

# Mexican government panicked over economy

by Carlos Cota Meza

Addressing the closing session of the annual conference of the Business Confederation of the Republic of Mexico on Oct. 9, President Ernesto Zedillo stated that “the existing postwar accords, such as Bretton Woods, are now clearly obsolete. The new reality requires a new architecture of the international financial system.” These remarks completely surprised his audience of elitist businessmen, whose loyalty to Mexico has often been in doubt.

Zedillo told the distressed business leaders that “without going into detail on the solutions to this very complex problem,” his government “has confirmed its decision to collaborate with the most important participants in the international market in the design of new mechanisms,” in an effort to control volatility and stabilize the financial markets. He also affirmed that this is not a new position vis-à-vis international markets, but one Mexico has held since 1995, following the devaluation crisis of December 1994.

It is important to point out that the Mexican government has not recognized the magnitude of the world financial crisis. Nor has it been calling for a new global financial architecture since 1995. We need only recall President Zedillo’s November 1997 speech to the Asia-Pacific Economic Conference in Vancouver. At that time, he chastized Asian governments and heads of state for not having implemented the neo-liberal adjustment policies which Mexico applied after the crisis of 1994.

“You have to bite the bullet immediately,” Zedillo said in Vancouver. “With financial problems of the kind seen in some Asian countries, you can’t wait for a few weeks. These measures are frequently unpopular among voters, and carry a high political cost, but it is crucial not to let a country’s financial system fall apart. . . . Whatever is necessary to save the banking system, including making adjustments to the budget, cutting costs, or raising taxes, has to be done, whatever the cost.”

What is true is that the Zedillo government is apparently beginning to recognize, if belatedly, the seriousness of the international financial crisis. Brazil’s desperate situation has hit it like a bucket of cold water, not to mention the chain reaction of reverse leverage now under way as a result of the collapse of the Long-Term Capital Management hedge fund. Several Mexican newspapers have taken note of the fact that close to \$9.1 billion has fled the country so far this year, reflecting Mexico’s extreme vulnerability to the ongoing in-

ternational financial hurricane.

Two words suffice to describe the government’s current mental state: panic and hysteria. In statements in early October in Washington, Finance Minister José Angel Gurría confessed that “in 30 years, I haven’t seen such a total [credit] cutoff for an entire sector of countries like the emerging markets. . . . This is a very serious situation which puts us on a collision course.” He warned that debtor nations might declare moratoria on their payments, if some mechanism weren’t put in place to restore liquidity to the developing economies.

But, recognizing the crisis and proposing the right solutions are two different things. Zedillo is sticking to “crisis management,” within the existing framework of the International Monetary Fund system. At the conference of Mexican businessmen, Zedillo promised that his government would “continue its participation in free trade,” and reiterated that “today, more than ever, we must persevere with fiscal and monetary discipline.”

## Backing British imperial designs

The “New Bretton Woods” of which Zedillo speaks is the same monetarist concoction as that put forward by British Prime Minister Tony Blair—not Lyndon LaRouche’s proposal to restart world trade and production. On Oct. 13, Zedillo arrived in London for a state visit, after which he was scheduled to attend the Oct. 17-18 summit of Ibero-American heads of state in Oporto, Portugal.

In early October, the Permanent Conference of Political Parties of Latin America and the Caribbean (Coppal), which includes 57 parties, including Mexico’s ruling PRI party, met for its 21st plenary assembly in Buenos Aires. Reports made available to *EIR* from the conference reveal that the discussion at that event centered on Blair’s proposal, which he explicitly defined as “a New Bretton Woods for the next millennium.”

In the midst of their hypocritical denunciations of “globalism” and “neo-liberalism,” representatives of all 57 political parties at the conference agreed to adopt Blair’s *imperialist* proposal as the action program for their respective countries. At the same time, Coppal will seek registration at the United Nations as a “multilateral organization,” in order to promote the same initiative.

Blair’s proposal calls for creating a new supranational financial authority, modelled on the World Trade Organization. One of its tasks would be overseeing the “behavior” of volatile capital, blamed for the current phase of the world crisis. Another aspect of the British “Bretton Woods” proposal would be to eliminate all resistance to economic globalization, preventing the imposition of capital controls, and ensuring greater transparency and supervision of capital flows.

In other words, Blair wants to push to its final consequences the genocidal globalization program which has already failed and is tearing apart entire nations.