Ibero-America begins to discuss unified defense against the IMF

by Dennis Small and Cynthia Rush

Around the world, the eyes of political and financial leaders have been focused on Mexico, and its all-too-solitary battle against the International Monetary Fund. Other Third World nations, themselves bankrupt and politically far weaker than the Mexicans, nervously watched to see how much devastation the IMF would be able to wreak. British and New York bankers, on the other hand, crossed their fingers hoping that Mexico would not counter-blackmail them with the threat to cease payments on their huge $82 billion foreign debt.

This proposal to drop a "debt bomb" on the IMF and the large commercial banks, first issued by *EIR* founder Lyndon LaRouche during last spring's Malvinas War, gained adherents across Ibero-America over recent weeks as the financial crisis in the region reached explosive proportions.

As this issue went to press, the IMF was still wrestling with both Mexico and Argentina to get them to submit to austerity packages *before* the Sept. 5 start of the annual IMF meeting in Toronto, Canada—a timetable now in jeopardy due to these countries' resistance to accepting national economic destruction.

In Mexico, the IMF won a partial victory when the Bank for International Settlements and the U.S. Federal Reserve put together a $7.5 billion "bailout" package for bankrupt Mexico, in exchange for a Mexican promise to impose domestic economic policies dictated by the IMF. But so far President José López Portillo has left things at the level of promises, and has refused to announce a formal agreement with the IMF.

In Argentina, the country has become ungovernable as opposing factions battle over whether or not to strike a deal with Britain over the disputed Malvinas Islands, in exchange for the promise of some loans. Monetarist Finance Minister Dagnino Pastore was forced to resign on Aug. 24 because he favored agreeing to IMF domestic wage austerity to court Britain's favor. But the next day, his factional enemy and president of the Central Bank, Domingo Cavallo, was also forced to resign his post. Cavallo had argued against bending to the IMF or capitulating to the British banks on the Malvinas question, and in favor of rebuilding domestic industry with protectionist measures. Now that both men have been removed, Argentina's direction is undefined.

To try to bludgeon the continent back into line, the British financial oligarchy has scheduled Henry Kissinger for a hush-hush trip to Mexico, Panama and Argentina in early September.

The debt is unpayable

The Mexican and Argentine developments occurred against a backdrop of growing numbers of Ibero-American political leaders beginning to "think the unthinkable:" that their countries have no hope of paying their debts in any event, and that continental unity to force through a favorable renegotiation of their foreign debts—involving debt moratoria—has become an urgent necessity.

The preferred forum to discuss such joint debt action would be a meeting of Ibero-American foreign ministers—*without* the United States present. The Venezuelans first surfaced this idea last spring, as a means of consolidating the Ibero-American unity sparked by the Malvinas War. Over recent weeks, extensive bilateral diplomatic contact has occurred between the continent's foreign ministers, where the debt issue has been on the agenda. And the third week in August, one of Venezuela's most influential foreign policy makers, the Chairman of the Foreign Relations Advisory Committee, Dr. José Rodríguez Iturbe, reiterated his government's call for semi-annual meetings of Ibero-American foreign ministers to coordinate policy. He added that the recent inauguration of Colombian President Belisario Betancur made coordination on the continent much more feasible.

Why Rodríguez Iturbe emphasized the Betancur question became clear at the conference of the Latin American Parliament held in Bogota the fourth week of August. The Colombian President opened the conference by forcefully reiterating his earlier calls for reorganizing the Inter-American system and the Organization of American States, which he factually described as not much better than a "luncheon club."

In an as yet unpublished interview with *Newsweek* magazine, which that organ is apparently reluctant to put in print, Betancur explained that "Colombia does not want to be a satellite of the United States," adding that his nation will seek out U.S. economic aid only if it is free from conditions that inhibit development. "We need help for our industrial infrastructure and heavy and semi-heavy industry," Betancur said. "Thus we can begin to improve our global production of capital goods."

The final communiqué of the Latin American Parliament reflected this commitment to continental unity to defend sovereign economic development, urging that a "Latin American community of nations" be formally established, and that it define action in areas of common concern such as regional security, the restructuring of the OAS, and economic development.

