American labor federation: End destruction by IMF!

by Carlos Cota in Mexico City

Trade unions representing 32 million workers united against the International Monetary Fund here at the Eleventh Continental Convention of the Regional Inter-American Organization of Labor (ORIT). "Generalized debt moratorium could be the only way out for our countries," if the choice is between "saving the creditor banks or rescuing the population of Latin America," concluded the declaration passed by the Convention.

From the moment proceedings opened on April 17, the stage was set for the forces of economic sanity to take control, and, a poetic revenge, against the functionaries of the U.S. State Department, who, masquerading as trade unionists, and encrusted in the American Institute for Free Labor Development (AIFLD), and the U.S. AFL-CIO, had sabotaged the annual convention last year by inviting International Monetary Fund personnel to attend. That last ORIT meeting, in Cuernavaca, Mexico, was originally set to analyze the "economic crisis and the problem of the foreign debt," but was instead turned over to IMF bureaucrats, who, in their capacity of "specially invited guests," destroyed the deliberation and caused a furor among most of the trade union leadership of Ibero-America.

This year, the Ibero-Americans made a direct appeal to U.S. workers to understand real political economy: IMF dictates destroy the advanced sector as well as the Third World. Ismario González, Venezuelan trade unionist and current president of ORIT, not only pointed out the dangerous situation which Ibero-America is experiencing, but extended a hand to the U.S. labor movement to unite in the struggle against "irresponsible creditors." Said the leader of ORIT, "Forced to take on debt by the necessities produced by a crisis they did not create, and stimulated by an offer of capital by those who benefited from [the economic crisis], the Latin American peoples, confront today, without coordination among themselves and each one with a difficult negotiating position, the compulsive pressure to pay this debt. . . . The creditors backed by the International Monetary Fund, not only seek to condemn to poverty vast Latin American majorities, but also act irresponsibly against the workers of their own countries."

The union leader charged, "As a consequence of the fact that between 1980 and 1983 Latin America found itself forced to reduce its imports by more than $30 billion, in the industrialized countries hundreds of thousands of jobs have been lost and approximately 2 million workers have been left jobless."

With these words the fate of the AIFLD and AFL-CIO State Department "delegates" was sealed. Their lobbying in the corridors of the convention was as useless as their invitations to "working breakfasts" or their pleas to "go have a drink" in the bars of the hotels hosting the delegates.

Four years of fighting triumph

The "natural" consensus of the labor delegates against IMF policies sparked an unusual climate of camaraderie and warmth.

Jorge Carrillo Rojas, president of Colombia's Union of Workers of Bogota and Cundinamarca (Utraboc), and member of the Trade Union Commission of the Schiller Institute, made an informal intervention before the plenum of the delegates to argue that "ORIT must fight head-on against the International Monetary Fund, because if we don't do it, the communists will take over the leadership of the social movement and the masses will follow them, because they have become desperate due to the poverty in which they live. Fidel Castro already issued a call for a debt moratorium and rejection of the International Monetary Fund. I say one thing: Fidel Castro forgot to say that this has been a demand of the free and democratic movement for more than four years."

Carrillo Rojas's intervention, made in the spirit of globally locating the problem of the debt and the role of the ORIT in Latin America and the Caribbean, presented an international X-ray image, country by country, of the pillaging which the present international financial system is carrying out through rising interest rates, currency devaluations, capital flight, budget cuts, and the low prices of exported raw materials.

"The devaluations of our currencies means," Carrillo said, "that to get the same amount of dollars, we have to export more of our products; if we need more, we have to import. . . .

"The rise in the interest rates means that each time the payments we have to make go up, we have to pay a bill that never comes to an end. . . . This gives the incentive for capital flight. . . .

"Cutbacks in public spending mean fewer hospitals and schools for our children. They mean less public investment and hence more unemployment. . . .

"If we add capital flight, and how much the debt increases because of rising interest rates, what we cease to collect because of the drop in the prices of our exports, we find that of the more than $300 billion we owe, only $100 billion is actual debt. . . .

"The governments are mistaken if they think that they will save themselves by individually negotiating with the International Monetary Fund. They forget we are all in the same boat. Either we shall all be saved, or we shall all drown. . . . The Monetary Fund does not negotiate, the Monetary Fund imposes. What is happening is that our countries' finance ministers are not running our economies. They are being run by technocrats and bureaucrats of the IMF and the World Bank. . . ." At this point in his emotional speech, Carrillo Rojas was interrupted the applause of the labor delegates, including cheers.

Carrillo Rojas ended by calling out "to the conscience which brought us, comrades, to a trade union career, but I also call to the patriotic consciousness of all to defend the sovereignty of all and each of the Latin American countries. This is what is really at stake." He was enthusiastically applauded.

