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Mexico's economy at a glance

GNP: 1982 growth officially projected at 2-3 percent, said Finance Minister, Silva Herzog on May 18. For the year April 1982-April 1983, zero percent. Business and labor sectors are protesting that these figures are set too low, and designed to please foreign bankers.

Imports: Government is pledged a drop of $6 billion in imports for 1982, divided 50-50 between the public and private sectors. This is a 25 percent collapse over 1981 levels of $24 billion. The kind of ravaging of U.S. exports involved is indicated by Washington estimates of U.S. export of oil-related equipment to Mexico for 1982: $500 million, down from $2.0 billion in 1981.

The Bank of Mexico announced May 24 that import levels for the first four months of 1982 are close to meeting the government goals. In January-February, imports fell 15 percent. This rate accelerated and in March-April, the fall was 33 percent. Over the four months, imports were down $1.9 billion.

Exports: Oil and gas revenues are heading toward $14 billion at best, approximately $1 billion off last year's levels. Non-oil exports are substantially down as well, proving the bankruptcy of the argument that the February devaluation was required to make Mexican exports competitive. The manufacturing association Canacintra reports manufacturing exports are off 50 percent so far this year.

Interest rates: The last week in May the Bank of Mexico hiked domestic interest rates 1.9 percent, raising the cumulative increase since Easter week to 6.9 percent. The minimum now for government paper (CETES) is 40.1 percent, and for 30-day commercial paper, 50.0 percent; business loans are effectively at 50-55 percent.

Inflation: Rising over the first four months at an annualized 60 percent rate, as a result of the February devaluation. Inflation for April 1981-April 1982, 40 percent. 1981 inflation: 28 percent.

Prices: Price controls on some 5,000 items extended May 24 for three more months. CTM làbor confederation pushing for permanent price controls; business associations warning of spreading bankruptcies if price controls are not lifted.

Projects axed: Completion of six major government offices in Mexico City, including the 58-story Pemex tower; one subway-line extension (unconfirmed).

Projects threatened: Next phases of nuclear development and the Las Truchas steel mill; the industrial port projects at Altamira and Laguna del Ostion.

Pemex loan signed April 2. It didn't work then, and so far it does not appear to be working now. But the spread Mexico has to pay is rising fast. The second part of the jumbo package specifies rates of 1.5 points over LIBOR, a 75 percent jump over the ⅞ points above LIBOR of the Pemex loan. And the tactic is to keep building the "doubt" with each loan until one does fall through in the near future.

Then what happens? "Mexico would be forced to go to the IMF directly, and that's the kind of 'performance guarantee' on an austerity program that we want to see," declared the Security Pacific executive.

It's a calculated strategy of playing with fire, since if Mexico fails to get new cash, it could mean default on all of Mexico's $50 billion in public debt and $20 billion in private debt. "Yes, it could be the next Poland," acknowledged one of the Latin American desk officers for the New York Federal Reserve, glibly passing over the fact that the amounts involved are three times those of Poland, and debt almost all held by U.S. banks.

Plan for a new Chile

The New York Fed official confided that the crucial policy objective was to force Mexico to reverse its long-standing opposition to GATT. Mexico's vital capital-goods imports are already going; the GATT demand is to allow a flood of cheaper foreign manufactured imports which would bankrupt whole sectors of Mexican industry currently enjoying government protection. The "import substitution" skew of the Mexican economy makes it particularly vulnerable to this kind of operation. Already, government cuts of up to 8.3 percent in most areas of productive activity are leading to waves of layoffs in non-contract labor. What you will see will be "just like Chile," the Fed official promised.

The Fed plan got a boost from the U.S. Ambassador to Mexico, John Gavin, who told a meeting of the American Chamber of Commerce of Mexico May 17 that "if the Mexican government continues subsidizing" its exports, the U.S. would impose countervailing duties on a broad scale, and "bilateral trade could be reduced." He offered Mexico a "ready market" for its goods in the United States—provided the country "moved toward trade liberalization."

Gavin's threats of trade war drew outrage from Mexican business leaders of all viewpoints, even the followers of Friedmanite neo-liberal doctrine.

The U.S. Department of Commerce, after giving definitive authorization for a 15 percent countervailing duty to be levied on import of Mexican ceramic tiles the first week in May, has now suspended high-level trade talks with Mexico scheduled for June 9. Commerce officials told *EIR* that maximum pressure is being prepared for Dec. 1, when the presidency of Miguel de la Madrid begins.

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