Dateline Mexico by Carlos Cota Meza

For 30 pieces of silver

The de la Madrid government turns its back on a historic opportunity.

Mexican President Miguel de la Madrid has responded to the potential for a unified Ibero-American debt strategy, created by his courageous Brazilian colleague José Sarney, with the assertion, made Feb. 26, "We don't want to embark on adventures of international economic warfare, or sterile polemics." This, just one year and five days after his famous speech declaring that Mexico would "only pay according to its possibilities."

De la Madrid's government, in fact, stands at a crossroads, where the opportunity to abandon its role as the plaything of international financiers, and to retake the path of economic development, has presented itself. Even should it receive the mythical $7.7 billion in "fresh money" that will supposedly be made official on March 20, the country will only return to insolvency by year's end, or in 1988.

The finance ministry, under "Tiger" Petricioli, has announced how the "fresh money" will be allocated: $4.5 billion will go to "strengthen" international reserves at the Bank of Mexico, and $3.2 billion will go to finance the current balance-of-payments deficit.

The entirety of the money, such official categories notwithstanding, will go to pay the debt, since the current accounts deficit represents nothing less than insufficient income to meet payment on foreign debt interest charges, remittances, and profits of multinational companies, international transport for exports, etc. Should the bulk of the new credit in fact go to "strengthen" international reserves, this will give the lie to the claims of central bank director Miguel Mancera and Petricioli that reserves "are high." If they are high, what need to "strengthen" them?

The truth is that in 1986, before the collapse of the oil prices, servicing the foreign debt was done by drawing down accumulated international reserves, which brought them to dangerously low levels. They lie when they say that reserves are "nearly $9 billion," since that concocted figure represents not only cash reserves, but also gold deposits, Mexican contributions to multilateral financial organizations such as the IMF, World Bank, IDB, etc., the IMF's SDR allocation to Mexico, and other pieces of paper that do not represent available financial resources.

The government is desperately seeking a means of replacing the $9.5 billion it lost in 1986 with the oil price collapse. Since Feb. 21, the country has been in technical bankruptcy, and it is this reality which debtor and creditors alike have sought to hide since June of last year, when all the propaganda about debt restructuring and "fresh money" began to spew forth.

Not only did Mexico lose $9.5 billion in 1986, but it also paid its creditors the equivalent of 50% of its export earnings. In 1987, according to the estimates of Petricioli's technocrats, the country will allocate 78% of its export earnings to pay the debt, which includes interest charges of $7.8 billion and amortization of $5.833 billion. These same technocrats hope to obtain foreign exchange of $16 billion, but have yet to make clear where that will come from, since oil prices remain unstable and the price of coffee on the world market (Mexico's leading non-oil export in 1986) has fallen more than 50%.

In the tourist beach-resort of Cocoyoc, Morelos, a forum was recently sponsored by the economics faculty of the Autonomous National University of Mexico (UNAM) and Washington University of St. Louis, Missouri, titled "Financial Crisis and Containment Mechanisms." Statistics were released at that forum, which painted the Mexican economy as a corpse after a school of piranhas had finished with it.

For example, foreign investment in Mexico, which is not expected to exceed $1.7 billion in 1987, is in fact negative, since for each dollar invested, more than $1.20 leaves the country in gifts and remittances. According to the Cocoyoc analysts, Mexico holds first place in Ibero-America for flight capital between 1982 and 1985: For each dollar that enters as foreign credit, $1.37 flees the country. During that same period, the foreign debt grew by $17.561 billion, and $24.109 billion left the country as capital flight. Through 1985, Mexico's foreign debt was $95.869 billion, while the figure released on capital flight through that same year is $56.539 billion. If one adds the interest that money earned in foreign bank accounts, this rises to $103.823 billion.

This is the policy which led the national economy into a growth rate of −4.5%, and raised unemployment to the worst levels in the history of modern Mexico: 4.5 million unemployed in an economically active population of 25.6 million, 17.6%, according to official finance ministry figures.