

ment it in a normal fashion. Unfortunately, we have had many people in Russia since the beginning of this century who tried to restructure the entire situation on a worldwide basis. Perhaps that is why I am skeptical about such plans. But I would like to say that, on the whole, in political terms, your statement, from my point of view, was very interesting and important. Thank you.

Abalkin: I have here a preliminary list of people who wish to speak. Others who would like to speak, please write me a note. I am a great advocate of the kind of modesty, which Mr. Korolyov exhibited during his intervention. Now, I give the floor to Mrs. Marivilia Carrasco.

Marivilia Carrasco

Marivilia Carrasco is president in Mexico of the Ibero-American Solidarity Movement, founded in 1992. The portions of her written speech that were not delivered orally appear in brackets.

Dear Friends! I am honored to participate in this seminar, with the hope of building bridges among us, the representatives of various nations of the world, in order to bring about a global solution to the current world crisis which threatens the very existence of civilization.

I know that my country, Mexico, was held up as an example by the International Monetary Fund and by idiots such as Jeffrey Sachs, during the period of ex-President Carlos Salinas de Gortari, of what Russia and other nations should do in order to "insert themselves in the global economy." [For those who believed this fairy tale, they should beware the fate of ex-President Salinas and look at what he is up to now: traveling around the world just one step ahead of the law, trying to avoid the ongoing investigations of various governments about his alleged ties to dirty money laundering, a virtual exile from Mexico. From Havana, Cuba to the Bahamas, protected by the mafia which brought him to power and kept him there for six years: George Bush and his friend Fidel Castro.]

So, after the monetary and financial explosion of Dec. 20, 1994, I trust that you are convinced that the "Mexican model" is not the path to be followed. [And if that is not the case, I hope to be able to convince you today, because there are still a few pro-Salinas lunatics hanging around, in London, in the IMF, or in the U.S. State Department, who insist that it was all a local administrative "mistake," an error regarding when and how to devalue the peso. That is false, from top to bottom.]

The first explosion of the Mexican debt bomb occurred in 1982. In September 1982, Mexican President José López Portillo nationalized the central bank, declared a moratorium on the foreign debt, and tried to create a debtors' club among the countries of Ibero-America. [The debt crisis back then was the direct result of the policies of the chairman of the

United States Federal Reserve, Paul Volcker, of sharply raising interest rates.

At that time, an anti-imperialist spirit reigned in Ibero-America. This was the result, not of Fidel Castro, but of the effort of Argentine patriots in April of 1982 to assert their sovereignty over the Malvinas Islands, which the British call the Falklands, and which were illegally occupied by the British Empire since the beginning of the nineteenth century].

Lyndon LaRouche, who met with Mexican President López Portillo in 1982, at that time urged the governments of



Ibero-America has been subjected to the most criminal, Nazi policies of looting of its physical economy and of its labor force, under the supervision of the IMF. We went from being nations to becoming, quite literally, enormous concentration camps.

—Marivilia Carrasco

Ibero-America to respond to the British aggression with "the debt bomb," an expression which LaRouche coined, in his famous study "Operation Juárez," published in August of 1982.

LaRouche proposed the formation of a bloc of debtor nations to act with iron unity, and thereby force the international financial oligarchy, the creditors, to negotiate a just new world economic order, [by threatening to bankrupt them by jointly suspending payment on the foreign debt, a powerful weapon indeed at that time.]

Ibero-America failed to unite, and that historical opportunity was lost.

LaRouche's warning back then, is today more valid than ever. President López Portillo adopted it and posed it in the following terms in a speech before the United Nations in October 1982: "Either a new world economic order is accepted, or civilization will sink into a new medieval Dark Age with no hope of a Renaissance."

[One day before the Mexican President's speech, the U.S. secretary of state at the time, George Shultz, had said of Mex-

ico and Ibero-America: "Economic reforms must be carried out . . . and you must put an end to protectionism. . . . In this regard, the IMF can provide critical help and guidance."

Note well his use of the term "protectionism"—not "socialism," "statism," or "communism." Protectionism, which is a tradition in economics in Ibero-America going back to the influence of the American System of Alexander Hamilton and even before, to the influence of French protectionism in Spain.]

Since the early 1980s, Ibero-America has been subjected to the most criminal, Nazi policies of looting of its physical economy and of its labor force, in order to pay the foreign debt, under the supervision of the IMF. We went from being nations, or aspiring to be nations, to becoming, quite literally, enormous concentration camps.

