
Interview: Former Colombian President

Misael Pastrana: 'Global debt action'

The following interview was first printed in the Colombian magazine El Siglo Jan. 24. Misael Pastrana is a former president of Colombia, and currently a close adviser of President Belisario Bentacur.

Q: You spoke recently in Mexico about the formation of a Latin American debtors' club, taking into account that the debt reaches nearly \$320 billion. What follow-up has this proposal had since?

Pastrana: For me this is the most vital issue facing the contemporary world. I believe that it is what in the short term could define relations between rich and poor nations, and . . . could even define the fate of the capitalist system itself.

I posed this issue, and curiously, no political debate around it emerged in the country, not even in the realm of theory. I would use the terms of [French President François] Mitterrand regarding a certain scandal that broke out around the possibility that he spoke of—a moratorium on the debts of French industry. He said: "No, moratoria must be taken in the true dictionary sense; it is not simply non-payment, but rather, seeking out formulas which in reality would permit the debtor to meet his obligations in the long term without sacrificing his position."

Just look at the situation: The Latin American debt alone is \$300 billion, as Gabriel Gutierrez said, and probably more. Mexico, in its renegotiation process, will have to pay in interest alone \$1 billion a month. Latin America collectively will have to pay this year, just in interest, some \$40 billion, while total foreign-exchange income, at a moment when protectionism in world trade has been unleashed and raw materials have lost their value, stands at just \$110 billion. In other words, for interest payments alone, they will be paying a full third of their income.

I ask myself: If Latin America, receiving credit, grew in the last few years by a mere 1 or 1.6 percent, what will happen to Latin America having to pay its foreign debt?

This is a problem which involves not just complying with some commitments, but for me, the very social peace of the continent, and for this reason I believe it is the most important issue of the moment. There is the advantage that, by some paradox, for the first time in many years, perhaps the first time ever, the situation of the world is in the hands of *our* countries, by default (so to speak). As Keynes once said, when a person owes a little he is a debtor, but when he owes

a lot he is a banker.

Thus, I believe that this is an opportunity for Latin America, unified in a collective policy, to make an effort not to deny its commitments but to forge a realistic policy in this area. In December, Brazil virtually went into moratoria, because the truth is that Brazil's debt was not \$80 billion but \$100 billion. I believe that we also are ingenuously talking about our debt because the truth is that, as I said six months ago, it is not \$6.5 billion but surpasses ten billion dollars, and today the international institutions affirm that it surpasses \$10 billion. Take a look at what this implies at interest rates of 10 percent, which is a low interest rate. That is \$1 billion dollars. Think what this means over 10 years, given that there are several billions more in amortization. This is a very serious burden. . . .

And besides, the responsibility is with the creditors. I maintain that it was not Latin America which, in these last five years, indebted itself, but that they [the bankers] indebted it, going from \$40 billion to \$300 billion. Further, it was submitted to an indexation of interest rates by the creditors; the truth is that one percentage point of interest on the Latin American foreign debt today represents \$2 billion. I believe this is the moment for our continent, in a great act of collective responsibility and solidarity, to make a global proposal on a problem of this magnitude. . . .

Q: But, as you yourself said, these acquired commitments cannot be ignored. What is your idea concretely? What can Latin America do to deal with such a delicate situation?

Pastrana: I believe that the process of renegotiation individually is creating a sort of illusion of recovery, on the one hand, and on the other, the exhaustion of the very credit sources of other countries. I will explain. Why this flood of foreign debt? Because of the excess income of the OPEC countries which reached \$100 billion. They placed this surplus in international banks which, in turn, placed it where they could turn a profit, obviously seeking the most attractive margins, which were not in their own countries, but in the developing countries. Today, these surpluses are drying up, or have dried up. . . . Thus, I maintain that all there is with which to pay is frozen because no new fund of credit has been created to substitute for that credit fund, and he who doesn't refinance quickly will find himself compromised. . . . They have tried to do it with an increase of funds to the International Monetary Fund, but that has been insufficient, to the point where the Treasury Secretary of the United States, Mr. Regan, has proposed the possibility of convoking a new international financiers conference, and a monetary one also, to seek a solution to the situation.

But there lies the Achilles Heel of the entire capitalist system, and there lies the concern of the poor countries. I maintain and reiterate that in interest alone, the payment of \$40 billion, in one year, by the poor countries of Latin America, which we are, will lead to a genuine situation of bankruptcy and will increase social disorder."