EIR Economics

Gandhi memorial summit urgent to solve debt crisis

by Robyn Quijano

"A global economic summit, called '
Summit' may be shaping up this year to sort out the present crisis in the world financial and monetary system," reported the *India Express* and the *Hindustan Times* from a wire story of the government news service, the Press Trust of India, datelined Vienna, March 25. Under the headlines, "
Gandhi' Summit on Money," and "Global Summit in Indira's Name Likely," the major Indian dailies broadcast that the leading Third World countries are still demanding the summit to revise the world credit system, which was the demand of the Non-Aligned meeting in New Delhi in February 1983, as well as summits of African and Ibero-American leaders in 1984.

The same day Mexican President Miguel de la Madrid met with Argentine President Raul Alfonsín in Mexico City and agreed on the need for an Ibero-American heads of state summit. In the final communiqué, the two Presidents emphasized the necessity "to push international cooperation and political dialogue" that would "assume the coresponsibility of the debtor and creditor nations," to set the basis for a solution to the debt crisis.

President de la Madrid emphasized the need for government-to-government negotiations over the heads of the international financial institutions, since "the net transfer of capital from the South to the North is the clearest evidence of the irrational structure of the current international economy." "This is a question which, because of its great political and social consequences, cannot be resolved with the exclusive participation of the commercial banks and the international financial agencies." Our nations, he said, "have demanded a political dialogue with the governments of the creditor countries, in order to find an arrangement which satisfies the long-term interests of all the parties involved, and which places the problem of debt in the framework of a new stage of international economic development." Democracy and stability on the continent are endangered by the current system, de la Madrid warned.

The appeal for an international summit between the advanced and developing sector heads of state, in honor of the assassinated Indian prime minister, to resolve the debt crisis and get about the business of growth and development, was launched at the fourth international conference of the Schiller Institute in Richmond, Va. on Jan. 12-14, 1985 by Helga Zepp-LaRouche. It is a focus of the Schiller Institute's call for mass demonstrations in hundreds of cities on four continents against the International Monetary Fund, this coming April 13.

Excelsior, the largest-circulation daily paper in Mexico, reported on the mobilization in Ibero-America in a story datelined Bogota, March 27. Headlined, "Continental March of the Poor Against the IMF Will Take Place in Bogota in April," the text begins: "Next April 13 the so-called Continental March of the Poor against the IMF will take place here, sponsored by labor, popular, political, and even religious organizations."

Excelsior quotes the leaflet distributed by the Schiller Institute and the Utraboc trade union (Colombia's biggest regional labor federation): "If the application of the hunger policies of the IMF continue, the social institutions of our republics will enter into collapse, sovereign nations will disintegrate irremediably, opening the way to dictatorial governments of a fascist nature, which are the only ones which guarantee the imposition of policies of austerity and genocide." Similar mass demonstrations will be taking place against the IMF in Peru, Panama, Mexico, Argentina, and other Ibero-American nations during the second week of April, in solidarity with millions of marchers in the advanced sector.

Stepped-up diplomacy

Throughout Ibero-America, the sense of emergency has been underlined by stepped-up diplomacy, primarily directed at trying to organize President Reagan to reject the policy of economic strangulation of the IMF, and launch a collaborative effort with the developing sector, and in setting up concrete projects for Ibero-American integration as a defense against the kind of economic reprisals and food warfare already made operational by the international banks and the IMF.

President Alfonsín arrived in Mexico after having been totally rebuffed by the Reagan administration in his appeals for economic sanity against the IMF's prescription. Instead of dialogue on the economic crisis, the Argentine head of state was greeted with a total cutoff of funds by the IMF, in retaliation for Argentina's inability to keep inflation rates within IMF guidelines. Although the Mexican government just signed a new letter of intent with the IMF, and is being praised in the U.S. financial press as the "success story" against the horrors of the undisciplined Argentines, the economic reality of the two nations is similar.

President Alfonsín warned in a press conference before leaving Mexico City of "the relation which exists among security, development and democracy. The lack of dialogue between debtor nations and those demanding payment, can lead to economic paralysis of extreme seriousness." He also called for using the "powerful buying power of Latin America as a whole" to reverse the deterioration in the terms of trade.

Colombian President Belisario Betancur will visit Washington in April in a round of President-to-President diplomacy that will begin with a 20-hour stay with Venezuelan President Jaime Lusinchi, and include a trip to Mexico and all of the Contadora countries. Lusinchi, an important collaborator of Betancur in the battle for an integrated continental approach against the drug traffic and for development, will also visit President Reagan in April. Betancur has established good relations with the Reagan administration through collaboration on the war on drugs, and will seek to get Reagan to understand the connection between an effective war on drugs and the economic health of the developing nations.

On March 29, Betancur released an exchange of letters with IMF director Jacques de Larosière, in which he explained that if Colombia did not receive new international credits, its chances of development and hence internal peace would be wrecked. Over the past two years, Betancur demonstrated, Colombia had been bled by a $1 billion net outflow of capital from the country. De Larosière responded that Colombia, which is seeking IMF approval in order to reopen the credit flow from the private banks, had not satisfied the IMF's austerity demands yet with enough "quantitative measures."

IMF versus Mexico

While Mexico will purchase 1.26 million tons of grain from Argentina, a secure source in the face of Mexico's vulnerability to food warfare, and other concrete programs of increased trade and cooperation with Argentina in "steel, energy, petroleum, petrochemicals, fertilizers, pharmaceuticals, hospital equipment, telecommunications and electronics" will help, the economic crisis in Mexico has already endangered the internal stability of the nation.