The magic of 'bankers' arithmetic'

That looting is based on the classical IMF swindle of supposed restructurings of the foreign debt, which are in fact refinancing of old debts premised on the imposition of radical free trade measures such as GATT and NAFTA; brutal currency devaluations; freezing of wages and prices; freeing of interest rates; deregulation of the economy; privatization of state-sector companies (that is, cheap, bargain sell-offs, through the scheme of swapping debt for equity); deregulation of foreign investment; and so on. All of this is done with a single purpose in mind: to guarantee the payment of the foreign debt, while making sure that not a single cent is invested in the real economy.

[From 1983 until the present, but especially over the last six years, Mexico has auctioned off the majority of its 700 state sector companies, some of which were among the largest of Ibero-America—including the telephone company Telmex, the fertilizer company Fertimex, various steel plants, chunks of the oil industry, and so on. During this period, Mexico paid, punctually, an average of \$14 billion per year. And yet, the foreign debt increased, rather than diminishing.]

As can be seen in **Figure 1**, in 1980, Mexico's official foreign debt was \$57 billion. Over the next 15 years, from 1980 to 1995, Mexico paid about \$131 billion in cumulative interest payments alone; but by then it owed \$159 billion. Yes, that's right: $\$57 - \$131 = \$159$! That's what we call "bankers' arithmetic." It is pure usury!

For Ibero-America as a whole (**Figure 2**), the situation is very similar. In 1980 Ibero-America owed \$257 billion. Over the next 15 years, it paid \$448 billion, but ended up in 1995 owing \$607 billion. $\$259 - \$448 = \$607$. How do you like that?

As you can see, Europe and Central Asia—including Russia—have also been victims of "bankers' arithmetic" (**Figure 3**). Here, the total foreign debt was \$88 billion in 1980; over the next 15 years, \$196 billion was paid in cumulative interest payments; and yet, at the end of this period, the debt had grown more than fourfold, to \$378 billion.

Figure 4 shows the looting of the physical economy of

FIGURE 1

Mexico: debt and interest paid

(billions \$)

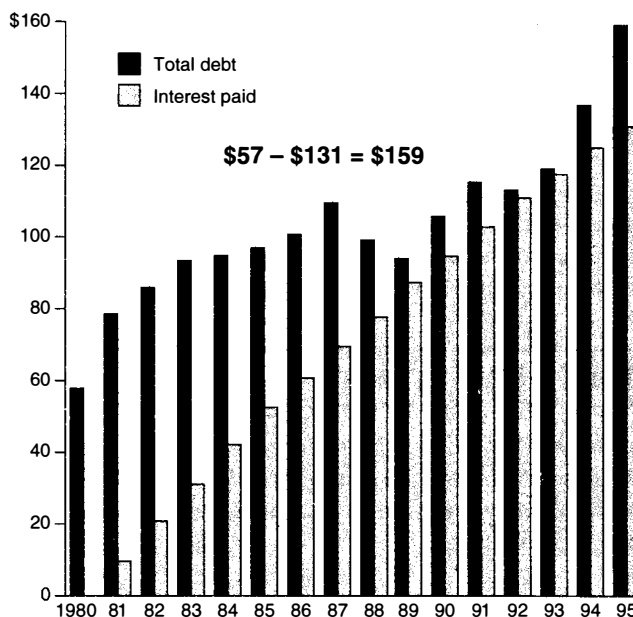
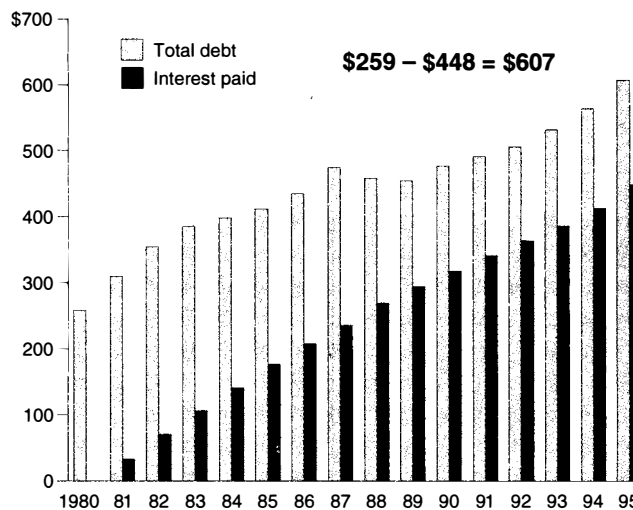


