

Secretary Francisco Gil Díaz announced that, during the first quarter of 2002, more than 8 billion pesos accumulated in the Oil Stabilization Fund, had already been spent. If the Fund money had not been used, the budget cutback would have been much larger, according to the Finance Secretary. The first quarter 2002 budget cut would have been closer to \$2 billion, more than the total cut out of the budget last year. However, Fox called the latest cut “minimal and insubstantial.”

And the budget gap is growing: Tax revenues in February were 5.6% less than February of last year. In March, public income was 10% less than anticipated. In the meantime, the government’s options to get more money and gain time, while awaiting an illusory economic “recovery” in the United States, are rapidly running out.

The Fox government and its partisans within the media and business sector are blaming Congress for approving a tax reform other than the one proposed by Fox, which had been based on more taxes on food and medicine. But, the truth is, that economic depression is wiping out both the tax base and the physical economy of Mexico.

While Fox is blaming the Mexican Congress because reality is not living up to his illusions, the Americas edition of the *Wall Street Journal*, mouthpiece of the financial oligarchy, complained in early April that Fox “has not succeeded in convincing a divided Congress, during his 18 months in power, to promulgate the necessary structural reforms to alleviate pressure on the federal budget,” a reference to the resistance of PRI legislators and others to changing the Constitution to allow for the privatization of Mexico’s electricity sector. Months earlier, the same publication had demanded that Fox “sacrifice his political capital” to achieve the privatization of energy and oil.

While the ruling National Action Party (PAN) presented a bill proposing to change the Constitution to allow for the privatization of the national electricity industry, the PRI proposed a bill to create the Public Electrical Energy Service. Its proponents declared that “the arguments in favor of a constitutional reform are not sustainable,” because electrical energy at competitive prices, “far from requiring a modification of the Constitution, is achieved by maintaining it, and its provisions that it remain the exclusive responsibility of the nation to generate, conduct, transform, distribute and supply electrical energy” as a “public service.” Such a policy, the PRI opposition characterizes as a matter of “the general interest” and “the bedrock of our national sovereignty,” and whose strengthening “should guarantee the energy independence and security of the country.”

Just as in the case of defining foreign policy, one finds two distinct positions over the issue of electrical energy: on the one side, that of Fox, Castañeda, and their cheerleaders, who want to annex Mexico to the United States and Wall Street; on the other side, those who seek to reestablish Mexico’s sovereignty and viability.

Fox’s Energy Reform Is Enron’s Cannibal Policy

by Marivilia Carrasco

This statement by the head of the Ibero-American Solidarity Movement (MSIA) associated with Lyndon LaRouche in Mexico, was circulating nationally against President Fox’s energy deregulation scheme, prior to the intervention of LaRouche and Nevada State Senator Joseph Neal in mid-April.

Following the guidelines of the multinational energy sharks, the Vicente Fox government has proposed to financially “clean up” Mexico’s Federal Energy Commission (CFE) and the state oil company Pemex, preparatory to dismembering them and selling them piecemeal, at junk prices. This is otherwise known as “energy reform or deregulation.”

On Feb. 7, the Fox government announced an increase in electricity rates via the reduction of subsidies, thereby driving the final nail into the coffin of the impoverished Mexican population, and creating the conditions for a total deregulation of the national energy sector.

These increases, which add up to a substantial general increase in prices across the board—something which the Banco de México refuses to admit—will not only *not* increase tax revenues, but will intensify the economic depression into which Mexicans are already submerged, thereby reducing still further the tax base upon which the government’s own income depends. Such measures, in fact, will reinforce the general bankruptcy the country is suffering, in the context of a global and systemic crisis of the international financial system.

To the predictable collapse in public income, one must add the equally predictable decline in expenditures. Following the Argentine-style monetarist criteria of keeping the fiscal deficit at 0.65%, guarantees new cutbacks to the already austere government budget, 15% of which is absorbed by the cost of financing the public debt.

