

The Ibero-American revolt against the IMF has begun

by Dennis Small

The following presentation by Dennis Small, the coordinator of the Schiller Institute's work in Ibero-America, was given to a conference in Warsaw, Poland April 6-7 of political activists, parliamentarians, and economists who met to discuss Lyndon LaRouche's alternative to the murderous "shock therapy" austerity program of the International Monetary Fund. The conference, organized by Polish Rural Solidarnosc, the Budapest-based Working Group for a New Europe, and the Schiller Institute, included representatives of 13 nations.

Over the course of the last few months, as I have visited many Ibero-American countries to speak about the case of the American political prisoner Lyndon LaRouche, and as a former political prisoner myself, I have often urged congressmen and other political, business, trade union, and military leaders whom I met that, if they wanted to actually understand their strategic situation and what to do about it, they had to stop thinking like Ibero-Americans for a moment, and had to "think like Poles, think like Hungarians, and think like Russians."

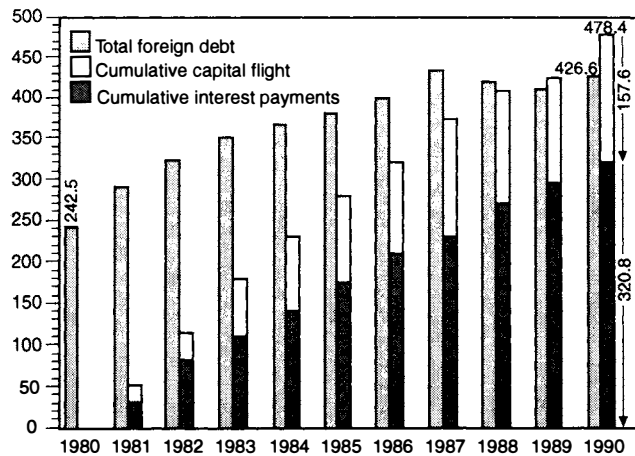
What I meant was two things. First, that the gigantic civil-military revolt in Venezuela last Feb. 4 against the disastrous liberal economic policies of President Carlos Andrés Pérez, which nearly toppled that government, was in fact the beginning of a wave of revolutionary explosions across Ibero-America against the International Monetary Fund (IMF) policies which are today being implemented by each and every government in that area. These explosions, like the events of central and eastern Europe of the last two to three years, augur the final collapse of a decadent economic system, the Versailles system, today embodied in the IMF, the World Bank, and the General Agreement on Tariffs and Trade (GATT).

I urged my Ibero-American friends to realize that their continent is about to undergo upheavals similar to those of 1989-91 in Europe, and that they must display the same courage, combativeness, and determination to put an end to tyranny that was shown in Europe, and which inspired the world with hope.

FIGURE 1

Ibero-America: foreign debt and cumulative capital exports

(billions of dollars)



I also asked them to “think like Poles,” because sophisticated operatives of the Anglo-American financial elite are trying to convince the Ibero-Americans that, if they overthrow the IMF, their only alternative is to establish a Marxist or Castroite economic system. As we say in English, “out of the frying pan, and into the fire!” Nothing could be so foolish and willfully blind—except perhaps to do the same in the opposite direction, to go from Marxism into the waiting arms of an IMF tyranny, supposedly because there is no third alternative.

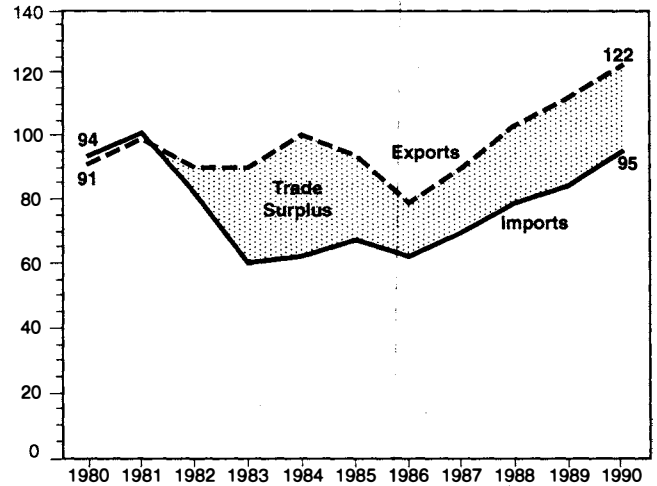
I am here to ask all of you present to stop thinking like Poles, Czechs, or Ukrainians for a moment, and to think instead like Ibero-Americans—think like Venezuelans, think like Mexicans, think like Peruvians. I am not saying you are also Third World nations; I am saying that the IMF intends to transform you into Third World nations. And you must quickly know what every conscious Venezuelan, Peruvian, or Brazilian understands in his very bones, that the liberal economic policies of the IMF, and of their academic towel boys like pro-drug Harvard Prof. Jeffrey Sachs, have produced pure genocide in Ibero-America, and will do the same everywhere they are applied. They know that the debt repayment demands of the IMF and the creditor banks have “Africanized”—destroyed it to the point of near extinction—Ibero-America over the 1980s, and will annihilate the continent altogether if continued through the 1990s. They know that it is a lie that if you just hold on long enough with IMF policies, there will be “light at the end of the tunnel.”

If you allow your nations to replace the tyranny of communism with that of the IMF, what awaits you, without question, is the horrible fate that has befallen most of Ibero-America. And as I show you today the devastation wrought

FIGURE 2

Ibero-America’s balance of trade

(billions of dollars)



by the IMF, I urge you again to “think like Peruvians, Mexicans, or Venezuelans,” and I am confident that you will reach the same conclusion as LaRouche: that the nations of the East and the nations of the South can be major strategic allies against their common enemy, the liberal economic policies of the IMF.

Debt looting

Our calculations are that upward of \$535 billion of physical loot was extracted from Ibero-America over the course of the 1980s, through the debt mechanism. That corresponds to about 13% of the productive Gross National Product (GNP), the real productive output of the region.

The consequences of this have been that real wages today are approximately one-half of what they were a decade ago, and the investment level is 50% what it was in 1980. As a result, about one-quarter of the total population of Ibero-America is today endangered. Of a total population of about 450 million, well over 100 million people are in danger of dying in the period immediately ahead, as a result of IMF policies.

Should these policies continue, up to one-half of the Ibero-American population could be faced with extinction by the year 2000. The nations of Ibero-America are today being Africanized because they did not break with the IMF when the debt crisis exploded 10 years ago, because they failed to adopt LaRouche’s 1982 policy proposal called “Operation Juárez,” which I will discuss in more detail later.

Figure 1 shows the financial side of the looting process, that is to say, the debt looting.

Ibero-America’s total debt in 1980 was \$242.5 billion. Over the course of the decade from 1980-90, the black bar,

which represents cumulative interest payments, indicates how much money was paid by Ibero-America—\$320.8 billion. The debt was \$243 billion, they paid \$321 billion—more than what they owed originally—and at the end of that period, the total debt had grown to \$427 billion. This is a very curious arithmetic— $243 - 321 = 429$. That's called bankers' arithmetic.

