

Britain's Latin American assets are vulnerable

by Kathy Burdman

In the midst of the high-powered financial and military warfare launched against the Republic of Argentina by the British monarchy a weapon of Argentina has been overlooked—one which could bring Her Majesty's government running to the negotiating table. Argentina, Venezuela, Peru, and other Latin American nations should immediately "seize and expropriate all British assets" on the continent, Democrat Lyndon H. LaRouche, Jr. recommended May 3.

Argentina's objective, LaRouche stated, should be to "make the British pay" for their colonial invasion of American waters, without harming the United States. A default by Argentina on its \$35 billion foreign debt, \$12 billion of which is owed to U.S. banks, both LaRouche and Argentine bankers said, would bring down the Western banking system as a whole and harm the U.S. economy most.

LaRouche recommended that instead, Argentina place the full weight of action upon Britain, by seizing Britain's estimated \$3 billion in corporate and non-loan bank assets inside Argentina. In response to British freezing of Argentine assets in Britain, Argentina to date has forbidden repatriation of British assets in Argentina, but has seized nothing. LaRouche recommended seizure by other Latin nations of Britain's additional \$15-\$17 billion in assets elsewhere on the continent.

LaRouche further advised that Latin American allies of Argentina should first pull their more than \$10 billion in deposits out of British banks in London, to avoid

having them frozen, as has been done to Argentina.

Certain large British banks such as Lloyds or Barclays would suffer major losses of a magnitude that would force the Bank of England to try to bail them out and make a general bank collapse likely. The prestige of London as a world financial center would be finished. British industrial companies would suffer large losses on Latin American subsidiaries, causing Britain's already awesome unemployment to skyrocket. Direct political pressure would result on the Thatcher government. As one German banker told *EIR*, many companies in the United States and Continental Europe will be ready to support targeted action against Britain. "It's a good idea," a source at Dresdner Bank told *EIR*. "It's technically feasible," one Swiss banker commented.

British 'miscalculation'

Mr. LaRouche, Advisory Board Chairman of the National Democratic Policy Committee and a leading international economist, said that the British are "grossly miscalculating" world affairs. "Only brutal shocks and humiliation" will shake the British "out of their dream world," he advised Argentina.

The initial reaction from Argentine bankers to LaRouche's plan was positive but cautious, one Argentine banker told *EIR*. "There has been some talk in Argentine nationalist circles of doing this, and it should be done," he said. "The British are invading our hemisphere and we must defend it."

However, Latin America is under "extreme financial pressure" from British and other foreign bankers to avoid such nationalist moves, or suffer a loss of "all foreign investment," not just Britain's, he added. "There is too much fear in Latin America today because all of us are net importers of capital. The infrastructure and industry of many nations are being built by foreign investment."

British bankers have threatened Venezuela and Peru—both strongly pro-Argentina—with a total credit cutoff if they give military assistance to Argentina. "Venezuela and Peru both desperately need foreign credit for their five-year development plans. Entrance into a war could destroy their budgets, and the international banking community would consider them a credit risk and cut them off," a Chemical Bank economist said May 5.

U.S. banks, economy at risk

Neither the dependence of the U.S. economy on Latin American trade, nor the danger to U.S. banks, which have over \$105 billion in loans outstanding to Latin America, should be underestimated. "I can't see any U.S. national interest in this at all," the President of a major U.S. bank told *EIR* on May 3. As the accompanying table shows, U.S. bank loans outnumber British bank loans of \$34.8 billion to the area by almost three to one.

Britain is threatening the banking system by squeezing Argentina of foreign credit, while trying to protect British banks by not forcing an outright default. Argentina for its part has vowed to "pay all its debts" to prevent "a default, which would endanger the U.S.

banking system," an Argentine banker said May 3 (see interview below), and is even paying British banks, into an escrow account set up by Argentina's central bank. But Lloyds and other British banks announced May 2 that they don't "accept" the escrow, and are demanding U.S. and other banks "share proceeds" of all Argentinian payments.

Britain aims to panic other banks away from Argentina, and shut down its economy. But if bankers do panic, loans will dry up to all of Latin America, with uncontrollable results. The six major Latin borrowers in our table need \$86.8 billion in new loans in 1982, and \$78.7 billion of that is just to roll over principal and pay interest on existing debt.

As for trade, U.S. exports to the area were almost \$40 billion in 1981, 17 percent of total U.S. exports, supporting millions of jobs in U.S. industry. U.S. exports to Argentina alone were \$2.1 billion, twice those of Britain. Above and beyond bank loans, more than 200 U.S. corporations have direct investments in industry, agriculture, and trade in Latin America worth over \$75 billion in assets, more than three times Britain's \$20 billion assets on the continent. U.S. investment in Argentina alone is \$4 billion.

