A tale of dirty money and the IMF

by Carlos Cota Meza

As a result of statements by Mexican Attorney General Sergio García Ramírez on the "laundering" of money from the illegal drug trade (see page 50), some Mexican newspapers have made public the inquiries of journalists specializing in national finance, who are uncovering an intricate network of illicit business which intersects the normal national banking system. Rumor has it that this could be a guide to investigations by the justice system.

The three-year-long application of the International Monetary Fund's "recommendations" has so drastically shrunk national credit, that for 1986 a reserve requirement of 100% has been established. Interest on domestic loans is climbing so fast that the annualized rate projected for the fourth month is already 118%.

With the reserve requirement of 100% now imposed by the Bank of Mexico on commercial banking, a breach has been opened between the rates paid to depositors and the interest rates for those taking out loans at 30-40%. Added to this is capital flight ($2 billion for 1985, according to official figures), and the fall by more than 50% in hard-currency revenues from oil exports, which has led to further official budget cuts and suspension of payments by the semi-public companies to their private vendors.

With this suspension of payments and the "criminal" credit policy (as the businessmen put it), the industrialists' associations of the states of Jalisco and Nuevo León say they are plummeting into bankruptcy and may be forced to stop paying their domestic creditors.

The Business Center of Jalisco reported that its members owe more than 300 billion pesos to the national banking system and that they have no way of paying. Nuevo León's businessmen, who owe 100 billion pesos, have taken repeated holidays from their payments. Jalisco and Nuevo León are the second and third most important industrial states of Mexico. As for No. 1, the Federal District-Mexico state, figures on its status of bankruptcy are not even known.

The 'night markets'

While this process of economic cannibalization has been going on, since 1982 a lucrative business has sprung up, known as the "parallel market" or "night market," which has started to come out into daylight. This market, which investigators say "reminds us of the mafia," is run by "clubs of treasurers" of big companies who communicate among themselves "their financial availability and requirements" after having clinked their glasses of expensive cognac and smoked exquisite cigars in famous luxury restaurants all over the country.

Certain officials of brokerage houses on the National Stock Commission have also entered the game. A network of such firms set up "independent" or "parallel" offices to create their own portfolio of clients just like the famous "account executives" of the banks which handled the money for drug traffickers like Rafael Caro Quintero, Ernesto Fonseca (both in jail), and the recent escapee from a Colombian jail, Matta Ballesteros.

Investigators say one of the "operators" in this market, with a 100-person clientele, "confessed" to reporters that "in only one month he had had net profits of 25 million pesos." The same operators say that there is nothing illegal in this, given that they function as if somebody lent 100 pesos to his neighbor. They claim there is nothing in it that requires regulation.

Among the firms cited with a heavy involvement in the "night markets" are Aurrera (a chain of auto service stores), Celanese, General Motors, Union Carbide, Ford Motor Company, and Ingenieros Civiles Asociados (ICA,) famous in the south of the continent for the defects in the projects it builds. One of the brokerage houses most compromised in this business is the Compañia Operadora de Bolsa. Also participating are foreign banks with offices or branches in the country, who grant "letters of credit" or deposit-vouchers abroad, which are used as "collateral" for the participants in the "night market."

The restrictive credit policy of the Bank of Mexico director has helped these "parallel markets," with their heavy mafia involvement, to handle the equivalent of 20% of what is handled by normal commercial banking in deposits from citizens. According to Treasury figures, savings deposited in official banking institutions fell from 30.2% of the GNP in 1984 to 27.1% in 1985.

The sum of 900 billion pesos in "night money" equals 13.6% of the balance of financing granted by the commercial banks, and 37.5% of the balance of credit granted by the development banks and development funds. Moises Pardo Rodríguez, loan manager for the Security and Development Fund for Small and Medium Industry (Fogain) recently stated that his office had detected that "100,000 firms are operating with informal credits," and that Fogain has granted financing to 120,000 companies, mostly micro, small, and medium.

With the revelations of the attorney general of Mexico and the investigations carried out into "laundering" of money, it is clear that Miguel Mancera Aguayo, more than director of the Bank of Mexico, has been the general manager for the drug-trafficking mafia, to whom he has already turned over at least 20% of Mexico's national credit, and the control of innumerable firms of the national productive apparatus.