Soviets Comment On Third World Debt

The following is reprinted from the USSR's Ekonomicheskaya Gazeta.

In their entirety, Western loans to the developing nations are an essential element of the economic foundation of neocolonialism...

Brazil, Mexico, and Indonesia have the largest debt among the developing nations. At the beginning of 1977 Brazil's debt reached $26.7 billion, Mexico's $25 billion and Indonesia's $11.2 billion. More than 30 other countries are also having a difficult time — the nations which have suffered the most from the economic and energy crises. The following countries belong to this group: Pakistan, Bangladesh, Ivory Coast, and a number of other Asian, African and Latin American states...

Bourgeois statistics belittle the magnitude of the actual indebtedness of these countries. In a number of cases they do not include short term credits of a year or less, loans for military purposes, and various other categories...

Problems of Repayment

The difficulties of the developing nations in repaying their foreign debts are compounded by the low effectiveness in the use of the received credits, a situation often artificially created by western capital. This low efficiency is determined by the very way in which the funds are applied.So far, most of the state loans to the developing countries have been for infrastructure development.Only 22.5 percent of the credits are granted for industry and energy. World Bank investment in industry of the borrowing countries averages about 20 percent of total loans while in infrastructure it averages 50 percent. Since the amortization period for infrastructure is longer, and their annual financial yield small, capital investments in it do not lead to a corresponding increase in budgetary revenues. As a result the nations do not possess the means of repayment in order to cancel their debts. When capitalist "aid" does finance industry in the developing nations, it mainly finances private enterprise. The developing states are forced to spend part of the received loans for paying off old debts, as well as on the purchase of food stuffs. All this lowers the efficiency of credit utilization...

At the present time some developing nations spend more than 15 percent of their whole export income for debt repayment; for Egypt, Uruguay and a few other nations it is more than 20 percent. As a result, the developing nations have reduced capability to import machines, equipment, industrial materials and consumer goods — all of which brakes their economic development.

In Search of a Solution

The developing nations are increasingly standing up for their economic and political rights...In the last few years they have sparked the struggle for a New World Economic Order. Its implementation would remove the unfair trade, would help establish effective control over the activities of the international monopolies, assure an equal footing in solving the world's currency-financial problems, provide for a more just distribution of financial, technical and material resources.

One of the demands of the developing nations is also the solution to the foreign debt problem. The developing nations seek better repayment conditions (mainly through postponement of repayments), arranging of special credits for the cancelation of the debts (so-called debt refinancing), and annulment of a part of the debt...

At the V Conference of the Heads of States and governments of the Nonaligned nations at Colombo (Sri Lanka) in Aug. of 1976, its particpants declared their determination to seek means to reduce indebtedness...

North-South Talks End In Failure

SPECIAL REPORT

After 18 months of shadow boxing "dialogue" and seemingly endless negotiations between representatives of oil producing and developing countries and developed capitalist countries, the Paris Conference on International Economic Cooperation (the North-South talks) ended June 2 in complete failure. The issue which has been at the center of the talks since their inception, the point of confrontation all along, was the source of final breakdown — the demand of the developing countries for a general moratoria on the huge accumulation of largely unredeemable debts, estimated conservatively at some $200 billions, owed to the New York banks, their Eurodollar affiliates, and the multilateral institutions that front for them, the IMF and the World Bank.

What emerged from the final Ministerial-level session of the Paris talks was a communique which largely stated an "agreement to disagree" on debt and almost every other major issue before the delegates. The failure of the talks, long predicted, was absolute certainty the moment after U.S. Secretary of State Cyrus Vance delivered the Carter Administration's final offer to the Third World representatives.

Vance's message, stripped of the usual Carter style, was simple — we offer you an opportunity to capitulate on all the key demands for debt moratoria and the establishment of a new world economic order, on which we will not yield one inch, and if you refuse you must face the consequences.

Left unsaid, but visible for all to see in southern Africa and the Middle East, are exactly what those "consequences" are. *New York Daily News* columnist and Carter aficionado James Weighart was not so diplomatically shy about making them clear: "The alternative to the peaceful, if painful negotiations now taking place is the continued exploitation of the have-nots by the haves, a process that will require force on a level that would make the repression of the 19th century colonialism seem pale by comparison."

