# Why U.S. interest lies with the debtors' cartel

by Gretchen Small

*Based on reports filed from Cartagena by* EIR *correspondents Javier Almario and Carlos Mendez.*

The foreign and finance ministers of 11 Ibero-American nations, including the continent's top four debtor countries, concluded a two-day meeting in Cartagena, Colombia June 22 with the announcement that they have created a permanent regional commission to deal with the foreign debt—a body which they are demurely declining to call a debtors' cartel. The Statement of Consensus issued by the ministers denounced the austerity conditionalities of the International Monetary Fund and called instead for a strategy favoring "production and employment." And in a striking demonstration of support for Argentina, which is currently locked in a ferocious battle with the international financial mafia, the participating countries agreed to hold their next meeting in Buenos Aires before the next annual meeting of the IMF—or sooner if "some extraordinary event makes it necessary."

The results of the meeting sent shock waves through the ranks of those bankers who had been contemptuously referring to the debtors as a cartel of beggars, vagabonds, and braggadocios. Fritz Leutwiler, the outgoing chief of the Bank for International Settlements, had declared smugly on June 18 that "the debtor cartel will not happen. . . . I can tell you in confidence that Paul Volcker is going on a fishing trip for the next fortnight. And I shall be on holiday. That means that nothing will happen."

For two days, the ministers and their aides denied repeatedly that there ever was, is, or will be, the intention to form a "debtors' cartel." Instead, the phrases "negotiating commission," "liaison committee," or "Contadora-style consultative mechanism" dominated discussion. And at the end, the regional "mechanism" was left unnamed.

Three principal tasks are assigned to the regional mechanism: to coordinate information and experience on individual country debt negotiations; to coordinate with other developing countries on these vital economic matters; and to initiate a


*As Ibero-American government ministers meet in Cartagena, a strike wave is sweeping the continent. The austerity conditionalities of the creditors' cartel have driven the debtor countries to the breaking point, and an outraged population is holding a pitchfork to every government leader. Shown is a mass rally in Mexico City on Sept. 3, 1982, in celebration of the nationalization of Mexico's banks by then-President José López Portillo.*

dialogue with the governments of the Western industrialized nations on the need for a total overhaul of the international financial system.

Indeed, the nations of Ibero-America have now established the basis jointly to defend their populations from further economic destruction—*as the beginning of an effort to restore industrial growth to the West as a whole*. The action comes not a moment too soon, given the global military-strategic crisis and the fact that the economies of the Western world are hovering on the brink of a new depression. The formation of this debtors' "non-cartel" presents an opportunity to save both the dollar and the world economy from collapse, if the United States and other governments of the advanced sector take heed.

Circulated widely at the conference were copies of *Operation Juárez*, the document written by Lyndon LaRouche in August 1982 which recommended the formation of an Ibero-American debtors' cartel to shock the United States government into realizing the urgency of the economic crisis, and to force it to adopt the monetary and other reforms that are in America's own interest.

In the month before the summit, 30,000 Ibero-American trade unionists, industrialists, students, politicians, and other citizens had signed an "Open Letter to the Presidents of Ibero-America," calling for the adoption of LaRouche's Operation Juárez to turn the region into an economic superpower. Circulated by members of the Mexican and Andean Labor Parties, as well as by supporters from Argentina, Belize, and Brazil, the Open Letter had been reprinted in leading newspapers in Mexico, Venezuela, Colombia, and Peru in the days before the Cartagena meeting.

## Call for a new monetary system

Colombian President Belisario Betancur, who hosted the conference, underlined in his keynote address the strategic context of the debt fight: "The service of Latin America's foreign debt has become so burdensome that it threatens the stability of the international monetary system and the survival of the democratic processes in many countries. We do not forget that the great European war of 1939 had economic causes. . . . That is why I think that it is no exaggeration to say that the solution of the Latin American debt crisis is an essential ingredient for world peace."

The roots of today's crisis, he said, can be found in the exclusion of the formerly colonial world from the Bretton Woods Conference in 1944 which shaped the postwar monetary system, a conference dominated by the "theoretician of the imperial model," John Maynard Keynes.

"The debt problem has ceased to be a simple financial problem, and is no doubt now a question of grand international politics," stated the President. "We desire a very solid international financial system which will allow the vigorous development of developing countries, to raise the quality of life of their peoples and be able to pay the debt.

"Colombia wants an international community that understands its obligations to protect the political, economic, and social stability of our nations, because the effects of chaos could extend to the creditor countries."

