
Latin American Economic System

Conference set on joint debt action and Ibero-American common market

by Gretchen Small

The ninth annual conference of SELA, the Latin American Economic System, concluded on Sept. 21 in Caracas with a decision to convoke a Latin American Economic Conference in Quito, Ecuador in early January—an event without precedent in the continent's history.

Proposed by Ecuadoran President Osvaldo Hurtado in the spring of 1983, the conference is envisioned as the starting point for an Ibero-American Common Market, and for agreements on coordinated action on debt. Heads of government and foreign, finance, and economics ministers from every country in Ibero-America are to put into action the plans hammered out over the past six months of conferences, summit meetings, and background studies on the financial crisis.

The discussions at the SELA meeting demonstrated the explosive potential of the Quito conference. The concept of "regional economic security" dominated the discussion in Caracas. The three central documents presented to the meeting on that topic adopt the leading features of Operation Juárez, *EIR* founder Lyndon LaRouche's 1982 policy document outlining how Ibero-America can become an economic superpower: a common market to utilize the region's rich resources and manpower, and common action to avert the financial looting of the continent.

Embodied in the Quito conference is the idea of an independent Ibero-America, with its own institutions distinct from the Organization of American States (OAS). The old inter-American system, broken by U.S. betrayal of its hemispheric allies during the Malvinas war, has been buried. The U.S. stance at the Extraordinary Conference on External Financing and Debt of the OAS in Caracas on Sept. 5-9—at which Treasury Department spokesmen denied that any real debt emergency exists, and told Ibero-America that submission to the IMF was its only option until "the recovery" takes hold—dealt the final blow.

Moves toward unity

No doubt the "phantom of a recovery" that has walked the corridors of every North-South forum of the past months will "continue walking through the corridors of the United Nations General Assembly" this year, Colombian representative Carlos Villegas commented in his opening remarks in Caracas. Because discussions on the need for a "restructuring of the international economic order" have reached "the ste-

rility of a dialogue of the deaf," Villegas argued, Ibero-America had better "strengthen its economic ties and self-sufficiency." With a spirited call, "Delegates: for Latin American progress and unity—to work!" Villegas opened the SELA conference.

"It is being demanded that Latin America not grow, but collect everything it owns to pay its debt, and that is unacceptable," said outgoing SELA head Carlos Alzamora in opening the final, ministerial-level session of the conference. "Individualism is illusory and suicidal. We need a Latin American community. . . . A strong movement is coming together. . . despite our differences—the real ones and those that are invented for us."

Venezuelan President Herrera Campins declared: "Latin America cannot and should not become poorer every day. As a region Latin America can call upon many resources . . . national limitations can be overcome regionally. . . . We must outline a common strategy for all meetings and forums, so that our power of negotiation is increased."

The center of discussion at the SELA meeting was a draft proposal for the formal establishment of an emergency consulting mechanism in the event of "coercive economic measures"—economic warfare against debtor countries. Under the mechanism proposed, any nation or nations facing such measures may request that SELA convene an emergency ministerial-level meeting to decide on "concrete measures of direct economic aid." If a simple majority of SELA's member states agree, the meeting will be held at SELA's headquarters within five days.

The establishment of an International Center of Information and Consultation on the Foreign Debt was also proposed. Creditors meet several times a week, a SELA document on the "Future of Indebtedness in Latin America" argues, but debtors as yet do not. The center would centralize debt data, sending out telexes to Ibero-American monetary and government authorities at least twice a week. Information deemed advisable to communicate more privately could be conveyed at meetings at the Debt Information Center at least once a month, the draft suggests.

The core of a long-term program is the creation of a common market. The "strategy of regional economic security has three fundamental objectives," one document states: "a more intense and efficient use of the region's productive

capacity, taking advantage of the regional market as a basis for the reactivation of the Latin American development process, and the betterment of the negotiating capacity of the region in their foreign relations.”