Simultaneous with the Bogota meeting, the 26 members of the Latin American Economic System (SELA) met in Caracas to discuss related issues. Venezuelan President Luis Herrera Campins told the final session of this gathering that the OAS had to be modified to serve as a forum of "North-South dialogue," emphasizing that the current international economic crisis demanded a "collective economic defense against illegal and arbitrary coercion," such as that applied to the continent by Great Britain and the United States during the Malvinas War. Herrera expressed particular concern over Ibero-American vulnerability in such areas as food supplies and basic capital-goods production.

LaRouche's proposal for the use of the "debt weapon," and for the creation of an Ibero-American Common Market, circulated widely at both the SELA and the Latin American Parliament meetings, and were reflected in the call by Venezuelan leader Humberto Celli in Bogota for a 10-year moratorium on payment of the foreign debt of developing nations (see page 13).

The London and Wall Street banks, of course, have a plan to deal with such threatened joint debt action by the nations of Ibero-America: "divide and conquer." Brazil's stupidly short-sighted monetary officials, for instance, are being bought off with "special" new loans just for them—as the rest of the continent is financially strangled. Once fragmented, goes the strategy, the IMF can move in on its victims, one by one.

Toppling López Portillo

Mexico remains top on this hit list, because of its leadership role on the development question. Daily, the Wall Street financial press has churned out strategies for defeating Mexico in economic warfare. The New York *Journal of Commerce* suggested for instance, that Mexican assets in the United States could be seized if they try to buck the IMF's dictates. The evil *Wall Street Journal* berated Mexico's national commitment to industrial development and vented particular venom on Pemex, the state oil company which was the motor of the country's industrialization drive. "Mexico's technocrats might want to ask," the *Journal* helpfully suggested, "whether multinational oil companies might have earned more money for Mexico than state-owned Pemex."

The reference to Mexico's "technocrats" has a special significance. It is meant as an appeal to President-elect Miguel de la Madrid and current Finance Minister Silva Herzog (a de la Madrid man), to de facto seize the reins of power from current President López Portillo *before* he leaves office on Dec. 1, 1982, and to reverse his prodevelopment policies

LaRouche's proposal for a continental common market

During the Malvinas crisis this spring, U.S. economist Lyndon H. LaRouche, Jr., proposed the Ibero-American nations use their unpayable debt burdens as a "debt bomb" to sink The City of London. To shield these countries from deadly London reprisals against their foreign trade and to promote their development over the long term in the face of conditions of international collapse, LaRouche suggested they form a common market. Since that time, LaRouche's Common Market concept has been published in newspapers throughout Ibero-America, and received the close attention of top policy-makers throughout the area.

LaRouche's common market idea is distinct from past failed efforts at regional integration; countries have much strong motivation to ensure that it works, and it defines a new regional banking system which would end foreign bankers' control over trade flows.

Member countries would form a customs union which not only would protect new industries from assault by outside forces, but would negotiate fair (parity) prices for intra-regional trade. The member countries would orient their development plans toward satisfying the total needs of the region, and seek as much regional self-sufficiency as feasible. New advanced technologies would of course continue to be imported into the region as rapidly as possible.

A regional development bank would coordinate and assure adequate capitalization of investment projects. Trade would be financed by new national banking systems modeled on the one Alexander Hamilton set up to restructure the U.S. debt within the context of industrial development. Trade flows would be cleared through an inter-republic banking function which would link the national banks of the members, and would operate on the basis of a common currency of account.

If such a common market, as broadly summarized above, were taken up by several of the larger Ibero-American nations, they would find themselves transformed from beggars at the table of the bankers, into one of the world's most powerful economic blocs. If the United States and other advanced capitalist nations were to work as partners with this bloc, rates of development on both sides would be immense; if they refused, the Ibero-American nations would at least be able to defend themselves and survive.

immediately. "Silva Herzog is almost like an acting President," the Aug. 24 *Journal of Commerce* reported hopefully. "There is almost a total power vacuum" in Mexico, they explained, " and Silva Herzog is partially filling it."

