

## Mexico, Brazil demand new financial order

by Elsa Ennis, U.N. Correspondent

Speaking to the United Nations General Assembly on Oct. 1, Mexico's President José López Portillo warned that failure to reverse the present world economic depression could unleash a "regression to the Dark Ages, with no possibility of a Renaissance." Calling on nations in attendance to rapidly create a New World Economic Order which emphasizes production and puts an end to monetarist speculation, López Portillo ripped apart the trade and monetary arrangements established under British tutelage in the post-war period as a scheme aimed at keeping most of the world in a stage of permanent misery and under-development.

The Mexican leader identified the policies of high interest rates and artificially low prices of raw materials concocted by such monetarist ideologues as the U.S. Federal Reserve's Paul Volcker as the two most immediate causes of the financial crisis plaguing many developing countries, threatening to unleash world economic collapse. These factors, he said, are "the two blades of a pair of scissors that threaten to slash the momentum achieved in some countries and to cut off the possibilities for progress in the rest." Such policies, he declared, are responsible not only for a spiraling payments crisis in the Third World but for provoking the lowest growth rates in the advanced sector in recent decades.

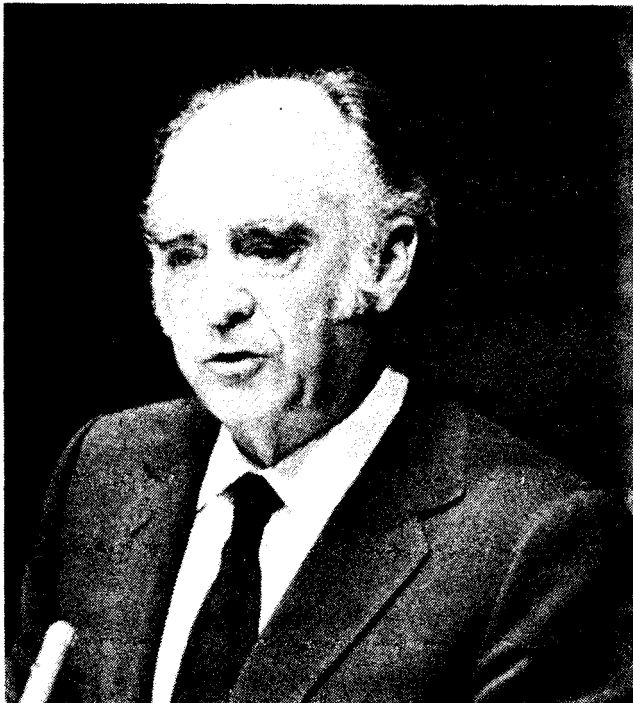
Unless these policies are reversed, López Portillo threatened bluntly, the nations of Ibero-America may be forced to jointly cease payment on their foreign debt. "*Payment suspension is to no one's advantage and no one wants it. But whether or not this will happen is beyond the responsibility of the debtors,*" he warned. "*Common situations produce similar positions, with no need for conspiracies or intrigue.*"

López Portillo has thus brought to a new level the momentum among Ibero-American leaders to form a New World Economic Order. Contrary to previous rounds of vague rhetoric in the United Nations, this year a group of Ibero-American nations led by Mexico and Brazil, have been organizing other Third World nations to unite and begin implementation of that new world order.

Brazil's President João Baptista Figueiredo opened the U.N. flank of that offensive in his speech to the General Assembly Sept. 27 when he warned that "symptoms dramatically reminiscent of the events of the 1930s are reappearing today . . . production investment is being asphyxiated on a global scale under the impact of high interest rates . . . the high cost of foreign debt service creates impossible situations for certain countries." Figueiredo then appealed, "All this sacrifice could be tolerated if, in return, a restructuring of the international economic order could be seen on the horizon within a reasonable period."

After Figueiredo focused the usually vague discussions at the U.N. on the horrifying reality now confronting the world, the foreign ministers of Venezuela and Peru rose to back Figueiredo. Venezuela's José Alberto Zambrano Velasco said that this economic crisis is "the greatest threat to stability, progress and peace in the world."

The Venezuelan spokesman was followed by the Foreign Minister of Peru, Javier Arias Stella, who affirmed that "it is not possible to any longer allow things to continue as they are, because the international economic crisis is at the root of the grave political and social difficulties that confront the international community."



Philip Ulanowsky/NSIPS

President López Portillo at the U.N. on Oct. 1.

