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Wharton and the IMF plan to give Mexico the Iran treatment

by Dennis Small, Latin America Editor

Mexico, the fastest-growing economy in the developing sector, was finally cracked this week by an international campaign of vicious economic warfare spearheaded by the International Monetary Fund (IMF) and the Swiss and British banking interests behind the IMF. After a months-long campaign of provoked capital flight, monetary speculation, and denial of credit, Mexico was forced to devalue its currency, the peso, by 30 percent, and adopt a set of austerity measures.

"This was just the right thing to do," an IMF official exulted to *EIR*.

The immediate effect of these steps will be:

- to reduce Mexico's annual GNP growth rate from 8 to 5 percent or less;
- to sharply scale down the government's ambitious industrialization projects;
- to bankrupt an important segment of the Mexican private sector, which will now be unable to pay off its large dollar-denominated foreign debt; and
- to cut Mexico's vital capital-goods and other high-technology imports on a scale still to be determined.

Since the United States is Mexico's principal trading partner, Americans will also suffer from the Mexican devaluation, as the huge market for U.S. exports south of the border begins to dry up.

Every major Third World country—including Nigeria, Brazil, Tanzania, Argentina, and others—is going to be strangled financially over the course of 1982, according to bankers who forthrightly insist to *EIR* that there will simply be no money available for debt rollover. Mexico is a chief target because of its leadership within the Third World, and because of its special relationship with the United States, which contains the potential for an industrial-growth partnership.

Mexico is a country with a long tradition of commitment to nation-building, and it has a fundamentally sound economy. It has been set back by the latest developments, but it has by no means been felled. That would require shattering the country's political institutions as in Iran, which is exactly what is being prepared in four principal ways:

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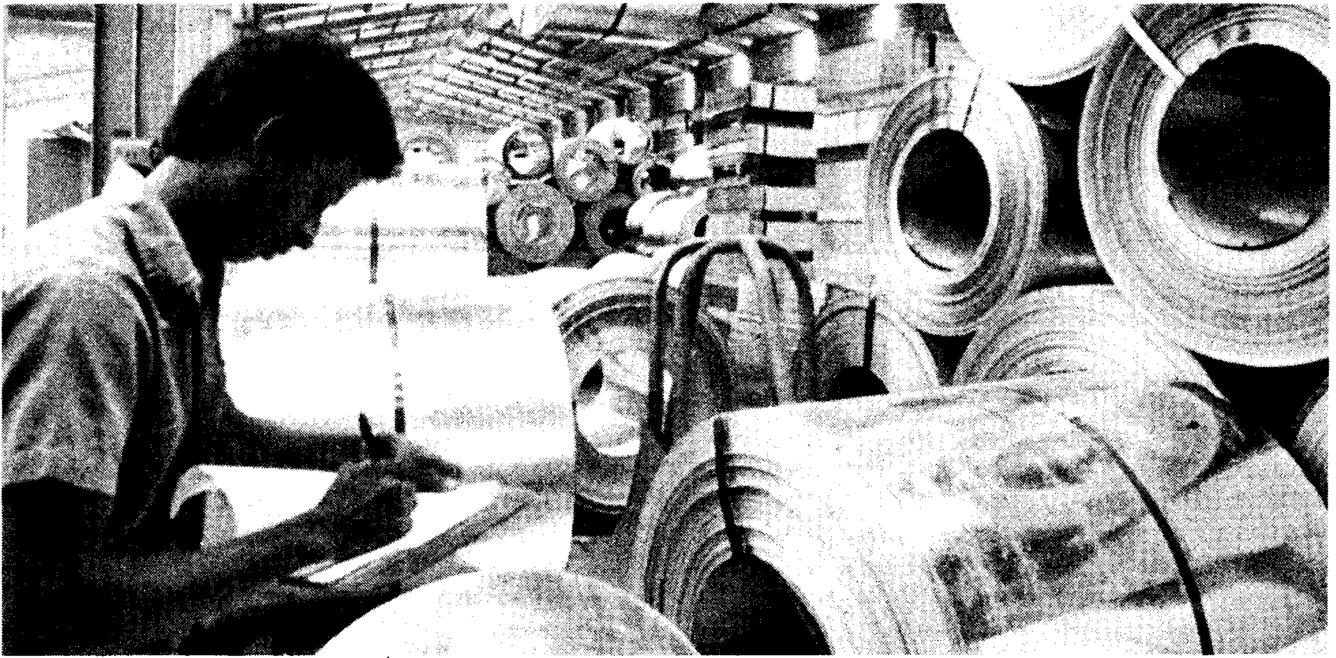

Courtesy of Imagenes de Mexico

Galvanized sheets for industry and construction being produced by an Alfa subsidiary: technological growth is the target.

1) **Another devaluation.** Currency speculators in Chicago and elsewhere are "predicting" a further collapse of the peso, by as much as an additional 25 percent. Sagging world oil prices and the likely leap in Mexico's inflation from 30 to 50 percent (itself a result of last week's devaluation!), are cited as causes. In reality, the danger arises more from a threatened second run against the peso.

2) **Trade war with the United States.** Both Commerce and State Department officials are forecasting "a rocky road ahead" on this account. The United States is threatening to slap on formidable countervailing duties against many Mexican exports.

3) **Central American instability.** According to U.S. press reports, up to 2,000 Guatemalans per week, immiserated and terrorized refugees, are entering southern Mexico. With all of Central America on a short fuse for explosion, Mexico is being severely pressured on this front.

4) **Fracturing the ruling PRI party.** The key to Mexico's stability is its long-standing institutions, like the PRI. There is a strong push by the environmentalist movement to turn the mass-based PRI into a European-style "Green" party. If this occurs, it will mean the party's disintegration. (See Dateline Mexico, page 59.)

British and Swiss banking interests have placed the execution of their "Iranization" project in the hands of the Wharton School, the chief exponents of reduced rates of economic growth for Mexico, and the unsavory British intelligence outfit called Probe, International. Probe, which is populated by "spooks" expert in destabilization, was instrumental in the overthrow of the Shah of Iran. Its board includes such experts in subversion as Lord Caradon, J. Bowyer Bell, and William Colby.

Probe signaled the final offensive against the Mexican peso in a Feb. 3 article planted in the *Hartford Courant* and the *Miami Herald,* in which they warned that high-level Mexican officials were taking capital out of the country, and adduced this as proof that the peso was totally unstable.

A rumor campaign was launched inside Mexico on the basis of this article, and others like it in the *Journal of Commerce* and the *Wall Street Journal,* and over the past few weeks an estimated $4 billion in capital fled the country. The final twist of the knife was performed by the Feb. 11 issue of the influential *Neue Zürcher Zeitung,* which reported authoritatively that Mexico "will encounter difficulties" contracting new loans in 1982.

An honest, but defeated, Mexican President explained these developments: "The peso was assaulted from inside and outside the country."

An alternative to devaluation was broadly circulated by U.S. economist Lyndon H. LaRouche and his co-thinkers in Mexico: slap on strict foreign exchange controls; quickly reduce domestic interest rates to accelerate industrial growth; and nationalize any private banks in the country that tried to sabotage these steps.

But López Portillo capitulated to the blackmail and pressure from the IMF group, and explicitly ruled out the LaRouche option: "Because of the characteristics of our country, because of the fundamental freedoms under which we live, and because of our geographic situation [proximity to the United States—D.S.], we could not nor should we employ foreign exchange controls."