Dateline Mexico by Josefina Menéndez

The Peruvian solution is possible

The Congress of Labor responds to the presidential "Informe" by demanding a change in strategy.

The Congress of Labor, the umbrella organization which includes almost all of Mexico's organized labor, including the powerful Mexican Confederation of Labor, issued an official position paper on Sept. 5 responding to the government's third "Informe," or State of the Nation address. The labor document states that the problem of the foreign debt has become the "sum of our cares and sufferings," and therefore requires urgent attention, since payment on debt service currently equals the total value of Mexico's exports, half of the Gross Domestic Product, and 30% of public spending, and in future generations will be 45% of the total value of Mexicans' labor.

The document, delivered to the President Miguel de la Madrid and Finance Minister Jesús Silva Herzog, says that in renegotiating the foreign debt, primary consideration must be given to "the needs of the people and the nation, which are one and the same," and whose fulfillment cannot be postponed until all foreign payments are made.

The document stresses that according to the finance ministry, interest payments which correspond to the "restructuring" enacted on Aug. 29 will be, on the average, between 1985 and 1990, equal to 50% of the total value of exports, and 45% of the gross domestic product in each of those years, presuming a constant rate of economic growth.

This, the statement points out, is the path that Mexico has taken, but in other places different strategies have been proposed to deal with the situation. In Peru, for instance, the government has decided to use only 10% of its export earnings to pay overseas debt, which means that it is willing to honor its debt obligations when, and only when, world markets are open to the articles the country exports.

The document also comments on the other proposals of unilaterally suspending payment on foreign debt, indicating that "from any standpoint, whatever the strategy might be that would be chosen," it is clear that "the outlines established by the International Monetary Fund have shown their inefficacy" and it is also clear "that the payment on the foreign debt cannot go on being made at the cost of wages, jobs, and the welfare of the majority groups, except at the cost of canceling the potential for development and upsetting social stability."

This response from the organized labor movement was given after hearing, from the lips of President Miguel de la Madrid himself, that Mexico is earmarking 37.5% of the national budget for payment on public debt service, both domestic and foreign. This means that more than a third of the nation's productive efforts are being eaten up by debt service. In the 175 years of Mexico's independent life, foreign banking had never succeeded in exacting such a monumental tribute to its usury.

The President's third annual "Informe" palpably expressed two convictions: that it is necessary to grow economically, and that paying service on the foreign debt is unavoidable. The problem is that under the IMF-imposed "conditionalities," these two principles are incompatible.

Public investment has been one of the driving forces of economic development of Mexico during this century, and the President himself said that "there was a notable recovery of spending and private investment starting from September 1984, the intensity of which we did not fully confirm until January 1985 . . . and added to the dynamism of the non-petroleum exports this provoked a 3.5% growth rate in the economy." But in the next breath, he announced that public spending "must adjust to a regime of sound financing.
in order to lower the deficit, we have made a substantial reduction in public spending in real terms. Public investment has decreased by 40%."

This means that the brakes had to applied to the motor of the economy because Mexico had started to grow again, and this is against the IMF guidelines, as the Congress of Labor put it. But not only that: The President also explained that "our industrial plant, traditionally oriented to satisfy internal consumption needs as a priority, showed that when the latter increases, exports fall back."

This is precisely the infernal dynamic which has not been broken. It is believed that if we grow (which is fundamental) we increase internal consumption, and when this goes up, exports go down; when the latter drop, hard-currency revenues to pay foreign debt service are reduced, and we cannot comply with our debts to the foreign banks.

The labor sector has just pointed to a different solution—that adopted by the President of Peru.