Kiss. Ass. demands debtors' arrears

by Dennis Small

The debtor nations of Ibero-America have received a warning shot across the bow from Kissinger Associates, the consulting company set up by the former secretary of state to serve as lobbyist and spokesman for the U.S. banking establishment. Writing in the Oct. 3 *Christian Science Monitor,* Kiss. Ass. President Alan Stoga sounded the alarm that the debtor nations are $22 billion in arrears in their interest payments to the banks and other creditors, "of which $16 billion are accounted for by Brazil and Argentina." These funds must be ponied up, Stoga pronounced, and both the U.S. government and the Ibero-Americans must take the necessary steps to achieve this—fast.

"Many countries seem to believe that such moratoria are costless," he threatened, "but this ignores the corrosive effect which nonpayment has on a nation's international credibility." In other words, if you don't pay, you will be ostracized and blackballed by the international financial community. Drastic "stabilization programs" and "financial discipline" are the order of the day for the Ibero-Americans, the Kissinger stand-in lectured, which in normal English means painful reductions in standard of living, selling off the state's productive assets, and drowning any domestic industry in a flood of cheap foreign imports.

Stoga held up Mexico and Chile as examples for the other nations to follow: "Mexico and Chile have proven that the only way out of the crisis is sustained economic reform." The emphasis here is on the word "sustained." The financial establishment is not so much displeased with the current economic policies of the Argentine and Brazilian governments, as it is concerned that such savage austerity be "sustained" over a period of years, regardless of the political cost, as it has been in Mexico. "Sustained economic reform" has brought Mexico a 50% drop in real wages since the mid-1980s, and a spiraling industrial decline (see *Dateline Mexico,* page 20). Only those on the payroll of the Mexican government are still talking about the "Mexican economic miracle"—or idiot-savant economists like Polyconomics' David Goldman, who hailed Mexico's diastrous policies in a recent article in the *San Diego Union.*

The IMF turns the screws

The International Monetary Fund has also made it clear that debtors in arrears can expect no relief, no matter how slavishly they are imposing the bankers' austerity policies otherwise. Argentina, for example, is $6 billion in arrears on its $30 billion in debt to the commercial banks, and despite President Carlos Menem's unqualified support for the Anglo-American Establishment, both in economic policy and in the Middle East, the IMF recently refused to disburse its scheduled lending to the country. The same thing has reportedly happened with Venezuela—another country whose government has bent over backwards to do the bankers' bidding. Finance Ministry sources in Venezuela recently told the press that the country would not be receiving its scheduled loans from the IMF.

The recent sharp rise in world oil prices has worsened the plight of most debtor nations, but IMF director Michel Camdessus announced in late September that his institution had no plans to establish any kind of fund to help oil-importing debtor nations get through the crisis. Camdessus cynically proposed that Third World oil-exporting nations should "display their solidarity" by contributing their increased revenues to the repayment of the foreign debt of their oil-importing brother nations. The IMF is, of course, simultaneously insisting that any increased revenues obtained by oil-exporting debtor nations—such as Mexico and Venezuela—must absolutely *not* go for domestic development, but only for their own debt repayment.

Stoga was also blunt about the fact that the recent jump in oil prices "will worsen the payments positions of oil importers like Brazil," and that they should expect no relief: "Any recycling of new petrodollars is likely to remain among the industrial countries, rather than flow to developing nations," Stoga pronounced.

Revise the Brady Plan

The Kissinger crowd is also critical of the Bush administration, because it has failed to control the Third World debt problem. The so-called Brady Plan, named after Treasury Secretary Nicholas Brady, "has run its course," according to Stoga. Moreover, it was a "dangerous" idea from the start, because it "encouraged debtors to stop paying interest to the banks until renegotiated debt agreements are in place"—thus opening the door to the arrears problem the bankers now face.

As on most issues, Bush seems to be long on consoling assurances and short on actual solutions to the debt crisis. In his recent meeting with Brazilian President Fernando Collor de Mello, Bush reportedly told the visiting head of state of the Third World's most deeply indebted nation not to worry excessively about the debt problem. The imminent resolution of the U.S. budget crisis would cause a drop in international interest rates, Bush stated confidently, and this would benefit debtor nations like Brazil. Brazilian sources report that President Collor's entourage didn't know whether to laugh or to cry.