now importing out of its dwindling foreign exchange reserves.

EGYPT

Egypt's long-term and short term debt owed to the Eurodollar market is estimated to be between 13 to 14 billion dollars. According to New York's Chase Manhattan Bank, Egypt is at least six months behind on payments of debt service. This has been going on for at least a year. Eurodollar banks are not extending any long-term to medium-term credits to the country. A facade of debt payments has been maintained somewhat by extending short-term debts by Eurodollar banks, the bulk of which is then used to "pay off" interest on past debts. No repayments of principal are being made.

ARGENTINA

Argentina, with a conservatively estimated foreign debt of over \$10 billion, has a military coup for the self-announced purpose of dealing with its debt problems. A week before the coup, the Finance Ministry announced and all bankers concurred that Argentina was in default absolutely on some \$3.6 billion in foreign commercial debts, and falling behind on more daily. Since that time, the country in international begging missions, despite its compliance with bankers' demands for a coup, has received no more than \$1 billion in international loans, and remains clearly in default on close to \$3 billion.

INDONESIA

Indonesia, which has nearly \$16 billion in debt outstanding to Western creditors — primarily Eurodollar banks — most of which were direct credits issued to Indonesia's state-owned oil company, Pertamina, is at least \$1 billion in default on debt service payments to the Eurodollar banks. Indonesia has not made any debt service payments to its Western creditors since at least the beginning of this year, according to New York bank sources.

NORTH KOREA

Almost one year ago, North Korea defaulted on almost \$2 billion of debt owed to Western creditors. No U.S. credits — commercial or official — were involved. Sweden has already accepted North Korea's debt default, while Japanese creditors are presently negotiating an arrangement with the government of North Korea on the former's debts owed by North Korea.

PERU

Early this summer, Peru went into publicly reported defaults on at least \$460 million of its \$5 billion foreign debt. Peru is now in default, months later, on over \$500 million.

ZAIRE

Zaire's public default, now put by its creditors at a mere \$700 million, is the tip of the iceberg. The country with a \$6 billion foreign debt, is defaulting daily on more payments and interest coming due, and is likely up to twice that amount in arrears. The

central bank governor announced to its creditors at a London meeting in mid-September a "debt moratorium." The government of Zaire agreed that if the banks would roll over their loans for several years, Zaire would pay interest starting in 1977, and not complain about the total cutoff of trade credits and imports which has turned the country into a depopulated area. European banking sources horrified report that what food there is in the country is now being flown in under cover of night to the Mobutu government by South Africa.

South Korea

South Korea, with a billion foreign debt, is presently in technical default on over at least the \$800 million amount of its 1976 scheduled debt service payments. The country was widely reported by Citibank and others to be well behind and in out-and-out default on over \$1 billion of its 1975 debt servicing requirements and trade credits in early 1976, and has received no more than \$1 billion in international loans since that time. Trade credits entirely cut off during 1975, have still not been fully restored.

ALGERIA

Due to the very highly political prices demanded of Algeria on the Eurodollar market because of its pro-debt moratorium and international development policies, and due to the industrial

downturn in the West and its disastrous effect on oil markets, Algeria has in the past year virtually overnight run up \$3 billion in foreign debt to a total of \$9 billion, at least half of which was for debt refinancing, not development purposes. According to Swiss banking sources active in the Middle East, even Algeria is now technically in default on close to \$1 billion in loans because Euromarket banks are refusing to refinance the Boumedienne government.

ZAMBIA

The Zambian economy, dependent on the collapsed world copper price even more than Zaire, up to 95 per cent of its income, does not exist. The country has been in default on its debt servicing obligations since January of 1975 at the latest, which were some \$150 million in 1975 and a further \$200 million at least this year. Total foreign debt is estimated by bankers at \$2 billion and trade credits have been cut off since January 1975, such that imports have ceased from the West.

CHILE

Chile's default problems are famous. In brief, with a \$4.5 billion foreign debt, the country had at least \$1.25 billion in debt servicing due in 1975 and \$1.5 billion due this year which have not been paid. Recent loans have amounted to no more than several hundred million dollars.

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