FIGURE 2

Ibero-America: debt and interest paid

(billions \$)

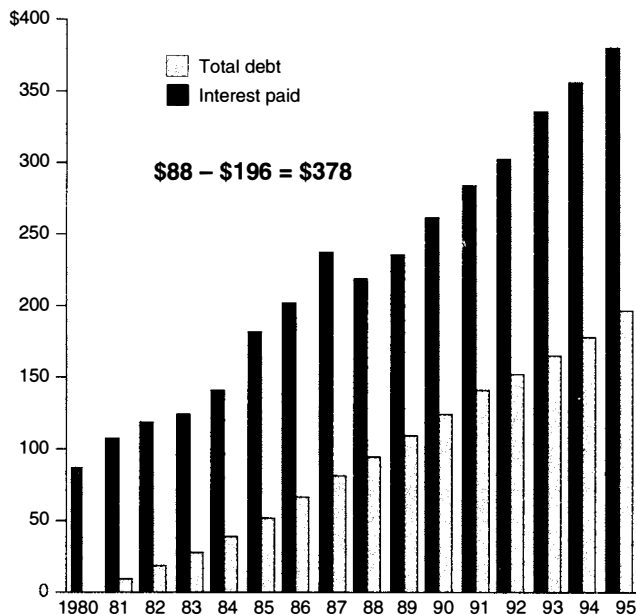


Mexico, as reflected in its balance of trade. From 1976 to 1981, under López Portillo, Mexico ran a healthy trade deficit, because national policy was oriented towards importing capital goods, which in turn generated productive jobs. Starting in 1982, when the debt bomb exploded, the IMF imposed conditionalities on Mexico which created a trade surplus (a

FIGURE 3

Europe and Central Asia: debt and interest paid

(billions \$)



drastic reduction of productive imports, and an increase in exports), by reducing internal consumption, freezing wages, and increasing unemployment, all in order to pay the foreign debt.

Abalkin: Excuse me, but I asked the speakers to show restraint. If you have written material, it will be possible for people to consult the published proceedings of the round table, where it can be included in the record and the publications; but we have a large number of people wishing to speak, so I would ask for limitation of the speaking time. Although this is very interesting for me.

Carrasco: Very good. I just want to show the next slide (Figure 5), where you can see that [as a result of these policies] the whole [foreign] debt of Mexico debt grew by 234% over this period, while physical-economic output collapsed by 2%, in the case of cement, to 27%, in the case of steel.

Financial, economic policies decoupled

I basically wanted to show you some of these details, first of all because Mexico is a very good example of what will happen in many other economies; secondly, because we have reached an extreme situation, in which all these policies have created a situation which is already *recognized by the government of Mexico as a starvation situation*, for a big portion of the population.

[In 1987, this looting model led to a crisis—the agricultural, industrial, highway, and energy infrastructure was destroyed through lack of investment—and, in its place, the

FIGURE 4

Mexico: balance of trade

(billions \$)