The creation of a regional energy common market, protective tariffs for the continent, and financial mechanisms to support trade within the region to assure supplies of such basic goods as food and energy, are specified as steps toward security.

A compromise date

SELA's ability to enact these proposals is only as strong as the individual governments make it. Established in 1974 at the initiative of Mexican President Luis Echeverría and his Venezuelan counterpart, Carlos Andrés Pérez, until the Malvinas war SELA remained a limited forum for Ibero-American consultation. But as each nation became unable to withstand the economic, social, and political collapse that followed the war and the debt crisis, the idea of a united response has grown and, with it, SELA's power.

The election of Sebastian Alegrett as secretary-general of SELA's Permanent Secretariat for the next four years demonstrates a commitment by member nations to continue SELA's active leadership role under current secretary Carlos Alzamora. As head of Venezuela's Foreign Trade Institute, Alegrett has championed Ibero-American integration and a tough stand against letting the debt destroy Ibero-America; his principal competitor for the post, Uruguayan diplomat Juan José Real, argued that SELA should reduce its role in the continent's affairs.

The commitment to the Quito meeting, however, was not easily obtained, as shown by the decision not to hold the conference until early January. Its advocates had sought to hold it on Nov. 29. Some Caracas sources report that such former British colonies as Jamaica blocked the Nov. 29 date, insisting that priority attention had to go to a conference of the Queen of England's Commonwealth in November. PRO-IMF strategists had hoped to postpone the conference until after the late-January presidential elections in the host country, Ecuador, hoping that the agreement to hold the conference could be undone by the electoral results.

'Put resources together'

The following are excerpts from the September 1983 document of the Permanent Secretariat of SELA (Latin American Economic System), entitled "Regional Economic Security; Proposals for Latin American Joint Action."

Whereas the current world economic crisis has made clear Latin America's vulnerabilities in areas such as trade, finance, technological development, transport, and communications, and has aggravated the adverse consequences of the region's structural dependence;

Whereas the crisis in Latin America has very negative symptoms, both in the foreign and domestic arena—in the foreign, there are strong pressures on balance of payments, serious difficulties in servicing the foreign debt, reduction of exports and fall of international reserves; in the domestic sphere there has been a fall of Gross National Product, inflation accompanied by recession, stagnation of industrial production, and unemployment, among other disturbing symptoms;

Whereas Latin America should seek a solution to the problems derived from its external vulnerability and to the challenges of the international economic crisis by putting its resources together and by joint and united efforts through cooperation in areas in which that vulnerability is most evident [as well as] through reactivation and guaranteeing the process of economic integration that has been carried out in the subregions;

Whereas, the personal representatives of chiefs of states and governments of the Latin American and Caribbean countries, gathered in Santo Domingo in the beginning of August 1983 . . . agreed to examine the action plan formulated there at the upcoming Latin American Economic Conference to be held in Quito on the initiative of the Ecuadoran government in consultation with the other governments of Latin America and the Caribbean;

Be it resolved that:

Article 1. There be implemented a strategy for regional economic security based on the strengthening of integration and regional cooperation and on the coordination of common positions on Latin America's foreign relations.

Article 2. The strategy for regional economic security seeks three fundamental objectives:

- 1) more intensive and efficient use of the productive capacity of the region;
- 2) using the regional market as the basis for reactivating the Latin American development process;
- 3) improving the negotiating capacity of the region in its foreign relations and strengthening coordination among member states.

Article 3. The strategy of regional economic security should be realized through a program of joint action in the following areas:

- 1) Promotion and strengthening of regional cooperation and economic integration. . . .
- 2) Intraregional trade. . . .
 - a) A commitment not to impose new taxes or increase existing ones or introduce new restrictions on intraregional trade. . . ;
 - b) Establish a system of Latin American preferential tariffs encompassing all the countries of the region;
 - c) Establish a system of Latin American preferences in areas other than trade, such as taking advantage of state purchasing power, preferences for public licensing in favor of Latin America, special treatment for Latin American and Caribbean engineering and consulting companies;

d) Possibilities for taking advantage of joint Latin American purchasing power;

e) Other measures that could help increase regional trade, such as medium and long term contracts, multilateral and compensation trade, etc.

