Ibero-America: Debtors becoming a superpower?

by Robyn Quijano

Mexican President Miguel de la Madrid returned from a five-nation Ibero-American tour on April 7 having consolidated the political will of five presidents representing 78% of the territory, 75% of the population, and 77% of the economic activity of the region. For the first time since the debt crisis exploded in July 1982, the continent's two giants in territory, population, industrial capacity, and political weight—Mexico and Brazil—pledged jointly to confront the advanced sector with demands for lower interest rates and the end of the recessive policies demanded by the International Monetary Fund. And for the first time since his inauguration 16 months ago, the Mexican president mobilized his population behind solutions, instead of further sacrifice, to participate in the great economic projects and accords that will draw the continent's economies together "to reduce our external vulnerabilities."

In his televised address to the Mexican population on April 9, de la Madrid announced billions of dollars worth of trade deals and joint projects based on barter, reciprocal credits, and use of local currencies instead of dollars which Mexico and "our brother nations" will clinch in the coming period. There exists "the political will for cooperation," and, most importantly, "We agreed on the concrete formulas, the mechanisms that we must use to give real and concrete content to this attitude," he said.

"With Colombia we elaborated more flexible mechanisms for financing and paying for exports in both directions, more dynamic links between businessmen of both countries, mixed investment projects, supplies of Colombian coal to Mexico, including the project for a company with participation of both Mexican and Brazilian capital, a great project . . . of electrical grids between Colombia, Central America, and Mexico," reported de la Madrid. He reviewed plans for scientific and technological cooperation with all of the nations of the emerging pact, underlining the importance of the industrial complementarity of the various economies. Mexican engineering and Mexican fertilizers will be exchanged for Argentine wheat, lessening the amount of grain Mexico will have to purchase with dollars from the United States. On Brazil, he underlined the fact that the two

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Mexican President Miguel de la Madrid (left) meets with Argentine President Raul Alfonsín in Buenos Aires April 4. Shaded areas on the map show the stops on de la Madrid's Ibero-American tour.

countries' relatively more developed economies are not merely competitive, but that "there are also differences and there are certain areas where we could reciprocally benefit, principally in capital goods and technology exchange." Joint investments are being planned with Venezuela in iron alloys and nonferrous minerals, and special deals for the creation and expansion of capital goods production for the petroleum and petrochemical industries are under study.

In short, the presidents cut through bureaucratic red tape and set up the beginnings of a customs union, chiefly through preferential tariffs aimed at recovering the intra-regional trade that has collapsed in the last three years, and opening up new areas which have historically been the "weak flank" of the Ibero-American nations, such as capital goods and large-scale infrastructure.

The six presidents made it clear that they do not want to "go it alone." They have each stated clearly (see documentation, page 26) that the advanced sector will not be able to recover without solving the debt problems of the south, ending the IMF's recessive policies, and creating major markets within growing economies. But ending their own "vulnerabilities" and putting together a mutual defense pact, as they negotiate to impose some rationality on the world monetary system, is the most crucial success of the new accords. What is emerging, according to de la Madrid, is "the project of one united fatherland, free, productive and proud."

This project is being further elaborated by the Latin American Economic System (SELA), whose headquarters in Caracas was the center of presidential activity during the Mexican leader's visit in that city.

SELA's Permanent Secretary Sebastián Alegrett evaluated the tour as having "left the message of unity, and revived the political will of the region to assure that isolation doesn't weaken us. . . . We must establish longer [payment] terms with ample grace periods, and substantial reduction of interest rates, as the best guarantee of payment the creditors can get." Alegrett added that in order to be able to pay the debt, "we must reconstruct our economies and halt the destruction of the productive base."

This message, agreed to by the six presidents, will be the negotiating package Miguel de la Madrid will bring to Washington May 14-16.

Conflict with Washington

De la Madrid underlined the "chronic inflation, persistent recession, asphyxiating indebtedness, and unemployment that destroy the social framework," and warned that the current adjustments "cannot impose costs above the limits of social tolerance. . . . The defense of the productive plant and of the social welfare of the people is an inviolable duty."

With these ground rules, and the safety net of the kind of Common Market deals that could allow the continent to survive, de la Madrid will confront a White House dominated by Henry Kissinger's policy, and a debtors' deal authored by the Trilateral Commission.

On April 18, the Mexican foreign, economic, and planning ministers were in Washington to prepare de la Madrid's trip, and met with President Reagan. This planning session turned into a brawl when Reagan presented the Trilateral Commission's plan that de la Madrid meet with both U.S.

and Canadian heads of state together in Washington. On the agenda would be the proposed North American Common Market, a plan which would capture Mexico as the "strategic reserve" of the United States and Canada, seizing Mexico's oil in return for some sort of "favored colony status."

