immediately. "Silva Herzog is almost like an acting President," the Aug. 24 *Journal of Commerce* reported hopefully. "There is almost a total power vacuum" in Mexico, they explained, " and Silva Herzog is partially filling it."

The problem for the bankers, in the words of London's *Financial Times* is that López Portillo is "violently opposed" to going to the IMF; and there are strong indications that the Mexican President is trying to hold to that commitment. After a 10-day silence, for example, López Portillo emerged to announce that he would shortly introduce legislation demanding stiff jail terms for any government employee who engages in currency speculation and capital flight. He also reported that his much-awaiting Sept. 1 State of the Union address will not only discuss the achievements and failures of his administration but will also focus on "what we must do in the future"—a veiled threat which must have the IMF nervous over what the nationalist Mexican leader might say. Nor have they forgotten that López Portillo met privately last May with the author of the "debt bomb" proposal, Lyndon LaRouche.

A well-informed West Coast banker emphasized this "López Portillo problem" in a candid conversation with *EIR*. "López Portillo had to be bludgeoned all last week to agree to anything. Silva Herzog and others had to work around him; they cannot even let him appear on TV," the banker reported.

Kissinger descends on three key nations

by Dennis Small, Ibero-America Editor

It was never meant to get out—the fact that Henry Kissinger was planning an early September trip to Mexico, Panama and Argentina—but this magazine was tipped off in mid-August that the former Secretary of State was about to embark on a mission to Ibero-America to help the British banks and the Interntional Monetary Fund impose their policies on the continent. Within days *EIR* was able to confirm the lead with reliable sources in each of the three countries, and 24 hours later *EIR* founder Lyndon LaRouche issued an international press release alerting the leaders of Ibero-America to the horror about to descend on them. LaRouche's warning was covered prominently in the Argentine press and was studied carefully by diplomats and government officials of every major nation in the region.

As of this writing, it is not known whether or not Kissinger intends to proceed with his diplomatic thuggery, now that a spotlight has been placed on it. But his homicidal drive to destroy any national leader who bucks his masters' policies remains intact.

The former Secretary of State is notorious throughout the developing sector for employing the meanest sadism—typical of the unstable homosexual psyche, as evidenced by his mid-1970s involvement in destabilizing, overthrowing, or murdering every Third World leader then fighting for a New World Economic Order: Pakistan's Bhutto, India's Gandhi, Sri Lanka's Bandaranaike, Guyana's Wills, Peru's De la Flor, and others, were all victims of Kissinger operations.

Now, Mexico's President José López Portillo has infuriated the international bankers by refusing to roll over and play dead before the IMF, and his life has been repeatedly threatened over the last weeks. Kissinger is a sworn enemy of López Portillo's attempt to industrialize Mexico. In Panama, former President Aristides Royo was toppled last month, *EIR* has learned, for preparing to declare a debt moratorium on his country's unpayable foreign debt—and Kissinger wants to travel there to inspect his handiwork and to make sure that the new government will stay in line.

Plans for Argentina and Brazil

But the Argentine case best exemplifies the purpose behind the Kissinger trip. According to well-informed Washington sources, Kissinger's trip to Argentina was in the direct employ of British financial interests, who asked him to mediate their outstanding dispute with Argentina over mutually frozen assets—a legacy of last June's Malvinas war. The British banks are refusing to unfreeze Argentine assets or to issue new loans, unless and until Argentina agrees to a formal "cessation of hostilities" with Britain—a virtual abandonment of their historic sovereignty claims over the Malvinas.

To deliver this blackmail threat most forcefully, the British contracted the services of the new firm which Fat Henry has established, called Kissinger Associates, Inc. (sometimes referred to for short as Kiss. Ass. Inc.), on whose board of directors sits Lord Carrington, Britain's former Foreign Secretary.

