

# Peru's García campaigns in Mexico for Ibero-American integration

*Through a series of dramatic radio broadcasts into Mexico preparatory to Peruvian President Alan García's visit there in late July, the government of Peru has escalated its campaign to promote the ideas of political solidarity and economic integration across the Ibero-American continent. The interviews featured Luis Negreiros, president of the Peruvian Congress and secretary general of the APRA ruling party on July 7, and President García himself on July 8. The following are excerpts from the 50-minute interview with Alan García, transmitted live by satellite across Mexico.*

**Q:** Mr. President, approximately two months ago you made international headlines with the news of a series of decisions . . . on economic matters which have turned you into one of the most debated figures in many economic forums. . . . I would like you to explain how you found the Peruvian economy when you took power nearly one year ago.

**García:** First I would like to note that I don't see Peru as an isolated case. Peru is part of Latin America. And Peru has the same problems that Latin America has, with a different intensity, different characteristics perhaps, but we are—as I say—a province of the same nation which is Latin America. . . .

The deterioration of Peru did not begin five years ago under the previous government. It actually began centuries ago. The historic clash of cultures caused the process of concentration of wealth in a few hands to continue; caused a process of economic concentration in one region to continue, leaving other regions of the country in absolute poverty; caused the strengthening of modern industry and the State while leaving the peasantry in abandon. And this is why Peru continues to produce less food and has to buy more from abroad, why there is more and more poverty and why the industry of Lima, which is the capital city, has no one to sell its products to.

This contradiction, this accumulation of problems, defines for us a society in which violence is slowly growing and in which, what is worse, despair in the democratic system is growing.

Peru has been a raw materials exporter since the beginning of the century, raw materials for which we are being

paid increasingly less. Later, in 1950, Peru tried to industrialize itself, but only concentrated industries in the city of Lima, forgetting the rest of the nation.

. . . And what is worse, if before we were raw materials exporters, now we have become . . . an importer of machines to establish industry, and we have indebted ourselves in the process. They pay us increasingly less for our raw materials (cotton, sugar, oil) and charge more for the machines and industrial products. . . .

This brings up the big question of this period, which is the foreign debt, a question which is crucial and historic for our continent, and a question before which one must take a clear stand: Either one is with the international banks, or one is with the people. Either one is with the interests of world capitalism, with which one can co-exist and respect but to which you cannot submit, or one is with the people's development and with the fate of the citizens who elected you. . . .

. . . When we received the government, only 35 of every 100 Peruvians had a permanent and secure job paying above the vital minimum wage. The rest either had no jobs or had to subsist, as throughout Latin America, on underemployment, which is hidden unemployment. That is, informal jobs, street vendors . . . which as I have seen exists also in Mexico, exists throughout Latin America.

These were the problems we faced: inflation, unemployment, permanent devaluation of our currency which encourages inflation, as you know. As we buy many products abroad, when the price of the dollar increases and the national currency devalues, the price of these foreign products grows for our population. Then, devaluation provokes a new round of inflation. And we received a country indebted to the tune of \$14 billion which had to be paid during the year 1985, plus that which wasn't paid in 1984, plus what was foreseen for 1986, nearly \$5 billion, when all we produced with exports was \$3 billion.

. . . The debt is the historic synthesis of dependency, of domination, and of the exploitation to which Latin America has been subject. The debt today is a subject in which is synthesized all the problems since Cuauhtemoc, since Atahualpa in Peru; the problem of imperial domination, the problem of the colonization of our countries; the problem of having been kept as second-class nations, as satellite nations,

in alliance with the internal oligarchies of our continent, in alliance with the ruling classes of our continent who serve the colonial interests of imperialism.

I repeat that we have been exporters of raw materials for which we are increasingly paid less. Look at the case of the silver produced by Peru and by Mexico. Look at the case of the oil which we too produce and which has been reduced by international conflicts to a third of the price being paid a mere six months ago; look at the case of fish-meal. We have been forced to produce raw materials in all of Latin America: Peru, silver, copper, fish meal; Argentina, meat, wheat, wool; Mexico, silver, oil. We have been forced to produce raw materials for the world and are paid less and less.

