Kissinger, the loans that never came, and the presidential succession

by Héctor Apolinar

"Beach boy" Henry Kissinger interrupted his sunny vacation in Acapulco, Mexico, for an emergency session in Mexico City on Feb. 13 with President Miguel de la Madrid, at which Kissinger ordered Mexico to adopt a Brazilian-style shock austerity program for the economy. On Feb. 17, President de la Madrid received an equally unsettling visit, this time from Rodman Rockefeller, co-chairman of the Mexico-U.S. Businessmen's Association. Rockefeller was accompanied by the indicted Peruvian banker Pedro-Pablo Kuczynski, president of First Boston International, by Phillip Caldwell of Shearson-Lehman Brothers, and by Charles F. Barber of American Smelting and Refining Corporation (Asarco).

These high-powered visitors delivered Kissinger's message to Mexico's President yet again, just in case he didn't get the point the first time: total surrender of the national economy to its foreign creditors.

The Kissinger and Rockefeller visits occur in the midst of growing tensions over the foreign debt negotiations, tensions due to the refusal of Mexico's creditor banks to deliver on their promise of a $7 billion package urgently required by the government to reactivate the depressed Mexican economy and to try to comply with their promises that the country would grow by 3-4% this year.

In government circles, it is taken for granted that if the economy does not grow during this semester, President de la Madrid's administration will lose the prestige, the power, and the stability he needs to stay on top of the presidential succession process, an issue to be decided between August and September of this year.

President de la Madrid's desperation stems from the fact that Mexico signed a debt agreement with the foreign banks a full three months ago, and yet not a penny of the new money has been released. At this point, further delay will make it virtually impossible to meet the goals set for the first half of the year.

A slap in the face

On Feb. 4, the Mexican government was slapped in the face by the banks. Citicorp President John Reed told the AP-Dow Jones news service that his bank opposed granting new credits to Mexico, but had yielded to pressure from the Federal Reserve and the White House. That same day, the *Financial Times* of London revealed that certain creditor banks opposed loaning the full amount they had promised, on the grounds Mexico would earn more dollars from the recent partial recovery of oil prices. Reed's statement in particular was an ominous sign for the Mexican government, since his Citibank heads the bank advisory committee which handles Mexico's foreign debt.

The leaks from creditor banks are designed to overturn the very cornerstone of the Mexican government's two-year growth strategy, packaged in the Program for Enterprise and Growth (PAC). A government study released to the daily *El Financiero* of Feb. 9 defines the PAC as "a strategy for the government to gain time to finish its six-year term without having to resort to heterodox policies which could exacerbate the crisis." At the same time, the Mexican press repeatedly reports that the lack of foreign credit has completely stalled the Industrial Reconversion Plan, which is the heart of the government's development strategy. This plan's implementation was entrusted to Alfredo del Mazo, minister of energy, mines and state-sector industry, and one of the much-touted candidates to succeed de la Madrid in the presidency.

Confronted with a deepening of the depression already ravaging the economy, the government now faces the dilemma of how to function without the foreign loans on which all its plans were based. From its perspective, the choice is to grow with inflation, or impose "shock therapy" on the economy. On Feb. 10, financial commentator José Antonio Pérez Stuart warned that hyperinflation would explode if the government dared to finance economic growth by printing money. He also forecast that the country's growth this year would only reach 1.5% "in the best of cases." Luis Mercado, unofficial spokesman for the Mexican central bank, and monetarist Miguel Mancera Aguayo, likewise warned President de la Madrid against starting up the printing presses at Treasury.

The rumor that de la Madrid would impose a brutal shock on the economy, in the style of Brazil and Argentina, is circulating everywhere. On Feb. 17, Francisco Suárez Dávila, deputy finance minister in charge of negotiating with

Mexico's foreign creditors, was forced to address these rumors. He said the idea of imposing a shock treatment this late in the presidential term was "absurd."

However, the creditors are demanding, "Where's the beef!" In the name of Rockefeller, Charles Barber instructed President de la Madrid that "continuous dialogue between government and business leaders [should] help your administration plan and formulate those measures necessary to guarantee stable progress toward a more open and internationally competitive economy."

