

Debtors' cartel behind Ibero-American barter?

by Robyn Quijano

The Fifth Ministerial Meeting of the Group of 77 developing countries concluded in Buenos Aires on April 9 with the issuance of a final declaration that all agreed was "moderate" in content, if strong in tone. Specifically, the developing countries failed to adopt a strong political stance on the issue of their foreign debt, despite the argument by many countries that the threat of non-payment could be used as a lever to force the implementation of a new international monetary system. The meeting even went so far as to avoid formulating a specific proposal on the issue of developing countries' private debt for placement on the negotiating table of the June meeting of the United Nations Conference on Trade and Development (UNCTAD). This stance was adopted at the insistence of such big debtors as Brazil, Mexico, and Argentina, which insisted that any mention of the private debt issue would disrupt their bilateral relationships with the creditor banks!

The Swiss intelligence daily *Neue Zürcher Zeitung* and other outlets for the usurious Bank for International Settlements and International Monetary Fund were quick to interpret the meeting's results as a victory for their forces, claiming that the debt weapon was "rejected" by the developing countries.

But was it?

It was clear that the big debtors like Mexico and Brazil were not yet prepared to publicly form such a cartel. Top Latin American political leaders in attendance at the Buenos Aires meeting argued that any country that adopted such a stance without adequate political preparations "would immediately get smashed," and for this reason diplomats from the big debtors were under orders to publicly maintain a "moderate" stance. In the meantime, the economic and po-

litical infrastructure to support such a move is steadily being put in place.

In the days since the Group of 77 meeting—somewhat uneventfully—ended, Colombian President Belisario Betancur has met with three Latin American presidents, and has declared war on the genocidal economic conditions facing the continent. "With the peoples of the Caribbean we are at war against underdevelopment, which is the true enemy," Betancur said, shortly before leaving on his tour for a Central American peace settlement. A declaration put out jointly by Betancur and Mexican President Miguel de la Madrid emphasizes the need to launch "a new era in cooperation for development" among the nations of the continent. Almost simultaneously, Mexico and Brazil signed a letter of intent for a \$2 billion barter deal, where Mexican oil will be exchanged for Brazilian grains and capital goods.

According to Mexican press sources, at the April 26-27 summit between de la Madrid and Brazilian President João Baptista Figueiredo, which will be held in Mexico, the formulation of a joint solution to Ibero-America's economic crisis, will be the subject highest on the agenda. According to Brazilian government officials, another subject which may be treated at the summit is the risks involved in the interruption of development credits. To further add to the creditors' discomfort, the Brazilian government has announced that President Figueiredo will launch an "alert campaign," asking the rest of the Third World to unite with Brazil in denouncing the danger, from a national security standpoint, if economic stagnation is allowed to continue.

The Brazilian "alert" is addressed to the advanced sector as a warning on the consequences of the social chaos that the International Monetary Fund's austerity programs are caus-

ing in Latin America. Riots broke out April 11 in Rio de Janeiro when 2,500 unemployed tried to sign up for a handful of jobs. The Brazilians will reportedly cite this, along with riots in São Paulo earlier this month, as evidence that a long-term solution must be found to debt and trade problems.

But beyond the appeal to the advanced sector, there is increasing evidence that the various continental leaders are putting into place the defense mechanisms described by *EIR* founder Lyndon LaRouche in his document that has become well known across the continent, *Operation Juárez*. LaRouche noted that barter and trade agreements that constitute a common market-like structure can assure economic survival even if creditors impose reprisals at the moment that debtor nations declare their inability to pay.

The second week in April, when Mexican and Brazilian foreign trade officials held working sessions in preparation for their upcoming summit, they concluded that “both countries should develop joint actions which lead to economic complementarity . . . especially in infrastructure projects, transfer of technology, and joint investment.”

Such integration of the continent’s two biggest economies, both suffering from industrial shutdowns, unemployment, and social unrest because of IMF-dictated conditions, could go a long way in removing the fear of credit and trade boycotts which advanced-sector creditor nations have held at the heads of the continent’s leaders.

A clue to the extent of the cooperation accords expected from the summit is the size and weight of the Brazilian delegation that will accompany President Figueiredo. The entourage will consist of nine cabinet ministers, the directors of Brazil’s major state-owned companies, as well as the ministers of foreign relations, finance, industry and trade, mines and energy, planning, and the heads of Petrobras and Siderbras, the state oil and steel companies.

A study conducted by *EIR* on Ibero-America’s capability to become an economic superpower through the creation of a common market based on large infrastructural development projects is being widely circulated; and both Argentina and Colombian sources have indicated to this news service that barter deals are being quietly entered into throughout the continent.

President de la Madrid reported that this was one of the themes of the discussions he held over the weekend of April 9 and 10 with President Betancur: “The critical circumstances which our Latin American countries now face advise us to strengthen our communications and look for new horizons in our relations,” de la Madrid said. “On a practical basis, we can look for programs of economic complementarity and integration, to accelerate technological collaboration, and to look for interchanges which save foreign exchange.”

So the nations that refused to publicly declare their intentions in Buenos Aires are jointly jockeying for positions in a post-economic-blowout world.

The significance of this fact was denounced editorially by the *Financial Times* on April 8 as inimical to the interests

of the creditors: “It is difficult to accept the relevance” of these deals, “because barter provides no foreign exchange for debt service . . . and diverts potential exports that might otherwise be available for export against hard currency, and may commit Brazil to greater oil imports from Mexico than the austerity program warrants.”

Exactly.

What debtors’ club?