In addition to interest payments, we've added on the white bar on top, which is the amount of money which left in the form of capital flight. Capital flight is basically illegal interest payments. It's the amount that leaves in suitcases, by contraband, by wiring it out to Swiss banks, etc. It happens when you don't have exchange controls. If you add it all up, you discover another \$157.6 billion of capital exported from Ibero-America during the 1980s. So, the total capital exported from Ibero-America during the decade was about \$478 billion. And yet, the debt grew during this period.

What does this translate into, in terms of physical wealth leaving the continent?

Figure 2 shows the classical way in which the debts of Ibero-American nations were paid over the 1980s. On IMF orders, these nations slashed imports—they stopped purchasing everything that was needed to run their economies and sustain their living standards, from food to machine tools—and exports were driven up as rapidly as possible. The difference between exports and imports is a nation's trade surplus, the amount gained in foreign currency, which is then used to pay foreign debt. If you add up the total amount between the imports and exports lines, you have the total cumulative trade surplus.

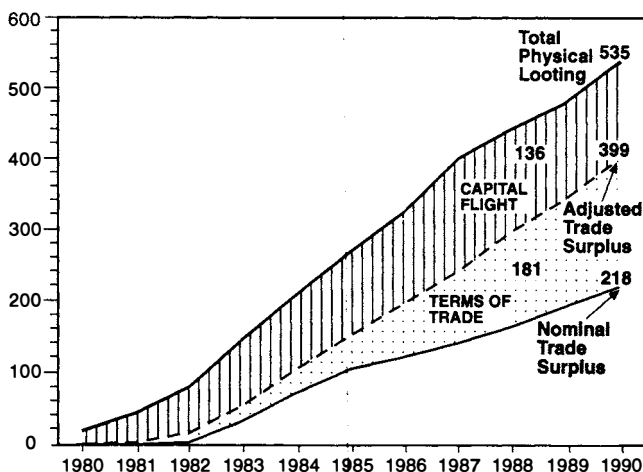
Now, remember, we're talking about a continent which needs to have a trade deficit. This is an area of the world which should be importing capital goods, equipment, and other things it needs to aid its development process, not experiencing net capital exports to reduce the level of consumption and investment, making it impossible for nations to maintain themselves and grow.

Figure 3 shows that this adds up to a very sizable cumulative amount: \$218 billion between 1980 and 1990.

This is bad, but it is not the full story. During this period, we have an added factor: the collapse of the terms of trade for Ibero-America. This means that, if you're an Ibero-American country, each year you have to pay more for your imports, and you get less for your exports. In other words, if you need to import a ton of steel, in year one, it takes a ton of your copper exports to get it; in year two, under worsening terms of trade, it takes two tons of copper, to get the same ton of imported steel.

If the terms of trade factor is considered, we calculate an additional \$181 billion of physical loot which has gone out of Ibero-America since 1980. So the actual adjusted trade surplus was almost \$400 billion. To put it differently, if the terms of trade had stayed exactly as they were in 1980, the cumulative trade surplus would have been \$399 billion which

FIGURE 3
Cumulative physical looting of Ibero-America
(billions of dollars)



left the continent.

To that, you have to add the amount that left illegally as capital flight, about \$136 billion cumulatively, for a grand total of physical looting of \$535 billion extracted, sucked out of the continent, through this looting process over the decade.

So, don't believe the nonsense about how the United States is supposedly supporting the welfare states of the Third World. That's absolutely ludicrous! The fact is that it is the countries of the Third World, including Ibero-America, which are supporting the bankrupt Anglo-American banking system. The debt looting from Ibero-America is one component keeping the banking system afloat. The other component is the \$558 billion per year in drug money which is laundered through the main Anglo-American banks, which we will discuss in more detail shortly. It should be added that the vast majority of the official debt of Ibero-America is actually illegitimate. Back in 1985, we calculated that if interest rates had not skyrocketed to usurious levels, if the terms of trade had not deteriorated, and if there had been no capital flight, the remaining, legitimate portion of Ibero-America's debt stood at \$20.5 billion. Today it is even smaller.

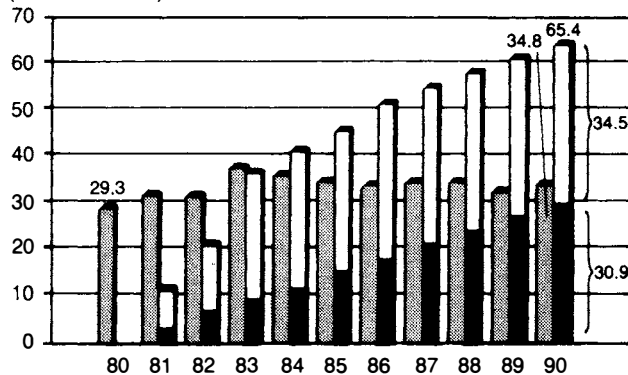
Returning to the \$535 billion that has been looted, that corresponds to about 13% of the productive GNP of Ibero-America over the decade of the 1980s—and we are talking about a continent that was already in dire poverty at the beginning of the decade. This extraction of wealth needed for consumption and investment, in order to pay the debt at all costs, produces "Africanization," a non-linear downward spiral of negative growth.

We can see what has happened to the productive labor force in Ibero-America over the period 1980-90, with a projection to the year 2005:

FIGURE 4

Venezuela's foreign debt and cumulative capital exports

(billions of U.S.\$)



Back in 1980, there were 33 million real unemployed in Ibero-America, which was about 27% of the total labor force.

In 1985, five years later into the debt looting process, it was worse. The total number of productively employed stagnated absolutely and, therefore, 35% of the labor force was unemployed. Five years later, today, you have the same number of productively employed. Not one new productive job has been created in over 10 years in Ibero-America. The entire growth of the labor force has been parasitic, thrown into de facto unemployment. Today's unemployment rate is something approaching 45% for the entire continent—about half of the labor force. The human generators of wealth are not productively employed.

If we want to develop the continent and, above all, productively employ the entire labor force (except for a residual unemployment rate of, say, 6%) over the period to the year 2005, we must create 130 million new jobs. It can be done, and it must be done; but it's a gigantic task, which begins by destroying the liberal economic policies of the IMF.

The case of Venezuela

If you want to know why Venezuela blew up on Feb. 4, you have to look at this same debt looting process in that country.

It is important to know that Venezuela once had the highest income per capita in all Ibero-America. This is because Venezuela is a major oil exporter—in fact, it was once the number-one oil exporter in the world. As a result, over \$200 billion in income entered the country over the past 15 years. Had this been properly invested, Venezuela today would be on its way to industrialization, poverty would have been eliminated, and it would have been a model of progress for the world.

Figure 4 shows what happened to Venezuela's oil bonanza: It was stolen from the country. In 1980, the country's foreign debt totaled about \$29 billion. Over the course of the decade,

TABLE 1

IMF measures are destroying the Venezuelan economy

Real wages (1989-91)	-40%
Real unemployment (1991)	50%
Interest rates (1992)	40%
Growth of capital stock (1989-91)	
Large companies	+6%
Medium companies	-20%
Intermediate companies	-36%
Small companies	-51%

the country paid nearly \$31 billion in interest payments alone—more than the total original debt—as the black bar indicates. And yet, at the end of the decade, the total foreign debt had risen to almost \$35 billion. Once again we have bankers' arithmetic: 29-31=35. There's another name for this: it is called usury, and it has been around for a long time. So long, in fact, that the Bible is very clear on the subject.