### Shultz proposes self-destruction

López Portillo made a point of answering the speech delivered the day before by the Secretary of State of the United States, George Shultz. With a studied and provocative tone which reminded the audience of Henry Kissinger's destruction of the North-South dialogue in the 1975-76 period, Shultz had taken the podium to announce that U.S. policy is to deepen the depression in the advanced sector and to force the Third World to accept the International Monetary Fund's austerity "conditionalities." "Immediate debt problems are manageable if we use good sense and avoid destabilizing actions," he said, "but the magnitude of external debt will almost inevitably reduce resources available for future lending for development purposes. Economic adjustment is imperative, and the International Monetary Fund can provide critical help and guidance."

Shultz went on to blame the present world financial crisis on developing countries' efforts to grow.

López Portillo's answer the next morning: "I want to be emphatic: we countries of the South have not sinned against the world economy. Our efforts to grow in order to conquer hunger, disease, ignorance, and dependency have not caused the international crisis." The Mexican President explained how the onerous debt service now strangling Third World countries' development tripled because of Paul Volcker's decision to increase interest rates, and warned that debt payments might be suspended in order to save developing countries from total destruction. "We cannot paralyze our economies or plunge our peoples into greater misery in order to pay a debt on which servicing tripled without our participation or

responsibility and with terms that are imposed on us. . ."

### An appeal to the North

While posing the possibility of a Mexican "debt bomb" which in turn could catalyze similar moves by other countries, López Portillo made an appeal to the "North" to save itself from British monetarism as the only way to put 30 million skilled workers now unemployed in the advanced sector back to work.

During his speech, Brazil's President Figueiredo was also emphatic in saying that "there is no crisis" between the North and the South, "but rather a profound crisis in the international economic system. The same situation affects both groupings."

Nonetheless, given the advanced sector's insistence on cutting Third World development, as expressed in Shultz's speech, Ibero-American leaders are clearly calling on other Third World countries to prepare for unilateral action such as suspension of debt payments and increasing "South-South" trade arrangements. "The diversity within the Third World," Figueiredo said, "contains unsuspected opportunities for economic complementarity and is a unifying element."

Such unilateral action, in the view of Ibero-American leaders, will not solve the world crisis in itself, but will break the current world political arrangement in which irrational policies are dictated to the developing countries by the likes of Shultz, Kissinger, and the IMF. The ensuing crisis would provide advanced-sector leaderships with the opportunity to reconsider current policies.

Brazil, Ibero-America's most powerful economy, is already aggressively exploring economic "complementarity" in the form of Third World markets for its grossly underutilized capital goods production capability. The president of the state oil company Petrobras, Shigeaki Ueki, is, according to sources at that company, "on full-time deployment" visiting countries to arrange oil for Brazilian capital-goods barter deals. Ueki visited Mexico at the end of September to work out deals for Mexico to repay \$250 million in commercial arrears to Brazil by upping its oil exports to Brazil. Mexico appears to be seriously studying this proposal, and the head of Petroleos Mexicanos, Rodolfo Moctezuma Cid, flew to Brazil soon afterward to pursue discussions.

Late last month, *Gazeta Mercantil*, Brazil's most prestigious financial paper, proposed that similar barter arrangements be concluded with grain-rich Argentina and such oil producers as Venezuela, Nigeria, and China. These kinds of arrangements could prevent Brazil from halving its oil imports next year as previously planned.

### The Malvinas backlash

The war between Britain and Argentina earlier this year was crucial in spurring the leading role Ibero-Americans are now taking in the fight for a New World Economic Order. That event gave Ibero-Americans a political unity they previously lacked and which in turn has shaped the unified re-

action to the financial crisis now closing in on Brazil, Mexico, Venezuela, Argentina and other countries.

Nations which actively supported Argentina's rightful claim over the Malvinas Islands saw themselves threatened with trade and financial embargoes by the advanced sector. This aggression ironically led them to explore the possibilities of increasing their mutual trade and economic complementarity, and they found that they were not as vulnerable as they thought. The realization has also spread that, as the world's biggest debtors, Ibero-American countries are in a position—if unified—to dictate terms to the OECD countries' banks, rather than accepting counter-productive "conditionalities." Now they can talk to the rest of the Third World with a deeper sense of how a New World Economic Order would actually work.

Another catalyst in this process has been the circulation in Ibero-America of the proposals of American economist and Democratic Party leader, Lyndon H. LaRouche, *EIR*'s founder, for a joint debt renegotiation and an Ibero-American common market.

### **Kissinger comes back**

Brazil, as the most powerful developing country, is the key to this emerging unity—a fact of which George Shultz is well aware.

Ibero-American leaders had barely started their New World Economic Order offensive in the United Nations before a myriad of U.S. government officials were deploying a reserve of threats and promises. A clear example is the State Department's recent attempts to "buy up" Brazil by offering it "special treatment." The "whole world market depends on how Brazil manages its situation during the coming years," a State Department official told the daily *O Estado de São Paulo* in late September, adding that from now on the U.S. would turn its attention from Mexico to Brazil.

