ers and growers will often support national police and armies in combating guerrillas [emphasis added]."

The report specifies that in 1984, cocaine dealers and local Peruvian army commanders helped each other in the Huallaga Valley. But the intensive military operations by the Alan García government, with U.S. Drug Enforcement Administration support, against coca plantations and cocaine labs spoiled that. The Dialogue says only extensive aerial spraying of herbicides such as "Spike" could sharply reduce cocaine output, but "such spraying could cause widespread environmental damage and would risk alienating whole areas of the country. In Peru, it would give Sendero Luminoso [Shining Path] the opportunity to expand its influence in coca-producing regions even further."

The Establishment's "free market" economics is reflected in the Dialogue's demand for an end to the "costly" efforts to break up drug production and trafficking. "Neither eradication in Latin America nor interdiction at the border will do much to address the U.S. cocaine problem," since "the drug business is so profitable that the traffickers can tolerate the seizure of half or more of their shipments." Therefore, the report urges they be left in peace. "So long as there is demand for illicit drugs, supply will find the way to fill it," profess the Satanist free marketeers. "To put faith in eradication or seizure to end the drug trade is to pursue a will-o'-the-wisp."

The traffic is also profitable to the Wall Street banks which finance the Dialogue. These debt collectors comment, "The jobs and foreign exchange from drug trafficking are clearly important to these countries that are wracked by debt and depression."

The Inter-American Dialogue first called for examining "the selective legalization" of narcotics in its 1986 report (See *EIR*, Vol. 13, No. 18, May 2, 1986, "Trilateral panel talks up legalizing the dope trade"). It acknowledged that legalization could lead to at least *60 million people* using cocaine in the United States, a tenfold increase. It now recognizes, "There is little support for legalizing cocaine and other illicit drugs in any country of the Hemisphere, but a few political leaders in both the United States and Latin America have begun advocating this approach."

Other key members of the Dialogue include: **McGeorge Bundy:** former National Security Adviser, Ford Foundation head; financed New York City narco-terrorist gangs; helped arrange Vietnam War. **Elliot L. Richardson:** former Secretary of Defense and Attorney General. **Bruce Babbitt:** governor, ex-presidential candidate (Democratic). **Cyrus R. Vance:** Trilateral Commission; ex-Secretary of State; president, New York Federal Reserve. **Theodore Hesburgh:** Trilateral Commission; ex-president, Notre Dame University. **Pedro-Pablo Kuczynski:** First Boston International, indicted in Peru in 1986 for illegal oil dealings. **Augustín Legorreta:** Mexican banker who claims to lead the "300 families" who "decide everything." **Nicolás Ardito Barletta:** ex-President of Panama who created banking secrecy for money laundering.

Behind the magic of 'debt reduction'

Except for James Baker III, practically everyone in Washington now admits that the Ibero-American debt crisis is worse now than when it erupted in 1982. There is lots of talk there and by Ibero-American leaders such as Venezuelan President Carlos Andrés Pérez about "debt relief." Would those schemes enable Ibero-America to resume development? No. Would they leave taxpayers with the bill for bailing out the big money-center banks? Yes.

In 1982, Lyndon LaRouche proposed in his *Operation Juárez* study that existing debt be "isolated" and a new international financial system be created to provide massive development credits so that the region could grow its way out of bankrupcy. He was then alone in warning that Baker's crisis management approach would lead to disaster in Ibero-America and to the bankruptcy of the United States itself. Then, as now, the Establishment sought to silence LaRouche.

No one could dispute the situation report in the Inter-American Dialogue's "The Americas in 1989: Consensus for Action." It says, "Latin America has been mired in depression for six years; most Latin Americans are worse off today then they were a decade ago. Having trapped millions in extreme poverty, the depression has begun to feed on itself. Continuing capital flight, low investment, rampant inflation, and declining funding for education and health are destroying the foundations of future productivity, and may keep Latin American economies stagnant for years to come."

The Dialogue, however, endorses the policies imposed on the region by the International Monetary Fund (IMF) which have led to this disaster. The changes it advocates are designed to complete such genocidal "reforms": "Latin America cannot hope to recover without major structural reforms," it postulates. "Latin American governments have made significant adjustments in their external sectors. Realistic exchange rates are now in place in most countries and trade deficits have been turned into surpluses—although largely by curtailing imports and real wages, not by improving productivity. More must now be done to liberalize trade policies by reducing tariffs and other import barriers. Few governments have progressed very far in their internal reform efforts. Fiscal deficits remain all too high. . . . These deficits cannot be controlled as long as scarce resources are used to subsidize uncompetitive industries and finance bloated bur-

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eaucracies. More generally, governments continue to play too large a role in Latin American economies: business and financial regulations need to be eased; markets allowed to determine most prices; and state enterprises shifted to private hands."