But Venezuela also had a phenomenal amount of illegal capital flight: \$34.5 billion over the decade, which adds up to total capital exports of over \$65 billion.

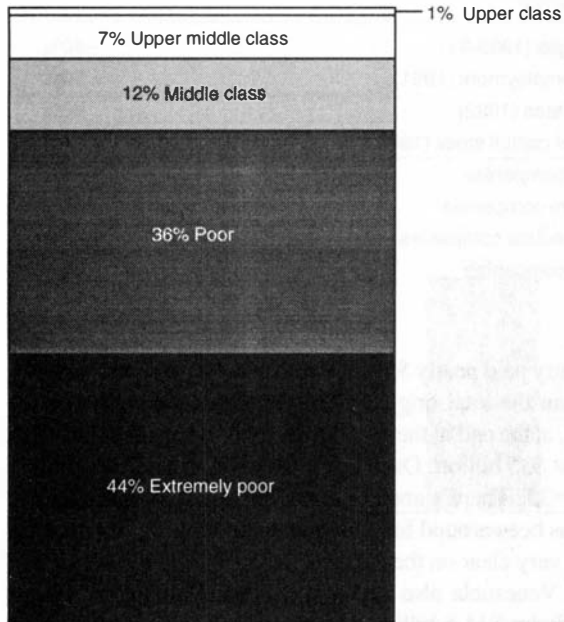
What are the consequences of this looting? As Table 1 shows, real wages have dropped by about 40% since Carlos Andrés Pérez assumed the presidency in 1989. Real unemployment today stands at 50% of the labor force. Interest rates are at 40% per year. And the business sector has been dramatically decapitalized—by up to 50% among small companies.

Figure 5 shows the consequences: whereas 60% of the total population were classified as "poor" when Pérez took office three years ago, today, an astounding 80% of Venezuela's 18 million population are either "poor" or "extremely poor." Is it any wonder that virtually the entire nation supported the "Bolivarian" military patriots who attempted to overthrow this IMF dictatorship on Feb. 4? Is it a surprise that throughout Ibero-America, nationalists of all countries have rallied to support the growing Venezuelan revolution—because a revolution it is—and are intensely debating how to rid their respective countries of the IMF tyranny?

Let me briefly explain what is happening today in Venezuela, because in many ways it is the political equivalent of the Tiananmen Square events of June 1989 in China, or the Leipzig demonstrations of late 1989 in Germany.

Since the Feb. 4 attempted coup, there have in fact been four different governments in Venezuela, each with Pérez as the titular President. The first was that of Pérez alone, which was brought to its knees by the overwhelming popular support for the "Bolivarian" military uprising. Although the coup attempt failed militarily, it succeeded politically. The "Bolivarians" mobilized the population around their demands for:

FIGURE 5
Poverty in Venezuela

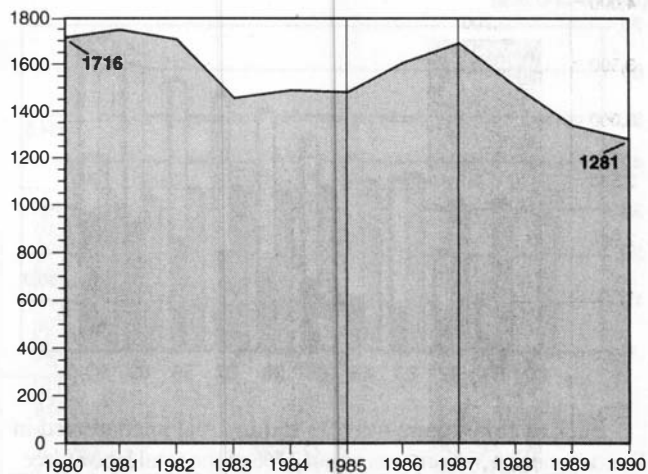


- 1) an end to IMF looting;
- 2) an emergency employment program to feed and house people;
- 3) Ibero-American integration with the sister nations of the continent;
- 4) an end to drug-running and corruption, with immediate exemplary public trials; and
- 5) the immediate resignation of the President, the Supreme Court, and the entire Congress, and the replacement of this pseudo-democracy of the bankers with true "participative democracy."

In order to stay in office, Pérez was forced to establish and co-govern with an emergency "Consultative Council" made up of prominent independent members of the country's elite. But Pérez insisted he would not change his IMF economic policies, and the population remained violently opposed, making the country ungovernable.

On March 10, Pérez established his third government, this time including opposition party members in the cabinet. The very day they were sworn in, the new development minister announced that, again, the government would not budge in its commitment to IMF policies. That same night, in response to a call for a popular "pots and pans" mobilization against Carlos Andrés Pérez issued by the "Bolivarian" commanders from their jail cells, the entire city of Caracas rose as one to thunder its rejection of Pérez and the IMF. A half-hour before the appointed hour of 10 p.m., from north to south, east to west, from the richest neighborhoods to the

FIGURE 6
Peru's GNP per capita
(1988 dollars)



most miserable slums, the population of Caracas banged their pots and pans in protest, turned their house lights off and on, blared the national anthem on their record players, and shouted at the top of their lungs in Spanish: "*Es el diez, son las diez, vete ya, Carlos Andrés*" ("It's the 10th, it's 10 p.m., get out of here, Carlos Andrés"), which, of course, rhymes in Spanish.

The noise was so thunderous across the city that people couldn't even hear their own television sets inside their homes. It was the same across the country.

The next morning the mood in the country was triumphant. The population had resoundingly rejected Pérez's policies, and stood up to the threat of brutal police repression. They had shown their unity, and were victorious in the face of tyranny. The country had been profoundly transformed—politically and psychologically—in a way similar to what happened in eastern Europe in the weeks and months leading up to the fall of the Berlin Wall.

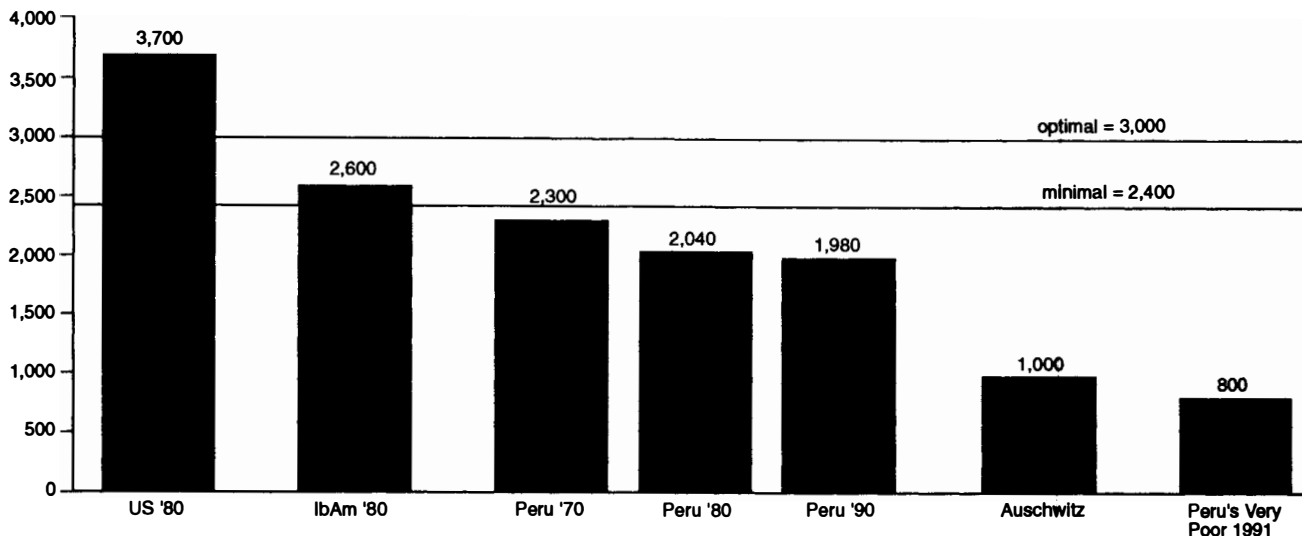
Pérez was forced to immediately fall back on his last option for staying in office and maintaining IMF policies: the direct threat of U.S. military intervention, as transmitted in Caracas by Dr. Henry Kissinger and U.S. ambassador to the Organization of American States Luigi Einaudi. Pérez and the IMF now are holding on by a thread, only by establishing a virtual coalition government with the Bush administration.

