Ibero-American summit maps a drive for 'continental unity'

by Valerie Rush

Alan García's Peru hosted an Oct. 16-18 summit of 26 Ibero-American and Caribbean nations seeking a common stand on the crushing debt and related economic plight of the continent. The outcome of the 7th annual meeting of the Latin American Economic System (SELA) was a solid embrace of President García's policy of linking debt payments to economic capacity, and the resolve to create an Organization of Ibero-American and Caribbean States—independent of the United States—which could serve as the touchstone for real continental unity.

Following 10 hours of intense closed-door debate over a two-day period, the foreign and finance ministers of SELA's member nations issued a final declaration which stated that the debt could not be paid. Period.

Or, as SELA Secretary-General Sebastian Alegrett insisted in his opening remarks, "Halting the massive flow of capital that we are transferring to the industrialized countries is imperative . . . [if] we are to retake the path of development and offer our people a future."

The common position arrived at in Lima is expected to serve as the basis for the first international debate on debt policy at the United Nations General Assembly in December of this year. Before that event takes place, however, Lima will play host on Nov. 12-14 to another major summit on the debt, this time a gathering of 120 delegates from Non-Aligned Nations of Africa, Asia, and Ibero-America, where the motion toward debtor unity begun by SELA may well be extended throughout the Third World.

Development vs. debt

The final declaration of the SELA conference states, in part: "Foreign debt is one of the most serious obstacles to autonomous regional development. And, despite the enormous internal efforts to adjust our economies at a high political and social cost, we cannot simultaneously pay debt service and achieve the region's development goals.

"This situation offers a significant threat to social and political stability. Therefore, we declare that the foreign debt cannot be paid under current conditions, nor without sustained economic development in our countries. . . . It is necessary to adjust debt service to the real capacity of each nation to pay, limiting the service in relation to the export income or development of other economic variables. . . .

"We insist that the only permanent solution to the debt problem is a political dialogue between creditors and debtors, fundamentally based . . . on our right to development."

This statement has been universally viewed as a stunning breakthrough on the part of the Ibero-American debtor nations, who represent through SELA the entire range of political ideologies—from Communist Cuba to the Pinochet military dictatorship in Chile. In fact, the call of the Chilean delegation at the SELA meeting for solidarity with Peru's fight against the IMF serves as a chilling reminder to the international banks that, however much SELA member-nations may individually have crumbled under pressure in the past, they are prepared to join a common consensus against the "gunboat diplomacy" threatened against a country that did not crumble, Peru. The banks should remember, in this light, the lessons of the Malvinas War.

Part of the explanation for the unity consensus at SELA lies in the fact that the highly celebrated Mexico/creditor-bank deal of early October, which had countries like Argentina, Venezuela, and others drooling for the same, turned out to be a particularly vicious turn of the screw by the bankers' dictatorship. The "precedent-setting privileges" Mexico was supposed to have gotten turned out to be a precedent-setting *linkage* of loan disbursements to the country's economic performance. Top-down IMF-World Bank oversight in exchange for a 1/16th percentage-point reduction in interest rates, the "right" to go begging for new credit, and a pat on the head, were not exactly what Mexico was hoping for, not to mention Argentina, Venezuela, et al.

Thus the appeal of the "Alan García" route. Brazil is noisily insisting that interest payments on its foreign debt will be reduced from its current 3.8% to no more than 2.5% of GNP. Costa Rican President Oscar Arias is demanding a 25-year, low-interest refinancing of his country's foreign debt.

And, Salvadoran President José Duarte told reporters Oct. 14 that, due to the devastation wrought by his country's recent earthquake, his government would request a debt moratorium from its creditors.

A high-level official from another pro-U.S. Central American country privately confessed recently: "We are bankrupt and the IMF program would ruin our economy. . . . We're going to have to pay by the Alan García method." Venezuela's United Nations Ambassador Reinaldo Pabón not only told that institution's Commission on Economic Affairs Oct. 17 that debt interest payments should be linked to export income, but urged a "write-down" of the "real or nominal amount owed," especially for the hardest hit of the developing-sector countries. He demanded that contingency clauses be included in all refinancing packages, to guarantee that all "adjustment" prescriptions be accompanied by economic growth.

