

Battle over the IMF erupts at Non-Aligned summit

by Peter Ennis in New Delhi

“Humankind is balancing on the brink of the collapse of the world economic system and annihilation through nuclear war.” With these words Indian Prime Minister Indira Gandhi initiated deliberations on the world’s most pressing economic and political problems at the opening of the Seventh Summit of Non-Aligned Heads of State and Government on March 7 in this city.

The five-day summit brings together the leaders of close to two-thirds of the world’s population from 100 developing nations in Africa, Asia, Latin America, and Europe. Taking place in the midst of the worst economic crisis since the Great Depression of the 1930s, discussions and speeches delivered thus far have highlighted the effect of the crisis on the developing countries, and the need to take urgent measures to bring about a world economic recovery.

The host government of Indian Prime Minister Indira Gandhi has been largely successful in its stated goal of focusing the conference on the universal economic crisis and avoiding divisive political issues which have previously split the Non-Aligned movement into various “radical versus moderate” camps. The thorny issues of Afghanistan, the Iran-Iraq conflict, and the question of who will represent Cambodia in the movement were successfully defused. The Cambodia issue had been expected to be most difficult, but the Indian government was able to gain relatively easy agreement on the compromise formula of keeping the seat empty, denying representation to both the Heng Samrin government in Phnom Penh (which India recognizes) and the deposed regime of mass murderer Pol Pot.

The key debate over strategy on international economic issues has been heated. Within the conference working committee on economics, it has erupted into an open brawl, with

two of the IMF’s prime satrapies, Pakistan and Jamaica, making an open bid to mortgage the very existence of the developing countries to an expanded IMF. India, Nicaragua, and several other countries are continuing to insist that the Non-Aligned countries must firmly demand a New World Economic Order.

In particular, India has proposed the immediate convening of an International Conference on Money and Finance for Development to carry out comprehensive changes in the IMF-World Bank system, and the adoption of the principle of “collective renegotiation” of developing-sector indebtedness. Nicaraguan head of state Daniel Ortega, backing up India, has called for the formation of a “debtors’ cartel” to force the creditor nations to the bargaining table.

The outcome of this battle will determine whether the industrial north crumbles together with the developing sector under an IMF bankers’ cartel dictatorship, or whether there is a chance for a real economic recovery.

Debt restructuring required

The tenor for the heads of state summit was set by Prime Minister Gandhi in her inaugural speech on March 7 (see page 30). Mrs. Gandhi warned that the current crisis was not limited to the developing countries. She asked: “Can any one of us—large, small, rich or poor, from North or South, West or East—hope to escape” the dangers of economic collapse and nuclear war?

To solve this crisis the Indian prime minister called for the summit to “devise a coherent program of measures to be taken immediately to help developing countries in areas of critical importance.” Among these, she stressed the need for “a major debt restructuring exercise.”

She also emphasized the “urgent need” to hold an International Conference on Money and Finance for Development to carry out comprehensive changes in the Bretton Woods international monetary system “which is now recognized as out of date, inequitable and inadequate.”

The issues raised by Prime Minister Gandhi were reiterated and elaborated on in some of the other speeches by heads of state and government in the past days. Many leaders have condemned the existing international economic order, subjecting the IMF to particularly bitter attack, and have vividly described the impact of the current crisis on their already weak economies.

The most comprehensive treatment of these issues was given by Cuban President Fidel Castro, outgoing chairman of the Non-Aligned movement. After a lengthy and often inflammatory discussion of the political crises which have broken out during the past period, Castro illustrated the way in which developing nations’ terms of trade have deteriorated in the past years.

“It is not surprising, under these conditions,” Castro said, “to see the extraordinary increase in the underdeveloped world’s external debt which in 1982 surpassed the \$600 billion figure. . . . This huge debt . . . is in itself a denunciation and conclusive evidence of the irrationalities and inequities of the present international economic order.”

