

Leopoldo Zea

COMMON EFFORTS TO FACE LATIN AMERICAN DEBT

Mexico has now reached a crucial juncture where it must decide whether to keep on paying off the debt or dedicate its resources to internal economic growth. Under the current rigid financial discipline, our country destines more than half of its Gross National Product to paying the debt and the interests due on that debt. According to some estimates, Mexico has already paid 80 percent of the total of its foreign debt in interest payments. Resources which could be invested in Mexico to attend to the growing and currently unsatisfied needs of the population, are handed over to the international banks. *Voices* here presents the opinions of various experts on the theme: Ifigenia Martínez, Senator for the Democratic Revolution Party; Leopoldo Zea, philosopher, emeritus professor of the UNAM, and Director of the Center for the Coordination and Diffusion of Latin American Studies in the UNAM; and Jesús Rangel, reporter for the national newspaper *El Excelsior* and specialist in financial matters. Their analyses will enrich the debate and information available on a question which concerns not only the future of Mexico, but that of all Latin America.

The recent popular revolts in Venezuela should be a warning to creditors and debtors of what could happen throughout Latin America if one and the other do not change their attitudes towards the foreign debt problem. The former, determined to preserve and increase profits derived from interests on the debt, which, as such, has been more than paid through sacrifices imposed upon the Latin American people. Paid through payments of interests, while the debt itself, far from decreasing, increases because of the ever growing percentage of said interests. The latter, the debtors, determined in turn to impose on their peoples the sacrifices which the creditors demand in return for new loans which barely cover interest payments. "It cannot be helped," —they tell us— "we must accept the conditions of the International Monetary Fund so as to obtain more loans." Except that the loans which give relative rest from the debt to those who direct and benefit from the economies of the indebted countries, produce larger debts which fall brutally on the shoulders of the great masses of Latin Amer-

ican people who have not enjoyed the advantages of the suffocating debt but only the growing sacrifices which are imposed in order to pay the interests.

The resistance of the Latin American peoples to accept sacrifices, which have no other purpose than to protect the interests of local oligarchies, interests which, far from benefitting the people, oppress them, has been expressed with great violence in several parts of Latin America, in Brazil, Argentina and now with the brutal violence in Venezuela. In Mexico the people, supposedly more long suffering, gave a civic response to the sacrifices which have been imposed on them in the recent elections of July 6, 1988. The popular vote represented a forceful rejection of the policy of condescension imposed by the creditors, as well as the corruption which originated a debt that has only benefitted groups with interests which are not those of the people, and also a rejection of the policy of sacrifices which were not suffered by those who had benefitted from the debt but by the people, who

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had to assume the payment of said debt. The people refuse to pay what they do not owe: a debt increased by the creditors themselves, who unload on these people not only the cost of interests on the debt, but also the cost of their own extravagance, raising interest rates in accordance with their own economy, their own inflation or internal debt so that the cost will not be paid by their own people.

The Latin American governments are now clearly conscious, so they express it, that the payments demanded cannot be paid by peoples held captive by an infernal economic policy which denies their development in order to pay the debt. It is the creditors who deny this necessary development by imposing restrictive policies on the commerce of the debtor nations. Our peoples, far from receiving a respite in order to achieve the growth which would enable them to face their economic problems, also bear the problems of the developed nations, which in their zeal to protect the interests of their citizens, without accepting any adverse effects, dump these last onto the debtors. Problems such as those caused by the expenditure necessary for a supposedly defensive arms buildup, daily more obsolete, which the peoples of the debtor countries also pay for. Peace through the threat of war, security and stability through the repression of people who do not accept these sacrifices, far from resolving the debt problem, aggravate it. Our people cannot continue to make sacrifices that the interests of their oligarchies require of them, much less those which are required of them for the stability of the more developed nations.

