

debt crisis, there is always the risk that debtor governments will move from the position where they insist that they cannot meet their obligations . . . to a simple refusal to pay. Bolivia is the first debtor country to do so and Argentina may not be far behind. The lingering fear . . . is that Argentina may infect Brazil and if Brazil succumbs, the system could slide into a financial morass taking banks with it."

The Bank of England, reported the *Daily Telegraph*, "is holding urgent talks with the big four clearing banks to hammer out a new approach to the international debt problem. . . . Parallel talks are believed to be taking place in Washington and New York between representatives of the Fed and leading U.S. banks as well as in Germany and other major countries. Top British bankers believe that an initiative aimed at easing tension by providing interest relief to hard-pressed debtors, particularly in Latin America, could be announced within a fortnight." Bankers have been terrified by "a growing mood of defiance among some debtors, notably Argentina," stated the *Telegraph*.

Defiance or responsibility?

Sebastian Alegrett, the permanent secretary of the Latin American Economic System, was in Mexico during the last week of May, meeting with the finance and foreign ministers to coordinate the debt summit which will take place in Bogotá on June 14 and 15. When asked if the new debtors' pact was a challenge to the big creditors, he replied: "Not for a moment has anyone thought of this joint action as defiance, or any such thing. The action of Latin America is very solid and very responsible. . . . The formation . . . of this common front of Latin American countries, will of course require joint planning to save us from . . . the continuing interest hikes that our nations are not in condition to tolerate."

For the creditor nations, who will be meeting at the London summit of the "big seven" industrialized nations on June 7, "solutions" to the current crisis have to come this week. Japanese Prime Minister Yasuhiro Nakasone promised Brazilian President João Figueiredo, who was in Tokyo on May 27-28, that he would bring the concerns of the Ibero-American presidents to the London summit.

The Federal Reserve's revving up of the printing presses and Fritz Leutwiler's new-found softness on the IMF question are intended in part to bust up the debtors' cartel by wooing Ibero-America's debtors with special deals and threats, forcing a return to "case by case" treatment of the debt.

After the announcement of the debtors' pact, the Ditchley group—the creditors' cartel that had heretofore managed to blackmail the continent into submission—held an emergency session, and bankers, IMF officials, U.S. ambassadors, and European diplomats all made pilgrimages to the presidential palaces of Ibero-America. Argentina's presidential residence, the Pink House in Buenos Aires, has been the scene of frantic visits by the IMF technical team, Citibank Vice-

President William Rhodes, and U.S. Ambassador Frank Ortiz.

But another important visitor was at the Pink House during the last week in May, ex-President Isabel Perón, the leader of the Peronist movement.

It is broadly recognized that the Peronists have a virtual veto power over the economic policy of President Raul Alfonsín, if the nation is to remain governable. Hectic negotiations have taken place in the last days and press reports mooted an imminent deal with the IMF. But by June 1, the fact that Argentina was bargaining from a position of strength became obvious. The *Journal of Commerce* reported on June 1 that the IMF agreement was in "deep trouble." The *Journal* blamed the trade unions, which have "blasted the government several times for trying to reach an accord with the IMF."

The views of Mrs. Perón's advisers on the question of the

Argentine Peronist leader calls for debtors' cartel

One week after Argentina's Oct. 30 presidential elections, Juan Gabriel Labake addressed an open letter to President-Elect Raul Alfonsín. Labake is a leader of the "Orthodoxy and Loyalty" faction of the Peronist Party, which has distinguished itself by calling for Argentina to play a leading role in unifying Ibero-America on financial and economic policies. We publish here excerpts from his letter.

Buenos Aires, November 8, 1983

Dr. Raul Alfonsín
President-Elect of the Nation

Dear Sir:

In my opinion, the Oct. 30 elections were a major triumph for the Argentine people, who thus once again regained their fundamental rights after almost eight years of dictatorial injustice. . . .

The key to Argentina's new place in the world is breaking our dependence on the so-called "Western bloc" in order to return to Latin America's fraternal embrace and gain regional unity and integration. . . .

The foreign debt is the main weapon by which the North Atlantic powers now keep us dependent. . . . However, the moment we unite with our Latin American brother countries to jointly renegotiate our debt, the weapon becomes ours and the problem that of the creditors. The whole world knows this, and our people rightfully want it.

