

The war over Ibero-America's debt: independence or recolonization?

by Robyn Quijano

"Joint debt renegotiation" is a weapon that could set a new agenda in which the industrialized nations "will no longer force the developing nations to submit to the abusive policies which the IMF imposes on the poor nations," former Venezuelan President Carlos Andrés Pérez told *EIR* in Madrid in January. He attacked the IMF's "economic totalitarianism." "It is a totalitarianism that kills, not with bayonets, not with cannons, but with hunger."

Not since British warships invaded during the Malvinas war have Ibero-American leaders spoken so clearly on the international bankers' conspiracy to destroy the sovereign nations of the developing sector. The question both warring camps are focusing on now is whether the political will exists to turn the war of words into action. What's at stake has never been clearer.

Agreement prevails in political circles throughout the continent on two issues. All formulas for renegotiation must allow countries to generate wealth to meet their commitments, and to win this basic right, the debtors must unite. These were the conclusions of a Jan. 22 meeting on the debt problem sponsored by the Latin American Economic System (SELA).

Latin America must coordinate its strategy on debt because "the problem is also global to the extent that there is coordination among creditors, at both public and private levels, which in turn call for coordination among the debtors," SELA concluded.

The debt problem "is the most important issue facing the contemporary world," said former Colombian President and diplomatic emissary of the Betancur government Misael Pastrana, commenting on the SELA meeting. "In the short term [the debt] could define the fate of the capitalist system itself," he warned. Ibero-America must form a "debtors club," for "bankruptcy and social disorder" will result if the continent is forced to pay the \$40 billion due this year in interest payments alone.

"The moment has come to shake off the yoke of those who are colonizing us with other weapons" by declaring a three- to five-year moratorium on all foreign debt, wrote Miguel Amgel Capriles, owner of one of the largest chains

of newspapers and magazines in Venezuela in an editorial on Jan. 25. "If in 1810 the wars of independence were coordinated why not coordinate now? . . . With grand and sovereign decisions, we would be in a better position to negotiate with our creditors the terms to pay later, and we could be sure that this time the English warships would not come to blockade and bomb our ports to collect the debt as they did in 1903," wrote Capriles.

Front-page banner headlines in *El Mundo* Jan. 28 proclaimed: "U.S. politician agrees with MAC [Capriles] on Latin American Debt Moratorium." *EIR* founder Lyndon LaRouche's latest report, "The Role of a Debtors' Cartel in Bringing Franklin Roosevelt's Anti-Colonialist Policy Into Immediate Actuality" filled the third page. The same article was run complete in the Feb. 1 issue of *Universal*, Venezuela's second largest daily. While LaRouche and his insistence that debt payment must be deferred until capital-intensive development has been launched in the Third World have been blacked out of the major media in the United States, he and the "debt bomb" proposal he put forward last spring are covered each day in the press throughout Ibero-America. A growing circle of Ibero-American leaders have committed themselves to the "debt bomb" idea and to running their own operations to win the war against the recolonization strategy.

On Jan. 27, the official Argentine news service Telam, issued a five-page interview with LaRouche. The Buenos Aires daily *Tiempo* reported LaRouche's call for a debt cartel, and his warning that without it, "The international banks will increase their threats . . . even including political assassination. Only when they see that their threats are ineffectual, will they begin to negotiate for the creation of a more just monetary system." On Feb. 2, *El Espectador* of Bogotá also reported LaRouche's warning of an imminent collapse, and his program for a New World Economic Order.

Operation Juárez and Venezuela

Since LaRouche wrote "Operation Juárez" last August, the document that spells out in great detail the "debt bomb" policy, Venezuela has fallen into the greatest crisis since the British invaded to collect the debt in 1903, and the broad

press coverage of LaRouche is meant to provide the tactics and the guts to make sure that the kind of resource grab being planned by the Rockefellers, Armand Hammer, and their European oligarchic allies is thwarted.

Capriles took a poll among political figures inside Venezuela and throughout the continent on the question of joint debt renegotiation. This sparked further debate at a moment when every Venezuelan could recognize that the credit cut-off and massive capital flight which are forcing the nation to submit to the IMF had to be a coordinated operation.