"The National Association of Manufacturers [NAM] and U.S. Chamber of Commerce are terrified over the threats to our commercial relations with Latin America," one administration source told *EIR*. A NAM spokesman told *EIR* May 3 that it plans to lobby against U.S. support for Britain. "You will hear some loud noises from the U.S. business community" if Britain escalates the war against Argentina any further, he warned.

Bank lending to six Latin American nations

(in billions of dollars)

Nation	Total foreign debt*	Total owed to U.S. banks*	Total owed to British banks*	New borrowings needed in 1982	Of which to be used for:		
					Principal rollover	Interest payments	New net credit
Argentina	\$ 35	\$ 12	\$ 8	\$14	\$11	\$ 3	\$0
Mexico	70	40	10	21	10	11	0
Brazil	70	30	10	18.3	7.2	10	1.1
Venezuela	30	13	4.3	24	15	4	5
Peru	9	3	1	5.5	2	1	2
Chile	15	7	1.5	4	2	2	0
Total	\$229	\$105	\$34.8	\$86.8	\$47.7	\$31	\$8.1

Total debt service due in 1982 (principal plus interest): \$78.4 billion

Source: New York bankers' estimates

*Total loans outstanding at end of 1981

Currency Rates

What an Argentine says

From a May 3 EIR interview with the representative of a leading private Argentinian bank:

Q: What is the Argentinian debt-payment situation?

A: We are paying all our debts, and we have no desire for a default that would endanger the U.S. banking system or the rest of the banking system. We are paying our debts directly to non-British banks, and payments to the British banks are going into the escrow account held by the Banco Central at the Banco de la Nacion Argentina, a private commercial bank whose stock is owned by the federal government.

The British are not satisfied with this. Lloyds has invoked what may be referred to as a "proceeds-sharing" clause in the consortium loan agreements. This is not a cross-default clause, it is merely an agreement that payments will be distributed "proportionally" on consortia loans. We are paying the British their fair share—into the escrow account. This is exactly what was done by the U.S. during the Iranian crisis, and there is plenty of precedent for it in international law. Lloyds' loan to the Aguas y Energia utility was the first one to mature, but many loans are maturing . . . and the British are doing this in all cases. The U.S. banks are taking their money and telling the British "everybody is getting their fair share."

Q: You mean they accept the escrow arrangement?

A: Implicitly—by accepting our payments and refusing to cooperate with the British, they are implicitly claiming the escrow account to be legitimate. Otherwise the U.S. banks would have to refuse payments and declare a default. This they will never do. They won't give the British anything. . . . If the British call a default, they will just bring down their own banks . . . so there is nothing they can do.

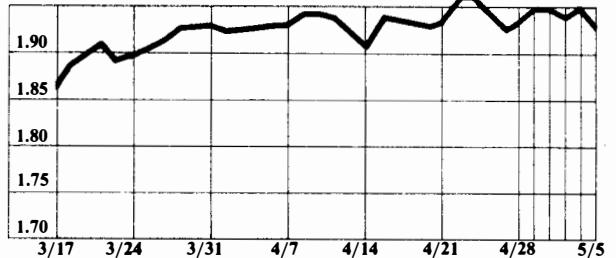
Financially, they're backing us to the greatest extension of credit possible, making efforts beyond all other banks and beyond what was expected of them. Citibank is doing a wonderful job, very cooperative. Chase, Morgan, all of them have been in Argentina for a long time and they're very cooperative.

Q: What about the run on Citibank in Argentina last week?

A: Nothing anti-American about that, it happened at several banks because people are just short of cash. The Banco Central stands ready to offer them a special rediscount line if they have any trouble at all.

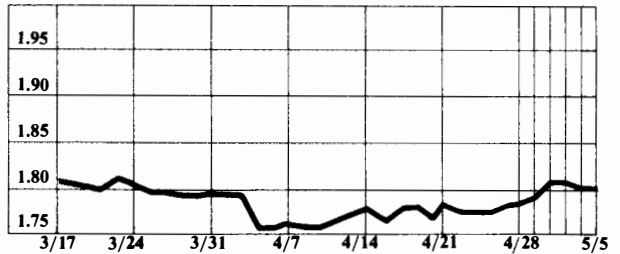
The dollar in Swiss francs

New York late afternoon fixing



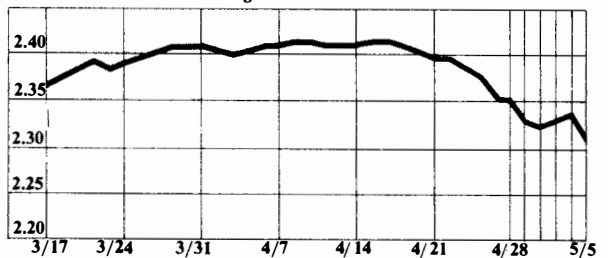
The British pound in dollars

New York late afternoon fixing



The dollar in deutschemarks

New York late afternoon fixing



The dollar in yen

New York late afternoon fixing

