The new Soviet scheme for world debt reform

by Rachel Douglas

The Soviet government, seeking to capitalize on the international debt crisis and the opposition among Third World countries to the austerity dictates of the International Monetary Fund (IMF), has launched a propaganda offensive aimed at securing a political stranglehold over those debt-strapped nations. Recent moves include a memorandum issued to the United Nations calling for an international conference on the debt crisis, and high-powered diplomatic courtship of key debtor nations in Ibero-America.

The memorandum, issued on Jan. 27 by Foreign Minister Eduard Shevardnadze, was titled "International Economic Security of States: An Important Condition for the Improvement of International Economic Relations." Its thesis is an old one for the Soviet propaganda mills: cuts in arms spending are the means to create funds for economic development in the Third World. It states:

> The problem of external indebtedness of developing countries to the West has assumed unprecedented acuteness in recent years. Payment of the interest on the debts leads to a speedier pumping of financial resources out of developing countries, and renders the economies of newly independent states lifeless. These resources are enriching the monopolies and are spent on financing the budget deficits and military programs of Western countries. . . . The necessary condition for the solution of the problem of foreign debt is the lowering of interest rates on loans and credits, stabilization of currency rates, rejection of protectionism in trade, restructuring of the international financial system to take into account the interests of all states, and democratization of financial institutions functioning within its framework.

The Soviet memorandum has nothing, in fact, to do with reforming the world monetary system; Moscow has not the slightest interest in fostering the growth of Third World countries, as its recent efforts to blackmail Peru with the "food weapon" attest. The current propaganda offensive is intended to align the countries of Ibero-America against the United States, and especially against the U.S. Strategic Defense Initiative. It is further intended to block the emergence of a continent-wide alliance for development, independent of the IMF, as proposed by Lyndon LaRouche in his 1982 document *Operation Juárez*, and as currently being put into place by Peruvian President Alan García.

The last Soviet bloc leader to come up with a plan for international monetary "reform," along the lines of the Shevardnadze memorandum, was Fidel Castro, who in June 1985 issued a plan for what he called "saving capitalism" from the debt crisis (see *EIR*, July 2, 1985, "LaRouche Replies to 1988 Doomsday Forecast by Castro"). Lyndon LaRouche described the purpose of Castro's scheme at that time:

> Soviet and Cuban strategic policy toward the Americas is, to use the destabilizing effects of IMF "conditionalities," to promote conflicts between the U.S.A. and Ibero-American states. Castro is not debating President Reagan; he is laughing at the follies of the Kissinger Associates-steered Reagan administration.
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> Castro is not debating President Reagan; he is debating Lyndon LaRouche, LaRouche's "Operation Juárez." Castro, like the Soviet Academy of Science's Tashkent-directed subversive operations in Ibero-America, fears nothing from the United States except LaRouche's proposed transformations in U.S. foreign policy, as typified by LaRouche's 1982 policy-paper, *Operation Juárez*.

The Soviet-Cuban diplomatic offensive is now targeting especially those countries of Ibero-America which President García has identified as the key to forging his continental alliance: Brazil and Argentina, the economic giants. At a press conference on Feb. 15, García proposed that the Andean Reserve Fund serve as the starting point for a new regional monetary system. "The day that Argentina or Brazil were to join the Andean Reserve Fund," he said, "that agency would have much more capacity to act than the IMF."

To head off such a development, two "firsts" occurred: visits to Moscow by Brazilian Foreign Minister Olavo Setúbal in December, and Argentine Foreign Minister Dante Caputo at the end of January.

Setúbal discussed the debt crisis with Soviet Foreign Minister Eduard Shevardnadze, and the two laid the basis for expanding Brazilian steel exports to the U.S.S.R. in 1986.

Caputo, the first Argentine foreign minister to visit the Soviet Union in decades, signed several trade agreements, including for the import by the Soviet Union of 4.5 million tons of Argentine fodder grain and soybeans per year until 1990. Argentina will buy Soviet industrial equipment and heavy machinery. Shevardnadze told Caputo at a luncheon on Jan. 29, that "a huge and ever-increasing foreign debt is arising as an insurmountable barrier on the path to the socio-economic progress of the peoples of the developing countries."