The day after the editorial appeared, Finance Minister Arturo Sosa was hauled before Congress and grilled on whether Venezuela will unite with the rest of the continent to demand joint debt renegotiation. Sosa rejected the idea, arguing that "Venezuela is different." Undersecretary of State for Latin American Affairs Thomas Enders reportedly promised Venezuela a deal if it sticks to the case-by-case approach demanded by the IMF.

The Congress grilled Sosa particularly on what had occurred at a meeting he held in Washington with U.S. Federal Reserve chief Paul Volcker three weeks ago. Word is out that Volcker offered to ease the loan boycott if Venezuela puts up its gold for collateral and links its earnings on oil (whose price is falling) to debt repayment.

In any case, there is enough nationalist sentiment in both major parties that any agreement Sosa makes could be short-lived.

One loan officer detailed the kind of threats the bankers are issuing against Venezuela: "Suppose they declare a debt moratorium? That would immediately shut down their economy, and they would have to answer to their people. There would be shortages of bread and milk and so forth. It would be very unstable. Then you'd have a coup. You can always destabilize these countries. It's very easy. All you have to do is pay a million dollars to some general."

'Debt with dignity'

In Argentina, the internal battle reflects the long war between the political parties; the labor unions who are demanding that an economy be left to inherit after the October elections; and the Friedmanites, who are determined that Argentina will play no role in bucking the IMF dictatorship the country is under.

While debt cartel calls filled the press, Argentine Finance Minister Jorge Wehbe told reporters in Buenos Aires that it is a "fantasy" to think that Argentina would ever join a debt cartel. "The country should confront its debt with dignity," Wehbe said, "and in accordance with its traditions . . . not only for ethical but for practical reasons." Speaking a few days after the IMF granted a \$2.6 billion standby package, Wehbe expressed his faith in the complete recovery of the nation's economy in the framework laid down by the IMF.

Wehbe's remarks contrast with those of Foreign Minister Juan Aguirre Lanari, who is preparing to host a meeting of the Group of 77 developing nations in March.

Aguirre told the Buenos Aires daily *La Nacion* on Jan. 31 that the Group of 77 meeting will take place in the midst of an unprecedented world financial crisis, a collapse in world trade and a dramatic fall in raw-materials prices. This crisis "affects our internal political and social stability, and our aspirations for progress and well-being," Aguirre said. It is the task of this meeting to formulate concrete measures that can contribute to reactivate the world economy. Participating nations "should resist the temptation to enclose ourselves within our own frontiers to protect ourselves. We should protect ourselves all together. . . ."

When the Argentine and Brazilian heads of state met and discussed the debt problem in early January, bankers panicked. On Jan. 26, a report was released from Brasilia that President Figueiredo will visit Mexico in April.

Mexican Finance Minister Silva Herzog added to the speculation on Jan. 30 at an airport press conference in Madrid. "Mexico is ready to give all its support to efforts for global refinancing of Latin American debt," he said, according to the Spanish news service EFE. He qualified this by adding that "Mexico will also continue negotiating individually, since this is the best path for Mexico."

Silva had just spent two days in Madrid, where he emphasized Spain's position as a "true friend of Mexico." "Spain, to re-order its economy and move ahead, needs to increase exports, while Mexico needs to import so that its productive process is not held back. In this way the two countries can benefit each other, through their complementary economies," he stated.

Prime Minister Felipe González of Spain, who is on record as favoring joint debt renegotiation for Ibero-America (see *EIR*, Feb. 8), may have given Mexico some crucial support. Since one of the major blackmail threats against the advocates of a debtors' cartel is a total shut-off of crucial capital goods and other necessary imports from the advanced sector, allies like Spain could go a long way in providing the courage needed to fight.

The labor factor

The Ibero-American labor movement is meanwhile coordinating a continental battle whose main target is the IMF. At the end-of-January congress of Latin American construction workers' unions in Mexico, a call for a joint debt solution and a common fight against the Fund, proposed by the Brazilian delegation, was passed as official policy, and reprinted in the Mexican Workers' Confederation (CTM) magazine.

