Mexico's trade unions hold the line against the IMF's austerity demands

by Hugo López Ochoa

While the world financial press is crowing that Mexico has finally reached an agreement with the International Monetary Fund, the reality is that a factional battle is raging in Mexico, with the 5-million-member Confederation of Mexican Workers (CTM) taking the point in opposition to the IMF's demands. The CTM has presented a clear-cut program for the defense of Mexican sovereignty and economic development, modeled on the example of Peruvian President Alan García, whose insistence that the nation comes first and debt payments second, has haunted every arm-twisting session between Ibero-American countries and the international bankers during the past year.

In a statement submitted to Mexican President Miguel de la Madrid on July 14, the CTM alluded to García's "10% solution," which limits debt payments to a portion of export earnings: "If the creditors don't understand our needs, Mexico would be within its rights to go for a unilateral decision, such as is already a reality in countries south of the Rio Bravo."

There is no deal between the International Monetary Fund and Mexico as of this writing. And the CTM's renewed offensive makes it clearer than ever before that any deal which the government might be tempted to conclude with the bankers, which did not take into account the trade unions' demand that living standards be protected, would be a very short-lived deal indeed.

The CTM's clout has been strengthened during the recent weeks of factional warfare, and its influence was the decisive factor in the July 6 election victory for the ruling Institutional Revolutionary Party (PRI) in the state of Chihuahua, against the National Action Party (PAN). The PAN, supported by the communists, the Nazi International, the U.S. State Department, and Sen. Jesse Helms (R-N.C.), was defeated by a substantial margin. Just before the election, the CTM had focused popular discontent against the economic austerity policies imposed by the IMF and forced President de la Madrid to fire Finance Minister Jesus Silv Herzog, the bankers' boy. The vote in Chihuahua overwhelmingly approved that policy course.

What the IMF wants

Massive pressure is being applied to Mexico to submit to another round of austerity, including especially the dismantling of state-sector industries. Despite the efforts of the monetarists and World Bank "whiz kids," Mexico has stubbornly adhered to a dirigist policy, by which the State promotes industrial and agricultural development—the very "American System" economic policy of Alexander Hamilton and Henry Carey, which allowed the rapid industrialization of the United States. Now the IMF wants to cut the government budget and force Mexico to sell off state-owned enterprises.

Ultimately, the international bankers want to get control of Mexico's oil. The Trilateral Commission specifies moves in this direction, in a recent report ("Conditions for Association in International Economic Management"). The Commission, founded by David Rockefeller of Chase Manhattan, states "The United States . . . will have to make long-term purchases of [Mexican] oil for strategic reserves and give loans linked to future oil prices."

The new Mexican finance minister, Gustavo Petricioli, announced at a Washington press conference on July 16 that in his five days of negotiations with the IMF and officials of the Reagan administration, he had reached a "total basic accord." But no letter of intent has been signed with the IMF, and the contents of the agreement in principle which Petricioli has reached have not been released. An IMF source commented: "The possibility of breaking off of negotiations is not yet ruled out."

Reagan administration sources boasted that the IMF accepted a "flexible" agreement which sets a growth goal of 3-4% in 1987 and 1988, following a 4% decline this year. For the first time, the IMF agreed that targets for debt payment would be eased if oil prices fell further. Washington sources noted, however, that the program calls for a "strong reduction" of public expenditures, a "rigid" monetary and credit policy, and the sale or closing of 300 of the total 500 state companies. Worse, U.S. administration sources say that the draft pact contains a provision that Mexico must adhere to the IMF package through 1989—a year after Mexico's presidential elections—in order to bolster creditors' confidence that Mexican voters would not disrupt the accord!

The CTM will never swallow such a deal. Labor leader Rafael Rivapalacio summed up the general consensus at a three-day meeting on economic policy of all the country's non-communist trade unions on July 17: "We had better be shown that letter [of intent to the IMF]" before de la Madrid signs it, because the unions won't accept any pact which implies greater wage reductions.

