Operation Juárez gets down to business on the debt question

by Christian Curtis

It is considered prudent, if one is not convinced by the expression of the eyes of whomever one happens to be dealing with, to "watch the hands." Applying this maxim to Ibero-American affairs, it would be most beneficial for those American executives, journalists, and State Department officials who are skeptical about the sincerity of Ibero-American intentions expressed at the July 24 Andean Pact presidential summit in Venezuela to create a debtors' front, to pay attention to a series of conferences that have begun since. Watch the hands.

The Ibero-American debtors are not only declaring their right to take united action, if necessary, against their creditors, but they are now building the very instruments that will enable them to repulse the International Monetary Fund creditors' cartel and survive whatever counterattack the international banks might mount. In short, the measures first outlined by *EIR* founder Lyndon LaRouche in his Operation Juárez policy proposal of a year ago are being realized.

Barely had the Andean presidents and other invited high-level officials, including Spain's King Juan Carlos, left Caracas, than the economic emissaries of 23 Ibero-American heads of state convened a closed-door session in Santo Domingo, Dominican Republic on Aug. 1 to commence work on the political, economic, and juridical mechanisms for implementing Point 5 of the July 24 Caracas declaration—the first proclamation by a multilateral meeting of chiefs of state of the right of debtor nations to form their own institution. The purpose of the Santo Domingo meeting is to draft a series of guidelines defining acceptable debt conditionalities.

On that same day, the oil ministers of the four largest Ibero-American petroleum exporters met in Puerto La Cruz, Venezuela to discuss means by which their huge oil surplus, most of which is exported outside the region, can be reoriented to Ibero-American importers, most of whom buy their oil from other sources. By pairing Ibero-American production with consumption, the entire region could easily become self-sufficient in oil.

The debtors' terms

The three agenda items proposed at the Santo Domingo conference on Aug. 1 by Ecuadoran President Osvaldo Hurtado—who formally initiated the presidential consulting process that led to that meeting—indicate quite clearly the direction the Ibero-Americans are taking. Two of the items dealt with promoting preferential regional trade, including provisions for emergency supplies of oil, food, and vital services. The third topic proclaims the right to expect sufficient credit to permit rates of economic growth above population increases. It was the agenda of a region girding for economic warfare if its terms for survival are ignored.

"The ajustment [austerity] programs of the IMF" have not only not worked, Hurtado stated, but, judging from their results to date throughout Ibero-America, they have only made matters worse.

Homero Hernández, assistant secretary of the Latin American Economic System (SELA), which is sponsoring the conference, told reporters July 31 that the meeting will discuss "guidelines" that creditors must follow. "It is a matter of a joint effort," Hernandez said, "We are trying to discuss problems not in an isolated or unilateral manner, but united, because the depth of the crisis compels us." It is a response to the "divide and conquer" tactics used by foreign interests, he stressed.

Statements by representatives to the meeting concurred on the question of coordinated action on the foreign debt. The president of the Dominican Republic Senate, Jacobo Majluta, declared on Aug. 3: "Foreign debt renegotiation is a question of setting up a mechanism of enormous importance for Latin American integration—a collective response to the difficulties induced from abroad which afflict the region." Majluta alluded to the type of debtors' conditions being worked out, when he remarked that world leaders must be responsible for adjusting debt service burdens to the ability of countries to pay without sacrificing their ability to import, to meet the requirements of present and future generations, and to develop their economies.

In an interview with the Dominican daily *Listin Diario*, Peruvian representative Manuel Ulloa urged the adoption of common criteria on the terms of debt renegotiation. He reported that the meeting had reached a consensus on the need for each country to adopt common criteria on the terms of debt negotiation and that those terms must be over longer periods and at lower interest.

Perhaps the most telling indication of the climate of the meeting was that even the Chilean delegate felt impelled to declare that "elements of common cooperation would be extremely useful," including "the definition of global criteria."

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The long-term plan of the leaders of Ibero-American debtor coordination is not to impose joint, global renegotiation, but to ensure that all individual renegotiations take place within the framework of the guidelines being formulated. Or, as President Hurtado put it in his Santo Domingo speech, "We did not come here to form a debtors' cartel, but to establish a long-term program of joint action."

