

U.S. law, the Malvinas Islands have always been Argentine territory *de jure* and the British presence there has always been in violation of the law.”

He said that under the Monroe Doctrine and various treaties ratified by the U.S. Senate, “British military action against sovereign states in the Western Hemisphere, as opposed to some colony or semi-colony is an act of warfare against the U.S.”

Replying to a question whether the British government would succeed in gaining the support of the U.S. on the grounds of the NATO alliance and the so-called alliance between the U.S. and Britain, Mr. LaRouche said it was difficult to say. There were two factions in the U.S. “One is the Anglophile section which at present dominates the State Department and Secretary of State Alexander Haig. There are also people in the naval services and the Pentagon, who for special reasons, support the British in this crisis. Furthermore, the U.S. Anglophile banking community supports the British on this question, but they may not be able to sustain that position, because their own financial interests are very much at stake in this crisis. So there is a conflict between the Anglophile group and the second faction, some simple patriots who do not have these British complications.”

Mr. LaRouche said that Israelis and others could use the diversionary implications of the South Atlantic crisis for unleashing an adventurous action in West Asia [the Mideast—ed.].

He expressed the view that Lord Carrington, former British Foreign Secretary, set this mess into motion deliberately. The Argentine press had made it clear in January of this year that Argentina was going to occupy the territory unless the British came to terms in negotiations. So when the talks in New York reportedly broke down in February, Lord Carrington knew that the Argentines were determined to intervene and occupy the Malvinas.

Mr. LaRouche pointed out that the area that it includes one of world’s richest fishing grounds used by Argentina. It is also an area that is reputed to contain oil deposits on the order of magnitude of the North Sea. So essentially what the British were trying to do was to use the *de facto* occupation of the Malvinas Islands to attempt to steal some of the richest oil reserves and fishing grounds in the Patagonian shelf.

At the same time they were building camps inside Argentina, trying to pull a coup d’état and trying to break up and steal the Argentine national oil company. These were issues that primarily triggered this explosion to rage on the part of the Argentines. That is why the British refused to negotiate.

Mr. LaRouche will call on Prime Minister Indira Gandhi during his stay in the country. He is scheduled to meet planners, economists and scientists.

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## LATIN AMERICA

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# Mexico’s growth plans under further attack

by Timothy Rush

On April 20, the same day a new 17-point austerity package was announced by Mexico’s economic cabinet, one of the country’s most powerful business ideologues sounded the call for an assault not just on the Mexican economy but on the very idea that Mexico has the potential to become a great industrial power.

Agustín Legorreta, head of the Swiss- and French-controlled private banking giant Banamex, declared that Mexico’s “principal error” of the past four years was to have grown at over 8 percent per year, and that it was now reaping the harvest of such temerity with a sharp devaluation of the peso, rapidly rising inflation, and massive international indebtedness. He particularly singled out Mexico’s industrial port-development program and expansion of steel capacity as the kind of “wrong priority” which had pushed the “all-important source of dollars, the tourism industry” into the background. Mexico’s destiny is at best, he declared, that of “reaching an intermediate stage of development.”

Legorreta’s manifesto to a business meeting, which was reproduced verbatim in all the major Mexican papers the next day, stood in the sharpest contrast to President López Portillo’s exhortation at the beginning of his administration’s historic industrialization drive: “Think big.” López Portillo’s instruction to his planners was to think of Mexico at the portals of the 21st century, and build so that Mexico in two decades would be ranked as an industrialized, not a backward, nation. Legorreta’s counter-theme on April 20 can be summed up: “Think little.” He was joined on the podium by foreign businessmen who demanded that Mexico join GATT and roll back its restrictions on 100 percent foreign investment.

Legorreta could make his call not because of any intrinsic failure of the industrialization effort. A joint study by the *EIR*, the Mexican Association for Fusion Energy (AMEF), and the Fusion Energy Foundation in early 1981, demonstrated that Mexican growth rates of 12-15 percent per year are both feasible and desirable.

