

Mexico's Ibarra: 'new rules for the international economy'

In an exclusive interview with Executive Intelligence Review during the IMF Annual Meeting, Mexico's Finance Minister David Ibarra elaborated on his proposal to transform the IMF and World Bank into a development institution, and discussed Mexican perceptions of the European Monetary System. The transcript of the interview follows:

Q: *In a recent speech, you proposed to transform the IMF and World Bank into a development institution. Can you elaborate?*

A: In our opinion, the World Bank should be a growing bank, giving assistance to all sectors. We understand banking as a growing business, which should grow in proportion to its customers. We understand the high priority that the poorer developing countries deserve. But there must also be transfer of resources to countries in the middle range of development. Generally speaking, we want an important increase in the use of multilateral funds for development — which have been drastically reduced in real terms over recent years.

Q: *How do you see the European Monetary Fund contributing to development assistance?*

A: I am not familiar enough to give a fair opinion. The European proposals are important, because of the need to change imbalances in the world economy. They are well-founded and deserve attention. But I am not sure when the Europeans will create this new facility. What must be done is to reduce exchange fluctuations, which have been acute in recent years. From their standpoint, European countries need more stable exchange rates, in the interests of European integration.

There must be a general agreement among the industrial countries to set the conditions for an international monetary system, taking into account the needs of the developing countries.

Q: *President López Portillo, and the European leaders Schmidt and Giscard, have used virtually the same words to identify development with world security.*

A: Yes.

Q: *Can you comment on the Mexican government's perspective in this regard?*

A: The actual situation of the world economy is very unstable. Some of the main issues have been tackled — but not solved. In our estimate, international trade is diminishing, and has already fallen to a dangerous level. There is a rise of the protectionist turn in international trade, and also in finance. For the developing countries, it means that the rate of growth of earnings has been reduced. They are finding more and more difficulty obtaining financing, and face rising costs for financing. This can create an important problem for the world. We need new rules for the international economy, in which not only the point of view of the developed, but also the developing countries — a New Economic Order reached by agreement between the developed and developing countries.

Q: *The Japanese have already begun recycling dollar reserves into loans to the developing sector, including Mexico. Could this be a step towards solving the problem?*

A: Mexico has been borrowing from the Japanese market for a number of years; this is not new. Japanese banks have been prominent in syndicated loans for Mexico.

Q: *What appears new is that the European Monetary Fund will begin recycling dollars for development credit on a mass scale.*

A: Yes. These institutions are moving towards a more fair and more permanent economic order. But we need more than a European agreement. The United States, Japan, and the rest of the developed countries must join in.

Q: *Mexico now has a joint delegation to the IMF with Spain, among other countries. Does that reflect Spain's role as a bridge between Europe and Latin America?*

A: Yes indeed. It has been our longstanding position to open up opportunities for collaboration with Europe. With the help of Spain, we want to open up opportunities for European investment in Mexico, and put European technology to profitable use.