The ministers agreed. Point 16 of the Statement of Consensus states: "We adhere to the President of Colombia's call for the creation of an international financial system which would permit vigorous growth of the developing countries to raise the living standards of their peoples."

## Defying the bankers' blackmail

The conference was called by the presidents of Brazil, Mexico, Argentina, and Colombia, in a May 19 joint communiqué warning that rising interest rates threatened to end the debtors' capacity to continue to meet debt payments, requiring immediate action by North and South alike.

Instead of cooperation, however, this call was met with renewed efforts by the bankers to pick off the individual debtor countries and divide the members of the emerging cartel. The finance ministers of almost every attending country complained every step of the way to Cartagena that "nothing could be accomplished" at the meeting, since case-by-case debt negotiations were proceeding nicely. Mexico and Brazil were promised special "stretch-outs" and lowered interest rates as "rewards" for their agreement to implement the IMF's demands—as long as they stayed out of any joint debtors' initiative. Argentine newspapers working with the U.S. embassy in Buenos Aires began repeating the line that "Brazil and Mexico would sell Argentina out."

Betancur countered the blackmail pressure from the banks in his opening speech. "Some private banks have resolved to attack us, including going to the extreme of threatening us if we served as hosts," he said. But although Colombia's own debt problems are not as extreme as others, Betancur explained, his government held to its determination to host the meeting because of the situation of the rest of Latin America. "We feel ourselves to be part of a broader community of Latin America, which we watch impoverishing itself daily."

Statements followed from nearly every minister in attendance decrying the creditors' blackmail against Colombia as a threat to each of them.

Every government leader in Ibero-America feels the growing pressure of a population enraged at the economic collapse under the IMF regime. The Swiss gnomes and the British financial wizards failed to recognize that national leaders could not let their nations disintegrate under the weight of the foreign debt.

The strike wave of the past months sweeping Ibero-America is intensifying daily. As the ministers meet, labor federations in Honduras, Argentina, and Peru announced imminent general strikes. Forty thousand steel workers at the Brazilian National Steel Company went on strike for the first time in 50 years the day the conference opened. Teachers in all federal universities, bank clerks, and public sector workers in Brazil have initiated strikes or protest actions against a national wage law imposed upon the country by the IMF. Peru has been reduced to "ungovernability" by its attempt to be the "showcase" of obedience to the IMF, leading to widespread rumors of a military coup in the wings.

Local trade unions in Cartagena reminded the ministers of that explosive reality, as 200 trade unionists demonstrated outside the conference, with banners demanding "No to the IMF, or Submission Forever," "We Support Operation Juárez," and "Moratorium Now!"

## The principle of equity

The Statement of Consensus signed at Cartagena rejects the basic criteria of every neo-colonialist scheme floated yet by the creditors.

The case-by-case strategy, the benefits of which Mexico and Brazil were supposed to have received, was rejected. "The foreign debt problem of the developing countries cannot be resolved exclusively through dialogue with the banks, the isolated action of multilateral financial institutions or the mere behavior of the marketplace," states Point 10 of the document. "General policy lines on restructuring and financing which will serve as guidelines for the individual negotiations of each country must be defined and accepted."

Debt negotiations must be informed by the "principle of equity," the document states, recognizing "the special quality which sovereign countries have as debtors to the international financial community." Conditionalities of the IMF and other international institutions "which automatically punish developing countries' credit ratings and which prevent the granting of new financing, must be eliminated."

The "debt-for-equity" schemes promoted by Henry Kissinger and associates—according to which debtors turn over their resources and industrial assets to the creditors—was dispensed with in Point 15: Direct foreign investment "could play a complementary role" in aiding development, "so long as it adheres to the policies and legislation of the countries of the region," but its contribution "to the solution of external imbalances is limited, and therefore foreign investment could not be a decisive element in the solution of the foreign debt problem."

Subsumed then to these overall criteria are the specific demands on debt negotiations: the urgent need to lower interest rates, to eliminate fees and commissions, to extend lengths of payment, and to fix a ceiling upon the amount of export income dedicated to debt service to a "reasonable proportion" of earnings.

The regional mechanism announced in the document's final section sets into motion proposals first outlined in the Quito Declaration of Ibero-American leaders in January of this year. On the simplest level, the mechanism is to serve as a kind of debtors' clearinghouse of information and coordination on continuing separate negotiations of countries with their creditors.

But the decision to hold the next meeting of the group in Argentina indicates the real power of the "non-cartel." Argentina's creditors have initiated a credit boycott against the country, unless it submits to the IMF's austerity demands, and are now speaking of a showdown in which the government of an isolated Argentina could be overthrown.