TABLE 2
Top World Banks, 1996 and 2003
(Assets, $ Billions)

1996 Rank	Bank	Assets	Country
1	Bank of Tokyo-Mitsubishi	696	Japan
2	Deutsche Bank	570	Germany
3	Credit Agricole Mutuel	477	France
4	Dai-Ichi Kangyo Bank	454	Japan
5	Fuji Bank	453	Japan
6	Sanwa Bank	447	Japan
7	Sumitomo Bank	486	Japan
8	Sakura Bank	441	Japan
9	HSBC Holdings	402	UK
10	Norinchukin Bank	379	Japan
	Total	4,805	

2003 Rank	Bank	Assets	Country
1	Citigroup	1,264	USA
2	Mizuho Financial	1,116	Japan
3	Sumitomo Mitsui Financial	868	Japan
4	UBS	853	Switzerland
5	Mitsubishi Tokyo Financial	827	Japan
6	JP Morgan Chase	793	USA
7	Deutsche Bank	792	Germany
8	Barclays	792	UK
9	HSBC Group	758	UK
10	BNP Paribas	745	France
	Total	8,808	

Source: *Forbes.*

Shaping the Crash

What the BIS and the Fed presidents are actually talking about is how to shape the crash. Fed Chairman Sir Alan Greenspan has publicly promised to bail out the giant derivatives banks, while Fed Gov. Ben "Bubbles" Bernanke has promised to print as much money as necessary to bail out the stock and bond markets; but even they realize that saving the system is not the same as bailing everyone out. The discussion of limiting the use of the "too big to fail" criteria is implicitly an admission that some banks will be allowed to fail, in order to save the system as a whole. The discussion about the lack of a Federal guarantee for Fannie Mae and Freddie Mac obligations is the same thing—even under the most optimistic scenarios, many investors are going to be cut loose, and the further you are from being an insider, the worse your chances. If you have to ask, you're in trouble.

The Bank for International Settlements is essentially the central bank of the international financial oligarchy, which is planning to rule the world after the crash through their control over global corporate cartels. That is, they plan to return to the days when imperial corporations like the British East India Company and the Venetian Levant Company ruled large swaths of the world.

No Recovery For Mexico, But 'Argentinization'

by Ronald Moncayo

The enforcement of Schachtian monetary and fiscal policies over the past 20 years in Argentina, Brazil and Mexico, has set those nations on the path of their own dissolution, with the result that they are turning into satraps of a new world financial empire.

The persistent arguments of international bankers and government officials that the "spectacular" growth of its international reserves proves the "strength of the peso and of the economy" of Mexico—and that nation's characterization by these same forces as "the ninth world economic power"—are as absurd as they are fraudulent.

What these officials are presenting is nothing but the façade of a Mexican "Potemkin village." As we will show, Mexico's relatively high international reserves reflect nothing less than the brutal looting to which the national economy has been subjected, looting that has also served for the illicit but spectacular enrichment of a group of international pirates who have been gradually taking over the Mexican financial system.

Not surprisingly, these pirates of Wall Street and European financial centers, historically grouped under the name "Synarchist International," and who today promote the racist doctrine of Samuel "Clash of Civilizations" Huntington, have chosen Jorge Castañeda as their preferred candidate for the 2006 Presidential elections in Mexico, given his commitment to carry out their policy of disintegration of national institutions and of Mexico as a sovereign nation.

Super-Fraud of the Super-Reserves

Under the excuse of "preventing another Tequila Effect"—a reference to the debt bomb explosion in Mexico in late 1994, when the expiration of dollarized Tesobonos swallowed up two-thirds of international reserves in a matter of months (see **Figure 1**)—President Ernesto Zedillo adopted, just like Argentina and Brazil in their turn, a series of economic policy measures tied to the following neoliberal criteria and their derivatives:

a) An immediate commitment to "zero deficit," by means of a policy of systematic reduction of public expenditures, otherwise dubbed "fiscal austerity";

b) A restrictive monetary policy, supposedly in order to achieve absolute control over inflation, based on reducing the supply of currency in circulation.

