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De-facto Dissolution of Andean Pact: A Set-up for IMF Looting

May 1 (IPS) — An April 10 meeting of the Andean Pact nations — Chile, Colombia, Bolivia, Venezuela, Peru and Equador — introduced "modifications" into the charter of that organization which effectively nullify its essential provisions and considerably isolates Peru from its Andean neighbors. The meeting represents the culmination of a prolonged attempt to sabotage the Peruvian proposals in the Pact for regional development projects, designed and fought for principally by Peruvian Foreign Minister Angel de la Flor and his co-thinkers in other participating countries.

Although the Peruvian government has accepted the outcome of the April 10 meeting, the decisions reached there represent yet another flank of the concerted offensive against Peru launched and orchestrated by U.S. Secretary of State Henry Kissinger and his Latin American policy advisor, Luigi Einaudi. Ongoing discussions between member nations since April 26 threaten to introduce further modifications in the Pact, which would open the entire area to direct, debt-based looting and political manipulaiton of the continent by those Wall Street financier groupings whose activities were previously restricted by pact agreements.

Already, after more than 3 weeks of hard negotiating in Lima, Einaudi has obtained Peruvian acquiescence to paying the nationalized U.S. Marcona mining company $50 million in cash plus an undisclosed amount in minerals as compensation. Einaudi's triumph in this area is part of a larger offensive ordered by Kissinger, to destabilize the Peruvian government of General Morales Bermudez through a threatened coup d'etat by right wing generals domestically, and the fomenting of tensions between Peru and neighboring countries which could lead to a so-called "Second War of the Pacific" with Chile. One of the main things that Kissinger, and the Atlanticist financial interests are determined to halt is the call for a debt moratorium, made by de la Flor in Manila. Successful organizing by Peru for a moratorium would severely threaten Atlanticist control of the continent, since even in Chile and Brazil the moratorium issue is recognized by growing layers as the only alternative to extinction.

From the U.S. extensive economic blackmail has been organized against Peru, through international financial institutions and private banks and corporations, as described by Jonathan Kandell in today's New York Times. Kandell clearly makes the point that the U.S. would have been willing to exacerbate the already critical boycott of purchases of Peruvian minerals had the government refused to concede on the Marcona compensation. It is no accident that Einaudi, on loan to Kissinger's staff from the RAND Corporaiton, was carrying out his Marcona negotiations in the Petroperu Hotel one floor below the negotiations around the Chilean proposal for Bolivian access to the sea, a potential trigger for war.

Chilean "Modifications"

The immediate issue of the April 10 meeting of pact members was the Chilean request for permission to "denationalize" key state sector industries, among them notably the Chilean Development Corporation, CORFO. Besides this violation of Pact provisions, Chile also demanded that the relevant Decision 24, which restricts both "denationalization" rights of member nations and profit-repatriation rights of multinationals in member nations to 14 per cent be made a primary agenda item subject to elimination by ongoing post-April 26 discussions.

To prevent Chile and its ally Colombia from immediately destroying the pact, Peru tentatively conceded to both demands.

The April 10 meeting also resulted in a 2-year postponement of the drafting of joint industrial development programs — a key objective of the Pact from Peru's standpoint. Also eliminated was the requirement that member-nations unanimously agree and participate in such development projects. Only four of the six must now concur and participate, a blank check for Chile and Colombia to ignore any Pact decisions with which Lower Manhattan does not concur. The meeting also postponed important agreement on common tariff levels and policies, settling for the Chilean "flexibility" resolution which fixes maximum and minimum tariffs, thus fundamentally allowing each nation to choose its own rate.

Direct Looting

The Chilean government, bent on paying the nation's debt at whatever social cost, has now launched an offensive which threatens to destroy the prospect of unity among the member nations in regard to the world's financial institutions. Chile's present call to eliminate Andean Pact Decision 24, restricting denationalization and foreign-profit repatriation, is now the most crucial fighting issue recognized by all pro-development forces as pivotal if the principals of the regional development pact are to be preserved.

The state sectors of Latin American nations generally consist of basic infrastructural enterprises (transport, utilities, etc.) and those raw materials-producing enterprises upon which foreign exchange earnings overwhelmingly depend. Denationalization will give New York bank-run multinationals and other "foreign interests" direct access to such foreign exchange earnings, by-passing central banks and government bureaucracies. Looting of these key sectors could then proceed independently of the political issue of the state's foreign debt under the direct supervision of Wall Street's International Monetary Fund.

According to the Financial Times of London, the Peruvian regime conceded to the Chilean demand for "flexibility" in key Pact provisions on the conviction that "the basic principles of the pact are so well established...that they can afford to be flexible on details." Hardly. Forced to make concessions to save the idea of the Pact, Peruvian development advocates cannot but be aware that any "flexibility" on, for example, Decision 24, undercuts their entire foreign policy thrust and at least temporarily washes away the very foundations of the Andean Pact in practice.

Continental Destabilization

Chile's "flexibility" thrust against the pact on the Decision 24 issue, with degrees of backing from Colombia and Bolivia, coincides with Manhattan's push throughout Latin America for break-up of the state sector industries of the continent. In the first week of April, the New York Times transmitted clear signals for such a campaign in a front page article warning of dangers to U.S. investment in Brazil, giving the "vastly expanding state sector...comparable only to that of socialist countries."

That "report," reflected a major factional battle which has erupted in Brazil, pitting that country's Wall Street-backed forces against an increasingly vociferous group of nationalist military figures and industrialists opposed to Brazilian Finance Minister Simonsen's effort to denationalize or close down enterprises in the vital energy, steel and fertilizer sectors. In Argentina, the six-wek old military junta is now auctioning off some 200 "no longer affordable" state enterprises and laying off 500,000 state employees to date, with one million more to come.

Brazilian "Policeman

Brazil, designated by U.S. Secretary of State Henry Kissinger as policeman for Manhattan bank interests on the continent, is now estimated to be playing a major behind-the-scenes role in spreading such policy-shifts across the continent, including the important sabotage of the Andean Pact in coordination with Einaudi's "War of the Pacific" manipulations. With heavy investments in pact nation Bolivia and an increasing flow of investment funds into Chile, the Brazilian junta has sought to use this leverage with both nations to determine their votes in Andean Pact decisions.

Brazil has also mooted heavy investments in other Andean spine nations in an attempt to influence them to sever pact ties.