3) International financial and monetary problems.

a) Foreign debt problems.

i) formulas which permit dealing with the foreign debt problems of countries so desiring it based on a realistic appreciation of their ability to pay;

ii) examination of possible alternative criteria which could guide the individual renegotiating processes of interested countries, with the goal of assuring fair and stable solutions, such as linking the amount of the debt service to specific economic indicators, moderate interest rates and commissions, adequate payment terms and grace periods. . . .;

iv) establishment of a system which would allow interchange of information on the experiences of countries with their foreign debts, with the purpose of strengthening the negotiating position of the debtors.

b) Establishment of a regional payments system for international trade by generalizing the ALADI (Latin American Association for Development and Integration) system of reciprocal payments and credits and connecting it with other payment systems in the region. . . . Examine whether it could be improved through changing time between settlements or creating a guarantee fund. . . .

d) Creation of a mechanism for financing intraregional trade based on existing national and region exports. In this regard priority should be given to financing availability of essential goods, such as food and fuel.

4) Regional Food Security.

5) Transport.

a) Carry out a detailed and systematic review of the problems of transport by sea . . . by road . . . by air. . . .

6. Energy. In this regard Latin America should undertake actions designed to:

a) intensify regional energy cooperation in the framework of a Latin American Program for Energy Cooperation to grant it, through OLADE (Latin American Energy Organization), the requisite financial support;

b) accelerate and coordinate all actions . . . for regional energy cooperation, especially those aiding Latin American energy self-sufficiency. . . .;

d) establish the goal of forming a Latin American energy market, through which supply commitments among countries could be negotiated among governments based on long-term agreements.

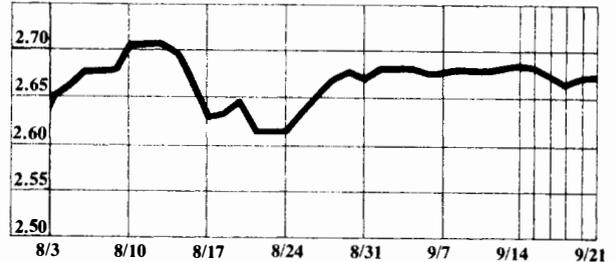
7) Technology. Latin America should adopt a common policy which encompasses the production and transfer of technology and the creation of a Latin American system of technology information. . . .

8) Strengthening of Latin America and the Caribbean's negotiating power in its international economic relations. . . .

Currency Rates

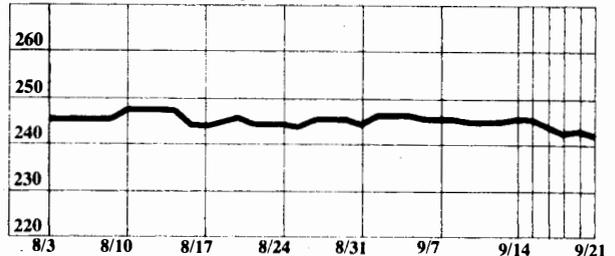
The dollar in deutschemarks

New York late afternoon fixing



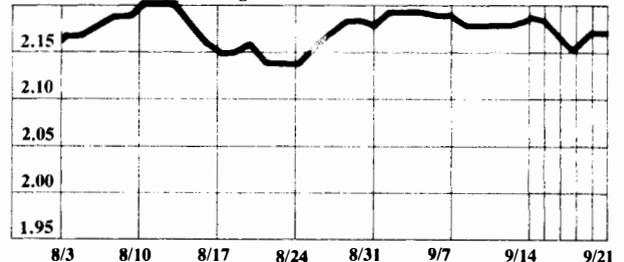
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

