terms are pro-East. Similarly, Mr. President, most of these countries have adopted socialism as an internal strategy of development. This likewise does not indicate that they are anti-West or pro-East. At Colombo the golden thread running through the resolutions and discussions was the determination of 85 countries not to sacrifice their sovereignty and independence on the altar of ideological nicety. Mr. President, we of the Non-Aligned Movement have in effect chosen not to be for one side or the other. We have chosen to be ourselves. At Colombo, Non-Aligned countries denounced all forms of interference and emphasized the need for unremitting vigilance in this regard. Here in New York, at this 31st Session of the General Assembly, I call on the Assembly to denounce these activities, and I urge the international community to consider in earnest, measures to safeguard the integrity and sovereignty of small states and to discourage all attempts to interfere with their right to pursue the paths they have freely chosen for themselves. This, after all, is one of the fundamental principles enshrined in the Charter to which we all subscribe.

But Mr. President, the security of developing states is inextricably linked with their economic survival and their economic advance. My delegation feels that there can be no meaningful economic advance without the implementation of the New International Economic Order as adopted at the Sixth Special Session. The Non-Aligned Movement and the Group of 77—have tirelessly sought to bring home to those in the developed world ever resistant to change, that the economic progress of the developing countries is in the security interests of the developed countries. The billions on this planet who live in the developing countries and whose existence is subjected to the constraints of the few who manipulate to their advantage the present-day economic system, have pinned their hopes on the modest program put forward in Nairobi [at the May 7, 1976 UN Conference on Trade and Development] and elsewhere. Their determination is adamant, inexorable, and relentless. The IMF and the Bretton Woods monetary system must give way to alternative structures like international development banks, which are not geared to the revival and reconstruction of Europe nor preferential arrangements for the developed market economies, but rather to the just distribution of the gains of an equitable global system.

The crippling problem of debt and the servicing of debt has assumed a special urgency. Developing countries cannot afford to depart from their basic and fundamental demand made in Manila and Colombo earlier this year calling for measures of cancellation, rescheduling, and the declaration of moratoria. We must eschew all attempts to deal with this problem by the divisive tactics of a case by case approach. We cannot afford to mortgage the future of unborn generations to the obligations of burdensome capital repayments and crushing debt servicing. The time has come for a debt moratorium. . . .

Operation Juárez: Reorganize the debt

by Lyndon H. LaRouche, Jr.

The following are excerpts from a book-length report by LaRouche, entitled Operation Juárez, *dated Aug. 2, 1982, which proposed a comprehensive global debt-reorganization. The report was prepared following a June 1982 meeting between LaRouche and Mexican President José López Portillo, in which the two discussed the debt crisis in Ibero-America. On Sept. 3, López Portillo broke with the International Monetary Fund and nationalized Mexico's banking system. During September and October, he sought to cooperate with other major nations of Ibero-America, and with the United States, along the lines of Operation Juárez, but was rejected across the board.*

A three-level approach to debt-reorganization

If presently prevailing policies of the U.S.A. and Western Europe continue, it is presently just slightly less probable than certainty that there will be a general financial "crash" within the Bretton Woods system's remains during the month of September 1982. That is the prevailing opinion expressed by the highest financial circles in London and Switzerland. It would be technically conceivable that "papering-over" agreements could postpone the general financial crash into early 1983; however, that "papering-over" would require an active role by the London and Swiss gentlemen who are presently planning for the September crash.

This crash might be prevented. That prevention would require a profound shift in U.S.A. monetary policy executed during the present month. . . .

Collective negotiation of debt-reorganization

. . . Unless the bankers of the United States of America are collectively insane or babbling imbeciles, they will joyously embrace a proper proposal for collective financial reorganization of the Ibero-American debt. However, they will probably resist such a proposal to the teeth unless it is made by collective action of several prominent nations of Ibero-America in concert.

We now examine, one by one, the key aspects of such a debt-reorganization negotiation.

To put our minds into the proper frame of reference, we begin by noting to what degrees the financial reorganization of a nation does and does not parallel the financial reorganization of a large industrial enterprise.