Legorreta could speak as he did only because Volcker’s high international interest rates and the fall-off of oil consumption in the advanced sector had already created the depression conditions elsewhere which Legorreta indicated he had “not the slightest doubt” of being able to reproduce in Mexico.

Columnist García Soler, writing in *El Sol* April 25, noted that so far no major figures of the "think big" forces had issued a defense of the growth strategy. But those analysts for the *New York Times* and *Wall Street Journal* who have dwelt on the rise of "middle-class dissatisfaction," in reporting on the current situation, have omitted from the picture the importance of Mexico's republican historical traditions, and in particular the legacy of Article 3 of the 1917 Constitution, which declares the Mexican republic's dedication to "the constant material and social improvement of the population."

The labor movement in Mexico is one of the bastions of pro-growth sentiment. On April 22, the leaders of the organized labor movement, headed by the CTM's Fidel Velázquez, paid a well-publicized call on the President to receive his support for the traditional May Day parade and rally in the central plaza of Mexico City. López Portillo went out of his way to state that he wanted to see a "gigantic multitude" this year. His parting words at

the door: "See you there."

Noteworthy also is the role of the Mexican Labor Party (PLM), which is mounting strong electoral campaigns in Mexico City, Sonora, Monterrey, and Puebla around a program of popular mobilization for growth and economic sovereignty. The PLM's role gains particular significance in the light of a "politicking as usual" approach from the overwhelming majority of candidates of the hegemonic PRI party in this year's election, which culminates the first week of July.

Contrary to the picture fostered by the Wall Street and London financial press of an iron wall of hostile pressure on Mexico from abroad, there are forces outside Mexico still in a position to line up with Mexico's pro-growth factions.

Japan has maintained lending at a considerable clip for tangible-goods trade and development projects. Included in the most recent lending is a \$130 million package for the capital-goods expansion at Lázaro Cárdenas, and \$100 million for Pemex capital-goods acqui-

## The government's new austerity package

On April 20, after a tense meeting of the economic cabinet with President José López Portillo, a set of 17 new austerity measures were released, which has gone largely unreported in the foreign financial press. Where reported, the tone has been "skepticism" about their significance in the light of increased government and PRI party spending going into July 4 elections. However, the measures represent a new ratchet of cutbacks which will be deeply felt in the country and among Mexico's prime trading partners, both before and after July 4. The principal measures:

- An additional 5 percent cut in the federal budget, beyond the 3 percent of the Feb. 19 package;
- A \$6 billion slash in imports, divided \$3 billion each on public- and private-sector account. This is fully one-fourth of Mexico's 1981 imports of \$24 billion, two-thirds of which came from the United States;
- A "strict" ceiling on net new public sector foreign indebtedness of \$11 billion. *EIR* had previously calculated that \$15 billion was the bare bones Mexico needed to get by this year without collapse levels of cut-backs;
- An injunction to all agencies of the government "to refrain, immediately, from carrying out any works

not directly related to the productive process, as well as postponing the beginning of new investments and reducing the pace of outlays in all possible cases."

The cabinet adopted the new measures with a gun to its head. BIS-IMF circles had made it clear that otherwise Mexico would face another devaluation shock. President López Portillo had charged angrily two days earlier, on April 18, that damaging rumors of a new devaluation were sweeping the country "from sources inside and outside the country." However, bending to the blackmail has not eased the threat. Highly reliable sources indicate that capital-flight operations are again at high levels.

Nor is there an immediate let-up in the pressure of weak oil markets, despite a current firming of prices. Industry minister José Andrés de Oteyza announced April 22 that Mexico was cutting back its export target levels from 1.5 mbd to 1.25, to conform with supply reductions adopted by the other major oil producers. The potential income loss is approximately \$200 million per month.

The search for new oil contracts brought de Oteyza to Washington along with Pemex director Moctezuma Cid and other high-ranking energy officials, for an unpublicized reception and dinner April 26 which from the U.S. side included Secretaries Edwards and Baldrige, and top executives of the U.S. oil multinationals. The reception was hosted by the American Petroleum Institute; according to one attendee, "De Oteyza made it plain that Mexico was interested in selling more oil."

sition. Though not on the scale of the multibillions that Mexico needs to make its overall debt obligations this year, this keeps a vital "insulated" channel of credits open to on-the-ground development projects.