An Argentine leader of the CGT trade-union confederation, Juan José Taccone, brought the same message to Europe, where he is touring as an official of the Peronist Justicialista Party. "If the IMF refuses to give us the means to launch our recovery program, then all together we must unite the guarantee the bankruptcy of the IMF, which is already broke." Taccone called for giant development projects and demanded a meeting of the nations of Latin America to establish the basis for joint negotiations.

Misael Pastrana: 'Global debt action'

The following interview was first printed in the Colombian magazine El Siglo Jan. 24. Misael Pastrana is a former president of Colombia, and currently a close adviser of President Belisario Bentacur.

Q: You spoke recently in Mexico about the formation of a Latin American debtors' club, taking into account that the debt reaches nearly \$320 billion. What follow-up has this proposal had since?

Pastrana: For me this is the most vital issue facing the contemporary world. I believe that it is what in the short term could define relations between rich and poor nations, and . . . could even define the fate of the capitalist system itself.

I posed this issue, and curiously, no political debate around it emerged in the country, not even in the realm of theory. I would use the terms of [French President François] Mitterrand regarding a certain scandal that broke out around the possibility that he spoke of—a moratorium on the debts of French industry. He said: "No, moratoria must be taken in the true dictionary sense; it is not simply non-payment, but rather, seeking out formulas which in reality would permit the debtor to meet his obligations in the long term without sacrificing his position."

Just look at the situation: The Latin American debt alone is \$300 billion, as Gabriel Gutierrez said, and probably more. Mexico, in its renegotiation process, will have to pay in interest alone \$1 billion a month. Latin America collectively will have to pay this year, just in interest, some \$40 billion, while total foreign-exchange income, at a moment when protectionism in world trade has been unleashed and raw materials have lost their value, stands at just \$110 billion. In other words, for interest payments alone, they will be paying a full third of their income.

I ask myself: If Latin America, receiving credit, grew in the last few years by a mere 1 or 1.6 percent, what will happen to Latin America having to pay its foreign debt?

This is a problem which involves not just complying with some commitments, but for me, the very social peace of the continent, and for this reason I believe it is the most important issue of the moment. There is the advantage that, by some paradox, for the first time in many years, perhaps the first time ever, the situation of the world is in the hands of *our* countries, by default (so to speak). As Keynes once said, when a person owes a little he is a debtor, but when he owes

a lot he is a banker.

Thus, I believe that this is an opportunity for Latin America, unified in a collective policy, to make an effort not to deny its commitments but to forge a realistic policy in this area. In December, Brazil virtually went into moratoria, because the truth is that Brazil's debt was not \$80 billion but \$100 billion. I believe that we also are ingenuously talking about our debt because the truth is that, as I said six months ago, it is not \$6.5 billion but surpasses ten billion dollars, and today the international institutions affirm that it surpasses \$10 billion. Take a look at what this implies at interest rates of 10 percent, which is a low interest rate. That is \$1 billion dollars. Think what this means over 10 years, given that there are several billions more in amortization. This is a very serious burden. . . .

And besides, the responsibility is with the creditors. I maintain that it was not Latin America which, in these last five years, indebted itself, but that they [the bankers] indebted it, going from \$40 billion to \$300 billion. Further, it was submitted to an indexation of interest rates by the creditors; the truth is that one percentage point of interest on the Latin American foreign debt today represents \$2 billion. I believe this is the moment for our continent, in a great act of collective responsibility and solidarity, to make a global proposal on a problem of this magnitude. . . .

Q: But, as you yourself said, these acquired commitments cannot be ignored. What is your idea concretely? What can Latin America do to deal with such a delicate situation?

Pastrana: I believe that the process of renegotiation individually is creating a sort of illusion of recovery, on the one hand, and on the other, the exhaustion of the very credit sources of other countries. I will explain. Why this flood of foreign debt? Because of the excess income of the OPEC countries which reached \$100 billion. They placed this surplus in international banks which, in turn, placed it where they could turn a profit, obviously seeking the most attractive margins, which were not in their own countries, but in the developing countries. Today, these surpluses are drying up, or have dried up. . . . Thus, I maintain that all there is with which to pay is frozen because no new fund of credit has been created to substitute for that credit fund, and he who doesn't refinance quickly will find himself compromised. . . . They have tried to do it with an increase of funds to the International Monetary Fund, but that has been insufficient, to the point where the Treasury Secretary of the United States, Mr. Regan, has proposed the possibility of convoking a new international financiers conference, and a monetary one also, to seek a solution to the situation.