To prepare the groundwork for his visit to Argentina, Kissinger lunched secretly in New York City on Aug. 19, with Argentina's ambassador to Washington, Esteban Tackacs, who is reportedly a good friend of Henry's since the Argentine diplomat's recent tour of duty as ambassador to Canada. Moreover, Washington sources told *EIR*, Tackacs "has optimal ties" to the entire group of Kissingerians wedged in the Reagan administration, including Assistant Secretary of State for Inter-American Affairs, Thomas Enders, and U.N. Ambassador Jeane Kirkpatrick. This entire Kissingerian crowd attempted to ingratiate itself with the Argentine government by partially supporting their cause in the Malvinas war . . . at the very *end* of that crisis, when it became safe to do so. Now they are being deployed to do the inside dirty work against ongoing Argentine resistance to IMF conditionalities. Argentine press sources have reported that Jeane

Kirkpatrick intends to visit a half dozen Ibero-American nations during September, notably including Argentina.

Another deployment of the Kissinger gang of thugs should be noted. U.S. Special Ambassador Gen. Vernon Walters was sent to Brazil the last week of August to meet with his many contacts in that country's military. Reliable congressional sources report that Walters' message was that Brazil had to help the United States bludgeon Argentina into line on the subject of its negotiations with the IMF and the British, and that Brazil itself must keep aloof from the continental discussion of joint debt renegotiation. There are no indications that Brazilian President Figueiredo is agreeable to following these orders. On the contrary, the Brazilian head of state snubbed the diplomatic reception held in Walters' honor at the U.S. Embassy in Brasilia; and it is probable that he too will now be put on Kissinger's "black list" of uncompliant political leaders.

A challenge in Mexico

Three major Mexico City dailies, *La Prensa, El Sol de Mexico,* and *Ovaciones* on Aug. 27 prominently played up a Mexican Labor Party rally Aug. 26 protesting the upcoming Kissinger visit. The three papers ran pictures of PLM members demonstrating in front of the local branch of Chase Manhattan Bank.

According to *La Prensa,* Mexico City's largest-circulation paper, the demonstrators "noted that Kissinger is homosexual and showed several photos in which the former U.S. official is shown being embraced by young boys." The daily *Ovaciones* ran a picture of PLM demonstrators with a caption saying that for the PLM "Henry Kissinger's visit will be tantamount to accepting the visit of assassins of thousands of citizens around the world." *El Sol de Mexico* published a similar picture showing PLM banners denouncing Miguel Alemán for covering up Kissinger's Acapulco crime.

Press relays warnings on Kissinger and the IMF

The official Argentine news agency, Telam, on Aug. 20 ran the following wire, datelined New York City. It was printed the next day in two of Buenos Aires's leading dailies, Clarín *and* La Razón, *under the headline "U.S. Warning on Kissinger Trip to Argentina."*

The leader of a faction of the U.S. Democratic Party warned the Latin American nations against what could be involved in a possible trip to those nations by the former Secretary of State, Henry Kissinger, on an economic mission.

Through a spokesman, Lyndon LaRouche—the founder and head of the National Democratic Policy Committee, and a 1980 U.S. presidential candidate for the nomination of the Democratic Party—stressed that Kissinger is preparing to visit Mexico, Panama and Argentina, to carry the policies of the International Monetary Fund to these countries.

LaRouche characterizes the austerity policies which the IMF attempts to impose as "genocidal," and urges the Latin American nations to defend themselves, "uniting their forces to force their creditors in London, Switzerland and New York to accept a favorable renegotiation of the foreign debt of the continent."

According to the spokesman for LaRouche—who is a longtime political enemy of Kissinger's—"the monetarist forces of the IMF are carrying out a blatant strategy of 'divide and conquer,' giving a few crumbs of credit to Brazil so that it does not ally with the rest of Ibero-America while the IMF assaults it. But if the IMF achieves this destruction, Brazil will suffer the same fate within a few months."

The spokesman added that Kissinger's tour of various Ibero-American capitals is part of this IMF effort, and that Kissinger is preparing to destroy those government leaders who oppose his policies, as was seen in the case of former Panamanian president Arístides Royo.

To carry out this task, said the spokesman, Kissinger recently formed a consulting firm called "Kissinger Associates, Inc." which includes, among its directors, the former Foreign Secretary of Great Britain, Lord Carrington.

LaRouche is promoting the creation of an Ibero-American Common Market to defend the continent from what he believes will be the imminent collapse of the world economy.

