

naive. . . . You get a point where there probably is no answer.”

### **Prolonging the war**

It is certainly the case that the U.S. State Department is not looking for a solution to the El Salvador conflict. Secretary of State Haig has done everything within his power to prolong the war, spurning the offers of mediation presented.

Over recent months, Haig has increasingly brought in U.S. nonconventional “special forces,” such as the Green Berets, to advise and participate in military operations in both El Salvador and Honduras.

On Oct. 5, the Salvadoran military announced the launching of a “final offensive.” The elite Atlacatl brigade, armed with American-made weapons and trained by Green Berets, is employing the “hammer and anvil” tactics used in Vietnam to seal off jungle areas controlled by guerrillas on the border with Honduras while other troops sweep the area. The U.S. and Honduran navies are simultaneously carrying out maneuvers in the Caribbean.

The United States is participating in the maneuvers, despite assurances to Mexican President José López Portillo from President Reagan, during the Grand Rapids meeting Sept. 17, that the United States would send no more advisers or troops to El Salvador. At this meeting, López Portillo had urged Reagan to seek a mediated and negotiated solution to the crisis.

Panamanian President Aristides Royo, in a speech before the United Nations General Assembly Sept. 30, offered to be a mediator. The offer was favorably received by spokesmen for El Salvador’s Revolutionary Democratic Front (FDR) and the Farabundo Marti National Liberation Front (FMLN), who reported that they “accepted the mediation proposed by Aristides Royo,” and were prepared to “sit down and talk with the Duarte government.” Junta president Duarte—undoubtedly with approval from Haig—rejected the offer.

What is the next step for the U.S. State Department?

“You know what I would do if I were in power?” says Thomas McMahon. “I would just say this is not our problem. Let the Latin Americans handle it. We’ve got the OAS, let the Mexicans, Venezuelans, Colombians, Panamanians handle it.”

That is precisely what the State Department is doing, albeit without lessening U.S. involvement in the conflagration. In a press conference in Tegucigalpa, Honduras, Oct. 7, Col. Samuel Dickenson, director of the Interamerican Defense Board, boldly declared that the United States wants the Honduran military to intervene in El Salvador. “I don’t know how there can be peace in Honduras when it proclaims neutrality with aggressive neighbors like the Nicaraguans and with a guerrilla war like the one in El Salvador.”

## **How the IMF is wrecking Costa Rica**

by Dennis Small

The Central American nation of Costa Rica is quickly becoming a textbook case in how the International Monetary Fund can reduce a national economy to rubble and create terrorism and political chaos.

Since 1948, Costa Rica’s stability has earned it the widespread nickname of the Switzerland of Central America. The only one of the six nations of the isthmus which is a functioning parliamentary democracy, Costa Rica has no armed forces, and was almost free of domestic terrorism until the most recent period. With chaos and civil war surrounding it, Costa Rica has managed to remain remarkably free from violent polarization.

All that is now about to end.

Domestic terrorism is beginning to surface in the country. Reagan administration officials like U.N. Ambassador Jeane Kirkpatrick are encouraging the strengthening of the National Guard and other security forces to answer this challenge with stepped-up repression. Most importantly, the International Monetary Fund and the major commercial banks are refusing to roll over Costa Rica’s \$2.6 billion foreign debt, unless that country imposes draconian austerity measures—measures sure to produce widespread social unrest.

Already the government of President Rodrigo Carazo is a casualty of these developments. It will limp into the February 1982 presidential elections with the barest minimum of authority to govern the country. The probable victor in these elections will be social democrat Luis Alberto Monge; but he, too, will face the same underlying crisis that has politically shattered his predecessor.

### **IMF ‘terrorism’**

Costa Rica’s problem is very simply: it is bankrupt. This fact emerged into full public review in July, when the Carazo government telexed its principal creditors that it could not meet its payments on its foreign debt. Since then, Costa Rica has defaulted on \$120 million in debt service payments, and is expected to fall short by \$230 million more by the end of this year. Over the past 12 to 18 months, Costa Rica’s balance of payments has been shattered by a combination of: a) slumping international prices for its major crop, coffee; b) soaring

prices for imported oil; and c) exorbitant international interest rates, which are the result of the policies of U.S. Federal Reserve Chairman Paul Volcker.