But there lies the Achilles Heel of the entire capitalist system, and there lies the concern of the poor countries. I maintain and reiterate that in interest alone, the payment of \$40 billion, in one year, by the poor countries of Latin America, which we are, will lead to a genuine situation of bankruptcy and will increase social disorder."

Carlos Andrés Pérez: 'IMF is totalitarian'

The following is an interview with Carlos Andrés Pérez, former president of Venezuela, a member of the Acción Democrática party, which has ties to the European Social Democrats and a leading Ibero-American political figure. It was conducted in Madrid on Jan. 26 by EIR correspondents Elisabeth Hellenbroich and Dolia Estévez-Pettingell.

EIR: The Non-Aligned nations will be meeting in New Delhi in March of this year. We believe that the unpayable Third World debt will be one of the key issues to be discussed. What would you recommend to the Non-Aligned nations in this respect?

Pérez: The Organization of Non-Aligned Nations is of fundamental importance for all developing nations; perhaps it is the most important for our Third Worldist position. My country, Venezuela, is not part of the Organization of Non-Aligned Nations, but our government is now applying to join in time for the New Delhi conference. That means that we Latin American countries are becoming conscious of the meaning which the Organization of Non-Aligned Nations has in our North-South controversy.

The extremely grave debt crisis faced by all the Third World countries, without exception, makes the need for collective defense of Latin American and Third World interests even more dramatic. I think this New Delhi meeting is going to be vital for two reasons.

First, because I am sure that the organization is going to redefine its non-aligned position more precisely, because there is no doubt that the presidency of Comandante Fidel Castro of Cuba will give it the tint of being aligned with the Soviet bloc. It is very important that it goes back to the profile given it by Tito of Yugoslavia.

Also, it is very important because from here, from this meeting, must come forth clear lines of defense from the industrialized countries on the question of debt payments. I am an advocate of seeking a global renegotiation which would give greater power and greater negotiating capacity to the developing countries.

Global renegotiation would also put the industrialized nations face-to-face with an idea which we hold to be fun-

damental, that of defining a New International Economic Order in which the industrialized nations will no longer unilaterally set for us the terms of exchange, will no longer force the developing nations to submit to the abusive policies which the International Monetary Fund imposes on the poor nations. I call that "economic totalitarianism" by the industrialized nations. It is a totalitarianism which kills not with bayonets, not with cannons, but with hunger.

EIR: Do the Socialist International or governments like Mitterrand's in France and González's in Spain share your views on the role of the foreign debt of the Third World?

Pérez: In relation to the position of European democratic socialism on these questions, I think that we democratic socialists face a challenge. The countries governed by socialist regimes show that socialism is an ideology, a set of principles and a praxis which either tends to struggle for international justice, or which identifies in its nationalisms with the ultraconservative positions of a Mrs. Thatcher or a Mr. Reagan.

This is the challenge facing the nations governed by Olof Palme, François Mitterrand, Felipe González, or Bruno Kreisky. That is to say, socialism has to show its true vitality and its capacity for generating a universal political plan within the bounds of international justice.

EIR: Mr. LaRouche and his wife, the founder the Club of Life, have proposed that the Non-Aligned should pass a resolution which calls for: joint debt renegotiation, New World Economic Order bringing industrialization for the developing sector and international monetary reform. Would you comment?

Pérez: These really are the great aspirations of the Third World countries. These are the points of view which we democratic sectors of Latin America share. We believe that all this is included in what we call the New International Economic Order which has to be, in the first place, new exchange relations which have to also be a situation in which technology transfer is conducted in ways so as to guarantee that it is really in the interest of our nations' development. These points are essential to the creation of the New International Economic Order, and I think they must be dealt with at the New Delhi meeting.

EIR: In your opinion, how can the new government of Spain influence the creation of the New International Economic Order?

Pérez: Felipe González is a man who is fully convinced that the great destiny of Spain lies in its identity with Latin America, and that, in turn, Latin America must understand that this historical link between our nations has to translate itself into a political-economic structure which gives us strength in the context of world decisions and which at the same time gives Spain great bargaining power inside the European Community.