Mexico's financial 'fix' comes unglued

by Valerie Rush

The Mexican peso continued to be slammed by speculators for the third straight week, as the multibillion-dollar patch pasted on Mexico's financial system earlier this year by the Clinton administration and the International Monetary Fund has come unglued. Government implementation of a variety of "orthodox" monetary measures recommended by the Fund, including hiking interest rates and buying up large quantities of pesos to staunch the hemorrhage, have not only failed to "restore confidence," but appear to have had the opposite effect. The peso has lost nearly 25% of its value since Oct. 25, when it went into free-fall, triggered by London-based rumors of a military coup.

The result has been to destroy, virtually overnight, all the carefully crafted schemes that were designed to keep the country's financial system from blowing out. The government's tenuous "stability pacts" with the country's labor and business sectors, the banking system, and millions of desperate debtors, are now dead. An already unpayable foreign debt swelled as the value of the peso slumped, knocking all the debt repayment plans worked out in coordination with Washington, into a cocked hat. And, not least, the 1996 Mexican budget was turned into a laughingstock even before Finance Minister Guillermo Ortiz unveiled it to the public on Nov. 15.

Mexico's economy today is best described by U.S. economist Lyndon LaRouche's ironic image: It's like the broken-down jalopy—when you slam on the brakes, the hood pops open, and if you try to accelerate, it goes into reverse without warning. Nothing works any more, because IMF policies have destroyed Mexico's physical economy to the point where an uncontrolled financial disintegration has set in.

Who wants a 'train wreck'?

Despite the Zedillo government's continued foolish commitment to monetarist methods of dealing with a disintegrating economy, including a privatization program that now includes the country's social security system, its petrochemicals, and its railroads, there are still those pushing for a "train wreck" south of the border, the better to ram through untrammeled looting schemes. As the *Wall Street Journal* editorialized on Nov. 15, "There is even a school of thought that Mexico would be better off if it had defaulted on its *tesobonos* [dollar-denominated bonds] because this would have speeded reform, including taking up the inevitable privatization of the oil industry sooner rather than later."

Where that "school of thought" might be located, was suggested by U.S. Ambassador to Mexico James Jones, who told the Mexican daily *Excélsior* that the source of rumors of a military coup in Mexico "was London." Given the U.S.-sponsored $50 billion bailout of Mexico earlier this year, another Mexican meltdown could be laid at President Clinton's door in this volatile election period. Knocking Clinton out of the picture would eliminate a major problem for the British. Unless and until the deeper causes of the Mexican—*and international*—financial crises are addressed, that threat will remain.

On Nov. 10, the Mexican branch of the Ibero-American Solidarity Movement (MSIA) issued a statement on the latest assault on the peso: "While it is true that there are those who hope to thrive from the instability of the financial markets, fishing in troubled waters," the real cause of the latest Mexico crisis is to be found in the world financial crisis, in the breaking debt crisis in the United States, in the huge fiscal deficit of "orthodox" Argentina, in Brazil, Russia, Ukraine, Japan, and elsewhere. In other words, with a global monetary system in its death throes.

London and Wall Street have a different explanation, of course, blaming the false rumors that triggered the Oct. 25 peso crash on an "inexperienced" AP-Dow Jones correspondent. Although those rumors served to start the stampede, they certainly were not the work of a single "loan assassin." For example, it escaped no one's attention that former Mexican President Carlos Salinas de Gortari now sits on Dow Jones's board of directors, or that he refused to issue a denial that he was behind the coup rumor when he was accused of precisely that by the Mexican media.

Further, it was revealed by *El Economista* magazine of Nov. 8 that the same day the rumors broke in Mexico, the offices of Dow Jones in New York were visited by Manuel Camacho Solís, a former Mexico City mayor and frustrated would-be President, who, as the government's negotiator with the Zapatista narco-guerrillas in 1994, blatantly sided with the terrorists against his own government. Camacho was recently forced to resign from the ruling PRI party when his attempted sabotage of that party's Presidential campaign was revealed. Camacho's ambition for power remains so great that he is easily capable of trying to topple the Zedillo government, in order to step into the breach as a "national savior."

Camacho was accompanied in New York by Juan Enríquez Cabot Lodge, of the Mexican branch of the famous Boston Brahmin banking family. He worked under Camacho during the latter's mayoral term, and held the specific responsibility of negotiating substantial "investment" deals with world-class currency speculator George Soros. Also visiting Dow Jones's New York office at the same time was Jorge Castañeda, a mouthpiece for the narco-terrorist São Paulo Forum and an ally—like Camacho—of the Zapatistas.