In the case, a large industrial enterprise become technically illiquid because of inability to carry currently contracted debt-service payments and that enterprise is economically viable, it is in the interest of the creditors to provide generous terms of credit debt rescheduling plus new lines of medium- to long-term credit for that enterprise.

Among such classes of cases, we have two general categories of debt-reorganization problems. In one instance, the operating policies of the enterprise leave nothing important to be desired; the illiquidity was caused either by a special circumstance beyond the firm's control (such as a recession in the economy), or by poor terms of financing. In the second instance, the essential viability of the enterprise can not be realized without rather significant changes in operating policies of practice.

We have another sort of case of corporate bankruptcy, in which the enterprise is not economically viable by any reasonable standard of competitive viability. In such a case, we minimize losses to all concerned by mercifully putting the firm out of existence as quickly as possible.

The difference is, no matter how lacking in economic viability a nation may be, unless we are Adolf Hitlers, we never put a nation out of business "mercifully." No matter how bankrupt a nation may be, we are morally obliged, under any and all circumstances, to make it economically viable at whatever cost.

In the first kind of financial reorganization, in which the economic policies require no significant alteration, the firm's financial management may have committed several varieties of error. It may have used too much medium-term borrowing to cover long-term investments, or short-term borrowing to cover investments. If an investment begins to reach profitable maturity at about seven years of development, financing the investment over a three-year term can be disastrous. Or, the firm may have borrowed for things it should not have borrowed for, which have no proper bearing upon its economic operations—such as outside investments in real-estate or something else, as investments for its financial portfolio. Or, creditors may have been in a position to force upon the firm unconscionable conditions. Or, a foolish government may have permitted cutthroat varieties of competition or foreign dumping, forcing the firm to sell a competitively-produced product below its cost of production. Or, a foolish government may have permitted a recession or depression to occur.

In such cases, it is sufficient to rewrite a new series of debts, and debt payment schedules, to replace the previously-existing debts and payment schedules. The new issues of debt replace, or "buy up" the old.

We take the same approach to debt-rescheduling in the second variety of case. However, before we can determine what will be a feasible schedule of debt-repayments, we must design a new program of investments and operating policies for the enterprise. The reasonable performance of the enterprise under that new investment and operating program informs us what a reasonable debt-payment schedule would be. We design the debt repayment schedule accordingly.

In the case of a nation which appears technically an unsalvageable "firm," we follow the same procedure as in the second case, except that "common sense" may recommend to us that a great portion of the debt were better simply written off—a common condition among "least-developed nations" today.

In negotiations of such matters, we must be guided by an eye to the principle of equity. In much of the post-1974 period, the condition of finances of developing nations would not have occurred but for the virtual thuggery of Henry A. Kissinger and others, in enforcing the irresponsible and incompetent policies resolved at the 1975 Rambouillet conference and subsequent such conferences. Many of the debtor-nations were forced into refinancing debts at immorally usurious rates, and with other lunatic arrangements, at the point of a gun—sometimes, quite literally, Kissinger's guns. Such features of the carried-forward debt of nations can not be considered exactly a debt contracted in good faith. If there are any complaints of losses from debt-renegotiation among creditors, appropriate reference should be made to the injury to the debtors imposed by the wicked Kissinger and others, at Rambouillet and in related conspiracies.

The commercial banks of the U.S.A. (for example), heavily exposed in Ibero-American debts, are frequently on the verge of technical bankruptcy themselves, because of margins of debt in their portfolios which are already or imminently in default. We propose to them, to help to save them from bankruptcy, if they will only be collectively reasonable, with suitable help from their federal government.

We propose to establish a mutually agreed cut-off date for further accruals of existing contracts of indebtedness of Ibero-American republics. After that date, no further interest-payments will accrue on those contracts. Effective that same date, each of the debtor-nations will deliver to the creditor-banks a portfolio of bonds equivalent in total value to the accrued value of the previous debt-contracts up to the cut-off date. The old debt is thus "sold" for the new debt.

Naturally, it is not quite so simple as that, but that is the crux of the matter.

