Honduras on the brink of catastrophe

by Carlos Cota Meza

On Oct. 15, this writer was invited to address the First Honduran Business Management Conference as a spokesman for the Schiller Institute, which had recently published the book *Ibero-American Integration: 100 Million New Jobs by the Year 2000*. The conference represented, in microcosm, an ongoing battle within Honduran leadership circles over how to save the country from the economic and social catastrophe spreading throughout the region. The battle lines were clearly drawn: The Schiller Institute urged breaking the stranglehold of the International Monetary Fund over the Honduran economy; arch-monetarist Luis Pazos demanded the dismantling of any state-owned companies and insisted on continued adherence to IMF dictates.

Honduras is a country of 5 million people. Of its 1.3 million economically active population, 900,000 are underemployed or unemployed, according to Vice-President Jaime Rosenthal—70% of the population! Its foreign debt of $1 billion in 1978 had grown to $2.4 billion by 1985. Its export income is shrinking, its economy destabilized by the Contra "invasion,"

the U.S. State Department to convert the nation into a U.S. military base of operations.

My presentation to the country's 170 leading business and political figures attending the conference focused on the analysis presented in the Schiller Institute book, detailing the implications of continued servicing of a largely illegitimate foreign debt, and the solutions offered by a continent-wide Common Market and debtors' front (see *EIR*'s *Operation Juárez* series, pp. 42-45). The majority of those in attendance had little trouble recognizing that continued adherence to IMF "adjustment"

disintegration of government, and the advance of communism continentally. One high-level government official remarked to me afterward that he saw "no other alternative but that of Alan García"—referring

insistence that domestic economic well-being has a higher priority than debt payment.

The speaker who followed me offered striking testimony to the picture I had presented. He was Jaime Rosenthal, Vice-President of Honduras. He observed that, given unreliable international prices for the coffee, banana, and meat that Honduras exports, his country anticipated earnings of approximately $800 million this year. After servicing the foreign debt, net income was expected to be $570 million. Honduras' basic import requirements for the year cost $900 million.

"In sum,"

million for maintaining our imports. The international banks are no longer lending, and our debts with the IMF are not subject to renegotiation; we must pay. As things now stand, someone will have to give us $300 million, because we cannot get it from our trade."

for any new loans included "devaluation of the lempira [the national currency], reduction of imports, and increased taxes, none of which we can accept, because it would affect the lowest-income population, it would bankrupt national businesses, and we would lose the social peace we enjoy relative to our neighbors, whose state of affairs we well know."

That "state of affairs"

Indeed, the IMF proposal to devalue the lempira could only benefit Nicaragua, the Central American country which most imports Honduran products.

Communism in 'Contra' guise?

Further, with the presence of thousands of Nicaraguan Contras on Honduran territory and with the vast influx of uncontrolled dollars they bring with them, the economy of Honduras has seen an accelerated growth of inflation, along with a serious scarcity of goods. The Reagan administration's $100 million shot-in-the-arm to the Contras has created a black market in dollars in Honduras, functioning in much the way that the drug trade undermines any legitimate economy.

As one businessman told me, "With these dollars we are seeing what happened to South Vietnam when the North and it began to introduce counterfeit dollars into their economy. . . . Really, we don't understand the U.S. policy toward us. They want to dismember us economically. This is fighting against communism? It is clear that with such a policy, precisely the opposite will happen."

The U.S. State Department, with its IMF billy-club, is not only aiding and abetting the communists in the region with its contradictory policies in the economic and foreign policy arena, but actively deploys against any alternatives being offered to the region.

In the days prior to the Business Management Conference, when it was publicly announced that the Schiller Institute would be sending a speaker, the U.S. embassy in Tegucigalpa mounted a pressure campaign against the conference sponsors to retract the invitation, a campaign which failed. However, much to the State Department's relief, the group did invite Mexican monetarist Pazos to speak.

When it came his turn to speak, Pazos demanded that no one from the Schiller Institute be present, and then insisted that Honduras' problem was not its foreign debt, but "corruption and the existence of state-controlled companies."

only later that Pazos discovered that his diatribe was viewed by many in the audience as an attack on the presentation of Vice-President Rosenthal!