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Dateline Mexico by Carlos Cota Meza

Quo vadis, Mexico?

Is the U.S. loan proffer to Mexico just a political bailout, or has it lit the debt bomb's fuse?

Most Mexicans were stunned when the U.S. Treasury and Federal Reserve made a sudden joint offer of a $3.5 billion "bridge loan" to the Mexican government. U.S. newspapers unanimously hinted that the offer was a "shoring up" of Carlos Salinas de Gortari's administration, set to take office on Dec. 1 amid widespread discontent, collapsing oil prices, and a worsening economic recession. The Mexican daily *El Universal* called it a reward to Salinas for his pledge to extend the austerity package, known as the Economic Solidarity Pact, through January 1989.

European financial views of the offer were more blunt. The London *Financial Times* speculated Oct. 19 that the reason was to prop up Mexico's financial house of cards through Nov. 9: "The offer of $3.5 billion may also be intended to ensure that nothing untoward disrupts the apotheosis of Mr. Bush." The *Times* warns, however, that the loan may provide a green light to capital flight.

A senior City of London financial source told *EIR* that the U.S. granting of the loan with no IMF conditionalities attached could endanger the entire post-1982 creditors' front against the debtors. "The U.S. sees Mexico as 'special,' but the Europeans see it as setting a precedent. . . . The U.S. unilateral action giving Mexico this loan with no IMF demands . . . is a very bad public relations exercise by Washington because it has alerted the international financial community to expect something very, very unpleasant from Mexico. It is also a clear blow to the IMF."

Outgoing President Miguel de la Madrid had already confessed the reason for the new loan during an Oct. 17 bridge opening ceremony along the border between Tamaulipas and Veracruz states. The President said that "one didn't want to leave open the slightest risk. For this reason, a financial packet has been negotiated with the U.S. and World Bank financial authorities, which will leave us well provided for the government transition."

Various analysts nonetheless agree that the country once again finds itself in "technical default" of its foreign obligations. Along with the enormous foreign debt burden, an immense current account deficit has been accumulating. Income for 1988 is some $30.1 billion, made up of $19.5 billion in export revenue, and another $8 billion constituted primarily of income from tourism, transportation, and sweatshop assembly plants.

Expenses this year will rise to $34.1 billion, of which $18.5 correspond to imports, $5.5 to non-interest debt service, and another estimated $10 billion for payment of interest on the foreign debt.

For the new year, the accounts show little prospect for improvement, either in oil or in non-oil exports, the latter especially having been driven to the point of exhaustion due to the merciless looting which for the past six years has been maintained under the so-called "export boom"—a product of currency devaluation and reduced internal consumption. Of the 14 products that make up non-oil exports, all show an accelerated decline, while service categories like tourism, have been one of the main victims of the hurricane season.

One of the unstated "conditionalities" of the bridge loan is the Mexican government's commitment to incorporating Mexico into the Canadian and U.S. economies, the neo-colonialist North American Common Market swindle. Efforts to get the operation under way have already been taken up by the Bi-National Commission, made up on the U.S. side of William D. Rogers, Robert S. McNamara, and Henry Cisneros, among others.

On the Mexican side are former Sen. Hugo B. Margain, former senator and now PRI federal Deputy Socorro Díaz, Mexican ambassador to the Soviet Union Juan José Bremer, writer Carlos Fuentes, and others. The only thing the Mexicans have thus far been willing to say publicly is "for the moment, a relation of this sort is not appropriate."

It is nonetheless clear that the North American Common Market is Carlos Salinas de Gortari's true program. The more appropriate "moment" will obviously come when the arrangements and guarantees of the U.S. government are fine-tuned *after* its own presidential elections Nov. 8.

The question is, how will Mexico pay for the loans it is now receiving? The $3.5 billion "bridge credit" must be added to another, already approved, contingency loan of $2.6 billion for emergency food imports. The U.S. Commodity Credit Corporation and Treasury Department made the announcement of that loan upon handing over the first disbursement of $900 million, which covers one month of imports.

Financial circles in Europe, clearly in a fury with Washington, are asking the same question.

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