

Sinking Mexico Debates Survival With LaRouche

by Gretchen Small

On Aug. 15, Mexican Treasury officials announced that Mexico's Gross National Product grew by precisely 0.0% in the second quarter—and that, as calculated by notoriously padded official accounting procedures. The GNP statistic, vastly underestimating the accelerating destruction of the real economy, merely confirmed what Mexican business, labor, farm, etc., leaders had warned more forcefully: Mexico's economy is disappearing.

The crisis, acknowledged by all in the country but its President, Vicente Fox, has set off an intense debate on the most fundamental issue: Will the government stick dogmatically to the free trade, neoliberal, globalization policy which is destroying the country, or is there an alternative policy which Mexico can adopt, to ensure its continued existence as a nation?

That was the question which *EIR* founder and U.S. Presidential candidate Lyndon LaRouche was invited to address in his Aug. 2 videoconference at the prestigious World Trade Center in the Federal District, and that was the gist of all the questions posed to him during that conference, by the prominent Mexicans who joined the panel with LaRouche, and by the 65 of the 350 attendees who submitted questions, too.

LaRouche's explanation that there is an economic and financial alternative, has fueled this life and death debate nationwide. Groups have gathered in various places to listen to tapes of the conference; others, including in many other Ibero-American nations, are reading the transcript (in English and Spanish) posted at *EIR*'s website, www.larouchepub.com. Media attention to LaRouche has zoomed following the conference. Numerous radio interviews with LaRouche spokesmen in Mexico were set up in its wake, with some stations arranging for weekly or even daily briefings with LaRouche's people.

Major Dailies Report the Crisis

La Crónica was one of three Mexican national dailies which ran substantial coverage on what LaRouche had laid out. In a full-page article published Aug. 3, headlined "We're Not On the Edge of the Abyss, We're In It," *La Crónica*, focussed its coverage like that in *El Financiero* and *Milenio*, on LaRouche's emphasis that the collapse of this global financial system is "inevitable," but that under an international agreement like that of Bretton Woods, a new system can be

created, geared "to the development of great infrastructure projects, typified by the Eurasian Land-Bridge . . . whose conception of development corridors has universal validity applicable to the development of regional and national infrastructure."

La Crónica's coverage acknowledged, in its own way, the long history which LaRouche—who visited Mexico four times between 1979 and 1982—has in Mexico. Reporting that the conference discussions were led by Francisco Javier Alejo, Julio Zamora Bátiz, Marivilia Carrasco, and Hector Luna de la Vega, president of the National Institute of Public Accountants which sponsored the event, *La Crónica* seemed surprised at LaRouche's extensive influence in Mexico. "This assembly of individuals would have been unthinkable in the 1970s," the paper noted, "when 'the young economist' Francisco Javier Alejo was an official of the Luis Echeverría administration, and Marivilia Carrasco headed one of the most controversial groups in Mexico, the Mexican Labor Party."

Death of an Economy

Mexico, with its acquiescence to the North American Free Trade Accord (NAFTA), served as a poster child for "neoliberalism," as globalization, free trade, deregulation, privatization, are called. Thus, as the global system disintegrates, into which Mexico had thrown itself so entirely, Mexico is now following fast on Argentina's heels as poster child for the global collapse.

Unemployment in Mexico is "dangerously close" to the levels of the 1995 blow-out, when over 611,000 jobs were lost, researchers from *Universidad Obrera* reported at the end of July. According to their count, 400,000 people were fired in the five months between last December and this May—239,000 of them in manufacturing.

The government's official statistical agency, INEGI, admits that the number of Mexicans employed in manufacturing was 3.8% less in May 2001 than the same month a year ago: the greatest contraction in monthly employment since 1995. Every sector of manufacturing has been hit: Employment in the wood and lumber industries in May 2001 was down 9.4% over May 2000; textiles and clothing, down 7.8%; metals, machinery, and equipment, 5.2%. Nor have the *maquiladoras* been spared (the cheap-labor assembly plants that grind up Mexican workers to supply the foreign market). The *maquiladora* "industry" was operating at 60% of its capacity in July, according to industry spokesmen, and had eliminated 70,000 jobs in the first half of 2001.

Bad Decade Gets Much Worse

Mexico's unemployment crisis did not, by any means, begin with the Fox government. The director of economic studies for the Canacindra industrial federation, Alfredo Camhaji, reported in mid-August that for the last ten years, only 300,000 of the 1.35 million Mexicans who joined the

Economically Active Population each year found employment. Seven hundred thousand others were forced to survive in the trash bin of the misnamed “informal economy,” while 350,000 more left to search for work in the United States. What has changed, is that *no* new jobs are being created, he said.