This strategy of "divide and conquer," a rerun of Kissinger's 1975 use of Brazil against Ibero-American unity, is apparently having some effect on Brazil's most "pragmatic"—and therefore most vulnerable—leaders. On Sept. 29, Kissinger's ally Shultz met with Brazilian Planning Minister Delfim Netto in New York. After the meeting, a Brazilian official told the press that "the attitude of the United States is becoming more flexible, and there is a climate of good will on the part of the U.S. authorities in relation to Brazil."

That day in a U.N. back room, U.S. ambassador Jeane Kirkpatrick met with Peru's Foreign Minister, Arias Stella. There are no public reports on what pledges or warnings were communicated to the Peruvian official. Nonetheless, Third World representatives have expressed fears that an "International Economic Emergency Plan" proposed by the Peruvian government may be turned under U.S. pressure into a trick to distract the Third World from the task of building the kind of New World Economic Order that would be free of British monetarist dogmas and dedicated to independent industrial development.

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## **López Portillo's Statement**

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# **'Without development, no debt can be paid'**

*Excerpts follow from the official English translation of the address by Mexican President José López Portillo to the United Nations General Assembly on Oct. 1. Subtitles and emphasis have been added.*

... Mexico sees in the United Nations the best and highest international forum, in which it is possible to hope for rationality in the face of the overriding presence of the absurd: since the unparalleled infamy of the Second World War, this has been the only setting where arguments can be put forward in the light of reason and the law for preventing a new conflict that very probably would be the last; it represents the only way to revitalize the pursuits of civilization.

If these words seem exaggerated to us today, let us ponder the fact that less than forty years have passed since the end of that war. Let us recall that it was preceded, in fact was brought on, by an economic recession, and that the despair caused by that setback proved to be an evil counselor of peoples and governments. Let us remember that a prolonged debasement of reason and of life itself came before the absurd and death became the controlling influences. . . .

### **Interdependence and economic decolonization**

This makes it essential to bring together the two fundamental areas of negotiation for which the world is waiting: the one that will lead to détente between the two superpowers, and the one that will reorganize relationships between countries with different levels of development. These two conflicts, East-West and North-South, we repeat, has all of mankind crucified. Only through the convergence of both areas of negotiations can there be established a new international order—one which includes the process of political decolonization and the fundamental challenge for international society: economic decolonization. . . .

At the same time, when the international community is incapable of generating the minimum conditions needed for generalized progress, peoples have to choose between the misery of abject subsistence and the harsh road of revolution. Such is the drama of Latin America today. Such are the prospects of most of the nations here represented.

At the present moment, rather than a summons, what is needed is a warning: the world is absolutely interdependent, and not one of its parts can save itself if the others are

doomed. . . .

But Mexico's most constant preoccupation and its principal occupation in international affairs is the transition to a new economic order.

We have insisted that the entire gamut of the economic relationships of the developing countries with the industrialized world must be transformed. Such relationships have appeared as items on the agendas of numerous international conferences, but the progress made has not been particularly encouraging. Thus, we thought of convoking a summit meeting of the main industrialized countries and a representative number of developing nations. Rather than negotiating topic by topic, the idea was for heads of state and government to express their firm political willingness to take a qualitatively significant step in the negotiations that had come to a standstill by recognizing the need to seek this essential new order. . . . Tragic paradoxes that we have been unable to resolve were presented [at the February North-South summit] in Cancún: recession in the countries of the North, due, among other things, to the lack of a market for their goods, which the South requires but cannot purchase because of inadequate financing; funds from the countries of the South that are placed in the North and loaned to other countries of the South; the persistence and even the worsening of monetary and financial practices that have, time and again, proven to be insufficient and ineffective both in the South and the North.

Faced with such paradoxes, we maintained that financing the joint development of rich and poor countries was not only rational but the only possible path to achieving a healthy world economy. . . .

## **World deterioration**

Many things have changed since that time. In recent years, we have witnessed unprecedented hostility, rhetorical belligerence and lack of understanding between the superpowers. In 1982, the world saw the outbreak and escalation of outright armed conflict in many areas. . . .

What most concerns and affects the majority of countries, however, is the extremely serious deterioration of the international economy, particularly in the poor countries, where three-fourths of the world's population lives and where the consequences of the crisis reach tragic dimensions.

Steadily decreasing income, due to the plunge in raw material prices, on the one hand, and higher interest rates and shorter terms of payment, on the other hand, constitute the two blades of a pair of scissors that threaten to slash the momentum achieved in some countries and to cut off the possibilities for progress in the rest.