Part of the Kissinger strategy, for Venezuela and all of Ibero-America, is to establish a U.S.-dominated multinational military force, which would intervene wherever the bankers need it to in order to collect the debt. A crucial component of this Washington strategy is the campaign to discredit and then dismantle the armed forces of all Ibero-America, since they, along with the Catholic Church, are among the last

FIGURE 7

Per capita caloric consumption

(calories/capita)



remaining institutional obstacles to unfettered IMF genocide—as was proven with the Venezuelan military revolt of Feb. 4. Any nation or political force which does not abide by this debt collection strategy is accused of being “anti-democratic.”

The devastation of Peru

Let us now take the case of Peru, the most Africanized country in Ibero-America. **Figure 6** shows Peru’s GNP per capita. It dropped during the entire period of IMF pressure during 1980-85, and it rose during 1985-87 only because President Alan García broke with the IMF and refused to pay the debt. Then, once Alan García made a deal with the IMF and the drug bankers in 1987, and backed off on his policies, there was again a very rapid decline in GNP per capita. Over this entire 10-year period, there was about a 25% drop in GNP per capita.

What are the consequences of that? Among other things, people ate less. **Figure 7** shows per capita caloric consumption in various countries: 3,000 calories is considered an optimal level; 2,400 is considered the minimum necessary. That’s a very relative statement, because it depends on what kind of work you’re doing, whether you’re sitting behind a desk, or performing physical labor.

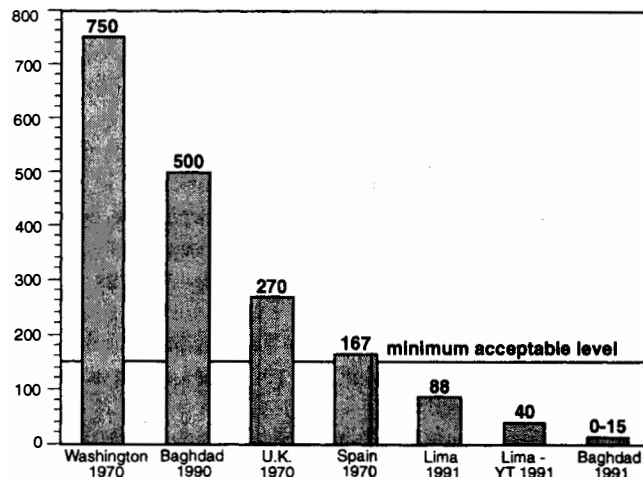
The United States in 1980 was consuming well over 3,000 calories per capita; Ibero-America in 1980 was at about 2,600 per capita.

Peru in 1970 was just under the minimum level, with about 2,300 calories per person. By 1980, that had dropped to 2,040. And in 1990, Peru’s per capita caloric consumption per day had dropped to a dangerous 1,980 calories.

FIGURE 8

Availability of potable water

(liters per capita per day)



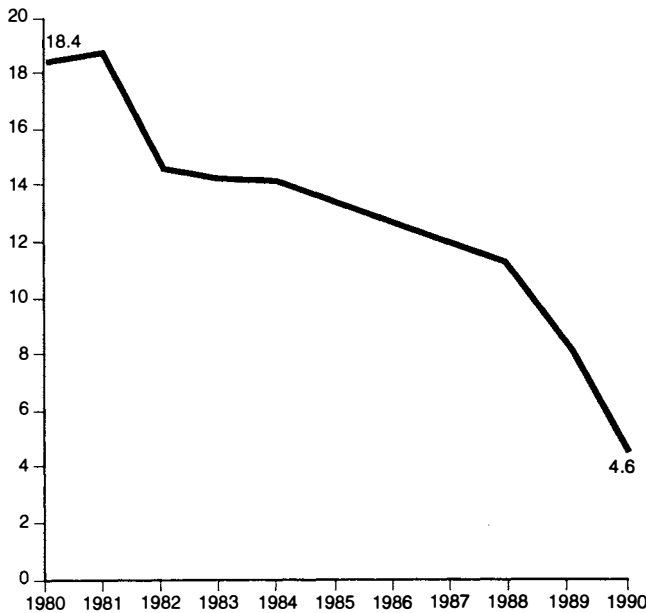
But that is just an average. When President Alberto Fujimori came into office in August 1990, he immediately applied an IMF shock therapy program. All government subsidies were cut, including on basic necessities such as food, oil, and electricity. As a result, within days, prices shot up by between 2 and 30 times for food, water, telephone service, public transportation, electricity, and so on. The government only raised wages by a flat 100%.

The consequences were staggering. Before the IMF

FIGURE 9

Peru: government health expenditures

(1988 constant dollars/capita)



shock, it is estimated that there were about 7 million Peruvians living in extreme poverty—about 35% of the total population of 20 million. Within weeks after the shock, there were 12 million extremely poor Peruvians, about 60% of the population.

What does “extreme poverty” mean? It means that you eat an average of one meal per day. It means that, if you live in the slum areas of the capital city of Lima, you consume about 800 calories per day. It means that you are consuming less food than the concentration camp victims did in Auschwitz.

Is it any wonder that Lyndon LaRouche has often said that the policies of the IMF are 100 times more genocidal than those of Hitler?

But not to worry, there are no gas ovens in Peru to carry out the “final solution.” That task is taken care of in a different way: by the cholera epidemic that is sweeping that country, and all of Ibero-America.

The cholera epidemic is also a direct result of IMF policies. Cholera is spread by contaminated water, a problem easily solved by minimal investments in water and sewerage infrastructure. The Peruvian government has itself estimated that, in order to maintain this infrastructure, it had to invest about \$1.4 billion over the decade of the 1980s. But since IMF policy demands that the priority is, first, pay the debt, second, pay the debt, and third, pay the debt, the actual amount invested in this critical area was only \$250 million—

less than one-fifth of what it should have been.

