
Mexico

People with Brazil, President with banks

by Hugo López Ochoa

"We do not want to embark on economic warfare adventures or sterile international controversies," the President of Mexico, Miguel de la Madrid, told members of the Confederation of Workers of Mexico (CTM), who were meeting to celebrate the 105th anniversary of the union's founding on Feb. 26.

This was his answer to the popular outcry in favor of the formation of an Ibero-American "debtors' club," an outcry which has been building since the historic decision of Brazilian President José Sarney to suspend indefinitely the interest payments on his country's foreign debt. The Mexican head of state waited five days to react to Brazil's courageous action.

Not accidentally, the first voice raised in Mexico in support of Sarney, came from the Catholic Church. On Feb. 21, while announcing that Pope John Paul II was invited to visit Mexico in 1988, Cardinal Ernesto Corripio Ahumada, Archbishop Primate of Mexico, said: "The suffering of the people as a result of the burden that payment of foreign debt means for the country, can be an element, from the religious standpoint, to consider seeking a suspension of payments." Like President Sarney, the Mexican cardinal cited a document on debt recently released by the Church (see page 28). "We Mexicans have to analyze the particular situation of the country, and see whether in Mexico the conditions are being fulfilled which the Pope considers to state that the debt is unpayable if one does not commit a crime against the necessity of development of peoples," he said.

Then he warned that "the pressure on Mexico is greater than in the case of other Latin American countries," and asked, "How far is Mexico from those it owes, and how far is Brazil?" The answer came from Sen. Faustino Alba Zavala, secretary of the CTM union, on Feb. 25: "Mexico must head up a Debtors Club of Latin America, since it has started to form with the moratorium declaration of Peru and Brazil

and possibly Argentina and Ecuador. To negotiate unilaterally would entail serious consequences for our country, because it is the closest neighbor of the United States."

He went on: "If they keep on filching credits and putting off the delivery of fresh money, Mexico will have no recourse but to declare the suspension of interest payments on its foreign debt . . . to counteract the creditors' actions, the only possibility is to set up a bloc. In this way, desperation would turn into success for everyone, especially for Mexico." The day before, CTM leader Fidel Velázquez, asked about Corripio Ahumada's remarks, said that the labor movement would back "any means that would get this weight off our backs."

This gives an overview of the battle cry which has spread throughout Mexico like wildfire, following Brazil's courageous action. The echo of this battle cry is resounding in the Mexican Senate. On Feb. 25 Antonio Riva Palacio, head of the Senate, warned, "Neither moratorium nor the hardening of Mexico's position against the creditors to arrange better payment conditions should be ruled out." "We cannot pay beyond our capacity. . . . We require that negotiations be subject to the assignment of credits for the country's development."

Trilateralists tottering

Since Brazil's move, what little credibility remains in the "rescue package" which Finance Secretary Gustavo Petricioli worked out with the creditors last July is shot to smithereens. In eight months of talks, the 400 creditor banks of Mexico have not "reached agreement" on the parceling out of the \$12 billion originally agreed to. The money was to have started to flow into Mexico on Jan. 1, 1987. Supposedly, the credit would come from even the smallest of the creditor banks, so that no bank will benefit over another that did not kick in. On Feb. 24 the Mexican press reported that many of these little banks no longer exist, because they went bankrupt! Anyone with an ounce of wit knows that the big banks don't want to contribute, because they, too, are going bankrupt. "Without wanting to be a jinx . . . with the Brazil problem I think the situation will get more acute . . .

. . . [the bankers] are not going to have money in three months, nor in six," said Francisco Hernández Juárez, president of the Labor Congress, the umbrella organization for Mexico's trade unions, on Feb. 24. Two days earlier, he had warned that Brazil's moratorium "could cause Mexico to adopt the same position." CTM chief Fidel Velázquez has never believed in the Mexican deal with the IMF, the "model" for the debtor countries. On Feb. 23 he remarked caustically: "I said already that I hope the credits are sent by burro, and now I say, it looks as though the burro got tired."

Even the most rabid monetarists are recognizing reality. Luis E. Mercado, financial columnist in the daily *El Universal*, and spokesman for Bank of Mexico director Miguel Mancera Aguayo, warned on Feb. 20 that given the small

amount of liquidity that the banks have, "there is a danger that [the bankers] might put off making the accord with Mexico concrete, and dedicate their attention to the new conflict they have on their hands." Mexico "needs to put on as much pressure as necessary to avoid its being postponed or falling."

