Mexican Plan Only Bright Spot At IMF Interim Meet

Here are the highlights of Mexican Foreign Ministry official Carlos Romero Barrera's speech to the Fusion Energy Foundation's conference, "The Industrial Development of Southern Africa."

The topic I will deal with this afternoon could be discussed and analyzed in a research project of various volumes or in two or three semester-long courses on a post-graduate level. To try to deal today with this complex matter in a broad and complete way would be impossible, given the time limitations.

I will restrict myself to pose a very brief personal opinion, which should not be taken for the official Mexican position on these matters.

The first step to avoid ambiguity is to define the term "development": hereafter I will understand development to mean not only the simply growth and expansion of a country's productive apparatus. Rather it must be a growth and expansion which results in an increase in national and per capita income, as well as in a rise in the level of employment of both human and natural resources of a given country. . . .

International Cooperation in Financing

Regarding financing through economic aid, we know that so far it has been minimal relative to the real needs of the developing countries and that it has been used more as a political instrument of the industrialized nations to guarantee their hegemony or security as they see it—rather than as a vigorous effort in international cooperation. We know that often this aid is conditioned to satisfy the commercial interests of the donor country, and that other times it has been channeled into military expenditures which, in terms of development as we understand it here, represents nothing.

On the other hand, we know that the current trend is towards less aid, partly because in these moments of world economic crisis the industrialized countries are very occupied in resolving their grave problems of inflation, unemployment and balance of payments imbalance. There is a strong current of opposition to foreign aid in the legislative bodies of the great powers, above all because this aid is not always granted to the most needy nations, but rather is often for supporting governments which are neither very democratic nor very liberal.

It is worth noting that aid in itself is insufficient to make a significant contribution to development, when it is not made part of a systematic program but is used instead as an occasional palliative for the grave problems of chronic indebtedness and the other effects of the economic and technological backwardness of the developing countries that receive it.

Aid can, on the other hand, be an instrument of real development when it is not channeled into unproductive social expenses, into mere servicing of the debt, or into the military strengthening of the recipient nation, but when instead it is rationally invested in the expansion and differentiation of the productive apparatus—with resulting effects on the levels of employment and income.

Role of Foreign Investment

Now, with regard to financing through direct foreign investment, we can affirm that it can be an effective instrument of development when the national economic profit is greater than that obtained by the investor, that is, when the investment is translated into an increase in the productivity of the factors of production. This implies a greater return to the labor force, lower prices, and greater fiscal contributions.

Foreign investment will also aid development if the profits remitted abroad are less than the total increase in local production that results from the investment. . . .

The third form that foreign financing can take is the issuance of credit by international private banks, multilateral financial institutions, or national governments. This form of providing resources to the developing nations has in many instances been only a means to repay earlier debts or as an instrument of trade policy of the creditor nations, who tie their aid to purchases of goods and services in their own countries.

The impact of indebtedness depends on the form it takes. The least dangerous form seems to be the receipt of funds by the national bank through the sale of financial bonds and paper to foreign holders, since in this case the indebtedness does not involve the ceding of certain decision-making rights over the economy to foreigners. Rather, it permits the inclusion of these resources into investment plans contemplated in the national development program.

Productive Debt

Debt in general can be a viable instrument for financing development, when it results in rates of productivity high enough to repay the loans and still maintain a positive balance. To achieve this objective, it is imperative that the borrowing country negotiate loans on non-onerous terms, on the one hand, and on the other that it make use of these resources where they can produce the greatest results in terms of development.

But debt is very dangerous when it is used as an instrument of economic policy to substitute for internal reforms which are necessary so that the costs of the growth and differentiation of the productive apparatus can be absorbed by national resources. . . .

Regarding the problem of massive financing of the development of the developing sector, last April 27 the Mexican government made a proposal before the IMF to create a $15 billion fund, that would be used for the acquisition of capital goods and for the financing of long term development programs in the developing countries. It would be a means of transfering funds from countries with a surplus to the most needy nations, in order to implement development and not solely to cover the repayment of their foreign debt.