Bush wants a Hong Kong in Mexico

by Carlos Méndez

U.S. vice president and presidential candidate George Bush seeks to turn Mexico into a new Hong Kong, which would mean having a gigantic drug plantation and international enclave for laundering drug dollars on the southern border of the United States.

According to an April 15 report from the EFE news agency, Bush told a conference of the U.S. Newspaper Editors' Association, "As President, I will work toward creation of a free trade zone embracing Mexico, Canada, and the United States." He added that he hoped to meet shortly with the presidential candidate of the ruling PRI party of Mexico, Carlos Salinas de Gortari, to discuss such a plan. As is well known, to speak of "free zones" is to speak of the "informal economy," a euphemism for the drug trade in the circles of free market economists.

Bush told the newspaper editors that he was impressed by Salinas's economic agenda and modernization projects, and said that his collaborators had already established contact, to set a time and place for a meeting between the two presidential candidates. One of those "collaborators" may be Charles Z. Wick, director of the U.S. Information Agency (USIA), and one of the coordinators of the Bush campaign in the United States. Wick, who arrived in Mexico on April 9 for a visit of several days, told the press April 13 that he had already met privately with President Miguel de la Madrid.

While President de la Madrid and his protégé Salinas have said nothing explicit in regard to Bush's proposal, the fact is that the economic measures taken by the De la Madrid government have already gone a long way toward creating the conditions for such a Hong Kong. Under the slogan of "structural change" and "modernization," De la Madrid has been "denationalizing" the economy, opening it virtually without restrictions to foreign investment. At the same time, he has been shrinking productive investment while punctually servicing the debt.

The consequences are already in evidence: The country's industry and agriculture are nearly destroyed, with thousands of businesses and producers bankrupt and millions of workers unemployed. The only ones to have gained advantage under De la Madrid's "structural adjustment" programs have been a score of former bankers, who speculate from the stock exchanges which serve as a sort of "parallel bank," and who have taken billions of dollars out of the country.

It is no accident that Bush has expressed such satisfaction with Mexico's economic agenda, since the principal architect of those policies is none other than candidate Salinas de Gortari, when he was serving as budget and planning minister. That ministry is today run by Salinas's main collaborators.

'Structural change'

A review of developments in April 1988 alone reveal that the conditions for turning Mexico into a Hong Kong have rapidly accelerated.

On April 6, in a meeting with all of Mexico's governors, President de la Madrid declared that the Economic Solidarity Pact—the government's fancy title for shock austerity—would continue until the end of his term, because "I prefer an orderly and economically-improved six years," than to conclude the presidency "rich in inaugurations," that is, inaugurating innumerable public works projects.

On April 7, the main officials of Mexico's nationalized banking system, gathered in a seminar entitled, "The Economic Solidarity Pact and Banking Perspectives for 1988," concluded that "as a result of the measures, bank profits have fallen; if this situation persists, some banks will face capitalization problems. Thus, it is necessary to renew the process of merging banks, and of eliminating or liquidating development banks." In other words, although the internal debt bubble has not yet exploded, the price has been the bankruptcy of Mexico's nationalized banks.

Finance Minister Gustavo Petricioli told seminar participants that during the first few months of 1988, between $700-800 million have returned to Mexico each month, and that this was thanks to the Economic Solidarity Pact. However, on April 11, the president of Banco Internacional, Alfonso García Macías, admitted that despite the fact that monthly interest rates offered by Mexico's banks are equivalent to annual rates offered in the United States, there were still more Mexican savings in banks abroad than in all of Mexico's nationalized banks combined. He added that it would take a long time to correct that situation.

On April 10, Petricioli announced that the De la Madrid government had set a goal of paying part of the principal of its foreign debt, so that the next administration would have less of a debt burden than the $85 billion inherited by De la Madrid.

On April 11, Budget and Planning Minister Pedro Aspe Armella, announced that due to the considerable decline in the inflationary spiral, "beyond what had originally been anticipated," it would be necessary to "adjust nominal expenses." In plain English, new budget cutbacks.

