Interview: João Salgueiro

'Africa needs our technology'

João Salgueiro, a member of the Partido Social-Democratica, is chairman of the National Assembly's Economic Commission. EIR *interviewed him on March 13. Text excerpted.*

EIR: Mr. Salgueiro, what are the effects of the IMF's conditions on your country's economy?

Salgueiro: I have always protested against the IMF policy, which is a short-term one, mainly concerned with short-term adjustment: If you adjust your short-term balance of payments, it creates a lot of trouble for already existing enterprises—bankruptcies, spread evenly across the board, but worst in the chemical industry, in durable goods, due to cuts in consumption. Food was not so affected, nor were services. But construction, mechanical engineering, and durable goods were. Infrastructure was delayed as a result of reducing government expenditure. Private investment was also badly reduced, very depressed with our incredibly high interest rates. We used to have low interest rates before the revolution, the idea was a very stable economic and political system, and one element of that was low interest rates and very low inflation. After the revolution it was the contrary. We don't have yet Latin American rates of inflation, but for Europe it is very high—last year 29%—and therefore, lending rates for industry stand at 31-32%, which is enormous. These rates are punitive for already existing companies and a very bad background for creating new ones, because without economic expansion, there will be no investment.

EIR: Recently, former President of Venezuela Herrera Campins stated in Buenos Aires that the IMF was the best recruiter for Soviet designs. . . .

Salgueiro: Well, I am not entirely sure. At least in the Portuguese situation, we have to add two qualifications. First, the IMF came into the picture when we proved unable to cope with our own problems. Most politicians prefer to tell the people they have to cut wages because the IMF imposed it; they could as well introduce some reforms to reduce bureaucracy and current government expenditure. But they prefer not to do that, keep on spending subsidies, create new bureaucratic jobs. In the end, since we spend too much, the IMF comes in and tells us to cut—the private sector! In the last two years of IMF action, we had a growth of 3% in real terms of government expenditure, a cut of 1% in private consumption, and a 15% drop in private investment. Now it is election year, 1985, with double elections—the government is expanding the economy, increasing government expenditure. It is not entirely the IMF's fault. But the IMF is not helping—unlike the Marshall Plan, which was helpful, and set up new projects, the simultaneous expansion of many countries, while the IMF does the contrary.

EIR: You describe a vicious circle, where IMF-enforced devaluation favors the traditional sectors of the economy at the expense of the modern ones. One irresistibly is led to think of the 1703 Treaty of Methuen with England, by which Portugal was assigned to be a mere exporter of wine and an importer of textiles, and saw its nascent industry destroyed in the name of the holy cows of competitive advantage and international division of labor. What could you do without the insane Fed and IMF policies?

Salgueiro: It's difficult to say, since it would depend on external markets—we're a very small market ourselves—and we won't create a new Albania here. How will the EEC question be solved? What will happen to Africa and South America? We won't be able for a few decades to compete with high-technology exporters. But we could become very competitive in medium-technology sectors, what the new countries exactly need. That's what we were preparing ourselves to do before decolonization, which stopped it, what we were doing in Angola and Mozambique, nations that are badly destroyed now but were among the most developed in Africa in terms of transportation, energy, agriculture, dams, new forms of agriculture, telecommunications. This we could do. Our people have always been able to work in tropical countries. Language is not a problem for Latin countries, for French Africa, for Spanish- and Portuguese-speaking countries. On the other side, we have always had large colonies of Portuguese in Western Europe, in America and Canada, markets that could be interesting for more traditional goods, or at least skilled labor-intensive products. There is no "cheap labor" in Europe. Skilled labor we could provide.

Agriculture was never one of the priorities of any government in Portugal—modern agriculture. In the 19th century, we imported raw materials and foodstuffs. Now, during the EEC negotiations, Portugal was sometimes treated as if it were the same as Spain or Greece, whereas it is exactly the contrary, since we do not export agricultural goods. We import a lot of food products.

Now, talking of new sectors—projects, construction, mechanical engineering—this is what we could do, whereas these areas went down during the last 10 years. Then fisheries and the sea in general. We have paid little attention to this in the last years.