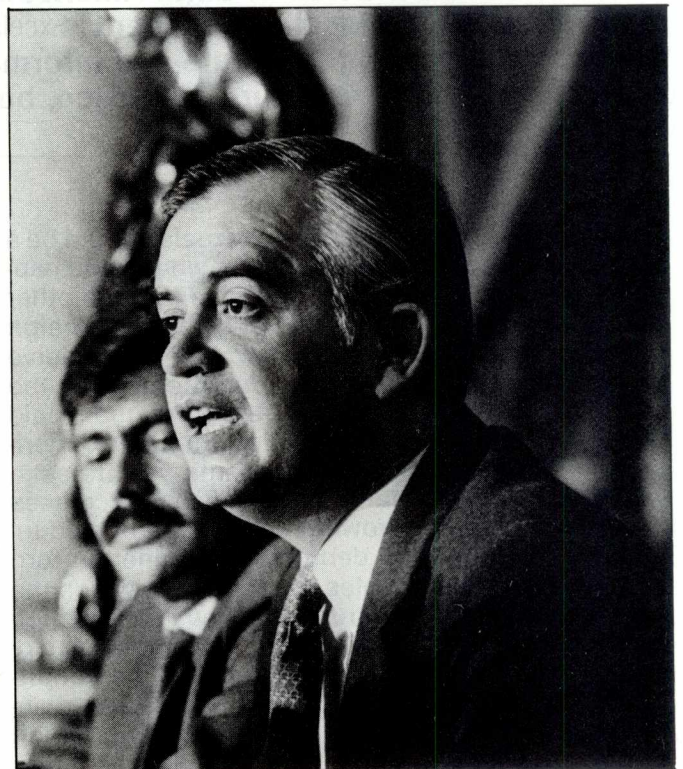
The ever-growing realization among the governments of Latin America that there must be growth in order to pay, that only development will permit the people to keep their promises, has restated an old problem, the problem of Latin American integration. The need for a common front to adjust the payment of interests on the debt, since it is impossible to pay the debt itself, and for the development of the peoples of the region. Agreement on the criteria for integration exists but its implementation is prevented by the fear of which we have spoken, the fear of not receiving loans which permit the payment of interest rates, but enlarge the debt and the new and forced payment of interests on the same. Integration is spoken of, but always with the condition that it not obstruct bilateral negotiations with the creditor, giving a respite only to the regional oligarchies who, punishing their peoples, produce evermore violent reactions against this policy.

Opposite this lack of unity in Latin America we see the large industrialized countries, who under the leadership of the United States, meet periodi-

cally to reduce their internal problems and establish unified policies towards the underdeveloped countries. Powerful nations united in cartels or creditors clubs, determined not to yield on any of their demands. In clubs, cartels or by whatever name the creditors are united and they impose their conditions on peoples whose capacity to pay does not concern them. Pay they must, even when the payments exceed the amount of the debt. If these countries cannot overcome underdevelopment under these conditions, all the worse for them. It is not taken into consideration that the incapacity of these peoples to continue making sacrifices which surpass their physical possibilities can only produce the cancellation of the debt, not by decision of their governments but because of the physical impossibility to do so. It is all the same to them, a slow death or a violent one, on installments or cash down.

Lack of Unity in Global Negotiations

The possibility of unity for the debtor nations of Latin America is condemned once and again. The creditors only accept bilateral negotiations, never in groups, never a debtors' cartel. On taking office, President Carlos Andrés Pérez of Venezuela spoke of the necessity of Latin American integration: "We integrate" —he said— "or we disappear." Speaking of the foreign debt he said: "Each country has its own banks, and a global negotiation would be impossible. What we propose is that we establish collectively a global framework for the debt, this is the objective that we seek. Once the frame-



