Kissinger hawks Mexican model of debt peonage for the South

by Mark Sonnenblick

Henry A. Kissinger was dispatched as a leg-breaker for the international banks to several debt-strapped countries in Ibero-America in July, to offer "friendly advice" and "assistance" about how to keep paying their debts to David Rockefeller. That was the public façade. Behind the scenes, Kissinger was demanding that they implement the Mexican economic model—the brutal reduction of consumption levels which has cut the purchasing power of the average Mexican by *46%* in the past seven years.

Kissinger was particularly concerned to stick his nose into Argentina, which was inaugurating a new President, Carlos Menem—a Peronist, which means an heir to the nationalist tradition of Gen. Juan Domingo Perón, whose very name sends shivers down the spines of the Wall Street crowd (see article, page 48). Kissinger attended Menem's inauguration as an official representative of President George Bush. In a meeting with Kissinger on July 7, Menem, according to a spokesman, rebuffed the shuttle diplomat's offers to "cooperate as far as possible" in helping the penniless republic resume payments on its foreign debt.

During his tour, Kissinger also provided "friendly free advice" to the Presidents of Venezuela and Brazil on how they should follow Mexico's path to "debt reduction."

Mexico, the "model debtor" so praised by Kissinger, is the only major debtor making on-time interest payments. "In proportional terms, Mexico allocates three times as much to pay the foreign debt as Germany paid in reparations to its former enemies after the First World War," the West German business daily *Handelsblatt* calculated in June. Germany paid 2.5% of its Gross National Product; Mexico is paying 6%. The government is using 66% of all spending on debt service. Almost 70% of Mexican families are in extreme poverty, the Catholic Church reported June 27. Medical service and food subsidies have been eliminated from the budget since 1983. According to UNICEF, as a result of malnutrition, preventable diseases, and those curable at low cost, 1,110,000 children have died in Mexico during the past five years.

Kissinger's advice boils down to using Ibero-America's unpayable debt as a weapon against the national sovereignty of both debtors and their creditors, especially the United States, whose taxpayers are expected to bail out the banks.

Kissinger highlighted this in a press conference he gave in Caracas, Venezuela on July 6. Asked about reports that he would "help" Venezuela pressure the Wall Street banks for more moderate debt terms, Kissinger replied, "We cannot say that the governments have done enough; the governments have to do more." Kissinger stressed an enhanced taxpayer role three times, while evading newsmen's questions. He insisted that the sacrifices to the debt crisis must be "tripartite"—by the debtors, the banks, and the countries where the international banks happen to have their headquarters.

Kissinger didn't leave home without his Amex card, in the form of American Express Bank President James Robinson. Robinson explained and Kissinger blessed a "Robinson Plan," under which countries that followed his dictates would get token debt relief. The plan calls for an entity, capitalized at $15 billion, to buy from bank creditors up to $300 billion of Ibero-American debt at a discount, giving them long-term bonds at high interest rates in return. "Misbehaving" debtors would lose all credit.

Praise for Salinas and Pérez

In his Caracas press conference, Kissinger praised Mexican President Carlos Salinas and Venezuelan President Carlos Andrés Pérez for their singular willingness to impose bloody austerity and open their countries to looting by his clients. "I think that Mexico and Venezuela have developed some very constructive measures this year and deserve our support," he declared.

Harvard-trained Salinas and former Socialist International Vice-President Pérez have done that. To enforce the "economic reforms" loved by Kissinger, Pérez sent the Army into the streets of Caracas Feb. 27 to quell rioting, which left at least 1,000 people dead. These are the ugly "democratic Presidents" Kissinger is wielding against recalcitrant forces in Ibero-America.

Their enthusiastic backing for Kissinger's plan was reported by the Caracas daily *El Nuevo País* on July 11, under the headline: "Salinas and Pérez Subscribe to Robinson-Kissinger Plan—The Foreign Debt Must Be Shared Between

Lenders and Debtors." It quotes from the final document signed July 10 at the end of the Mexican President's visit to Venezuela. The two rulers stress, "The developed countries must also take up their share of the burden of adjustment of the world economy." The debt problem must be solved "based on the responsibility shared by debtor and creditor countries, commercial banks, and international financial agencies, to permit a substantial reduction of said debt."

From Venezuela, Salinas flew to Colombia, and from there to Paris for the summit conference organized by French President François Mitterrand. The Bogotá, Colombia daily *El Tiempo* greeted him with an editorial July 10: "There Is No One Like Salinas." It exalts, "Then the miracle took place which makes him today one of the continent's most distinguished people. Perhaps, with foresight proper to the Aztec race, he saw the abyss his country was nearing and acted."

