Reuters wire service reported May 4 that "bankers are reluctant to commit new funds [to Venezuela] because they see no guarantees Venezuela can repay them," in the words of one foreign banker. A diplomat is quoted saying, "Creditors may worry that if there is more labor unrest and violence, Pérez may be tempted to back down on the austerity measures," and in fact, he has already felt forced to offer minor concessions in this direction. As a result, the banks have refused Venezuela's request for a $600 million bridge loan, unless Venezuela pledges its gold reserves and oil sales as collateral, which Venezuela has refused to do. As in Mexico, conditions imposed to please the bankers are engendering popular resistance that the banks are using as an excuse not to lend more money.

Strikes in Brazil, chaos in Argentina

For the same reasons, Brazil is now in the throes of a strike wave. Government sector wages were held constant for three months in 1987 while inflation surged, and fell in real terms again this winter, and workers are demanding catch-up pay. Over 2 million workers are now on strike, including 700,000 teachers, who are demanding an increase to $2,640 a year base pay, and 182,000 autoworkers in São Paulo demanding an 84% increase. Fifteen thousand police in Rio de Janeiro struck for a 52% increase, and a wave of murders swept the city.

As well, 300,000 workers at the Central Bank and government-owned Banco do Brasil are on strike, and a government threat to fire them merely inspired more workers to join their comrades on the picket lines. Even the government statisticians are on strike, creating financial and economic havoc, according to the government.

Meanwhile, Argentina has gone the route that Mexico was about to adopt 18 months ago, before it coaxed labor into the "Solidarity Pact" by which inflation was lowered at worker expense. The Argentine government finally caved in to the grain cartels and speculators and freed the exchange rate, in its latest economic package announced May 1. As a result, Agentina's currency, the austral is now trading at less than 25% its February level, inflation in April is said to be 40%, and prices for many basic items are two to three times their February levels. The May 1 measures decreed yet another price freeze, which has been universally condemned as ineffectual and unenforceable, plus other measures that have already been tried, and failed, including an export tax and tightened tax collection efforts. The government was careful to raise public service fares and rates 20% and fuel 25% just before the price freeze. Immediately, the price of beef, exempted from controls, rose 30%. Summing up the mess five years of his administration has created, President Raúl Alfonsín ruefully commented, "We are likely to hand over a nation in crisis to the next government."

Without *real* debt relief, Argentina today is the mirror of all of Ibero-America tomorrow.

The IMF's policy will new post-Ramadan

by Thierry Lalevée

The recent ethnic riots between Mauritania and Senegal, and the mid-April social crisis in Jordan which led to the dismissal of Prime Minister Zayd al Rifai on April 23 are the latest effects of the International Monetary Fund's structural adjustment policies. Local observers expect that in the immediate aftermath of the Muslim holy month, Ramadan, ending in mid-May, more social and political crises of that kind may erupt, especially throughout North Africa.

The rationale is that many governments have borrowed heavily on their financial and food reserves to ensure that during that month, there are plenty of supplies to feed the various celebrations. Heavy austerity in line with the IMF demands is expected to be imposed immediately thereafter.

North African instability

Especially considered as risk areas are Algeria and Egypt. Egypt is struggling to avoid ratifying a new deal with the IMF by June. However, Cairo has been presented an ultimatum from the U.S. administration concerning its economic and military aid if basic arrears in payment of the debt service are not made by June 30. And this payment depends on Cairo's ability to strike a deal with the IMF by mid-June.

Local sources are reporting that Egypt's letter of intent with the IMF is ready to be signed; the terms will include an average of 30-40% price increases in items like fuel and electricity, and the phasing out of subsidies on key commodities like rice and sugar.

Ultimately the IMF program also includes drastic changes in the state and public sectors. Already electricity rates for industries are being increased by 40%. Egyptian officials are gearing to face social turmoil during the summer. Algeria is not too far from facing a situation similar to that which sparked last October's riots.

Some basic economic changes since last fall, and an exceptional $1 billion French credit earlier this year, have fallen short of meeting Algeria's immediate needs. Over the last two years, it has faced a 13% decrease in agricultural output because of the combined effect of the drought and the locust plague.