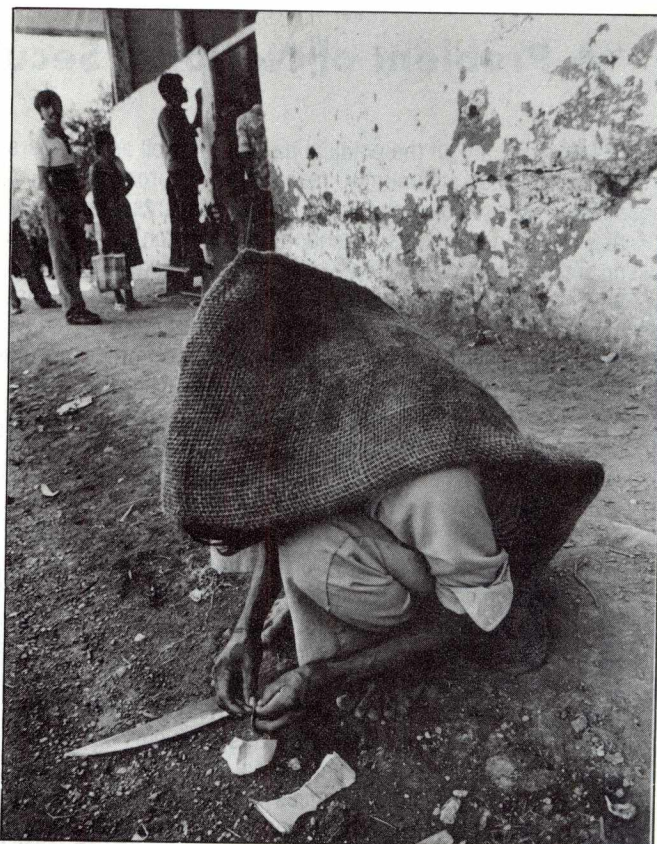
Pedro Aspe, Mexican Treasurer. Photo by Marco A. Cruz/Imagen Latina

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work is created, each country would discuss with its creditors the manner in which it would pay its debt." In this way President Carlos Andrés avoided speaking of a debtors' cartel, maintaining the possibility of negotiating separately with the respective creditors but within a global framework which does not implicate a collective action like that which the creditors actually impose on the debtors. The possibility for bilateral negotiation was left open and not global negotiation, which the International Monetary Fund paradoxically imposes. However, to the possibility of a global approach, in the air these days in Caracas, U.S. vicepresident Dan Quayle responded warning that the United States would oppose the unification of debtors. "We are absolutely opposed" —he said— "to the idea of a debtors' cartel." The debt should be dealt with on a case-by-case basis, with respect for the sovereignty of creditor and debtor nations. "Our objection" —he added— "is that a debtors' cartel goes nowhere." "Everyone knows our budget restrictions." These cannot be altered to attend to interests foreign to the United States. "It is obvious that problems like that of the foreign debt cannot be born by U.S. contributors, this is unacceptable to us." The shareholders of creditor banks obviously expect profits that cannot be limited by the incapacity to resolve problems the debt causes for debtor countries.

President Carlos Andrés Pérez, faced by this and other reactions of the creditors, declared that he had been defamed, that in no way had he proposed the creation of a debtors' cartel. President Carlos Andrés, in need of funds he had solicited, immediately made clear his decision to accept the conditions established by the IMF when he decreed measures, considered anti-inflationary, directed at paying interests on the Venezuelan debt. It was a short wait for the popular reaction, producing the tragedy which has shaken the world and demonstrated the error of an economic policy which proposes attaining profits, to the detriment of an evermore impoverished population. Opposite this policy was the reaction of people disposed to die quickly

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"The people refuse to pay what they do not owe". Photo by Marco A. Cruz/Imagen Latina

and violently, not little by little, suffering endless sacrifices. Obviously, such a reaction, if it extended the length of Latin America, would leave creditors without debtors to pay the debt and its necessary profits. It would mean the death of the hen that lays the golden eggs, but it would also mean that of those who propose killing her in order to gain the treasure.

