
INTERVIEW: PERUVIAN FOREIGN MINISTER ARIAS STELLA

Peru supports the call by Mexico and Brazil for a New World Economic Order

Peru's Foreign Minister, Dr. Javier Arias Stella, granted an exclusive interview to *EIR*'s Ibero-American Editor Dennis Small Oct. 4 at the United Nations. In that interview, excerpts of which we print below, Dr. Arias Stella expressed Peru's full support for the speeches delivered by the Mexican and Brazilian heads of state at the U.N. earlier in the week, in which both leaders had warned of the likelihood of debt defaults by Third World nations if a New World Economic Order is not brought into being. Arias Stella added that the entirety of Ibero-America is rapidly being driven in the direction of default and debt moratoria.

In his own speech to the United Nations Oct. 1, the Peruvian Foreign Minister had proposed an "International Economic Emergency Plan," which was subsequently viewed with great suspicion by various Ibero-American delegations as a possible distracting counter-move to the debt item so forcefully placed on the agenda by the Mexicans and Brazilians. In his interview with *EIR*, Arias Stella took great pains to argue that this was not the case, and to defend Peru's plan.

What worries a number of Ibero-American representatives consulted by *EIR*, is Peru's support for the International Monetary Fund. In fact, Arias Stella in his talk with *EIR* was almost apologetic about his country's good relationship with that body. But as the Foreign Minister himself noted, Peru's economic policy is determined by Economics and Prime Minister Manuel Ulloa, whose years-long close relationship with Rockefeller and other banking interests is a matter of public record. Even as Arias Stella was at the United Nations last week proposing a new "International Economic Emergency Plan," Ulloa was visiting Japan and praising the IMF. According to Kyodo news service, Ulloa stated that "he had told Japanese bankers that Peru supports strengthening ties with the International Monetary Fund and the World Bank in overcoming the economic and financial difficulties of developing countries like Peru."

Small: Almost all of the speeches of the Latin American representatives here at the United Nations have identified the foreign debt problem as one of the most serious aspects of the current crisis. How do you analyze this problem?

Arias Stella: The foreign debt in the past few years has

increased in many countries, above all those in the developing sector, perhaps because there was a greater ease in contracting it. Then came the change in interest rates. This has notably affected the debt levels of different countries and has created, for many of them, a nearly insurmountable obstacle. We have already seen cases of those who have unilaterally declared themselves incapable of meeting the payment plans and have announced a moratorium. There is the case of Cuba which, four or five weeks ago, made public its unilateral decision to restructure its accounts with Western nations.

And as we have heard in the speech of President López Portillo, he practically stated: well, if we don't do something, don't blame us. Because those who have lent to us are responsible as we have been as borrowers. We have already arrived at a point where we cannot pay. And it is known that Mexico truly has touched bottom. Brazil is in a difficult situation; Argentina; Chile; not to mention Bolivia; Venezuela, with all its resources, has reached huge levels of indebtedness.

So, there is a problem of indebtedness—not only in Latin America, but also in other countries.

Small: There have been several proposals made on how to resolve this problem of indebtedness. What do you think of Lyndon H. LaRouche's proposal that the Latin American countries jointly renegotiate their foreign debt?

Arias Stella: This is a very delicate issue to comment on, above all because in my simple position as Chancellor I am not directly responsible for the economic management of my country.

But the theme has been addressed around the Malvinas situation, when economic measures were taken against Argentina. In the midst of the desperation of the moment, there were those who suggested measures to counter those taken by the European Economic Community. That is: Sirs, you have tightened the screws on us, so how would it strike you if we all agreed to stop payment on the debt and declare a moratorium?

With this, we were theoretically going to make the financial system tremble, because the Latin American foreign debt is calculated at some \$300 billion.

This theory, as you have just proposed, appears to be a powerful weapon. But bringing this thought forward quickly demonstrated the lack of homogeneity, even in those countries which suffered fiscal and financial anguish and which months later have demonstrated their incapacity or near incapacity to meet their payments. There is another series of local and national factors which prevent easy agreement on this matter. Therefore I would not want to, nor could I act without having previously consulted with other countries, without knowing what those who manage the economies of each country think about this question.