The strategy

It will take one more meeting before Ibero-American debt guidelines are hammered out on paper. The Santo Domingo delegates therefore agreed to Hurtado's proposal that a "Latin American Economic Conference," either at the ministerial or presidential level to be held in Quito, Ecuador before the end of this year, probably in October or early November. This process will culminate in a second summit of the Andean Pact in December in Bogotá, Colombia.

The Santo Domingo declarations were both a warning and a last-hour appeal for reason in Washington, in the face of a crisis that threatens Ibero-American national survival and—ultimately—that of the United States as well. "If the United States remains indifferent, awaiting its own recovery, while the present international economic conditions continue to prevail, we may well all end up sinking," Hurtado warned. The debt crisis smothering the Ibero-American economies, he said, threatens democratic institutions throughout the hemisphere, and raises the spectre of "massive famines," even world conflict. "For better or worse," Hurtado stated, "in the interdependent world of today, the crisis of the Latin American economies could become the detonator of a conflict of global dimensions."

Dominican President Salvador Blanco similarly urged that the unity of Ibero-America is "necessary and urgent" to solve the problems of subsistence and "our terrible political and economic conflicts." He said, "We Latin Americans must be, as well, the barrier which blocks the constant danger of world holocaust, transforming ourselves in a bastion of equilibrium for world peace."

The oil question

Of all the impediments that have kept Ibero-America from realizing this objective, oil has been the biggest.

In their Puerto La Cruz communiqué of Aug. 1, the ministers of Venezuela, Mexico, Ecuador, and Trinidad and Tobago noted that Ibero-America produces almost 6 million barrels per day (bpd), well over its consumption needs. Yet, because of the debt crisis, nearly 80 percent of the region's exports are sold outside of Ibero-America, in order to earn dollars to pay off debt. On the other hand, the big consumers, such as Brazil, frequently have to use their scarce dollars to buy oil outside of Ibero-America.

If the region's oil vulnerability can be repaired, it will free Ibero-America to drop the debt bomb on the IMF and the Swiss. It is well known that Brazil, for example, has repeatedly been broken by its weak oil flank whenever it has come close to making a move against its creditors. The Wall Street press is gloating that Petrobras, the Brazilian state oil monopoly, has almost been shut off from oil sources because of Brazil's near-bankruptcy and poor credit rating. The fuel situation inside the country has been described by observers as "a national emergency."

At the same time, suppliers like Mexico and Venezuela have been kept from coming to the rescue of other oil consumers because they need to export their oil to the United States for dollars, which they need to pay off their debts and to pay for food imports.

Such ironic "indicators," the ministers agreed, "show the vast possibilities for cooperation that exist" not only among the Ibero-American oil exporters, but "among them and the rest of the countries of Latin America." The ministers also agreed to explore in detail means of "industrial complementarity" among themselves, "particularly in the area of capital goods and consulting services" and "cooperation programs with other countries in the region." Mexican Energy Secretary Francisco Labastida, when questioned about speculation that the ministers discussed the formation of a "Latin American OPEC," smiled broadly, and answered, "No, no—what is going on here is just an 'exchange of information'."

In addition to the Puerto La Cruz conference, the foreign ministers of Brazil, Venezuela, and Mexico—the continent's biggest oil importer and the two largest exporters—met in Rio de Janeiro, also on Aug. 1. Reliable sources report the agenda was dominated by two subjects: 1) Central America, and 2) petroleum.

At the same time, there are reports from Venezuela that steps have been taken that will allow Brazil to increase its purchases of Venezuelan oil in exchange for Brazilian capital goods, without having to use dollars. In addition, Brazil is rapidly shifting from suppliers who demand cash or foreign bank credit, to barter deals with other Ibero-American producers.

Such measures are becoming increasingly vital for Brazil. The IMF is holding Brazil hostage by refusing to give it any more loans until it enacts even more severe reductions in living standards, and the private banks are doing likewise. In late July, it became public that the banks have also shut off Petrobras from its petroleum sources by denying the company credit.

On July 29, the Brazilian central bank took emergency steps to pull in dollars to pay for oil. A new decree mandates that all private foreign payments leaving Brazil must be cleared through the central bank, which means pools of dollars that had been held in offshore deposits as a hedge against devaluation are now to be allocated centrally by the government. A statement from the central bank said the measure was taken "in the interest of national security," in order to keep the oil flowing. Economists cited in the Brazilian press described the step as "a question of national survival."

The question that remains is how long will it take Brazil, once it has oil security, to repudiate the IMF?