IWGIA – International Work Group for Indigenous Affairs – is a non-political and non-religious organization concerned with the oppression of ethnic groups in various countries.

Administration: Mr. Karsten Soltau, Secretary General, responsible for the administration of the International Secretariat of IWGIA, together with two assistants, Mr. Claus B. Christensen and Mr. Jørgen Brochner Jørgensen.

Documentation: Mr. Helge Kleivan, responsible for IWGIA’s documentation and research activities, assisted by Ms. Diana Vinding, editorial secretary, and Mr. Kjeld K. Lings, translator.

IWGIA DOCUMENTS can be obtained through subscription or can be purchased separately. The subscription fee for 1979 for individuals is US $12.00 (60 D.kr.) or the equivalent in other currencies. The subscription fee for institutions is US $24.00 (120 D.kr.) or the equivalent in other currencies. Please, make your check or international money order payable to:

The International Secretariat of IWGIA
Frederiksholm Kanal 4A
DK-1220 Copenhagen K
Denmark

Richard Chase Smith

THE MULTINATIONAL SQUEEZE
ON THE AMUESHA PEOPLE OF CENTRAL PERU

Copenhagen 1979
Richard Chase Smith, an American anthropologist, with a Ph.D. from Cornell University, has lived for many years with the Amuesha people of the Chorobamba valley, northeast of Lima, in the Departamento of Coro de Pasco.

In 1974, he published a document for the IWGIA series: THE AMUESHA PEOPLE OF CENTRAL PERU: THEIR STRUGGLE TO SURVIVE (Document 16) where he exposed the threats of missionary colonization. Today the Amuesha face another threat, that of multinational corporations. The economic influence of these corporations on the Peruvian government has brought about a new land policy, expressed in the “Nueva Ley de Comunidades Nativas” (1978) which replaced the Law of Native Communities proclaimed in 1974. A commentary on both laws is given in appendix to this Document by the author, Carlos Mora and Alberto Chirif.

Part of the present document was originally presented by Dr. Richard Chase Smith at the AMAZONIA SYMPOSIUM, in Madison, Wisc., April 18-22, 1978.

The views expressed in IWGIA Documents are those of the authors and not necessarily those of the organization.

Copenhagen, February 1979
THE MULTINATIONAL SQUEEZE
ON THE AMUESHA PEOPLE OF CENTRAL PERU

INTRODUCTION

In 1974 I published an article in the IWGIA Document series (Smith, 1974) in which I told of the struggle of one Amuesha community with a Catholic Franciscan mission to retain control over a small area to which these Amuesha had retreated. In 1976, the Peruvian government awarded this community, now called Tsachopen, title to an area of slightly over 760 hectares; these were precisely the lands which had been under dispute with the mission. It seemed at the time that justice had finally been done to this small community of Amuesha which had known nothing but injustice since the colonists and missionaries had entered almost a century earlier. However, since that victorious day two years ago, the community of Tsachopen has not had a moment of peace: on the one hand, renewed aggression by the mission, and on the other, the prospect of invasion by a Japanese mining company have created serious doubts about the value of the land title, about the future of the community, and about the government's stated intention of guaranteeing the rights of its native peoples.
Elsewhere I will analyse the continued struggle between the Amuesha community and the Franciscan mission. Here I want to bring public attention to the other threat facing the community - the Mitsui Mining and Smelting Co. - and then by analyzing this particular situation, I want to examine and comment on the political economy of foreign investment and loans in Peru, the situation of economic dependency of third world nations on the industrialized capitalist nations, and the geopolitics of the present scramble by the industrialized nations to secure for themselves what is left of the world's natural resources. And finally I will say something about what all this means for the small communities of native peoples living in the upper Amazon basin.

HOW IT ALL BEGAN

The story began during the months of June and July of 1976 when a small group of Japanese geologists appeared very discreetly in the colonist town of Oxapampa. They were seen driving about the valley in new Toyota Land Cruisers, collecting samples of rocks and dirt. Wild rumours began to circulate around this small German and mestizo farming community; some said these strangers were looking for oil while others claimed they had come to look for buried Inca gold. The truth was that no one knew what they were up to. In May of the following year (1977) a much larger group of Japanese geologists, between 15 and 20, with a larger fleet of Land Cruisers, appeared in Oxapampa. This time they came prepared to stay for a while, renting the largest building in town as their headquarters. In June, they were seen climbing around the hills of the Amuesha community of Tsachopen, painting bright orange crosses and circles on exposed cliffs and rocks. They all spoke a strange language and communicated with no one in the community. However we managed to get some information from their Peruvian drivers, who told us that the Japanese were exploring for mineral deposits, especially uranium, nickel, and zinc, and that they worked for the Meisco Mining Co., a subsidiary of the Mitsui Mining and Smelting Co.1 At the end of July, the community was informed that two test holes would be drilled on their lands in order to ascertain the extent of the reserves. These were the only two such test holes drilled in the entire valley. The community leaders demanded that a written agreement be signed between the Japanese company and the community stipulating the conditions of the test drilling. At first the Japanese agreed. But the local Peruvian authorities representing the local power elite, anxious to form an alliance with the potential new economic masters of Oxapampa, convinced the Japanese that there was no need to sign any agreement with the local Indians. So between September and November, the Mitsui exploratory team introduced heavy drilling equipment into the community, established test sites, and extracted two cores of rock from deep inside the Amuesha's earth. When the annual rains began, the equipment was returned to the storage depot in Oxapampa and the Japanese vanished just as mysteriously as they had appeared. To this day the town is alive with wild rumours about large scale mining operations which will save the declining economy of the colonists. But nothing is known for sure; not a single word, official or otherwise, has appeared in the country's newspapers or mining journals. The whole operation is surrounded by what appears to be an official silence. The exploration team has not yet returned to the area though they are expected to appear any day.
WHAT WILL THE FUTURE BRING?

Given this situation, there are two questions I would ask first: (1) what are the prospects for future mineral exploitation by Mitsui Mining and Smelting Co.) and (2) what will happen to the Amuesha community of Tsachopen should a mining operation begin on their land? To answer the first question, it is well known that the hills of Oxapampa contain mineral wealth, since small lead mines have operated there in the past. However, the size of the reserves and the economics of exploiting them is known only to the American owned Cerro de Pasco Corporation which explored the area twenty years ago, and to the Mitsui Mining and Smelting Co. which is currently exploring the area. At the same time, the Peruvian government has put out an enormous welcome mat to foreign investors, especially in the petroleum and mining fields. So it seems that the prospects for the Mitsui Mining and Smelting Co. are excellent.

On the other hand, the Peruvian Mining Law of 1970 gave the Peruvian state exclusive right to all the sub-soil resources of the country, a nationalistic move to counter the growing foreign control over Peru's mineral and oil reserves. Thus, the community land title does not give the community any claim to the mineral wealth under the topsoil. Furthermore, article 29 of the 1974 Native Communities and Jungle Development Law, a law enacted to protect the rights of the native populations, states: "The lands of the Jungle are subject to the following:... b/ free passage for oil and gas pipelines; installations for the exploration and exploitation of minerals and petroleum... The establishment of such services will not require the payment of any indemnization to the property owner." So, the Amuesha not only have to give up the mineral wealth under their lands, but have no right to compensation for any of the losses suffered from the exploitation of that mineral wealth. In other words, if the Japanese find economically exploitable mineral reserves underneath the community of Tsachopen, they may, through a contractual arrangement with the Peruvian state mining agency, simply install their operation, push the Amuesha off their lands, and never pay them a cent. It sounds incredible, but at this moment that is the very real prospect for the future of the Amuesha people of Tsachopen.

