Creditors' club enforces divide and conquer strategy

by Robyn Quijano

The Bank of America has sent Bolivia a written ultimatum threatening that 145 U.S. and European creditor banks were about to seize Bolivia's bank accounts, airplanes, and exports-in-transit if the country did not resume interest payments on the foreign debt. Bolivia stopped paying interest on its debt two months ago, under pressure from the trade unions and a population already reduced to starvation levels. Only weeks after the payments halt, there was an attempted coup against President Siles Zuazo.

Two days after the Bank of America blast was made public on July 20, Bolivia's privately owned mining companies suggested that Bolivia go to the Soviet Union to get the $500 million worth of machinery needed to restore its rundown state mining company, since no Western bank would give Bolivia credit.

If Ibero-American countries such as Bolivia do turn to the Soviets now, the blame can be laid at the doorstep of Paul Adolph Volcker, head of the unconstitutional "fourth branch" of the U.S. government, the independent Federal Reserve. On July 25, Volcker, who designed the usurious interest-rate strategy that began ballooning the continent's debt service in 1979, testified to the Senate Banking committee that commercial banks must consider "more reasonable repayment schedules" for those countries that have shown economic progress, and to do it now instead of waiting "until the loans come due." Obviously, Bolivia is not one of those "favored nations."

Volcker said "a greater sense of concern" over the Third World debt problem has, "ironically," come at a time when the process of adjusting more realistically to internal and external constraints is "beginning to bear fruit" in some of the major debtor nations—specifically mentioning progress in Mexico, Venezuela, and Brazil. "It is important that where countries are making real progress, taking very tough measures, and the external position is improving, but they clearly can't be paying the piled-up short-term debt, there may be a mutual interest [with the lenders] in stabilizing the situation by providing—now—for a more reasonable repayment schedule." He then said that progress is uncertain in other countries because of higher U.S. interest rates.

The strategy to divide and conquer, to blackmail and buy off those choice pieces of real estate vital to the interests of the international oligarchy, while letting the rest collapse, has accelerated since the Cartagena accords on finding a joint continental solution to the debt on June 22.

Chase Manhattan's David Rockefeller, Henry Kissinger's piggy bank and, along with Kissinger, a Trilateral commissioner, lunched at the White House on July 27 on the initiative of the Commission on Latin American Debt of the Council of the Americas. Robert Hormats, the commission's executive director, was also present, along with a long list of luminaries from the Council on Foreign Relations. Hormats sits on the board of Goldman Sachs with Kissinger and Undersecretary of Agriculture Daniel Amstutz, who is managing food warfare from within the Reagan administration.

The meeting was scheduled to promote the Kissinger policy laid out in a widely syndicated article in June emphasizing the dangers of the debt situation and the need for quick solutions. The easing of rescheduling terms for the continent's most important debtors—e.g., those of strategic interest to the Trilateral Commission—will go with the grabbing up of the continent's assets, a debt-for-equity scheme advanced by Kissinger over a year ago, and presented by Margaret Thatcher at the London summit in May.

Favored colony status

At the end of a week of tough debt negotiations in Washington and New York with Mexico's creditors, Mexican President Miguel de la Madrid gave an interview on July 20 that sounds like a back-down from the strong continental leadership for integration and joint debt solutions. De la Madrid said that Mexico was twice invaded by creditor armies in the 19th century, "caused by the government's inability to service its foreign debt. In today's world," he continued, "economic reprisals could have a more devastating impact than a war. Mexico needs to import food; we have to import corn and sorghum, and we have sometimes had to import wheat and rice. An economic reprisal which prevented us from importing food would cause hunger in the country." Most of Mexico's food imports have traditionally been grown by American farmers and sold to Mexico by the large Swiss-run grain cartels or the U.S. government's Commodity Credit Corporation.

He stated: "I don't want to involve myself in international adventures, such as a war of debtors against creditors, because I know very well that the loser would be my people."

While designs for food warfare are already far advanced, and Mexico's vulnerability is known, *EIR* has proven that if Ibero-America united into a common market, it could easily be self-sufficient in food, and with the proper development of irrigation and the proper use of technology, the continent could have a great surplus. Despite great consolidation of barter and expanded trade deals among the nations of the continent, each still jealously guards those products for which they can receive foreign exchange. Brazil is now exporting grain for hard currency while the population in Brazil's northeast is suffering famine levels equal to the most devastated areas in Africa.

De la Madrid's statements contrast starkly to those of Colombian President Belisario Betancur the previous week: "If the powerful nations can congregate in a summit and the bankers of all latitudes can associate in a creditors' club, why have we insisted, each one of us, on pursuing our fate individually, when unified we would constitute one of the greatest forces of modern times?"

De la Madrid explained his position with no reference to the joint power of the continent: "Many people in some sectors have said the best thing would have been, or still is, for Mexico, in an act of international financial machismo, to say: I owe, I don't deny that; I paid; I don't have it; I won't pay the debt any more. This could even sound heroic to certain mentalities, but a government does not have the right to try to gain prestige with acts of that kind. . . . The nation's credit rating is part of its patrimony formed by generations over time. . . ."

A study released yesterday by the Inter-American Development Bank projects that it will cost Mexico $164 billion to service its debt between now and 1990. By eliminating needed imports and dumping its manufactures onto the U.S. market at low prices, Mexico will achieve a $56 billion trade surplus during this period. But it will still have to find $108 billion in additional capital merely to keep up with these debt payments. That would more than double Mexico's present debt of about $100 billion. Since the banks want to stop lending more dollars, Mexico's only way of raising that money would be to auction off its industry, mines, and farmland to foreign speculators.