c) Minimal or zero primary emission of productive credit,

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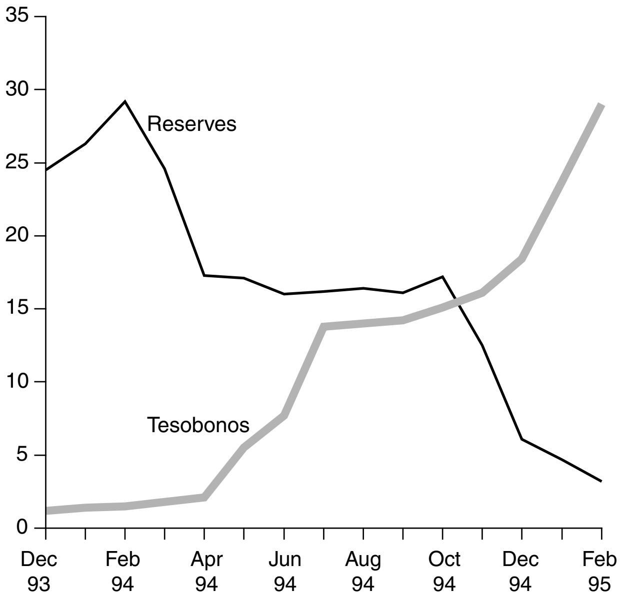
FIGURE 1
International Reserves and Tesobono Payments
(billions dollars)



Source: Banxico.

TABLE 1
Total Foreign Reserves
($ Millions)

Feb. 1995	3,200
Dec. 1995	15,741
1996	17,509
1997	28,000
1998	30,140
1999	30,733
2000	33,555
2001	40,880
2002	47,984
2003	57,400
March 2004	58,604

Source: Banxico.

and its substitution with a total opening of the economy to foreign investment.

d) Elevated international reserves, the so-called "economic armor" to assure payment of the foreign debt and to ameliorate the consequent risk of accumulating mountains of foreign bonds and other paper which could, at any moment, flee the country.

After ten years of these policies by the Zedillo and Vicente Fox governments, Mexico's international reserves at the end of March 2004 closed at $58.6 billion, and showed a growth of 15.6% annually (see **Table 1**).

But what has not been said, is that that quantity of reserves represents only 86% of the so-called "foreign portfolio investment," whose sum at the close of February 2004 reached $68 billion. This foreign investment—representing nearly half of the entire Mexican stock market, which at the end of the first quarter of 2004 reflected activity on the order of $140 billion—is flight capital which could leave the country at the drop of a hat, which is precisely what occurred in December 1994 with the abrupt and unexpected hemorrhage of capital at that time.

In other words, the apparent stock market "boom," reflected in the so-called international reserves "boom," could turn overnight into a new crash, given the volatility of the majority of those reserves which have nothing whatever to do with any domestic economic recovery.

One portion of the international reserves came from the category of "direct foreign investment," which essentially was the privatization of state companies during the past decade. But in 2003, reserves grew by barely $10.731 billion, the lowest figure in ten years. Of these, only $2.651 billion was from "new investment," and the rest was from stock purchases. This amount of money would just barely cover the current accounts deficit of the balance of payments, which was on the order of $9.150 billion. This business of covering the current accounts of deficit through the sale of stocks, has in fact become a regular and permanent practice of the Federal government.

The origin of the remaining international reserves lies primarily in the looting of Mexican labor power inside the United States and in the *maquiladoras* based on Mexican soil; and secondarily, in the high international prices for the oil Mexican exports.

In 2003, remittances sent to Mexico rose 35.1% over 2002 remittances, reaching a record $13.266 billion. Remittances thus became Mexico's most important source of foreign exchange after oil. For all of Ibero-America, remittances were $38 billion in 2003. That is, Mexico represents 35% of the entire continent's remittance receipts. What was sent to Mexico in 2003 is four times that sent in 1984 (see **Table 2**).

According to the Bank of Mexico, remittances benefitted 1,330,000 Mexican families. Eighty percent of those remittances are spent on the basic needs of these families; 16% on restoration or construction of homes; and what remains goes to the "micro-businesses" (which is, by far, much more than the theoretical 500 pesos which the World Bank is allocating for each such business.)

And so, the low-wage labor of Mexicans inside the United States becomes a source of remittances which, in turn, becomes a pillar of Mexico's international reserves for paying the foreign debt. It is expected that in 2004, that amount will

TABLE 2
Remittances Sent to Mexico from the U.S.
($ Millions)

1984	3,317
2000	6,573
2001	8,897
2002	9,814
2003	13,266

Source: Banxico.

surpass national oil revenues.