Other leaders of the ruling party have expressed similar views: Francisco Labastida Ochoa, PRI candidate for governor of Sinaloa, and very close to President de la Madrid, said at a July 13 campaign rally, "All the international agencies have put maximum pressure on Mexico. And Mexico's position, clearly put forward by President de la Madrid, is that we cannot continue compressing living standards nor deviating from economic development, because our first responsibility is to the people." Energy and Mines Minister Alfredo del Mazo, also a friend of de la Madrid and of CTM leader Fidel Velázquez, made a stirring defense of Mexico's nuclear industry, one of the sectors the IMF wants to eliminate (see article, page 53).

In any case, the bankrupt international bankers are themselves in no position to guarantee any country economic growth in 1987 and 1988. Perhaps knowing that, Petricioli dispatched a telex after he got back to Mexico to the 13-bank creditors' club which manages Mexican debt, asking it to be ready to begin conversations in the near future, since negotiations with the IMF and World Bank have taken "longer than expected." Rumors sprung up again on the imminent resignation of Miguel Mancera, director of the Bank of Mexico and soul-mate of the fired Silva Herzog.

The CTM program

The Mexican faction opposing the IMF has used its influence to make sure that the "Peruvian model" gets a full airing in the national media. On July 8, President Alan García himself addressed the Mexican people on the state-run radio network, warning that it would be "a terrible mistake, to believe that through bilateral negotiations, each one of us, in our weakness, is going to be able to win better conditions from the world economic powers." García called for the Ibero-American countries to take joint action on the debt, in defense of their productive economies.

The CTM's own platform, in an approximation of García's limitation on debt payments, proposes that Mexico "allocate part of non-petroleum exports for payment of foreign debt." Mexico's non-petroleum exports are expected to be $7.5 billion this year, compared with a $9 billion bill for interest payments alone. Oil exports this year will fall by $8 billion from last year's $13.3 billion, Petricioli noted July 16.

By using the García method of debt payment, CTM leader Netzahualcoyotl de la Vega argued, it would be possible to promote investment, production, and employment, and achieve self-sufficiency in food production. He outlined a four-point policy:

1) Design a debt strategy which permits the country to use those funds needed for growth and social development;

2) Reactivate the internal market by raising workers' buying power;

3) Reactivate and mobilize unused productive capacities;

4) Reorient the financial and monetary systems to give priority to the requirements of economic growth.

The CTM totally rejected the "debt-for-equity" scheme of Henry Kissinger and the Trilateral Commission, the idea that the debt could be paid by giving creditors shares in Mexican companies, because, as Labor Congress leader Rafael Rivapalacio put it, "that would violate national sovereignty."

The CTM also called for stiff exchange controls to stop speculators from taking their capital out of the country. The IMF policy has been to keep money in through usurious domestic interest rates, which strangle production.

Violence in Chihuahua

Any accord with the bankers would undermine the capacity of the CTM and its allies in the PRI to preserve the momentum gained by defeating the PAN in the Chihuahua elections. This in turn could lead to a political explosion of unpredictable consequences. Since the IMF started dictating policy in 1983, living standards have been reduced by 30%, and hundreds of thousands have been thrown out of work.

The PRI won the Chihuahua elections through a last-minute mobilization for new economic policies and against the Nazi-communist opposition alliance led by the PAN. The campaign coordinator for the PRI, Manuel Gurria, explained the PAN's still sizable vote: "The votes are not for them, but votes of anger against us. They are votes against the fall of the peso, economic troubles, the fall in oil prices."

The PAN, which is seeking a pretext for violent confrontations on the border with the United States, lies that its loss was due to vote fraud. As de la Madrid was meeting with the CTM on July 14, a mob of 10,000 *Panistas* seized the bridges connecting Ciudad Juárez with El Paso, Texas, for two hours. They pulled down the Mexican flag and replaced it with an orange one with the blue and white PAN insignia. PAN drug-runners and oligarchs are emptying large bank accounts to keep the state government from meeting its payroll. Civil disobedience is being transformed into economic sabotage and bloody riot.

Most ominous is that Chihuahua priests closed their churches and refuse to say mass starting July 20, in support of the insurrection lead by the PAN and its communist allies from the PSUM party. The Church did the same thing in 1925, when the "Cristero Rebellion" led to three years of warfare across northern Mexico and the murder of President-elect Alvaro Obregón.