

INTERVIEWS

Oswaldo de Rivero

Debt problem in 'dynamic stage'

Oswaldo de Rivero is Undersecretary for Economic Affairs in the Peruvian Foreign Ministry and head of the Peruvian delegation at UNCTAD VII in Geneva. Since Peru has been elected chairman of the Group of 77 in the important "Committee I" at this conference, which deals with the debt problem, Oswaldo de Rivero is the spokesman for the whole developing sector on the debt issue. This interview of July 15, and the others which follow, were conducted during UNCTAD VII in Geneva by EIR correspondents Ana María Mendoza and Hartmut Cramer.

EIR: Mr. Rivero, what prospects do you see for UNCTAD VII? Do you think, that unlike in Belgrade, constructive solutions will come out? Especially on the crucial debt question?

Rivero: Well, I don't want to be optimistic; I have to be realistic. I think, that because of the political timing of the conference there will be no *concrete* solutions on the debt question. The debt problem is now in a very dynamic phase, it is in a transition stage, because the banks and the creditor countries are now forced to think about the debt in a different way. They begin to believe that the debt is possibly unpayable. For the first time, the banks are building capital reserves to prepare for the possibility that the debt can't be paid.

Also, many developing countries are starting to think that development comes first and servicing the debt second. The fact, that Peru was elected as chairman and spokesman for the Group of 77 in "Committee I" is a reflection of this.

You see, Peru is a country which a year ago was considered to be a typical "pirate"; even for developing countries Peru was the bad example, the "bad guy." Now the situation is different; Peru is no longer alone. Now Brazil doesn't pay the debt, as well as Ecuador, Costa Rica, and the Ivory Coast. Furthermore, in Africa you have Zaire and Nigeria paying only 20% of their export earnings and Zambia only 10%, like Peru. What was very new two years ago when Peru started it, is now very common in the Group of 77, but I don't think, that the conference is prepared to accept this as a solution to the debt problem. I think we have to wait a bit more, the time is not yet favorable to reach agreements.

EIR: So you don't think that, with Peru being the spokesman of the entire developing sector on the debt question the famous "10% solution" of your country can gain a majority and be accepted as a solution of the debt problem at this conference?

Rivero: Well, first of all, the position of Peru is not that all the countries adopt the so-called "10% solution." What we are trying to do is to convince the international community that every developing country has a heavy debt burden and that each country has to accommodate the servicing of the debt to its real capacity to pay. This means that it can be limited to a certain percentage of export earnings, of the GNP, of the trade surplus, or related to the price of raw materials; but every country is sovereign to choose the parameters, according to its real capacity to pay. That *principled* position of Peru has already been accepted by the Group of 77 i.e., the entire developing sector.

Now we are going to propose that same principle to the developed countries, although we think that the developed countries are not ready to accept this position at this moment. But they have to admit, at least in an abstract manner, that new formulas are needed in order to solve the debt problem. Maybe they even think of the possibility of accepting this concept and furthermore these kinds of formulas.

But the problem is that the Peruvian position at this moment is still *unilateral*, it has not been negotiated with creditor countries until now, and I don't think that the creditor countries are going to accept that unilateral act. But they can, possibly, further down the road, agree to negotiate on this. After all, this is a political problem, not a technical one.

EIR: You are optimistic that this can happen?

Rivero: I don't want to be optimistic, but the only way that our position is accepted by the creditor countries is that they say: "Ok, we accept the payment of 10% of the debt and we start a negotiation process." I think the thesis is going to be accepted little by little; it has been already accepted by the Group of 77. Maybe other countries are ready to accept it on the condition that we are ready to negotiate.

We are not against negotiations, but the problem we are facing now is that we are governed by the "creditors' law." The creditors simply *impose* their law on us. When we put our "debtors' law," the "10% solution" or any other percentage on the table, we are faced with the "creditors' law," which means you have to refinance and pay spreads and more interest, which in turn increase the debt burden, with the result that each year or every two years this vicious circle of "refinancing" is continued.

If you accept this, you are going to pay an *eternal* revenue to the system. To this we say: No!