As the Amuesha can see the situation, there are powerful foreigners, aided by other "foreigners" of the local and national governments, who threaten to invade their lands, to rob them of their only means of livelihood, and to change dramatically their way of life. However, what they are unable to see and to explain to themselves is why this is happening, who is responsible for this, and why they are left with no legal grounds for defending themselves. These, and other questions I will attempt to answer here, but to do so, I must leave Oxapampa and jump to Lima, the capital of Peru, to Tokyo, the political and economic capital of Japan, and to Washington D.C., New York, Bonn, London, Paris, Geneva, etc., the financial and political centers of the industrialized capitalist world. I will begin this journey by comparing the Peruvian mining industry before and after the military coup of 1968 which brought the nationalistic and reform minded General Velasco to power. Then after looking at some of the economic gambles which the General took to pay for these social reforms and development projects, I will go to Japan to examine Japanese economic policy and foreign investment in as much as it affects Peru. Then back to Peru to analyse the recent financial crisis, characterized mainly by Peru's inability to repay her burgeoning foreign debt; and finally I will move on to the metropolis of the capitalist world to look at the role of foreign loans and lending agencies in the economies and politics of the third world countries. Hopefully
by then it will be clear what all these detours have to do with the problem of the Mitsui Mining and Smelting Co. and the Amuesha community of Tsachopen.

THE PERUVIAN MINING INDUSTRY BEFORE AND AFTER THE 1968 COUP

The period between 1950 and 1970 was a time of rapid expansion of the Peruvian mining industry, paid for almost exclusively by an enormous increase in foreign investment in Peruvian mines. Following the enactment of the mining code of 1950, which allowed foreign investors a free hand in the mining industry, North American capital poured into Peruvian mines: such mining giants as Newmont Mining Corp., AMAX Corp., American Smelting and Refining Co., Phelps Dodge Corp., Cyprus Mines Corp., and several others pooled their capital and technological resources to develop and dominate Peru's mineral resources and mining industry. During this period, two of the three largest North American owned mining operations in Peru - the Southern Peru Copper Corp. and the Marcona Mining Co. - came into existence; and the third, the Cerro de Pasco Corp., while it had already been operating for several decades in Peru, took advantage of the favorable conditions to invest large sums into new mines and refineries. (Ballantyne, 1975; Malpica, 1968).

In fact by 1968, while less than half of Peru's 45 commercial mining ventures were owned or controlled by foreigners, they controlled 92.8% of the equity capital of the industry and generated 94.7% of the total sales value as can be seen in Table I. These foreign owned companies also produced about 90% of the copper ore, 70% of the lead, 75% of the zinc, and fully 100% of the iron ore (Andean Times, 1974).

Foreign interests had control of all the major copper reserves, and all the iron ore reserves in Peru. If we consider that minerals, especially copper, were high on the list of Peru's exports in terms of the foreign exchange they brought into the country, then we can get an idea of the enormous power which these foreign companies exerted within the Peruvian economy.

By cultivating a close and mutually beneficial relationship with Peru's own economic and political elite, these companies were able to greatly increase their power. The Peruvian board of directors and the top personnel of the Cerro de Pasco Corp. read like a "who's who" of Peru's richest and most powerful families (Malpica, 1968). These contacts enabled the foreign companies to obtain extremely favorable contracts with the Peruvian government which granted them special tax status, importing privileges, large profit margins, etc. which allowed the companies to amass, in most cases, extraordinarily large profits. These companies defended their profits from public attack by arguing that they were generating wealth for the host country through reinvestment, salaries, foreign exchange earnings, etc. However, Malpica, a member of the Peruvian Congress committee which investigated the activities of the Southern Peru Copper Corp., exposed the fallacy of these arguments by demonstrating that in the case of the Southern Peru Copper Corp., out of every $100 produced by their Toquepala mines, only $20 stayed in the country in the form of salaries, taxes, and capital outlay. The rest returned to the U.S.A. in the form of company profits, depletion and amortization payments, and purchases of U.S. technology and equipment.

The pre-1968 mining industry then can be characterized as having been dominated by foreign capital and control, concentrated in three large North American companies, by a total dependence on the capitalist industrial world for investment capital, technology, and equipment, and by a close
working relationship between the foreign owned mining corporations and the local economic and political elites.

The military coup of 1968 which brought General Juan Velasco to power, brought with it sweeping reforms in an attempt to avoid a violent social upheaval by redistributing some of the power and wealth of the country. In 1970 a new mining code was enacted which put into motion forces which eventually were to change the picture of the mining industry. The law established state ownership to all subsoil mineral resources in Peru, and immediately nationalized all unexploited mineral concessions. These included about 1500 million tons of copper reserves which had been held by the Cerro de Pasco Corp., by the American Smelting and Refining Co., and by the Anaconda Copper Corp., as well as the enormous Bayovar phosphate reserves held by Kaiser Aluminium.

At the same time, a state mining agency, Minerperu, was established to develop these nationalized reserves, to renegotiate new contracts with existing mining companies, and to coordinate explorations for new minerals. Minerperu was also given the exclusive right to develop any new refineries in the country, as well as to market all the mineral production. The Velasco government simultaneously created the Comunidad Minera, an organization composed of all mine workers, through which 10% of the pre-tax profit of each company is redistributed to the workers in the form of cash and shares in the company.

In 1974, for a wide variety of reasons, the Peruvian government nationalized the Cerro de Pasco Corporation's six active mines, smelter, refineries, railroad, and other installations, and established an independent state-owned mining company, Centromin, to take over the facilities. The following year, a few months before a right-wing coup replaced General Velasco, the Marcona Mining Co. was nationalized as well, ending many years of bitter dispute between the company and successive Peruvian governments. Thus by

<table>
<thead>
<tr>
<th>TABLE I OWNERSHIP STRUCTURE OF THE PERUVIAN MINING INDUSTRY 1968 - 1969</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company</strong></td>
</tr>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td><strong>Southern Peru Copper</strong></td>
</tr>
<tr>
<td><strong>Cerro de Pasco</strong></td>
</tr>
<tr>
<td><strong>Corporación Andina de Minería (Cerro de Pasco)</strong></td>
</tr>
<tr>
<td><strong>Minera de Pasco (ASARCO)</strong></td>
</tr>
<tr>
<td><strong>Northern Peru (Minera)</strong></td>
</tr>
<tr>
<td><strong>Japanese Companies</strong> (French Interests)**</td>
</tr>
<tr>
<td><strong>Buenaventura</strong></td>
</tr>
<tr>
<td><strong>Nacional de Perú (Sociedad Minera)</strong></td>
</tr>
<tr>
<td><strong>Other Companies (Piedras, Perú)</strong></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
</tr>
</tbody>
</table>

Source: Based on the author's research and data from the Multinational Mining Corporations in Peru: A Study of the Counter-Reformation of the Peruvian Mining Industry.
mid-1975, two of the three largest U.S.A. owned mining firms had been nationalized, leaving only the Southern Peru Copper Corp.

By this same year, foreign owned mining operations in Peru accounted for less than 50% of the total net profits generated by the mining industry. Of this amount, the one remaining USA mining giant, the Southern Peru, accounted for almost 80%2). Southern Peru, and the other foreign owned copper mines still exercised exaggerated influence over the Peruvian economy through their control of the major export product. Copper exports accounted for 55% of Peru's total foreign exchange earnings during 1976. Since Southern Peru produced roughly 65% of Peru's copper, this company accounted for about 36% of Peru's foreign exchange earnings during that period (LAER, V-12; Andean Times).

THE REFORMS OF THE VELASCO GOVERNMENT

The Velasco government introduced a wide range of other basic reforms to deal with the pressing social and economic problems of the country. These include the much praised agrarian reform, which cooperativized all of the large sugar, cotton, and other estates, and redistributed the rest of the country's large and medium sized land holdings; the educational reform, which reorganized Peru's education system, updated all the text books, and brought the universities into a single coordinated system; and the industrial reform, which aimed at giving workers a greater share of company profits and company ownership. The government also created a new social property sector and lent money for the creation of worker-owned and managed enterprises. Basic industries such as oil, mining, communications, cement and fishing were nationalized and put under state control. In foreign affairs the Velasco government won the admiration of most of the third world for its strongly independent, nationalistic, and third world stance in foreign policy.