In December 1980, the Carazo government decided to let the local currency, the colón, float downward from its rate at the time of 8.6 to the dollar. Within six months, a two-thirds devaluation of the currency had occurred on the free market, with the colón selling at up to 29 to the dollar. Throughout this period, an extreme shortage of dollars developed with local manufacturing interests and foreign investors raising a hue and cry about their inability to obtain foreign exchange. When Carazo attempted to make a few concessions on this front, his Finance Minister Hernán Saenz, a Friedmanite monetarist with excellent relations with the IMF, resigned in protest.

Since then, the IMF has made Carazo pay for his stubbornness. The government has not received a single commercial bank credit in all of 1981. After suffering declining growth rates since 1977, Costa Rica's GNP is expected to drop by 2 percent this year. Nineteen eighty-one inflation is expected to come in at 50 to 60 percent. And bankruptcies and unemployment are sharply increasing, with the latter expected to reach 16 percent by year end. These circumstances are leading to serious internal panic, including capital flight, according to reliable Costa Rican sources.

Last week the government of Costa Rica was forced to default on *internal* debt obligations as well, to the tune of \$70 million, which had been owed to domestic importers in the form of government bonds. Since most of the cash-strapped importers had themselves collateralized these government bonds to obtain liquidity, the government decision will drive a large portion of the importers into bankruptcy.

Manuel Naranjo, the head of Costa Rica's central bank, explained in a press conference this week that these latest measures were the direct result of IMF coercion. According to the Oct. 5 *Wall Street Journal*, Naranjo said: "Foreign creditor banks were insisting that Costa Rica comply with IMF spending limits as a condition for renegotiating the foreign debt. To comply, the central bank was forced to suspend payments due this month on certificates of deposit held by importers."

The prospects for 1982 are even worse: \$920 million are owed in debt service, an astounding 60 percent of the country's expected total export earnings of \$1.5 billion, and, as of this writing, there are no prospects for new loans anytime before the February 1982 elections. In fact, Finance Minister Emilio Garnier in late September reached an agreement with Costa Rica's creditors whereby a full renegotiation of the debt will be postponed until *after* the elections. In the meantime, Costa Rica will have its day-to-day finances run by a steering committee of creditor banks—and will starve.

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## Interview

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### 'Why is Washington doing this to us?'

*On September 25, 1981, EIR held a confidential conversation with a powerful Costa Rican political figure who is on intimate personal terms with President Rodrigo Carazo. Due to the sensitivity of his remarks, the person in question has requested anonymity.*

**EIR:** What is your view of Costa Rica's current financial problems?

**A:** The international financial community has criticized Costa Rica for the excessive role of the state sector in the economy.

To meet our crisis, we have cut back on the role of government. But the International Monetary Fund, the U.S. commercial banks, and the U.S. government are still refusing to lend us money, and they are creating such crisis conditions that we are frankly frightened about the outcome. We have always been a bastion against communism. We have always been a good ally of the United States, the best in the area. But what the U.S. is doing now is hurting Costa Rica. They are making a very big mistake in the area, when they flood El Salvador with weapons, and at the same time refuse Costa Rica economic aid.

We Costa Ricans aren't dumb, you know. About 35 percent of our budget goes to education. We're not a backward people, that way. We ask ourselves, why is the United States doing this to us?

**EIR:** And what kind of situation will the next President confront?

**A:** The economic prospects will be bleak, no matter who the next President is. Because there are a series of related factors that have intersected to create a very unstable situation. One of these is the price we receive for our coffee exports. Another is the exorbitant cost of imported petroleum. This leaves us with no money to pay for other things.

On top of this, if you add on the high interest rates, you'll see what kind of bind we're in. Saint Peter himself could drop in on us and become President, and *he* would fail. It's not a matter of individuals or factions. It's a matter of a whole people, and a whole economy. We

need disinterested help, unconditioned help, from countries like the United States, Japan, France, West Germany, or England, who seek to cooperate with Costa Rica in order to make this a base of stability. Instead they offer us military aid, as Mrs. Kirkpatrick did, rather than economic aid. We don't need weapons, we need economic aid.