The other kind of looting of Mexican labor power is by means of the *maquiladoras* which, over the past three years, have averaged about $18 billion a year in net exports. This, too, goes to swell international reserves.

In 2003, oil income reached $18.628 billion, but this money was not reinvested for national development. Rather, the money was essentially used to leverage international speculative investments, since a high percentage of those revenues must go to international reserves, by law. Thus far in 2004, 47% of those revenues have gone to the accumulation of reserves, while $1.596 billion was channeled into the exchange market through its mechanism of daily foreign exchange sales, in response to "the demands of the money market"—that is, speculation.

When one looks at these origins of the international reserves, the "economic reactivation" as presented by the government, can be seen as the fraud it is, and in fact demonstrates Mexico's weak position in the face of any speculative move international bankers might attempt.

The Bankers' Banquet

Since 1992, Mexico's reprivatized banks have sunk ever deeper into insolvency, due to the accelerated growth of non-performing debt resulting from the contraction of the physical economy under IMF policies imposed on Mexico from 1982 onward. The 1994 "December error" ended all illusions, and the financial system colapsed: no lending, no payments, no collections.

President Zedillo decided to rescue the banks in order to "clean them up" and sell them to international financiers. The government exchanged the banks' non-performing debt for government IOUs, which then generated interest payable by the government, up to the point that the non-performing debt could be made good. This mechanism was implemented through the agency of Fobaproa, and in a burst of sophistry, was dubbed "savings protector."

These IOUs, in turn, entered the banks' coffers as assets, giving the government majority ownership of the banks' stocks and thereby entitling the government to make decisions on their sale. In 1998, this "clean-up" of the banks by the government cost $65 billion, while the "recovery" of the non-performing debt yielded some $42 billion. The government covered the difference with the taxes of Mexicans.

But immediately after this bank "rescue," the Zedillo government began to sell the banks to foreigners. Remember that in 1991, the Mexican government only obtained $12 billion through the "reprivatization" of banks nationalized in 1982. But in 1998, the same Mexican government spent $65 billion to "recover" those banks, in the name of "protecting" the depositors. What a deal! And the irony is that the foreign owners of the banks received a bonus in the form of interest on the Fobaproa IOUs. That agency transformed itself into the so-called Institute for Savings Protection (IPAB), which is the currently-existing agency whose activities now extend to the creation of a secondary market in non-performing debt assets.

Now, in 2004, 76% of the Mexican financial system's assets are held by foreigners, and 81.7% of the national banking system is in the hands of foreigners. In the insurance sector, 60% belongs to foreigners, and more than 70% of the assets of the privatized pension funds are in the same situation.

As of Dec. 31, 2003, the net debt of IPAB reached nearly $72 billion—nearly half the government's national budget—and interest paid on that debt in 2004 will be $5.4 billion. This will be happily distributed as follows (in millions of pesos, 11 of which equal one dollar):

- Citigroup (Banamex): 10,298
- BBVA (Bancomer): 9,231
- Banorte: 7,961
- Hong Kong Shangai Bank Corporation (HSBC): 5,932.
- Santander: 5,515
- Nafin: 4,092

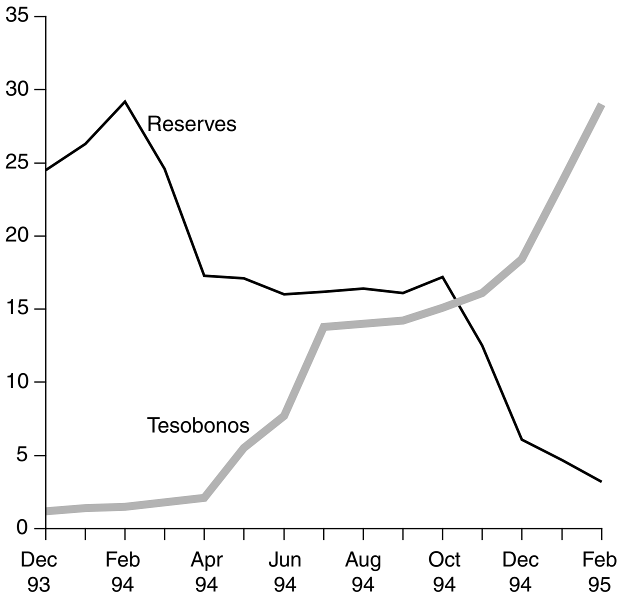
The rest will be distributed among the other minor banks.

