Mexican presidential pick Salinas: 'man the creditors would choose'

by Mark Sonnenblick

The reporters who rushed to the home of Attorney General Sergio García Ramírez after the announcement at dawn Sunday, Oct. 4, that he would be Mexico's next President, were soon astounded to find that they were at the wrong place. It was Carlos Salinas de Gortari, the planning and budget secretary, who won the nomination of the Institutional Revolutionary Party (PRI), tantamount to being chosen the next President.

The official media brushed off the incident as "a monumental error" by once-front-runner, Energy Secretary Alfredo del Mazo, who had gone on the radio to proclaim García Ramírez's victory. More likely, the staid del Mazo had sacrificed his career in an attempted *madruguete*, the "dawn raid" of Mexican political folklore, to try to impose the nationalist anti-drug fighter as President. It was the first time that the *madruguete* has been attempted as a presidential succession coup. The mysterious masonic rites by which the PRI's inner elite chooses Presidents leave an opening for such maneuvers, and Salinas de Gortari's skills at political fence-mending could well smooth over the resentments caused by it.

But, the last-minute showdown inside the PRI was not a political eccentricity. It marked a rebellion against the policies which Salinas has carried out over the past five years at the behest of the International Monetary Fund (IMF) and the holders of Mexico's $112 billion debt. In order to service that debt, he has reduced living standards by at least 40%, crippled new investment, and begun dismantling Mexico's industry and resource base, and turning them over to the creditors.

"Salinas de Gortari is clearly the man creditor banks would choose, if they had a voice," a senior City of London banking source told *EIR* Oct. 5. "Gortari has no base in the PRI, unlike other candidates. It is clear the creditors will be pleased."

The impact will soon be seen far beyond Mexico. The prospect of a major debtor playing ball by the creditors' rules until 1994—were that possible—will make it more difficult for Peru's President Alan García to unite debtors around his fight to reform the international financial system. The immediate target of banker escalations is likely to be Brazil. Brazilian nationalist factions which want to maintain their debt moratorium and not submit to IMF conditionalities, will undoubtedly feel that the Mexican decision has left them isolated.

The fact that labor chieftain Fidel Velázquez, the traditional proclaimer of Presidents, angrily got up and walked off the podium while Salinas made his acceptance speech on Oct. 4, shows that the battle over economic policy is far from over. Velázquez had expended his considerable influence in the labor movement countering efforts by hungry rank-and-file and leftists that labor should strike against the decimation of real wages. He argued that if labor did not rock the boat, he could bring forth a President who would change Mexico's course. He failed.

The pressures for a return to rapid economic growth, for the restoration of real wages, for 12 million new jobs are now ready to explode in Salinas's face. There is no telling whether Mexico's people will remain passive, even if he makes promises of recovery to be implemented after he wins the July 1988 general election and is sworn in that December. If the austerity which has so endeared him to Wall Street is not broken between now and the elections, he is unlikely to get a credible mandate. Less than half of the eligible voters turned out for Miguel de la Madrid in 1982. And, unless Salinas makes a radical break from his profile—which is always a possibility in Mexican politics—the PRI labor political captains who always herd Mexico's masses onto busses and trucks for their election day duties to the party, may go fishing instead.

Moscow's minions in Mexico fully shared Wall Street's glee at the selection of Salinas de Gortari. Mexican Socialist Party (PMS) presidential candidate Heberto Castillo ventured so far as to suggest that he could even win the general elections against a PRI contender so alien to Mexico's majorities. While a left election victory is too much to be expected, there is little doubt of a radicalization in Mexico. The formal parties of the left, and their rightist opposition allies who once supported the Nazis against the United States, will have a field day.

The Harvard dynasty

The choice of the most anti-popular contender shocked Mexican political insiders, who knew he was vetoed by the labor section of the PRI. The choice was clearly imposed by President de la Madrid, whose mark on Mexican history is precisely the disastrous impact of the "structural reforms" designed by his planning and budget secretary. The *New York Times* describes Salinas as "an atomic ant," organizing and accomplishing the task of dismantling the structures which Mexican nationalists have built to protect their economy from foreign looting.

