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## Documentation

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# MSIA calls for debt moratorium in Mexico

*The Ibero-American Solidarity Movement issued a statement in Mexico City on Dec. 28 urging the Mexican government to declare a debt moratorium and to impose exchange controls to deal with the collapse of the financial system. The following are excerpts from the statement:*

Mexico's financial bubble has finally exploded. The blow-up is not exclusively domestic; it reflects the crisis in which the world's financial system finds itself.

The so-called "Mexican miracle" was put forward by the international financial community as an example for the whole world to follow, as to what should be done in a country run by free trade policies. It was even said that the "Mexican model" would prevail forever under the "new world order." This was the basis for the North American Free Trade Agreement, which was presented as the model for all of Ibero-America at the recent Summit of the Americas in Miami.

There were warnings of what would happen. An *EIR* study, "The 'Mexican Model': A Catastrophe for the World, a Success for the Bankers," published in April 1993, detailed the dangers to the nation posed by the policies of the Salinas de Gortari government. . . . The officials of the Salinas de Gortari government with whom we discussed these issues, hysterically denied the facts.

We repeat them again: The current crisis is due to what well-known international analysts and economists, and especially U.S. economist Lyndon H. LaRouche, have identified as an unfolding process that threatens the disintegration of the world's financial system through speculation with so-called "derivatives" . . . which have created a massive international cancer-like bubble that is destroying the physical economies upon which this cancer itself depends. . . .

In the current crisis, all monetary metrics have lost proportion and coherence. The fact that Mexico has lost \$21 billion of its international reserves in the past 10 months, and that foreign and local "investors" (i.e., speculators) lost \$10 billion in just three days, means that currency has lost not only its value, but its economic function as an exchange medium. . . .

Like a powerful bomb, the "Mexican crisis" has generated shock waves which are already affecting other lands. The "emerging" markets of Ibero-America have begun to wobble; the foreign creditors of Mexico, like Citibank and Morgan Bank—highly exposed in such fictitious investments as the

1989 "Brady Bonds" and the debt reprogrammings like the 1985 "Baker Plan"—are suffering substantial losses. The shock wave hitting the internal economy of Mexico is bringing down the parasitic banking system which had not yet collapsed under the weight of its bad debt portfolios only because of the treasury secretary's accounting tricks.

The average inter-bank lending rate increased by more than 50% on Dec. 21, moving from the Dec. 14 rate of 20.17% to 32.3% today, and it continues to rise. How much did it increase the bad debts of farmers and industrialists who were already in default? How many more producers automatically fell into default? How high should the level of contingency funds of the banks be set to support their portfolio of uncollectable loans?

### What must be done

The only way that coherence can be restored to the national economy is to ban the "economic model" identified with Carlos Salinas de Gortari. President Ernesto Zedillo should declare a national economic emergency based on suspending payments on the foreign debt and on application of strict exchange controls.

This would also mean annulling the law which gives autonomy to the Bank of Mexico, the central bank.

Mexico is financially bankrupt, but its productive physical economy is still viable. All useful and non-financial productive and administrative processes should be protected and encouraged. The cancer must be cut out and the healthy tissue preserved.

The policy of privatizing public companies should also be eliminated. Every Mexican knows that continuation of this policy will inevitably lead to an attempt to privatize Petroleos Mexicanos [Pemex, the state oil company], and this would mean dismembering the country, causing more economic chaos and social dissolution.

Oil exports should be oriented not toward bringing in more dollars but toward swapping crude for so-called 21st-century technology. President Zedillo should pursue this kind of negotiation in government-to-government agreements. President Zedillo should publicly recognize that the insane world of "free trade," with all of its treaties, is over, finished. The alternative to this must be Ibero-American integration for economic complementarity of necessary productive processes.

The current government of Ernesto Zedillo has the obligation to create, in a strictly sovereign way, a new national credit system to provide the necessary investment funds, at long term and low rates of interest, channeled to strategic small and medium-sized industry for the production of food and of useful manufactures, to generate the productive new jobs that are required by the millions, to direct new flows of investment for the construction of infrastructure in water management, energy generation, and modernization of transportation.