The problem for the bankers, in the words of London's *Financial Times* is that López Portillo is "violently opposed" to going to the IMF; and there are strong indications that the Mexican President is trying to hold to that commitment. After a 10-day silence, for example, López Portillo emerged to announce that he would shortly introduce legislation demanding stiff jail terms for any government employee who engages in currency speculation and capital flight. He also reported that his much-awaiting Sept. 1 State of the Union address will not only discuss the achievements and failures of his administration but will also focus on "what we must do in the future"—a veiled threat which must have the IMF nervous over what the nationalist Mexican leader might say. Nor have they forgotten that López Portillo met privately last May with the author of the "debt bomb" proposal, Lyndon LaRouche.

A well-informed West Coast banker emphasized this "López Portillo problem" in a candid conversation with *EIR*. "López Portillo had to be bludgeoned all last week to agree to anything. Silva Herzog and others had to work around him; they cannot even let him appear on TV," the banker reported.

Kissinger descends on three key nations

by Dennis Small, Ibero-America Editor

It was never meant to get out—the fact that Henry Kissinger was planning an early September trip to Mexico, Panama and Argentina—but this magazine was tipped off in mid-August that the former Secretary of State was about to embark on a mission to Ibero-America to help the British banks and the Interntional Monetary Fund impose their policies on the continent. Within days *EIR* was able to confirm the lead with reliable sources in each of the three countries, and 24 hours later *EIR* founder Lyndon LaRouche issued an international press release alerting the leaders of Ibero-America to the horror about to descend on them. LaRouche's warning was covered prominently in the Argentine press and was studied carefully by diplomats and government officials of every major nation in the region.

As of this writing, it is not known whether or not Kissinger intends to proceed with his diplomatic thuggery, now that a spotlight has been placed on it. But his homicidal drive to destroy any national leader who bucks his masters' policies remains intact.

The former Secretary of State is notorious throughout the developing sector for employing the meanest sadism—typical of the unstable homosexual psyche, as evidenced by his mid-1970s involvement in destabilizing, overthrowing, or murdering every Third World leader then fighting for a New World Economic Order: Pakistan's Bhutto, India's Gandhi, Sri Lanka's Bandaranaike, Guyana's Wills, Peru's De la Flor, and others, were all victims of Kissinger operations.

Now, Mexico's President José López Portillo has infuriated the international bankers by refusing to roll over and play dead before the IMF, and his life has been repeatedly threatened over the last weeks. Kissinger is a sworn enemy of López Portillo's attempt to industrialize Mexico. In Panama, former President Aristides Royo was toppled last month, *EIR* has learned, for preparing to declare a debt moratorium on his country's unpayable foreign debt—and Kissinger wants to travel there to inspect his handiwork and to make sure that the new government will stay in line.

Plans for Argentina and Brazil

But the Argentine case best exemplifies the purpose behind the Kissinger trip. According to well-informed Washington sources, Kissinger's trip to Argentina was in the direct employ of British financial interests, who asked him to mediate their outstanding dispute with Argentina over mutually frozen assets—a legacy of last June's Malvinas war. The British banks are refusing to unfreeze Argentine assets or to issue new loans, unless and until Argentina agrees to a formal "cessation of hostilities" with Britain—a virtual abandonment of their historic sovereignty claims over the Malvinas.

To deliver this blackmail threat most forcefully, the British contracted the services of the new firm which Fat Henry has established, called Kissinger Associates, Inc. (sometimes referred to for short as Kiss. Ass. Inc.),
of directors sits Lord Carrington, Britain's former Foreign Secretary.

To prepare the groundwork for his visit to Argentina, Kissinger lunched secretly in New York City on Aug. 19, with Argentina's ambassador to Washington, Esteban Tackacs, who is reportedly a good friend of Henry's since the Argentine diplomat's recent tour of duty as ambassador to Canada. Moreover, Washington sources told *EIR*, Tackacs "has optimal ties" to the entire group of Kissingerians wedged in the Reagan administration, including Assistant Secretary of State for Inter-American Affairs, Thomas Enders, and U.N. Ambassador Jeane Kirkpatrick. This entire Kissingerian crowd attempted to ingratiate itself with the Argentine government by partially supporting their cause in the Malvinas war . . . at the very *end* of that crisis, when it became safe to do so. Now they are being deployed to do the inside dirty work against ongoing Argentine resistance to IMF conditionalities. Argentine press sources have reported that Jeane