To accomplish these expensive reforms, the Velasco government resorted to a number of economic and political moves. In the first place, price controls and subsidies were imposed on items of basic necessity and on gasoline, while wages were raised, in an effort to gain popular support. To get and keep the support of the military sectors, Velasco bought large quantities of new arms, including sophisticated tanks and jet planes, and allowed each service branch to import large quantities of luxury goods for their officer corps. To make up to the decrease in private investment and the increased decapitalization by foreign companies, and at the same time to strengthen the state's role in and control of the development of Peru's basic industries, the government began investing public funds in the petroleum, mining, communication, and fishing industries.

To pay the bill for all this, the government borrowed heavily from foreign sources, gambling on three future sources of income to repay the loans: oil from the Amazon, copper from the nationalized concessions, and fishmeal from the nationalized fishing industry. All three of these were potentially large foreign exchange earners. The oil gamble is especially significant for the case of Mitsui and the Amuesha, and needs to be looked at in more detail.

As excitement increased over the oil discoveries in the Amazon basin of Colombia and Ecuador, attention was focused on the Peruvian Amazon. The Peruvian state oil corporation, Petróleos, made its first discovery in late 1971 and the oil boom began in Peru. Occidental Oil Co., agreeing to the stiff terms of the "Peruvian model" contract, followed suit in late 1972 with its first successful oil well. By 1974, 26 foreign
oil companies had signed similar contracts for exploration in Peru's Amazon (Davis, 1976).

In 1972, with the discovery of oil by Occidental, the Peruvian government decided to build a pipeline from the northern Amazon across the Andes mountains to a refinery and port facility on the Pacific coast for a total distance of 856 kilometers. Although proven reserves at that time were little more than 300 million barrels, the pipeline was planned for a capacity of 200,000 barrels per day, twice the capacity of either the Colombian or the Ecuadorian pipelines. Construction of the pipeline was done by a consortium of three U.S. firms plus an Italo-Argentine firm. The pipe itself was supplied by a West German firm, and by three Japanese firms, including Mitsui Co.

To finance this enormous project, the Peruvian government negotiated a loan of 330 million dollars from the Japan Petroleum Development Corp., an agency of the Japanese government, and from the Japan Oil Co., a Mitsui-Marubeni-Mitsubishi consortium (LAER, II-40). In return for the loan, Petroperú guaranteed the sale to Japan of 255 million barrels of crude and refined oil, that is, about 80% of the known oil reserves at that time. Subsequent loans from Japan (including from the Mitsui Bank) and from elsewhere were needed to make up the difference between the initial estimate of 250 million dollars and the final cost of well over one billion dollars.

To build the pipeline, said to be, mile for mile, the world's most expensive pipeline, Peru mortgaged her oil reserves and her future to foreign creditors, especially to Japan, and to the Mitsui Co. And for some reason Peru was willing to do this without any real guarantee that there was oil to be found in her Amazon basin.

JAPAN'S LACK OF NATURAL RESOURCES

I think this is a good point to turn our attention to Japan and the political economy of her economic growth during the past several decades. Two factors stand out in the economic development of Japan since she began to industrialize in the middle of last century. First a strong sense of nationalism led Japan to attempt to avoid Western economic imperialism by rejecting foreign loans and direct foreign investment. Instead Japan relied on her own capital and her ability to use that capital wisely. Thus, the second factor, a close relationship developed between government and business in Japan. The government acted as a central mechanism through which scarce resources were allocated to the fledgling industries and businesses. Furthermore, the Japanese government underwrote the costs of accumulating information on Western science, technology, and marketing practices, which Japanese business desperately needed in order to compete economically with the Western world. It was during this period, roughly between 1870 and 1930, that, aided by favored status with the government, the family-owned business monoliths like Mitsui and Mitsubishi rose to prominence and came to dominate heavy industry, manufacturing, banking, and commerce in Japan.

Japan's miracle economic recovery after World War II was due in part to the close collaboration between business and government, in which, once again, the government acted as economic policy setter and allocator of scarce capital and foreign exchange. The post World War II emphasis on the development of heavy and chemical industries put Japan in a position of requiring large amounts of raw materials from
overseas. As is evident from Table II, Japan's consumption of raw materials increased dramatically between 1950 and 1970; as the country is endowed with relatively few sources of raw materials, she came to rely more and more on outside sources.

<table>
<thead>
<tr>
<th>TABLE II: JAPAN'S CONSUMPTION AND IMPORT OF RAW MATERIALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Increase in Consumption 1950 - 1970</td>
</tr>
<tr>
<td>COPPER</td>
</tr>
<tr>
<td>% of Raw Material Imported</td>
</tr>
<tr>
<td>1950</td>
</tr>
<tr>
<td>1970</td>
</tr>
</tbody>
</table>

In order to protect herself from the loss of foreign exchange during this period, the Japanese government permitted only the importation of unprocessed raw materials which were then entirely processed by Japanese industry. The large trading companies, like Mitsui and Mitsubishi, largely dismantled after World War II, regained their economic predominance and slowly reassembled their empires, trading, in effect, Japanese products for raw materials, which they then processed and industrialized in their own industries at home. There was very little direct investment in raw material procurement and processing overseas during this time.

Until the mid 1960's, Japan's dependence on imported raw materials posed few problems as there was, in general, a glut of raw materials on the world market. It was a buyer's market, a time when the importers could effectively set the conditions of purchase and the prices for the raw materials. However, this situation changed drastically in the mid-1960's as shortages of raw materials began to appear. Suddenly orders for some materials went unfilled and Japan's vulnerability became apparent. In fact, the whole industrialized world became aware of its vulnerability. And as a result, the governments and multinational companies of the industrialized countries jumped into the present world-wide scramble to secure their future supplies of raw materials.

In the face of this new challenge, the government and business in Japan again joined forces in a two-fold strategy to assure a continued supply of materials. (1) They began to use loan-related procurement contracts; and (2) they began to invest directly in overseas raw material projects. In the first case, a raw material importer in Japan, like the Mitsui Co., offered large low interest loans to local mining companies and to the supplier governments in exchange for a guaranteed supply of a particular raw material. The money for these loans was often supplied by the Japanese government. I have already analyzed the case of the large loan to the Peruvian government to build the trans-Andean oil pipeline in exchange for which Japan was guaranteed the sale of 255 million barrels of crude and refined oil. According to one estimate, ten to fifteen percent of Japan's copper imports in 1970 came from loan-related contracts; by mid-1975 that figure reached thirty percent (Tsurumi, 1976). The use of international loans and credit to secure such supply guarantees and other economic and political concessions is not by any means restricted to Japan. I will return to this point later.

On the other hand, between 1968 and 1975, Japanese business increased by ten-fold its overseas investment in mining projects (Tsurumi, 1976). Though, by comparison with North American or Western European investments, Japanese foreign
investment in mining was still rather small. In order to compete with the enormous multinational corporations of the U.S.A. and Western Europe, the Japanese formed large consortiums of Japanese mining and trading companies, very often with money from the government. With financing guaranteed, and the risk spread thin, the investors were often willing and able to accept more stringent contract conditions than their competitors, and thus have been able to "capture" raw material sources ahead of others.

It soon became apparent to Japanese business that direct investment in overseas operations was an extremely advantageous solution to the raw material problem. In the first place, as owners or co-owners in the foreign mining company, Japan could get price discounts and thus cheaper raw materials. At the same time, direct investment gave Japan more direct control over the resource supply as well as a greater knowledge of the extractive industry. Finally by setting up processing plants on the site of the foreign operation, and importing the raw materials in more refined or concentrated form, Japan was able to reduce the shipping costs of her raw materials while still sharing in the profits of their processing. And, to boot, she exported a part of her chronic pollution problem.

