

Mexico

Wall St. Forces Float Of Mexican Peso

But Echeverria Won't Impose Austerity

Sept. 3 (NSIPS) — On Aug. 31 the Mexican peso was taken out of fixed parity relation with the dollar, a de facto devaluation of that currency for the first time in 22 years. The measure was announced by right-wing Finance Minister Mario Ramon Beteta in the midst of a battle intensified by the pro-development government of President Luis Echeverria to insure that Mexico will play a leading role in building the new international economic order. The "floating" of the peso is the direct result of six months of economic warfare against Mexico by the Wall Street banks and Rockefeller's Invisible Government within Mexico.

Although Echeverria was forced into this move by a Wall Street-inspired flight of capital, the timing of the action, and Echeverria's assurances it will not lead to austerity measures signal a continuing offensive by his forces. Since the move was first announced by Beteta, Echeverria has made it clear that the decision to float the peso rather than to devalue it by a fixed amount in relation to the dollar was motivated by the tenuous situation of the dollar, especially in light of the Third World's determination to declare a unilateral debt moratoria and create a new universal monetary system, as announced in the final resolutions of the Colombo Non-Aligned Conference last month.

The timing of the floating of the peso — on the eve of President Echeverria's sixth and last State of the Union Address — was programmed to be just the beginning of a fierce two week onslaught against progressive forces in Mexico. A Chicago corporate executive with extensive connections in Mexico today indicated that Echeverria's action was in fact a preemptive strike against a coming round of Wall Street destabilizations to force a devaluation. Sources in Washington said that they expected the devaluation during the Sept. 15-16 Mexican Independence day holidays at the earliest, after a heightened scare campaign similar to those which had been conducted since March of this year. The onslaught against the peso, these sources revealed, was planned to coincide with the post-Colombo strategy planning meetings which Ministers from the Group of 77 are scheduled to conduct in Mexico City from Sept. 13 to 21.

Mexican press reports also indicate that U.S.-backed coup plans were in the works for later this month. A Mexican newspaper yesterday quoted International Monetary Fund sources who noted that the action was taken to "maintain political stability" and expressed disappointment over the fact that Mexico had not gone the way of "Brazilian political stability." On the same day an Agence France Presse wire in the Mexican press reported statements by Swiss banking sources to the effect that it is improbable "that the U.S. would allow a popular democracy to install itself on its border."

The Campaign Against the Peso

The economic warfare against Echeverria's pro-development policies dates back to March 1976 when Wall Street press outlets including Barron's, Money Manager and the Wall Street Journal among others, ran lengthy and numerous articles pushing for devaluation of the peso.

At the end of March, articles in Money Manager and Barron's appeared under scare headlines such as "Devaluation Threatens Yanqui Dollars." Money Manager demanded "more exports and jobs to keep creditors and masses calm," and accused Echeverria of "ignoring economics in his last year in office." In a piece entitled "Down Mexico Way, Robbing the

Gringo Remains the National Pastime." Barron's warned investors that "the monetary rumblings are ominous." An April 13 Wall Street Journal article suggested that the Easter holidays "would be a handy time for the (Mexican) government to effect the mechanics of devaluation."

On April 13 Echeverria directly answered the bankers at a press conference remarking that some U.S. newspapers still seemed to believe in "Glorious (Easter) Saturday." Since Mexico devalued at Easter time 22 years ago people, "who don't like us very much" say every Easter week: "Now they'll do it, now they'll do it," he said.

Following Echeverria's counterpunch Wall Street broadened its U.S. based offensive through Rockefeller networks in the Democratic Party and moved in Mexico through the Rockefeller-linked "Invisible Government." Attack after attack on the Mexican economy and President Echeverria has come from the U.S. "left wing" agents around the terrorist Institute for Policy Studies, including a Jewish tourist boycott, and phony "freedom of the press" campaigns. Meanwhile "right wing" Congressman Larry McDonald (R.-Ga.) — a friend of Jimmy Carter's — sponsored full-page ads in the major national press warning of Mexico's "slide towards communism." These campaigns provoked the massive flight of capital from Mexico which Echeverria identified as responsible for this week's "floating" devaluation, and created a domestic red scare environment in which Invisible Government forces could move against Echeverria's stated economic policies.

Despite scattered protestations about the "suddenness" of the announcement that the peso would be floated, business and banking circles in Mexico and in the U.S. greeted the measure as necessary and courageous, provided it is accompanied with appropriate austerity measures. This view was summed up by the former head of the National Chambers of Commerce, Jesus Vidales Aparicio who said Sept. 1 that the float would not have any adverse economic effects "as long as imports are rationalized, if we promote foreign investments... (and) more rigorous control of public expenditure." Vidales and a group of other business leaders emphasized, "what has to be avoided now is a wage demand drive by the labor movement," reported the Mexico City daily Novedades. As for the U.S. press, the Sept. 2 Baltimore Sun erroneously reported that the devaluation was part of a complete austerity package including wage restraints.

Bankers reached for comment in New York yesterday, however, expressed concern that the measure would not provide the "background and follow-up" which they demand.

