

EIR Special Report

Debt weapon on the agenda for Latin American nationalists

by Dennis Small, Latin America Editor

The nations of Latin America are actively—and publicly—considering use of the “debt weapon,” combined with the seizure of British assets throughout Latin America as contraband of war, as the quickest way to put an end to Britain’s onslaught against the American continent. Using the “debt weapon” would mean selectively withholding payments on Latin America’s combined foreign debt of over \$250 billion, until the British and their allies end their colonial war in the South Atlantic.

The use of the debt weapon was first proposed by *EIR* founder Lyndon LaRouche on May 23 during a visit to Mexico, in the course of which the American political figure met with senior government officials, including Mexican President José López Portillo. LaRouche’s proposal also circulated widely at the emergency session of the Organization of American States in Washington, D.C., convoked at the end of May to study how Latin America might come to Argentina’s aid against the British.

LaRouche is suggesting that Argentina and its allies in Latin America—in particular big debtor nations like Brazil, Mexico, and Venezuela—take advantage of the City of London’s financial distress and threaten to bring down their whole house of cards through targeted non-payment of debt—unless they stop their armed aggression against Latin America. LaRouche has further urged that such “debt blackmail” be used to force a long-overdue reorganization of the world monetary system along lines conducive to capital-intensive growth.

Up until a few weeks ago, no debtor nation in the world would have taken such a proposal seriously; they feared being permanently blacklisted and strangled by the large commercial banks and by the International Monetary Fund. Leading Brazilian politicians, for example, told this writer last month that they could not risk alienating London, upon whose good graces they depend for refinancing their \$70 billion in foreign debt.

But the British move against Argentina has convinced many Third World political leaders that their own sovereignty and very existence as nations is



Milton Grant/United Nations

Argentina's Foreign Minister Costa Méndez addressing a U.N. Security Council meeting on April 3. The possibility of a superpower confrontation arising over the Malvinas is serious, he warned EIR.

threatened by the kind of NATO "out-of-area" deployments now being suffered by Argentina. As a result, they have begun to "think the unthinkable"; they have begun to realize that debt is a double-edged sword, which can readily be used against the British.

Official statements

It would be "perfectly legitimate" for Argentina to cease payments on its debt to Great Britain, Panama's Foreign Minister, Jorge Illueca, told this magazine in an exclusive interview granted at the OAS meeting. "Mr. LaRouche's proposal . . . is a very important proposal for any official of a Latin American government," the Panamanian spokesman warned gravely.

Argentina's Foreign Minister, Nicanor Costa Méndez, also spoke to *EIR* at the OAS and left the door open to the use of the debt weapon: "The possibility cannot be ruled out," he explained.

Across Latin America, political and business leaders are beginning to talk openly of using the debt weapon. Raul Cuello, for example, one of Argentina's prominent economists, told a gathering of Argentine industrialists on May 28 that Argentina must "declare a moratorium on its foreign debt" as the only way to make the colonial powers understand that "it is impossible that they try to collect on their debts while they blockade us."

The moment has come for Latin America to send military aid to Argentina and apply economic sanctions against the "aggressors," the Peruvian daily *El Diario*

argued in a front-page story on May 29. The paper added that Peru should take the lead in demanding that other Third World countries, especially the Latin American nations, suspend payment on their foreign debts. Top Venezuelan politicians are also calling for increased military and economic aid to Argentina.

London reacts

The London *Financial Times* summed up the situation, as they view it, by nervously warning that there are growing pressures "inside and outside the Buenos Aires government for a unilateral moratorium to be declared on Argentina's foreign debt." Argentine Finance Minister Roberto Alemann—whose monetarist views are much to London's liking—was forced to call a press conference to urge moderation in the face of Britain's furious assault. Those who call for a debt moratorium, Alemann urged, are "plunging a dagger into the back of the country, because they are weakening the Argentine negotiating position."

Yet for all the anti-British talk in Latin America, there has been far too little action taken to implement such noble sentiments. British military victories have been the consequence. Unless Argentina and its allies quickly open a new flank against the British—and the debt issue is by far their greatest vulnerability—then the Thatcher government will succeed in retaking the Malvinas. Such an eventuality would establish a dangerous precedent for the kind of successful NATO "out-of-area" deployments that are Britain's goal in this crisis.