Latin American Democracy at Risk

Faced with facts which by now no one can deny, the president of Venezuela, Carlos Andrés Pérez emphasized, "if there is no change in the unjust and indecent international order, 1989 will be the year of the destruction of the democratic process in Latin America." But it will be in any case, and one must add, the end of the democracy of the bonanza of the creditors. "If the developed world" —he added— "does not open its protectionist barriers and pay decent prices for raw materials... all will be lost for Latin American democracy." He criticized the national oligarchies that make profits in Latin America and weigh down their peoples with the losses: "If they do not accept logical profits instead of excessive ones, in the end they will lose what they have and what they have been able to accumulate, the well-being which they enjoy." He insisted that it is not a question of forming a debtors' cartel or club, but of not negotiating individually that which is a common process. He pointed out that the creditors have formed the Group of Seven "which no one considers a Usurers' Club," but

"A Problem of National Security": Francisco Suárez Dávila

In Mexico today all the political parties, as well as members of the business community, researchers, representatives of social organizations and even public servants are agreed that the country needs a temporal suspension of payments on its foreign debt. A few years ago, this was a proposal which only counted with the support of some trade unions, peasant organizations and opposition parties, but today, very diverse social and political groups are agreed on the need for a suspension of payments. Some make this proposal as a means of pressuring creditor banks in negotiations on the debt, while others see it as the only real possibility of avoiding national economic disaster and of providing opportunities for economic growth.

Rosario Green, director of the Institutional Revolutionary Party's International Affairs Commission, declared during a public debate on the foreign debt held between April and June in the Chamber of Deputies, that a reduction of the debt should be compulsory for creditor nations. Green, who is also Mexican director of the Mexico-U.S. Commission on the future of relations between both countries, maintained that: "either there is collaboration on this problem, or the only possible way will be the suspension of payments, imposed by the weight of circumstances and by the blindness of those who prefer to ignore the enormous sacrifices for the people of Mexico: sacrifices imposed by the jealous financial discipline of these last few years".

The business sector has also coincided on the need to suspend payments. Ricardo Guajardo, director of VISA, one of the country's strongest industrial groups, declared that this suspension "would not have negative repercussions in the short term". And the researcher Jorge Alberto Pérez Zohngbi, President of the Mexican Institute of International Studies on the Foreign Debt, stated in a written declaration to the Chamber of Deputies, that the Mexican government should declare a selective moratorium.

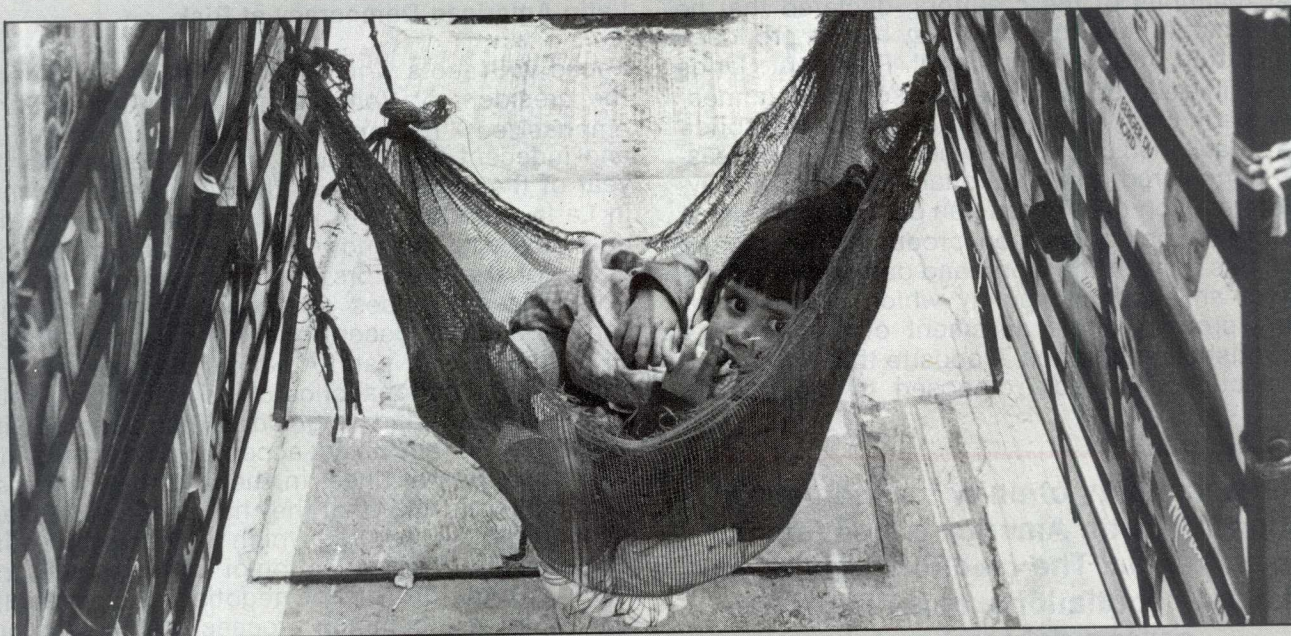
The public debate in the Chamber was held at the same