The portfolio of bonds delivered by each debtor to each creditor will have the following most notable features.

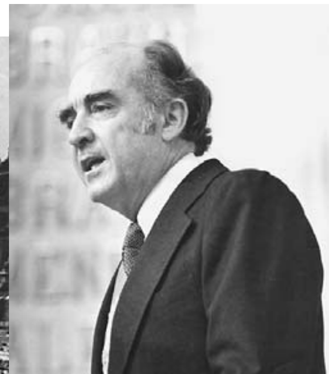
1. The interest-rates on the bonds will be nominal, approximately 2% per annum.

2. The final date of payment of principal on the total indebtedness will be significantly later than the schedule indicated by the canceled contracts.

3. In some cases, there will be a period of grace, before payments mature—a deferred-payment provision.

4. Maturities of debt-payment will be determined by maturity-dates of each of a series of bonds issued.

Unfortunately, more or less inevitably, some among the bankers of lesser intelligence will howl with protest: "We are being cheated out of the interest-income we would have



A mass rally in Mexico City's central square, the Zócalo, on Sept. 3, 1982, in support of President José López Portillo's nationalization of the banks. Inset: López Portillo (above) and LaRouche (below). The detonation of the "debt bomb" which LaRouche had forecast, took place on schedule, and the world was inches away from a financial meltdown. López Portillo's efforts to implement a policy along the lines of "Operation Juárez" were defeated, by the failure of other Ibero-American leaders to support him.

received under the old contracts." Such imbecilic gentlemen need to have matters explained to them in very basic terms: "Try to collect the old contracts, and you force us to default, in which case your banks cease to exist." The advantages of the new arrangement may then begin to be apparent even to the most stupid among New York bankers.

There are other important advantages, which require explanation here. We identify some of these advantages first, and explain how these advantages are developed in a later part of our analysis of this matter.

The new bonds will have low yield, but they will be discountable for certain categories of issuance of new medium-term to long-term loans. The new bonds will be a negotiable asset in that way, and should be a very high-grade variety of asset for these bankers, provided they behave sensibly.

Through a combination of debt-rescheduling and correlated economic measures, the bankers involved will have a very important market for new lending on very sound terms throughout much of Ibero-America. This lending may not be significantly profitable in terms of income on the loans themselves; however, this lending will be very rewarding to the banks' clients among U.S.A. capital-goods exporters, and, consequently, to the banks themselves.

Unfortunately, the rotted condition of both the U.S. dollar and the commercial banks is so advanced, that the commercial banks could not dispose of such a debt-reorganization by their own independent resources. If the problem were merely need for debt-reorganization in foreign accounts of those banks, what is proposed could be accomplished through negotiations with them. What is proposed would work to the advantage of the banks and the U.S.A., as well as Ibero-American republics, but this would require coordinated implementation of an already overdue monetary and banking reorganizaion in the United States.

We are not insisting that acceptance of these proposals by the United States, is the only hope for the Ibero-American economies. It is the best alternative to be considered, and by a wide margin. Were the U.S.A. to refuse, for a period of time, the tasks of Ibero-American republics would be much more difficult tasks, but the alternatives are both workable and indispensable. Moreover, as we shall show, the steps to be taken by those republics toward bringing about successful negotiation with the United States are the same steps to be followed should the U.S. refuse that proposed debt reorganization. . . .

Ibero-American monetary order

In any case, the cooperating republics of Ibero-America, must each and collectively effect reforms of their credit, currency and banking institutions identical in principle with what has been projected for the United States of America.

All that we have said respecting proper practices of the U.S.A. apply to each and every case in Ibero-America, including:

1. In no republic must any other issues of credit be permitted, as a matter of a punishable violation of the law against immoral usury, excepting: (a) Deferred-payment credit between buyers and sellers of goods and services; (b) banking loans against combined lawful currency and bullion on deposit in a lawful manner; (c) loan of issues of credit created in the form of issues of national currency-notes of the treasury of the national government.

