

Editorial

Debtors' dangerous cowardice

Word has reached *EIR* that a secret understanding was reached by the "Cartagena Group" of principal Ibero-American debtors, at their meeting in Punta del Este, Uruguay, during the last week in February, and that this secret accord threatens to bring down the entire Western monetary system.

Meeting at Punta del Este were the foreign ministers from the largest debtor nations, Argentina, Brazil, Colombia, Mexico, and Venezuela, and the finance ministers of all those nations, except Brazil.

Totally reliable sources involved in the Punta del Este meeting have informed us that the gathered finance and foreign ministers reached a secret agreement to form a debtors' club against the International Monetary Fund. According to this secret entente, each of the nations, individually, would hesitate in its negotiations with the banks and draw out its respective talks interminably, in order to force the entire system to its knees.

Since no government represented at Punta del Este wanted to be singly blamed for such radical action, they preferred to publicly posture about interest rates and other familiar complaints, while privately plotting to take their decisive action. At first, there would be almost no noticeable difference between this new policy and the current situation, but the objective would be to hem and haw, until things crack.

This is a completely irresponsible and cowardly approach to the debt problem, which must be exposed and denounced. As is widely known, *EIR's* founder and contributing editor Lyndon H. LaRouche, Jr. has repeatedly urged that the current world monetary system be dramatically *reformed*, not *destroyed*, and that the best current approach for such orderly reform is that of Peruvian President Alan García. The contrary strategy, which has just been adopted by the Cartagena Group, could have unforeseen consequences, and would in all likelihood only benefit global Soviet strategy to dominate the West.

The public communiqué and statements issued from the meeting in Punta del Este included a call, for the first time ever, by the Cartagena group for changes in existing debt accords with the creditor banks. The group also backed any country that eventually adopted unilat-

eral measures to ease the repayment burden.

Such steps could have meant something, back in 1982. At that time, the Mexican government, overwhelmed by the debt burden which had skyrocketed under the impact of Paul Volcker's high U.S. interest rates policy, and by the economic warfare unleashed on Mexico by the international financial centers, undertook sweeping measures to protect its national economy. Mexico looked in vain for support among the other Ibero-American debtor countries for a debt moratorium. It never came. Later that same year, Mexico was brought to its knees and accepted the International Monetary Fund austerity recipes that have since decimated the economy.

Today it means nothing to say Ibero-America cannot pay its debt. This is known to everyone. The issue is, who is working to build the basis for a real economic recovery as the present system collapses? Ironically, the only country that is making regular payments on the debt is Peru, whose President, Alan García, set a ceiling on foreign debt repayment at 10% of export income—tying it to the terms of trade. And only Alan García has moved concretely to set up the new organisms that can get the economy going again, in the face of certain disaster.

From the beginning of his term last July, García has viewed Peru as the country which would take the lead, showing that it is possible to get along without the IMF. On Feb. 15, Alan García proposed at a press conference that the debtor countries "change the rules of the game." He urged that the Andean Reserve Fund (Venezuela, Colombia, Peru, Ecuador, and Bolivia) serve as the starting point for a new regional monetary system, a "Latin American Monetary Fund."

And, he reiterated his plan for a summit on the debt of the Ibero-American Presidents, which Panamanian President Eric Delvalle has agreed to host. "It is an unavoidable obligation and responsibility" to face the debt problem jointly, he said. At that time, García blamed the continent's big debtor nations for lack of progress toward the summit on debt in Panama, which could launch the new monetary system. The secret Punta del Este accords show how right Alan García was.