EIR Economics

The usurers prepare a 'social explosion' in Mexico

by Mark Sonnenblick

Mexico's creditors squeaked through the debt crisis of 1982, but the crisis is now back with a vengeance. At that time, Mexico resumed interest payments by pumping more oil and by austerity which has reduced real wages in the country by close to 50%, and its agriculture budget by 75%. Today, those options are no longer available.

Mexico's average price per barrel of oil exported has slipped from the $25 last year to under $15, causing a loss of more than $6 billion in foreign exchange revenues and similar gaps in the government budget. Mexico's sales volume has plummeted so far that it ceased trying to hold even the $15 price, and announced it would bounce along with the spot market.

The house of cards built up by the 1983 and 1985 general debt reschedulings has collapsed forever; no matter how draconian the austerity, Mexico will not be able to pay the $11.5 billion in debt service due this year. The game will be played by new rules. Mexican creditors and Mexican nationalists are engaged in hour-by-hour combat over whose new rules will prevail.

From the City of London's perspective, "the hope is to isolate Mexico," the *Financial Times* comments. Mexico's labor movement and other nationalists are pushing their government to join with Peru in making a sovereign decision to limit its debt payments. Brazil and Argentina would immediately follow suit, and the $370 billion pile of Ibero-American debt would cease "performing," as the bankers quaintly put it.

Kissinger delivers threat

Henry Kissinger delivered an ultimatum to President Miguel de la Madrid during a two-hour working session in the presidential study Feb. 17. No Mexican or foreign press has published what happened during that encounter. *EIR*, however, has learned that Kissinger threatened that if Mexico decared a moratorium or acted in concert with Peru, he would see to it that its assets abroad were seized, its U.S. borders sealed, and a domestic social explosion unleashed.

The Mexican government was courteous enough to publish the next day a partial transcript of a briefing which a Citibank official had given to 10 Mexican journalists, on the understanding the source would not be revealed. Citibank stated, "The foreign banks have lost their confidence in Mexico." He demanded that Mexico further cut public spending and further devalue its peso, and that private companies turn their creditors into owners. Citibank argued Mexico could pay its debts without any of the $9 billion in new loans it is asking, if only it would "sell its oil reserve, which is estimated to be 72 billion barrels, which, at, say, $7 a barrel, in two weeks it would have no debts left." A good banker could arrange for Mexico's patrimony to be transferred to foreign owners in two weeks, he stated.

In his economic address to the nation, de la Madrid repeatedly promised he would not do anything "unilateral," despite the gravity of the situation. Thus, he unilaterally disarmed himself of the "debt bomb" weapon which would give him immense power to change that situation. But he also swore that he would not give up Mexico's oil or any other strategic sector.

Upon Mexico's underground mineral wealth depends its development prospects. For that reason, state ownership of oil is sanctified in its Constitution.

Mexico's labor movement immediately rallied around the President. It put ads in major papers urging workers and all citizens to give him their "total support," despite the suffering caused by his IMF austerity program.

"The creditors have more than been repaid for the loans they gave; their demands are morally and economically despicable," Mexican labor leader Emilio M. Gonzalez proclaimed at the 50th anniversary conference of the Confederation of Mexican Workers (CTM). Gonzalez, also governor of the state of Nayarit, said, "Not all of Mexico's foreign debt is clean, and a good part of it is due to the iniquitous manipulations of the international banks, threats and pressures from representatives of the creditors' governments, to usury and to the limitless ambition of minorities."

"As Mexicans," he told 30,000 delegates representing the CTM's 4.5 million members, "we would be irresponsible to history and would be shirking our revolutionary duty if we were to persist in the intention to pay at all costs, including the risk of the survival of our people and the independence of our nation." He called the situation "intolerable," and pledged support to the President's promise not to give away the country. "Nobody is obliged to do the impossible."

Although he accepted gradually deepening today's severe austerity, de la Madrid announced in his Feb. 21 speech, "Now, it is our creditors' turn to make at least an equivalent effort to the sacrifices made by the people of Mexico." That was widely taken to mean that Mexico would ask creditors to cut interest rates to 6% and to defer some payments. The *Wall Street Journal* commented, "Mexico's new policy differs only in spirit from the one Peruvian president Alan García unilaterally announced last July. . . . Nigeria, too, has taken a similar step. But by attempting to negotiate with creditors, Mr. de la Madrid is putting a prettier face on the default . . . [and] sketched a negotiating strategy that is likely to prove the most bitterly contested yet in the three and a half years that banks have been dealing with financially troubled debtor nations."

