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EMBAJADA DE MEXICO

PRIME MINISTER'S  
PERSONAL MESSAGE  
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English provisional version of the letter dated the 23rd September, 1982, addressed to the Heads of State and Government of the countries represented in the International Meeting on Cooperation and Development in Cancun in 1981, by the President of the Mexican Republic, Mr. José López Portillo.

Almost a year after the International Meeting on Cooperation and Development of which Mexico had the honour to be host and in accordance with what we came to call Spirit of Cancun, I address myself to the honoured Heads of State and Governments of the countries represented there in order to inform them directly of the present situation of my country within the context of the problems of finances of development discussed in the 1981 Meeting.

We seek now, as then, ways in which the rational may be possible and maintain that shared financing of development is the rational and possible way to sufficiency and health in the world's economy.

We reaffirm our full recognition that many of the problems of the South belong to the South, but also that other very serious limiting factors arise from the relation with the North and we wish to point out that the danger these last elements pose for the economy of the world have rapidly come closer since we met in Cancun. World economic relations which were then already critical, have deteriorated gravely since then.

In particular, all the conditions necessary for the survival and development of countries of the South, have worsened in a way which is unprecedented for so short a lapse of time.

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In the first place, the loss of income of these countries has been very acute because of the falling in the prices and in the demand for raw materials, whether these are agricultural or mineral products or even oil.

A generalised loss, and one without parallel in several decades, to which must be added the diminishing of income obtained from the exports of manufactured goods. As a consequence of these factors -and this is the problem which urgently requires a solution since it threatens to bring about a catastrophe in the world's economy- the borrowing needs of the countries of the South have increased disproportionately and have met with the worst financial terms offered in the history of civilization.

Higher rates of interest and shorter and shorter deadlines, combined with steadily decreasing incomes. Thus are formed the two blades of the pair of scissors which threaten to cut short the impetus achieved by some countries and to cancel the chances of progress of many others.

In recent years Mexico has made a great effort to meet the needs of its population by means of the developing of its productive potential in conjunction with the needs of the international economy and with a significant financial support from abroad.

The rapid growth was a present need, indeed was indispensable for us. For a number of years our apparatus of production had been lagging dangerously in relation to the social dynamics of a Republic which today shelters 70 million people, who will become a 100 million within twenty years, and which is conceived within the imperatives of our Constitution of democracy of the constant improvement of the economic, social and cultural conditions of the population.

For these reasons, we financed our expansion with the resources obtained in the world market as well as from our traditional exports and the newly found oil, and also in large measure with loans offered to us by the international financing system which recognized our productive potential. As soon as the conditions which had fostered our impetus changed, in a way which no one expected, much to our regret we slowed it down as much as possible and in a way suggested by the perspective of that time -the middle of 1981- from which no one saw the severity of today's reality.

As the seriousness of our condition of financing grew, we took draconian measures, so much so that in only one year we halted the process of the most rapid expansion in our history and left it completely suspended.

A terrible sacrifice to which we have adjusted given the hard realities of the international economy, which was inadmissibly aggravated by the failure of our traditional financial norms and systems to restrain regulations and avoid the flight of capital.

Finally, faced with the difficulty this flight added our economic problems we saw ourselves forced to take further hard and difficult measures: we established exchange control and nationalised private banks in order to prevent the flight of hard currency from weakening us still more as producers and recipients of credit.

In effect, we estimate that in the last three years the flight of capital from Mexico has reached more than 22 billion Dollars which should be compared with 11 billion Dollars of foreign investment totalled in the history of our country.

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As a result of the commercial and financial processes mentioned at the beginning of this letter, the most important factor in the deficit of our fiscal and current account of the balance of payments is the payment of interest of foreign debt. This constitutes effectively, half of the deficit of the public sector estimated in 1982, which in real terms is considerably lower than it was in 1981. Within the current account, the payment of interest will be equal to two thirds of our imports.

In spite of the fall in the prices of our products for export, our commercial balance carried a superavit for the first six months of 1982, and it will increase it even more in the second half of the year. The payment of interest will represent more than double the amount of this superavit.

Paradoxically, as we advanced in this most severe adjustment of our economy to critical conditions, our sources of external financing have toughened their requirements and thus reduced our possibilities to overcome it. In order to achieve it without causing irreparable damage to our economy and indeed the world's economy, we require an additional financing of five billion Dollars for the rest of 1982.

This financing is essential to meet the payments of interest and of basic imports necessary to maintain the productive apparatus working at a minimum level. We need foreign exchange in order to pay and to keep buying. We are confident that our economic potential, as well as our rich natural and human resources guarantee our

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capacity to overcome the crisis and maintain the road towards progress which for many decades has supported our country. Our productive structure notably fortified during the last years, is still intact and has the characteristics of diversification and productivity which will allow it to succeed.

Inasmuch as we can count on the rational support and not the timorous of punitive reticence of the international finance community, the required lapse will be shorter, for everyone's benefit, creditors and debtors, since we are part of one and the same world where if the problem belongs to all, we must all become the solution.

Mexico is determined to balance its economy and for that it counts on better internal instruments than ever. The adjustment programmes now in progress will be continued within a system of democratic planning which will be refined and perfected and in this way developing and consolidating within a framework of higher efficiency, free from fisures and speculations and firmly reducing inflation.

Mexico has always payed and will continue to pay. For this it has done and will do whatever possible within its constitutional norms.

We must insist that our problems cannot be imputed solely to ourselves and that their solution depends in great part on the international community, particularly in the way in which relations between the North and the South are ordered.

The case of Mexico is perhaps the most representative of these relations because it involves a border shared with the most powerful nation on earth.

It is for this reason that the manner in which our country is treated is of such significance for the South and for the future of international relations.

This is why we firmly seek conciliation, understanding and respect, unity in diversity which may be translated into practical political action.

That was the Spirit of Cancun. The international community now has the floor.