MEXICO

In an Aug. 21 front page editorial, the Mexico City daily Uno Más Uno *said the following on the debt issue:*

The entire world banking system, both public and private, would find itself in an extremely grave situation were the large debtor nations to find themselves incapable of meeting their foreign debt obligations. It would be a collapse of immense repercussions. We would be dealing, undoubtedly, with a matter which would shake the international economic and banking networks to their roots, and which would create the gravest problem faced by world capitalism since the current Bretton Woods financial system was created in 1944. Just three Latin American countries—Mexico, Brazil, and Argentina—have registered foreign debts equal . . . to a third of that issued to all of the developing sector nations combined. . . .

The time has come to pose a global renegotiation of the foreign debt of the developing nations, which cannot face payments of these magnitudes. The private and public banks must be made aware of the grave risks that this poses for the world. Debt must be an instrument for development, and not the means to cover, at ever shorter terms and higher interest rates, current account deficits. All of this demands a radical change in the course of the national and world economies.

Uno Más Uno *columnist Guillermo Almeyra wrote on Aug. 23:*

The $250 billion in Latin American debt threatens the entire international banking system with a series of chain-reaction collapses. This is the case, above all, because $200 billion of that debt is concentrated in Argentina, Brazil, and Mexico, and represents half the GNP of those countries. It absorbs, through debt service payments, the majority of the export earnings of those countries. . . .

The industrialized nations may find themselves faced with a cut-off in payments. And many large creditors, who went overboard in lending to some of these countries when the going was good, could find themselves dragged into bankruptcy. Many might then recall the case of the Fugger, the bankers to the Hapsburgs, who went under when the kings could no longer pay.

BRAZIL

Abilio Diniz, general manager of one of Brazil's largest food processing and supermarket chains, is one of the few critics of the current recessionary policies to have a position inside the government as a member of the National Monetary Council. In an interview with Folha de São Paulo *on Aug. 22, Diniz argued:*

A renegotiation of foreign debt has become part of the economic scenario of almost all the developing countries. . . .

Practically all the countries which recently renegotiated their debts began the painful road . . . by having to obtain 'moral support' from the International Monetary Fund, which forced them to rigorously impose orthodox stabilization policies and only then begin to negotiate the debt with the Paris Club and the private banks, such a slow process that it practically interrupts the flow of new loans.

The question of new credits—beyond those to cover debt service—is important during and after the negotiations since the country cannot stop. . . .

The problem of the foreign debt is not specific to Brazil, but a generalized problem deeply rooted in the world economic recession, the oil price shocks, and, mainly, in the raising of interest rates. This situation, which is exploding today in the form of a grave financial crisis, clearly reveals the extreme vulnerability of the international financial system, which is impotent to face it. . . .

This conjuncture, which has been gradually changing the rules of the game of the international economy, shows the need for a new international financial structure which not only makes viable the administration of the debts of the developing countries, but also lets them carry out necessary changes in their development plans.

Celso Furtado is one of Brazil's most famous economists. He is an exponent of the "developmentalist school" associated with the United Nations Economic Commission for Latin America (ECLA). Furtado also participates in Club of Rome meetings and shares their view that "finite resources require limits to growth." He is now playing an important role in the debt debate in Brazil. The following is from an interview he gave to Folha de São Paulo, *Aug. 15:*

It is necessary that Brazil take international initiatives seeking a broader solution to the problem of the progressive indebtedness of the Third World countries. This solution would have to be compatible with the development of those countries and with the expansion of international trade. Thus, it is necessary to escape from the tyranny of short-term criteria, dominated by the perspective of international private bankers. . . .

The longer some kind of dialogue with the international bankers is put off—a dialogue which must be preceded by political work with the governments of the major creditor countries—the tougher their demands will become.

The Aug. 15 issue of the Brazilian daily, O Estado de São Paulo, *reports on recent remarks made by leftist economist Paul Singer:*

In moments of great external crisis, like today, Latin American nations find it very difficult to maintain debt service payments, which leads a number of them to try to renegotiate their debts separately. But if the Latin American countries united as a bloc to renegotiate their debts, they would end up imposing a number of changes in the international financial system, or even creating a new one, altering the rules of the game and reducing the interference of the U.S. Federal Reserve Board.