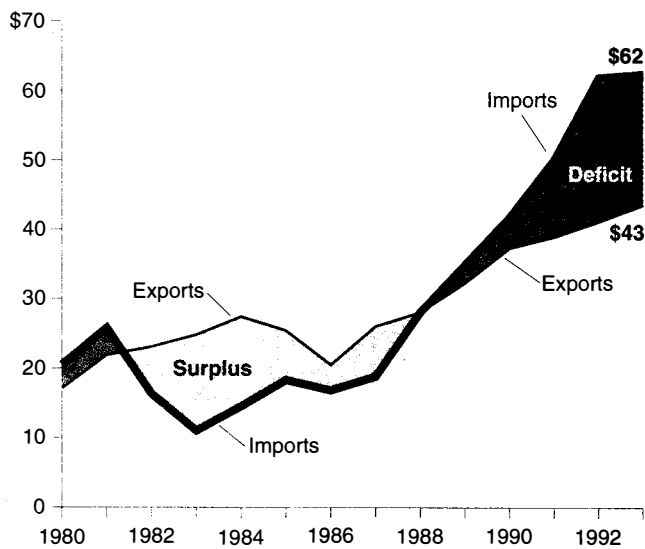
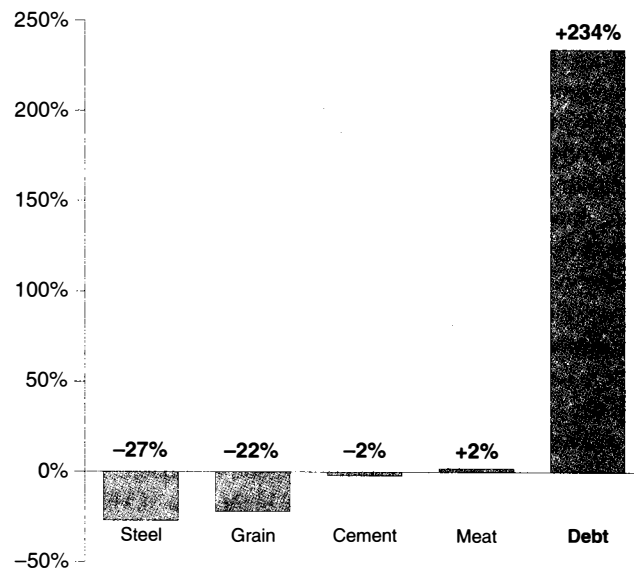


FIGURE 5

Mexico: growth of foreign debt versus production, 1981-93

(percent change)



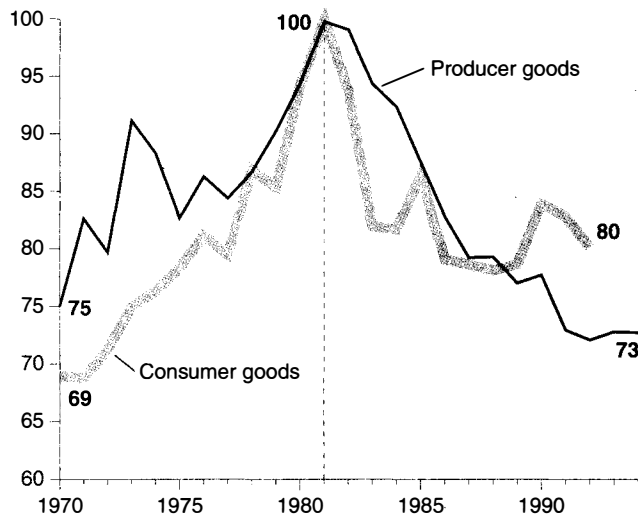
Sources: World Bank, ECLAC (United Nations), INEGI (Mexico).

IMF imposed a policy of massive, indiscriminate imports by eliminating all trade barriers. This total free trade policy led to the final annihilation of the nation's productive agricultural and industrial sectors.

FIGURE 6

Mexico: producer and consumer goods

(index 1981=100)



Sources: ECLAC (United Nations), INEGI (Mexico).

Figure 6 shows the collapse of the per-capita production of consumer goods, and of producer goods, measured in physical terms, by 20 and 27% respectively, from 1982 until the present.

Perhaps the greatest crime in Mexico was the destruction of national agricultural output (**Figure 7**). While the non-performing debt of farmers grew exponentially, the euphemism of “comparative advantage,” was used to tell us that we should import cheaply that which was produced internally at greater cost. Thus, Mexico allowed foreign grain, meat, milk, etc. to enter the country, and the country was made totally food-dependent, at exactly the moment that the grain cartels monopolized ever larger shares of the world market of scarce food. Here you can see the collapse of Mexican grain production, and even though increasing amounts are being imported, there has been an almost 30% drop in per capita consumption in the country since 1981.

The decoupling of financial manipulations from the physical economic process, which Lyndon LaRouche has identified on a world scale, is illustrated in the case of Mexico, both in its internal as well as its external financial processes.