Japanese direct investment in the Peruvian mining sector certainly follows this pattern. Since the mid-1960's for example, the Mitsui Mining and Smelting Co. has invested in the Santa Luisa Mine (fifth largest producer of lead and zinc), the newly formed Katanga Mining Co., and in consortium with other Japanese companies, has invested in two copper mines, the fourth and fifth largest producers in Peru. Recently Mineroperú signed a contract with a Japanese consortium which includes Mitsui, Furukawa, Nippon, Mitsubishi, Sumitomo, and Dowa for the development of the state-owned Michiquillay copper deposits near Cajamarca. If the project goes as planned, it will be the largest Japanese copper mining operation in the world. The contract terms of this project have not been made public. Japanese money and technology, through a Mitsui-Furukawa consortium, is helping to build the state-owned copper refinery at Ilo, which will process ores from Southern Peru's Cuajone project and eventually from the state-owned Quellaveco deposit. Here again, the conditions of Mitsui and Furukawa participation in the refinery project are not known.

THE FOREIGN DEBT OF PERU

I will now leave Japan and return to Peru, which I left in the midst of a borrowing spree. The Velasco government was well aware of its almost total dependence on the U.S. government and U.S. controlled lending agencies for medium and long term loans (Instituto Nacional de Planificación, 1977a). That dependence became clear to all between 1967 and 1973 when the U.S. government imposed a loan embargo on Peru because of the dispute with and later nationalization of the International Petroleum Co., a subsidiary of Standard Oil of New Jersey. As a result of the embargo, Peru began to look elsewhere for the needed foreign currency. During this same period, commercial banks and large consortium banks dealing in eurodollars began their move into the lucrative business of lending eurodollars to third world nations. Because of the future prospects for oil, copper, and fishmeal in Peru, these U.S., Japanese, and European banks considered Peru as a good lending risk and were willing to make available large sums of money.

Between 1971 and 1975 Peru's foreign debt climbed astronomically from under one billion dollars to over four and one half billion dollars. Table III shows the accumulation
### Table III

The Accumulation of the Public Foreign Debt by Country of Origin 1965-1975

(US $ millions)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IDB</td>
<td>33,871</td>
<td>52,220</td>
<td>73,620</td>
<td>109,234</td>
<td>140,723</td>
<td>155,182</td>
</tr>
<tr>
<td>SRIF</td>
<td>38,906</td>
<td>59,834</td>
<td>77,182</td>
<td>78,905</td>
<td>77,701</td>
<td>87,992</td>
</tr>
<tr>
<td>CAF</td>
<td></td>
<td></td>
<td></td>
<td>3,100</td>
<td>1,100</td>
<td>16,257</td>
</tr>
<tr>
<td>AID</td>
<td>43,866</td>
<td>65,453</td>
<td>76,739</td>
<td>77,690</td>
<td>83,305</td>
<td>89,207</td>
</tr>
<tr>
<td>EximBank</td>
<td>14,741</td>
<td>33,166</td>
<td>36,584</td>
<td>30,579</td>
<td>19,907</td>
<td>10,023</td>
</tr>
<tr>
<td>Argentina</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17,503</td>
<td>29,374</td>
</tr>
<tr>
<td>Australia</td>
<td></td>
<td></td>
<td></td>
<td>7,712</td>
<td>3,651</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>0,282</td>
<td>2,582</td>
<td>1,562</td>
<td>0,706</td>
<td>0,057</td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>24,389</td>
<td>27,603</td>
<td>28,066</td>
<td>17,506</td>
<td>6,785</td>
<td>0,397</td>
</tr>
<tr>
<td>Brazil</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,611</td>
<td>0,793</td>
</tr>
<tr>
<td>Canada</td>
<td>0,087</td>
<td>4,733</td>
<td>23,339</td>
<td>87,185</td>
<td>79,228</td>
<td>108,819</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,025</td>
<td>11,568</td>
</tr>
<tr>
<td>Denmark</td>
<td></td>
<td>0,903</td>
<td>1,535</td>
<td>3,189</td>
<td>3,488</td>
<td>3,584</td>
</tr>
<tr>
<td>Finland</td>
<td>11,191</td>
<td>23,747</td>
<td>22,440</td>
<td>20,769</td>
<td>17,588</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>6,564</td>
<td>5,357</td>
<td>50,668</td>
<td>50,870</td>
<td>37,138</td>
<td>75,154</td>
</tr>
<tr>
<td>Great Britain</td>
<td>12,321</td>
<td>8,305</td>
<td>20,195</td>
<td>23,992</td>
<td>15,584</td>
<td>42,907</td>
</tr>
<tr>
<td>Hungary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8,914</td>
<td>22,928</td>
</tr>
<tr>
<td>Israel</td>
<td></td>
<td>0,712</td>
<td>0,558</td>
<td>4,458</td>
<td>2,555</td>
<td>10,596</td>
</tr>
<tr>
<td>Italy</td>
<td>3,171</td>
<td>17,185</td>
<td>91,332</td>
<td>145,838</td>
<td>156,152</td>
<td>164,045</td>
</tr>
<tr>
<td>Japan</td>
<td>17,165</td>
<td>43,800</td>
<td>42,453</td>
<td>34,317</td>
<td>79,926</td>
<td>415,165</td>
</tr>
<tr>
<td>Mexico</td>
<td>8,135</td>
<td></td>
<td></td>
<td></td>
<td>4,571</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>2,269</td>
<td>2,421</td>
<td>2,199</td>
<td>1,174</td>
<td>14,691</td>
<td>40,369</td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
<td></td>
<td>10,000</td>
<td>10,000</td>
<td>17,718</td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td></td>
<td></td>
<td>8,994</td>
<td>18,448</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td></td>
<td></td>
<td></td>
<td>0,677</td>
<td>0,339</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>6,697</td>
<td>24,969</td>
<td>27,801</td>
<td>19,699</td>
<td>33,008</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>1971</th>
<th>1973</th>
<th>1975</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>325,352</td>
<td>622,977</td>
<td>874,763</td>
</tr>
</tbody>
</table>

| Source: Dirección General de Crédito Público, MEF. |
of the public foreign debt, which accounts for about 75% of the total foreign debt, by country of origin. From this table three important points are evident: (1) the public foreign debt begins to climb rapidly in 1972, the year when the oil pipeline was begun; (2) the category "multiples", which includes the consortium banks dealing in eurodollars, begins to figure in 1972 as a small creditor and within four years grows to be Peru's largest category of creditors with over one billion dollars in outstanding loans; and (3) likewise the debt to Japan begins to rise in 1973 and by 1975 Japan is the single largest creditor country for Peru.

However, in 1975 a dark cloud looms over the Peruvian economy. By that time only Petroperru and Occidental Oil had made significant oil discoveries in the Amazon basin; the rest of the companies abandoned their contracts without finding the anticipated oil reserves. During 1974-75, the anchovy, raw material for the fishmeal industry, literally disappeared, whether from overfishing or from a change in ocean currents has never been ascertained. The effect on the fishing industry was disastrous: thousands of unemployed and the government had no fishmeal to export, and no revenue to pay for the huge industry which it had nationalized. Finally, the world price of copper fell drastically. While copper production continued on its high level, the export value was less than previous years. Velasco's economic gambles did not pay off, and he and the succeeding government were left with a pocket full of enormous debts.

During 1975, payments and interest on the new loans came due; it wasn't clear if Peru would be able to pay or to get refinancing for its debts. The creditor banks, anxious to protect their money, began to pressure Velasco for economic reforms which would encourage private local and foreign investment. These banks also encouraged Velasco to deal directly with the International Monetary Fund, an agency for which Velasco had an apparent aversion. Between the pressure exerted by the banks, and that exerted by Henry Kissinger during his visit in 1975, Velasco gave in, for in June, 1975, an IMF team arrived in Peru. In August, a quiet coup took place in which General Morales Bermudez, a conservative member of Velasco's cabinet, replaced Velasco, though he continued to carry the banner of the Peruvian Revolution. As the new regime consolidated its power, it became clear that it intended to follow the banks' advice by undoing many of Velasco's major reforms and by opening up the Peruvian economy to foreign investment.