IMF are also out in the public domain. Juan Labake, a member of the liaison committee which attended the meetings between the Mrs. Perón and President Alfonsín, wrote an open letter to Alfonsín after the Peronists lost the election last fall (see box). In the letter he called for unity in the national interest and laid out a program for joint renegotiation of the debt among all of the nations of the continent, and a common market to allow for growth and development. He specifically attacked the IMF and the policy of usury, and its intention "not to collect the debt, but to maintain always a decisive domination over us."

Labake continued: "Needless to say my proposal means finishing off the present international economic system, based on the IMF and the all-embracing power of the private banks. This whole system is on the verge of collapse; it only needs

a little push. The whole world would thank us. What's required is agreement between the governments of nations to which the creditor banks belong and the joint Latin American bloc to lay the new bases of commercial and political relations.

"I understand that we are both under tremendous pressures for us not to take this decisive step. I'm sure they are thinking of giving special advantages to Argentina if we abandon the common Latin American front. But it is worth stressing that the key to our national liberation is not getting a percentage point lower interest or two or three more years to pay, but rather taking advantage of the debt to forge our unity with Latin America and break out of the trap of the IMF and the Bretton Woods system."

This is the new political reality the bankers are facing. The aura of power that kept nations begging for credits that

Latin American unity to renegotiate the debt can be obtained. You could say that the idea has already matured in every brother country on the continent. The idea is also spreading that our nation should take the lead on this issue. If we unite, we can win tolerable conditions for payment. Under present conditions, with seven-year maximum terms and 13.3% interest, no Latin American country, really no Third World country, can even pay interest—even when it complies with the IMF's demands for recession, low wages, and hunger. . . .

The more the debt increases due to unpaid interest and principal, the easier it is to demand new concessions from us each time we must refinance the portions due. The military government found this out when it refinanced the debt of Aerolineas Argentinas. Who knows what they will demand from us next? What I propose to you, Dr. Alfonsín, is that we Radicals and Peronists join in a patriotic agreement to unite all the Argentine people behind a first indispensable step toward liberation: the joint refinancing by Latin America of all our foreign debts to obtain reasonable conditions that will allow us to pay.

Conditions in tune with the cold reality of our economies are: a nominal term of 20 years with no less than a 5-year grace period, interest set at only 1% higher than U.S. domestic inflation. That is to say, in this year when U.S. inflation will be almost 3%, Latin America would pay no more than 4% interest. I realize that these conditions seem utopian, but they can be obtained, and, besides, we don't have any choice. . . .

It is useful to keep in mind that if we don't get these debt refinancing conditions, many Latin American and Third World nations will suffer from hunger, recession, and unemployment until one declares a cessation of payments and explodes the entire financial and economic system. This scenario is sufficiently probable to make the creditors and the govern-

ments of the Western powers think twice. Our aim is not to stop paying the debt but rather to obtain conditions under which we can actually pay the debt, the real debt of course, without repudiating our fundamental right to fully develop ourselves as a people and a nation. In this way they can collect, but if we go on as we are now, the ship will sink and the crew with it.

This debt action would provide the extraordinary event we need to get moving on the road to Latin American unity and integration and national liberation of our republics. The brotherhood forged between us by joint action on debt would open the door to forming a Latin American Common Market, to creating a regional political body—perhaps an organization of Latin American nations—and even a reciprocal defense treaty for Latin America. . . .

It has been announced that Dr. Raul Prebisch will have a major role in dealing with our foreign debt and directing our economy. If that is true, then we have little hope left of seeing the fulfillment of what I propose here. . . .

He is visibly and forcefully working to impose on the world the so-called "Rohatyn Plan." This plan drawn up by Felix Rohatyn of New York's Lazard Frères investment house calls for forming a new super International Monetary Fund made up of and dominated by the private bank creditors of the Third World countries. This private superbank would take charge of collecting debts and sanctioning those falling behind. It would offer marginally better conditions on terms and interest rates than those today, but always on the basis of squeezing the maximum profit from each country at the price of our suffering unemployment, recession, and hunger. . . .

The Rohatyn model was dreamed up to collect New York City's debt to the banks. Thanks to it New York is paying its debt. Sure it is, but at the price of a drastic reduction in its investments in education, public health, mass transit, and the maintenance of streets and public buildings. . . .