Latin America uniting for economic battle

by Robyn Quijano

Brazil, Ibero-America's largest debtor, is between $1.8 and $2.5 billion in arrears on interest payments, and intends to let its arrears build up to $4-$5 billion instead of trying for another "jumbo" refinancing loan, according to Brazilian sources. The Brazilian government has admitted its incapacity to meet IMF austerity conditionalities. Mexico, suffering 50 percent unemployment under IMF dictates, faces a general strike by up to 8 million workers on May 30. Peru and Ecuador will experience mass starvation by July, as floods and droughts compound the brutal economic contraction imposed by debt payments.

Against this reality, special representatives from 22 Latin American and Caribbean nations gathered in Quito, Ecuador on May 16 to support a proposal for an emergency economic summit of the continent's presidents, in order to resolve the problem of the foreign debt and confront the deepening economic crisis of the region. The Latin American Economic System (SELA) and the Economic Commission for Latin America (ECLA) had proposed the summit—along with recommendations for 1) continental economic integration through a Latin American economic community; 2) massive increase of trade within the region; and 3) a common front to alter the conditions attached to debt refinancing, to ensure the development of the region.

Many of these representatives went on to Bogotá, where Colombian President Belisario Betancur opened a meeting of ECLA focused on the Quito proposal.

"The moment has come for the countries of the North to fulfil their responsibility, not to transfer 1 percent of their gross national product in the form of foreign aid, as the first Brandt Commission report suggests, but by the opening up of long-term credits," Betancur stated to the gathering.

"For Latin America, as I told President Reagan when he visited Bogotá, is not insolvent, but is suffering illiquidity problems." He called on the "North" to transfer technology, detailing the great human resources of his continent, the growing numbers of scientists and technicians over the past 30 years, and the continent's dedication to nuclear energy and the most advanced technologies.

Earlier at the Quito meeting, President Osvaldo Hurtado of Ecuador, who had requested the SELA-ECLA report, emphasized that the North must respond at the May 22 Williamsburg economic summit to the Latin American emergency, and warning that "our nations cannot continue to sacrifice if there are no solutions in sight."

The Quito proposal

Challenging the IMF's conditionalities, the Quito proposal stresses the need to safeguard national prerogatives over economic decisions. Since, as the report states, these nations will not be able to pay debts unless they can develop, it is clear that the IMF and the gamemasters behind the international banks are playing a political game to de facto return the Third World to colonial status. Resources will belong to the creditors—or whichever creditor survives to pick up what is left at a penny on the dollar.

The Quito proposal affirms a strategy of using the economic capacities of the continent as a whole as a defense against the dismantling of productive capacity that is being demanded by the IMF and the international banks—a strategy put forward by *EIR* founder Lyndon LaRouche in the document *Operation Juárez*, which has been studied and debated throughout the continent since it was issued last August during the post-Malvinas War credit cutoff.

During the month before the document was presented, presidential tours and non-stop diplomacy quietly put into place the basis for continental integration.

The last week in April, Ibero-America's two biggest debtors, Mexico and Brazil, pledged their nations to the integration of the continent and put into place $2 billion worth of barter deals. On May 8, the Argentine daily *La Nacion* reported that major barter deals will be arranged between Argentina and Mexico, and that, together with the deals signed by Mexican President Miguel de la Madrid and Brazilian President João Figueiredo at their Cancún, Mexico summit meeting in April, "this could be the basis for a future Latin American Common Market."

Almost every nation of the continent, whose debt totals $300 billion, is now under strict conditionalities of the International Monetary Fund. Since barter is forbidden under IMF and GATT agreements, self-financing agreements are being put into place, and the banks are being told that foreign exchange saved by not having to pay for grains in the case of Mexico and oil in the case of Brazil, will go into debt payments.

Yet the most important aspect of the barter and common market arrangements is that they would insulate these economies against trade reprisals that could come from the advanced sector when the nations either refuse to comply with IMF conditionalities or simply stop paying the debt—two attitudes that are rapidly becoming reality across Ibero-America.

Then on May 10, Colombian President Belisario Betancur proposed the creation of a "Latin American Monetary Fund," transforming the Andean Development Corporation of the Andean Pact into a regional development bank which could be extended to the entirety of Ibero-America. The proposed fund would use the already existing Andean Reserve Fund to issue bonds for industrial development backed by the nation's central banks.

The new institution, he said, could provide "the possibility of our advancement, the strenghtening of our negotiating capacity, the creation of more extensive markets for ourselves, and compensation of our difficulties in penetrating the markets of the developed nations."

Days before, in Lima, representatives of the five nations of the Andean Pact (Colombia, Venezuela, Ecuador, Peru, and Bolivia) agreed to put a similar proposal before the summit of Andean Pact presidents to take place in July in Caracas. According to the Venezuelan daily *El Nacional*, the Andean Pact agreed to set up a barter-based common market as an "emergency cooperation program" to allow these nations to trade without dollars.

Venezuela hits the IMF

Venezuelan President Herrera Campins, in a speech on May 12 before his Christian Democratic Party, hit the cutoff in credits that has forced Venezuela to negotiate a loan package with the IMF: "I have no doubt that in our case, we are paying for two stands we have taken during the last decade, for which we should not apologize but should instead feel proud": joining OPEC and supporting Argentina during the Malvinas War. Herrera also detailed how the present crisis evolved: First, he said, exaggerated credit was offered; then, when we were heavily indebted the interest rates were jacked up, and then "coercive measures for collecting the debt were instituted by the international commercial banks."

Herrera has received strong support for a stand against the IMF from Luis Matos Azocar, a leading economist for the opposition Accíon Democrática party's presidential candidate. "The time has come to create a national front, with the participation of business, labor, and politicians, to strengthen our capacity of negotiations so that the IMF realizes that they are dealing with an entire nation, and not just a government—a minority one at that," Matos said to the press on May 13.

Colombian President Betancur also had harsh words for the international banks which are now putting Colombia through the kind of credit boycott that forced Venezuela to go to the IMF. Despite the fact that Colombia has a relatively lower debt and higher reserves than the rest of Ibero-America, Betancur said, the banks have said "Yes, you're okay, but you live in a bad neighborhood. You'd better move!"

Betancur's joke had a simple irony. Colombia is in its neighborhood to stay, and Betancur is determined, as is Mexican President Miguel de la Madrid, that Ibero-America will become "one nation" in its defense against the present economic disaster. To accomplish this, Betancur, who met with de la Madrid in Mexico two weeks before Brazilian President João Figueiredo visited Mexico, has a plan for integration that goes beyond the Latin American common market. In an interview with the Spanish news agency EFE, the Colombian president called for the Organization of American States to be transformed into a "Latin American United Nations Organization," citing the failure of the OAS now and during the Malvians crisis to meet the needs of the area.

Betancur further proposed that the Central American integration bank be revived as a development bank, and that the Contadora group, Mexico, Panama, Colombia, and Venezuela, take up this question as part of their deployment for peace in the area.

And he reiterated his call for a $35 billion fund within the IMF for the most devastated Third World nations, while warning that the "short-term medicine" of the IMF must be compatible with the development strategies of the debtor countries.