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Oil shock lights fuse on debt bomb

by Mark Sonnenblick

The Presidents of Mexico and Venezuela huddled together in Cancún (Mexico) on Jan. 30 in a desperate search for some way to keep their countries afloat amid the collapse of oil prices. Both countries are dependent on oil revenues for more than 80% of the export income and for more than 60% of their government budgets. There is no quick fix, either for oil prices or for debt relief.

They have only two options:

- getting some quick cash to pay debt by auctioning off their natural resource bases and state industries at a dime on the dollar;
- joining with Peru in a fight for reordering the world economic system so that production, feeding populations, and development take primacy over speculation and usury.

The latter option entails breaking with the International Monetary Fund (IMF) and imposing sovereign conditions on their creditors, something which neither President has had the moral strength to do. With the oil shock, voices are increasingly being heard from business and labor sectors demanding that their governments follow Peru's policies, rather than submit to the increasingly destructive impositions of creditors. And, throughout Ibero-America, the Catholic Church is entering the fray on behalf of the immediate secular goal of economic justice as propounded by Pope John Paul II at the Extraordinary Synod in Rome in December. These are countries in which the Church has considerable moral suasion, as David Rockefeller himself has lamented.

The debt game is over

Nowhere is the policy battle more up front than in Argentina. That country too has been saddled with a President allied to the Socialist International, who takes his marching orders from the IMF. But opposition to it has crystalized so rapidly during the past month that President Rául Alfonsín's congressional chief accused the labor movement Jan. 27 of trying to set up a "parallel government." That may be an understatement (see accompanying article).

The reverse oil shock makes the $21.2 billion debt refinancing agreement, which Venezuela expects to sign shortly with 450 creditor banks, as "dead on arrival" as the $48 billion stretch-out which Mexico triumphantly signed on Aug. 29, 1985. The way oil prices look now, bankers would have to come forth with at least $8 billion in new loans this year alone to keep Mexico out of default. The chances of that are nil, as can be inferred from the comments made by Citibank's vice-president in charge of intimidating debtors, William Rhodes, in London Jan. 27.

The most convincing signs that the old debt game is dead are that the Mexican officials, men who have served as the most supine servants of Wall Street, are feeling the pressure from below and are threatening to become nationalists, or even internationalists.

On Jan. 27, Mexican Finance Minister Jesús Silva Herzog told a debt conference in London attended by David Rockefeller that "the limit of our responsibility to our creditors is the responsibility to our people." Rocky responded haughtily, "That is a glib and easy suggestion to make. In a real sense they should, but the people won't be benefited if the creditors aren't repaid and there are no new loans."

Then, on Jan. 29, Luis Orci Gandara, the president of the finance committee of the Chamber of Deputies, warned that Mexico would not act alone in case it was forced into a moratorium. "The crisis affects our country just like all the Latin American nations, so we have intensified our contacts to act in common and in concert. The citizens of our countries come first."

All sectors, except the tiny oligarchy of bankers and narcotics traffickers whose power has increased as the country disintegrates, are asking why Mexico should go on bloodletting itself if even that will not satisfy creditors. Mexico has paid $53 billion in debt service over the past five years on a $77 billion foreign debt, only to find it now owes $97 billion. The president of Mexico's National Chamber of Manufacturers (Canacintra), Carlos Mireles García, con-

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tended on Jan. 25: "The time has come to restrict debt service exclusively to revenues from non-oil exports," which are only about 15% of Mexico's exports. The leader of Mexico's industrialists recalled that his Canacintra has fought for years for that solution, "just as Peru is doing now."

In the back rooms of Mexican politics, the labor movement, the most powerful constituency of the ruling Revolutionary Institutional Party, is conspiring to make sure that the 1988 presidential succession goes to a nationalist and to block President de la Madrid from further imposing IMF policies.

Mexico's strongest union, the oil workers, has started publicly attacking de la Madrid to keep him from dismantling or even denationalizing the state oil entity, Pemex. Union leader José Sosa remonstrated the President in early January, "We are up to our ears in debt . . . without state budgets for public works; everything suspended in the country; the banks without money; a day's minimum wage buys only a kilogram of meat; every day there are more unemployed who have to hustle or rob." Mexico's Pemex has gotten back so little of its oil revenues that maintenance and equipment replacement have been cancelled, leading to fires, explosions, and reduced pumping capacity.

Sosa urged the President, "Save Pemex, which is about to collapse, because if Pemex sinks, you sink, we all sink, the country sinks." That is strong language to be told to a Mexican President.

While Citibank's William Rhodes pronounced in London, on Jan. 27, "Mexico has been responsible and we expect they'll continue that responsibility," other bankers are fearful. The *Wall Street Journal* quotes one New York banker with big loans to Mexico: "What's the impact of falling oil prices on Mexico? I don't know. I've been too busy adjusting my parachute. I'm on the 22nd floor."

Venezuela and the García option

Venezuela should "take a position like that of Peru, of paying only 10% of the value of its exports for debt service," Cesar Olarte, secretary general of the Confederation of Venezuelan Workers, told the daily *El Nacional* on Jan. 23. He insisted the government do that, rather than compensate for the collapse of oil prices by further cutting the living standards of Venezuelan workers.

The oil shock woke up a complacent Venezuelan labor movement, which has taken a coherent stance on the debt for the first time in its history. In late January, several union federations signed telegrams drafted by the Schiller Institute Labor Commission, an international organization founded 14 months ago to fight for a New World Economic Order, supporting the leaders of the Jan. 24 Argentine general strike, in their fight for all countries to follow Peru's debt policy. Labor began to act days after the Venezuelan bishops issued a document describing the "drama of the unemployed and their families," and the "alarming fall of real incomes" of employed workers.

Argentine strike shakes IMF regime

Argentina's three million unionized workers shut down the country on Jan. 24, with a general strike which their General Confederation of Labor (CGT) said was 97.4% effective. The CGT proclaimed, "The general strike has been, as we had foreseen, a popular referendum against the subordination of our economy to the demands of the International Monetary Fund. . . . The people have given a definite *no* to the socio-economic policies" of the Alfonsín government.

The strike's leader, CGT president Saúl Ubaldini, a Catholic and a Peronist, declared: "When capital puts itself in the service of the economy, and thus of man, devotes itself to producing rather than speculating, understands that property has a social function, then we are not enemies of capital." Ubaldini's statements unmistakably echoed the words of Joseph Cardinal Ratzinger to reassert the primacy of moral law in economics, during the December 1985 Extraordinary Synod in Rome—an event which has a profound and growing impact in Ibero-America.

The CGT's strike call clearly spelled out the approach Argentina must take to solving the debt crisis now ravaging every nation in the Americas: "Until the government takes a clear and dignified position, as the President of Peru took with valor and patriotism, the position of the Argentine workers will be constant resistance to the looting of the product of our labors and of our goods."

This statement was dramatized by posters put up by the youth movements of all opposition political parties, posters which showed a little girl imploring, "Dear Fatherland, Give Me a President Like Alan García." Peruvian President Alan García set a policy of not paying more than 10% of export earning for debt service.

The "democratic" regime of Raúl Alfonsín blacked the CGT statement out of all the press, while filling the media with allegations that labor leaders were providing pretexts for the overthrow of democracy.

The strike action was provoked by Alfonsín's applying what Chemical Bank vice-president Terrence Canavan called "the most dramatic monetary reform in Latin America" and paying billions of dollars in interest which has helped bankrupt U.S. banks to report profits. While food prices have risen 59%, according to government calculations, since last