The banks profits for 2003 added up to $2.5 billion. The profits of just 13 banks in Mexico represent 90% of the total profits of the sector, which grew some 200% in 2003 with respect to the previous year. Achieving and maintaining 200% rates of profit for the banks has been the primary task of the Carlos Salinas, Zedillo, and Fox governments. This has meant in real terms the absolute deterioration of the living standards of the Mexican population. Currently, at least 65% of the population lives in poverty.

It is appropriate to indicate here some important sources of bank profits.

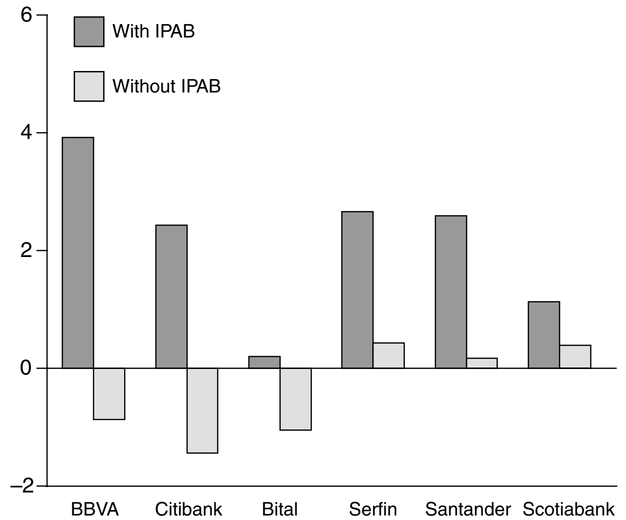
- Credit cards. The brutal economic depression in the United States which has afflicted Mexico, has forced families and companies alike to "live on plastic." Despite the high interest rates the banks collect on credit cards, the use of bank credit cards to meet personal consumption needs and/or payment of employees has been steadily rising. For example, credit card use in 2003 grew 40% with respect to the previous year. Some government officials have had the gall to call this a "recovery" due to "rising consumption."
- *Non-performing debt: Fobaproa and IPAB.* According

FIGURE 1
International Reserves and Tesobono Payments
(billions dollars)



Source: Banxico.

FIGURE 3
Net Profits of Mexico's Six Largest Banks in 2002
(billions of pesos)



Sources: CNBV; Reforma.

to data from the National Banking and Stocks Commission (CNBV), interest on the non-performing debt that the government gifted to the leading six banks, has proven to be the largest business deal ever, since without these payments—that is, without the IPAB—they would have received only 26% of the profits they actually got. That is, thanks to the efforts of the past several governments, the Mexican people—through IPAB—gifted the bankers 74% of their profits, amounting to some $1.826 billion in 2003. Cumulative profits for the six major banks since 1998 add up to more than $5.742 billion, as can be seen in **Figure 2.**

Without Fobaproa-IPAB, these bankers would have been exposed for what they really are: the worst financial parasites imaginable. As can be seen in **Figure 3,** the primary Mexican banks—BBVA-Bancomer, Citibank-Banamex and Bital, all foreign-owned—are insolvent. If not for the blood transfusions from Mexicans, through IPAB, these vampires would all be officially bankrupt.

- Getting sky-high interest payments. With these illegitimate profits discussed above, from one quarter to the next or from one year to the next, the bankers have taken an extra margin as follows. They take their illegitimate profits and then "invest" them in nothing less than government bonds; that is, in the bonds of the same Mexican government which has just paid them interest on IPAB IOUs! Over the past four years, the average annual amount of interest received has been on the order of $4 billion. The bankers clearly prefer to buy government bonds, rather than lend money to companies which are dying for lack of working capital. The profit from these "investments" is pure usury. Thus, Mexico has lost the ability to provide its own financial mediation. It has lost its financial sovereignty.

But the voracious usury doesn't stop there. The bankers have taken yet another margin to skim, by giving fraudulently high figures for non-performing debt, with the result that they get higher rates of looting in return. Recently, the National Auditing Federation discovered accounting fraud in non-performing debt, to the tune of 21 billion pesos, almost $2 billion.

Both the fraud of the super-reserves, plus the usurious pirates' assault on the financial system, have put Mexico directly on the path of "Argentinization"—official national bankruptcy. It is time for both Mexico and Argentina—along with all the other victim-nations of this same looting process—to finally kick over the chessboard, and expose what is actually bankrupt, which is the world financial system itself.

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