The economic situation worsened during 1976 as Peru found herself increasingly unable to finance her mounting foreign debt. The year 1975 ended with Peru's highest all time balance of trade deficit of almost 1½ billion dollars. Despite the economic forecasts for Peru, by the end of 1976, she secured almost 450 million dollars in new credits from U.S., European, and Japanese banks; most of these new loans was used to pay for the servicing of her foreign debt, which had reached 550 million dollars for that year, or about 40% of the total value of her exports (LAER, V-4, 11). The domestic economy of Peru was in equally bad state: 45% inflation coupled with wage freezes and widespread unemployment brought a great deal of suffering to the masses of urban and rural poor. The new President of Peru agreed to allow a consortium of U.S. banks to monitor Peruvian economic policy, though these banks continued to pressure for IMF participation.

By the end of 1976, even with the new credits, Peru was unable to meet her loan payments. By refusing any more credits to Peru, the commercial banks forced Peru to ask the IMF for a stand-by credit. The IMF responded with a loan package covered with strings. These included low wage increases, a hike in gas prices, the devaluation of the Sol, the sale of public companies to the private sector, and increased incentives to private investment (LAER, V-15). The policy reflected by the IMF demands was clear - Peru must return to a straight forward dependent capitalist economy in order to
receive the needed credits, and the urban and rural poor must pay the price for economic recovery. The eventual acceptance of this program cost the Morales Bermudez government the political support of virtually all the urban and rural workers; and it is already clear that the program can only be enforced through an increasingly repressive silencing of the vast opposition.

During the past two years, one after another of the more progressive reforms and programs was eliminated. The industrial reform was changed to reduce the workers' share of company profits and ownership, thus encouraging private investment. The social property sector was confined to non-competitive sectors of the economy and its financing was eliminated. The state fishing fleet was sold to private investors as the first step of returning the fishmeal industry to private hands. And as one may guess by now, the state owned mineral concessions were opened to private investors, and the government courted mining interests from all industrial countries. In exchange for the IMF loan to keep the foreign creditors at bay, the Peruvian economy and society was desocialized.

MONEY LENDERS AND THIRD WORLD COUNTRIES

The picture puzzle which I have been assembling is now almost complete. But there is still one large piece missing: the piece which shows the international money lenders of the capitalist world and their role in third world economics and politics. I have shown several examples of how a third world country like Peru is dependent on foreign technology and equipment to industrialize her economy and in turn is dependent on foreign capital to pay for it. We have also seen that despite attempts to become an independent third world country, despite changes of government, the fact of dependency remains a constant. A Peruvian government report on the state of the public foreign debt examines Velasco's attempt to become less dependent on foreign capital, especially North American capital. The report concludes that while Velasco, for a time, did become less dependent on the U.S., he became much more dependent on other lending institutions, especially the commercial banks (Instituto Nacional de Planificación, 1977a). He simply spread the dependence around.

It is readily apparent that for the Latin American area, almost all international loans come from the capitalist industrial world, whether from the governments of capitalist countries, or from the multi-lateral lending agencies of the capitalist governments, or from the capitalist commercial banks. Even when a government like that of Velasco in Peru, or Allende in Chile, or Manley in Jamaica, explicitly tries to take an independent path in world politics while reforming or restructuring their capitalist economies to ensure a more egalitarian distribution of the wealth or power, they are ultimately forced to rely on money from capitalist institutions to finance their project. The contradiction then is apparent. No capitalist country or lending agency, especially the commercial banks are going to lend money to a third world country, especially one which is trying to socialize its economy, unless:

1. they can be sure of high profits from the loans;
2. they can use the loans to guarantee supplies of valuable raw materials;
3. they can use the loans to force the country to take a particular political stance, in particular one favorable to profitable foreign investment.

That loans to the third world countries are highly profitable seems to be common knowledge often commented on in banking and business magazines. This makes sense when we consider that interest rates for developing countries are
generally higher than rates to the industrial countries, even though the risks have been much lower (LAER, V-13, 13). According to a report prepared by a New York investment firm, during the period 1970-74, international earnings accounted for 85% of the growth of profits for the five largest U.S. banks (Citibank, Chase Manhattan, Bank of America, Morgan Guarantee Trust Co., Manufacturers Hanover Trust Co.) (LAER, V-18). As for loans being tied to supplies of raw materials, I have amply demonstrated this in the case of Japan's pipeline loan to Peru in exchange for a guaranteed sale of oil to Japan. Since very few loan contracts are made public, it is impossible to know how frequent this type of loan is - I can only guess that it is very frequent.

The third case of using loans to force internal policy changes is much harder to document. I believe that it is clear, even from the published facts, that there was a degree of collusion between the commercial banks, the U.S. government, and the International Monetary Fund to bring about political and economic changes in Peru during the past three years. That Peru is now toying the line, returning the nationalized industries, desocializing her economy, and opening herself up, especially in the fields of mineral and oil exploitation, to private foreign investment in response to the IMF's conditions on a stand-by loan is also evident.

The mechanism of this system is very simple: anyone who has worked with native groups in the Amazon basin has run into it in the form of debt-peonage. In this case there is the "patron" who has the industrial goods and the money; and there is the native person who has strong arms to work and the potential for consuming the industrial goods which the "patron" needs to maintain his enterprises. The patron initiates the relationship by offering a manufactured article to the native person in exchange for work. If the native person accepts, he finds himself in debt to the patron and in a position of having to work to pay off the debt. The exchange continues, always to the advantage of the patron, who sets the prices of his manufactured goods, as well as the value of the native's labor. Of course, the patron also does the book-keeping. In this way, the patron is able to manipulate the system in such a way that the native is always in debt and always dependent on the patron for the manufactured goods to which he has become accustomed. Thus the patron is assured a guaranteed supply of cheap labor, as well as complete economic and political control over the labor supply, the raw materials produced by the native person, and the market for the manufactured goods.

International financing of third world countries can work in very similar ways to keep these countries in debt and dependent. But who, in this case, is the patron? This is a difficult question to answer because of the secrecy which surrounds international business and financial transactions, and because of the custom which the international patrons have of wearing innumerable masks to hide their true identity. In the case of Peru, we have seen how Japanese government has worked closely with Japanese business to provide large loans, to exploit raw materials, and to flood the domestic market with Japanese products. In another case, the U.S. government, U.S. banks, and U.S. multinational corporations acted as a monolithic patron to slay the Peruvian dragon in the case of the Marcona Mining Co. Here the U.S. government worked with the U.S. banks and lending agencies to withhold credit from Peru in order to force the Peruvian government to offer a favorable settlement for the nationalized Marcona Mining Co.

Today the third world is faced with the possibility of an even larger conglomerate patron. During the early 1970's the capitalist industrial world of the U.S.A., Western Europe, and Japan found itself facing an increasingly unruly third world. The attitude and potential power of the new third world alliances - such as the OPEC countries and the organization of copper exporting countries - and the increased
power of the third world nations in the United Nations - witness the 1974 Declaration of a New International Economic Order passed by the UN General Assembly - sent ripples of nervousness throughout the centers of the industrial world. In response, David Rockefeller of the Chase Manhattan Bank called a meeting of 200 top political, financial, and business figures of the industrial world to meet the challenge of the third world nations. Thus the Trilateral Commission was born. From the information available about this commission, it seems that its purpose is to reduce competition and promote cooperation among the industrial giants of the capitalist world in an effort to consolidate their control over a single world economy; to guarantee a continued supply of raw materials from the third world to the industrial world, and to protect the outstanding debt of 124 billion dollars accrued by the non-oil producing third world nations. To accomplish the latter task, the Trilateral Commission proposed in 1974 that the International Monetary Fund be expanded and given recognition by the governments of the industrialized countries to act as the intermediary between them and the third world countries to monitor the foreign debt. The U.S. government, eleven of whose top administration officials are members of the Trilateral Commission, immediately adopted the proposal and for the past three years, has supported IMF intervention in the foreign debt problems of several third world countries (LAER, V-38). Though the European and Japanese banks and governments have shown some reluctance to give the IMF such great powers, they have usually played along with IMF intervention (The Economist, 1978). We have seen the Trilateral Commission's proposal in action in the Peruvian case - after two years of pressure from the largest bank creditors and from the U.S. government, Peru reached an agreement with the IMF last year for a standby loan.