In fact, it is generally recognized that the world is now in the throes of the worst economic crisis since the Great Depression. Growth rates both in industrialized countries and in the developing world are at the lowest levels recorded in recent decades. Open unemployment, endemic in poor countries, has also already become widespread in the most pow-

erful nations. All over the world, men and women are losing their jobs. The reduction in inflation in certain countries, attained through huge sacrifices in employment, does not mean that the problem has been overcome. The enormous growth in interest rates over the last three years has not only created an intolerable burden for debtor nations, but has also spurred uncontrollable speculation and capital flight of an unforeseen magnitude.

The events that have occurred over the past few years have more than confirmed the need to tackle energy problems in a comprehensive manner and in close coordination with other areas of the world economy. Petroleum sales abruptly shifted from a sellers' to a buyers' market and produced surpluses that have again caused prices to fall and have discouraged efforts to bring about the energy transition.

The present disarray has been detrimental to the oil-producing countries and has been a victory for no one, since it only added to the crisis. The decline in available financial resources caused by plummeting petroleum prices has taken us from an unresolved energy crisis into a financial crisis that deepens recession and threatens the stability of the international monetary system.

In such a situation, specters arise that could seriously threaten the world if the present trend continues. The most dangerous one is that the social pressures caused by economic dislocations could end in an explosion. . . .

A second specter that appears to be dangerously close at hand is a North-South and North-North trade crisis in both basic and industrial commodities. . . . When the entire world is in the midst of a severe recession, the only exportable item is the crisis itself. If recession in industrialized countries continues to push down the prices of raw materials and to restrict the entry of manufactured goods from the South, both our problems and yours will become more critical. . . .

Maintaining the flow of trade under such conditions necessarily implies the establishment of lines of credit that will make it possible to pay industrialized countries for goods and services. To sustain growth in the South countries and maintain employment in the North countries, the amount of such credit has to continually increase, and even more so if the cost of the accumulated debt goes up because of higher interest rates.

Reduced availability of credit for developing countries has serious implications not only for the countries themselves, but also for production and employment in the industrial countries. We cannot continue in this vicious circle, since it could well be the start of regression to the Dark Ages, with no possibility of a Renaissance.

## **The debt question**

And here we have a third threat. I refer to the serious problems of lack of coordination in the international financial system. As everyone knows, heavily indebted countries, including Mexico, have recently been forced to begin renegotiating their foreign debt.

This is a paradox that makes one reflect on the fact that the growth of many of the countries of the South is being criticized by the very countries that made loans to them for that purpose and that now haggle over extending the credit needed for continued growth, when only growth will make it possible for the former to repay the latter and purchase from them.

Today, Mexico and many other countries of the Third World are unable to comply with the period of payment agreed upon under conditions quite different from those that now prevail.

*Payment suspension is to no one's advantage and no one wants it. But whether or not this will happen is beyond the responsibility of the debtors.* Everyone must negotiate seriously, carefully, and realistically. The international financial system consists of several parts: lenders, borrowers, and guarantors; and it is connected with those who produce and those who consume, those who buy and those who sell. It is everyone's responsibility and it must be assumed by everyone. *Common situations produce similar positions, with no need for conspiracies or intrigues. We developing countries do not want to become vassals. We cannot paralyze our economies or plunge our peoples into greater misery in order to pay a debt on which servicing tripled without our participation or responsibility and with terms that are imposed on us.* We countries of the South are about to run out of playing chips and if we cannot stay in the game, this will end in defeat for everyone.

I want to be emphatic: we countries of the South have not sinned against the world economy. Our efforts to grow in order to conquer hunger, disease, ignorance, and dependency have not caused the international crisis. A more immediate cause is the decision to arm, to fight force with force, dragging all the economies, directly or indirectly, toward this senseless objective.

But we can overcome the crisis.

Less time will be required if we can count on the rational support of the international financial community and not on reluctance or punishment for sins we have not committed.

Such support will be of benefit to both creditors and debtors, for all belong to one world in which, if we are all part of the problem, we are also all part of the solution. We need foreign exchange to make payments and purchases. Our counterpart also needs to buy in order to make collections and sales. This is a healthy relationship which is to everyone's advantage. It is that simple. Mexico is a good illustration of the various North-South problems. . . .

In recent years we have made every effort to meet the needs of our population by developing its great productive potential, in conjunction with the needs of the world economy and supported by substantial external financing. For four years we grew at over 8 percent annually; we doubled our installed industrial capacity; we rose from 18th to 4th place in oil; we tripled hydrocarbon production during that period; and we undertook the urgent task of intensive social devel-

opment, thereby generating more than 4 million jobs to absorb not only the already existing unemployed but to provide work for the new generations.

