Ibero-American debt crisis will force IMF takeovers or the LaRouche solution

by Cynthia Rush

British, Swiss, and American banks, along with the International Monetary Fund (IMF), have now cut off two of the continent's largest debtors—Argentina and Mexico—and are stringing along a third, Brazil, to prevent it from joining or initiating any coordinated effort to wield the continent's mammoth foreign debt as a counter-weapon against blackmailing creditors.

The IMF has written off the continent's smaller nations, like Chile, Bolivia, Costa Rica, Nicaragua, and the Dominican Republic. Adherence to harsh anti-growth austerity programs enforced by foreign lending institutions has placed most of these countries in a situation of technical default. It is the bigger nations on which the IMF and its banker friends are now concentrating all their fire. We review the situation of the three largest debtors as follows:

- Even before the Mexican government's Aug. 5 announcement of a two-tier exchange rate and imposition of partial exchange controls (see article, page 8), international bankers from New York to London and Switzerland had cut Mexico off from credit flows, forcing it to implement the recent devaluation as a means of generating reserves. As a source at the New York Federal Reserve claimed on Aug. 10, the bankers appear to be willing to take the credit cutoff to the brink of a default, hoping Mexico will turn to the IMF—and its conditionalities—as a lender of last resort. Mexico must "swallow its national pride," the londong *Financial Times* editorialized that day. "Postponing an ambitious nuclear program and two devaluations have not been enough . . . to put their house in order."

The bankers' allies in this battle are the factions inside Mexico linked politically to Europe's old oligarchic families who are threatening President López Portillo with a coup and who continue to organize capital flight and speculation.

- Wall Street is subjecting Argentina to a particularly perverse kind of blackmail, establishing as a condition for new credits the demand that the Bignone government officially admit its defeat by Britain in the Malvinas War—a politically untenable demand—to permit the unfreeezing of $69.2 million deposited in London and payment of $1.6 billion owed to British banks. When central bank director Santiago Gilotaux lef New York on Aug. 6 after meeting with several leading banks, the only thing he carried with him was this message.

On Aug. 5, Argentine central bank chief Domingo Cavallo announced that the country was already $2.3 billion in arrears on its debt payments. Total debt is now estimated at $39.1 billion, with another $8 billion due to be paid between now and the end of the year. Argentina is said now to be seeking a $2.5 billion loan from the IMF *without* the conditionalities normally attached to standby loans. However the IMF has told the Argentine government that unless it adheres to austerity guidelines dictated by the Fund—measures which would guarantee a social explosion—it will not be deemed "creditworthy."

Brazil is the country that has given the least overt support to proposals for coordinated debt moratoria. To keep Ibero-America's largest nation in line, international bankers have maintained a flow of credit into the country, although at levels far below what is required both to service debt and maintain industrial investment and production at acceptable rates. Planning Minister Delfim Netto has applied a crippling austerity program of the kind demanded by the IMF, but it has not helped him raise the $16 to $18 billion in financing the country needs this year. The pressure to go to the IMF "officially" is intense.

The backfire potential

What is striking in this scenario is the stupidity of bankers, particularly American bankers, in following the dictates of the City of London and the IMF. They are blind to the fact that Mexico and Argentina could respond to a credit cutoff with a declaration of a moratoria on their foreign debt payments. Such a declaration by either country would collapse a number of American banks that are already in precarious financial straits, and heavily exposed in both Mexico and Ibero-America.

The British themselves are gambling that their policies, whose practical consequence is mass murder, will not decisively accelerate the hemispheric search for new mechanisms of economic and political self-defense, a search that was set off in Ibero-America as a result of the Malvinas War.

In themselves, many of the initiatives currently under discussion are not adequate to defend Ibero-America from the IMF onslaught. But with the proper direction, this motion could be shaped into a powerful *offensive* weapon. *EIR* founder Lyndon LaRoouche's proposals for using Ibero-American debt as a weapon against British banks and the IMF have already been widely disseminated on the continent.