Not surprisingly, as **Figure 8** shows, lack of potable water is a major problem in Peru today. The standard for good public health is about 150 liters per capita per day, to have a minimum level of water consumption. Washington in 1970 had 750; Baghdad, Iraq before the war had 500. Not too bad. Lima today has 88 liters per capita. It’s a little more than half the minimum level. Lima’s “youngtowns,” which are the shantytowns, the poorer areas, have about 40 liters per capita per day; and Baghdad, after the bombing raids by George Bush, has somewhere between 0-15 liters per capita of potable water per day.

So, there are two ways to kill people. You can bomb them back to the Stone Age, as George Bush did in Iraq, or you can simply implement IMF policies, which has the exact same effect as a strategic bombing raid on the economy.

The lack of clean water is the most immediate cause of the staggering incidence of diarrheal diseases in Peru. These rose from 36 per 1,000 in 1980, to 91 per 1,000 in 1983, to 133 per 1,000 in 1989. In Lima’s shantytowns, the incidence is at the incredible level of 400-600 per 1,000.

There was a dramatic rise in cholera cases and deaths in Ibero-America. As of March 1992, there were officially over 400,000 cases of cholera on the continent, with about 5,000 deaths. Recent studies conducted in Peru indicate that the official statistics are undercounting actual cases by about half. So it is likely that there have actually been about 1 million cholera cases in Ibero-America. And every single country in the region has now been affected.

Is the Peruvian government spending money to solve this problem? **Figure 9** speaks for itself. Government health expenditures have dropped by 75% between 1980 and 1990. Doctors in Peru earn a miserable \$45 per month, and nurses only \$25 per month. And so far, in the course of the current cholera epidemic which began in February 1991, the government has spent a pathetic \$60 million to fight the disease.

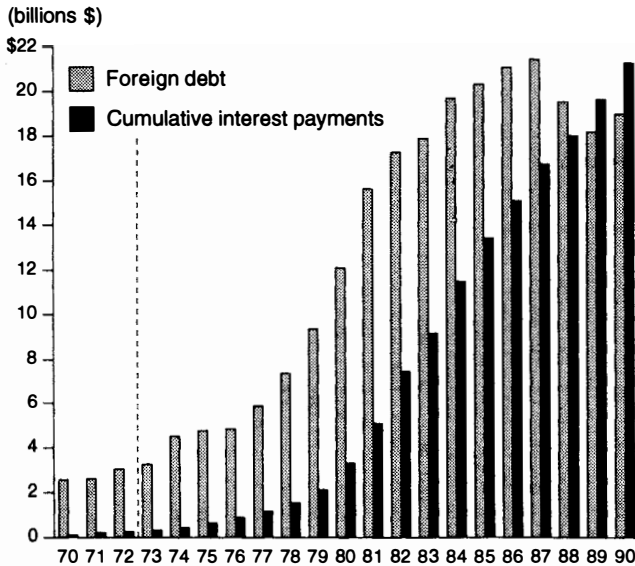
And yet, the Peruvian government is currently paying its international creditor banks about \$80 million in debt service payments—every month! There is only one thing more horrible than the genocidal results of these IMF policies, and that is the fact that they are deliberate. Lest anyone doubt that this is the case, it is only necessary to listen to the words of IMF Managing Director Michel Camdessus himself:

“We believe that the successes achieved [in Peru] in the past 18 months are immensely important. . . . This is an extremely important program for the world. . . . [It is] a model for the rest of the world. . . . [The IMF program] cannot be changed on the pretext of fighting poverty. Now is the time to intensify the program. This will be painful, but must be done.”

The Chile and Bolivia models

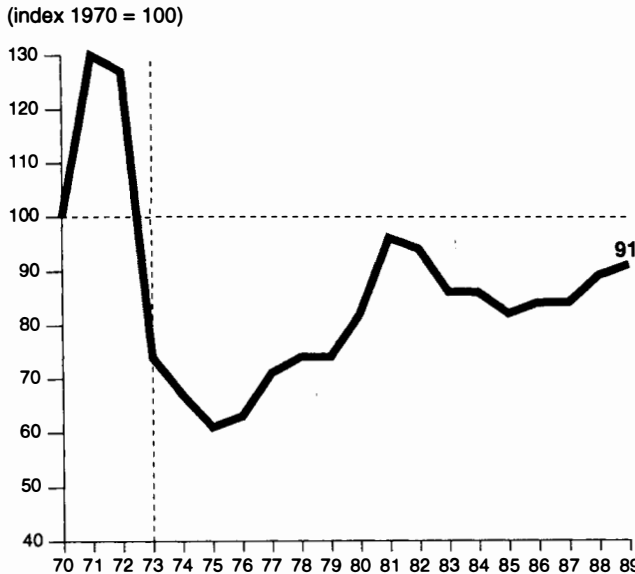
Let us quickly look at two further Ibero-American cases of IMF shock therapy, which are often held up as models of

FIGURE 10
Chile's foreign debt and cumulative interest payments



Source: World Bank

FIGURE 11
Chile's average wage, 1970-88

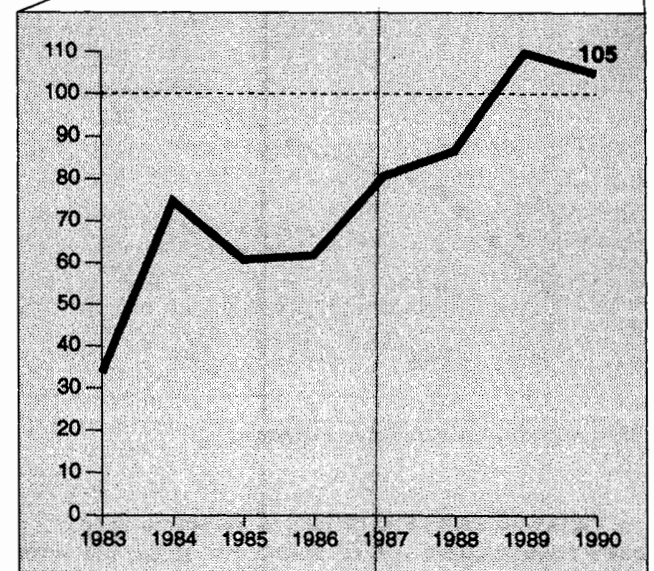
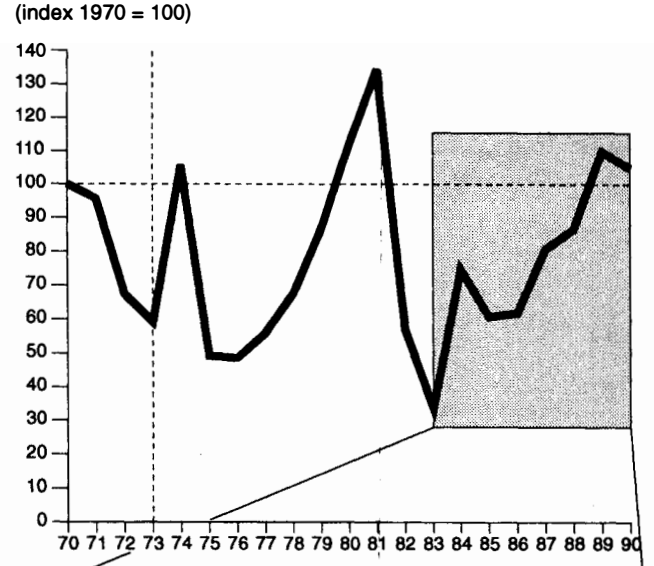


Sources: Central Bank, National Institute of Statistics, and Corporation for Economic Research for Latin America.

the successful application of liberal economic policies.