If the creditors want to agree with the principle that we have to get revenues and then negotiate on the basis of our revenues, we say, yes. But we don't accept a decision where the "creditors' law" is imposed on us; we want a decision

where the law of the creditor and that of the debtor are treated equally as in all civilized countries. In a civilized country you have civil rights also for the debtors. For example, if you owe money in the U.S.A. and your creditor increases the interest, you have the right to go to court and sue him. This principle of law does not exist on the international scene.

What we want is to negotiate a new general and multilateral framework to solve this problem. Not the law of the creditors like the Club of Paris and the Committee of the New York banks which are both unilateral. They claim it's multilateral; maybe for them, but for us it's unilateral. We would like to negotiate a new framework where the 10% or 20% solution can be agreed upon, but we will never accept this "creditors' law" which is prevailing now. If the creditors insist on that, they will see that what happened in Peru is going to happen in many more countries. Peru was the first to move, but now we have Ecuador, Brazil, and the African countries I already mentioned. Since the creditors insist on their terms, the debtors are starting also to impose their law, unilaterally.

EIR: The United States have not spoken yet at this conference, but the fact, that they have downgraded their delegation at UNCTAD VII is seen by many observers almost as an insult. What role do you think will the U.S.A. play here in Geneva?

Rivero: For me, the attitude of the U.S. government at this conference reflects that they are still pursuing very conservative policies concerning the problems of the world economy, whereas the important step which Japan has already decided to take reflects the dynamic nature of the Japanese economy. With these initiatives they are one of the big actors in this conference, as well as the Soviet Union.

The only big country that unfortunately has not changed id the U.S.A., they still keep the same pace that started with the Reagan administration. I hope they will rethink their attitude and live up to their responsibility, because the U.S. economy is the biggest in the world, it is the most popular country and they have to start thinking in a more cosmopolitan way.

EIR: In the ongoing election campaign in the U.S., Democratic presidential candidate Lyndon LaRouche is the only candidate in sight who campaigns for an economic policy based on growth and development. Would Peru like to see Mr. LaRouche playing a more prominent role in the U.S. elections?

Rivero: Yes, I think the United States needs new politicians, all the way. I do not know Mr. LaRouche personally, but I have heard that he is a very dynamic and provocative man. Well, you know, an open society needs some kind of provocation sometimes. I think it's good that he runs for President and provokes the American people to think and to change. Why not?

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Daniel Suazo

Palliatives cannot solve debt problem

Daniel Suazo is Minister Counsellor, Ambassador at the Permanent Mission of the Dominican Republic in Geneva. He was interviewed in Geneva on July 16.

EIR: Mr. Suazo, the biggest obstacle to development is undoubtedly the foreign debt, which is intensely discussed in "Committee I" at UNCTAD VII here in Geneva. Peru has been elected as chairman of the Group of 77 in this important committee, which means that Peru is representing the whole developing sector at this conference. Does this also mean, that the Peruvian position, the famous "10% solution," can be agreed upon as a solution to the debt crisis?

Suazo: What you are saying is only a number. The essential thing is the principle which Peru has introduced. The reality is that the developing countries cannot pay the debt under the conditions the international financial institutions are imposing on these countries, so there has to be a change in these policies. As I said in my speech to the conference: If this type of situation continues, then my country could initiate soon a special commercial relation with countries in the East bloc to try to find a market for its sugar production.

My country, for example, has suffered immensely from the drop in the terms of trade since 1970. The problem of foreign debt is also linked to the fact that every year, less and less capital comes into the country, so there is no money for investment. Consequently, this has resulted in a general deterioration of the living standard of the population and has threatened our social and political stability. Latin American economies were placed in strong and compulsive adjustment programs, which resulted in more contraction. The problem cannot be solved with temporary palliatives or with more debt restructuration accompanied by new money to pay old loans. Our country's debt has now risen to \$4 billion, which means we would have to pay more than 100% of our export earnings in order to pay the debt. That's impossible.

So obviously we need relief on the debt, but first of all, we need *new credits for investment and development* so that we can generate more wealth. Whether such a policy can be agreed upon at this conference, I cannot say.