Watch Your Dollars

In his State of the Union Address President Echeverria announced strict "follow-up" measures to the devaluation, designed "to protect the buying power of the people." The measures will include wage increases retroactive to Sept. 1 for state workers, army personnel "measures to compensate the salaries of the rest of workers." and price controls on staple food items and on raw materials. In a strong rebuff to right-wing calls for a reduction of public investment Echeverria announced that "the level of public investments in infrastructure (and) in productive and social welfare activities... won't be reduced."

President Echeverria made clear that he has taken the highly risky course of floating the peso with the looming international monetary crisis and its aftermath in mind. He cited the "economic turbulence... (of the) post-1971" international monetary order and referenced the speculative flows in Europe

which broke fixed parities there. Against this disorder, he contrasted Mexico's firm solidarity with the Third World, and to the drive for a "qualitative transformation of the determining foundations of international life." Stressing that "large public resources (had been) used for the amortization and payment of interest" on Mexico's \$23 billion foreign debt, Echeverria explained that "it is absolutely unacceptable to allow excessive increases in the public foreign debt...in order to finance speculative flight of capital."

Echeverria's confidence in the Third World's ability to bury the dollar empire in the weeks ahead through debt moratoria was best expressed today by Mexican Labor Minister Carlos Galvez Betancourt who warned, "If you hold dollars, convert them soon, before it collapses."

Excerpts From Echeverria's State Of The Union Message

Sept. 4 (NSIPS) — The following are excerpts from Mexican President Luis Echeverria's State of the Union Address delivered Sept. 1.

The efforts of the public sector should be increasingly complemented by an attitude of real initiative by the private sector. Those who limit investment and the creation of jobs to what they call guarantees of stability severely contradict themselves....

It is the nation that must direct the income of foreign investments and use them for modernizing productive capacity, revolutionizing technology and generating items for export....

However, we must remember that these efforts have been seriously impeded by the difficulties stemming from the international economic situation. The current global conjuncture has been highly unfavorable to us and has constantly put our will to advance on the line — although it has not won....

Coinciding with the beginning of this administration, in 1971, there began the most grave monetary, commercial, and financial crisis that the world has suffered in recent decades....

In August, 1971, the United States took a series of measures that gravely effected our economy. Besides imposing severe restrictions on its imports, the U.S. government, in December of that year, abandoned the convertibility of its currency to gold and began floating the dollar in relation to other international currencies....

The U.S. dollar and currencies of many middle-income and developing nations dropped in value with respect to those of various European countries. This collapse of the international monetary system provoked an excessive growth in liquidity and generalized inflation at rates unheard of in the last 30 years, with international trade prices doubling during the 1970-74 period....

This economic turmoil generated, in turn, a precipitous drop in world economic activity. In 1974 economic activity in the United States decreased by 1.8 per cent, and by 2 per cent in 1975. ... These years have been the most negative for the world economy during the past 45 years, and they are characterized by the dramatic combination of inflation and recession....

The economic crisis has been accompanied by war between nations, impositions of the powerful over those who seek political and economic liberation, starvation covering vast regions, inflation and unemployment, two devaluations of the U.S. dollar, generalized flotation of all types of exchange — in short, international chaos and crisis....

The deficit of current balance of payments accounts, which rose rapidly to 3.643 billion dollars in 1975, continues at high levels. This obligates us to seek increasing financing abroad and to allocate sizeable public resources to amortization and payment of interest....

... Strict control over imports has also been applied; to step it up any further would effect the vital supplies of raw materials, equipment and machinery that are required by our productive activities, would reduce the number of workers holding jobs, and take a toll on our endeavors for development. Further, it would tend to aggravate the limitations already applied on the issuing of credit....

It is justifiable to obtain foreign financing to support the nation's productive apparatus and to increase our efficiency. It is somewhat less justifiable to get credits from abroad to finance on a permanent basis various shortfalls in consumer goods or raw materials. But it is absolutely unacceptable to permit excessive increases in the public foreign debt or to use the basic gold and exchange reserves of the Bank of Mexico to finance speculative flights of capital abroad....

It is not convenient to immediately set up a new type of fixed (monetary) exchange. The grave distortions in the parities of the most important currencies continue. The worldwide inflationary tendencies persist and the prices of the food products and raw materials we need are still subject to severe fluctuations....

The regulated flotation of the Mexican peso is a measure that present monetary practice recommends. It has been duly thought over and evaluated. Many nations have floated their currencies as a result of imperative external circumstances, as the world monetary crisis of 1971, the oil crisis and the phenomenon of inflation with recession arose suddenly. We do it when it is most convenient for the national interest....

The problem of the exercise of liberty in society and the sovereignty of nations is being debated. On one side (of the debate) is the aspiration of all humanist and revolutionary undertaking: that all men deserve their own destiny (a right which) ought to be fully exercised. And, on the other hand, the attitudes of those, who by various political methods and terminology advocate a dictatorial organization at the heart of every state and in the brotherhood of nations of the world....

The fundamental assumptions of our international policy are defined in this way — the creation and the search for new alternatives to push economic and social development of the country and the creative, responsible and united action with the progressive forces of the countries of the Third World, in the battle to fight irrationality, exploitation, and injustice....