Mexican Finance Minister Jesus Silva Herzog arrived in Washington Feb. 24 to politely ask for lower interest rates as part of a $9 billion bailout package. Top Mexican sources told *EIR* that he got precisely nothing during two days with Treasury Secretary James Baker III, Fed chief Paul Volcker, the IMF's Jacques de Larosière, and the World Bank's A. W. Clausen. A Treasury spokesman confirmed, "Our attitude is still the same as last week: that the U.S. will demand structural changes in Mexico's economy as a condition for aid."

"Structural changes" is a euphemism for measures which would let foreign creditors foreclose on the real physical assets of Mexico, at bankruptcy prices. Their specifics can be heard from Reagan administration officials willing to talk "off the record":

- ending protection for domestic industry;
- forcing Mexico's bankrupt private sector industries to hand over equity control to creditors;
- permitting foreigners to hold 100% ownership of companies inside Mexico;
- denationalizing the banking system;
- scrapping or denationalizing the industries built up over years by the state sector;
- making heftier devaluations so that each dollar of debt can snap up a larger amount of peso-denominated equity;
- imposing massive layoffs and reducing real wages further, thus freeing more locally consumed goods for export and reducing imports of food and other items.

Juárez declared a moratorium

De la Madrid has made one concession after another to Washington on many of the above demands, as Secretary of State George Shultz is the first to admit. But, de la Madrid will not, *cannot*, give away his country. The *Financial Times* of Feb. 24 predicted, "If President de la Madrid were now to be rebuffed by the international financial community, he risks being overwhelmed by a wave of Mexican nationalism."

As his emissaries were being rebuffed in Washington, Feb. 25, the Mexican President called in all the foreign ambassadors to Mexico and instructed them: "Just as the Mexico of Juárez did not yield in the face of what seemed like an unbeatable force, which combined the power of intervention with that of internal groups which opposed full consolidation of the Mexican state; and just as the Mexico of Cardenas did not let itself be fooled by illusions, and on the contrary, upheld the essential interests of the nation, today we confront the difficulties of the moment as they are: challenges which are serious, but transitory, no greater than others the country has known how to overcome.

"In deciding," the president of the Republic declared, "we will not lose historic vision, since our ardor for preserving sovereignty and self-determination is our supreme value."

This is a dramatic shift for him. Only several months ago, he argued that the great Benito Juárez's 1860s debt moratorium was proven a mistake by the Hapsburg invasion which it provoked.

Professor Jorge Castaneda argues cogently in *Foreign Affairs,* the organ of the New York Council on Foreign Relations, that if de la Madrid tried his hardest to impose the indicated "structural reforms," it would cause a "social explosion" in the country. The press has been filled with commentators claiming that, for that reason, the United States would "rescue Mexico." All that can be concluded from the administration's hostile conduct toward Mexico is that its *intentions* are to explode Mexico, just as Mr. Kissinger threatened.

U.S. Treasury arms Mexican insurgents

"Is the U.S. Preparing another Philippines?" read the banner headline on the Mexico City daily *Ovaciones* Feb. 26. It reports the charges made by Francisco Rodriguez Perez, a congressman from the ruling Revolutionary Institutional Party (PRI) from Chihuahua, that "support for the opposition to the PRI by the U.S. government has ceased to be hidden, and Chihuahua, the largest state, has served as a kind of test tube in which even armaments have been given to the

PANistas." PANistas are members of the National Action Party (PAN) a Nazi-Communist, anti-American party, therefore backed by the U.S. State Department, and the subject of a recent book by the Mexican Labor Party, *The PAN, Moscow's Terrorists in Mexico*.

The State and Treasury Departments are aiding and abetting the Nazi-Communist forces seeking to destabilize the Mexican government, create chaos, and make whole states into free zones for narcotics traffickers and terrorism. They are doing this Philippines-style, by preparing vote-fraud accusations on behalf of the PAN, and by helping their mafia allies arm themselves for post-election guerrilla warfare in the U.S. border states.