We have always been unconditional allies of the United States. We can be classified as one of America's few true friends. And not just today: I am talking about our whole history. If they are prepared to let Costa Rica go down the drain, you can be absolutely sure that they will no longer have a friend here, and the domino effect will be felt with a monstrous force—not only in this area, but in all of Latin America. Mexico, Argentina, and ultimately the U.S. itself will feel it.

**EIR:** If Costa Rica follows the IMF's recommendations of drastically reducing the government budget, devaluing your currency, and so on, what will the results be?

**A:** If this is done, we will basically have a worsening of what we have already been suffering since August: a sharp braking of the economy, a drop in production, a rise in unemployment. You see, the problem is that the IMF recommends policies which are absolutely unreal, not thought-out. They are the policies of the bureaucrat, who sits behind a desk and sees only numbers, and not reality. Such policies would be very negative. We would not be able to create jobs, to increase production, to build more infrastructure, to educate our people.

It's true that for many years we have overspent, have distributed wealth that we did not have. But the solution is not to slam on the brakes; I am absolutely convinced of this.

The way I figure it, if a country like Costa Rica has to make the painful decision to not pay our debt—not because we don't want to, but because we can't—many, many other countries will follow suit, who are in situations as critical or worse than ours. And this would bring about the total shattering of the U.S. economy itself.

Just take a look at how much money U.S. banks have lent out to countries like ours. All you need is for one country, just one single country, to say, "I can't pay." And we will all go back to the Great Depression of 1930.

If you take a serious look at this, you will realize that things are very critical indeed. And it is decidedly *not* due to problems of overpopulation. Quite the contrary: Costa Rica has a great shortage of labor and manpower. Every year we lose a portion of our crops because there is a shortage of labor. And for that reason we have always been opposed to the *Global 2000 Report*, and not only through public statements. For example, we totally shut down that infamous attempt to hand out contraceptives across our entire country. We have been totally opposed to the idea of reducing the size of the population.

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## Colombia

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# Electoral setup for destabilization

by Cynthia Rush

The nomination Sept. 19 of hated former President Alfonso López Michelsen as the presidential candidate of Colombia's Liberal Party means a 1982 election campaign that will probably pit against each other two advocates of drug decriminalization—López and his Conservative opponent Alvaro Gómez Hurtado. At best, the choice of López will further destabilize Colombia's already shaky democracy. At worst, it could mean civil war.

Who is López Michelsen? In 1974, he was elected to head up the first administration after the National Front, the 16-year pact set up in 1957 that alternated Liberal and Conservative Presidents every four years. Son of the popular Alfonso López Pumarejo, who had served twice as Colombia's President (1934-37 and 1942-45), López was elected by a heavy majority and seen as the man who would restore both economic prosperity and Liberal Party hegemony in the nation.

Social democrat López betrayed these expectations. In alliance with Conservative forces linked to "opponent" Alvaro Gómez, he dismantled the nation's productive apparatus and facilitated the growth of the drug economy. By the time he left office, López was one of the most hated men in Colombia. A columnist writing in the Bogotá daily *El Tiempo* a month ago warned, "It's no secret that at least half the nation, and one-fourth the body politic, would rise up from the moment that a López candidacy were proclaimed, to prevent him from getting to the presidential elections."

During his first term in office López Michelsen supervised Colombia's conversion to a full-fledged drug economy. He authorized the creation of the *ventanilla siniestra*—the "sinister window"—at the central bank, a mechanism for laundering revenues from the illicit drug trade through the banking system. At the same time he applied the Friedmanite policies used in Chile, whose "economic miracle" he publicly lauds, to eliminate what remained of productive investment or industry.

The 1974 tax reform, designed with the aid of Brandt Commission member and Finance Minister Rodrigo Botero, encouraged investment in monetary and real estate speculation and labor-intensive activity, while killing heavy industry. Under López's "anti-inflationary"