Mexico has raised its voice in all international forums and in the most important decision making centers, to protest against colonialism, against intervention into the internal affairs of states, and against violations perpetrated against the sovereignty of states and the rights of nations and men.

This, our firm resolution of opposing the hegemonic attitudes of the left and the right, drives us to act closely in conjunction with those countries that today advocate the movement away from a paternalistic guidance towards collective agreement on world affairs.

Despite its evident limitations, the United Nations presents itself today as the only institutional option for the preservation of peace and international security....

... In the international sphere, we rather believe that terrorism comes from the other (right-wing -ed.) side, because terrorism is fascist. And we say that it comes from the other side because of the type of victim it has chosen, persons worthy of esteem, among them some foreign consuls, the present governor of Guerrero who is transforming the state, that great Mexican, Margarita Lopez Portillo (the sister of the Mexican President-elect, Lopez Portillo-ed.), good people, forward looking people. This makes us think that they (the 'terrorists') want the next government to unleash what is called a witchhunt....

This is not going to happen in Mexico.

The deficit of the balance of payments of the peripheral (developing-ed.) countries, who imported approximately \$12.2 billion in 1973, increased to \$33.5 billion in 1974 and to more than \$40 billion in 1975. In accordance with the prevailing tendency, this deficit will reach \$112 billion in 1980. The foreign debt of these countries which rose to over \$100 billion in 1973 will have doubled by the end of 1976.

That is why the currencies of many countries of the Third World are floating, as ours will beginning today. It is an extremely important factor and a common one to all our countries. It derives from the fact that we continue importing agricultural and industrial machinery and some raw materials at inflationary prices, and that there is a real international exploitation in the payment of our natural resources, and our export products in general.

That is the key to the whole business — to speak with all simplicity.

The present yearly deficit of 20 million tons of grain for the feeding of the peoples of the Third World, will increase to 100 million tons by the year 2000, if there is not sufficient channelling of agricultural production in these nations.

We have stated at all moments, that the solutions to problems and questions which the world confronts can only be reached if we dedicate ourselves to focus them from a global perspective, ... recognizing the value that it implies and the role it fulfills to denounce the injustice and the pointing out of the deficiencies, we decided to participate with other nations in an arduous and complex task, that of proposing the ground work and mechanisms for the establishment of a new world economic order.

IDB

HOW THE INTERNATIONAL DEVELOPMENT BANK WILL WORK

Mail Check or Money Order to:
NSIPS Circulation Manager
GPO Box 1972
New York, NY 10001

The goal that we have laid out for ourselves has been to promote a new organization for the economic life between nations, founded not on the will to dominate and exploit, but on the decision to establish an promote equitable cooperation between nations.

... This document (the Charter of Economic Rights and Duties of Nations-ed.) today represents a concrete way to forge authentic, world cooperation. It constitutes a solid and mature alternative of just relations of human labor, capital, technology and natural resources of those nations that are highly developed and countries of the Third World. ... Recent international happenings reveal that we are advancing in the second phase. Last August, the Economic and Social Council of the United Nations approved ... the Third World project which will accelerate when the Charter is put into effect and will safeguard its implementation.

The resolutions adopted and the interventions of numerous heads of state and government at the recent conference of Non-Aligned nations held in Colombo, picked up this document as a fighting banner to forge ahead in the task of implementing the new world economic order.

... With this same intensity with which it has acted in the definition of policy ... Mexico is participating creatively in the task of designing those mechanisms to organize international cooperation.

Echeverria Demands Unity In The Face Of Danger Of "Nuclear World War"

Aug. 30 (NSIPS) — In a major speech foreshadowing his final state of the union address to be delivered on Sept. 1, Mexican President Luis Echeverria today called for national unity around President-elect Jose Lopez Portillo in order for Mexico to move beyond "a period in which nuclear war could break out any day." The Mexican President called for strengthening the ruling Revolutionary Institutional Party (PRI) "in the midst of grave international vicissitudes," and for contributing "to the defense of the country in the face of foreign threats, by serving the country in one way or another."

Speaking before the annual meeting of the Veterans of the Mexican Revolution in Mexico City, Echeverria blasted domestic right-wing forces by pointing out that "a meeting of this nature, we know, in these days could only take place" in a democracy. This meeting, he continued, signifies the unity of Mexicans around Lopez Portillo, "the wisdom of our social movement, the message of the Constitution, the loyalty of our armed forces, an instinct to become united in the face of prevailing differences which become unrestrained in the struggle between the (world) powers."

After a historical account of the struggle for Mexican independence, which he emphasized comes "from the best ideals of the French Revolution," Echeverria delivered the most devastating attack to date on Mario Moya Palencia, the right wing's candidate to continue in his post as Interior Minister under Lopez Portillo. Without mentioning his name but making clear he was speaking about Moya, Echeverria attacked "the tired ones, those who carry unworthy ambitions, and the short-sighted who have mistaken politics when they had their go at it." These individuals, Echeverria stated, will be swept away by "the ascending march" of the revolution, "insofar as our new generations continue being loyal to our constitution."