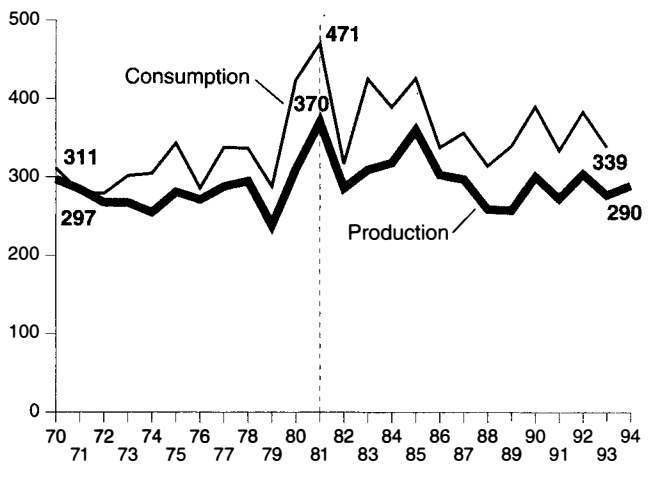
1994: The speculative bubble popped

What collapsed in December 1994 was the speculative bubble that was created under the administration of Carlos Salinas de Gortari, from 1988 to 1994. The growth of the trade deficit led to an unprecedented current account deficit of \$28.5 billion, which was financed with so-called hot money, speculative capital from pirates such as George Soros, 80% of which was placed, not in the physical economy, but in the

FIGURE 7

Mexico: grain consumption and production

(kilograms per capita)



stock market and in government bonds such as the CETES and the infamous Tesobonos. That is what collapsed in 1994.

That bubble was public debt. The CETES and Tesobonos, which were issued as supposedly internal debt, were in fact disguised foreign obligations, since about 80% of it was denominated in dollars and held by foreigners. What the Salinas government tried to hide, is that Mexico’s real foreign debt was much, much larger than what was officially admitted.

After the collapse of December 1994, there was a growing movement for a debt moratorium and for Lyndon LaRouche’s proposal for a new international monetary system. But instead of that, the IMF promoted a \$50 billion package to avoid the disintegration of the international banking system. On the IMF’s strict orders, not one dollar of this package was invested in the reactivation of the Mexican economy.

In 1995, Mexico paid \$47.3 billion in debt service of the foreign public debt, of which, \$41.4 billion, or 86.7%, were spent to cover earlier bond issues (including \$30 billion of Tesobonos), and \$6 billion went to interest and amortization payments on the foreign private debt. Those \$53 billion paid in 1995 were equal to 40% of the total official foreign debt of Mexico at the end of 1994.

Nonetheless, by December 1995 the official foreign debt of Mexico had grown from \$136.5 billion a year earlier, to \$159.1 billion—a rise of 17% in only 12 months.

One result of all of this is that the Mexican banking system is hopelessly bankrupt. The country’s financial authorities admit that 17% of the total loan portfolio held by the banks is non-performing, which means that payments are not being made on about \$15 billion in loans. For certain banks, the non-performing loans are as much as 23% of the total. In 1995, in a useless effort to bail out the banks, about \$16 billion

was poured into this sinkhole. The so-called Agreement to Help Debtors, known by its Spanish acronym ADE, in late 1995 restructured a portion of the internal debt, but already it is reported that between 25 and 47% of the restructured loans have again fallen into non-performing status.

We are today living—or rather dying—with a policy of unprecedented looting, which has brought my country to the brink of national disintegration.

The shock therapy which accompanied the IMF package produced, in 1995, a drop in GNP of an additional 7 to 10%. Between 2 and 3 million Mexicans became newly unemployed. The area under cultivation plummeted by 20%; public investment in the agricultural sector sank by 30%; and credit to the agriculture sector fell by a devastating 36%.

At the end of the first quarter of 1996, Finance Minister Guillermo Ortiz admitted that GNP had dropped another 3%.

The country is undergoing a true phase-change toward starvation.]

I would like to give you an example: the last financial package of \$50 billion, which was given to Mexico after the December 1994 crisis. This is a very good example of the decoupling of the financial process from the real economy. Because I want you to keep in mind that of the \$50 billion which was given to Mexico, Mexico never received anything; it was signed, in the Letter of Intent of the IMF, that Mexico could not use one single dollar out of this \$50 billion, to invest in the real economy. And it is a known fact, that Mexico used all this money to pay the debt; just in 12 months, Mexico paid \$53 billion, accompanied by a total catastrophe for the physical economy.

I just would like to show you the last slide, with the map of Mexico (**Map 1**). You can see the gray areas, which are recognized as areas under starvation conditions. This was recognized by the government in 1995, while the worst drought was hitting Mexico in the past 100 years. This had a great impact on the capacity of Mexico to produce food.