Although the outgoing SELA president, Chilean Foreign Minister Jaime del Valle, told the press that SELA's final communiqué did not pretend to dictate debt-negotiation procedures to individual debtor nations, he did say it made for "a more concrete orientation" on the debt issue. Diplomatic verbiage aside, it was clear to all that new, unified criteria for handling the continent's unpayable $400 billion debt had been forged.

'Institutionalizing our own destiny'

The tone of the conference was set from its first moments, when host President Alan García told the assembly of high-level government officials: "With different words, we are all in agreement that the foreign debt of Latin America and the Caribbean . . . cannot be paid under the conditions in which it was granted."

García asserted: "It may be unorthodox to say this, but continental nationalism is necessary. . . . We don't want the crusts of the world. We have the right to transform the world, we have the right to demand a more coherent and just international situation." In that context, the Peruvian head of state urged the creation of a new regional organization "to institutionalize our right to agree on our own destiny."

Ibero-America, he said, was the only region in the world whose leaders did not regularly meet to map out action on common concerns. With the new organization, said García, "thus we will have a voice and a place for political and economic coordination. There is no future in isolation. There is no other path but integration."

In a reference to the Organization of American States (OAS), which includes the United States and excludes Cuba, García said, "We are not against the United States, but we have the right to defend ourselves." He urged that the OAS be preserved "as a forum for North-South dialogue."

One hundred million new jobs

In addition to taking the boldest step yet toward formation of what some have called "a debtors' club," the SELA conference also approved its Third Program of Regional Cooperation, which promotes the formation of Ibero-American multinational companies and would strengthen collaboration in the areas of agriculture, industry, finance, services, science, and technology.

Giving impetus to such steps toward continental integration, SELA's permanent secretary-general, Sebastian Alegrett, told the Lima press upon his arrival Oct. 13 that Ibero-America will need 100 million new jobs to meet the demands of "150 million new inhabitants of the region" by the year 2000. He added, optimistically, "We believe it possible to interest some industrialized countries or groups within them in the establishment of more equitable relations than those currently existing with Ibero-America and the Caribbean."

Alegrett's call for the creation of 100 million new jobs in Ibero-America, and for collaboration with industrialist factions in the North, coincided with the wide circulation across the continent of an explosive new book issued by the Ibero-American Trade Union Commission of the international Schiller Institute. It bears the title: *Ibero-American Integration: 100 million new jobs by the year 2000!* (*EIR* has been serializing an exclusive English translation since its Sept. 5 issue; see this issue, page 20). The book explores the impact of the debt crisis on the Ibero-American economy, and elaborates the potential for an integrated Ibero-America to become an economic superpower in its own right.

The Schiller Institute book also declares: "In the short term, Ibero-America would have to use all of its negotiating talents to attract those countries or industrialist factions in the developed sector which are ready to cooperate with the development of the subcontinent. . . ."

Defending export values

Still another proposal of President García's that was taken up by the SELA assembly was the creation of a special fund to compensate for the collapsed prices of Ibero-America's primary export goods on the world market. The project, which will not be voted upon until next year's SELA meeting, would be financed by that portion of the region's foreign debt service which corresponds to lost revenue from deteriorated terms of trade.

Significantly, the Schiller Institute's book devotes a lengthy chapter to the question of Ibero-America's "illegitimate debt" (see *EIR*, Oct. 3) and precisely identifies the effect of deteriorating terms of trade as one of four components which make up that aspect of the foreign debt. By comparing "neutralized" terms of trade at 1977 values to present-day trade figures, the Schiller Institute investigators determined: "For the continent as a whole, $98.5 billion was lost due to deteriorating terms of trade [between 1977 and today]. . . . Terms-of-trade looting thus accounts for about 26% of the official foreign debt."

García's solution to this problem, converting debt-service payments into parity-subsidies for the looted producers of Ibero-America, would give the continent a powerful lever for reviving its debt-ravaged economies.