MEXICO

De la Madrid pursues a 'middle way' on debt

by Timothy Rush

The inauguration of Mexico's new President, Miguel de la Madrid Hurtado on Dec. 1, occasioned a gruesome outpouring of Malthusian self-congratulation on the part of Mexico's enemies that they had Mexico where they wanted it. Faced with the worst economic crisis in its history, Mexico would have to start destroying its own population.

Perhaps most frank was the *New York Times*'s Scotty Reston, who all but endorsed the famous plan of U.S. State Department-linked agronomist William Paddock to cut the Mexican population in half—reduce it to a "manageable" 35 million. Reston wrote from Mexico City Dec. 1 that "you don't have to be an expert on the interest rates or the price of oil"—some of the real reasons for Mexico's economic collapse—"to understand Mexico's quandary . . . overpopulation." The "standards of judgment" of those who point to doubling of Mexican longevity and the 75 percent reduction of infant mortality over the past 50 years as signs of progress must "be questioned," Reston proclaimed. The problem is that Mexicans don't realize this yet, and are still "optimistic." In fact, moaned Reston, Mexico City is "jumping with human energy and excitement . . . the doubts of journalists [can't be heard] for the laughter of children."

If these Malthusian forces, who stand behind the IMF and the leading commercial banks in New York, London, and Switzerland, think they have de la Madrid as a pawn in their pocket, they are wrong. De la Madrid is a nationalist who is committed to saving his country. As he put it in his inaugural, "We are going through an emergency situation. The situation we face is intolerable. I will not permit the nation to fall apart in my hands. At this moment, more than ever before, the interests of the nation and of the republic take precedence over private interests of individuals."

However, there is no question de la Madrid has immediately swung the country to a very different course than that followed by his predecessor, José López Portillo, over recent months.

IMF controls economic policy

The IMF is clearly in the saddle on economic policy. All the chief economic officials in the cabinet, most notably Jesús Silva Herzog (reconfirmed at the Finance post), and Carlos Salinas de Gortari, installed at the crucial post of Planning and the Budget (SPP), are defenders of an IMF approach. This involves severe austerity policies, relaxation (though not yet elimination) of exchange controls, a return to high interest rates, and priority attention to debt repayment over any considerations of domestic growth.

The ten-point program of "economic reordering" announced by de la Madrid in his inaugural address was similarly an IMF program in its essential features. Point number one called for slashes in government spending, and the payment of foreign debt as a priority. The list proceeded from there. The new President declared the bank nationalization of Sept. 1 "irreversible," consistent with his repeated public statements over the past three months. However he opened the door to re-selling part ownership to the private sector, as he declared his government would "seek new and imaginative forms of participation. Nationalizing is not state-izing."

No middle ground

The new Mexican President is looking for a middle way between breaking with the IMF system—a path of joint debt moratoria with other Ibero-American debtors and efforts to negotiate a new world economic order with the leading creditor nations on the basis of this shock—and carrying the IMF program through to its genocidal conclusions, so aptly sketched by the *New York Times*'s Reston. There is no such middle route.

This is what his predecessor, López Portillo, found out. Throughout the first five years of his term, López Portillo cut the Mexican private sector and the foreign banking community into Mexico's surging growth on a more-than-generous basis. Then the current debt trap was sprung, on the basis of usurious international interest rates and collapsing foreign commodities markets, augmented by a politically motivated surge of flight capital.

In August 1982, López Portillo was told by Mexico's creditors' cartel that Mexico had to put all its oil revenues into debt repayment and stop any projects of benefit to Mexico's population. By the private account of some of López Portillo's closest collaborators, he came within a hair of declaring a unilateral debt moratorium on Mexico's $80 billion debt. He took the next toughest step of nationalizing the banks and decreeing across-the-board exchange controls.

De la Madrid is painfully aware of the same international pressures which are the fundamental cause of the Mexican collapse. In his inaugural speech, he stressed that the Mexican crisis "comes within a deteriorated international situation. We are seeing a very deep international recession now upon us. At the same time we see trade war, with protectionism disguised as free trade; a situation of high interest rates; local and regional wars where the hegemonic powers dispute for control."

The foreign policy stance

In foreign policy, de la Madrid made clear that he will follow the outlines of the López Portillo era, not just in Central America but more broadly in the developing sector.

"We will seek a new international order," he stated, ". . . [showing] solidarity with the best causes of the developing sector. We will strengthen Latin American brotherhood."

De la Madrid declared that the first implementation plans for his government will be ready by the end of the month, and a more comprehensive plan by May.