Chile has been under strict IMF control for 20 years—longer than any other Ibero-American country. Does it show

FIGURE 12
Chile's gross domestic investment per capita, 1970-90



that there is "light at the end of the tunnel," if you just hold on long enough? Decide for yourself.

Figure 10 shows Chile's debt looting process. In 1970, the foreign debt was about \$2.5 billion; over 20 years, \$21 billion was paid in cumulative interest (10 times the original debt), and, by 1990, the debt had climbed to over \$18 billion. In **Figure 11** we see the destruction of wage levels caused by these liberal policies. As of 1989, wages were still 10% less than they were back in 1970. But perhaps this was necessary in order to generate the savings and investment for the future?

FIGURE 13
Chile's GDP and productive GDP per capita, 1970-90

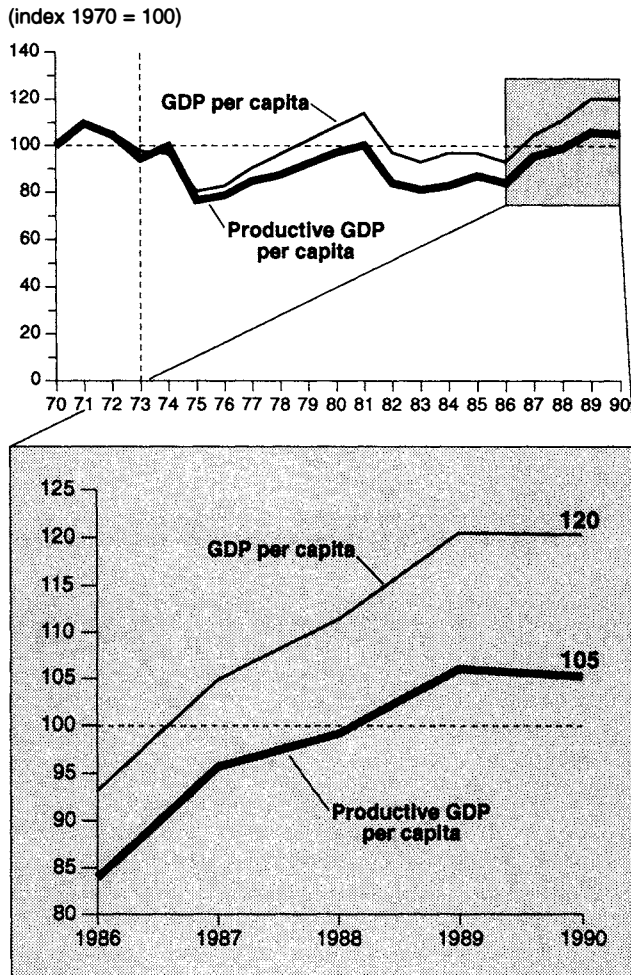
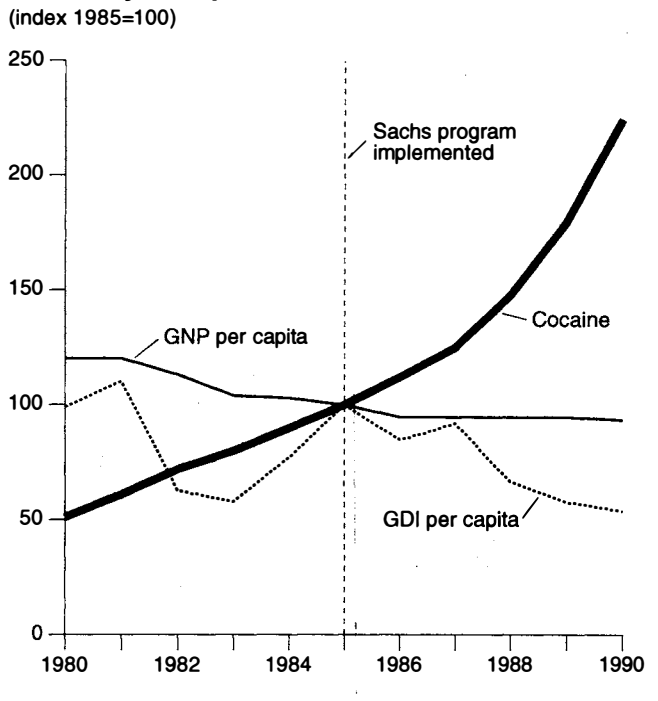


Figure 12 shows that nothing of the sort occurred. The much-propagandized rise of investment of the last seven years, as seen in the lower graph, is actually nothing but a poor recovery to the per capita levels that existed 20 years earlier (see the upper graph).

The basic course of the Chilean economy is shown in Figure 13, which presents Gross Domestic Product and productive GDP per capita. Again, the supposed great advances of the last four years, which the lower graph indicates, are actually only the tail end of a totally stagnant process over two decades, as the upper graph shows. Not exactly a shining example of economic health to be followed by others.

What about Bolivia? The so-called "economic success story" in that country since 1985 is constantly cited as proof that the Harvard economist Jeffrey Sachs is right, and that his

FIGURE 14
Bolivia's drug trade booms while productive economy collapses



advice should be followed in Poland, Russia, and elsewhere. Sachs was economic adviser to the Bolivian government during 1985-87, and ran policy there on a day-to-day basis. The promotional "sales pitch" on Sachs is that he proved his genius by wiping out inflation in Bolivia, which was running at an annual rate of over 20,000% in 1985.

But the way Sachs stopped inflation was by destroying what little existed of Bolivia's productive economy, and opening the doors for the international drug trade to come in and fill the vacuum he had helped create, and consolidate its death grip on the economy.

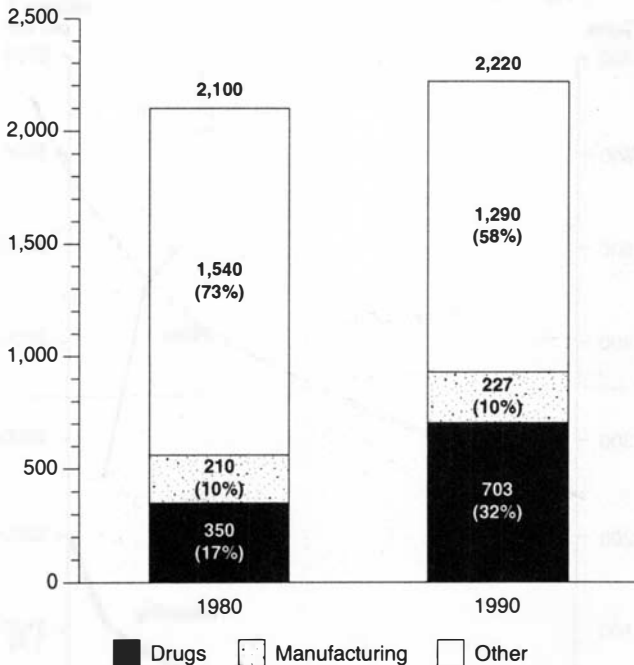
Figure 14 shows that per capita GNP declined significantly in the five years following Sachs's shock therapy—admittedly continuing a process which had begun years earlier. Even more to the point is the way Sachs's program decimated per capita Gross Domestic Investment (GDI), which had been rising in the years before 1985, and which then plummeted by almost 50%.

