

## Dateline Mexico by Josefina Menéndez

### Currency warfare on the border

*As the government allows money-changing houses to open, is the black market beating exchange controls?*

**T**he Mexican government has established regulations for opening money-changing booths on the Mexican side of the border. If you are a resident of either of the Bajas, or of a border zone in Sonora, you can buy up to \$1,500 per month in dollars from the *casas de cambio* or from some banks for personal use.

The hitch is that you will be paying the black-market going rates for these dollars, currently in the range of 120 to the dollar, rather than the official rates roughly half this.

In effect, the Nov. 3 government move will "bring the black market home" in some of the border areas where dollars are an essential part of local economic life. It is a first relaxing of the exchange controls which went into effect in stages from Aug. 5 to Sept. 1. According to high-level sources here and in New York, the International Monetary Fund is insisting that a "timetable" be set up for the continued step-by-step lifting of all controls, as the most important feature of the deal between the IMF and Mexico.

The dynamic of the black market is no mystery. A Mexican desperate for dollars finds someone who wants pesos at almost double the official rate, and a black marketeer skims off 7-10 percent on the transaction.

But who's in the market for pesos? Some are being snapped up by the border assembly plants, known as *maquiladoras*. But their opportunities are limited, because the Mexican govern-

ment obliges them to keep one week's average balance of operating costs in special Mexican bank accounts, in dollars convertible at the government rate. If a *maquiladora* tries to meet its payroll on the Mexican side with pesos bought at the black market rate on the American side, the maneuver is detectable, and that *maquiladora* risks being put out to dry. Few *maquiladoras* have found it worthwhile to take the risk, since even at the government exchange rates, labor barely makes a dollar an hour.

Some of the pesos are picked up by tourists. But the bulk of them, I am told, are going to speculators eager to buy up Mexican real estate at a gigantic bargain—or pay off peso debt incurred earlier in the year, when flight capitalists were contracting debt in pesos, converting the pesos to dollars, and hauling it out of the country. Now they can bring back a portion of those dollars to liquidate the entirety of outstanding peso debt.

You don't have to be at the border to make such a deal; the larger-figure deals, often \$1 million and up, are just as easy to make in Mexico City or Guadalajara, a phone call or plane trip away from an accommodating middleman in New York or Miami.

The effect of this intense black-market activity has not been to get more dollars out of the country; the Sept. 1 measures stopped that. It has been to prevent new dollars from tourism, investment, and so forth, from entering the official banking system.

It is therefore a powerful contributing factor to the dollar starvation that is keeping the government from meeting essential imports.

How much of a breach of exchange controls in the *casa de cambio* decision? By itself, it's not likely to bring new dollars into government control, the bottom line in the situation. U.S. money-changers will have a "limitless bid-up capability," in the words of one observer, because the Mexican government simply doesn't have the dollars to keep a lid on the exchange rate by satisfying even a minimum portion of demand and to siphon off dollars as well as for its own use.

What has been shown is the economic and political muscle of the border region, challenging the sovereign control of the Mexican government.

One of the first steps taken by the government after the Feb. 17 devaluation was a program to increase the supply of Mexican-made goods to the border region, so economically intertwined with the U.S. side that high percentages of basic household purchases came from the U.S. side and required dollars for payment.

The Nov. 3 *casas de cambio* decision means that the government wasn't able to turn that situation around much. Now the various proposals for a "free zone" along the border, with customs moved back 15 miles—in some versions, 100 miles—are riding high. At the same time the central government has lost political control of the region, and such "Hong Kong" governors as Baja's Bobbie de la Madrid and Nuevo Leon's Alfonso Martínez Domínguez. Any effort by the central government to re-establish full sovereignty in the region will make the black market fight just a preliminary skirmish.