Latin American debt

The IMF scurries to fill policy vacuum

by Cynthia Rush

The last-minute postponement of the meeting of the Latin American Economic System (SELA), the Latin American-wide organization founded in 1975, does not augur well for the future of the continent. This is not because SELA itself was expected to produce spectacular results. *EIR*'s sources reported a few weeks back that the group's leading members did not see it as the most appropriate vehicle through which to forge the economic and political unity of the continent sought in the aftermath of the Malvinas crisis.

Now postponed to Aug. 25 from its original July 19 date, the meeting would nonetheless presumably have served as a useful forum for discussion of such questions as foreign debt and the reorganization of the inter-American system. Our sources in Caracas and Washington report that the postponement was attributed to the need for "more preparation" and requests from other member governments for specific proposals from Venezeula based on the recent speech by its Ambassador to the Organization of American States, Hilarión Cardozo (see *EIR*, July 20). In that speech, Cardozo identified the role of the International Monetary Fund (IMF) in impeding the sovereign economic development of Ibero-American nations and made several proposals for coordinating the economic self-defense of the continent.

EIR suspects there may be something more adverse than the need for "more preparation" behind the postponement, particularly since the host country, Venezuela, has been the most aggressive in demanding Latin American coordination.

The delay in putting together a post-Malvinas economic and political strategy for the continent gives the British the freedom to move ahead with plans for picking off every nation on the continent—one by one—and forcing them to surrender to the IMF's "conditionalities." The collapse of the Chilean, Bolivian, and Costa Rican economies offers irrefutable evidence of where adherence to IMF policy leads.

But, as a British aristocrat who acts as chairman of one of the City of London's most important investment houses explained to *EIR*, Britain's major concern is the bigger fish like Mexico, Argentina, and Brazil, whose foreign debt collectively amounts to close to $170 billion dollars. If several of these debtors were to drop the "debt bomb"—the threat of debt moratorium unless the debt is reorganized on terms favorable to economic growth—proposed by *EIR* founder Lyndon LaRouche, "it would be a formidable weapon," he said. "But it will not be. The Latin Americans dislike each other too much. Argentina isn't coordinating anything with anyone. . . . A united front cannot be kept together."

'They have no choice'

This source went on to predict that Argentina, Brazil, and Mexico will all eventually end up at the IMF. With more belt-tightening, Mexico might be able to hold off for a while, but "the Argentinian debt rescheduling will come imminently, anyway. They have no other choice."

In the absence of coordinated resistance from Ibero-America, the IMF has intensified its assault on the continent, clearing away the debris from the collapsed smaller nations and sending missions to the larger ones to demand their capitulation.

In the case of Brazil, the fear of the international oligarchy is, as *EIR*'s London source reported, that "the Brazilians are a pragmatic race—they would approach the Mexicans for talks and review of debt renegotiation if it suits their purpose." To ensure that doesn't happen, the IMF had a mission scheduled to arrive in Brazil the week of July 19-24. There are already signs that the government may be preparing to scrap its decision not to go to the IMF, despite the sensitive political situation created by this year's elections.

In the past the Fund was content to let Brazil implement what were in fact IMF austerity measures without making the relationship official. But the government's recent reassessment of its borrowing needs for 1982—up from $14 billion to $19 billion—with no willing lenders in sight, may change all this. Planning Minister Delfim Netto was in New York and Washington in early July meeting secretly with the IMF as well as with New York bankers to try to raise money. He will return again before the end of July.

An IMF mission is also in Argentina, and the line from the international banking community is that "sooner or later" the country will have to resort to a standby loan. Japanese financial circles told the Jiji wire service that Argentina has ceased servicing at least 10 foreign loan syndications since June 30.

A standby loan "is the only way Argentina can improve its credit standing in the international community," one banking source reported. The IMF visit takes place in the midst of a brawl between the backers of dirigist economics and the crowd around Swiss-tied former finance minister Roberto Alemann, who predicts that the current program will produce the results predicted by Alemann in order to justify a return to IMF policy.