If Salinas continues on the same track, he will brush aside PRI resistance to weakening the state companies which have invested tens of billions of dollars in unlocking Mexico's immense mineral potential and building basic industry and infrastructure.

In converting debt principal, which could never be repaid, into equity ownership of Mexico's above- and underground wealth, Salinas would help out creditor banks at the expense of Mexico's future.

Salinas's trump card was Mexico's stock market bubble. Since the beginning of the year, the stock market has more than quadrupled in dollar terms. Official propaganda attributed it to business confidence in Salinas and de la Madrid, attracting back some of the $50 billion in flight capital which was pumped out of Mexico under previous presidencies through organized flight-capital operations.

It is also likely that much of the hot money which poured into Mexico was narcotics dollars whose Panama haven had been interrupted by Gen. Manuel Noriega's "Operation Pisces," and for whom even Switzerland was no longer totally safe. Salinas and central bank president Manuel Mancera, in contrast, had stimulated the meteoric rise in Mexico of a free-wheeling underground economy of unregulated finance companies and quasi-banks. Such wanton economic liberalism provides an ideal environment for laundering and storing part of the world's $500 billion in narcotics money flows.

Salinas's ministry has just suggested that Mexico open up an "offshore banking center," which could provide a permanent framework for such hot-money flows.

This hot-money inflow, combined with billions of dollars saved from years of cutbacks in vitally necessary imports, brought de la Madrid a $15 billion foreign reserve nest egg. This is about the only thing he could point to as evidence that Mexico's economic situation has improved. During recent months, Mexico's dirty money circuits and foreign advisers, such as the Wharton School, have used the reserves and stock market bubble as blackmail for the Salinas nomination. They warned that if de la Madrid chose a nationalist successor who would use Mexico's reserves and Mexico's resources for the dramatically unmet needs of domestic development, they would prick the bubble, cause massive capital flight, and destroy the last 14 months of his presidency.

Carlos Salinas de Gortari

Author of Mexican 'perestroika'

by Carlos Cota Meza

Carlos Salinas de Gortari, 39, official candidate for the Mexican presidency in 1988 of the ruling Revolutionary Institutional Party, has for the past five years directed the Miguel de la Madrid government's economic policies, which have plunged the country into its worst crisis since the Mexican Revolution. As labor leader Fidel Velázquez once noted caustically, "He is a very intelligent man who knows the country's problems and would surely know how to solve them."

During his five years as Secretary of Planning and Budget (SPP), he created and put into action the National Development Plan and 10 other new programs, all of which failed to achieve the objectives which they claimed to pursue. He presented all those plans as variations on his theme, the pursuit of structural change of the Mexican economy, which have invariably consisted of:

- shrinking the state-owned sector of the economy by selling, closing or merging entities;
- "sanitizing" public finances by reducing the federal budget, cutting current expensives and investments;
- controlling inflation through wage freezes.

Thanks to this conception of "structural change" in public finances, in five years, social spending per capita was cut by one-third. Current spending was cut at the cost of state employees' jobs and salaries. Financing of the state sector was reduced by selling or closing companies. Despite this, the public deficit has not been cut because of his high interest rates for financing budget deficits.

After five years of "structural change" and "fighting inflation" (which is still out of control), according to figures from the Mexican Workers Confederation (CTM), the buying power of wages has fallen 40% in comparison with 1982. This has brutally contracted the internal market, wiping out the national industrial sector which supplies wage-earners.

The structural change suffered across the board by the national economy is no less dramatic. If the Gross Domestic Product (GDP) were to grow 2% this year and next year, the GDP per inhabitant would barely equal that obtained in 1976. In general terms, Salinas de Gortari will begin his government having achieved zero economic growth during the de la