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CHARITY OR DEVELOPMENT ASSISTANCE

Senator Jesse Helms is restating the possibility of abolishing the United States Agency for International Development (USAID) while offering in return his support for an increase in foreign aid funds channeled directly to developing countries through charities.

Three articles published by *The Washington Post* on January 24–26 tend to reinforce Senator Helms' views by offering a pretty negative assessment of the impact and effectiveness of the Agency.

Even though we understand the reasons for frustration with the frequent lack of effectiveness of some US-AID projects, the withdrawal of the United States from the world of direct development assistance would be tantamount to a strategic retreat from a critically important territory. It would create a vacuum that would

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THE NEW MEXICAN REVOLUTION

Before the 1930s, Mexico had experienced an ongoing series of revolutions, counterrevolutions, overthrows, invasions, losses of territory, and general political and civil instabilities. In the early years of the new nation, General Santa Ana had been overthrown as many times as he had taken office. Maximilian, an Austrian “emperor,” was installed by the French army and was eventually hanged by a Mexican mob. Half a century later, Porfirio Diaz held the presidency for so many years and so many times that we almost lose count (34 years from 1876 but excluding the period 1880–84). Texicans or Americans won land from Texas to California in conquest or secession. Instability reigned.

By 1929, the Institutional Revolutionary Party (PRI) came to dominate Mexican politics. Political stability was ushered in at the cost of pluralism and democracy. For most of the time of the party's monolithic domination, it was difficult to detect any specific ideology that clearly made the PRI distinct from the other mainstream parties of Mexican politics. There were some clear themes however.

PRI rule was shaped by the earlier, turbulent periods. PRI turned Mexico in on itself. Mexico became an insular country and, despite the flows of people and trade over its northern border, the United States was always a suspect country. After all, it was to the United States that Mexico suffered its great defeats, the loss of Texas to California and the invasion of Veracruz and Mexico City.

Economic policy under the PRI was suspicious of market capitalism and foreign investment. This policy was one of state capitalism, where the state was the major stakeholder in the country's greatest enterprises and strategic sectors. Mexican trade policy followed the guidelines of import substitution. Industrial development was encouraged while foreign competition was held at bay behind high tariff walls and restrictive quotas.

THE SIGNING OF NAFTA OPENED MEXICO TO GREATER AND LESS PROTECTED TRADE.

MEXICANS STARTED TO LOOK AT THE REST OF THE WORLD WITH A GREATER SELF-CONFIDENCE.

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MEXICAN REVOLUTION

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In the last two decades of the twentieth century, the country began a new revolution. This revolution continues today.

In 1982 the Mexican system of inward-focused economic policies began to slowly come undone. The international financing that had been relied upon to continually fund the questionable economic projects of state-led development and industrialization dried up. The Mexican development model showed itself as the great Ponzi scheme that it was and the government and financial authorities defaulted on the country's dollar-denominated foreign loans. At the same time, the PRI, under President José López Portillo, had opened up the political system ever so slightly, allowing an increase in minority representa-

tion in the national congress (Chamber of Deputies).

Economic reforms introduced by presidents Miguel de la Madrid Hurtado and Carlos Salinas de Gortari led to the opening of the Mexican economy. The signing of the North American Free Trade Agreement with the United States and Canada opened Mexico to greater and less protected trade with its northern neighbors and greater investment by these North Americans.

Mexicans started to look at the rest of the world and especially at their North American cousins with a greater self-confidence. Instead of state-protected industrialization and a state-dominated financial sector, Mexicans decided to compete and to allow the private sector, even the foreign private sector, greater freedom of action in the Mexican economy.

The privatization of state enterprises and banks in the 1980s had already begun to erode the near total hegemony of the PRI. By the 1990s, this increasing national maturity began to manifest

**THE FOX GOVERNMENT IS
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itself in the political arena. Under President Zedillo, PRI left itself open to freer and fairer competition at the state and local government levels. President Zedillo also began the process, though very limited, of decentralizing the state, from the federal to state and local governments. Finally, in 2000, President Zedillo and PRI allowed or did not prevent the free presidential elections that were won by Vicente Fox, the candidate of the Party of National Action (PAN), to usher in the first non-PRI president in 71 years.

