Mitterrand's debt proposal: symbol or substance?

by Chris White

Leading among financial pages' news features in recent days, apart from the effect of Midwestern rains on the New York stock market, has been French President François Mitterrand's initiative on the debt of the 22 poorest sub-Saharan African countries.

In a letter circulated to the heads of state who will attend the June 19 Toronto summit of the Group of 7 nations, Mitterrand has put forward a three-tiered proposal, and, furthermore, let it be known that whatever happens at Toronto, France will move ahead on its own. The initiative was coordinated beforehand with the West German government of Helmut Kohl, which chose to announce on the same day the Mitterrand letter was dispatched, that Germany is canceling official debts of selected African nations, and converting aid funding into grants. It is also reported that Italian Prime Minister Ciriaco De Mita is supporting the initiative. And, not to be left out of something like this, the British claim that the Mitterrand initiative now lines the French up with a standing British policy enunciated last year by Chancellor of the Exchequer Nigel Lawson.

Such unanimity for apparent action on a question which has been dominated since the summer of 1982 by the crude bludgeon of the U.S. government and the creditors' institutions then known as the Ditchley Group, and more recently as the Washington, D.C-based Institute on the International Economy, might seem surprising. That's only at first sight.

The brutal reality

The brutal reality behind these latest fanfared initiatives is quite simple. Africa isn't paying on its debt in any case. And Africa will not be paying on its debt. Africa, like other regions of the plundered Third World, cannot pay to service the debts that have been piled on to the continent over the years as the means by which the genocidal policies of IMF conditionalities have been, and are being enforced.

Thus, stripped of the sanctimonious hypocrisy of the language which political types, and the newspapers insist on using, that is the language of "debt forgiveness" and "debt relief," the touted initiative will turn out to be little more than the official go-ahead for banks, and other lending institutions, to write down a category of uncollectible debt with government backing.

Of course, sub-Saharan Africa, ravaged by conditionalities policies since 1973-75, plunged through such looting into famine, repeated and persistent, and one of the principal vectors globally for the spread of the AIDS virus, does need debt relief. No one in their right mind could possibly dispute that. That James Baker, the unofficial head of the Bush election campaign, and Michael Dukakis do, both of them on the grounds that such action would cost too much, giving in the case of the former "budgetary realities" and in the case of the latter "$160 billion of red ink," is no argument.

There isn't going to be a solution for Africa, or elsewhere, until the dictatorship of the usurers' bankrupt financial system is broken, and measures taken to organize reconstruction for those areas of the globe that have been devastated by the enforcement of the IMF conditionalities policies. Such reconstruction would focus on regenerating industrial and agricultural wealth-production capacity, and on building up economic infrastructure, to provide modern power, transport, and water delivery systems.

The approach to doing this was the core of the debt reorganization proposal presented to the Reagan administration back in the spring and summer of 1982 by physical economist and presidential candidate Lyndon LaRouche. That proposal, centered on Ibero-America, became known as LaRouche's "Operation Juárez." At the time, LaRouche warned that if his proposal was rejected, perhaps five years' time might be bought for the then-foundering financial and monetary system, at the cost of a tremendous aggravation of the crisis when it did ultimately re-erupt.

Rejected back then, by the financial crowd typified by then Treasury Secretary Donald Regan, James Baker, and Walter Wriston, then of New York's Citibank, LaRouche's warnings of the consequences of ignoring his solutions have proven to be right, while all the other so-called "plans," "proposals," and "menus of options" have proven, in their genocidal effect, to be worse than anything that Adolf Hitler and his crowd dreamt of.

As established in the cited 1982 LaRouche proposal, the yardstick by which to judge such debt proposals and plans is the extent to which they contribute to the fostering of the economic policies that permit wealth production and accumulation to take off again worldwide. Anything else is at best symbolic, by this stage of the financial and economic crisis, not even a palliative for the life-or-death crisis situations in which whole continents of the globe are placed.

This element is not mentioned at all in the initiative submitted by Mitterrand. Drafted by Jacques Attali, from the left wing of France's Socialist Party, an open proponent of euthanasia, the Mitterrand initiative encompasses three alternatives. Of these, the first is a proposal to cut the value of the total debt of the 22 countries, include government loans and aid, as well as export credit, by one-third, and then reschedule the balance over 10 years. The second is a call to consolidate debts, that the totality might then be rescheduled at preferential interest rates, half the rate currently charged; debt would then be repaid over 15 years. The third option presented is an alternative to the second case, consolidate the debt at commercial interest rates, but stretch the repayment period out over 25 years.

Of the three, Mitterrand himself prefers the first. "This option, which has the advantage of leading to an immediate fall in the level of debt, seems to me to be far better suited to the needs of the poorest countries," he said. Otherwise, he leaves it up to the other creditor countries to choose which of the three options they will go with. For countries unable to pay the totality of the present debt, reduction by one-third of the total will still mean they are unable to pay.

Among the endorsers of the initiative are the Canadians, who let it be known in a June 9 article in the *Toronto Globe and Mail,* datelined London, that the Mitterrand approach is at least something that all participants at the upcoming summit ought to be able to agree on, to thereby avoid the more contentious matters, which they have heretofore been equally unwilling to address. This view was echoed the next day by the cynics at the *New York Times,* reporting from an unidentified American planner for the summit, "We have a nonaggression pact," and from a German official, "I'm not feeling any pain. Nobody is twisting my arm." Issues such as trade, the U.S. deficit, agricultural subsidies, and Ibero-American debt, "will be tiptoed around."

The Canadian paper also reports that another proposal, to establish a trust fund at the International Monetary Fund, to provide collateral for bond issuances which will be swapped for debt, is also under discussion. Outlined in an upcoming piece in the magazine *Foreign Affairs* by the team of Henry Kissinger and Cyrus Vance, the proposal is a transparent effort to have Japan use its trade surplus to buy out the debts of larger Third World debtors, and underwrite, by so doing, the U.S. banks. The scheme is in keeping with the joint insistence by the Bush team and by Dukakis, that the U.S. cannot afford to do anything on its own acount, because it costs too much.

Return of the debt bomb

For the summiteers, perhaps, the sanctimonious symbols of "forgiveness" and "relief" will be touted, while the substance of the brutal genocide enforced by the financial institutions they represent is left in place.

Beyond that, the debt question so-called, never really off the agenda since 1982, is moving back to the front stage of the crisis. Though the Ibero-Americans are left out of the symbolic package, the southern continent's debt crisis will again be erupting shortly after the summit. Argentina has been in default on its interest payments over the past period. The International Monetary Fund is putting Brazil through the wringer again. Venezuela needs foreign financing to cover its payments deficit.

A recent conference of Newly Restored Democracies in Manila issued a call, June 6, for a global solution to the debt crisis. Participants from the Philippines, Argentina, Portugal, Brazil, the Dominican Republic, Ecuador, El Salvador, Spain, Greece, Nicaragua, Peru, Honduras, and Uruguay issued the call unanimously.

Argentina's Alfonsín has been discussing the same kind of interest rate package put forward by Mitterrand with the Presidents of Brazil and Mexico. He recently told an audience of his country's creditors in New York City, that they ought to accept such interest cuts, because what they will get if they refuse, will be worse. "That which is not accepted today will be imposed tomorrow by the force of circumstance," he said.

Those who currently spend their time reading the tea leaves and related augurs of the stock and bond market, might well be advised to shift their focus of attention to the real world battles and developments which help determine the way those indicators behave. The financial power elite's arrogant insistence on the maintenance of its genocide policies ensures its own doom, in the way LaRouche identified back in 1982.