But not everything in Bolivia collapsed under the Sachs therapy. Coca leaf production, for example, prospered, and began to grow at even more rapid rates than had occurred in the early 1980s. In fact, the output of the coca crop grew by almost 125% between 1985 and 1990. Today, cocaine derived from Bolivia's coca crop accounts for about 37% of the cocaine sold on U.S. streets, and its retail value is around

FIGURE 15

Bolivia's labor force: Drugs take over

(millions of workers)



Sources: EIR, World Bank

\$50 billion per year—about 10 times as large as the country's legal GNP.

How did Sachs bring this about? One key aspect was the forced shifts in employment which occurred. As part of this budget-cutting frenzy, Sachs forced a reduction in employment in the state tin company, Comibol, from 30,000 workers in 1985, down to 7,000 workers two years later—a 77% reduction. A similar 45% reduction of the work force in the state oil company, YPFB, was also achieved. Employment in the private sector mining companies dropped by about 20,000 under the Sachs regime.

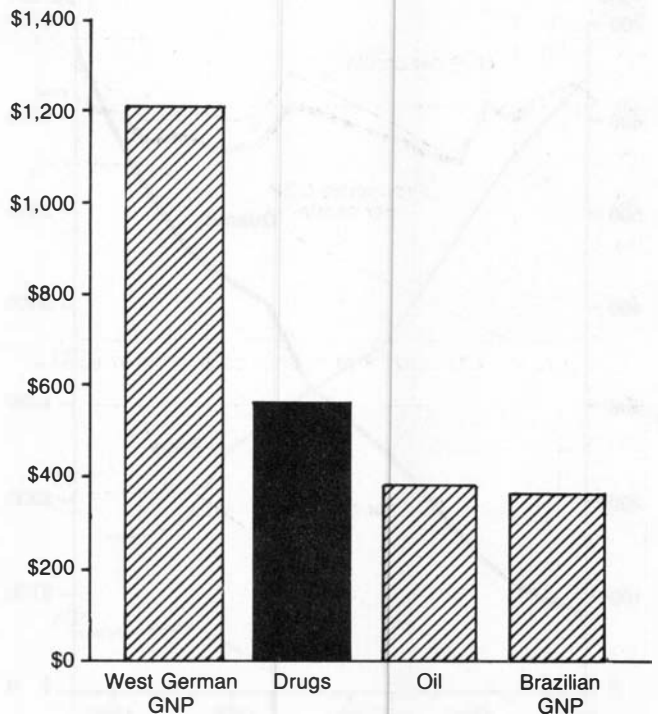
These newly unemployed workers, by and large, were forced to seek employment in the coca-producing regions of the country, since this was the only economic activity which continued to boom. As **Figure 15** shows, the number of workers employed in coca leaf growing and processing leapt from about 350,000 (or 17% of the labor force) before Sachs worked his magic, to over 700,000 after—a third of the entire labor force.

Was all this an unfortunate mistake, a miscalculation on the part of the well-intentioned Harvard wonder boy and his sponsors? Absolutely not. The destruction of Bolivia's productive economy and the skyrocketing of its drug trade were the deliberate, conscious, and intended result of Sachs's

FIGURE 16

World drug trade is larger than most nations' national product

(billions \$)



policies.

It is best to listen to Sachs himself on this subject: "To preserve fiscal balance, the government had to launch a brutal battle to reduce payrolls in Comibol and YPFB. Although fiscally necessary, the results are stunning, and indeed reflect a social tragedy. Comibol has reduced its employment from about 30,000 workers in 1985 to just 7,000 as of 1987. Many of these workers are still unemployed, or only marginally employed, or have gone to the coca-growing region to find work."

If Poland, Russia, and other nations implement Sachs's policies, they should expect similar results. As the president of Citibank, John Reed, recently threatened: "If we look at the map of the world economy, there are countries that have disappeared. . . . Peru and Bolivia will disappear. The Soviet Union had better watch out, because it might disappear."

The drug plague spreads

The fact of the matter is that the drug trade is growing internationally, as a direct consequence of IMF destruction of productive economic activity. In Ibero-America, cocaine production is booming at about 25% per year. It has reached such proportions that today, as **Figure 16** indicates, it is worth about \$558 billion per year—more than the world oil

FIGURE 17

Deliberate cuts in U.S. cocaine prices have created a huge market

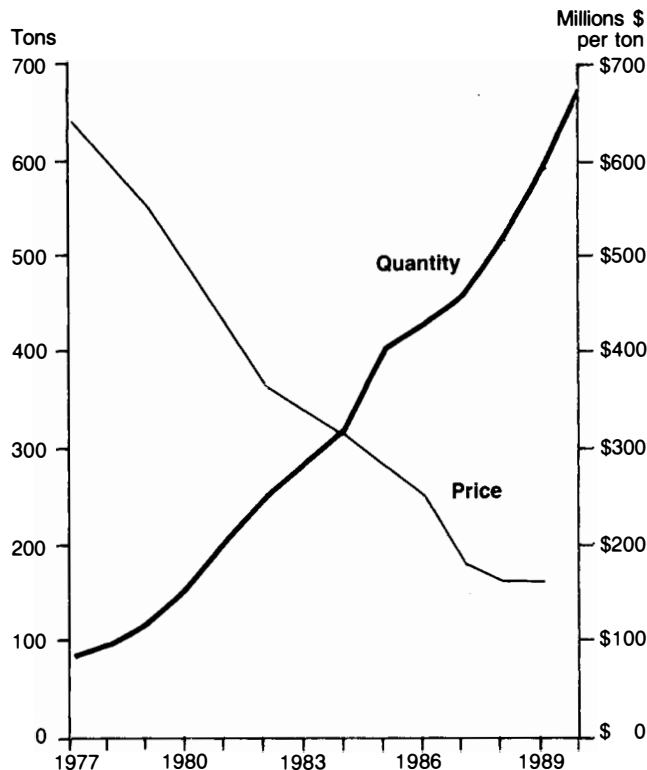
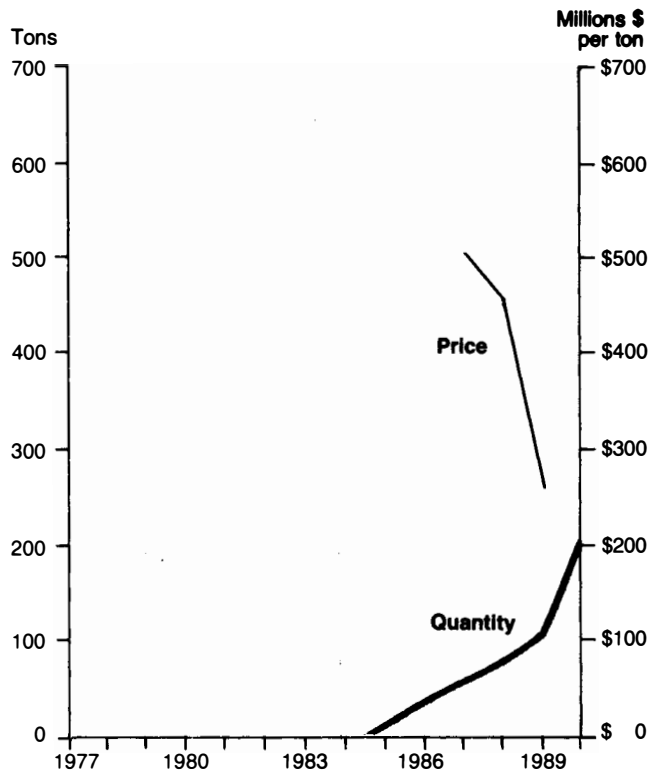


FIGURE 18

Price and quantity of cocaine exported to Europe follows U.S. pattern



trade, and more than the GNP of many major nations.