In Brownsville, Texas, a U.S. Treasury agent, Chris W. Heart, implied that his bosses are complicit in a burgeoning of heavy arms traffic heading toward bandit armies in Mexico. "I sat down to look at the case files a year after the [1982] peso devaluation and two different patterns emerged. Before, people bought many revolvers, .45, 9 mm, .25, and .22 caliber. These arms were used by businessmen, the federales, police, and even some delinquents across the river. But now, people are buying AR15, AKS, MAC 11, Uzis, paramilitary arms which cost $250 to $1,200 apiece. From the intelligence data I have, many of these arms end up in the hands of small private armies made up of 60 to 70 men."

Heart said that after he reported this shift to combat quality weaponry, Treasury cut back his staff by 40%. One can only conclude that the "structural reformers" at the State Department have cut a window through which the private armies of narcotics-traffic and insurgency in Mexico obtain their fire-power.

Some PAN leaders are frank about their intentions. Marijuana magnate Manuel J. Clouthier was quoted in the Mexico City daily *La Jornada* Feb. 19: "I don't know whether for better or worse, this country is going to change. . . ." He reported on a visit two years ago to the Philippines. "Things are going to happen, and it is inevitable that they will also happen in Mexico, damn sure." Clouthier is the probable candidate of the PAN for the governorship of Sinaloa, a narcotics-producing zone.

The State Department report on "human rights" in Mexico, released Feb. 13, complains, "Most of the opposition parties' opportunities have been blocked by the electoral force and the organizing power of the PRI, by maneuvers to divide the opposition, extensive public influence, and, according to the claims of the opposition, by electoral fraud."

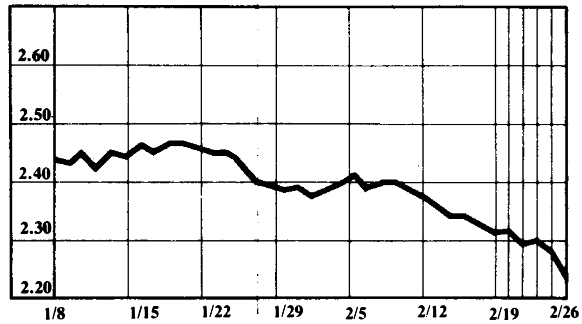
Senator Jesse Helms (R-N.C.) plans to use his Senate Foreign Relations subcommittee to feed Mexico's destabilization. Hearings are to begin in April.

The Financial Times of Feb. 19 says of Helms' endeavor: "Such hearings could be expected to echo conservative judgments that not only is Mexico's economy a statist breeding ground for corruption, but that the time is overdue for it to start reforming its political structures and move firmly in the direction of embracing true (capitalist) democracy."

Currency Rates

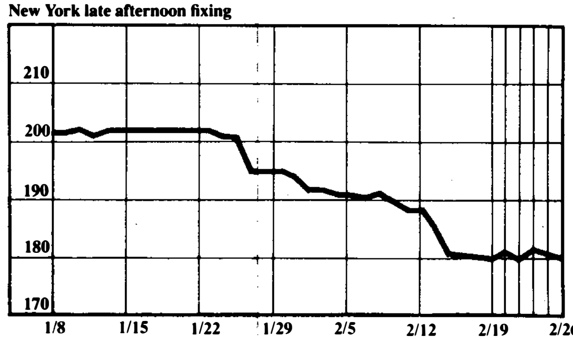
The dollar in deutschemarks

New York late afternoon fixing



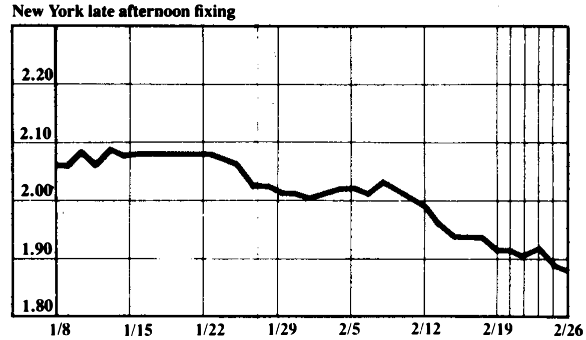
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing