Heading for Argentine Blow-Out, Mexicans Call in LaRouche

by Gretchen Small

When the man who claims credit for fathering the greatest bubble in human history announces to a confab of central bank chiefs from around the world, that Mexico is a "safe haven" within Ibero-America, an intelligent person concludes: "Whoa, boy. Mexico's going to look like Argentina any minute now." The failed Chairman of the U.S. Federal Reserve System, Alan Greenspan, told 50 central bankers huddled in Mexico City on Nov. 12, that Argentina and Brazil may go down, but Mexico is "relatively insulated" from catastrophe. Mexico is an "example of a country that has benefitted from free trade," he insisted.

No longer does everyone in Mexico swallow this malarkey, however. Knowing their country's existence is on the line, some Mexicans decided the time had come to break Wall Street's 20-year ban on allowing U.S. statesman Lyndon H. LaRouche to visit Mexico, so that they could discuss what is to be done directly, with the world-renowned economist.

In recent years, many Mexicans, including people within the Institutional Revolutionary Party (PRI) and the ruling National Action Party (PAN), rejected LaRouche's warning that it is the post-1971 international financial system itself which is collapsing, and that Mexico, as every nation, would go down unless it joined with others to replace the system. Instead, they bought into the official line that "Mexico is different."

The faster that Argentina and Brazil collapsed, the louder that chorus grew from Wall Street hacks and their fools within Mexico. Typical was the outburst by Lorenzo Zambrano, one of Mexico's most prominent businessmen, chairman of the CEMEX company, and a leader of northern Mexico's Monterrey Group of industrialists. Asked by *El Norte-Reforma* on Oct. 2 about the decline in foreign investment to Ibero-America, Zambrano erupted: "Mexico is not Latin America! Mexico is North America! End of discussion. We have nothing to do with Latin America!"

Recognition has dawned, however, on an increasing number of prominent Mexicans, that Mexico proves that free trade has *failed,* and LaRouche might be right. Prominent columnist Juan Ruiz Healy wrote on Oct. 11 in *Novedades*, that when the crisis exploded in Argentina, "the confused political leaders of various Ibero-American countries, Mexico's Vicente Fox and Fernando Henrique Cardoso in Brazil, hurried to assure the world: 'We are not like Argentina. We will continue applying the IMF's austerity measures and paying our debts without question.' " Healy wrote, "We ask ourselves, could it be true, as is rumored, . . . that as Marivilia Carrasco, president of [LaRouche's] Ibero-American Solidarity Movement in Mexico, says . . . is the same thing not going to happen here?"

Great Leap for Mexico

Those in Mexico who bet against LaRouche's evaluation were blown out of the water over the past year. Mexico's economy, transformed under the North American Free Trade Agreement (NAFTA) into a mere platform for assembling cheap goods to ship to the United States, has been devastated by the collapse of the U.S. economy. The *maquiladora* sweatshop assembly plants, the only growth "industry" in Mexico for more than ten years, are closing down, and the states which relied on the *maquilas* for revenue and employment, are reeling.

One of those states is Coahuila, a northern state which borders on Texas.

From Nov. 4-7, LaRouche was invited to Saltillo, the capital of Coahuila, to present his evaluation of the global crisis, and what can be done to resolve it. LaRouche had been invited to visit Guadalajara, Jalisco, in August 2002, but was forced to cancel, and deliver a speech by telephone hook-up from abroad, when adequate security was denied him. Similar complications required him to limit this visit to Saltillo.

The Coahuila press covered LaRouche's press conference in Saltillo extensively, but the impact of the visit was by no means limited to Coahuila. The state's public university, the Autonomous University of Coahuila, invited LaRouche to deliver an address on "Alternatives in Light of the End of Globalization," and broadcast it simultaneously to six other university campuses in five states (Jalisco, Sonora, Tamalipas, Zacatecas, as well as two other cities in Coahuila). The speech, published in the pages which follow, along with some of the dialogue, reached a combined audience of 800 or more students, professors, and others, including 500 in Saltillo.

Architect Héctor Benavides from Channel 12, the leading TV newscaster of Monterrey, the capital of the neighboring state of Nuevo León, traveled to Saltillo to film an interview with LaRouche, the transcript of which is published here. The interview was broadcast in full on Benavides's popular Sunday program on Nov. 10, to a viewership extending across the entire northern region of Mexico and parts of the Southwest United States, and internationally via the station's Internet site.