On the other hand, the industry we do have we have bought from them at excessively high prices. This relationship between our raw materials and the price of their machines and technology has been working against us for years. And this handicap is the origin of the foreign debt of our countries. In the last 20 years we began to indebt ourselves because we did not have sufficient [resources] to industrialize, or to feed ourselves as in the Peruvian case, and we began to accept credit.

Credits which have frequently been mis-used by our ruling classes, by our wealthy classes who have brought this money from abroad. Because if you ask me where the money of the foreign debt is, I would answer you that the majority of it is in accounts in European banks, in the U.S. banks, in Switzerland. And if the banks want us to pay them the foreign debt, let them collect it by taking it from the deposits of those who took it from here.

The origin of the foreign debt is in the low prices they pay us for raw materials, in the high prices they charge us for industry, in the interest rates they impose on the debt that we originally had. They have charged us 12%, 14%, 15% interest while internal inflation in the United States was 5%. Then, there was a 10% overcharge, 10% unilaterally imposed by the banks.

We have rebelled against this. Because you well know that if a country resigns itself to pay what they say it must pay, it does so at the expense of its population, it does so by impoverishing its population, it does so by devaluing its national currency. What we had to do was defend the resources of the country and we had to take a position that might appear sacrilegious, heterodox, heretical. But I believe that there can come a time when certain positions must be taken. We said we were going to recover the prices of our raw materials. If we don't recover them, how can we pay? They don't pay enough for our work, but we must pay them for the debt they say we have. So, we are linking the two questions. As much as you pay me for the raw materials I export, so much will I pay you. And we then fixed a quota. The quota: 10% of the exports for the public debt.

And we fixed a quota which with great sacrifice we have met despite the serious problems, the threats of embargo, the threats of economic sanctions against our country. But this

has allowed us to accumulate more than foreign-exchange reserves. This has enabled us to keep the reserves we have and prevent devaluation of the currency. As you know, when there is a shortage of exchange in a country, the currency is devalued. When the currency is devalued, internal interest rates increase, and with them the rate of inflation, and all of this feeds back into a new devaluation.

We must end this vicious circle by preventing our money from being devalued and for this, we need a reserve of foreign exchange to allow us to live. And these reserves we can have only by not paying the debt. Because they have already collected enough throughout these years. . . . How many times have we paid the debt with the interest rates they have imposed on us? How many times have we paid the debt that the wealthy of our countries brought from Europe, from the United States? How many times have we paid the debt in the high prices of industry they have charged us, in the imported products for which they have charged us double, triple the cost? . . .

**Q:** Mr. President, to what extent has Peru, throughout the 12 months, been internationally isolated from an economic and financial standpoint?

**García:** If you are telling me the banks have isolated us, well, I prefer to be alone than in such bad company. . . . In that sense, we are alone. . . .

If you are telling me that we are alone because on this question of limiting payment to 10% we have not been accompanied by a single other Latin American nation, I will tell you, sorrowfully, yes. But I am not worried, for two reasons: It is not just that we remain alone, we have always been alone; Peru has always been alone, Mexico has been alone, Argentina has been alone, each with its own problem, believing illusorily, naively, that each, *alone*, can better resolve its problem and better deal with the great boss of the international economy. What a terrible mistake, to believe that through bilateral negotiations, each one of us, in our weakness, is going to be able to win better conditions from the world economic forces. . . .

Each of us wanted to industrialize, and so we build the same industries in 20 Latin American countries, instead of building one, single, great industry for the entire continent, and all we have done is go deeper into debt. Each one of us wants to arrange his problem with the Monetary Fund . . . and the only thing we do is get more stuck in the swamp in which only those who have the most can win, that is, the powerful and the bankers. . . .

Peru alone is worthless, Mexico alone is worthless. They are going to sink us deeper in the problem. We are going to be begging from door to door and knocking at every door for a credit to pay the previous debt, and in return for this we are going to accept terrible economic conditions for our people.

Why don't we unite? Why don't we take the historic step? Why don't we understand that only together can we set conditions on the world, *alone no*.