The situation in agriculture is no better. The Economics Research Institute of Mexico’s National Autonomous University (UNAM) released a devastating report in July on the destruction of Mexico’s rural sector, charging that it was the direct result of neoliberal policies imposed since the 1980s. With many farmers who don’t even make 10 pesos a day (i.e., not even a dollar), of the 21.3 million people in Mexico’s rural sector, 70% can no longer find work in agriculture, “and there is insufficient capacity to absorb them into other parts of the economy.” Mexico’s farmers, says the report, “have become excess.”

The situation in the state of Sinaloa is exemplary of how the crisis has become exacerbated this year. Producers have been unable to place 2.3 million tons of corn on the national market, because of a flood of cheap imported corn produced for cattle feed, but which is being sold for human consumption in place of Mexican corn. Farmer protests forced Sinaloa Governor Juan Millan Lizarraga to declare an emergency in the state in early July, as he told *La Jornada* July 7 that “these protests could lead to the total collapse of Mexican agriculture.” The Governor demanded that the Fox government stop its “obsessive” free-import policy, which is leaving farmers “at the mercy of the market forces.”

Accelerating the rate of collapse, is the Mexican Treasury Secretary’s policy of cutting government spending by the same amount as government revenues fall. As the economy plummets, so have government revenues, and so, thus, has government spending in the national economy, compounding the crisis. Never cut, however, are debt payments. The government paid over \$13 billion in debt service in the first half of the year: a policy re-run of Argentina, which will lead to the same bankruptcy.

Economic Realism, Please!

The government’s refusal—President Fox’s, in particular—to admit reality, is adding an explosive political factor. Some joke that while LaRouche made nine accurate long-range forecasts over 40 years, Fox—who took office promising 7% annual growth—has made five short-term revisions of his growth forecasts in nine months, arriving now at zero, while still berating anyone who said Mexico wasn’t heading toward miraculous growth.

Peppered with questions on the second quarter’s zero growth during the Aug. 17-18 Santiago summit of the Ibero-American Rio Group, Fox stood firm: There is no crisis, and his government would take no action. What we face is only “a lack of growth,” he said. The term “recession . . . is something that doesn’t matter, because it doesn’t change things.

. . . There is no urgency for credit, nor to do anything more than to hope that things start to grow again. I think it is very clear that in Mexico, we have a much calmer situation.” In any case, this “was just the results of a quarter. . . . It shouldn’t be confused with the six-year goals we have proposed,” he went on.

In his Aug. 18 regular broadcast of his “Fox En Vivo, Fox Contigo” radio show, Fox called upon Mexican businessmen not to lay off workers, saying “the good times are near, and they are going to need those jobs.”

Three days later, in his frenzy to quiet the storm brewing about his administration, Fox demonstrated that he, like his good friend and political ally, George W. Bush, cannot speak his own language. Berating businessmen for being “fearful” and “apathetic” when Mexico is “enjoying economic stability,” he said this was no time to *apanicarse*, although panic doesn’t exist as a verb in Spanish. The President reassured no one, but generated a score of mocking newspaper cartoons across Mexico.

Business leaders meeting the next day with Fox’s Coordinator for Public Policies, Eduardo Sojo, pounded him on the need for more “realism.” “We industrialists prefer that [the government] speak truthfully to us,” the head of Canacintra, Raúl Picard, told Sojo. Javier Prieto, head of the Concamin industrial federation, said flatly that there is no sign that the economy will recover this year. What worries us, he said, is that the President insists that the government is making the expenditures allocated in the budget, but we monitor the situation, and we know that there are no highway projects under way, no important projects being carried out by the Social Security Institute (IMSS), and only partial projects by the state oil and electricity companies.

The crisis is driving key Mexican business leaders—advocates until recently of neoliberalism’s elimination of state “interference” as the path to economic salvation—to rapidly rethink their ideology. There are signs that they are dragging sections of Fox’s government along with them. Some startling new arguments were heard from Fox’s Economics Minister Luis Ernesto Derbez, in a speech at the University of Monterrey on Aug. 17. Admitting that Mexico “hasn’t grown, because 90% of its exports depend on the U.S. market,” Derbez said he would promote a policy of “import substitution,” and called government aid to promote productivity urgent.

With top leaders of the Monterrey business group at his side, Derbez outlined a different policy: “We believe in market conditions, but under government action to avoid its excesses. . . . We are prepared to have as much [government] intervention as conditions require. . . . I disagree that neoliberalism implies that the government does not intervene to create equilibrium conditions.”

Although Derbez was careful to say the “model” of neoliberalism was not the problem, just its implementation, the Mexican daily *Milenio* headlined the import of Derbez’s speech: “Neoliberalism Failed.”