Ibero-American debt fight wins growing support

by Valerie Rush

Peru has begun to win critical support from Europe and from its neighbors in Ibero-America for its fight against the usurious policies of the International Monetary Fund and the creditor banks. While the United States continues to lend its dumb muscle to the banks' economic warfare against the Alan García government, forces in Italy, France, and Germany are offering private assurances that the besieged Peruvian nation does not stand alone.

Voices are also beginning to be raised in Mexico, another Ibero-American nation under siege, in defense of Peru's stand on the debt. These statements of support occur in the context of unprecedented anti-IMF ferment, in both the leadership and the masses of that country in favor of a Mexican debt strategy *à la Peru*.

Italian sympathies

Leading members of the Italian Senate, including Senate President and former Prime Minister Amintore Fanfani, met with Sen. Josmell Muñoz Cordova of Peru's ruling APRA party on Nov. 5, and expressed their interest in and support for the policies of Peruvian head of state Alan García in his war on drugs and in his resistance to the International Monetary Fund. The crux of García's stand is that Peru will pay only 10% of its export earnings for service of foreign debt, and will not accept any role for the IMF in negotiations with creditors and domestic economic policies. In such matters, Peru is sovereign.

Senator Fanfani took a detailed report from Muñoz on the accomplishments of García's first 90 days in office, including major blows against the drug trafficking apparatus in that country, and declared his sympathy for García's overall economic policy efforts.

Fanfani also pledged to mobilize the Italian-Latin American Institute in Rome to pursue a negotiated solution of the Ibero-American debt problem through agreements between the capitalist and debtor nations. He also endorsed García's commitment to strengthen Peruvian democracy and observance of human rights.

Muñoz was also received by the principal leaders of the Senate faction of Italy's Christian Democratic Party (DC), including faction president Sen. Nicola Mancini. Sen. Mancini stressed Italy's great interest in Latin America's fight for development and against the drug trade, and indicated that Italy's duty is to defend the national sovereignty and autonomy of all nations. DC faction member Sen. Vincenzo Carollo spoke of the need to increase European assistance to Ibero-America.

'Morally unacceptable' debt

The French daily *Le Monde* on Nov. 6 carried an article praising García's "10 percent solution" on debt repayment, and condemning the speculative nature of the debt caused by the policies of U.S. Federal Reserve head Paul Volcker since 1979. The *Le Monde* article argued that debt paid for by blood, famine, and wars in the Third World is neither morally acceptable nor economically rational, and warned that continued extraction of debt payments from the developing sector nations will lead to a world depression in short order.

At the same time, West Germany sent an unmistakeable signal to Washington, D.C. by deploying a high-level delegation to Lima, which, on Oct. 31, signed an aid agreement with the García government. The amount of the loan, nearly 100 million deutschemarks for crucial irrigation projects, was less important than the political endorsement the agreement implied. The delegation offered its support to the Peruvian government, with the delegation head declaring that West Germany "is on the side of its friend, Peru."

A formal declaration issued by the West Germans stated, "The delegation of the German government considers the priorities that the Peruvian government has been taking for the economic and social development of the country as extraordinarily positive." A two-hour delay in the signing of the accord reportedly occurred while the delegates consulted their superiors in Bonn on the implications of Peru's debt having been declared "value-impaired" by U.S. authorities. They then received the signal to go ahead with the deal.

Mexico *a la Peru?*

Beginning Nov. 4, Mexico's press began to devote extensive coverage to the successful efforts of Alan García to reduce that country's punishing inflation rate. "Other nations of Latin America, Peru in particular, have attempted brave initiatives to confront this continental conflict, to the advantage of their peoples," writes the daily *Excélsior* in a pointed message to the De la Madrid government.

Mexican columnist José Luis Mejias wrote that continued "enslavement" of the Mexican people to the net export of capital for debt repayment must cease, if the country is to survive. He charged Finance Minister Silva Herzog, architect of the IMF austerity program in Mexico, with being a foreign agent, and challenged the Mexican population to prepare to undergo privations for standing up to the international creditors.The next day, *Excélsior* editorialized, "National opinion is daily growing more opposed to payment of usurious interest on the debt. . . . A clear, defined, nationalist, and energetic position is needed. We indignantly reject the idea that we are playing the IMF's game to extinguish the independent voices in Latin America. We are not scabs, neither on the oil question nor on the debt. Mexico should take the lead in the formation of a Great Latin American Front" on the debt.

The press campaign for a Mexican strategy on the debt *a la Peru* comes in the midst of a nationwide clamor for government resistance to the international usurers. The state legislature of Puebla has just added its unanimous voice to that of Yucatán in demanding a moratorium on interest payments on Mexico's foreign debt, and the same resolution is being considered in other state legislatures.

A group of Mexican citizens who lost their homes to last month's devastating earthquakes rallied before the presidential office in Mexico City to proclaim: "Given the gravity of the situation . . . the country can no longer continue paying the interest on international usury, and therefore we feel it is necessary, appropriate, and unpostponable, as Benito Juárez determined in his time, to take the patriotic decision of declaring a moratorium on the foreign debt."

Carlos Mireles, the president of the Mexican National Chamber of Industrialists (Canacintra), announced in a press conference Nov. 4 that his proposal to pay the Mexican debt with earnings from non-oil exports would be formally presented in lobbying efforts before the Mexican *and* United States' congresses during November. Separating out non-oil export earnings signifies establishing a de facto ceiling of 15% of total earnings available for debt repayment. Current debt service costs are taking 50% or more of Mexico's total earnings.

Said Mireles, Mexico "cannot and should not continue sacrificing its well-being in exchange for the tribute it pays year after year to its creditors. From 1986 to 1990, Mexico will have to pay $95 billion in debt service. . . . Under current conditions, the country is on the road to forced insolvency." Mireles contrasted his proposal to declaring a debt moratorium—Fidel Castro's solution.

President de la Madrid has continued to leave the reins of decision in the hands of his economic cabinet, led by presidential hopeful and IMF asset Jesús Silva Herzog, thereby leaving himself open to attack by patriots and traitors alike as "indecisive" and "inefficient." However, the dramatic acceleration of capital flight in recent weeks—which had collapsed the Mexican peso to 500 to the dollar at last report—prompted a decision by the central bank Nov. 2 to shut down all dollar exchange activities at Mexican airports. That move was followed by a prohibition on bank transfers of dollars abroad, as well as official limits on how much of their peso accounts national banks would be permitted to transfer abroad.

Brazil and the IMF

Brazil was one of the first countries to hold out a helping hand to Peru when a $400 million deal was signed in October with Brazil's Cotia trading company to barter Peru's minerals and other exports for the items Peru imports.

The Brazilian government, too, is under the gun, and its growing resistance to IMF dictates has enraged the international banking set. A major speech by President José Sarney Nov. 4 not only asserted that protection of Brazilian sovereignty was his government's primary concern, but employed language which heretofore has been the trademark of Peru's García alone. Said Sarney, "Our country has retaken command over its destiny. Sovereignty and independence are no longer empty words."

Pledging that his goal was economic growth of 7% to 8% a year, Sarney described the pressures he has endured in his defense of Brazil:

"When I became President, I was advised to follow the formula of recession. Open up the markets, cut wages, halt investments, because that was the orthodox prescription. . . . I refused. . . . I faced threats that inflation would go to 1,000%, that there would be no growth, the country would be destabilized, the international banks would cut credits, Brazilian goods abroad would be attached. Even so, I said *no* to all those threats. 'I am convinced Brazil can grow,' I responded."