That is in fact the same timetable as his Malthusian opponents—for his discrediting and overthrow. *EIR* sources in Mexico and in the United States report that plans from these quarters, which include surfacing an overtly fascist and fundamentalist "middle-class" movement, are in an advanced stage and are timed to mature by the middle of 1983.

The members of the new Mexican cabinet

In the list of 19 Mexican cabinet ministers released the evening of Nov. 30, and the complementary list of some two-score important subcabinet posts released 24 hours later, probably the most shocking single appointment was the renaming of Miguel Mancera Aguayo as head of the Bank of Mexico, a post he had held up until Sept. 1. Throughout his previous tenure, and particularly during the first eight months of this year, he tenaciously defended the free convertibility of the peso which was allowing the entire nation to be blackmailed by flight-capital operators and was forcing the country into a hideous spiral of devaluation and inflation. He was sacked the day exchange controls finally came through, some eight months after they would have done the most good.

Some jubilant foreign bankers have nicknamed him "Miguel Mancera MacArthur." His return signals that a hardline monetarist faction, both inside and outside the country, played all their cards with de la Madrid at the very beginning to get the maximum taste of "revenge."

However the appointment and what it betokens will predictably enrage the mass organized forces, led by labor, which rallied to back López Portillo's crackdown on the capital-flight blackmail. These are the forces which de la Madrid must keep in line, if his chimerical deal with the IMF is to hold together at all.

Most of the winners in the cabinet are close associates of the new President, and like him, are something of unknown entities in terms of personal views on the key issues now coming up. One of the few men with a highly defined profile, and one which saddles the administration with big problems, is Jesús Reyes Heroles, appointed Education Minister. Reyes Heroles, as Interior Minister for the first three years of the López Portillo government, and as head of the ruling PRI party and of the state oil company Pemex before that, has worked tirelessly to replace Mexico's republican institutions with a "pluralist" parliamentary regime on the British model. One of his biggest targets has been Mexico's organized labor movement. As Education Minister, he will be well positioned to destroy the teachers' union, the largest union in the country, which is already under internal attack.

The losers include the factions of previous Presidents López Portillo and Echeverría. Also a big loser is the outgoing mayor of Mexico City, Carlos Hank González. One of the wealthiest and most corrupt figures in Mexican politics, Hank was universally recognized in de la Madrid's inaugural denunciation of those who use political office for business gain: "Either one governs or one does business. The linking of the two things is immoral," de la Madrid angrily declared. Hank and his faction were wiped out in the cabinet appointments.

The "economic cabinet" includes:

Jesús Silva Herzog, Finance Minister. Monetarist son of the Jesús Silva Herzog who helped Cárdenas nationalize Mexican oil; chief negotiator of the IMF accords signed Nov. 10. Ph.D. from Yale.

Carlos Salinas de Gortari, Planning and the Budget (SPP). 34-year-old "whiz kid" trained at Harvard and MIT, with connections into Wharton econometric modeling. Staff director for the Master Development Plan put together under de la Madrid in 1980, when de la Madrid headed SPP.

Francisco Labastida Ochoa, Resources and Industrial Development (Sepafin). An undersecretary to de la Madrid in SPP, and one of de la Madrid's "inner circle."

Miguel Mancera Aguayo, Bank of Mexico, hardline monetarist from the old Financial and Bank of Mexico "Mafia."

Gustavo Petricioli, Nafinsa (National Development Bank). Monetarist background, former director of the stock exchange.

Hector Hernández, Commerce. Former Undersecretary of Commerce; principal negotiator for Mexico's possible entrance into GATT, vetoed in 1980 by López Portillo.

The leading non-economic positions are filled by:

Manuel Bartlett Díaz, Interior. Served in a top Interior Ministry post under then-minister Moya Palencia in the early 1970s; jumped to being de la Madrid's chief political troubleshooter in 1979.

Bernardo Sepúlveda Amor, Foreign Ministry. De la Madrid's chief foreign policy adviser since early 1981; moved up from serving as Mexican ambassador in Washington.

Ramon Aguirre Velázquez, new mayor of Mexico City. Technocrat, close to de la Madrid, who moved up to take over SPP when de la Madrid was tapped as the PRI's presidential candidate.

Mario Ramón Beteta, Pemex. Monetarist Finance Minister for last year of Echeverría administration, then switched under López Portillo to head up the surging Somex state-owned banking conglomerate.

Sergio García Ramírez, Attorney General. Moves up from post of Labor Minister for last year of López Portillo administration; past political associations with Moya Palencia.