

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 participants 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.