2. Loan of government-created credit (currency-notes) must be directed to those forms of investment which promote technological progress in realizing the fullest potentials for applying otherwise idled capital-goods, otherwise idled goods-producing capacities, and otherwise idled productive labor, to produce goods or to develop the basic economic infrastructure needed for maintenance and development of production and physical distribution of goods. This is, at once, an anti-inflationary policy, and also a steering of limited national resources into those choices of governmental and private-entrepreneurial ventures most beneficial to the nation as a whole.

3. In each republic, there must be a state-owned national bank, which rejects in its lawfully permitted functions those private-banking features of central banking associated with the Bank of England and the misguided practices of the U.S.A.'s Federal Reserve System over the period from the latter's establishment into the present date of writing.

4. No lending institution shall exist within the nation except as they are subject to standards of practice and auditing by the treasury of the government and auditors of the national bank. No foreign financial institution shall be permitted to do business within the republic unless its international operations meet lawful requirements for standards of reserves and proper banking-practices under the laws of the republic, as this shall be periodically determined by proper audit ("transparency" of foreign lending institutions).

5. The treasury and national bank, as a partnership, have continual authority to administer capital-controls and exchange-controls, and to assist this function by means of licensing of individual import-licenses and export-licenses, and to regulate negotiations of loans taken from foreign sources.

Admittedly, the great problem in administering governmental functions of auditing, export-import controls, capital controls, exchange controls, is corruption of governmental officials. Not astonishingly, the more elaborate the bureaucratic procedures employed in the intent to discourage corruption, the greater the incentive for corruption becomes. Sooner or later, a frustrated applicant will reflect on the point, that perhaps some official has a friend of a friend of a friend.

The effective control of such problems lies not in investigating each matter case by case, but, directly the opposite, by considering the pattern of decisions shown on the record, the pattern of choices of favorable administrative decisions in respect to the total population of cases for such decisions. The problem faced by this approach to anti-corruption enforcement is often the indignant official's retort, "prove one case in which I have been corrupted, and naturally I shall resign immediately," and so forth and so on. The policy ought to be that an official in such areas is judged on performance by the pattern of his decision-making, not on the basis of a case-by-case examination of his decisions.

The problem becomes acute, if the government itself has no clear policy—no clear, dirigistic policy. Then, in such case, by what criteria as to pattern of decisions can an official be judged? If a function operates under clear, dirigistic economic objectives as to quantified priorities of national economic development, then the officials of that function are to be judged as they attempt to fulfill such objectives in their overall performance. They expedite what known national, dirigistic policies inform them must be expedited preferentially, and give lesser priority to those matters of decision which are low on national-economic dirigistic priorities. There is no greater root of corruption of governmental officials than a lack of dirigism in national-economic policy.

6. The policies of taxation of the national government must be designed to expropriate ground-rent and usury income, to foster well-being of households, and to give preferential treatment to those classes of ventures which are established to be in the relatively greater national interest. Economic-development policies must inform taxation policies.

7. In a number of instances, it is simply desirable, or even indispensable, that a severe currency-reform be implemented immediately.

Tax-evasion and the related problems of "black economy" are endemic problems of nations today. The curse of Italy, for example, is that more than one-quarter of its national income is sequestered in a black economy. Ibero-America suffers infection with the same disease; the "black economy" of the U.S.A. is greater in size than the entire national income of numerous nations.

This problem was addressed in a book written by this writer during 1980, *A Gaullist Solution for Italy's Monetary Crisis*. The proper execution of a currency-reform—the purchase of old lawful currency with new—can demolish as "black economy" in the process. The essential thing, is that the amount of currency presented for purchase by residents or foreigners must be not in excess of an amount they might have accumulated lawfully without practices of tax-evasion or violation of capital-controls, exchange-controls, and import-export licensing. Often, the holder of "black economy" gains would prefer burning the old money, rather than having it largely confiscated, and himself sequestered in prison for offenses against the law.

Such a currency-reform cleans up the condition of a currency, and also provides the government and national bank with an indispensable audit of the republic's direct and implicit currency-related obligations, domestic and foreign. It provides, at the same time, an improved accounting of the roster of proper taxpayers, and better estimates of the amount of tax-liability those taxpayers represent.