Battle erupts in economic committee

The simmering debate over a Non-Aligned strategy on these issues broke into the open on March 8, when Pakistan put on the table a resolution providing backing to Algeria’s position that North-South negotiations should be conducted in “two phases,” the first of which would not challenge the IMF system.

The Pakistani position was presented by the dictatorship’s planning minister, Mahbub ul-Haq, who until recently was a vice-president of the World Bank and is a leading colonial agent. Haq lied to reporters that his proposal was backed by many delegations, a claim vigorously denied by a spokesman for India, who privately denounced Haq as “an agent of the World Bank” and insisted that his proposal would be trounced.

Earlier, Indian Foreign Office official Romesh Bhandari had clarified the meaning of the Indian proposals at a press briefing, emphasizing that the proposals were based on rejection of the Bretton Woods system as “outdated, inequitable, unjust, and insufficient to deal with the type of financial and monetary problems which the world is now facing.”

Privately, an Indian official underscored the official Indian position that the proposed monetary conference be “full-fledged,” and with “powers to conclude treaties.”

For a debtors’ cartel

The Indian initiative got a powerful boost on March 9 from Nicaraguan head of state Daniel Ortega. In a speech to the summit, Ortega said that in the face of the strategy of the

creditors, “We need a strategy of the poor, impoverished debtors.”

“In just the same way as the private international banks, the industrialized free-market economies and the international organizations have their own institutions and strategies,” Ortega stated, “it is just, and even a duty of the poor countries to establish an organization of debtor countries.”

This would make it possible, he continued, to “unite the debtor countries in one organization based on universal voluntary participation; launch efforts and actions that would lead the creditors to seriously consider the necessity of a new international economic order; and, ensure that the solution of the debt problem is not unilateral, but rather contemplates the massive transfer of resources that would allow our countries the possibilities of development.”

Such a common organization of debtor countries, Ortega said, “could well be called the ‘New Delhi group.’ ”

Pakistan’s planning minister made a second proposal, that a “rescheduling facility” be established within the IMF to subsidize developing sector debt payments with funds raised by the sale of IMF gold stocks and new issues of IMF funny money, SDRs. The special “rescheduling facility” would not only handle official debt but would have jurisdiction over private debt as well, and would therefore closely coordinate with the international private banks, Haq said.

The private banks would have to agree to convert some of their short term debt into long term debt and perhaps lose some non-performing paper, but in exchange the banks would gain the benefit of greater IMF surveillance over developing countries, according to sources familiar with Haq’s plan. The plan is nearly identical to one floated by Lazard Frères banker Felix Rohatyn, author of the New York City austerity program.

The Pakistani proposal was fully endorsed by Jamaican Prime Minister Edward Seaga, the Caribbean deputy of David Rockefeller, in Seaga’s speech to the heads of state. By issuing this proposal through the Pakistanis, the agents of the IMF-World Bank and its offspring the Brandt Commission hoped to prevent the debate inside the economic committee from “getting out of control.”

A new dimension

However, sources familiar with the economic commission deliberations report that an unprecedented level of participation in the debate by dozens of countries that are normally passive has added a new dimension. The reason for this, he said, is that “so many countries are under immense pressure from the economic crisis that they are actually interested in every paragraph of the final communiqué.”

This was reflected by the prime minister of the Caribbean island of Grenada, Maurice Bishop, who in response to a question from NSIPS at a press conference today stated that he was “fully supportive” of the idea of a debtors’ cartel which could exert pressure on the North for establishing “a fundamentally new monetary system.”

“The IMF has 200 times as many enemies at this confer-

ence as it has friends," Bishop told the press. "I can give you a long list of countries who as recently as last November opposed saying anything against the IMF who are now actively campaigning for debt cancellation."

The work of the economic committee will undoubtedly extend beyond its deadline. A "working group" to hammer out differences among committee members on the policy draft, consisting of Sri Lanka, Algeria, India, and Bangladesh, has been formed.