Theoretically, it would undoubtedly be a powerful weapon, a logical one. But the realities of each country are so dissimilar and the factors each country must take into account for unraveling their economies are so linked to different factors that such coordination is not easy.

Small: Peru has a specific proposal, which is the International Economic Emergency Plan.

Arias Stella: I would like, in the first place, to say something, because there may have been some confusion created. When this Emergency Plan was proposed, it was not intended to compete with nor postpone global negotiations. This is key, because there are some countries which have thought that one would try to do something which, one way or another, was going to diminish the importance of the global negotiations. This is not so.

What we have been thinking is that the global negotiations, because of their nature, are negotiations which necessarily require a length of time to produce results. But something also must be done to diminish the rapidity and gravity of the crisis, not at the pace of the global talks, but something more urgent. That is, we must rescue from the global negotiations the most urgent measures for dealing with the economic conjunction of the present crisis.

This must be emphasized, because some countries apparently have not understood this, and believe that something is being proposed to postpone the negotiations or make them unnecessary, and this is not our position.

Now, what needs to be done? The fundamental objective is to reactivate the economy and put an end to the world inflationary process through a series of measures in the commercial, financial and monetary areas. For example, in the case of those countries which already cannot pay their foreign debts, it is necessary to seek other means, guarantee them the financial resources that would reasonably permit them to face up to their obligations without having to go to the extreme of bankruptcy. We are seeking this coordination, first talking to the countries. We have seen the case of Brazil and that of Mexico: their own presidents have made similar proposals, and it is easy to coordinate with them. But we must also advance in the Group of 77.

Small: What is the idea of the Plan regarding economic development?

Arias Stella: I believe that the idea of helping this development is fundamental, because anything else would be simply alleviation without going to the root, only touching the surface. I believe that it is necessary to attack both sides, because the urgency is to seek out a financial mechanism. But if this does not go parallel with greater resources for development, that country will never get out of the hole. Thus I believe that what the Presidents of Brazil and Mexico have proposed is perfectly viable, proper, and in accordance with our proposal.

Small: I want to ask you a question about the International Monetary Fund. What has been Peru's experience with the fund, for example, in 1976?

Arias Stella: Peru has a good relationship with the International Monetary Fund, but not one of submission. We have taken up its recommendations in a certain measure, but we have not necessarily taken them word for word; we have fashioned them to our reality. So, although the Fund might believe, and they have stated as much, that subsidies should be totally eliminated, we have not totally eliminated subsidies, because this would mean a social burden greater than what we are willing to impose. That is to say, to summarize, Peru has taken up, and continues to do so, the recommendations of the IMF in general terms, but not word for word.

Small: There has been talk in Ibero-America about a possible Common Market to confront common problems. What might Ibero-America gain from such an association?

Arias Stella: It is imperative for us to develop a true common market in Latin America, or South America. Undoubtedly it would increase our ability to dialogue, raise our potential. But the experience of the Malvinas has shown us something which we had already thought, which is that all of the efforts toward integration have proceeded very slowly. And they are moving slowly because there is great heterogeneity politically, socially, and economically in each of the countries. It is not easy to do, because in each place the economic circumstances, the costs of production, are different, and this heterogeneity has made it very difficult to walk together.

Another reason for the slowness of the integration process has been the lack of physical integration. In Europe, the EEC has had greater success, because Europe was physically integrated: communications, highways, railroads, rivers, airlines. South America is not integrated. It has a Pan American highway on the coast, a highway along the Pacific, and one along the Atlantic, but there is no fluid integration in the very heart of the continent, where the greatest unexploited potential wealth is found. We must emphasize the physical integration. And herein lies the importance of the primary project of President Belaunde, which is the Marginal Jungle Highway, which is designed to unite various countries along the Eastern side of the Andes mountain range in the high jungle. There is also a new project to link the basins of the Orinoco, Amazon, and Plata rivers.