Fox: We Will Strangle Mexico To Pay the Debt

by Rodolfo Torres

On Oct. 19, Banco de México President Guillermo Ortiz warned of certain "foreign risks" that could depreciate the Mexican peso, among them "the possibility of a drastic change in the price of oil, a drastic deceleration of the U.S. economy, or an increase in interest rates." Ortiz's comments represent a tacit acceptance of what has been officially denied by several governments on the American continent, and by the English-speaking press; that is, Lyndon LaRouche's forecast that the U.S. financial system and economy are facing an imminent crash of terrifying proportions. For Mexico, which sells 80% of its exports to the United States, this crash will have enormous economic and social consequences.

In the face of such a scenario, Mexican authorities and the Vicente Fox government, which takes office on Dec. 1, have announced the imposition of still more neo-liberal measures, which can only deepen this crisis. On the day of Ortiz's comments, the economic coordinators of President-elect Fox's transition team, Luis Ernesto Derbez and Eduardo Sojo, together with Fox, stated that there will be a cutback, equivalent to 0.7% of GNP, in state expenses for the coming year. This means that Fox, just like President Ernesto Zedillo in 1998, will asphyxiate the Mexican economy and plunge the nation into an unnecessary recession in order to meet debt payments and other commitments contracted with the creditor banks.

The budget cut announced by Fox was endorsed by the Banco de México, which said that, in order to meet inflation goals, it would be applying a highly restrictive monetary policy over the coming three years.

Other members of the Fox team detailed some of the other fascist austerity measures that will be applied. For example, the former dean of the Technological System of Monterrey, Rafael Rangel Sostmann, who serves as education coordinator on Fox's transition team, announced that an austere budget will be enforced vis-à-vis Mexico's free public education. He said that he would seek the same funding as in the 2000 budget, "since there is no money, and if one wants to increase the education budget, fiscal reform or cutbacks will have to be applied to other areas."

Rangel Sostmann would set up a scholarship system that would enable students to "choose" the school they wish to attend, but would require the student to pay off the scholarship after graduation. Such a system, if coupled with the threatened budget cutbacks, would de facto eliminate free public education, since it would not have either the "resources" or "prestige" to compete with private schools. The effect this would have on the vast majority of Mexicans who are too poor to "choose" private schooling, is self-evident.

Fox's so-called fiscal reform would bring back a feudal economy in other respects as well. For example, he is proposing to eliminate all development banks in the country, while legalizing the large informal economy by subjecting it to the official income tax regime. He also proposes to grant "micro-credits" to micro-companies, in place of a national industrial policy based on national credit. He would eliminate the zero tax on food and medicines, which keep these more or less within the reach of most Mexicans. According to Fox, this would not affect the poor, because they get "hard cash" back through the "Progresa" system, which will supposedly increase by up to 30% the amount of aid now given to the lowest economic strata of the population. In other words, the desperately poor will get an increase, from $13 to $18 a month.

Hiking the income tax and eliminating the zero tax on the pretext of expanding the tax base, not only will devastate Mexico's poor, but also is a cruel joke on those millions of Mexicans who voted for Fox under the illusion that they were freeing themselves from the economic policies of former President Carlos Salinas de Gortari, which continued under outgoing President Zedillo.

The Economy Is Already Reeling

Fox's recessive measures will fall hard upon an economy already in agony. For example, there has been a 150% increase in the regional price of natural gas in just one year, which has forced many steel and chemical plants, both small and large, to shut their doors. Iron ore is now being exported to Venezuela for processing into steel, because the price of natural gas is so much lower there—$1.60 per million BTUs, compared to $5.20 in Mexico. After the launch of the North American Free Trade Agreement (NAFTA) and the collapse of the peso in 1994-95, the distribution of natural gas was bought up by the Spanish conglomerate Gas Natural. Since gas was privatized, its price has tripled.

Privatization of the electricity sector, which Fox has already promised to Wall Street, will follow the same inflationary tendency, leaving hundreds of rural communities without electricity, after supplying them is declared "not cost-effective" by private firms, whose measuring rod will be their profits, not the population's well-being.

Not all lambs are willing to go quietly to the slaughter, however. For example, Raúl Picard, President of the National Council of Manufacturers, recently warned that in less than six weeks, more than 200 firms, representing, directly and indirectly, 440,000 jobs, could go belly-up in the metallurgical, mining, glass, and ceramic industries, unless the government intervenes to reduce or subsidize the price of gas. The response of Finance Secretary José Angel Gurría, as well as that of Fox adviser Derbez, was negative, because "it would contravene the IMF [International Monetary Fund] and NAFTA."