time as negotiations were going on between the Mexican government and international creditors. Ariel Buirá, director of International Organizations of the Bank of Mexico, had the support of researchers and of all the opposition parties when he said that "Mexico should be prepared to declare a possible suspension of payment of interests, in case the negotiations on re-structuring the foreign debt fall through".

Another Bank director, Francisco Suárez Dávila, of the Mexican Somex Bank, described the foreign debt as "a problem of an eminently social and political nature, and therefore, it is a grave and urgent problem of national security, and not, as was previously understood, a short term problem of a strictly financial nature".

Clemente Ruiz Durán, researcher at Mexico's National Autonomous University, said the suspension of payments is necessary in order to strengthen Mexico's position in negotiations with creditor banks and nations. This has not been the only time that Mexico has pressured to re-structure its foreign debt: the idea of forming a debtors' club, or in 1986, that the Mexican government would pay interests in national currency, achieved certain flexibility on part of creditors. However, speakers and legislators from all parliamentary factions coincided that the negotiations of 1982 and 1986 were mistaken, and therefore their results were insufficient.

It was made clear during the public debate that the foreign debt has not only implied unjust relations between creditors and debtors, but that the debt has not allowed any possibilities of development for the debtors. In 1862, Mexico declared itself unable to pay the foreign debt and was subsequently invaded by the Army of Napoleon III. At that time, the suspension of payments was caused by the circumstances of a recently-born Republic: economically precarious, but with the determination to guarantee its future. Today the proposal is not to ignore the debt which is oppressing Mexico, but to prevent rich creditor nations feeding off the misery of the debtors.



What is the foreign debt? Photo by Marco A. Cruz/Imagen Latina

For the people of Latin America, the payment of this debt which afflicts them is, obviously, linked to their growth, to their own very necessary development, which in turns depends on the capacity of the same peoples to join forces and confront problems which they have in common, that is, to integrate themselves

which actually coordinates the position of the most highly developed nations in relation to those which have not reached that level of development.

For the peoples of Latin America, the payment of this debt which afflicts them is, obviously, linked to their growth, to their own very necessary development, which in turn depends on the capacity of these same peoples to join forces and confront problems which they have in common, that is, integrate themselves, as they have been integrated but in various dependencies. Integrate themselves freely in defense of their own interests, forgetting about euphemisms in choosing a name for this integration. In 1810, throughout Latin America, from the Río Bravo to Tierra del Fuego, emancipation movements sprang forth challenging Iberian colonialism. In Mexico and Central America, Venezuela, Granada, Upper Peru, the River Plate, Chile and subsequently Brazil, the emancipation from colonialism was generalized. The liberators promptly realized that it was necessary to free not only their own countries but also the neighboring ones, and concern for continental liberation arose. Saint Martin marched from south to north, while Bolívar from north to south; in the middle the anticolonial liberation armies met and joined forces. The moment for the definitive battle for Latin America arrived, and it took place in Ayacucho, Peru in 1824. After the armies triumphed, the search for free integration began in order to put an end, once and for all, to dependent colonial integration.