[Already in early 1995, the government had recognized the existence of 16 areas of chronic hunger in the country. Then the worst drought this century hit the farming areas, worsening the IMF's shock therapy. More than half of Mexico's 95 million people have sunk below the official poverty line. Half of the workforce, that is, about 19 million working-age Mexicans, are unemployed. Some of them survive with different kinds of underemployment; many million of them try to emigrate illegally across the northern border to the United States, from where thousands of illegal migrant workers are deported daily.

But the madness does not stop here.

After the IMF's Mexican model exploded, the new magic words are "domestic savings"—and the model being held up is Chile and its privatized pension system. The Mexican Congress has just approved a similar law. Yet Chile is another example of the world financial disintegration, as **Figure 8** shows: The foreign debt has grown exponentially, while the

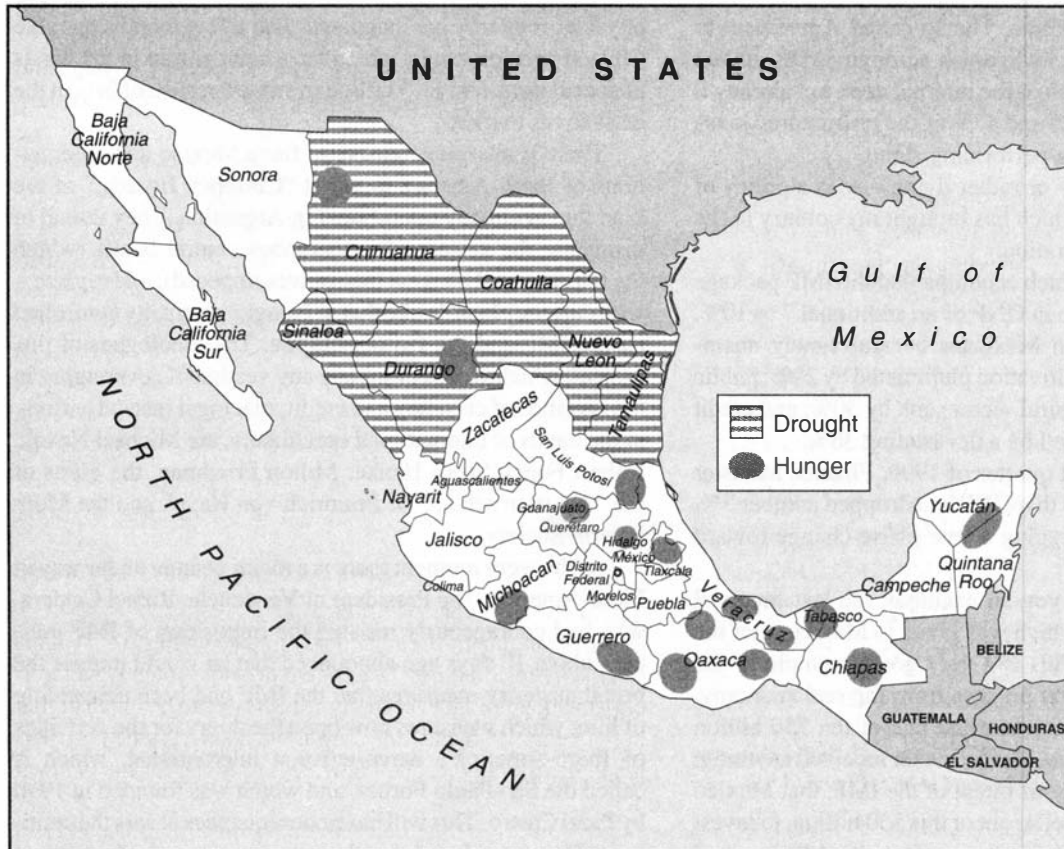
physical economy has stagnated. Just a few months ago, the Chilean pension funds, which have been placed in the hands of speculators, lost \$1.5 billion in value because of bets in the derivatives markets.

There is also an offensive to force Mexico and other nations of Ibero-America to adopt "Currency Boards," of the kind that is already operational in Argentina. They intend to dismantle the system of autonomous central banks (which the international bankers themselves imposed), and replace it with currency boards like that of Hongkong, totally controlled by the IMF and the British Empire. The ideologues of this project, which would eliminate any vestige of sovereignty in the issuance of currency and credit, placing it instead entirely in the hands of international speculators, are Michael Novak, Robert Fogel, Steve Hanke, Milton Friedman, the gurus of the "Austrian school" of Friedrich von Hayek and the Mont Pelerin Society.