Operation Juárez today

In August 1982, the American politician Lyndon H. LaRouche wrote his celebrated book, *Operation Juárez*, presenting a plan for reorganizing the international financial system. This proposal is known to numerous heads of state and innumerable labor leaders in Ibero-America. The project was present in at every major Ibero-American summit meeting called to discuss the economic crisis and the problem of the foreign debt.

Operation Juárez was also present in the ORIT resolution on the "Problem of the Debt and the Role of ORIT." This labor document establishes that:

> 1) The debts contracted must be rigorously distinguished from each other.
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> 2) Joint coordination strategies must be worked out, as for example a collective political and economic dialogue with the creditors on the conditions of payment, and with the governments of the developed countries.
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> 3) A battle must be waged to freeze interest rates so that there will not be new increases and the latest increases are not retroactive.
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> 4) There should be an automatic period of debt postponement which leaves a reasonable grace period for economic recovery and later repayment.
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> 5) A limited percentage of export income should be given to debt repayment, in order not to strangle the possibilities of development. . . .
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> 6) Reform the inequitable international monetary system. . . .
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> 7) Impose in the different countries progressive fiscal reforms which penalize uncultivated land, and usurious financial monopolies. . . .
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> 8) Nationalize the banks.

Schiller Institute's catalyzing role

The Schiller Institute's initiatives against the International Monetary Fund gave encouragement to those labor delegates arriving at the Eleventh Continental Convention of ORIT. The Schiller Institute had proposed that for the 13th and 14th of April, all citizens' groups should carry out protest marches on a world scale against the IMF Interim Committee meeting, scheduled for April 16 in Washington.

The Panamanian delegates arrived with news of the April 15 mobilization which the Conato labor federation and the Schiller Institute, led by Eduardo Rios Molinar, conducted in front of the U.S. embassy in Panama City, where they sent a messsage to President Reagan telling him that Panamanians would not accept the conditions of the International Monetary Fund and World Bank.

The Dominican labor representatives had held their demonstration on April 13, with more than 7,000 participants in the capital of Santo Domingo alone, where it was established that the accords signed by the government with the IMF will not be implemented, under penalty of greater social disturbances.

Also on April 13, the Colombians had held their march against the IMF, with a contingent of more than 4,000 demonstrators. The main organizer of the event was Utraboc, whose president, Jorge Carrillo, then attended as the delegate to the ORIT convention.

The Argentinian delegates came from their April 2 demonstration that commemorated the 1982 retaking of the Malvinas Islands. In Argentina, the fight to reclaim the Malvinas Islands from the British Empire is seen as the same thing as the fight against the International Monetary Fund and the usury destroying its national economy.

Most of the delegates, who met in Mexico City by April 14, had the opportunity to witness the march organized there by the Schiller Institute against the IMF and drug trafficking.

With these April 13-14 demonstrations, the Schiller Institute sparked what had been impossible for decades: the unification of the Ibero-American labor movement. That unification was to be ratified by the convention itself, when it established that the celebration of Labor Day on May 1 was be a continent-wide act of repudiation of the International Monetary Fund, and in favor of a new world economic order.

To Mexico for a debtor-creditor summit

Mexico's Confederation of Mexican Workers (CTM), through its secretary general Fidel Velázquez, contributed to hemispheric unity against usury by proposing that the Mexican government should promote a meeting of debtor and creditor nations. At the same time Velázquez circulated a directive to all the CTM affiliates throughout Mexico that May Day rallies "be against the International Monetary Fund."

As the ORIT convention ended, it was Fidel Velázquez himself who ratified the call by declaring that "we need a meeting of debtor nations which will allow us to counteract the influences which creditors and international economic entities have over them."

With the holding of the Eleventh ORIT Convention, a new hemispheric milestone has been reached, from which the struggle for survival of the Ibero-American republics will proceed. The governments of Spanish- and Portuguese-speaking America have now heard the two existing alternatives for this time of crisis: either increasing genocide, ecological holocaust and social instability emanating from the dictates of the Interim Committee of the International Monetary Fund on April 16-19, or the fight for economic recovery, the rescue of national sovereignty and the establishment of a new international economic order.

While the dictates of the International Monetary Fund only speak for, at most, some 500 banking firms, ORIT's proposals represent the demands of 32 million Ibero-American workers. Which side are you on, dear reader?

Documentation

'IMF austerity will lead to an explosion'

Excerpts from the resolution approved April 19 by trade unions throughout Ibero-America, at the 11th Continental Congress of the Inter-American Regional Labor Organization (ORIT) held in Mexico City. Printed here is the text published in advance of final approval by the delegates, as it appeared in Mexico City newspapers.