Mexican Foreign Minister Bernardo Sepulveda emerged the same day from a long meeting with Secretary of State George Shultz to declare that Mexico would not accept such a meeting. According to Mexican reports, Shultz used the private meeting to warn that the United States will not tolerate Mexico serving as a spokesman for the continent's debtors.

Top administration sources told the press that Shultz asked Sepulveda to postpone the meeting of the Contadora Group set for April 30. Aside from putting together the Ibero-American Common Market, the most urgent task of de la Madrid's Ibero-American trip was to firm up the continent's backing for the Contadora Group's role in cooling out the Central-American conflict and preventing it from being used as a pretext for superpower annihilation of what de la Madrid calls "the very notion of Latin America."

This confrontation in Washington revived the scandal that had hit the Mexican press just days before de la Madrid left on his tour of Ibero-America. *Newsweek* had published a story on a National Security Presidential Directive which outlined economic-warfare measures against Mexico to force a change of its Central American policy.

While a crucial theme of the talks among the six presidents was the necessity for dialogue with the North, and the determination to convince the advanced sector that Latin American growth and recovery are in the interest of the industrialized nations, Kissinger's domination of White House policy is designed to prove that there will be no such thing as "rational" negotiations with the United States.

The Trilateral's economic warfare

A plan for dismembering the newly-emerging Ibero-American Common Market was laid out by the Trilateral Commission at its meeting in Washington during de la Madrid's tour.

In the discussion document for the meeting, "Democracy must work, a Trilateral agenda for the Decade," by David Owen, Saburo Okita, Zbigniew Brzezinski, and other Trilateraloids, the following debt strategy was laid out: "The possibility of moratoria or defaults by one or two major countries which might then be copied by many others, cannot be ruled out. . . . Debtor countries must expect to suffer some hardship. . . . Banks must reconcile themselves to many delays in payments, and perhaps some defaults . . . and the taxpayers of the developed countries must expect to pick up some of the bill. . . ."

Then the document spelled out a long-term strategy of divide and conquer: "The IMF itself will need to interpret its terms of reference more flexibly than at present to deal with cases in which the conventional criteria would deny adequate assistance to key countries whose political or strategic importance to the West means that they cannot be allowed to go into default on their debt or to slide into internal anarchy and chaos."

While the rational approach would be that no Ibero-American nation be allowed to slide into such chaos, the Trilateral Commission and the Kissinger Commission on Central America have already set forth policies of continuous population warfare for most of the continent.

They have defined Mexico and Brazil as the "strategically important" nations, countries which will not escape chaos, but will be offered, in the midst of civil-war-like eruptions, "special relationships" to the "Trilateral" countries. For Mexico it is the North American Common Market. For Brazil it is a "special relationship" that defines Brazil as the Trilateral's police force for the continent.

Both Mexico and Brazil defied these special roles as they joined the rest of the continent's battle for a "more just economic order." Brazilian President Figuereido stated that "Latin-American unity is now irreversible" when he greeted the Mexican president in Brasilia.

Social convulsions

The question is now—as economic warfare escalates, as interest rates hikes cost these nations billions of dollars, as their populations rebel under the weight of IMF austerity—will the new Ibero-American pact prevail?

During the first weeks of April, 2 to 3 million Brazilians demonstrated for direct elections in Rio and São Paulo. Since January, 7 million Brazilians have taken to the streets, demanding direct elections, which they see as their only chance to overthrow the current IMF policies. Starvation in the northeast of Brazil is already reaching African levels.

In Mexico, price hikes on basic consumer items of 30 to 40% the week after de la Madrid's return, have put Mexican workers "up against the wall," according to labor chief Fidel Velázquez.

In Argentina, the General Federation of Labor (CGT) issued a statement on April 9 attacking the IMF for imposing "its policy of recession and dependency" on the country. The union is planning a demonstration on Labor Day, and joint action with the nation's farmers against IMF austerity.

Argentine President Raul Alfonsín has warned that his nation will face "Lebanization," a fratricidal civil war, if there is no national unity. Meanwhile, Alfonsín's special debt negotiator, Raul Prebisch, has pledged to slash wages and state-sector spending for IMF approval, and is working on a plan to hand over the nation's industrial and natural wealth to pay the debt.

The debt crisis, by Trilateral design, will leave many "Lebanons" throughout Ibero-America.

What is on the agenda for the month of May is either the consolidation of the Ibero-American Common Market, the building of a real defense by a new kind of "superpower" which, united, can face Trilateral warfare, or the victory of the Kissinger plan for the continent.