The country is thus caught in the descending spiral of a bottomless depression, the combined result of the hyperdeflation of physical economic activity—aggravated by an increase in taxes and tariffs, reduction of public expenditure, decline in currency in circulation, and shortage of credit for production—and a hyperinflation of financial obligations. In addition to the \$21 billion in interest alone that the federal government must pay this year on an official public debt of nearly \$90 billion, there are other interest payments in the order of at least \$50 billion, which the national economy must

support for foreign, domestic, and internationalized financial obligations of nearly \$600 billion in private debt of both the banking system and the Banco de México, which they have officially tried to hide.

It is because of this mountain of debts, that Wall Street is so urgently pressuring for the deregulation of the country's energy sector, along with the deregulation of the education, labor, transport, and justice sectors. These debts are unpayable, but they have effectively served thus far as the means by which the international centers of financial power have been able to subject entire nations to a policy of looting, both of their populations and their natural resources.

Wall Street's Final Attack

It is no secret to anyone that the Fox government's economic program is a carbon copy of the World Bank's 2001 proposal, entitled "Mexico: An Integral Agenda of Development for the New Age." That proposal states that "the electricity sector needs rates that will enable it to recover costs . . . a new institutional organization that divides the CFE into generation, transmission, and distribution. . . which would permit the participation of the private sector in practically doubling electrical capacity . . . over the next ten years, [which would] require investment estimated at some \$37 billion." All of this, of course, would have to start with the "elimination of subsidies in stages."

Thus, the announcement of the electricity rate hikes was preceded by a not-very-veiled threat by Wall Street interests to the Fox government, that it must quickly fulfill these dictates to the letter, and burn all of its "political capital" by imposing the structural reforms that would assure the dismembering of the CFE and Pemex. This, of course, would be followed in short order by the deregulation of the other strategic sectors.

After criticizing Fox for not having yet achieved his "fiscal reform"—instead, the Congress voted up its own budget bill which, while incompetent, does not meet the demands of the International Monetary Fund—Mary Anastasia O'Grady, the editor of the Americas column of the *Wall Street Journal*, was charged with issuing those threats on Jan. 15, when she wrote: "President Vicente Fox Quezada has not lived up to his promises. . . . Neither has he brought about the uniform increase in Value-Added Taxes; nor has he advanced the privatization of the petrochemical and electricity industries." Therefore, says O'Grady, "Fox Quezada must use his political capital" to force through these reforms. "If there is no rapid economic growth, the total level of Mexico's debt could cause problems."

The same threat was made by Gary Becker, the fascist winner of the 1992 Nobel Prize in economics, during a quick trip to Mexico at the beginning of this year. Becker denounced the Mexican Congress's refusal to approve the application of the Value-Added Tax to food and medicine, saying that taxes must be imposed on consumption, given that they are "easier



MSIA leader Marivilia Carrasco.

to collect, and more difficult to evade." After demanding that labor regulations be withdrawn, Becker insisted that, sooner or later, Pemex would be privatized. A professor at the University of Chicago, Becker trained many of the officials at the Argentine Central Bank, as well as officials of that country's government, who are today being investigated for looting their nation.

We Warned You!

At numerous public events in different parts of Mexico which were also attended by representatives of U.S. 2004 Presidential pre-candidate Lyndon LaRouche, and in various publications since late 2000, the Ibero-American Solidarity Movement presented clear-cut evidence that energy deregulation was nothing but a speculative and fraudulent manipulation which was destined to fail.

It is entirely useless for President Vicente Fox and his Finance Minister Francisco Gil Díaz, along with the Deputies and Senators who approved the budget bill, to repeat the mantra that "Mexico is not Argentina," while ignoring the profound implications of that country's bankruptcy and the disintegration of its banking system. They also ignored the significance of the Enron bankruptcy which, like Argentina's, occurred simultaneously with the Congressional debate late last year.

Those bankruptcies are not isolated, but rather express the general state of the world economy, including Mexico, Brazil, Poland, Japan, and the United States itself. The situation is unsustainable, and its dramatic political, economic, and human consequences will not be long in afflicting Mexico on the scale of Argentina. Unless and until the IMF's dictates are tossed onto the garbage heap, and the political measures proposed by Lyndon LaRouche are adopted, the future of entire nations is in question.