I. Background

1) Although our continent is rich in natural resources, it is now undergoing an economic crisis without precedent in its history, a crisis which has lowered production to the levels of a decade ago and has caused the unemployment of one-fourth of the population and a radical drop in real wages.

2) The cumulative debt of Latin America has reached $400 billion, which is more than half its internal gross product and triple the amount of its yearly exports. Over the last eight years, interest payments alone on this debt rose to $200 billion, and with this our nations, paradoxically and unjustly—in addition to the looting of their natural resources which they have suffered for a long time—have gone from being recipients of capital, to capital exporters to the developed countries.

3) In contrast with traditional indebtedness, which used to be contracted by central governments with multilateral credit agencies such as the Inter-American Development Bank (IADB) and the World Bank (IBRD), a grave tendency has developed in the last decade toward the *privatization* of international credit. . . . It
governments, who do the borrowing, and . . . it is private banks, more than the agencies of international cooperation, which do the lending. So we have fewer controls, higher interest rates, shorter terms and tougher conditions of payment, besides which there is less of a guarantee for the productive use which should be made of the loans.

4) . . .In the new credits the interest rate is variable, and with each readjustment all previous debt becomes more expensive. In 1984 alone these interest rates went up several

times, reaching an aberrant situation, in which those interest rate increases alone equaled the entire region's exports for one month. The rise of a single percentage point of such interest rates means an additional outflow of reserves in the order of $2.5 billion a year.

5) . . .In

guaranteeing the debt is to allow countries to maintain an adequate level of development and exports. This is becoming impossible because of the pressures to pay the debt . . . countries are investing ever greater proportions of export earnings which should be designated for investment and government spending.

6) The debtor governments have allowed themselves to be pressured by the creditors, deepening the crises of their own economies, and have each gone to the extreme of renegotiating their debts separately. . . . While the creditor countries are unified in the Club of Paris, the International

etary Fund, and other coordinating agencies, our governments have insisted on negotiating separately, seeking discounts and individual privileges for their disunified behaviour. . . .

7) . . .In

debt were military dictatorships not monitored by agencies representing public power. . . . As is well proven, Latin American private accounts in banks in the Northern Hemisphere have grown in the same period and proportion as their countries have become indebted. This leads to the conclusion that we have ended with responsibility for debts used by corrupt governments and whose final destination in no way benefited development projects. . . .

8) The multinational banks have demanded of the debtors, as a condition for restructuring their debt, that they reach agreements expressed in the signing of *letters of intent* with the International Monetary Fund, whereby this entity—which was created to help stabilize its members' balances of payments—has become the watchdog and guardian of the capital of the central banks of the countries, above any other consideration.

9) The formulas imposed by the IMF on debtor governments are highly recessive and unpopular, since they demand that governments suppress spending on social programs and cut workers' wages. There is a belief that such a depression of popular consumption will liberate production, which, once exported, will help them acquire reserves to pay the debt. The truth is that the metropolitan markets continue to be closed due to exaggerated protectionism; quotas and tariffs are still imposed; President Reagan's financial policy of overvaluing the dollar continues to hurt our exports and makes the costly dollar ever more difficult to acquire.

The implementation of these IMF formulas has led, everywhere they've been applied, to serious explosions of discontent and then their aftermath of repression, with many dead, wounded, and imprisoned. Popular desperation is reaching the limits of irrepressible explosion.

10) Added to this somber panorama was the adoption in recent years by most of the countries in the region, of neoliberal policies inspired by the international money centers. These policies, while recommending the liberation of international trade by a radical drop of tariffs, in fact caused an invasion of goods from abroad and the consequent effect of bankrupting national industries, unemployment, etc. In order to implement these easy-importation policies, they kept the price of the dollar frozen, thereby stimulating massive capital flight to the money centers. Remedial actions taken by the central banks, like going to the markets to sell dollars from the national reserves to appease market demands, led instead to an increase of the capital flight they were supposed to curb.

One element of this model instrument was the de-regulation of interest rates, which stimulated international speculative capital that only sought usury and eventual flight, without any interest in productive investment.

II. Considering. . .

1) That the burden of payment of these debts is being discharged upon the workers in all forms of reduction of real wages, unemployment, elimination of social services and government subsidies.

2) That those responsible for the present situation are the governments who irresponsibly compromised the future of their countries without consultation; the businessmen who assumed risks they are incapable of answering for; and the bankers themselves, who, spurred by their interest in usurious gains induced governments and business to take the loans.

3) That thanks to all the mechanisms of corruption common to our governments, many such credits were fictitious, since the money often didn't even enter our countries, and if it did, there was no regular recording of it, or it was appropriated by private individuals who re-exported it.