Government officials know all too well that the measures demanded by Kissinger and Rockefeller would trigger a violent social explosion. To smash it would require a "hardline" government. In this context, it becomes clear that the creditors' choice for the next president of Mexico is Manuel Bartlett Diaz, the current interior minister. Bartlett is known as the "hardliner" in Mexico's domestic affairs.

Kissinger shows his preferences

One indication that Bartlett is the bankers' favorite was given by Kissinger himself. There was no other motive apparent for Henry's having two long meetings with Bartlett, since the minister is in charge of the government's political, not economic, affairs. Bartlett is a creation of Mexican Ambassador to the United Nations Mario Moya Palencia, an intimate friend of Kissinger.

In Acapulco, Kissinger was the guest of Jacqueline Petit, known to be very close to Moya. Petit is well known in Acapulco's homosexual and drug-infested circles. On Feb. 9, 1979, Petit was arrested and charged with criminal responsibility for narcotics sales inside the exclusive "Gay Bar 9," which Henry Kissinger has visited.

As if this weren't enough, another friend of Kissinger visited Mexico on Feb. 14, former deputy secretary of state under Jimmy Carter and current vice-president of Salomon Brothers investment house, Thomas Enders. Enders arrived under cover of "promoting investments" in Mexico. However, this does not explain his lengthy meetings with Miguel Alemán, president of the Televisa television network; with Carlos Hank González, one of the country's most powerful political leaders; and with Agustín Barrios Gómez, former Mexican ambassador to Canada and Switzerland. Barrios Gómez was elevated into political high society thanks to the patronage of his intimate friend Virginia Hill, known in Mexico during the 1940s as "the ambassador of drugs."

Enders also met with Gabriel Alarcón, heir to the shady Alarcón empire, and with Salim Nasta, a Greek-Orthodox Lebanese of pro-Syrian allegiances. Enders's host in Mexico was one Ezequiel Padilla, director of the Confia bank and son of Ezequiel Padilla, Sr., who during the 1940s was Mexico's foreign minister. During this period, Padilla, Sr. collaborated closely with the Nazi secret service which operated in Mexico. Thanks to his intervention, the Nazi-Soviet superspy Hilda Kruger was allowed into Mexico.

Rocky's banker friend Kuczynski faces fraud rap

On Feb. 10, a judge in Lima, Peru handed down an indictment against one of David Rockefeller's favorite young bankers, Pedro Pablo Kuczynski. Kuczynski was indicted for helping foreign oil companies defraud Peru of $800 million. The formal charges against Kuczynski and 13 associates are fraud, embezzlement, tax evasion, and negligence to the detriment of the Peruvian state.

Kuczynski is co-president of First Boston International, a New York investment bank largely owned by Crédit Suisse, notorious as a Swiss drug-money laundromat, and the White-Weld banking house. He has turned up in Venezuela and elsewhere in South America as a spokesman for David Rockefeller's Americas Society, arguing against Lyndon LaRouche's plan for monetary reorganization and peddling his own book, *Towards Renewed Economic Growth in Latin America*.

In 1969, Kuczynski sneaked out of Peru disguised as a priest, when it was discovered he had helped Standard Oil's Peru affiliate to take millions of dollars out of the country at the moment the company was nationalized. After working for the World Bank and Alcoa, he returned to Peru in 1980 as Energy and Mines Minister.

He devoted the next two years to purging Peru's legal code of all protection from looting by foreign countries. The "Kuczynski Law" gave foreign oil and mining companies tax exemptions while the state company, Petroperu, was bankrupted. It eliminated export taxes on minerals. The tax rate on foreign companies' profits was reduced from 69.5% to 41.1%. They were freed of almost all taxes on profits they reinvested; the companies simply lied that they were reinvesting, and sent the money out of Peru.

The biggest beneficiary of Kuczynski's swindle was Armand Hammer's Occidental Petroleum. Last year, when President García suspended the law and cracked down on the oil companies, Occidental virtually confessed it had cheated Peru of $237 million and promised to reinvest the funds in Peruvian oil development.

With an extraordinarily bad sense of timing, the government of Venezuela has just hired Kuczynski to help it dispose of its last $5 billion in foreign reserves.