

Financing: 'I vote for national sovereignty'

by Guillermo Silva

The following are excerpts of a speech by Mr. Silva, president of the Colombian Society of Economists, Cundinamarca section, to the forum on the Atrato-Truandó Interoceanic Canal:

We have the capacity to launch a project that would be the largest Colombia has ever constructed, possibly the largest in all of Latin America. Therefore, I am one of those who believe we should not improvise, but should follow a definite method. While the various feasibility studies of the canal are being completed at maximum speed, we can be thinking simultaneously of carrying out development projects linked to the canal, and which, from our viewpoint, are the cornerstones of any program for financing the work.

I would like to speak briefly on two aspects of the project, the political and the economic. I want to emphasize that the country has made a political decision; the Congress passed a law to proceed with the canal project, and it is now the responsibility of the executive and the entire country to execute this law.

We said this afternoon that this effort would yield increasing benefits not only for the immediate region, but for the entire country. The economy would tend to take off—to use a professional term—with investment, with the effort to develop this project, such that by the time it is finished, toward the end of the century, we would virtually have another country and a dignified place among the nations of the world.

Nonetheless, we have a problem which has been commented upon by many, regarding the financing of the project. I must say that in the economics profession we are divided into two schools. There are those who follow the monetarist current, which took off with the works of Adam Smith in the Western world, but especially since 1876 in the United States, when the U.S. system of political economy was overturned and along with it, the principles upon which the U.S. economy was developed. This current is again in style, headed by Mr. Milton Friedman of the University of Chicago. I believe that at least 90% of our problem is that we have learned our profession from texts written by him.

There is no reason why a project like this must be financed with foreign money. On the contrary, it should be financed domestically. We should think of the country as a single agro-

industrial unit, like a farm. A farmer doesn't need to seek a loan from his neighbor to put up a fence; he cuts the sticks and puts the fence up within his own territory.

In addition to the monetarists, are those economists who think as I do: That which must be encouraged is the real economy, the economy of production, of physical goods. This is why engineers of all types go along with me; they create tangible works, like workers and farmers. It is not the same for us economists: We have a somewhat sad profession, because we only get to work with paper.

Nonetheless, we want to undertake the effort, as the organization of this forum was intended, to present the country with an example of an important work, a work that can be done with our passion, our workers, our sand, our cement, our iron, without need of foreign intervention except for advice that our engineers can use, particularly in the area of nuclear energy, of which we have little experience—although our brother countries in Brazil and Argentina have experience, and we are also good friends of the United States and the American people.

We know also that there are engineers in the United States who could help us with this project, but as advisers, not owners of the work, as good neighbors, good friends, so that the work will be ours, because we have a right to it.

Finally, I want to summarize the means of financing the project that have been discussed here:

- **Partial concessions:** Although the law says that foreigners cannot be owners of the project, it does not say that there cannot be partial concessions. I grant you a concession if you do the project for me or give me advice, and this is a form of financing.

- One of the attendees mentioned the way in which the country financed the Paz del Río steelworks, by means of forced investment or substitution taxes.

- Yesterday we heard a lengthy presentation from Dr. [Jean Louis] Serre on agro-industry as a source of financing through agro-industrial production and its export around the world.

- Major Convers reminded us that appraising the territory bordering the canal would generate another source of financing. None of this is quantified, of course, but we know that this would more than meet the needs of financing the work.

No one has said anything about this, but we have sum-
marily calculated the profits that the canal traffic would yield. I understand that Panama charges one dollar per ton. With the same traffic, we could produce around \$800 million a year once the canal were functioning. This means only 30 ships a day, just to give you some idea.

Jorge Carrillo of the UTC reminded us this morning of another means of financing, which is the patriotic position of Peruvian President Alan García, of not subjecting ourselves to the rigors that the lenders have forced upon us of tying loans to political concessions. I vote for national sovereignty on this question.