As of this writing, one day before the conference is to conclude, the economic committee of the Non-Aligned summit is closeted in a final round of grueling negotiations over strategy to be taken by the developing countries for a new world economic order.

The entirety of the committee's work on peripheral issues has been completed, but heated debate continues on the most fundamental points:

- 1) The nature and scope of the International Conference on Money and Finance for Development proposed by India;
- 2) What to do about the debt crisis of the developing countries; and,
- 3) How to pursue "global negotiations" with the "North" which would reorganize the entire postwar economic system.

The committee is holding what is expected to be its final session on March 10, where the differences on these issues will be thrashed out.

According to informed sources, as of 1 a.m. on March 11, the state of the debate on these three key issues was as follows:

1) **International monetary conference:** The committee has reportedly agreed that the Non-Aligned summit will call for the convening of such an international monetary conference. However, the committee is still negotiating how to motivate the convening of the conference. The committee has definitely decided that the focus of the conference will be the mobilization of financial resources "for the exclusive use of development of the developing countries."

One source said: "It is still to be decided whether a final communiqué will state that the conference is designed to create a new monetary system. However, it is safe to say that since the existing monetary system does not now finance Third World development, by focusing the conference on the issue of Third World development it does, in effect, call for a new monetary system."

This is a setback for the IMF and its main instrument at the conference, Pakistan, which has been openly lobbying against the Indian proposal that the conference focus in on economic development. Pakistani officials have been saying directly that "a new Bretton Woods conference" is what is needed, one that would have a limited scope and would not question the functioning of the existing IMF system.

2) **Developing-sector debt:** Sources report that the final communiqué will call for "collective renegotiation" of de-

veloping countries' debt. However, this issue has been the focus of a particularly sharp fight, especially among Latin American nations. Cuba, Nicaragua, and several other Latin American countries have been saying the developing countries should directly demand the cancellation and/or overall rescheduling of developing sector debt, while Jamaica and Argentina have been leading the campaign to remove all reference to collective renegotiation from the communiqué. Those two countries have been insisting that debt renegotiation be maintained on a bilateral basis and not take on a multilateral character.

The Pakistani proposal for creation of a centralized debt-rescheduling facility within the IMF has not received any support. Word rapidly spread at the conference on Thursday that the Pakistani proposal was in fact written by Felix Rohatyn, and this report was featured in the Indian press on March 10.

3) **Global negotiations:** India has reportedly compromised with Algeria that global negotiations should take place in two phases, the first phase dealing with less contentious issues while the question of the future of the IMF is avoided. India agreed to this, preferring to put political priority on the convening of the proposed international monetary conference.

Decisions in the Non-Aligned movement must be made by consensus, so it is still too early to predict the final outcome of the debate. However, it is clear already that the summit will emerge with some momentum on the part of the developing countries toward resolving the current global economic crisis through collective debt renegotiation and focusing North-South talks on the creation of some form of a new international monetary system.

(Next week the *EIR* will carry a full report on the Non-Aligned summit and its conclusion).

Mrs. Gandhi: 'Humanity balancing on the brink'

The following are excerpts from Indian Prime Minister Indira Gandhi's opening speech to the Non-Aligned summit in New Delhi on March 8.

"Humankind is balancing on the brink of the collapse of the world economic system and annihilation in a nuclear war," India's Prime Minister Indira Gandhi said.

Should these tragedies occur, can any one of us—rich or

poor, large or small, North or South—hope to escape? Let us analyze the economic crisis. We of the developing world have no margin of safety. We shall be the first and worst sufferers in any economic breakdown.”

What has happened since the last Non-Aligned summit in Havana in 1979? “Since Havana there have been four successive years of stagnation or decline in the world economy. World production regressed by 1.2 percent in 1981, and trade stagnated last year. Unemployment in developed countries now exceeds 30 million. . . the highest level since the Great Depression. In poorer countries, where unemployment is chronic, the situation is particularly harrowing.