Mexico's supposed "success" was also hailed by former U.S. Federal Reserve chairman Paul Volcker, who, in Mexico City on July 8, praised its "structural changes" and asserted, "all other interested countries must collaborate with this model." Volcker, of course, did not admit that his 21% interest rates during the Carter administration had triggered the debt crisis.

In Lima, Peru, July 6, Manuel Ulloa, the former prime minister and former branch manager for David Rockefeller's Chase Manhattan Bank, demanded that his country adopt the kind of "Economic Social Pact" that Mexico used to get unions peacefully to accept 50% reductions in real wages over the past seven years. Ulloa proposed a plan to reduce nominal foreign debts by 50%.

In 1985, Ulloa lost a lawsuit against the Peruvian publishers of *EIR*'s book *Narcotráfico, S.A. (Dope, Inc.)*. That book documented how the "free-market" policies Ulloa implemented as prime minister in the early 1980s aided and abetted cocaine traffickers and narco-terrorists to over-run Peru.

Another target of that book, Venezuelan billionaire Gustavo Cisneros, surfaced to host Kissinger during the latter's current junket. In 1985, Cisneros arranged for *Narcotráfico, S.A.* to be banned in Venezuela and for *EIR*'s reporters in Caracas to be jailed and then expelled. Cisneros offered a 100-person gala dinner in homage to Henry, who described Cisneros as "my friend for the past 15 years."

The Henry-Gustavo love-fest sparked reactions from *El Diario de Caracas,* owned by Cisneros's rivals. It described Kissinger as "a charismatic figure in jet set magazines" who "expects to charge Venezuela $4 million a year for his nice and phony advice." It concluded its story on Kissinger's press conference at the central bank in Caracas by reporting July 7: "Former presidential candidate Alejandro Peña, follower of Lyndon LaRouche, took the opportunity to distribute right there a declaration against the Cisernos-Rockefeller-Kissinger liaisons. 'He intends to exchange debt for equity,' Peña said."

Grabbing for the debtors' assets

With Brazil's June 30 "temporary suspension" of debt repayment, only Mexico, Chile, Colombia, and Uruguay, out of Ibero-America's two dozen nations, are still servicing their debts on time. After eight years of destroying their workforces and economies to pay usurious interest rates, every country is less able to pay now than when the Reagan administration let Kissinger dictate its debt strategy in 1982.

At that time, the Kissinger faction defeated economist Lyndon LaRouche's fight to have the United States help Ibero-American nations to "grow their way out" of bankruptcy. For the last two years, Kissinger, Secretary of State James Baker, and Treasury Secretary Nicholas Brady have been talking about "growth" and "reducing the debt burden," but they have failed to do anything concrete for a single country.

Even Mexico's Salinas pointed out in a speech at a meeting of the the Latin American Economic System in Caracas on June 10, "Between 1983 and 1988 alone, the Latin American and Caribbean nations transferred abroad as debt service approximately $200 billion—nearly half the regional debt total—while the amount owed increased by $100 billion."

Mexican journalist José Luis Mejías assessed July 8, "Latin American countries must be subjected to terrible pressures and threats, to have imposed on all of them disunion, overwhelmingly damaging terms of trade, and interest payments that decapitalize so much they bring hunger and subversion. Nothing else can explain why every government in Latin America, regardless of ideology, is made to submit to IMF orders, privatize almost all state companies, open borders (while those of industrialized countries are closed), make big budget cuts, and make punctual payment of decapitalizing interest on debt."

Journalist Francisco Gómez, in *El Financiero,* concluded, "The Mexican govennment has conceded the most: It has continued paying debt service, at the level of $14 billion a year; it has practically dismantled trade protection; it has liberalized its financial system."

The world's financial pages are full of deceptive headlines claiming that Mexico is close to being rewarded with huge debt reductions. No such deal will be concluded for months or more. In the meantime, Mexico is running out of cash. Foreign reserves, which were $16 billion a year ago, have been wasted away to less than $6 billion.

The remaining difference between Mexico and its bankers is not over whether a token amount of debt will be reduced by 35% or 40%, but over banker insistence that it amortize at least $3 billion of unpayable debt principal a year in the form of choice Mexican equities and properties, until the country's $110 billion debt is repaid. London's Libra Bank Vice President Roger Freeman threatened in Mexico July 10, "If the authorities don't permit debt to be changed for investment, the banks are going to keep their level of exposure frozen."