Vance, speaking for David Rockefeller and the Trilateral Commission, asserted as the number one priority of the Carter policy toward the developing sector the collection of Chase Manhattan's blood money. Vance sanctimoniously told the delegates that the future would call for "many painful adjustments, accomodations and sacrifices." He offered nothing on debt except the now standard Kissinger "case by case" rape formula, throwing in an insulting plan for the creation of a $1 billion "action fund" to roll over debts of the worst-off developing countries.

The response of the Group of 19 developing country representatives at the talks was best expressed by the action of the Peruvian Foreign Minister who walked out on Vance's speech, later terming it a "farce." The conference ended with separate communiques issued by the Group of 8 and the Group of 19, with the latter declaring, according to BBC, that their demands for debt moratoria and the new world economic order were not met. The Italian press reported the comments of Jamaican Foreign Minister P.J. Patterson "we didn't reach our goals, which were a debt moratorium and a reform of the world monetary system."

Earlier in the conference the co-chairman of the talks and spokesman for the Group of 19, Venezuelan International Economics Minister Perez Guerrero, replied to Vance's outrageous "concessions." Guerrero mildly stated that the offers were "far below our expectations" and "not commensurate with the grave problems the developing countries face." He labeled Vance's pastiche "isolated gestures," rather than "fundamental changes" the developing countries are calling for.

Vance's "concessions" added up to very little. At the center were two items: the $1 billion fund which the *New York Daily News* correctly called "a bribe aimed at keeping the conference from breaking up" and a commitment to the establishment of some sort of "Common Fund" to stabilize raw material commodity prices. The latter has been the key ploy of the U.S. all along — a big concession of raw materials scheme they themselves already back because it will jack up the prices of raw material exports of the debtor Third World nations, thus ensuring payment of those debts and an inflationary windfall for the cash-starved banks and multis who mine and speculate on those commodity prices. The big game plan of Carter's "new look" toward the Third World was built on trading off this agreement on the Common Fund (or Common Fraud as it is known in certain circles) for a Third World abandonment of its debt moratoria demands.

Just to make sure that the Group of 19 did not miss the everpresent war threat behind these gestures, Nelson Rockefeller's Senator from New York, Jake Javits, a member of the U.S. delegation, warned the delegates if they did not "moderate" their "unrealistic" demands, the U.S. population and Congress would not even agree to Vance's "concessions." Vance himself made the same conditions clear.

The Group of 19 also issued a separate rebuff to Vance's attempts to establish an ongoing and separate "energy dialogue" between oil producers and consumers, through some kind of energy "institute." While the press reported that some of the oil producers were willing to go along with this, it was shot down by Iraq, Venezuela, and Algeria. This proposal too is part of the original Kissinger package, aimed at trying to isolate the energy issue from the entire new world economic order program of the developing countries, and at splitting the OPEC countries from the non-oil producing developing countries.

Vance also surprised even his own Group of 8 partners in calling for the entire North-South dialogue to continue in some forum or another. This bid for the developing countries to keep talking until hell freezes over was also rejected. The Common Fund issue will be taken up in the United Nations Conference on Trade and Development which is scheduled to meet again in November. As for the other questions, the position of the developing countries once the talks finished up is to refer everthing back to the United Nations.

The Group of 19, while showing a complete unwillingness to be bribed, threatened, or otherwise terrorized into capitulation, is equally unwilling so far to take any kind of decisive unilateral action to force the debt and monetary issue. That means declaration of debt moratoria which no government so far has shown the guts to carry out despite the fact that numerous countries have de facto defaulted on their payments. Instead those countries are collaborating with their creditors in keeping the whole unholy mess quiet.

This softness was evident in the talks, which went on for an extra day and with all night sessions as some developing country reps tried to find room for agreement. The totally unyielding position of Vance and friends made it impossible to come up with much more than some vague agreements in priciple on a few areas, like increases in official aid to the Third World and the commodities nonsense.

More resolute action by OPEC may come at the Belgrade European Security conference coming up later this month; there the question of Mediterranean security can be linked to economic issues.