Dateline Mexico by Carlos Cota Meza

The Aztec Plan

Is Carlos Salinas's new plan intended to eliminate three zeros from the peso, or Mexico's monetary sovereignty?

In the days preceding Easter Week, the government of President Carlos Salinas de Gortari activated a decree according to which the country's exchange houses now have exclusive rights to all buying and selling of foreign currency above a $3,000 limit. All transactions below that will be able to be carried out in any kind of commercial establishment. Retail stores, pharmacies, hotels, supermarkets, and so forth, will be able to accept dollars in payment for goods or services.

The government took advantage of one of the most important vacation periods in the country to impose its "monetary opening," in which the dollar can now circulate as common currency. And on the first day of Holy Week, PRI Sen. Jesús Rodríguez y Rodríguez announced that for the new congressional period, the government would present a bill to eliminate three zeros from the peso (1,000 would now equal 1), and thereby establish the Aztec Plan announced in 1986 by then Finance Secretary Jesús Silva Herzog.

The Aztec Plan is designed to eliminate the nation's monetary sovereignty, leaving it under the "tutelage" of the dollar. The move was precipated by threats of a run against the peso, itself the result of delays in signing the North American Free Trade Agreement.

Thus far, it isn't clear where the peso-dollar parity will be fixed, but it is known that the plan includes a devaluation of the peso—which could be as high as 30%—after which the parity would be set.

The objective of the Salinas "monetary reform" is to establish that the Mexican government be prohibited from issuing any national currency that is not entirely backed by the dollar. For example, for every 3,000 pesos (current parity) that circulate in the economy, the central bank should have $1 in its possession. All surplus "retail" dollars in circulation inside Mexico will have a life of their own and will be legal tender.

This will eliminate the existence of a sovereign monetary, credit, and financial system, and will turn Mexico into an economy addicted to dollars, like Hong Kong and Shanghai, historically known as drug-money laundering paradises controlled by British finance. It will also put Mexico just one step away from what happened to Panama's monetary system. In Panama, the balboa is the name of the legal currency, but it is nothing other than a U.S. dollar bill.

President Salinas had already given indications of his plan. Last March, speaking before the National Association of Mexican Importers and Exporters (Anierm), Salinas maintained that the solidity of the peso is measured by the fact that international reserves then accumulated at the Bank of Mexico "represent a figure superior to all money in circulation" in the national economy. This means that the government already has more dollars than pesos.

But the mastermind of this plan, who has been working on it since 1983, is the director of the Bank of Mexico, Miguel Mancera Aguayo.

Last year, during a presentation organized by the New York Federal Reserve on "Currency and Trade," Mancera spoke of the conditions that would be required to be able to establish a "fixed parity." One of those conditions, insisted Mancera, is that "the country whose currency is to be used as reference, be an important trade partner, or that the country that is linking its currency, conduct its foreign trade in the reference currency."

Another of Mancera's conditions was "to establish legal limits to the primary expansion of credit. In extreme cases, the statutes of the central bank could permit currency to be issued only against the purchase of a specific foreign currency. . . . This rule would equal, in a certain sense, adopting the reference currency as the domestic currency."

Mancera's commitment to the virtual annexation of the Mexican economy to that of its northern neighbor couldn't be clearer.

In September 1982, when President José López Portillo nationalized the country's banks, he fired Mancera as central bank head because the latter had proposed the creation of a new monetary unit to be called the "Mexdollar," through which every peso in the banks would be automatically converted into dollars. According to the former President's memoirs, he snapped his fingers at Mancera and told him, "You're out, Mancerita, you're out."

Nonetheless, "Mancerita" returned to the Bank of Mexico in December 1982 with the Miguel de la Madrid government, and not only remains with the Salinas administration but is now on the verge of achieving his dream: the establishment of the dollar as legal tender in Mexico. If that dream succeeds, Mexico's national economy could be turned into a formidable drug-money laundry, along the model of Britain's Asian dependencies.