The first official response of the Mexican government came from the Trilateraloids who control the economic cabinet of President Miguel de la Madrid. Up to Feb. 24, their answer was the same as all of the world's Trilateraloids: No panic on the deck of the Titanic. One by one, Planning and Budget Secretary Carlos Salinas de Gortari, Finance Secretary Gustavo Petricioli, and Bank of Mexico chief Miguel Mancera, swore there was no risk to the credits to Mexico, that there are enough reserves, and everything is fine. Gustavo Petricioli, while warning that "the technical moratorium announced by Brazil makes evident the great risk being run by the international financial system due to the lack of cooperation by the banks," said cynically that Brazil's action "is what Mexico already did in 1982," and that he was sure Brazil "could be as lucky [sic] as Mexico."

No one believed them. On Feb. 23, *El Universal* ran a cartoon of Salinas de Gortari, who says, "we will follow our own path," and falls off a cliff. By Feb. 25, Petricioli had to call a press conference where, Miguel Mancera at his side, he announced, "Mexico can no longer go on waiting for the arrival of the 'fresh' dollars and is ready to leave out of the deal" the tardy banks. The deadline he set was March 20. Petricioli insisted that Mexico could apply the "reciprocity rule" to the laggards, and practically would sign with whoever shows up. Petricioli called this "negotiated confrontation." The "strong card" of Petricioli and Mancera was that Mexico increased its dollar reserves to more than \$7 billion thanks to the last oil price increase, with which "we guarantee our payment capacity." Mexico's foreign debt is at \$100 billion.

While Petricioli was giving his press conference, the international newswires put out the story that the price of North Sea Brent crude had collapsed by \$1.50 in less than 48 hours.

Frustrated negotiators

The Petricioli-Mancera press conference, was the last desperate attempt of what Peru's Alan García called on Feb. 26 the "frustrated negotiators." After March 20, there will be no arguments left to keep on with what Petricioli called "moderated support" toward Brazil. Perhaps before that, the dynamic of the Brazilian movement may accelerate things internationally.

Sen. Antonio Riva Palacio, cited above, said on Feb. 25 that "even, and probably, during the XIIth National Assembly of the PRI [the governing party], the Mexican posture on debt will be redefined." That assembly takes place in early March.

Various national newspapers have started a process of

popular "education," with far better-aimed commentaries on the Brazilian movement than the economic cabinet's "frustrated ones." On Feb. 23, *El Sol de México*, tied to ex-President Luis Echeverría, wrote that "Our architects of economic policy feel called to be the saviors of the international economic system," when "What is important now is to take advantage of the conjuncture to re-draw the scheme of economic relations between debtors and creditors, without settling for limited reforms or halfway concessions." The largest-circulation daily *Excelsior* wrote: "The Brazilian moratorium represents . . . a redefinition of the debtors' political horizon. . . . If the banks crack down on Brazil, they will speed up the solidarity of Ibero-America as a whole with the Brazilian cause and will light the fuse of a nationalist awakening that could change the balance of continent forces." In reference to the "Group of 7" finance ministers' meeting in Paris, *Excelsior* added: "It seems incredible that . . . they don't recognize in the new debt crisis a unique opportunity to get development back on track. . . . It should be clear, above all, that every time a country declares a moratorium, its importing capacity multiplies, precisely because it stops using its resources to pay an absurd debt. . . . For the moment it is only Brazil, but if later other countries follow this example, what will be created in Ibero-America will be an enormous, expanding market, which will absorb abundant goods and services coming from the industrialized North. . . . Shortly thereafter, it could get back to servicing the debt."

Joining Brazil and Peru—or dictatorship

President Miguel de la Madrid got the David Rockefeller prize (formerly of the Trilateral Commission) for treating the banks nicely, in August 1986. He seems convinced that nothing will happen in the crow's nest of the Titanic. But the mood of the country is getting ever harder to ignore. On Feb. 26, Alfonso G. Calderón, the second in command of the CTM, proposed to President de la Madrid that "in the face of the creditors' pressures . . . if the government considers some measure, however extreme it seems, it will count on the support and backing of labor," an obvious reference to the Brazilian-Peruvian solution. Then he warned that the breakdowns provoked by the economic crisis "have led to a social unrest which is fatally going toward desperation . . . the opportunity desired by our enemies who have a propensity for the sound of pots and pans and the advent of a dictatorship."

The labor leaders have warned Miguel de la Madrid several times that they cannot counter this desperation if the President does not take leadership. On Feb. 27, the Labor Congress put off for 10 days, to March 9, a general strike call of the unions of 230 semipublic companies. The electrical workers union refused the postponement, and started striking the Central Light and Power Company that same day. This strike will affect 25 million inhabitants of central Mexico.