As of mid-April, for the first time since independence,

© 1989 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

lead to a social crisis

Algeria has gone to the International Monetary Fund to negotiate a $201 million stand-by loan aimed at financing its growing food import bill. In recent months, growing social dissatisfaction has been expressed in several strike waves affecting both industrial workers and state employees, and even shopkeepers.

Momentarily quelled by Rifai's resignation, the disturbances in Jordan may erupt again at any time. Over the last six months, Jordan has been faced with major capital flight out of the country, which led to a collapse of its currency, the dinar, and severe cuts in foreign assistance.

As of December 1988, Jordan is no longer the recipient of several hundred million dollars a year in assistance, which had been decided by a 1978 Baghdad agreement, for a ten-year period. Saudi Arabia has been ambiguous as to whether it will maintain its $360 million yearly subsidies. Hence, after much reluctance, Amman had to call in an IMF delegation in February and ratified an agreement on April 17.

Though the agreement is not suspended, King Hussein is expected to make some major modifications to soften its impact. Yet, it remains to be seen how this is going to be possible.

IMF strikes in Senegal, Mauritania

Though there has so far been no comprehensive explanation for the "explosion of madness," as it was described, which left hundreds killed in both Mauritania and Senegal, the devastating economic situation of both countries played a major role. Senegal, for instance, has been implementing IMF reforms over the last year, leading to major dissatisfaction in the education sector and recent demonstrations which led to severe clashes with the police.

For many citizens of both countries who are trying hard to survive daily, to go after the Mauritanians in Senegal, or the Senegalese in Mauritania is looking for an easy scapegoat in a situation where there seems to be no way out. Starting at the beginning of the month, the ethnic riots were concluded at the end of April with tens of thousands of Mauritanians being flown back to their country in French and Spanish planes, and the same with Senegalese in Mauritania. Crucial social and economic mechanisms have been disrupted.

The Mauritanians controlled 80% of the small shops in Dakar, which provided cheap food, often at credit, to Senegal's poorest. The Senegalese played a role in Mauritania's fisheries.

The events smacked strongly of the economic crisis in Nigeria several years ago when Lagos suddenly decided to expel tens of thousands of Ghanaian workers, who were declared illegal from one day to the next. Yet, because of the fragile situation inside Mauritania between its predominantly Arab population and its southern black African ethnics, a dangerous rift may have been widened between North African Arabs and black West Africans—similar to Sudan's civil war between Arab Muslims and southern black African Christians and animists.

The ECA indictment

The news that IMF-imposed austerity is the best recipe for internal and regional clashes among neighboring nations and ethnic groups is nothing new. Yet it is reaching a point where it may well become the rule throughout the continent. On April 20, the Economic Commission of Africa chaired by Prof. Adebayo Adedeji launched an additional warning against the IMF's Structural Adjustment Policies (SAPs) as it is being diplomatically called.

Arguing against the lastest report of the World Bank which hailed those African countries that implemented the SAPs as "on the road to development," the ECA report showed that just the opposite was true. Those countries, the ECA report revealed, have experienced negative GDP growth between 1980 and 1987.

However, the SAPs have been exclusively concerned with "short-term balancing of finances, at the expense of long-term development and social progress" and "have failed to take into account the social and human dimensions of the long-term development objectives of African economies."

Ultimately the SAPs have led to "declining per capita income and real wages, rising unemployment, deterioration in the level of social services, rising health problems and rising poverty levels."

Adedeji warned, "If things continue like this, Africa will have more illiterate people as a proportion of the population than at independence. How can you develop in an illiterate society?"

Backing Adedeji's assertion was the sinister report in the April 3 New York *Journal of Commerce* on the case of Ghana. While presenting Ghana as the success story of a country which, since 1983, has been fully implementing the IMF's SAPs, the article reported the simple fact that one month's wages cannot buy a can of beer. Although in the last six years, Ghana has received up to $3 billion in investments, it has all been spent repairing the infrastructure that links the gold mines to the harbors, while up to 50% of the population has sunk below poverty level. The story speaks for itself.