4) That present negotiation processes, undertaken separately by our countries, have led us to the sad and paradoxical situation in which, at the same time our governments deliberate rhetorically and formulate pompous declarations, the creditors act in concert to force payments and interest rate hikes.

5) That were we to pay these obligations in the way they are being required of us, we'd have no resources left to finance development, with which they are imposing on us an alternative of ominous historical consequences—either we pay or we develop—and against this dilemma we are left without a margin of choice.

6) That in many countries of the region economies are being left in precarious conditions by inadequate policies, on top of the foreign debt, which make the effort to pay even more asphyxiating.

7) . . .That the recessive measures which are being imposed on these countries threaten to abort this process of incipient return of democracy.

III. Proposals

1) We reject:

i. The impositions of the International Monetary Fund and its meddling in internal policies of countries through unpopular economic formulas which, aside from undermining the sovereignty of countries, discharge all the weight of the crisis upon the workers, without managing . . . to solve the problem at hand.

ii. The attitude of docility and submission of many governments which have preferred to seek the approval of the multinational entities than to convoke business and labor forces in each country to design the strategies which in each case could lead out of the crisis.

iii. The disunified attitude of the large debtors of the region, which by seeking minimal discounts or particular considerations in reward for their individualism have blocked the possibility of joint debt renegotiation in a confrontation with the creditors, who act among themselves as a club, pool or cartel.

iv. The procedure adopted by some governments of the region, to assume responsibility for foreign debts incurred by private interests. . . .

v. The proposal of substituting debts for partnership with the creditors by way of expediting the flow of foreign capital into our countries, and particularly the proposal . . . of handing them shares of property of government enterprises as an instrument of payment. The nationalization of the strategic resources of our countries and public services was the fruit of long and heroic struggles which we must preserve.

2) We invite our members:

i. To monitor the behavior of our governments in their attitude during renegotiation processes, in order to prevent a weak and conciliatory attitude worsening the already untenable situation of the workers.

ii. To fight for access to the negotiations that the governments hold with the International Monetary Fund and the creditor banks, through direct participation in the conversations, parliamentary debates, public forums, ètc.

iii. To fight for the maintenance, where they exist, of labor union liberties and political rights and for their reestablisment where they do not exist or are debased. A framework of rights and liberties is the necessary condition in this whole process.

iv. To carry out an intense consciousness-raising effort among the workers about the causes and effects which the foreign debt problem is having on the internal situation of our countries, in order to guarantee their mobilization whenever it is necessary.

v. To strengthen ties among the National Confederations and Centrals of the region, with a broad spirit of unified Latin American action to offer the support of solidarity in each national case and to guarantee a homogeneous response to the impositions of transnational banks.

3) We demand:

i. That in each country the governments undertake a conscientious study that differentiates, in detail, between the debts which were contracted with all due legal requirements and hence should be honored, from those which, violating relevant regulations, were channeled into arms purchases, capital flight and private appropiations by corrupt government officials.

ii. That the governments put aside the individualist attitude of exclusive national benefit and that joint renegotiation strategies be coordinated, as for instance a collective political and economic dialogue with the creditors about conditions of payment, and also with the governments of the developed countries in order for them to lower the barriers which exist against our products, as an indispensable requirement to pay the debt.

iii. That there be a fight to freeze interest rates, so that there are no new increases and the latest increases are not retroactive.

iv. That an automatic period of debt postponement be demanded, that leaves a reasonable grace period in which countries designate their fundamental resources for the recovery of their economies with the necessary internal investment, in order to be able to pay later on.

v. That a fixed percentage of import earnings be established, which will be the share of its income that each country uses for debt repayment, in order not to strangle its possibilities for development.

vi. That a fight for the reform of the inequitable international monetary system be promoted at the regional level, because in its present structure it is a watchdog of the transnational banks, an imperialist extension of the dominant centers, and a defender of the overvalued dollar based on the usurious speculation in the financial markets the United States stimulates as a means of attracting capital with which it expects to finance its fiscal deficit.

vii. That in the various countries progressive fiscal reforms be promoted, that tax uncultivated lands, usurious financial monopolies, great industry and the multinationals, throwing aside the prevalent tendency in the region, that the greater weight of the national revenue falls on the income of labor, and hence on the workers. Through this channel we shall seek that businessmen and employers pay their share of responsibility in the crisis, and that it not be unloaded on the workers' shoulders.

viii. That the banks be nationalized, since they have not only been the vehicle traditionally used by private interests with speculative ends . . . but also in the recent period they have been the channel for capital flight and speculative and destabilizing maneuvers of harmful effect on society.

Conclusion

In a concluding section of the document not fully available at press time, the ORIT unionists stated that "generalized debt moratorium could be the only way out for our countries" if their only choice is between "saving the creditor banks or rescuing the population of Latin-America."