But yesterday, as today, the search for free integration found its most immediate opposition in our North American neighbor, the United States, the first nation to give the example, to break with English colonialism. Immediately, instead of supporting the peoples who followed their example, they made clear their interests in maintaining Spanish colonialism in the West Indies, and their opposition to the integration of peoples who in this way could limit their expansionist projects to occupy the power vacuum left by Iberian imperialism. The correspondence of the State Department of the United States with its agents and allies was very clear: no projects for the integration of the recently liberated region, which would limit their projected expansion, nothing to do with Simón Bolívar who spoke of integration and was ready to liberate, along with Mexico, the territories in the Caribbean which were still under Spanish control. The integration proposed by the Liberator Bolívar, with an invitation to the emancipated peoples to meet in Panama, was



Indigenous groups suffer most in the economic crisis. Foto: Angeles Torrejón/Imagen Latina.

contrary to the interests of the United States. But it would be necessary to convince the Latin Americans who were invited that this integration was contrary to their sovereignty.

The United States, invited against the wishes of Bolívar, sent two representatives who carried with them the instructions of the Secretary of State Henry Clay. "The President is of the opinion" —said Clay— "that the proposed Congress should be considered a diplomatic corps, and not a body invested with the powers of an ordinary legislature; that is to say, any single State, of those which are represented, should not feel obliged by any pact or action which its representative does not subscribe to or benefit from. In this way" —he added— "the

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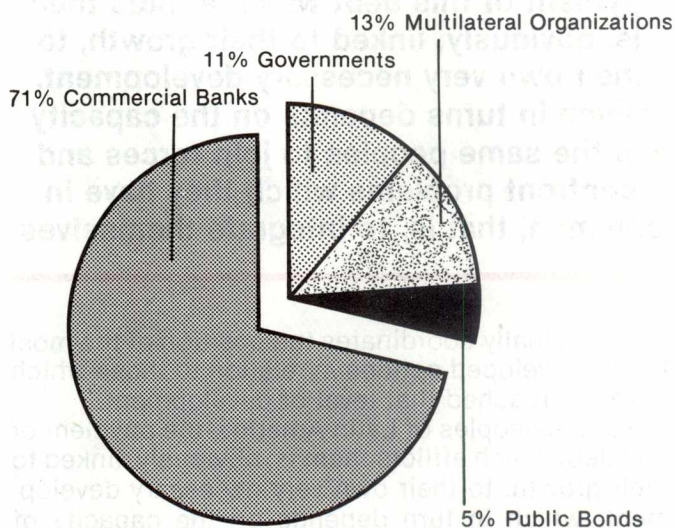
tentative to force the minority to make an agreement to which they are opposed because by mere circumstance the majority concurs, is destroyed, and each State will enjoy its free will and will govern itself according to its own interests." The sovereignty of one nation cannot be subordinated to the will of the majority of the others. So, Bolívar's proposal would result unacceptable to the United States and all free nations of America. "We reject the idea of an amphictyonic council" —continued Clay— "invested with the power to decide the controversies which originate between the American States, or to control their conduct in any way". "It would be as absurd to trust the diverse and complicated interests of the nations of a vast continent to a sole legislative authority as to establish an amphictyonic council for the entire world." Such a thing "in the reunion in Panama would find the opposition of the United States and other nations equally jealous of their autonomy". You must convince the rest of the ministers "of their faith in liberal institutions and warn them of ambitious machinations and plans, wherever they come from, which tend towards the destruction of liberal systems".