Mexico's new IMF letter of intent pledges further budget cuts, extreme import liberalization, slashing wages by linking them to "productivity," a total tax reform, and "a realistic exchange rate"—which means increasing the rate of minidevaluations. For Mexico, this new level of economic dictatorship, designed by the same oligarchist forces that peddle the myth of "free enterprise" and the "invisible hand," means the following: strangulation of what is left of its productive economy, bankruptcy of local industries now unprotected by even minimal protectionist measures, and starvation of workers. They will be unemployed as industries go bankrupt, and forced to accept further wage cuts through the IMF-designed fraud of linking wages to productivity.

Fidel Velázquez, leader of the Mexican trade-union confederation, the CTM, responded by stating that "Productivity does not depend on the worker, but on the owners. The worker applies his human effort toward this productivity and is always willing to do it; but if the necessary technology, sufficient capital, appropriate tools and machinery, do not exist, there can be no increase in productivity."

Velázquez's declaration of the basic facts of economic science came just a few weeks after the labor leader again began attacking the IMF, after a year and a half of silence. He said: "As long as the country is subject to economic pressures from the International Monetary Fund, there will be no margin to recover the purchasing power of the working classes." He added that the economy of the country "must be managed with greater independence respecting entities such as the International Monetary Fund."

Velázquez runs the multimillion-member trade-union confederation of the ruling PRI party, and has been walking the tight rope between support for the government, which has imposed the IMF's brutal austerity demands, and the increasingly rebellious trade union movement, which has carried a heavy part of the burden of the economic crisis.

When President Alfonsín insisted in Mexico that for Ibero-America, the issue is one of "bread, work, and the future of millions of Latin Americans," not "financial technicalities," he had his eye on the trade union situation throughout the continent. The "magnitude and nature of the problem" means that "there is no possibility of individual solutions," but that debtors and creditors must be "co-responsible" for solutions. For Ibero-America, "the strategies tried out in the past are inadequate; efforts to find a solution to our national problems in an isolated way, are illusory."

Mexican Senator Socorro Díaz, charged by the two houses of the Mexican Congress with addressing President Alfonsín, emphasized the importance of barter, for the continent to escape currency shortages. "The Latin American nations are confronted with the common challenge of entering the 21st century as viable nations," she said, and decried the unilateral measures that have destroyed the potential for growth and made Latin American nations net exporters of capital. "In Mexico we uphold the consistent moral authority of Luís María Drago, who said, 'If
doned imprisonment for individual debt, logically it is inadmissible to maintain its equivalent, armed coercion, in the collective field; therefore, coercive collections of international [debt] obligations are illegitimate.'" The Drago Doctrine is considered part of international law by the governments of the continent. Díaz cited this history to underline the fact that "negotiation is the solution."

Advanced sector debt

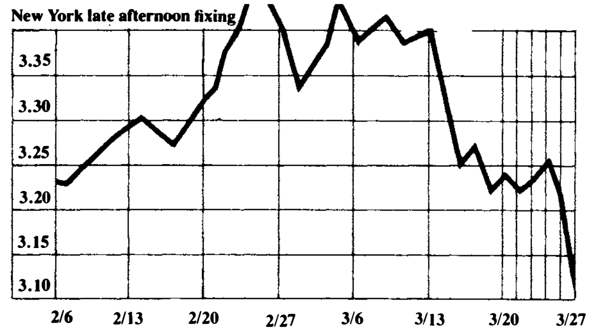
Negotiation is the solution not only for the developing sector, but for the advanced sector as well. The United States is now a net borrower, and the IMF is as determined to destroy U.S. sovereignty and dictate terms, as in the Third World. The Press Trust of India wire on the Indira Gandhi memorial summit made precisely that point in detailing the present economic crisis. While citing "*Executive Intelligence Review,* which has brought out a special number making a case for abolishing the International Monetary Fund," the release quotes *EIR* and other sources on the real economic crisis of the United States: "The . . . study calculated that only 5% of the global foreign exchange transactions today were generated from trade and investment. Approximately 95% of the transactions were used for maintaining some $3 trillion in international debt. . . . In the U.S. itself, under persistent prodding of the International Monetary Fund, a bipartisan view had developed to cut the budget deficit by $50 billion this year. . . .

"Mr. Doug Ryan of the State Department's Office on Development Finance said that the IMF was getting tough with the Reagan administration as it had been with highly indebted developing countries. . . . The effort was to limit the defense budget growth to 7%, including the provision for inflation. In all other areas there would be freezes and cutbacks added."

Currency Rates

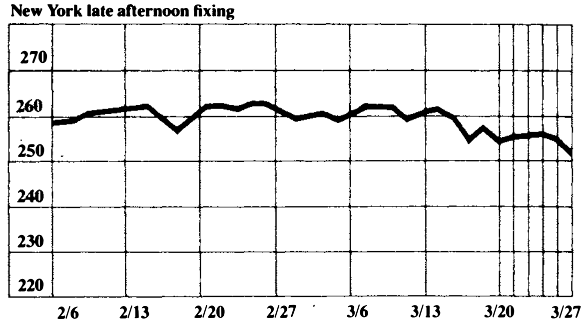
The dollar in deutschemarks

New York late afternoon fixing



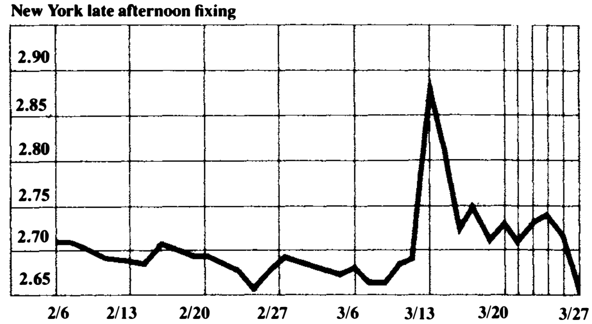
The dollar in yen

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