BOLIVIA

At the national convention of the Bolivian Labor Federation (COB) which ended Aug. 12, a resolution calling for the suspension of foreign debt payments was passed. In a *statement to La Paz radio that day, COB Chief Executive Juan Lechín Oquendo reported on the convention's decision:*

We have proposed that the government choose between the hunger of the people and paying off Bolivia's creditors. We have called for the suspension of the servicing of Bolivia's foreign debt. We have also voted against the increase in the price of fuels and against the withdrawal of subsidies for sugar and flour.

We believe that the improvement of the economic status of the workers will reactivate the economy; thus we insist on the need to raise the salaries of the workers whose purchasing power has declined to only 30 percent of what it was in 1976.

On Aug. 18, Carlos Canache Mata, the head of the Venezuelan Committee of Solidarity with Bolivia, spoke to the press of the "dramatic economic situation" facing Bolivia:

This country has a foreign debt of $3.8 billion and is behind in meeting its debt service payments, which has created the risk that Bolivian exports may be embargoed. During several days, banks in the country were closed, and it is easy to imagine the incalculable consequences that this has for the economic activity of any country. There is a critical shortage of basic items in the popular diet, and the cost of living has risen considerably.

Reporting that an International Monetary Fund mission is currently visiting Bolivia to discuss conditions on a $220 million loan, Canache Mata warned:

The IMF is imposinng two conditions which will worsen the cost of living: the elimination of the subsidy for fuel and for wheat flour for bread.

The Bolivian Workers Federation has protested the intent of the government, backed by the IMF, to seek to throw the weight of the fiscal and economic crisis upon the backs of the workers as their solution to the crisis.

VENEZUELA

El Universal *of Caracas reported Aug. 20 that Venezuela's Humberto Celli, Vice President of the Latin American Interparliamentary Meeting which opened Aug. 23 in Bogota, Colombia, had announced before he left that a call for debt moratoria would be placed on the agenda of the meeting:*

Humberto Celli will propose to the Latin American Parliament that they solicit from the industrialized nations a gradual moratoria on the collection of debt payments from the Third World nations.

The Sub-Secretary General of Acción Democrática will make his proposal at the meeting. His view is that the moratoria should be for varying lengths of time, but not less than 10 years. His thesis is based on the assumption that, through this route, the underdeveloped countries will have the opportunity to implement plans for the recovery of their finances. In addition, the industrialized countries will be guaranteed the collection of their debts, precisely through the betterment of the internal economic situations of the peoples of the Third World.

Celli illustrated his formula with explanations of the economic crisis which confronts, among others, Argentina, Brazil, Bolivia, Mexico and Panama.

'Many nations are on the verge of having to cease payments.'

Could Venezuela benefit from such terms?

'Although Venezuela is a country with a large oil income, it has reached its limit of indebtedness, which poses the eventuality of aspiring to the same treatment that other countries could obtain with a moratorium.'

ARGENTINA

Clarín, *one of Buenos Aires' principal dailies, featured the debt question in several articles of an economic supplement Aug. 22. One column reported:*

Among the private conversations carried out by high-level Argentine officials outside the country (the Foreign Minister in Brazil, Dante Simone in Western Europe, and others) one subject much feared by the IMF figured prominently. It has to do with the virtual *cartel* formed by the 'unredeemed debtors': That is to say, Brazil, Mexico, Argentina, Venezuela, Zaire, and others. This alliance, neither formal nor political, would actively pressure in Toronto to force the liquidation of liabilities.

A second article, entitled, "The Latin American Debts Pass By a Delicate Cornice," reports:

The crisis of the international financial system continues: the underdeveloped countries are indebted, in many cases beyond their capacity to pay; the number of those in arrears or in need of refinancing grows; and the condition of the world market does not permit hope that these countries can obtain genuine resources, through production or through export, to meet their commitments, avoid *default*, and save many banker-creditors from bankruptcy. . . .

The situation demands the maintenance of an exquisite equilibrium between debtors and creditors. Many analysts and officials now argue that the only way to emerge from this conjuncture is through a *global refinancing on a world scale* of debts, including a significant writing off of these.