European Integration: a Demonstration of Autonomy

Yesterday, as today, powers such as the United States refuse to accept the integration of countries where it would limit their hegemony. The same arguments as were heard by Bolívar are now heard once more. Integration goes against the sovereignty of nations. These, for their own good, should avoid submitting to forms of dependence. Nevertheless, contrary to these affirmations the very same developed nations are solving their own problems today through integration. For example, the nations which form the European continent have formed the European Economic Community, which will integrate the diverse expressions of its peoples in the areas of politics, economics and culture.

What motivates this European integration? Europe, at the close of the Second World War was in absolute ruins, its cities, fields, industries destroyed, millions of men dead. It was the second time Europe had been the world's battle field. Its most powerful ally, the United States, on the other side of the Atlantic was, on the contrary, unharmed. This power would be in charge of the restoration of Europe. A restoration which Europeans would pay for. Europe was economically and politically dependent on the great power that was the United States. This is how Europeans felt from the very beginning of the postwar period. The other ally, the Soviet Union, now occupied a part of Central Europe, and the hegemonic struggle for the world between the United States and the Soviet Union was beginning. Europe was again the possible battle field for a third world war for this hegemony. Western Europe was already a satellite of the interests of the United States in Europe, a satellite that was well armed to prevent Soviet expansion into the rest of Europe. The United States, with ever more sophisticated arms,

