Mexico

Drumbeat for an 'Azteca Plan'

by Juan Cedilla and Carlos Cota

There is a growing drumbeat, both inside Mexico and abroad, for Mexico to implement an "Azteca Plan" to deal with its atrocious economic crisis. Like the Austral of Argentina and the Cruzado of Brazil, this is not an economic program but a psychological warfare plan against Mexicans in general and the trade unions in particular, to make them accept greater austerity in the face of the impossibility of continuing to pay the foreign debt.

An Azteca Plan for Mexico would mean human sacrifices as in the pre-Colombian era, when the Aztecs lived by sacking other peoples and decimating their populations. The plan has been the brainchild of the Monterrey Group, a conspiratorial group of "businessmen," since last year. Monterrey Group spokesmen have described it as consisting of: a) substantially reducing the public deficit through spending cuts and tax hikes; b) total suspension of loans by the central bank of the government; and c) depreciation and stabilization of exchange. The complementary measures would be, they say, eliminating the system of indexing between wages and prices, eliminating foreign credit for the transition period, and adoption of a new monetary unit.

After three years of insisting that the International Monetary Fund's program was helping Mexico's economy to recover, suddenly the Mexican government has admitted that the economy is not only not on the upswing but collapsing in an deafening fiasco. The official recognition came in the *Annual Report* of the Bank of Mexico on the national economy. Despite a violent faction fight inside the economic cabinet for the report not to come out in that form, the director of the Bank of Mexico, Miguel Mancera Aguayo, blamed Treasury Secretary Jesús Silva Herzog and Budget and Planning Secretary Carlos Salinas de Gortari for the fiasco.

The report says the drop in tax revenues, in the international reserves, and in the savings deposits of banks, along with skyrocketing interest rates, capital flight, the unmanageable mess of the foreign debt, and the runaway domestic debt, are due to "errors of instrumentation, laxity, and errors in foresight" of the two above-named secretaries. Although they *are* responsible for the disaster perpetrated by the IMF, Mancera Aguayo has been complicit in the whole mess.

In reality, what is happening to the Mexican economy is what had to happen under the International Monetary Fund (IMF) programs. All the negative indices which the government now recognizes have been negative since 1982-83, when the oil prices had not fallen. The disaster was created by the monetarists in the cabinet, who now want to blame everything on the oil price crisis in order to continue to destroy the economy, since the only remedy they propose is more austerity and continued debt payment.

What does the fall in oil prices and the fall in hard currency revenues mean? Originally a total amount of exports of $22 billion was foreseen, and imports for a total of $14 billion—or a surplus of $8 billion. Debt service payments for this year added up to $9 billion. With the oil price drop, all Mexico has lost is its capacity to pay the foreign debt. This has nothing to do with the domestic economy, which went under long ago.

For example, the loss in tax revenues of the government is due to the fact that the fiscal policy has been one more element of de-capitalization of the economy, which has both fomented tax evasion and added one more cost of production together with the burden of interest rates which now top 130%. In turn, the zooming interest rates result from the measures the government has resorted to, to finance its public deficit by "self-loaning" itself its savings deposits, in order not to print money or take on more foreign debt. This has led to a severe credit squeeze, since not only are interest rates rising, but the reserve requirement has gone up for the commercial banks. As a result, the interest the government has to pay for its internal debt for 1986 totals 8 trillion pesos—a substantial part of the budget.

Chain reaction

The budget cuts have also forced the state and semi-public sector of the economy to suspend payments to their private venders, who, in turn, are suspending payments to the commercial banks, tottering under the increase in overdue paper and bad debt. Making things worse, the government, to avoid chain bankruptcies of both banks and businesses, is privately negotiating tax exemptions with the businessmen so that they don't declare themselves insolvent. This is of course another blow to fiscal revenues.

This is why Planning and Budget Secretary Salinas de Gortari announced a budget cut of "only" 500 billion pesos, arguing that more cannot be cut because of the risk that the economic apparatus will fall apart. When the 1986 budget was approved, it was said that it "cannot be less nor can it be more." Officially it is recognized that as far as budget cuts go, "We've arrived at the bone marrow." The domestic economy is exhausted and the drop in oil prices only sped up the recognition of the failure on the part of the government. The only meaningful thing about this new cutback is that, as always, it does not touch payments on domestic and foreign debt, which adds up to 47% of the federal budget. And this is where the "Azteca Plan" comes in.