THE PERUVIAN EXAMPLE

This analysis is by no means complete, but I think we now have all the information we need to understand why Mitsui Mining and Smelting Co. is drilling test pits within the Amuesha Community of Tsachopen. I might summarize briefly. When Velasco came to power in 1968, there was an attempt to reform Peruvian economy and society in such a way as to redistribute the wealth and power more equitably. As part of that program, the state took control of all the unexploited mineral wealth and nationalized two of the three largest foreign owned mining companies. To pay for these programs, the Peruvian government gambled on her possible oil reserves, her copper reserves, and on the nationalized fishing industry. To develop these resources, Peru borrowed large sums of money from foreign governments and commercial banks. Japan, as part of her strategy to guarantee for herself a steady inflow of raw materials, happily lent Peru increasingly larger sums of money. When the bills started coming due, Peru found herself without oil, without fishmeal, and with low prices for her copper - and almost bankrupt. Her creditors jumped in and demanded special concessions and a return to a more dependent capitalist economy with a better climate for foreign investment. One can only guess at the kinds of concessions made to the Japanese creditors, since this kind of information is not public. Obviously Mitsui, one of Peru's largest Japanese creditors, extorted special mining privileges and was likely allowed to take its choice of the state-owned mineral concessions. A full six months before the first public announcement was made indicating a change in Peruvian...
mining policy, Mitsui and Co. was already exploring the Oxapampa area for minerals. Given Peru's general indebtedness and particularly her large debt to Japan and to the Mitsui Mining and Smelting Co., it is very likely that Peru will offer this and other mining companies enormous incentives and benefits to encourage their investment in Peruvian mining. Peru's future path is clearly marked. And once again it will be her urban and rural poor, all of whom are native Americans, who have to pay the price.

CONCLUSION

One could draw a number of different conclusions from the information and the analysis I have just given. I could speak of third world dependency on the industrial metropolis and what that means in terms of the present world economic and political order. Or I could go into the way in which the multinational corporations and banks combine their efforts with the blessing of their governments to cut up the third world pie and take as large a share for themselves as possible. Or we could draw conclusions about how these corporations operate overseas, how they secure favorable contracts by allying themselves with the local elites and by bribing government officials, how they juggle their accounting to avoid paying local taxes, how they monopolize all aspects of their particular industry, how they transfer little or no technology to the host country, etc. But my concern here is the future of the native nations of the Amazon basin, of Peru, and of the world. The question that needs to be asked is what does all this about international loans, about the Trilateral Commission, about the scramble for raw materials, etc., mean for the native nations of the world? Why, as the Amuesha ask me, doesn't their national government give them any legal grounds to defend themselves against the large, anonymous foreign multinational corporations?

To answer these questions for the Peruvian case, it is necessary to look at the historical development of present day Peruvian society and the social division between the invader and invaded which continues to mark that society. If we look at Peru from an ethnic and a historical point of view, it is evident that the majority of Peru's people are native Americans - Indians. This does not mean, as many would insist, that they all speak a native language or live in a native community. Several million native people live in the enormous Pueblos Jovenes surrounding Lima and other large cities and work in factories or as domestic servants, or as street vendors. Another large part of Peru's population are mestizos - people of mixed indigenous and Spanish heritage. This element was given certain privileges by the Spanish colonial administration, and mestizos continue to think of themselves as superior in every way to the Indians. Culturally speaking, the mestizos do not form a homogeneous group; they range from Quechua speaking shop keepers in the highlands, to university trained professionals who disdain their indigenous heritage. A very small minority of Peru's population are of Spanish or other European descent. The cultural model for this group has changed from Spain during the colonial era, to France and England during the early republic, and presently to the U.S.A. Whatever the model was, the cultural identity of this small group has always been European. A similar situation exists in the other Andean republics of Colombia, Ecuador, and Bolivia. Elsewhere in South America, the combination of massive extermination of the native peoples and massive immigration of Europeans have reduced the native population to a small minority.

Ever since the European invasion of the Andean republics,
an event which initiated the total negation of indigenous civilization in the Americas, the small European minority has controlled the economic and political life of the vast native majority. The lavish lifestyle lead by the Spanish colonists and later by the republican era elites was paid for by extracting labor and resources from the native peoples. With the wars of independence, the situation of the indigenous peoples changed for the worse, as they lost control of much of their communally held land. To this day the native peoples of the Andean republics have not become free of this colonial domination - they are still ruled by an ethnically European minority and continue to pay for the luxurious lifestyle enjoyed by that colonial ruling class. It is within this context of colonialism that I think we must try to understand why and how Mitsui Mining and Smelting Co. is moving in. 

I have demonstrated that while the effects of the invasion of Mitsui into the Amuesha community will be felt at the local level, the invasion itself is the result of decisions made by the non-native ruling group in Peru in conjunction with the economic and political strategies of the governments, corporations, and banks of the industrialized world. There are two sides to this problem. On the one hand, the situation is the result of the present world economic order of industrial capitalism, an order which promotes the accumulation of wealth by those who are already wealthy. This accumulation is accomplished, among other methods, through the exploitation of cheap raw materials and labor which are now found mainly in the non-industrialized third world. It is a well published fact that one of the results of this economic order is that the gap between the so-called developed and the so-called less developed countries is expanding, not narrowing. That is, the rich countries are growing relatively richer, and the poor countries relatively poorer. 

On the other hand, the situation is also the result of the internal colonial situation. The ruling non-native elites ally themselves with the interests of the multinational corporations and banks. In effect they act as middlemen, opening up the country they rule and its resources to the exploitation by the industrialized world, and of course, in the process, they enrich themselves, and secure their positions of power. In the end it is the indigenous peoples who pay: their civilization is negated and at the same time they are forced to give up their land and natural resources, and then are either paid low wages to work that same land or extract those same resources, or they are simply moved out of the way. Today it is their oil and minerals which the industrial world wants; tomorrow it will be their timber. And tomorrow, native land titles will not be sufficient to prevent multinational lumber corporations from extracting the timber from native lands. The colonialmiddlemen will see to that.

It would seem then that as long as the world economy is dominated by industrialized and mainly capitalist countries, the aim of whose politics and economies is to increase the size of their wealth and the luxuriousness of their living standards; and as long as the world’s native peoples - in this context the native majorities of the Andean countries - remain colonized and under the domination of an European minority who act as middlemen for the industrial giants, the future for the native nations is very grim. This is especially true for the native nations of the upper Amazon area whose oil, mineral, and timber resources are just coming to the industrial world’s attention. However, there is no reason to assume that the present world economic order or the colonized condition of the native Americans are permanent and immutable facts of life. History teaches us otherwise.
NOTES

1) The actual contract for exploration of the Oxapampa area was signed between the Metals Mining Agency of the Japanese government and the Peruvian State Mining Agency, Mineroperú. I can only assume that the Japanese government has subcontracted the Mitsui Co. to do the actual work, as I have not been able to ascertain the exact internal contractual arrangements of the project. The Mitsui Mining and Smelting Co. is part of the Mitsui group which includes the Mitsui Bank, the Mitsui Trading Co., Mitsui Communications, and many others.

2) This figure is based on my own calculations from figures published in the Andean Times mining survey.

3) In Latin America, with the exception of Cuba and Chile under Allende, loans from the Soviet Union and other socialist countries are negligible. As part of Velasco's effort to show his independence, he recognized the Castro government, signed numerous trade agreements with socialist governments, and actively sought financing from the same governments. However, according to the INP report on the public foreign debt, by 1975, only 8% of Peru's foreign public debt was owed to socialist countries. It is for these reasons that I direct my comments at the capitalist countries.

BIBLIOGRAPHY

Ballantyne, Janet C.

Birkbeck, J.F., Edgardo Ponzoni S., y Alberto Postigo M.

Brudenius, Claes

Davis, Shelton H. and Robert O. Mathews

"Encuesta en la Economía: Crisis y Política Económica"

Instituto Nacional de Planificación


Latin American Economic Report
1974 Vol. II
1975 Vol. III
1976 Vol. IV
1977 Vol. V
1978 Vol. VI
The Amazonian region of Peru, which includes such major tributaries of the Amazon as the Ucayali River, the Marañon River, and the Napo River, occupies over 50% of Peru's national territory. Within this region, there are an estimated 55 different ethno-linguistic groups - native nations - representing at least 12 major linguistic families. Fifty-five have survived till today: before the first European contacts, there may have been more than 100. Today the native nations range in size from 50 members, the Andoa of the Pastaza River, to over 40,000 members, the Campa of the Upper Ucayali River. Recent census figures show that there are an estimated quarter of a million native peoples living in the Peruvian Amazonia. Some of these nations maintain no permanent contact with white man's world and continue living in their traditional way; among those are the Mayaruna, the Amahuaca, and others. Other nations like...
the Cocama, Iquito, Arabela, and the Huitito, have been largely incorporated into white man's world, abandoning their language and tradition.

The situation of these native nations is at best precarious. Before the present law was enacted, their status was undefined; they had no official or legal recognition. As long as they continued to live in their traditional way, they were considered foreigners and a public menace. If they chose to live like Peruvian nationals, they could with a great deal of difficulty work their way into the national system and acquire one or more of the many personal documents required of all Peruvian citizens. These personal documents serve as a kind of official recognition of each "citizen's" existence. Without them, the native peoples find themselves unable to travel freely, to stay in hotels, to conduct any business or legal transactions, to own or use firearms or munitions, etc.

Lands occupied by native peoples were considered "government" lands and as such, freely available to any Peruvian national, foreign immigrant, or international corporation who wanted to colonize or exploit them. There was no law which unequivocally protected the lands of native peoples of the jungle. A decree of 1957 gave token guarantees for native land rights (for a maximum of ten hectares per native person, while white colonists received 100, 500, or 1000 hectares). This decree was largely ignored. To this day only one native group, the Cashibos, have been granted a land title by the government. This situation gave rise to large scale displacements of native peoples - the by now familiar robbery of native peoples' lands. Many groups were pushed into areas so marginal, that they were forced to work for the invading colonists in order to survive.

The attitude of the central government and of the bureaucrats filling up its offices has been overwhelmingly that native peoples are an embarrassing reminder of their native American past, an unproductive obstacle to economic development, who are always living on lands needed by the colonists. I think it is very safe to say that many of the displacements of native peoples from their lands and/or their incorporation into exploitative labor systems were executed with the knowledge and consent, and often the cooperation of local authorities and bureaucrats. Racial and cultural discrimination are the rule in and around every white settlement in the jungle. In other areas of the country, fantastic tales circulate about the hopelessly savage cannibals of the jungle whose very existence is a threat to all that white civilization stands for.

The Law of Native Communities and its Implications

When the present government came to power through a coup d'etat in 1969, those few people who were actively interested in the welfare of the Amazonian native peoples, took heart and began to move for some form of legislation guaranteeing some of their basic rights. On June 24, 1974, after four years of struggle, the military government of Peru proclaimed the Law of Native Communities and of the Promotion of Agricultural Development of the Jungle Region # 20653. The history of the conception, delivery, and birth of the law is one filled with frustrations, disappointments, and despair. It is, in all ways, the result of a compromise between those (very numerous) in the government who supported one variant or another of the Brazilian model of economic
development of the Amazon, which would either eliminate or radically "detribalize and deculturate" the native peoples, integrating them into schemes for economic exploitation of the region, and those (very few) who supported the establishment of the rights of native peoples to their own existence, their own land and way of life, guaranteeing them some benefits of the economic development of the region without making them either its victims or instruments.

I would like to review some of the more important parts of this law. It consists of a total of 74 articles, of which 19 deal directly with native peoples. As stated by the law itself, its principle aim is to establish an agrarian structure which would contribute to the integrated development of the jungle in such a way that its population can maintain a level of living compatible with human dignity. The government plans to achieve this by promoting agricultural activities and through the colonization of areas declared "open to colonization." The law then, like the military government which proclaimed it, promotes the economic development of the jungle and continues the past policies of introducing settlers - colonists - from other parts of the country.

The first three articles dealing with native communities grant official recognition for the existence and legal standing of native communities, define what is meant by native community, and stipulates how membership in such a community is to be determined. The concept of native community is of recent origin and is in many ways a compromise term. Native peoples of the Andean region have for several centuries been organized into what the Spanish called "Indigenous Communities," and which the present government has renamed "Peasant Communities." Some members of the government wanted to extend that term to the native peoples of the Amazon region in an obvious attempt to "standardize" the administration of all native peoples in the country. While the term community remained, the descriptive term "native" was adopted to distinguish these communities from those of the Andean region. The native peoples themselves have a hard time understanding their new status as "natives" and members of a "native community."

The next three articles are perhaps the most important, even though they are probably the vaguest. In the first, the state guarantees the integrity of Native Community lands and obligates itself to issue land titles to the communities. The lands of the native communities are to be held communally, for which one land title will be granted. The article goes on to explain the criteria for determining the amount of land to be held by each community. It states that those communities of a sedentary character, will be given the lands they presently occupy. Groups which practice a seasonal migration will be given the whole area within which they migrate from season to season. Finally, when it is determined that a community has too little land to support itself, it will be given additional lands in such quantity as to satisfy their needs.

These three criteria are extremely vague. Some people maintain that this very vagueness can be used to the advantage of the native peoples because they are not tied to a fixed amount of land. That's true, as long as those who administer this part of the law do so with the best interest of the community in mind; otherwise, these criteria in the hands of a corrupt or prejudiced bureaucrat can lead to the impoverishment of the native peoples. What does sedentary mean? All native peoples in the Amazonian area practice one form or another of slash and burn agriculture, which requires that they clear a new plot of land every year or two, while leaving old plots fallow. If a community is given title to only those lands which they occupy, i.e. those lands occupied by their houses and garden sites in any given year, they will be reduced to starvation in a few years. In order to maintain themselves with shifting cultivation supplemented
by hunting and fishing each community will require a large territory. If we consider the probability that native peoples in some areas may want to raise cattle, an important economic activity which many native peoples are already engaged in, then additional lands will be needed for this purpose. Elsewhere in the same law, it states that new colonists will be granted up to 1000 hectares of land (2000 hec. for cooperatives and societies) for raising cattle. Will an individual Amuesha or Aguaruna family receive any less?

I wonder too who will make the decision that a community has too little land to support itself. How will it be determined what is an adequate amount of land for a community to support itself? For many communities, this is an extremely important part of the law. There are Amuesha communities which have been reduced to an average of less than one half hectare per inhabitant. It is vital to their continued existence that their lands be enlarged. There is no clear mechanism of doing this in the law, and it seems to have very little force in this part.

According to the following article, once the boundaries of the community's lands are determined, all those lands within these boundaries which were acquired (by whatever means) by colonists since 1920, will return to the community. Sounds good?... well, there is a catch to it. The community must reimburse the owner for any improvements he made to the land; the community must buy back its lands. The article obligates the government agricultural finance organization to lend the amount of money to the community which it needs to make the payments. Again the mechanics of this process are not spelled out.

It is clear that if the native peoples want to begin recovering some of their lands stolen by the colonizing forces, there is now a legal mechanism providing some support for doing so. But, (as we may have expected) the colonizing forces must be paid for their robbery, and the native peoples must go into long term debt to the state in order to make those payments. Have the native communities really gained anything here?