The greatest growth in our history was dramatically interrupted in 1981. Our plans, which had been programmed and budgeted on the basis of four successive fiscal years, suddenly could no longer be financed because of a drop in the price of raw materials, including petroleum, and because of the higher interest rates on already contracted external debt, which tripled the cost of servicing. A pernicious sequence of inflation, devaluations, mounting prices and wages, braked our prosperity. In just three years, capital flight was double the level of foreign investment in our country. Thus, the financial system and freedom of exchange, especially in light of our proximity to the wealthiest country in the world, led to exhaustion of our reserves. It is easy to talk about, but for 70 million Mexicans who had begun to look forward to better times, it is a brutal reality.

Our way of being, acting, and managing our affairs has been distorted in the media, which made us appear in the eyes of the world as a country incapable of shaping its destiny and incompetent to administer its resources, so that the alternative would have to be our subordination to the ruthless ambition of the outside powers. Developing countries like Mexico have suffered countless experiences like these. Many of our problems are made worse by tendentious reports that in themselves bring on the results they announce.

### **Mexico's new policies**

After major attempts to correct this economic situation, my government decided to go to the root of the evil and extirpate it once and for all. There was obviously an inconsistency between internal development policies and an erratic and restrictive international financial structure.

A reasonable growth policy could not be reconciled with freedom to speculate in foreign exchange. Therefore, we established exchange controls.

Given our three-thousand-kilometer border with the United States, exchange controls can only function through a banking system that follows the policies of its country and government and not its own speculative interests and the fluctuations of international financial chaos. For this reason, we nationalized the banks.

We have been a living example of what occurs when *that enormous, volatile, and speculative mass of capital goes all over the world in search of high interest rates*, tax havens, and supposed political and exchange stability. It decapitalizes entire countries and leaves destruction in its wake. The world should be able to control this; it is inconceivable that we cannot find a formula that, without limiting necessary movements and flows, would permit regulation of a phenomenon that damages everyone. It is imperative that the new international economic order should establish a link between refinancing the development of countries that suffer capital flight and the capital that has left these countries. At least

they should get the crumbs from their own bread.

In the face of these dramatic realities, we are lectured about economic liberalism at all cost, which is not applied even in the countries that most passionately defend it. To the contrary, the danger of losing their national integrity has led many governments—among them, ours—to intensify their economic reforms and to strengthen the role of the State in directing their national economies; these are cases of legitimate defense.

Mexico is open to negotiation in every sphere and every forum. . . . We have the resources, tradition, and history to reinforce the principles laid down by our social and popular Revolution. We are sure that, as a country bordering both North and South, our fate is of concern not only to Mexicans but to all developing countries. To all of them I can say that we must hold our heads high and stand together, today and always, in dignity with our shared struggles and hopes.

Never as now has the principle of sovereignty over natural resources and economic processes had greater validity. The terms of the debased relations that we suffer could lead to the dissolution of sovereignty itself. The interference of transnational corporations, the growing concentration of financial facilities, the subordination of the banking systems to the great metropolises, the massive outflow of capital, and the imitation of models alien to our development *endanger the very existence of the nation state*.

Although its formal links have been broken, dependency persists, and the pattern of domination on which the colonial regime was founded has even been reinforced. The concentration of wealth and power increases, while vast regions of the world become more and more impoverished. In the present situation the international cooperation mechanisms that we have devised have been useful in soothing some upright consciences, but they have been altogether incapable of solving the serious everyday problems that are structural in nature.

The charges levelled by the countries of the South in this respect were accurate and farsighted.

In proposing a new order, we sought a profound institutional reform capable of rechanneling international economic relations. We would have liked to avoid the tremendous deterioration of recent years and to have mitigated the crisis. But it is never too late.

Historically, major transformations usually occur when there is no other course to take, which accounts for the distance that separates prophets from revolutionaries. Major ills call for major remedies.

International economic relations should be reviewed judiciously and with a sense of commitment. Let us not look for culprits, but rather find people who will be responsible for the future. Tracing the ultimate cause of our ills is a task for historians, not for political leaders.

Undertaking that immense task of political and economic integration requires a change in attitude. Until now ideological manichaeism, which nurtures the hegemony of the great powers, has held sway.

There has been a tendency to impose the same systems of the past, and in a tense dialectical relationship, as yet unresolved, the doctrines and strategies of change have confronted vested interests, love of compromise for its own sake, and the conservative instincts of empires that never end. Therefore, the global economic negotiations must provide the opportunity to reconcile these opposing views in formulas that are compatible with the needs of the present. It is urgent to convoke these negotiations; they cannot be postponed.