While less astute bankers and policymakers swallow the line that "nothing is really wrong" with U.S.-Latin American relations in the aftermath of the Malvinas War, British agents like Henry Kissinger understand all too well that even the broadly focused organizing taking place in Ibero-America represents a threat to his policies. The July 30 "palace coup" against Panamanian President Aristides Royo (see *EIR*, Aug. 17) was intended to convey a distinct message from Henry Kissinger to the leaders of Ibero-America and to Lyndon LaRouche: stop organizing for a new world economic order.

In the face of these threats, leaders like new Colombian President Belisario Betancur have taken initial steps to fill the vacuum left by Royo's *forced* resignation. In his Aug. 7 inaugural speech, Betancur proposed that Ibero-American heads of state meet in Cartagena, Colombia before the end of the year to discuss the reorganization of the Inter-American system. Such a meeting is urgently required, Betancur said, to reverse the crisis which threatens to dissolve that system "before our stunned and passive eyes." The new Colombian President held lengthy discussions with certain visiting heads of state on his proposal.

Betancur's initiative coincided with that of Ecuadorian President Osvaldo Hurtado, who released a draft resolution calling for the creation of a "Coordinating Committee of Ibero-American Foreign Ministers" which would function in parallel to the Organization of American States (OAS), but would exclude both the United States and the nations of the English-speaking Caribbean, but not Cuba.

According to the draft proposal, the Committee would provide a forum for unified decisions on "pending controversies" between Ibero-America and third parties as well as questions of "development, regional integration, and North-South relations." The Hurtado proposal was distributed to the Ibero-American heads of state attending the Betancur inauguration in Bogota.

As long as the Reagan administration persists in backing policies that threaten the political and economic well-being of Ibero-America's sovereign nations, they will not hesitate to seek alliances—and sources of credit and trade—elsewhere than the United States. The announcement by President Luis Herrera Campins of Venezuela and President Betancur in Colombia that their governments intend to study the possibility of entry into the Non-Aligned movement is one reflection of this. It is notable, too, that one of the agenda items for the upcoming meeting of the Latin American Economic System (SELA) in Caracas will be a proposal to expand trade between Ibero-America and the Comecon nations.

Aside from regional organizing efforts, individual governments are also formulating plans to defend their economies. In Venezuela, Dr. Gumersindo Rodríguez, former director of the state planning agency, Cordiplan, recently put forward a series of proposals for stabilizing the country's reserve position and averting the devaluation of Venezuela's currency, the bolívar, demanded by London and New York bankers. Although Dr. Rodríguez is not a member of the current government, he is a respected economist and planner, and his proposals could become the basis for government policy.

Who is wrecking the and how to defeat the

Mexico's move to a two-tiered exchange rate on Aug. 5 and its even more dramatic move to temporarily shut down all trading in U.S. dollars on Aug. 13, represented an extraordinary response to events during the first week of August, which constituted the dry-run of an attempt to overthrow the government of Mexican President José López Portillo, *EIR* has learned. Facets of the operation included a \$2 billion avalanche of capital flight during a three-day period beginning Aug. 2, and contingency planning for a military coup.

Conspiratorial meetings among those Mexican so-called business circles dominated by the oligarchy, including a meeting the first week of August at the resort retreat of Chipinque outside Monterrey, plotted to turn this economic chaos against the Mexican constitution. According to Abraham García Ibarra, a columnist in the daily *El Dia*, top business leaders circulated a document surreptitiously among the audience and the press at an event at the presidential palace Aug. 7, where López Portillo and cabinet members spoke. The document called for the removal of López Portillo and his top cabinet officers from government.

On the same day, José María Basagoiti, president of the Mexican Employers Confederation, demanded in an interview printed by the daily *Excélsior* that the Mexican constitution be changed so that López Portillo could be eased out of office before his term of office ends on Dec. 1.

Circles involved in the plotting, in the orbit of Bancomer chief Enrique Espinoza Iglesias, of private-sector economics think-tanker Gastón Azcárraga Tamayo, and Mexican Mont Pelerin director Agustín Navarro Vázquez, have given directives that Mexico's state-directed economic system be destroyed at all costs, and the grotesquely misnamed "free-