A currency-reform is a necessary measure in the worse cases of inflation; it serves as one of the indispensable weapons needed to bring inflation under control.

8. Sovereign valuation of the foreign exchange value of a nation's currency must be established for Ibero-American nations. The first approximation of the value of a nation's currency is the purchasing-power of that currency within the internal economy of that nation. What are the prices of domestically produced goods and services, relative to the prices of the same quality of goods and services in other nations. The emphasis must be upon domestically produced categories, almost exclusively, at least for first approximation.

By this standard, many Ibero-American currencies are presently monstrously undervalued. The result of artificially depressed valuations of national currency, is that the nation is being massively, savagely looted by foreigners, especially foreign debt-holders.

The determination of exchange-rates by the IMF, etc., has often represented, during recent years especially, nothing more nor less than pure and simple theft, on a massive scale, by foreign lending institutions and others.

This commonplace swindle of developing nations is premised on the fallacious argument, that the value of a currency in international markets must be determined by "supply and demand" for that currency, rather than the intrinsic value of that currency as a medium of purchase of domestically produced goods and services in its country of origin. By manipulating international exchange-markets, to artificially rig "supply and demand" in a currency, a "case" for devaluation is presented as a demand upon the targeted victim-nation.

How much less domestic purchasing power does the Mexican peso have today, at one-third its nominal exchange-rate valuation, than a short time ago, at 24 pesos to the U.S. dollar? The devaluation has been outright swindle of the nation and people of Mexico, almost at the point of a gun.

An Ibero-American 'common market'

We propose that, within the Organization of American States, such republics as may choose to do so, should form an Ibero-American "common market." This "common market" would be based chiefly upon these institutional features:

1. Bringing their respective, internal institutions of credit, currency, and banking into order, as specified here, earlier.

2. Establishing a common banking institution to facilitate exchange of credit, currency, and trade among them, and as an institution of common defense of the financial and economic interests of the member-nations and the continent as a whole.

3. To make more effective use of the limited resources at their common disposal, to the equitable advantage of each and all.

Taken as a whole, Ibero-America represents a spectrum of existing and potentially existing capabilities of natural resources, agriculture, capital-goods industries, and other economic resources. What is not immediately at the disposal of the republics taken individually, is in large part at the disposal of those republics taken as a whole. Given the limited means for creating technologically advanced industries of each and all, the attempt of the republics to meet their needs in parallel represents a costly duplication of investment, by comparison with the better use of limited resources if a rational division of labor were to be developed among those republics.

What is required is: 1) Agreement to prefer trade within the community, rather than trade without it; 2) Medium-term and long-term trading agreements, through which it will specialize for export to members of the community, thus assuring a medium- to long-term market for products of this sort, are intended to foster the most efficient use of the limited capital and credit available to each and all; 3) Fair-pricing agreements, combined with cohering tariff agreements, which have the effect of establishing a customs union among the members of the agreement.

If a sufficient portion of the Ibero-American nations enter into such an agreement, *the result is the assembly of one of the most powerful economies in the world from an array of individually weak powers*.

Although the proposed customs union would develop quickly some of the same advantages as the European Common Market enjoyed prior to the electoral defeat of President Valéry Giscard d'Estaing, the proposed customs union is not modeled on the principles of design which informed the European market.

That Common Market was based upon British-style central banking of the member nations, and was integrated with Switzerland's banking in a most highly significant manner. The included objective, although not the objective of President de Gaulle, was the dissolution of the sovereignties of the member-nations, by aid of such institutions as the European Parliament and NATO. These features and included tendencies of the European Common Market are abhorrent.

The keystone institutions of the proposed customs union is the inter-republic bank. This bank is established by treaty, to function as the common facility of the national banks of the participating sovereign republics. Its functions are, categorically, inclusively, these:

1. Inter-Republic Banking Functions

(a) To serve as a central clearing-bank among the particpating republics' national banks.

(b) To mediate exchange of credit and currency among the national banks.

(c) To act as a clearing institution for settlement of multinational agreements among members respecting tariffs and trade.