West Germany was the site of Mexico's largest-ever foreign trade fair the last 10 days of April, at Hannover, where it was announced that the Veba energy group had bought a trial consignment of Mexican oil and that if refining the heavy crude works out, larger West Germany contracts are in the offing.

Perhaps most important is whether the outside forces

## 'Crime was 8% growth'

*The following are excerpts from the keynote speech—delivered in a tone reminiscent of a Mexican presidential State of the Union address—given by Banamex president Agustin Legorreta to the Mexican Businessmen's Council on Foreign Affairs (CEMAI) in Mexico City April 20.*

Mexico has problems—economic problems. I do not intend to deny them, but rather to discover the "hows" and "whys."

The first cause, and the most important, is that starting in 1978 we adopted an expansionist economic policy. Second, we did not formulate the ordering of our national priorities with the necessary rigor. Third, we did not make a greater effort to contain inflation. Fourth, last in order but not in importance, we demanded that the country perform above its true capacity. . . .

We should not have accelerated the economy as we did. The annual GDP growth of 8 percent was simply too much.

Concerning the ordering of priorities, let me refer to the deep-draft ports. Everyone who knows Mexico knows the need of constructing ports—except that plans for building five ports were drawn up, which meant a dispersion of our resources. It would have been preferable to have concentrated in the building of one or two.

Another case of wrong priorities is the area of steel and iron production. In view of the fact that there are many countries with excess capacity, we could have imported what was necessary to cover our necessities. I believe it was an error to assign significant resources here.

It is necessary to keep in mind that, although we have indeed been able to reduce our demographic growth, our statistics are still high, measured against international norms.

backing Mexico's premier oil-for-technology project, the next stage of its nuclear program, intensify their moves to keep the effort on track. Three U.S. companies are among the leaders in bidding for the contract, due to be awarded in August and worth \$2-3 billion. But unless the Reagan administration and U.S. businessmen pinpoint and counter Federal Reserve and IMF-directed financial pressure on Mexico, these contracts may well go down the drain.

## Psychological warfare

Legorreta's manifesto set off a host of similar declarations from Malthusian ideologues in the country, some of them in the circles of power. Political scientist and sometime presidential adviser Henrique González Casanova, declared in a meeting of the PRI think tank, IEPES, April 24 that "modernization means the self-determination of collective will . . . it is *not* economic modernity." The meeting was at the home of PRI presidential candidate Miguel de la Madrid. More surprising was a statement by José Antonio Ugarte, the long-time adviser to President López Portillo who broke from his boss at a seminar on U.S.-Mexico relations. "We must fight the negative effects which rapid development has brought. We must rationally and intelligently hold back some impulses of economic growth, such as the growth of population," he declared.

The backers of such Malthusianism know that the current economic shocks, strong as they are, will not be sufficient to break the Mexican population's commitment to a future as a strong, industrialized power. Other carefully targeted psychological warfare operations have gone into effect to create mass disorientation in the country.

In the first three weeks of April, over 200 bomb threats were called into major office buildings, government ministries, and hospitals in Mexico City. Mass evacuation after mass evacuation, in some cases almost giving way to panic, plunged the city of over 13 million into fear.

At the same time the bulk of the PRI "opposition" parties, acknowledged vehicles for destabilization with no chance of winning, have stepped up regional unrest. In one of the most advanced situations, the solidarist National Action Party (PAN), pulled off a successful one-day "strike" of storeowners the third week of April in the transportation hub of north central Mexico, Torreón.

But the most significant spark for mass psychosis—with overtones of a deliberate use of an "Iran model"—is the hold of cult forms of Christianity in backward layers of the population. A new and dangerous surge of cultism is being fostered by anti-government Church layers around a "sighting" of the venerated Virgin of Guadalupe in Sonora state (see p. 47).