Mexican foreign debt per creditor

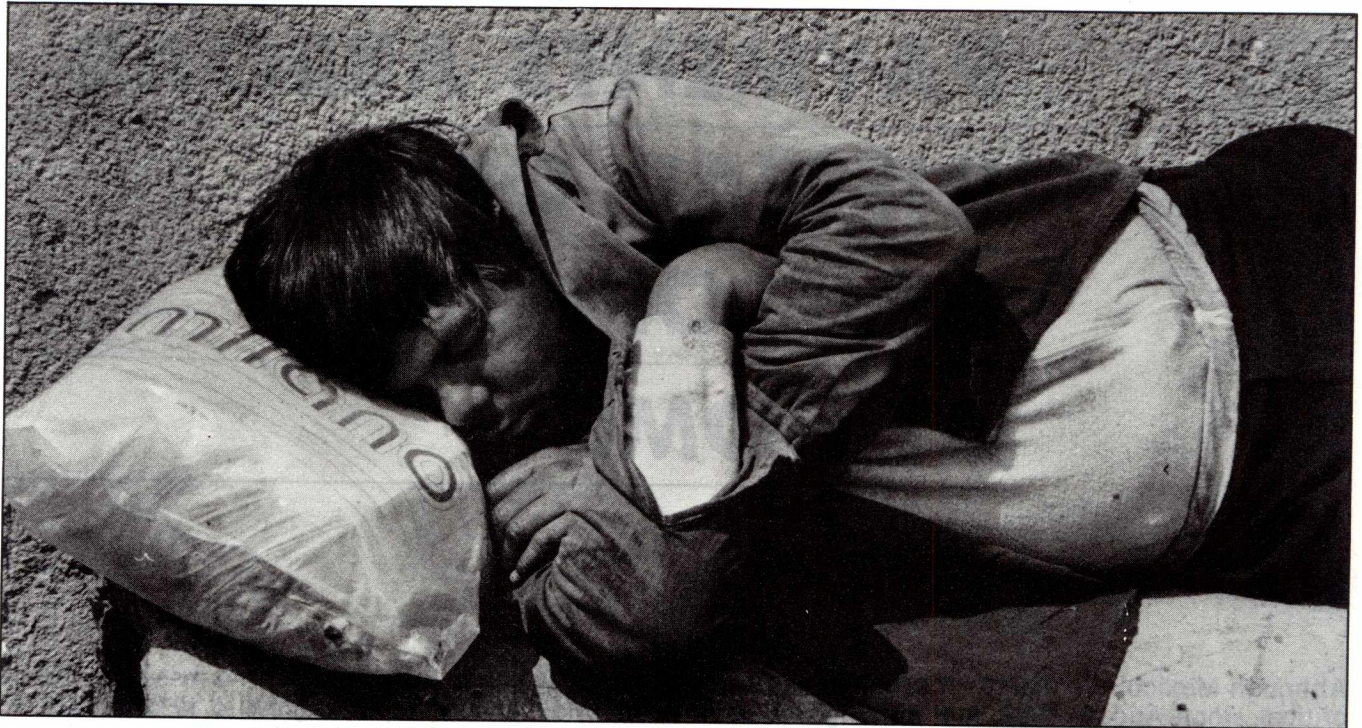


Source: Mexican Treasury (SHCP).

aimed at the Soviet Union from European bases. At the same time, the United States occupied the "power vacuum", as President Eisenhower called it, left by Europe as it retreated from its various colonies throughout the world. The United States would take charge of the new colonial order, substituting its European allies in places such as Indochina, which would originate the Vietnam war that would so deeply mark the U.S. puritan conscience. Its ships, aircraft carriers and parachutes would cut through various parts of the world to impose the Pax Americana. The Mediterranean would become a U.S. lake, from which to punish the subversion of the African peoples who in Africa and the Middle East resisted its hegemony. Europeans conscious of the fact would say: "now we know what it is to be a colony of a great power". The United States, in the name of western peace and security, maintained a strongly armed hegemony over Europe, transforming in into a simple base for its interests.

In recent years there has been talk about something which seemed impossible, the integration of the European Economic Community, the integration of the European peoples but without the United States; this may happen in 1992. In opposition to whom do the Europeans unite? What motivates their integration? It is a question of the integration of dissimilar, racially, culturally, linguistically and religiously diverse peoples. Peoples who have fought between themselves for centuries trying to impose their respective hegemonies. What unites

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Unemployment in Mexico City. Photo by Herón Alemán/Imagen Latina

them? What integrates them? Fear of the Soviet Union? The promoters of European integration who border the Soviet Union say, on the contrary, that it has been this nation, with its reforms, its *perestroika* and *glasnost*, which has stimulated the consolidation of the European Economic Community.

Useless Weapons

Why is this? Why has the instrument of their subordination to the United States —the compulsory arms buildup, the defensive shield— become unnecessary opposite the Soviet Union? The Soviet Union does not need war and does not need territories to guarantee interests beyond its borders. The Soviet Union wants to make reality of socialist promises which the compulsory arms buildup has prevented, such as raising the quality of life of its people. Is this not true for all peoples? Europe, if it can be self-reliant, will be if it integrates. It is not against the United States nor against the Soviet

Union that they unite but to guarantee the interests of their own peoples. European unity in peace can do more for its peoples than under the armed hegemony of the United States and faced with a supposed enemy who also wants peace. Only those weapons necessary for their own security should be installed, not those necessary for the security of the interests of the center of the empire. Faced with the new European attitude, the president of the United States, George Bush recently declared in Tokyo: "We should not forget that the Soviet threat continues to be real and we must do more to educate for war and remember the persistent character of this threat and the need for a strong defense." But this is precisely what is being questioned in Europe where the threat is not accepted as real, and the nations integrate for peace, making the U.S. military shield, through which their dependence was maintained, obsolete.

Well then, why do the peoples of Latin America not do the same? The world-wide confrontation that the United States insists on maintaining with the Soviet Union cannot continue to be used to maintain U.S. hegemony over the region to the south of its borders. This confrontation fails to make sense in a Europe which seeks, through its integration, the best defense from a supposed and possible aggression. Why cannot Latin America integrate in turn, putting aside the vertical integration imposed by the power center for its own exclusive interests? There is no reason why the economy and politics of our peoples should be subordinate to other interests in the name of a security which is nothing but the security of the interests of our powerful neighbor. It is not a question of confronting the United States but of demanding for our peoples that which the United States demands for its own. Nothing more, but nothing less either. □

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