The other thirteen articles deal with different aspects of the native peoples' relations with the white man's world. According to one, the state should take responsibility for educating and giving technical training to native peoples, and employ them preferentially in government agencies operating in the areas of native communities. In an attempt to control the activities of missionaries, including the rather powerful Summer Institute of Linguistics/Hycliff Bible Translators Inc., another article requires that they be authorized and supervised by SINAMOS, the government political organization. One can only hope that the members of SINAMOS will be less prejudiced and more sensitive than the missionaries about the native peoples' point of view.

The problem of personal documents has been alleviated to some extent, as each community will now have under its responsibility a Civil Register for recording births and deaths. All members of the community will automatically be given birth certificates. This eliminates the lengthy and expensive legal process formerly needed to inscribe oneself in a Civil Register after the eight day grace period following birth. Minor conflicts and misdemeanors will now be handled by the communities themselves, eliminating the need to rely on local police and courts which, in my experience, are among the most corrupt elements in the present government.

The law requires all state agencies dealing with the affairs of native communities, to give them preferential treatment in the performance of their services. On the contrary, any government authority who refuses to give due course to complaints by native peoples of corruption in government offices, robbery of community resources, non-compliance of labor laws, etc., can be sued by the community in a court of law. And finally the native community members and the communities themselves are exonerated from all taxes for a period of no less than 20 years.
THE UNSOLVED PROBLEMS

Many important aspects have not been included in this law; for ex. hunting and fishing rights, rights to natural resources (minerals, oil, and forests) found on community lands, discrimination against native peoples in all realms, trafficking of native children used as household servants in the urban areas, and many other aspects. It is reported that a more detailed reglementation of this law is due to be released, which hopefully will clear up some of the vagueries.

This law is by no means the radical legal instrument that many of us had hoped for. It is, as I have said, a compromise. The major problem now is its application. I see two major problems in this respect. The first is the problem of inertia within the bureaucracy, the problem of getting people started to move. Three months have passed since the proclamation of the law, and it stipulates that civil registers must be distributed to each community within six months. So far not one single community has received its Register. Rumours has it that there is no money to buy the Register books. Not one single community has received a paper from the government extending to it official recognition. Communities which have tried to act under the law have been barred from doing so by government and other people on the grounds that their community has not yet been officially recognized. The agrarian reform agency refuses to take any action on the abuse of native peoples lands, or on their titulation until some form of official recognition is granted. So the robbery of land continues. The problem is, of course, that very few people within the public offices care in any way about the fate of native peoples. I can think of perhaps a half dozen. But a half dozen people cannot effectively implement a law such as this. A great deal depends of

the local bureaucrats, and no law will change their prejudice and apathy. So the days and weeks go by, and the native nations begin to wonder if this is just another example of white man's failure to keep his word.

This leads me to the second problem. This is that at the moment, the native peoples of the Amazon present no political show of strength to the government or its bureaucracies. There is no organization or movement of any type among the native peoples which can express their grievances, prod the government into action, or arouse the sympathy of native and non-native support. Earlier attempts at organizing individual tribes, while they were successful to a point, have now been left in the hands of SINAMOS, the government political organization. SINAMOS has turned these organizations into elements of its own political support, completely draining them of any potential counter-force. The Amuesha, who are probably the best organized native nation at the moment, are struggling to maintain their leadership and yearly congress independent of SINAMOS "benevolently paternal" heavy hand. Until the native peoples can organize themselves into an effective political force, this law and any other which may benefit them in some way, will continue to get lost among all the papers which keep the bureaucracies so "unbusy."

September 1974
COMMENTS ON THE "NUEVA LEY DE COMUNIDADES NATIVAS"  
(D.L 22175)

The repeal of D.L 20653, "Ley de Comunidades Nativas y de Promoción Agropecuaria de las Regiones de Selva y Ceja de Selva," is clearly due to a very specific economic policy, and it fits into the changes which recently have been brought about in this field(*). This act might very well be said to deal with both indigenous communities and capital investments in the jungle and on the fringe of the jungle, but it evidently is the investment aspect which is the more important one. It is true that little had been achieved during the period of validity of the former act, owing to an obvious lack of interest on the State's part, as well as the absence of a definite policy for dealing with the problems of the Amazon region.

As far as the indigenous communities are concerned, about 40 per cent of them got registered; 30 per cent received their title deeds, and a similar number benefitted from the setting up of register offices. However, it is time to ask what happened to the preferential treatment which should have been granted them when marketing their products. What about that first priority to obtain loans? What about the pilot villages for farming and forestry promotion? And, what about "integral education and permanent training"? All these aspects are also mentioned in the act, and we think that they will be difficult to fulfil, as long as the obvious intention behind it is to support national and foreign capital investments for exploiting the resources of the Amazon region.

Concerning the second section of this act ("Comunidades Nativas"), little or no change has been seen, except for the insertion of certain articles closely connected with the Forest Act. However, it is important to point out that in Article 18 a clear impediment is placed in the way of the indigenous communities located in national parks who want to obtain their title deeds; meanwhile, in Art. 54 this measure is extended to cover those communities located in national woods, reservations, sanctuaries, and woods under protection. Here, we can see a serious danger for the indigenous communities which exist in the national woods of Jaén-San Ignacio, Morena-Pastaza, and Iparia. They are imperilled from the moment permission is granted for "national priority" reasons (Article 85), to exploit the forest commercially in areas not under 20,000 and not over 200,000 hectares, and for renewable 20-year periods. Hereby, an ample advantage is given to capitalist companies, to the detriment of the communities.

It is definitely important to take serious notice of the third section (Chapter VII) included in the new act and not mentioned in No. 20653, with reference to the "special concessions." We believe that this section is a clear example of what is being planned for the Amazon region: it will be handed over, with "State sharing," to private, national and foreign capital. On reading this section we were reminded of some concepts contained in the famous 1220 Act, "Ley General de Tierras de Montaña," which mortgaged a great deal of our Amazon region by means of the form of "concession" to capitalist companies. What else can result from this but a similar situation? What is the idea behind not even laying down a maximum area of land available for the companies; allowing them to take possession of unlimited expanses of land? What consequences will there be from the

(*) Promulgation of D.L 22135 and amendment to Act No. 15600.
fact that the companies can bring "possessory action against third parties" and oust them from the land they inhabit? (Art. 72).

The aspects mentioned under the present act's section heading of "Promoción Agraria" should be pointed out as positive. Specific measures are established here as to technical assistance and credit facilities for Amazon workers, and explicit reference is made to the woodlands which the State intends to use for carrying out support schemes for the promotion of agriculture, stockbreeding and forestry in this region. No doubt, this shows that it is hoped to make the exploitation of natural resources more effective. The important point, however, is how to ensure this financial support being channelled to the groups with the lowest income, because it is highly probable that the usual thing will happen in this respect: that is, financial resources will be used to support the large corporations and companies wanting to invest in the Amazon region.

Moreover, the sixth transitional disposition also shows which direction will soon be followed; namely, the new tax measures or incentives for the Amazon region. These will only strengthen the local power groups: owners of banks, trade, transports, industry, etcetera. It is no less symptomatic that together with the promulgation of this act, the applicability of Act No. 15600 has been prolonged; the latter grants a number of tax incentives to the jungle, and as is well known, only the dominant groups have benefitted from them. In this connection, it is not irrelevant to point out that this act came into force about a month after the promulgation of D.L 22135, which gives generous tax incentives to companies involved in farming and forestry. In the particular case of the jungle and fringe of the jungle, these companies are relieved of up to 100 per cent of tax on their net income.

Once again, it seems that it is in the Amazon region that the act intends to seek the solution to the economic problems which the country is facing at this time of crisis. The social and economic consequences of the policy aimed at creating a new boom will have serious repercussions on the ecological balance and the Amazonian population. An example of this can be seen in Brazil today, where indigenous groups are being exterminated, while land and resources are transferred to foreign companies.

Carlos Mora
Alberto Chirif

Lima, May 17th, 1978