2. Monetary Functions More Generally

To facilitate maintenance of parity of exchange-values among the currencies of the member republics, and to defend those currencies as a bloc against external manipulations.

3. A Development Bank (Investment Bank)

The bank serves as a coordinating agency for planning investments and trade-expansion among the member-republics. To aid in implementation of such agreements, the bank coordinates the mobilization of money-capital needed to ensure that all aspects of the agreed programs are adequately supplied with investment-development capital.

There are two principal sources of money-capital for expansion: intra-system, and foreign.

We have specified a monopoly for creation of money-credit by sovereign governments, denying this power (e.g., outlawing the "Keynesian multiplier") to any private agency. We have thus ensured that the otherwise idled, salable goods, goods-producing capacity, and labor of each and all nations shall be adequately employed, insofar as performance-worthy borrowers-entrepreneurs are willing to borrow at low interest-rates, to put those idle resources to work in a manner consistent with national priorities for categories of development.

The establishment of a customs union of the type proposed, means that the currency-notes of each republic can be issued as medium-term to long-term capital-goods export-loans-capital to fund exports of its capital-goods production within the customs union. We have eliminated the need for a third-party lender among those republics. We have established a greatly enlarged autarkical development-potential among the members of the customs union.

This system of intra-bloc medium-term to long-term capital goods-export lending will operate soundly, on condition that the payments for such loans are predefined in terms of the importing nation's repayment through earnings from its own capital-goods or other exports within the bloc. There is, therefore, an underlying, medium-term to long-term barter basis for these agreements.

Furthermore, for this and related reasons, it is desirable that the member-republics should prefer to purchase their imports from within the bloc, rather than from without it. A sharp and growing reduction in relative columns of imports from outside the bloc should occur relative to existing categories of imports. The extra-bloc purchasing and borrowing potential of the bloc's member-republics should be concentrated for purchases of high-technology capital goods.

This is not a dilution of the sovereignty of the member-republics. In negotiations for lines of medium-term to long-term credit, to implement multi-member-republic projects, the representatives of each republic will negotiate sovereignly, but with backing from the common banking institution, and thus, implicit backing from other member-republics of the bloc.

However, respecting financial relations within nations outside the bloc, the sovereign member-republics seek to negotiate loans for capital-goods through the facilities of the common bank, and to clear payments against such loans through that same common bank. This strengthens the bank's power to maintain a common defense of the currencies and credit of the member-republics. Not only are the members better defended, but the creditworthiness of each nation is increased; the creditworthiness of each and every nation of the customs union is greater than it could be outside that customs union.

To aid this, a common currency of account should be established for the customs union. Loans negotiated through the common bank will be denominated for payment in this common currency of account.

However, the bank will not be responsible for the debt of sovereign republics. Rather, the sovereign republic will settle its debt through its account with that common bank, and will settle in denominations of the common currency of account.

This bank will soon become one of the most powerful financial institutions in the world, especially in the opinion of capital-goods exporting nations. . . .

A proposal to solve Africa's debt crisis

by Lyndon H. LaRouche, Jr.

The memorandum excerpted here was issued under the title "Resolving the Debt/Credit Crisis of Africa," on April 23, 1986, by EIR Nachrichtenagentur GmbH. The maps have been added.

According to data compiled by *EIR,* from census-data collected by various international agencies, we have the following 1982 estimated comparisons of certain crucial statistics, for North America (the U.S.A. plus Canada), western Europe, and Africa (**Table 1**).

Although these comparisons are based on census figures, which have a margin of inherent error, they are sufficiently accurate to illustrate the essential point, and conclusively so. Africa, which has an agricultural area twice that of the United States and Canada combined, and an agricultural work force 40 times that of North America, is starving.

If we deduct three regions of Africa, the Mediterranean region, Nigeria, and South Africa, the picture of the rest of Africa stands out more clearly (**Tables 2** and **3,** and **Figures 1** and **2**).

The reason that African food production is so poor, is shown most clearly by comparison of energy consumption per hectare of usable land area (**Table 4**).