On April 12, William Rhodes, Citibank vice president and head of the banking committee in charge of restructuring Mexico's debt, declared in New York that temporary rearrangements of Ibero-America's debt, with continual new bank loans, could not go on indefinitely, and that sooner or later the credits would have to be based on these nations' commitments to "structural adjustment." He pointed to Mexico, whose efforts to adjust its economic policies "have helped it to transform capital flight into income." Rhodes also said that the crisis has forced nations to think again whether foreign investment "truly represents the threat that many had thought, or whether it doesn't rather contribute to the welfare of a nation more than a huge debt."

On April 13, Francisco Suárez Dávila, credit director in the finance ministry and the "star" negotiator of the Mexican debt, said that one could not think in terms of moratorium, except in the event that interest rates rise, oil prices fall drastically, and there is a resurgence of protectionism and severe recession inside the United States.

In the same seminar, Banco Internacional president García Macías said that Mexicans' deposits abroad surpassed $40 billion, and therefore it were necessary "not only to reduce the flow of our savings abroad, but also to create conditions propitious for retaining and attracting investors, by minimizing their risks and guaranteeing their benefits. . . ." How? By modernizing Mexico's financial services so that we wouldn't have to "cede market niches due to financial incapacity."

On April 7, the general director of Banco Serfín, José Juan de Olloqui, said that Mexico's national banks should be restructured to allow them to compete with the international banks.

On April 13, the Mexican daily *Unomásuno* reported, "According to 1987 official figures obtained by the U.N.-based Economic Committee on Latin America (ECLA), Mexico has the 'honor' of having the greatest fall in real income of all Latin America in the 1977-87 decade, a period that covers the arrival of Miguel de la Madrid in the economic cabinet as planning minister in 1978, and afterwards as President of Mexico. Wages paid in Mexico at the end of 1987 were equivalent to 55.9% of those paid in 1980; in other words, in the five years of the current Mexican government, real wages collapsed by nearly 40%. According to figures provided by the U.S. Labor Department April 6, Mexican labor power was one of the cheapest in the world, selling itself at an average of $1.37/hour, against $13.46/hour in that country."

Given this situation, the "informal economy"—the casinos, the production and trafficking in drugs, the *maquiladoras* (bonded sweatshops)—could be presented by their promoters as a "blessing."

Small contractors sue Pentagon

by Leo F. Scanlon

The National Council for Industrial Defense, an organization formed in 1986 to oppose the "the defense policy consequences of 'deindustrialization,' " filed a lawsuit against the Secretary of Defense and the Department of Defense on April 8, 1988, as part of an effort to call attention to the devastation being caused among small and medium-sized defense contractors by the "buy-cheap" economic policies of the Reagan administration.

The lawsuit demands that the Secretary of Defense abide by the provisions of the Buy American Act, 41 USC 10, which impose a duty on the Secretary to procure defense materials that are made in America, unless it is determined on a case-by-case basis that such purchase would be inconsistent with the public interest or that their cost is unreasonable.

The plaintiffs argue that the Defense Department has developed a practice of entering into Memorandums of Understanding (MOU's) with allied countries, which grant blanket waivers of the restrictions on any products of the country. The waivers are permitted under terms of other treaty agreements, but these agreements specifically exempt defense items from such waivers.

In consequence, when one defense-related item is to be purchased from the foreign country, all the industries of the foreign country may bid for subcontract work on any defense contract. The specific advantage this gives to foreign businesses is that they are exempt from the quality control assurance requirements which are imposed on U.S. contractors, and are not burdened by the enormous amount of administrative work which accompanies any defense contract let to a U.S. producer.

In practice, these issues are of little concern to the large multi-national businesses which are the "prime" contractors with the Defense Department, since large-scale, specialized capabilities for shipbuilding or aircraft production are not immediately threatened by the insidious practices which are badly hurting the small producers. Thus it is no surprise that the concerns voiced by the plaintiffs have received little notice from the Reagan administration.

The firms most hurt by the practices identified in the lawsuit are typically small industrial manufacturers, producing various plastic, electronic, or metal goods, and doing a percentage of business with the Defense Department, on the second or third tier of sub-contracting. In some cases the