Nor can the supposed dispute between the specialized agencies of the system and the sovereignty of this Assembly be put forward as an excuse for delaying the dialogue. All the United Nations dependencies have been created by our sovereign decision; all of them function within a legal framework, and are to be respected.

The justification for these international bodies is not to be found in the persistence of undesirable inequalities, but in the search for rational solutions to the crucial issues of our time—disarmament, collective security and development.

The United Nations Organization and its member nations have reached a crossroads. We have the forum we deserve and there is no other. If we do not know how to use it to overcome the crisis and establish a more just order, and above all one compatible with our times, there will be no other opportunity. Global negotiations should begin immediately and should be conducted seriously and with every intention of reaching agreement. World peace and security are threatened today more than ever. . . . We must safeguard them at any cost. Any solution or any concession is preferable to the alternative. We cannot fail. There is justification in expecting the worst. Not only the heritage of civilization is at stake, but also the very survival of our children, of future generations and of mankind.

Let us make what is reasonable possible. Let us recall the tragic conditions in which this Organization was created and the hopes that were placed in it. The place is here and the time is now.

Let us hope that the logical confrontations of pluralism, the understandable outbursts of dissidence, complicated by the frustration of impotence, and the unavoidable delays in negotiations do not disable the supreme good represented by the United Nations.

Let us not resign ourselves to the United Nations becoming bogged down in formal procedures, while outside it, pressures are brought to satisfy selfish interests that cannot withstand the test of a generalized legal regime.

We are all part of this union. It is as strong as we wish to make it, particularly those who have the real power and therefore the ultimate responsibility. We have created nothing better or more efficient. Again and again I shall repeat what I have said here. . . . These are times for deciding whether mankind belongs to the powerful, or the powerful to mankind. This has never been truer than now. Here we shall know the answer, and the centuries to come will bear witness to it.

# Brazil, Venezuela warn of return to '30s

*In the opening speech before the United Nations General Assembly Sept. 27, Brazilian President João Baptista Figueiredo called on the developing-sector nations to join together in exploring "unsuspected opportunities for economic complementarity"—after lambasting the IMF-free trade dogmas that have brought on the current economic crisis. Venezuelan Foreign Minister José Alberto Zambrano, next at the podium, agreed with the Brazilian President that the restructuring of the international economy should be the only subject of debate at the United Nations General Assembly this year. The following are excerpts from these speeches.*

## **João Baptista Figueiredo, Brazilian President:**

A few decades ago, an unprecedented economic depression and uncontrolled political tensions brought about a catastrophic war. The society of sovereign states decided then, in 1945, to create a vast network of institutions to further cooperate between governments in order to avoid a repetition of such severe economic crises, promote economic and social development, ease political tensions, and spare future generations from the scourge of war.

Symptoms dramatically reminiscent of the events of the '30s are reappearing today. . . .

It is, indeed, the seriousness of the international situation that, for the first time, brings the President of the Federative Republic of Brazil to the United Nations. Never, in the history of this organization, have the risks and threats to the peace, security and progress of nations been so serious. . . .

In truth, there is no crisis between North and South, but rather a profound crisis in the international economic system itself. The same situation affects both groupings. . . .

The North must understand to its full extent—and its potential for enriching international trade—the inescapable fact of the definitive emergence of the Third World as a dynamic partner, and of its search for a position of greater prominence in the world economy.

As for the South, the moment has arrived for us to give effective expression to the cohesion we have been able to preserve above external difficulties and internal differences. We must move towards the consolidation of a truly solid interdependence among Latin America, Africa, and Asia.

We must make it clear, by deeds as well as words, that the diversity within the Third World contains unsuspected opportunities for economic complementarity, and is a uniting element, not a fact to be used as a pretext for initiatives—such as the arbitrary discrimination among developing countries embodied in the concept of "graduation"—which aim at undermining the cohesion of Third World international co-

operation for development and the North-South dialogue. . . .

The efforts of the Third World to change normative frameworks, decision-making structures and discriminatory rules in institutions such as the IMF, the World Bank and GATT, among others, have been fruitless. . . .

The principles of free trade must not be applied selectively and arbitrarily only to the flow of capital, while the transfer of technology is inhibited and the capacity for action by capital-importing developing countries is restricted. . . .

Interdependence should not be a concept hostile to national sovereignty. . . .

