Quito conference puts the question: national survival or debt repayment?

by Robyn Quijano

Several presidents and vice-presidents, along with ministers and representatives from 30 nations of Ibero-America and the Caribbean met in Quito, Ecuador on Jan. 9-14 for the Latin American Economic Conference—the culmination of over a year of debate on how to jointly solve the continent's debt crisis.

Ecuadoran President Osvaldo Hurtado appealed to the gathering for unity in solving the economic crisis which is destroying both the developing and the advanced sectors, and noted that U.S. and European unemployment is largely due to the collapse of trade with Ibero-America. "Stability and future peace in the region" depend on joint action now, he said. "This cannot be a meeting, like so many others, that remains simply a declaration of good intentions. . . . Let us be prudently audacious in the accords we reach," stated the Ecuadoran head of state.

The challenge of the meeting was precisely to stop the debates of the past and take action. Yet at the meeting itself, according to *EIR*'s correspondent on the scene, Carlos Mendez, the continent's leaders demonstrated more of the prudent than the audacious.

Some analysts believe that by the end of the first quarter the debt crisis will have reached such proportions that those leaders paralyzed by fear of retaliation will understand that the entire game is up, and act "audaciously" for the continent's survival. Continental accords which have been slowly put into place and strengthened at Quito will then provide the defensive capacity to act. But there is little time left.

At the meeting, the economic "adjustments" imposed by the International Monetary Fund were widely attacked, and statistical details were amply provided to prove what has been clear for over a year: Ibero-America has been crippled and is beginning its death agony. This process can only be reversed by nations' refusing to accept the IMF conditionalities which have shut down their economies to secure the disappearance of sovereign nations, and will eventually result in the genocide of populations, and recolonization by the oligarchic forces that have historically supported usury.

The Quito conference comes after a year of step-by-step capitulation to policies that "do the work of an armed invasion, without provoking a popular mobilization of defense." U.S. economist Lyndon H. LaRouche, Jr. warned of exactly these consequences in his August 1982 document "Operation Juárez" if a debt solution based on large-scale infrastructural projects, rapid economic development of the region, and an Ibero-American Common Market were not imposed.

"If development is not resumed and a vigorous growth begun, Latin America will not be able to generate the resources to pay the debt," declared Sebastian Alegrett, permanent secretary of the Latin American Economic System (SELA), which presented the working document for the conference:

"What we are expecting from the conference is a crystallization of political will of the governments in the region for joint action," said Alegrett. He pointed to the dangers to political stability in the region of "levels of unemployment never before seen, chronic hunger in certain regions, misery, and increasing unemployment and impoverishment in the cities." There exists a "broad consensus" among our nations that "the payment of the debt must not strangle our possibilities for development nor mortgage the future of our nations," he declared.

Common market on agenda

The meeting, unprecedented both for the high level of the delegations and the number of nations represented, has sparked speculation that the "adoption of a common plan of action will prove the determination of the region to act now as a Latin American community." To strengthen "bargaining power" with the IMF and the international banks, common criteria for debt payments will be discussed, including placing a ceiling on the percentage of foreign exchange earnings that can be used for the debt in order to guarantee essential imports and services. Another widely circulated proposal calls for a four-year debt moratorium with 20 years' amortization. A continental common market and a common currency are also key agenda items.

Colombian President Belisario Betancur addressed the delegations on Jan. 12. He called on the advanced sector to provide long-term credits for viable projects at low interest rates and recalled that "the United States during the 1930s had credit for 30 years at extremely low interest rates." Betancur underlined the irrationality of the current crisis of idle capacity and unemployment in Ibero-America, a region rich in in major resources, infrastructure, and productive work force.

Continental integration and the rapid increase in trade in the region can resolve this problem, he said, calling for "new mechanisms of compensation and financing," requiring "a monetary unit of account which would permit the use of fully convertible foreign exchange to pay for goods and services not produced in our region."

"We must take advantage of our installed capacity, promoting and financing regional trade. Colombia is ready to collaborate with those who want to follow this path," stated the President.

"Survival before debt" was a common theme among the participants, and the common market approach was backed in some form by most of the delegations, and emphatically by Brazil, which has lost millions of dollars in trade as its neighbors lost the capacity to import. The large Brazilian economy would be crucial to the defensive capability of the common market.

Brazilian Foreign Minister Saraiva Guerrero called for debt relief, and warned that "sustained economic growth is the indispensable condition for the political and social stability of our nations."

Who can pay?

SELA's Alegrett put the current situation in these terms: "It is not even a question of whether the countries want to pay their debt. Latin America has given proof of its serious and responsible attitude towards its obligations, but they simply cannot pay."

Abelardo Pachano, head of the central bank of Ecuador and president of the preparatory meetings at the conference, stated that only continental unity can advance the old battle for a new world economic order. He underlined the lack of support for such a fight in the advanced sector during 1983, and hit the irrationality of a policy which assures that the capacity to generate wealth is destroyed. Pachano emphasized a strategy of integration, regional financial institutions, programs for food security, and the self-sufficiency of the continent in energy and basic services.

The document presented to the conference by the Ecuadoran National Development Council, directed by Vice-President Leon Roldos, lays out a basic strategy for resolving the debt problem—the alternative being either simple non-payment or subjugation to IMF conditions. "It is imperative almost in terms of survival to arrive at common or similar solutions," states the document.