LaRouche met also with the state's Governor, Enrique Martínez y Martínez, a leader of the PRI party who has been playing a prominent role in the National Congress of Governors (Conago), a grouping of 22 state governors from opposition parties.

'Old Mexico' Fights Back

Greenspan and the other central bankers descended on Mexico on Nov. 12, for the opening of a regional office of the Bank for International Settlements (BIS), and a simultaneous Banco de México conference on global economic developments. Greenspan's public address, a paean to British Foreign Office hack Adam Smith entitled "The *Wealth of Nations* Revisited," was a direct counter to LaRouche and his organizing for the reestablishment of the key parameters of Franklin Roosevelt's Bretton Woods system. Government intervention into the economy, used by some countries following World War II until the 1970s, Greenspan said, has been "largely discarded," and must remain so. Nations must rely instead on "an invisible hand [which] converts self-centered behavior into a greater good."

With the heads of the Argentine and Brazilian central banks being present, the conference provided a forum for frantic private discussions over the blow-out of the entire Ibero-American financial systems—Mexico and its $150 billion in official Federal public debt, domestic and foreign debt included. (The real figure is higher.)

Greenspan warned, in typical "Greenspeak," that the "invisible hand" can fail. "Periodically, as an economy borrows its way to the edge of insolvency with debt denominated in foreign currency," he said, "government debt-raising capacity appears to vanish virtually overnight. . . . Lending institutions will provide funds beyond the immediate visible short-term cash flow of a borrower only if they perceive that maturing debt will be rolled over. The first whiff of inadequacy in debt-raising capacity induces a run to the exits—not unlike a bank run." Translated: Mexico had better keep up the illusion that its debt is peforming, or it will collapse, too.

Mexico has kept up the appearance of solvency through the past year of Argentine and Brazilian blow-outs, by selling itself as the "safe haven" for capital fleeing those countries, and by selling 90% of its exports to a U.S. economy which can no longer buy them. As important as the export of its products, is the export of its labor: Almost 10% of Mexico's 100 million people now work in the United States. The jobs are mostly low-wage, but billions of dollars are sent home in wage remittances, second only to oil exports as a foreign-exchange generator.

The Mexico game is up, and Greenspan, et al., know it. The report presented by the Banco de México to the September 2002 annual International Monetary Fund (IMF) and World Bank meetings acknowledged that Mexico faces "risks . . . substantially greater than" what it has faced so far, because such capital flows are ending. Wall Street and London turned the screws on President Vicente Fox, ordering him to cover the fleeing capital, by gouging it out of the domestic economy: Cut back revenues to the states, increase the tax burden across the board, and break the back of "old Mexico," which has refused to turn over the oil, gas, and electricity sector to foreign pirates.

On Nov. 5, as LaRouche was discussing the alternative to destruction in Saltillo, Fox presented his 2003 budget proposal to Mexico's Congress. Lo and behold, it matched precisely the recommendations contained in the IMF's latest review of the Mexican economy, released on Nov. 6. The cuts are draconian, with a full 15% cut in current expenditures, in order to cut the fiscal deficit from its current target of 0.65% of Gross Domestic Product, to 0.50%. Revenue-sharing payments are to be further cut to states and municipalities; funds for agriculture are reduced by nearly 8%. Various new taxes are proposed, and the private sector—primarily foreigners—is to assume major portions of "infrastructure" costs, meaning de facto privatizing Mexico's sector.

This budget is political suicide for Fox. As LaRouche pointed out at the University of Coahuila, the "old Mexico" which Wall Street hates, and rightly fears, is not limited to any one party, but is an "instinct for national sovereignty, as opposed to submission to a financier oligarchy," which is deeply embedded in the national elite.

The country is up in arms against Fox. His Treasury Secretary Francisco Gil Díaz can't hold a press conference without having to deny that he's resigning. The Conago governors group and Congress have met to coordinate actions to block the government's draconian fiscal measures. The PAN state governors are mobilizing, also, and there is some talk that they may join Conago.

Fox was forced to deny charges from Congressmen that his budget was drafted in Washington by the IMF, and hearings have been called for Nov. 19, at which Congress expects the University of Chicago-trained Gil Díaz to give answers on "what was agreed to with the IMF."