I cannot fail to voice here, on behalf of the government and people of Brazil, the feeling of deep disappointment at the lack, so far, of any practical follow-up to the Cancún meeting. We watch with anxiety the continuous and even accelerated erosion of the instruments and institutions which should bring about a solution to international problems. . . .

The crisis we face is global in more than one sense; it affects practically all countries and encompasses both the financial and commercial spheres. It is not only broad, but also deep: productive investment is being asphyxiated on a planetary scale under the impact of high interest rates, and of the uncertainties over the prospects of international trade and finance.

It is as if a sudden paralysis of a large economic power in the developed world had taken place: such is the situation created by the fact that 30 million highly qualified workers are now unemployed in North America and Western Europe.

But the effects of this crisis situation on the countries of the South are even more devastating:

- The non-oil-exporting development countries have experienced over the last three years a deterioration in their terms of trade unequalled in history. Their often successful efforts to increase exports have been neutralized by declining foreign exchange revenues;

- Years of patient investment in the creation of an export infrastructure, which made it possible for consumers in developed countries to acquire products from the South under advantageous conditions, have been frustrated by unsurmountable protectionist barriers;

- The persistence of high interest rates makes existing long-term investments unprofitable and threatens to undermine the viability of projects which are indispensable for overcoming present difficulties;

- The high cost of foreign debt service creates impossible situations for certain countries, as shown by recent events which dramatically affect a few of the most promising countries of the South.

All this sacrifice could be tolerated if, in return, a restructuring of the international economic order could be seen on the horizon within a reasonable period of time. Regrettably, this is not the case. The present economic policy of the great powers is destroying riches without building anything in their place. The decreasing fluidity in financial flows and the mounting difficulties in international trade are destroying the prospects for overcoming present difficulties. . . .

It is essential that the developed countries agree to take initiatives in order to: liberalize trade; expand international financial flows; adopt a new policy on interest rates; and urgently start revising the international monetary system. . . .

As for the question of interest rates . . . it is in everybody's interest to avoid a dislocation of the developing economies which would result in an undesirable destabilizing effect on the countries of the North. . . .

The solution to the present crisis does not lie in aid for developing countries, but in assuring conditions that would enable them to meet their obligations through a fair return for their work. . . .

We are at the threshold of a new world. May God grant that, thanks to our efforts, it be a better world.

Thank you very much.

### **José Alberto Zambrano, Venezuelan Foreign Minister:**

Venezuela, like many other developing countries, observes with profound concern the persistent deterioration and rapid decomposition of the international economic situation. The extreme gravity of these processes and their inevitable social and economic consequences escapes no one, representing the greatest threat to stability, progress and the peace of the world. . . .

The symptoms of the situation can be synthesized in the following indicators: low growth rates . . . a decline in international commerce . . . monetary and currency instability . . . extraordinarily high levels of indebtedness, with super-high costs on servicing that debt; brakes on productive investment and the proliferation of financial speculation; alarming, and growing proportions of unemployment. . . .

The situation described is the consequence of contradictory and erroneous economic policies and the disorganization and dysfunction of the world economy on three levels: commercial, financial and monetary. The absence of any rules of the game, more obvious daily, and the growing arbitrariness, annuls any possibilities for pre-planning, and feeds a generalized anxiety. . . .

Thus we see how the developed countries, instead of stimulating in a healthy way the development of export possibilities for the developing countries by means of fair payment for their primary products, a policy which in the long run would have resounded in a healthy expansion of world trade for the benefit of all, have preferred to finance the imports of the Third World on scandalously onerous terms. The consequences of these actions are visible: after a period of expanding international trade, artificially and pathologically fed in large part by the growing indebtedness of the Third World, the weight of the corresponding financial obligations turns against the very industrial nations by drastically reducing the capacity of the developing countries to import, which virtually eliminates them as factors of international trade growth.

The global debt of the developing sector will surpass the

incredible figure of \$600 billion by the end of 1982. This debt has imposed unbearable obligations upon the exchange earnings of the developing countries, and created their growing insolvency. In Latin America alone, the debt will reach \$280 billion by the end of this year. Amortization of this debt equals 56 percent of all export earnings of Latin America. . . .

That situation poses an unprecedented challenge for the international financial system. There is one unquestionable fact: the economies of the industrialized countries cannot be sustained without the support of a firm development of the Third World. . . .

We have been battling for a complete restructuring of the international economy, and we have denounced the policy of making the weight of readjustment fall upon the developing countries. . . .

It is necessary to create a climate of mutual confidence to contribute to a new channel for the world economy which is the precondition for a reduction in international tensions, and for the building of a more rational and more human world where harmony, justice and peace can prevail."