Democracy is intolerable

The Establishment's concern is that the regimes willing to abrogate sovereignty and triage their people to please bankers will not last long if they cannot give the *perception* of having gotten something in return:

> Economic reform programs, moreover, always carry very high short-term costs. . . . Market-oriented reforms now provoke public distrust because they have come to be associated with declining incomes, unemployment, higher prices, and deteriorating public services. It is not enough that Latin America's financial and economic authorities agree on the need to restructure and open their economies. *Democratic governments cannot establish economic policy by fiat.* After so many years of decline, they cannot simply preach austerity and ignore the deprivation and anger of the poorest. They must respond to demands of labor unions, business associations, and legislatures. Unpopular policies cannot be sustained for long.
>
> Most Latin American governments . . . will face intense domestic opposition so long as such measures and the sacrifices they entail *are viewed* as largely benefiting external creditors rather than producing development at home. This political resistance can only be overcome if economic reforms are coupled with significant debt reduction and new capital flows, and *recognized* as part of a genuinely cooperative effort between debtors and creditors to promote growth [emphasis added].

The Establishment's "debt relief" sleight-of-hand is designed to create such political "perceptions." The hype for such changes is building. There has been a sudden eruption of "tough" postures by normally supine debtors.

- Brazilian Finance Minister Maílson da Nóbrega failed to make a $500 million interest payment Jan. 18 on the pretext of a "computer glitch." He had been making veiled threats of debt moratorium if the banks kept stalling on $1.2 billion in new loans they promised; now, he is entering moratorium through the back door.
- Mexican President Carlos Salinas de Gortari recently recalled, "As someone once said, a dead client will never pay." Salomon Brothers brokerage reports that Mexican debt negotiator Angel Gurria is asking bank creditors not to collect any principal and at least 80% of the interest due during the next six years. "The resourceful Mr. Gurria has prepared an exhaustive menu of choices with options calculated to appeal to the palates of the banks of various creditor countries," the *Financial Times* reported Jan. 25. American banks would be rewarded for their "sacrifice" with U.S. Treasury guarantees on debts Mexico could never repay.
- Venezuela declared a moratorium on principal payments, effective Jan. 17. Socialist International leader Carlos Andrés Pérez, to be inaugurated President Feb. 2, has been whistle-stopping in Mexico, Brazil, and Europe for guarantees and tax giveaways for Wall Street. He confessed Jan. 3, "I would rather not be the lawyer for the banks, but the banks are handcuffed by the policies set by the U.S. Treasury and the Federal Reserve. . . . Therefore, it is necessary to demand a different posture from the government of the United States."

Pérez—like his Socialist International fellow travelers from Brazil (Fernando Henrique Cardoso) and Costa Rica (Daniel Oduber) on the Dialogue executive committee—is more than willing to use the good faith and credit of the United States to bail out the big banks.

The Dialogue argues, "In exchange for reducing either the interest charges or principal on their current holdings, commercial banks want to obtain at least partial guarantees that remaining claims will be paid. They are prepared to take the losses involved if at the same time their level of risk on the debt that would still be outstanding is diminished. . . . Changes should be make in regulatory, accounting, and tax practices that would made debt reduction a more attractive option. The crucial inducement, however, will be protection against further losses. The industrial countries must provide some form of official guarantees on the interest or principal that remains after the debt reduction operation."

Fear of nationalism

The Dialogue's great fear is that governments committed to national sovereignty will displace the present crew of obedient debt payers: "New Presidents are scheduled to take power within the next 18 months in nearly a dozen Latin American countries. The region's voters are already turning to more nationalistic leaders. . . . Many will take office with clear mandates to reverse the economic policies of their predecessors. Regardless of the advice of economic experts, some will be less willing to persist with market reforms, and more prepared to suspend or curtail debt payments unilaterally, thus increasing the risk of confrontation between Latin American debtors and their creditors."

That is why the Establishment is fighting for "debt reduction" rewards on a "case-by-case basis" to those governments which play its game. These regimes are "democracies" in the Inter-American Dialogue lexicon. "Mexico's continuing need for painful economic austerity could lead to a retightening of political control," it writes, just as President Salinas began police-state measures against trade unions opposed to austerity and the denationalization of the state sector. On the other hand, those governments resisting bankers' dictates will be hounded as "dictatorships," as in the case of Panama.