This Fox government is continuing the policies of self-confidence and openness. Many of the Fox government's top advisors and executives are U.S.-trained, as was also the case with many of the advisors in the past 15 years. These fellows know their neighbors to the north and they are not afraid to deal with them, to compete, and to ask for ideas and assistance in technical areas that could be beneficial to Mexico.

The United States cannot ignore our colossal neighbor to the south. Our ties have been deep but troubled. Mexicans cross into the United States and make their living here, yet they are not at

THE EDUCATIONAL STAGNATION IN THE DOMINICAN REPUBLIC

DevTech Systems recently delivered a USAID/Dominican Republic report on the experience of the country's Ten-Year Plan (Plan Decenal). The findings focused on the failure of Dominican civil society to keep the initial momentum going, despite a highly promising start, and its virtual abandonment of the sponsorship of the Plan long before its tenth year.

The Plan failed to meet most strategic objectives in terms of significant increases in coverage and improvements in quality of education.

While the Ministry of Education has not reacted to the findings of DevTech Systems' report, despite the gravity of

the educational situation in the country and its implication for the future, some high officials of the Ministry did not welcome the report. Meanwhile, it seems that the report has been read by some influential sources outside the Ministry who have been venting their concern in the Dominican press about the educational crisis of the country. In more than one case, the educational crisis was characterized as a "scandal," which is part of the language used by DevTech Systems to describe the situation. An article by DevTech Systems' president, Dr. Jorge A. Sanguinety, on the topic was published in the Dominican newspaper *El Caribe*.

home. Goods flow between our countries, as do services such as banking and insurance. Mexico is the United States' second largest trading partner. Illegal drugs flow through Mexico and into the arms of American addicts. We share goods, services, people, food, culture, and even language.

The United States must reciprocate Mexico's opening. When asked, we should provide technical assistance and training in ways that will continue to encourage ever-closer ties between our two countries, enhance Mexico's openness and political maturity, and help to reduce illegal activities, such as smuggling of undocumented workers and contraband.

We must not miss this opportunity to help ourselves by working closely and respectfully with our huge neighbor just south of the border.

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¹ I wish to thank Octavio Chavez for his helpful input to this essay. Of course, any errors are my own.

CHARITY?

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immediately be filled by donors whose activities are not necessarily compatible with those of the United States, and charity alone could not fill that space.

Why? Because charity tends to concentrate on responding to catastrophes of different kinds, all unexpected, not allowing for time to plan

Charity can also generate dependence since it is rarely aimed at creating long-term, sustainable, reproducible capacities in host countries. When USAID assists a country in fields such as fiscal reform, municipal development, or administration of justice, the chances of there being fundamental and permanent changes are better than when depending on charity alone.

We grant that USAID failures, especially in assisting ex-socialist countries in their transition to market economies and democratic forms of government, are many, but that has been the case for the entire development community. Transferring the U.S. commitment to development assistance to the World Bank

would be a mistake since the Bank never developed the vocation for profound reform nor the knowledge that USAID professionals have been able to develop throughout the years. USAID could be

THE WITHDRAWAL OF THE UNITED STATES FROM THE WORLD OF DIRECT DEVELOPMENT ASSISTANCE WOULD BE TANTAMOUNT TO A STRATEGIC RETREAT FROM A CRITICALLY IMPORTANT TERRITORY.

more effective if the U.S. Congress lifted the "buy American" constraint on the administration of development assistance, as J. Brian Atwood declared recently, and also, we may add, if more care is taken in recruiting political-level appointees with a clear commitment to development and not so much to their own career prospects in government.

USAID could be much more effective, and a lot depends on decisions by Congress.

Jorge A. Sanguinety
President & CEO



DevTech Systems staff are helping to build and renovate vocational education centers in Honduras

Established in 1984 by economist Jorge A. Sanguinety, Ph.D., DevTech Systems, Inc. is a consulting firm that offers technical assistance in the following areas:

- Macro- and Microeconomics
- Public Finance
- Educational Development
- Labor Markets
- Social Sector Issues
- Modernization of the State
- Institutional Reform
- Statistical Systems

WE INVITE OUR READERS TO SEND THEIR LETTERS AND COMMENTS ON THE MATERIAL IN THIS ISSUE OF THE SPHERE TO DEVTECH SYSTEMS' WASHINGTON OFFICE.

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