Dateline Mexico by Carlos Cota Meza

'Solidarity Week' a cruel joke

Any income surplus from the Mideast oil crisis has already been signed over to Mexico's bank creditors.

It is likely that Mexican President Carlos Salinas de Gortari did not foresee the Aug. 2 Iraqi invasion of Kuwait, which set the world on the brink of a new oil "shock." And he likely didn't know about it because he was too busy preparing to launch his July 2-8 "Solidarity Week," a high-profile publicity campaign to show "solidarity" with Mexico's poor. It is the first "concrete" action, taken under the auspices of his so-called National Solidarity Program (Pronasol), to fulfill campaign promises since he assumed the presidency—fraudulently—in 1988.

Throughout this oh-so-special week for the government, no events abroad were permitted to impinge on Salinas's grand scheme, for this was the week in which Mexico's President elevated the miserable poverty of his country to the status of a *virtue*. It was also the week in which the government revealed its inherent schizophrenia. As journalist Miguel Angel Granados Chapa sharply noted July 5: "In its double personality, analagous to that of Mister Hyde and Doctor Jekyll, the government first manufactures the poor, and then hides them" with ephemeral welfare plans.

It was also a week in which the budget secretary announced that an overdraft in the social expenditure budget of some 40 trillion pesos would be permitted this year. The design is clearly to finance Salinas's latest social welfare campaign, with an eye toward laundering his rather tainted image for the 1991 federal elections, which are hardly "in the bag," despite the billions of pesos being spent to buy Mexican votes.

Salinas has thus far limited his "Solidarity" activities to delivering property titles to squatters amid great fanfare. Now, of course, these new "owners" will have to pay taxes to the Treasury for the right to live in the "belts of misery" that abound in both rural and urban Mexico. Handfuls of bricks, nails, and other so-called construction material have been distributed to these new property owners for the alleged purpose of building houses, primary schools, and sports facilities. Salinas has also been photographed busily inaugurating "sports centers" ("because sports is also solidarity"), issuing invitations to community *fiestas*, and distributing gifts in the government's name.

However, in not one of these highly public events across the country has Salinas inaugurated, or even announced, plans for a single public works project, confirming yet again that for this government, salaries are as "unnecessary" as productive agriculture or modern industry. To be poor in Mexico, in fact, "is not a fatality, but a challenge."

But reality has its way of interfering with such fantasies. The conflict in the Mideast exploded, suddenly and drastically driving up the international price of oil. An official statement from the directors of the Mexican state oil company Pemex denied commentaries in the British press to the effect that "the Mexican government is celebrating Iraq's invasion of Kuwait." Despite the denials, extra income of more than $1 billion is anticipated this year based on an average price calculation of $18 per barrel. But various factors stand in the way of Mexico ever enjoying this new "oil bonanza":

1) Amid the renegotiations of the foreign debt and letters of intent with the International Monetary Fund, there exists a clause which establishes that, if the price of a barrel of oil should go above $14 for more than three months, then *the Mexican government is committed to increasing its foreign debt payments*. That is, any income surplus goes to Mexico's creditors!

2) The increase in oil prices will raise the U.S. trade deficit and inflationary pressures, which will in turn provoke a tendency for interest rates to rise. As one may recall, among the three options of the financial "accord" to restructure Mexico's foreign debt was one which proposed that creditors freeze the interest charged on Mexico's debt at a rate of 6.25% for 30 years. Very few banks chose that option.

If interest rates rise—as they already have begun to do—the benefit of a 35% reduction in debt principal will be lost, as interest costs on the remaining debt increase.

3) Spokesmen for Mexican private enterprise have already proposed that Mexico increase its oil exports to "capture the advantage posed by the conflict in the Middle East."

This proposal has two problems. First, the oil price rise will have a recessionary impact on oil-importing economies. Second, Mexico *cannot* produce more oil: Its export platform is limited to 1.2 million barrels a day because the industry's physical plant and equipment has been practically destroyed by the "de-investment" policies that have afflicted it for more than eight years.

The Salinas government has made its bed, and now must lie in it.