This phenomenal volume of dirty drug money is laundered by the same international banks that are also Ibero-America's creditors. They are the beneficiaries, and the controllers, of the international drug trade, and they are promoting its spread as one means of keeping their bankrupt financial system afloat.

For example, **Figure 17** shows how cocaine consumption in the United States was deliberately promoted over the last 15 years, by the standard marketing technique of deliberate price reductions. Perhaps the single most horrifying fact about the drug problem in Europe today, is that the street price of cocaine (see **Figure 18**) is being deliberately slashed, and consumption is zooming up, in a frightening repeat of the U.S. pattern. The fact is that the drug bankers and their cartels have determined that the U.S. market is largely saturated—entire generations of youth have already been slaughtered by drugs in my country—and they now intend to do to the same to youth in Europe.

Can the drug trade be stopped? Of course it can. Just look at **Figure 19**, which shows the dramatic reductions of marijuana and heroin production achieved in Mexico under the nationalist, anti-IMF governments of Echeverría and López Portillo. And look at how drug production zoomed back

up at the point that the De la Madrid government signed with the IMF in 1982.

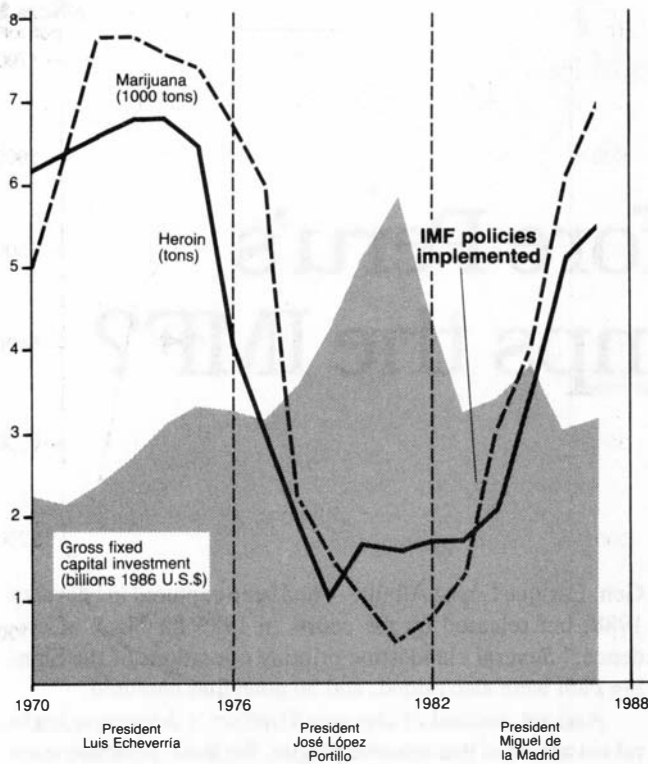
In fact, the path to solving the drug problem is the same as the one for solving the international financial and economic crisis as a whole. The IMF system, the Versailles system, must be abandoned, and replaced with a New World Economic Order which will promote the sovereign economic development of each and every nation of the world—and to hell with the bankers!

The best guideline for this is still LaRouche's 1982 "Operation Juárez" proposal, which he issued specifically for Ibero-America, but whose concept is globally applicable. The main points of "Operation Juárez" are:

- 1) Reorganize Ibero-America's foreign debt:
 - a) form a debtors' cartel and declare a debt moratorium;
 - b) issue new, Ibero-American long-term debt bonds at a 2% interest rate;
 - c) bury the IMF and the World Bank.
- 2) Create an Ibero-American common market:
 - a) create a customs union to stimulate intra-Ibero-American trade;
 - b) create an Ibero-American development bank;
 - c) establish a "golden peso" continental currency, with

FIGURE 19

Mexican drug production, 1970-87



Sources: DEA (1977-87 drug figures), ECLA (investment figures).

- new parities defended by strict exchange controls;
- d) reestablish the real value of Ibero-America's exports.
- 3) Launch great development projects in Ibero-America:
 - a) physically integrate the continent with great infrastructure projects;
 - b) emphasize the development of advanced technologies, especially nuclear and laser;
 - c) modernize agriculture.
- 4) Reactivate the advanced sector economies:
 - a) export \$100 billion per year in capital goods to Ibero-America, with new credits for that amount;
 - b) develop beam weapons and other advanced technologies;
 - c) nationalize the U.S. Federal Reserve, reestablish a gold exchange standard, drastically lower interest rates, and encourage lending exclusively for productive activities.

The question always arises, could Ibero-America survive such a break with the IMF, and the trade warfare that would likely ensue? Emphatically, yes. A 1985 study of ours, shown in **Table 2**, indicates that if the Ibero-American economy is taken as a totality, and if foreign trade within the region is given priority, it is about 80% self-sufficient in the

TABLE 2

Level of self-sufficiency of Ibero-America, 1985

(percentages)

Above 80%		Below 80%	
Foods		Minerals	
Cereals	103	Coal and coke	71
Meat	104	Chrome	73
Fish and shellfish	188	Titanium	*
Milk and dairy products	98	Tungsten	*
Fruits and vegetables	105	Raw materials	
Energy		Phosphoric rock	35
Crude petroleum	142	Potassium	*
Refined petroleum	100	Caustic soda	73
Minerals		Sodium carbonate	61
Iron ore	257	Basic products	
Copper ore	118	Fertilizers	65
Bauxite	183	Pesticides	35
Manganese	161	Medicines	25
Sulphur	97	Manufactures	
Basic metals		Machinery and equipment	30
Iron and steel	90	Automobiles and trucks	65
Copper	282		
Aluminum	120		
Lead	123		
Zinc	104		
Tin	114		
Nickel	400		
Basic products			
Cement	100		
Synthetic fibers	85		
Manufactures			
Textiles	125		

*Less than 10% self-sufficiency

basic products needed for economic survival and growth. The other 20% admittedly constitutes a vulnerability.

But what if the newly freed nations of central and eastern Europe were to also break with the IMF, and supply some of these capital goods and other needs to Ibero-America? What if Ibero-America reciprocated with some of the food, energy, and raw material requirements that are so urgently needed in the new republics in Europe? And what would be the political strength of such a joint anti-IMF movement, of an alliance of the nations of the East and the South, of the former colonies of the two imperial economic systems—Marxism and IMF liberalism—that have so long dominated and destroyed the Earth?

This is both our hope and our strategy for the immediate future. And it is why you, gathered here today, must think a little bit like Ibero-Americans, and they a little bit like you.