Jose Luis Mejías, a columnist for the Mexican daily *Excelsior,* wrote two days after de la Madrid's interview: "If we repudiated paying interest but accepted paying off the capital using the amount spent annually on interest, we would pay off our debt entirely in seven years at the present rates. The way the creditors are now drowning us, we pay the capital each seven years—via interest payments—but continue owing, in an endless process which reminds us of the punishment of Sisyphus."

Excelsior's editorial the following day criticizes de la Madrid for not mentioning interest rates. "Moratorium could impose itself as a de facto, involuntary fact, not coming from any desire to harm creditors, but simply from the impossibility of paying. This is increased each day in proportion to the crazy increases in interest rates. These are causing insolvency which could not be overcome unless the economies are reactivated sufficiently to permit them to comply with their financial obligations and satisfy the obligation of developing their peoples and nations."

Trade unions respond

The head of the Interamerican regional workers organization (ORIT), Luis Anderson, denounced the IMF strategy of divide and conquer against Latin America and expressed concern that there is a tendency to return to the notion of bilateral negotiation on the debt: "We understand the motivations behind some governments' decisions on negotiations because they respond to their own needs and those of their people, but reality has demonstrated that when the great powers divide our countries, the international financial community is the one that most benefits from the situation."

One of Colombia's leading trade union leaders inaugurated his federation's congress in Bogotá on July 18 with an urgent appeal to the government of Colombia to declare a debt moratorium as the only means of ensuring the nation's survival.

"We must choose—either we save the Colombian nation, the Colombian population, or we meet our obligations and save the international banks," said Jorge Carrillo, president of the Union of Bogotá and Cundinamarca Workers (Utraboc) and vice-president of the country's largest national trade union federation, the UTC.

His appeal echoed that of trade unionists from around the continent who, meeting in Mexico last month to discuss the continent's development needs, concluded that "the workers of Latin America must form a common front to support the governments of the region and prevent the increase in bank interest rates from endangering our people." The labor leaders determined to reach a final position on a collective debt moratorium at their next meeting in Cuernavaca, Mexico, on Aug. 20-26.

'An iron unity of debtors'

The following are excerpts from a speech by Jorge Carrillo, president of the Union of Cundinamarca and Bogotá Workers (Utraboc) and vice-president of the National Union of Colombian Workers, before the June 19 congress of Utraboc.

. . . To attack the problem of unemployment we must proceed from the question of our nation's foreign indebtedness . . . because, to comply with high interest rates, we must daily chip away at the wages of the workers, devalue our peso so that our raw materials and our manufactured goods are worth less, increase public service rates, cut the national budget so that there are fewer possibilities for health, education, and infrastructural works. . . .

We have said that this is not merely our problem alone, but also the problem of our Latin American brothers from Mexico to Argentina, and therefore we cannot pose dubious or half solutions. There is but one answer: the iron unity of Latin America from Mexico to Argentina . . . to tell the international banks that we prefer the development of our countries to the payment of the debt with the hunger and the misery of our populations.

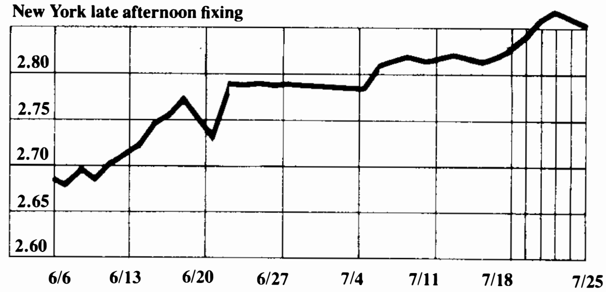
In this the President of the Republic can count on the support of the population. But he must take rapid action, because otherwise what will occur is that, to satisfy the international banks, he will have to impose measures in the social arena that will force the population to withdraw its support the government now counts on.

This is a fundamental aspect of the unemployment problem, because unemployment must be fought with great projects. We have said that Colombia not only needs to reactivate the national railroads of about 3,000 kilometers of rail lines, but must reactivate and increase them by at least double or triple. We need the Magdalena River to again become the waterway it was in another epoch. Why not begin construction of a new interoceanic Atrato-Truando canal? Why not construct a steel plant on the Atlantic Coast that uses the coal of Cerrejon [Colombia's massive coal project] and also iron that could be brought from Venezuela? Why not think of great works? Or are we going to defeat unemployment with the program of mini-companies that we have described as the institutionalization of mini-development in this country. labor movement will be great to the extent that great industry is developed. The union movement will tend to disappear to the extent that it is believed Colombia can move forward as a feudal or artisan country.

Currency Rates

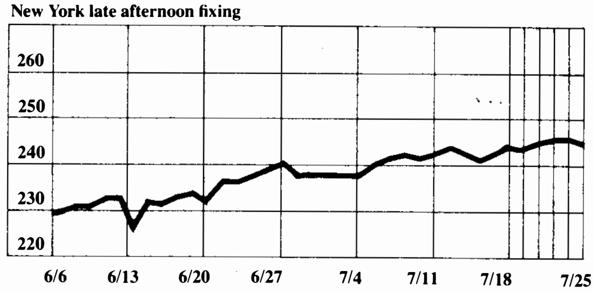
The dollar in deutschemarks

New York late afternoon fixing



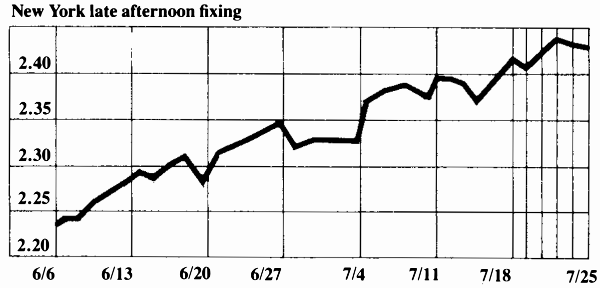
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing