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French premier offers sane economic policy to U.S.

by Don Baier

Premier Jacques Chirac made it very clear during his March 30-April 1 visit to the United States, that France has broken dramatically with the hegemonic international economic policy of the past 20 years, the policy currently enforced by the Reagan administration and the International Monetary Fund. The U.S.-IMF policy, is geared to extracting maximum loot from developing sector nations, to squeeze out a few more months of life for the bankrupt Western financial system.

"I shed no tears for the banks. They are responsible for the Third World debt problem," Chirac told a press conference at the French embassy in Washington, D.C. April 1. "The International Monetary Fund is imposing constraints which are intolerable," on the developing sector nations, Chirac said later in a radio broadcast beamed back to Western Europe.

France, the first major Western nation to conclude a debt rescheduling agreement with Brazil, after Brazil's Feb. 20 declaration of a debt moratorium, is now moving onto the economic policy track defined by Pope Paul VI's 1967 encyclical *Populorum Progressio,* which set worldwide economic development as mankind's essential task. "Development is the new name for peace," Paul VI proclaimed 20 years ago, in making the case for a new, more just world economic order. Acting in accordance with that conception, France has advanced a proposal for a new Marshall Plan for Africa, beginning with a mechanism to divert advanced-sector food surpluses to the most needy African nations. Chirac said he told President Reagan that Pope John Paul II supports France's proposal.

Chirac added that along with debt rescheduling and food transfers, "there must also be international agreements on pricing on a product by product basis." He pointed out, for example, that the Ivory Coast has been devastated by the recent collapse in the world price of its chief exports: coffee, cotton, and cocoa. Unfavorable terms of trade have wrecked all attempts at systematic development by Third World nations, especially since U.S. Federal Reserve Board chairman Paul Volcker shot interest rates up to 20% in 1979-80.

Respect for human life at stake

"The selfishness of the richest countries must be halted," Chirac said in his lengthy and emotional statement. "In my discussions with Reagan on arms control, economics, and terrorism, I stressed to him that all these had less relevance than the survival of increasing numbers of people in the world whose incomes are dropping and who cannot bear the debts that they have contracted."

Chirac added, "I told the President that this is tomorrow's greatest political challenge, and that it bears on the political stability of the whole world, based on the moral effect of respect for human life, the human individual, and the defense of freedom. We cannot support these values and remain indifferent and passive in the face of the deterioration of increasing numbers of nations."

Chirac said that he expressed his concern, and his proposal, which has been coined a "Marshall Plan for the Third World," with members of Congress as well as the President, Secretary of State George Shultz, and Treasury Secretary James Baker III.

Asked if the French "Marshall Plan" idea involved writing off Third World debt, Chirac said that it only proposed "loosening the tough conditions of the IMF, and rescheduling. . . . Right now, it is impossible for these countries to comply with the demands to pay their debts," he said. "Even though not even the poorest of these countries is asking for a write-off, I shed no tears for the banks in this situation,

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because they are responsible for it by encouraging countries to become indebted in an irresponsible way."

Chirac said he discussed France's Marshall Plan proposal at a March 31 state dinner at the White House with President Reagan, and that the Archbishop of Boston, Cardinal Bernard Law, who was present at the dinner, expressed "considerable interest" in the French proposal. "This is a matter that the Pope is very concerned about," Chirac added, noting that the Vatican has "approved" the French proposal for transferring agricultural surpluses to "where hunger is rampant" without disrupting the economies of the agricultural producing nations.

In an April 1 interview carried on the French national radio station Europe 1, Chirac said he had discussed with Reagan the security of Europe, the "zero option" arms control proposal, and economic relations between Europe and the United States as well, but again put major emphasis on a new deal for the developing countries.

"There is a set of measures which must be taken," Chirac spelled out his agenda. "First, concerning the debt. We have to reschedule the debts, and reschedule them under conditionalities which are tolerable for these countries. You know that today, in order to achieve this rescheduling, the International Monetary Fund is imposing constraints which are intolerable. The first point is therefore giving to the International Monetary Fund, the World Bank, the means of rescheduling without imposing constraints that are inadmissible and unacceptable for these countries."

Chirac called for increasing "bilateral aid of the rich countries toward the developing countries, and also multilateral aid. There is an array of technical measures. For example, those François Guillaume, the agriculture minister, proposed to the Pope, to utilize our own food surpluses and give them to those who need them, without, however, disturbing their own agricultural development. To conclude, a great policy must be undertaken to give back hope for the men and women of these countries. It's our duty. It is a demand that is political and moral at the same time."

Chirac, described Reagan's reaction to his proposal: "To be honest, I found the President of the United States almost dumbfounded a bit, at first, and then interested. I felt his reaction was very positive."

Chirac's optimistic evaluation of Reagan's response notwithstanding, a senior U.S. administration official told reporters at the White House March 31 that Chirac's idea, "goes in exactly the opposite direction we think things should go. We favor allowing market forces to run their course. This proposal involves too much government intervention."

The Reagan official called it a "proposal for a food producers' cartel."

France and Brazil

The French are not just talking, but putting their ideas into action. On March 24, the governments of France and Brazil announced that they had agreed on terms for rescheduling Brazilian debt to France. The $650 million due the French government in 1985-86 will now be repaid over six years. Brazil will not pay anything for the first three years. The 4.05% interest rate agreed on for the loan, is far below present market levels.

With that action, France ruined attempts to form a creditors' cartel against Brazil that could force the country to back down on its demand that a new international monetary system be created.

The deal with France "opens the way for the same quality of negotiations with other countries," one of Brazil's negotiators told the Brazilian daily *Gazeta Mercantil*.

The French support for Brazil came at the same time international banks backed down from threats to immediately cut off short-term trade credits to Brazil. Some $15 billion in short-term credit lines came due March 31, and bankers had initially threatened that if Brazil did not make at least a "token payment" on its debts, and fire its aggressive finance minister, Dilson Funaro, it would be cut off from international trade.

Brazil neither paid a penny, nor fired its economic team—but the banks backed down. "All the short-term lines, without exception, were renewed," Funaro announced on March 31. "The integral renovation of the short-term lines shows that the negotiations should get back on the track of normalcy," Funaro said. The agreement assures Brazil that vital imports will continue for at least 30 days.

A new chance for Africa

In part, France's Marshall Plan proposal, the complement to its debt rescheduling policy, is motivated by the understanding that anything less than a new economic policy will produce new and bigger threats to French national security. Africa is a case in point. The French government is known to be gravely concerned about social and political instability in Egypt, Tunisia, and French-speaking black Africa—part of the reason Interior Minister Charles Pasqua on March 10 denounced IMF policies, for producing revolutionaries and communists by impoverishing Third World nations. The March 22-24 rout of Libyan troops in Chad (see page 9) came only after a three-year occupation of the northern half of the country by Col. Qaddafi's invading forces, and was carried out with French backing against the Soviet client. Quick implementation of the French Marshall Plan approach now, is probably the last chance for the continent. Throughout the 1980s, Africa has been "written off" by the banks, IMF, and other supranational agencies, who contend that the continent is "overpopulated," and watch complacently while millions hover at the edge of starvation, and AIDS spreads like wildfire, putting entire nations at risk.

Chirac's visit to Washington put morality in economics, the principal issue of human survival, squarely before President Reagan and the U.S. government. Now, the task is to make sure that, no matter what the obstacles, that message is understood.