It proposes that the capacity of payment of each nation be calculated individually on the basis of first meeting basic import necessities, and then debt payment. The category of essential imports would include food, medicine, energy products, primary materials, and intermediate goods essential for basic production. In order not to paralyze productive activities and basic services, the essential category would also include replacement parts for industrial equipment, agriculture, and transportation, and the import of capital goods to maintain the level of installed capacity for a given year before the crisis, for example, 1980.

This policy of survival before debt is seen as reasonable by most governments, but agents of banking interests like the head of the U.N. Economic Commission on Latin America, Enrique Iglesias, and Argentine special debt negotiator Raul Prebisch, both on the scene for this meeting, as well as traitors within the governments of Mexico, Brazil, and Argentina will do everything in their power to assure that the Quito conference is just another sterile debate. For them, the "debt solution" must be the step-by-step ceding of state-sector assets, national sovereignty, and the lives of the population, in return for a long-term stretchout of the debt.

The real solution to the crisis is now better understood among patriotic leaders of the continent than ever before. What is wanted is the morality and courage to act for the continent's survival.

Ecuador's Hurtado: 'prudent audacity' is needed

Ecuadoran president Osvaldo Hurtado opened the Quito conference on Jan. 12 with a speech excerpted below:

How long can our peoples tolerate the consequences of present austerity conditions? The prohibition of imports, often even essential ones, cannot go on for long without further deterioration in the systems of production. . . .

Most of Latin America's problems come from external factors starting in the industrialized countries, such as high interest rates, falling export prices, the violent contraction of capital inflows, recession in the North and inadequate terms on the foreign debt. . . .

The region's unprecedented $31.2 billion trade surplus in 1983 was achieved by drastically reducing imports—and not by increasing exports—and mostly served only to pay debts to foreign banks. Given such a negative international context, the reactivation of the U.S. economy may be positive and encouraging, but there has been no recuperation in other developed countries. . . .

If we achieve a consensus on a common program in this economic conference, we will have taken a giant step in the field of regional action. An agreement of that sort would also put us in an excellent position to begin multilateral conversations with the industrialized countries. . . to find shared responses to a problem so big that it could undermine the future peace and stability of the region. . . .

But to the degree that our countries continue restricting their imports to correct their balance of payments deficits, they are contributing to delaying the recuperation of the developed countries and to increasing bankruptcies and unemployment in the North. During the first half of 1983 in the United States, about 250,000 workers lost their jobs due to the eight biggest debtor countries in Latin America restricting their imports. In Europe, the effects must have been even greater, since half of their GNP comes from export sales. . . .

It is indispensable that we situate ourselves beyond merely national interests in an effort based on solidarity and communality to define a basic agreement and that we rulers and political leaders make the necessary decisions. This cannot be another of those many meetings which ends up with nothing more than a declaration of good intentions. The evident maturation of the continent obliges us to find practical solutions, reachable goals, and achievable programs. Let us be prudently audacious in the agreements we reach, if we want to meet the challenges posed to us by the dramatic times and the anguish suffered by our peoples.

Conade sets the priorities: debt repayment last

Below are excerpts from a document released by the National Development Commission (Conade) of the Ecuadoran government for circulation at the Quito economic conference, as published in the Guayaquil daily Expreso *on Jan. 10.*

We are concerned that the alternatives to the crisis of nonpayment of debts recommended by the IMF, godfather of refinancing with the international commercial banks, within the limited vision of the present conjuncture could aggravate structural problems. For these reasons it is imperative virtually in the name of survival to reach common or similar solutions. . . .

Due to the high cost of foreign financing for the private sector, much higher than for credits granted to the public sector, production and development have only been partially generated. [The reason is that] in the majority of the cases these credits have gone to speculative ends, given that only through such ends is it possible to service the high costs of the credits, unlike investments in agriculture, industry, or other sectors whose profitability is definitely below the cost of credit in foreign currency. . . .

Ceiling on debt service

The capacity to pay interest, commission, and principal on the debt of Latin America and the Caribbean must be seen as a function of:

1) The foreign exchange income in the current account of each country as generated by exports of goods and services. . . . As there exists intense pressure for private sector debt service to be assumed by the public sector—and particularly by the central bank—as has already occurred in several countries where the mandatory attachment of foreign exchange only from the exports of specific services has already been demanded, the determination [of payment] must be made on the basis of foreign exchange income to the central bank, excluding the foreign exchange income from services handled on the free or parallel market which has its own demand. . . .

5) Import necessities such as food and medicine, fuel, lubricating oils, energy products, raw materials, and essential energy and intermediate goods for production are indispensable. In addition, so that productive activities and basic services are not paralyzed, the purchase of replacement parts for industrial, agricultural, and transport machinery is also essential, as is the import of capital goods for replacement purposes, so that the installed capacity in each nation is maintained at a level at least equivalent to a certain given year, for example 1980, before the generalized crisis which befell the entire region.

6) The necessity of importing capital goods, raw materials and intermediate goods to allow the nations of the region a minimum level of growth in the gross national product above the rate of growth of the population.

The idea behind establishing a ceiling on debt service is basically to fix a percentage of foreign-exchange income from exports of goods and services to meet the interest, commissions, and principal payments on the foreign debt. . . . That is, the first priority must be to service those imports with exchange generated by the export of goods and services even when the percentage is stipulated for servicing the foreign debt.

The categories in number six above should be financed where possible with additional foreign funding, except when a surplus of foreign exchange generated by exports exists. But if it is not possible to get adequate foreign financing, treatment of category six should be the same as that in five.