“Since 1979 the current balance of payments deficits of the developing countries and their debt burdens have doubled to \$100 billion and \$600 billion respectively. Medium and long-term lending to them fell by over \$10 billion. Concessional assistance has rapidly declined. . . . The export earnings of developing countries have gone down by \$40 billion over the last two years. Commodity prices which were declining have collapsed. The levels now are the lowest in the last 50 years. Developing countries get less for what we produce, while we pay more for the industrial goods we import. Interest rates are at an all-time high.

“In spite of Ottawa, Cancun, and Versailles, the dialogue between the developed and developing countries has not been begun. Only a few in the North realize that the sustained social and economic development of the South is in its own interest. Thus, we ask not for charity or philanthropy, but sound economic sense. Such cooperation between North and South will be of mutual benefit.”

Need new international economic order

“The Non-Aligned Movement has stood firmly for a thoroughgoing restructuring of international economic relations. We are against exploitation. We are for each nation’s right to its resources and policies. We want an equal voice in the operation of international institutions. We reiterate our commitment to the establishment of a new international economic order based on justice and equality. At this meeting we should also devise a coherent program of measures to be taken immediately to help developing countries in areas of critical importance. We should outline a strategy for follow-up action for the forthcoming Sixth Session of the U.N. Conference on Trade and Development (UNCTAD) and other major international conferences. An international conference on money and finance for development, which is not weighted in favor of the North, is an urgent need. Problems of money and finance also burden the countries of the North and have to be solved in a mutually beneficial manner. Such a conference should suggest comprehensive reform of the international monetary and financial system now recognized as out of date, inequitable, and inadequate. It should facilitate

the mobilization of developmental finance for definite vital areas such as food, energy, and industrial development. A major debt restructuring exercise must be undertaken. The debt problem of developing countries has assumed an unprecedented dimension, and servicing alone absorbs over one-quarter of their total export earnings.”

Prime Minister Gandhi called for greater economic cooperation among the developing countries—so-called South-South cooperation. She also emphasized that “each of our countries must strengthen its domestic base of science and technology, and collectively we should devise more effective mechanisms for the pooling of our experiences.”

Steps to carry “development, independence, disarmament, and peace are closely related. . . . ‘Without peace,’ my father [former Indian Prime Minister Jawaharla Nehru] said, ‘all our dreams of development can turn to ashes.’ It has been pointed out that global military expenditures are 20 times the total official developmental assistance. . . . The hood of the cobra is spread. Humankind watches in frozen fear, hoping against hope that it will not strike.” Prime Minister Gandhi went on to condemn the notion “that tactical nuclear weapons are usable in ‘limited wars’ ” and “the untenable doctrine of deterrence.”

Mrs. Gandhi concluded by noting that “the paradox of our age is that while weapons become increasingly sophisticated, minds remain imprisoned in ideas of simpler times. Technically the colonial age has ended, but the wish to dominate persists. Neo-colonialism comes wrapped in all types of packages—technology, commerce, and culture. It takes boldness and integrity to resist it.”

‘Our task’

“The eyes of the world are upon us. People in India and in all our countries have high expectations from our deliberations. Let us decide here:

To demand more purposeful steps to carry forward the democratization of the international system and to usher in a new international economic order;

To call for an international conference on money and finance for development which will devise methods to mobilize finance for investments in the critical areas of food, energy and industrial development; and,

To reassert our commitment to collective self-reliance.

Nationalism does not detach us from our common humanity. What a marvelous opportunity is ours, with the immense knowledge and increasing capability. Let us grasp it, though it be in the midst of danger. Faith in the future has brought so many across the continents and oceans to meet here. We are here because we do believe that minds and attitudes can and must be changed, that injustice and suffering can and must be diminished. Our world is small, but it has room for all of us to live together and to improve the quality of life for our people, peace and beauty.”