At this very moment there is a major change under way in Ibero-America. The President of Venezuela, Rafael Caldera, who had courageously resisted the imposition of IMF policies, about 10 days ago announced that he would impose the brutal austerity measures that the IMF had been demanding of him, which measures now open the doors for the activities of Ibero-America's narco-terrorist international, which is called the São Paulo Forum, and which was founded in 1990 by Fidel Castro. This will have consequences across the continent. The groundwork for this new continental offensive of the São Paulo Forum is already being laid, as can be seen in the deployment of ideologues of narco-terrorism such as Régis Debray; leaders of the non-governmental organizations, or NGOs, controlled by the United Nations, such as Danielle Mitterrand (the widow of François Mitterrand); and Hollywood figures such as Oliver Stone, in the jungles of Chiapas, Mexico, where they have gone to meet and plan strategy with the synthetic, hooded guerrilla leader, Marcos.

'There is life after the death of the IMF'

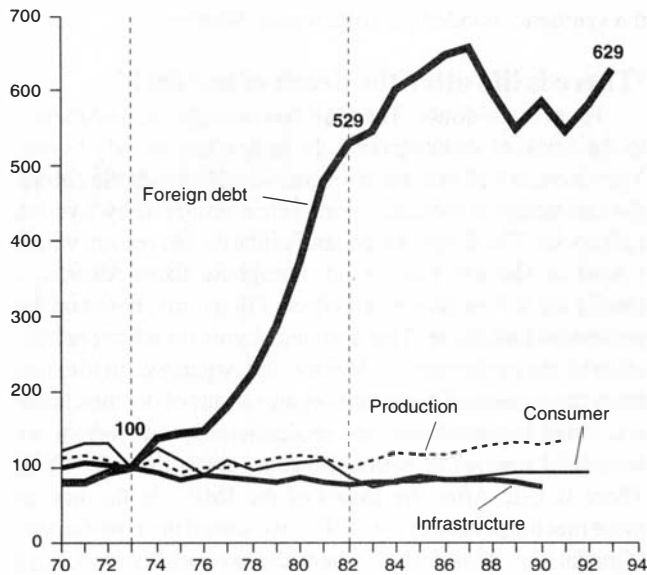
There is no doubt. The IMF has brought Ibero-America to the brink of disintegration. In fact, it has already begun. Very soon, it will become irreversible, unless we bring about the international monetary conference proposed by Lyndon LaRouche. The Ibero-American Solidarity Movement which I head in Mexico, has spread throughout Ibero-America a Draft Law to Reactivate the National Economy, based on the policies of LaRouche. That draft legislation is under consideration by the parliaments of Mexico and Argentina. In Mexico, it has the support of numerous organizations of debtors, farmers, small businessmen, and professionals, with whom we have held a series of national forums under the title: "Yes, There Is Life After the Death of the IMF." In the first of these meetings, held in June 1995, we issued the now-famous "Guadalajara Manifesto," where the proposal is made, and which I here extend to all of those present today, to try the International Monetary Fund for crimes against humanity.]



MAP 1
Hunger spreads as Mexico is hit by 100-year drought

FIGURE 8
Chile: debt versus physical economy

(indices 1973=100)



Sources: World Bank, ECLA, Central Bank of Chile.

The reason I was very happy to be with you today, and to be part of the delegation together with Lyndon LaRouche, is that I'm totally convinced that either the policies he has been proposing for the last 25 years are implemented, or nations like Mexico, Brazil, Argentina, many others in Africa, will not have any chance, any future. I will tell you that the political situation in these countries is bordering on disintegration.

I thank you very much.

Abalkin: Thank you. I give the floor to Mr. Lothar Komp, while Mr. Senchagov prepares to go next.

Lothar Komp

Mr. Komp is a member of the EIR European Economics staff. His remarks were a condensation of a longer, published report, "Germany's Physical Economy in Worst Crisis since World War II," part of which appeared in EIR's Sept. 29, 1995 issue.

Ladies and Gentlemen, I have prepared for you a very condensed review on the post-1982 decay of the German economy, once the leading exporter of high-technology capital goods in the world. So, for time reasons, I will now give you an even more condensed summary of it.