## Peru: emergency plan

*In this speech to the United Nations General Assembly on Sept. 27, Peruvian Foreign Minister Javier Arias Stella joined Brazil and Venezuela's calls for a total reform of the world monetary system. "It is not possible any longer to allow things to continue as they are," Arias Stella stated bluntly, and announced that his government was calling for the adoption of an "International Economic Emergency Plan" to "encourage the recovery of the world economy."*

*Arias Stella explained in a press conference that he was holding extensive discussions with his colleagues from around the world on Peru's proposed plan.*

*Excerpts from Peruvian Foreign Minister Arias Stella's speech to the United Nations General Assembly:*

The accumulation of foreign debt constitutes for all countries, both industrialized as well as developing nations, a burden and a risk which threatens not only their economic progress but the very stability of the international financial system.

It is not possible to any longer allow things to continue as they are, because the international economic crisis underlies and is at the root of the grave political and social difficulties that confront the international community . . . It is urgent that despair not spread. . . .

We deem it advisable to call for the adoption of an International Economic Emergency Plan, in which all the states and organizations of the international community participate, without discrimination or self-exclusions. To this end, my government will promote at the current General Assembly the examination of a proposal for the immediate adoption of



such a plan. . . .

We also encourage the immediate convocation of a meeting to establish a General System of Trade Preferences among the developing-sector nations, as a practical and efficient way of promoting our economic ties.

*The following is excerpted from the Peruvian memorandum for an International Economic Emergency Plan issued by Arias Stella:*

Since the crisis of 1930, we have not faced such an alarming situation for the international community. . . .

Most worrisome about this crisis, as dramatic as it is already, is that it could not only linger on for a long time, but might become worse if some emergency measures are not taken in order to prevent the deterioration of the situation and, by the efficient use of resources at our disposal, provide the immediate assistance that will produce the necessary reactivation of the international economy.

If these urgent measures are not adopted, the results of the crisis will heighten international tension to the levels of a conflict without historical precedent with unpredictable social consequences at the global level.

For this reason the Peruvian government proposes to the international community that it examine, with the urgency that we know the matter requires, the adoption of an International Economic Emergency Plan that would benefit from the work and support of existing international institutions. . . .

International financial guarantees that would facilitate a greater flow of resources should be considered. The urgency of ensuring an adequate growth of concessionary financing should also be taken into account, especially for the least-developed countries. . . .

We should urgently undertake the study of policies that would activate the flow of commercial, financial and technological exchanges. We think that a way to reduce international recession and to alleviate the problems derived from foreign debt, is to increase foreign trade. The measures to be adopted in the short term in order to attain that end must be urgently studied, conscious that we can agree on measures that the urgency of the crisis requires, without detriment to national policies. This could include tariff and non-tariff negotiations, or negotiations on specific commodities that would bring about immediate results.

We should look for a level of consensus needed to halt and reduce the protectionist trend, which is aggravated by the international crisis.

This proposal, which takes into account elements which are at this time being expressed in various forums, aspires to obtain a consensus for its prompt adoption and immediate implementation.

We think that the United Nations . . . is the forum where this International Economic Emergency Plan should be studied and where a decision should be taken on its implementation.

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## INDIA

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# Gandhi and Brezhnev hold strategic talks

by Paul Zykofsky from New Delhi

Less than two months after her visit to the United States, Indian Prime Minister Indira Gandhi flew to Moscow on Sept. 20 as part of India's ongoing efforts to reduce international tension. Gandhi projected this sense of her visit in a speech at a banquet in her honor, in which she described the international situation as "bleak and forbidding" while warning of the danger of a major "global conflict breaking out" over some regional conflict. In this context, Gandhi stressed, as she did in Washington, that India is committed to working for an improvement in U.S.-Soviet relations.

The theme of Gandhi's diplomacy during the past few months, which has also taken her to Europe and several developing-sector nations, has been that the developing nations need peace to get on with the urgent task of economic development and nation-building. Speaking to representatives of Soviet public organizations on Sept. 21, Gandhi noted that "unfortunately events during recent years have not produced a congenial atmosphere in which developing countries can effectively pursue their paths of self-development."

During her visit to the Soviet Union Gandhi specifically expressed concern at the "militarization of India's neighborhood"—a reference to the U.S. supply of advanced fighter planes to neighboring Pakistan, and to the encouragement of military bases in the Indian Ocean.

Soviet President Brezhnev responded to India's concerns by proposing that NATO and the Warsaw Pact commit themselves to desist from extending their sphere of activity to Asia, Africa, and Latin America. While Brezhnev did not elaborate on this proposal, observers in New Delhi viewed it as a response to NATO plans—formalized during the South Atlantic Malvinas crisis—for "out-of-area" deployments and