The Spanish news service EFE reported April 8 in a dispatch from Buenos Aires entitled “Debtors’ Club Project Is Key Theme of Meeting of the 77,” that a creditors’ club already exists, and the debtors’ club idea became the “extraofficial” project and key theme of the meeting. “EFE has learned confidentially . . . that the debt overdue at present is more than \$15 billion. That means that there is a de facto moratorium in Latin America’s favor by that amount, and this moratorium in practical terms will increase over the short term if a solution is not found,” reported EFE.

But the Swiss *Neue Zürcher Zeitung* reported a few days later: “The conference results thus signify a clear rejection of the idea of forging a debt-weapon out of the high foreign debt of developing countries—estimated to be about \$630 billion. This proposal was not only made by Asian and African countries, but was also propagated by Dennis Small, the Latin America expert of the National Democratic Policy Committee, led by U.S. economist Lyndon LaRouche. . . . Especially Latin American and Arab states were for a course of cooperation, and against the attempt to turn the debt question into a weapon against the creditors, and their line won out.”

Whatever “line” won out, there is increasing agreement among Latin American presidents and large factions in the continent’s military that the dictates of the IMF are causing problems of national security, and that there must be a solution fast, with or without the cooperation of the advanced sector. The LaRouche proposal suggests that that advanced sector must be forced to cooperate because of its own national interests, and for the sake of maintaining viable stable republics with which the advanced sector can trade.

One leading Latin American political leader known to favor a debtors’ cartel argued privately that the next two months, prior to the convening of the June UNCTAD meeting, could easily witness a change in the public policy of the Latin American nations on the debt issue. In this period, he said, there is likely to be a worsening of the debt crisis, and the “political and organizational aspects” of a debtors’ cartel might be worked out.

At the same time Henry Kissinger has announced that Argentina “has entered into the same category of unpredictability as Iran,” and is advising his clients to “sell everything that you have in Argentina, and leave the country with your family because terrible things are about to happen there.” Nationalist forces in the military, with a loud voice from the Air Force, and the Multipartidaria grouping of major political parties are mounting a defense against Kissinger’s plans.

'Economic crisis puts human future in jeopardy'

The following are excerpts from the political statement issued by the Fifth Ministerial Meeting of the Group of 77, at the conclusion of the March 28-April 9 deliberations. The political statement is part of a longer declaration issued by the meeting, which presents the views of the developing countries on the global economic crisis and the upcoming meeting of the United Nations Conference on Trade and Development, scheduled for June in Belgrade, Yugoslavia.

2) The world economy is engulfed in the most pervasive and dangerous crisis since the 1930s. This crisis has already imposed incalculable costs on all groups of countries. It has taken a heavy toll on the international trade, monetary, and financial systems. The essential elements of the crisis remain unabated and the situation is displaying all the symptoms of a global depression. Unless resolved, the crisis will inflict even greater damage on the world economy, with far-reaching implications for peace and stability.

3) Even though the developing countries bear no responsibility for the crisis, its impact on their economies has been particularly severe. Their balance of payments deficit and external debt burden have assumed crushing proportions. Many of them, particularly the least developed, have in recent years experienced a decline in their per capita domestic product; most of them have had to curtail drastically their investment programs and imports of essential goods.

4) In 1982 for the first time in nearly four decades, the value of world trade declined, by 6 percent.

5) The current crisis is primarily a consequence of underlying structural maladjustments in virtually all areas of the international economic system. It has eroded the principles and the rules of international cooperation as well as the key institutions which were established after the Second World War to provide the framework for international economic relations. In any case, these institutions and their modalities of operation have proved grossly inadequate to support the development efforts of the developing countries and to deal with the crisis. They not only lack the resources necessary for effective action, but their concepts and modes of action

call for overhaul and reform. Indeed, the present state of affairs comes close to being a non-system.

6) If the present situation is allowed to continue, the resulting economic deterioration and its attendant uncertainties in the global economy will seriously jeopardize the future of humanity.

8) The global character of the crisis calls for global solutions. What is required is a new multilateralism transcending the framework designed for an earlier, different era; an approach founded on the systematic concertation of policies involving all groups of countries on a global basis; an approach designed to reverse the deterioration in the world economy, to promote growth, and to effect orderly structural changes in preference to sudden and painful mutations. The international community must work toward new rules and principles of cooperation.

9) The Ministers note with interest the increasing recognition in developed countries of the need to stimulate non-inflationary growth in their economies. However, the measures envisaged to that end cannot be adequate for a revitalization of the world economy on a sustained basis unless they take full account of the development imperatives of the developing countries. Recent experience shows that an expansion of the purchasing power and import capacity of developing countries was instrumental in cushioning the severity of the recession in the developed countries. Thus, the developed countries stand to suffer when productive capacities in developing countries are under-utilized, just as the latter have been seriously affected by sluggishness in the former. Furthermore, the developing countries have become an increasingly important factor in international financial markets. Their ability to service their external debts, which ultimately depends on export earnings, has become crucial to the stability of the international banking system.

10) These considerations point to the urgency of launching a concerted and sustained program by the entire international community aimed at the reactivation of the world economy and the accelerated development of the developing countries. Such an immediate action program should be launched on the basis of a parallel set of policies encompassing both immediate measures in areas of critical importance to the developing countries and well-planned structural change in the world economy together with far-reaching reforms in the institutional framework governing international economic relations.

11) The Ministers reiterate their firm commitment to the immediate launching of Global Negotiations. The Ministers accordingly welcome the decision of the VII Non-Aligned Summit at New Delhi urging all countries to make every effort to overcome the remaining hurdles to the launching of Global Negotiations. They also welcome the decision of the Summit that in the meantime, concurrent efforts be made immediately to secure the implementation of a Program of Immediate Measures, including the convening of an International Conference on Money and Finance for Development.