

Mexico Should Follow Kirchner on Debt

by Gretchen Small

On the campaign trail in Jalisco June 1, Mexican Presidential candidate Andrés Manuel López Obrador dropped a bombshell, announcing that should he win the July 2 elections, he intends to renegotiate Mexico's debt as President Néstor Kirchner did for Argentina.

"It has been shown that things go better for countries or governments which don't adjust or adhere precisely to everything which these international financial bodies dictate. The 'Washington Consensus' [of IMF policies] has been shown to not be the best for developing countries, such as ourselves. Argentina, for example, achieved a very good debt negotiation, despite pressures against it. The country [Argentina] was on the floor. It was bankrupt, and President Kirchner knew how to carry out a very good debt negotiation, and this freed up funds for national development," López Obrador stated in several interviews over the course of that day.

That declaration, coming one month before Mexico's July 2 Presidential elections from the candidate of the Revolutionary Democratic Party (PRD) party, who is running neck-and-neck in the polls with Felipe Calderón of the National Action Party (PAN), sent Wall Street and London into such a tizzy that as of nine days later, no English-language report on López Obrador's bombshell has yet to be seen.

There are good reasons for panic in certain quarters over the statement. Just days before, one of the leaders of the nationalist forces within the Institutional Revolutionary Party (PRI), Sen. Manuel Bartlett, urged PRI members to make their vote count in the elections, by voting not for the PRI's own candidate, Roberto Madrazo (running third in the polls), but instead for López Obrador. The "right-wing" project of the PAN must be defeated, Bartlett urged. After the elections, then, the PRI will be positioned to clean out the neo-liberal "traitors" who have seized control over that party. Should PRI voters turn out for López Obrador, he could win, and with a political base sufficient to take on the debt, as did Argentina.

Argentina forced the banks and vulture funds to finally accept a 70% write-down on their usurious debts, asserting the primacy of the principle that people and nations come before paper. That Argentina could do so, has sparked a revival throughout South America of that development-

oriented nationalism for which Ibero-America had been famed until the bankers seized control over the course of the 1970s and early 1980s. Increasingly, the Presidents of South America have been informally coordinating their defense of the region's sovereignty, where they feel they can do this.

Now, the optimism that a fight for sovereign development can be waged once again is threatening to sweep Mexico. This is big, U.S. statesman Lyndon LaRouche commented; there are interests who will not be happy seeing the specter of the "Presidents' Club" arise so close to the U.S. border.

People First

Just the week before, on May 25, President Néstor Kirchner had reminded a jubilant crowd of 300,000 Argentines gathered in Buenos Aires' Plaza de Mayo to celebrate Independence Day, of just what Argentina had accomplished in its fight:

"We were hounded by those who said the banks had to be paid before the people. We stood firm, and we were able to force those who had looted the country to back down," the Argentine President told the people, who had come from around the country for the largest rally held in Argentina in decades.

I received a country in flames, when I took office three years ago, Kirchner said. "We had 60% poverty, 26% unemployment, almost 30% indigence. It seemed like Argentina was collapsing, but with the force of the honest and decent people of this country, with people who never resigned themselves to the collapse of this country, we began reconstruction." We were hounded by debts, he said, by privileged sectors who did not want to yield an inch, by those who said the banks had to be paid before the people, by those who wanted to do what certain economic groups wanted to do, and who said that Argentina was not viable unless it satisfied the interests of those groups.

Kirchner celebrated the defeat of these interests in this round: "We stood firm, and with your support, we could begin building a different Argentina. We won a historic write-down of \$100 billion in private debts. For the first time in history, we Argentines could win the battle and force those who looted the country to back down, and we saved \$70 billion."

To wild applause, Kirchner added: "From this Plaza de Mayo, I today formally say *ciao* to the International Monetary Fund. Argentina paid its debt. It doesn't depend any longer on the IMF."

The joyful crowd, in which the old Peronist trade-union apparatus—the historically powerful opponent of British free trade founded by Juan Perón—was for the first time in decades a very sizable presence, enthusiastically applauded Kirchner's vow, that despite nasty operations from the financial interests, including death threats against himself, "we are going to deepen the process of change in the country," applying an economic policy in which the State defines programs that will benefit the population.

When the Debt Becomes Unpayable

López Obrador raised the Kirchner strategy several times on June 1, but has not raised it since, at least as far as any press have reported. In the June 6 Presidential debate, López Obrador stuck to playing politics by the usual rules, throwing in corruption charges against his leading opponent, Calderón, but avoiding any sweeping call for the population to turn out by the millions to get him elected, so that Mexico can go to battle to rebuild what has been destroyed, as Argentina is doing.

The PRD candidate faces the same problem the Democratic Party had in the 2004 U.S. Presidential election: To win, he needs a sufficient margin to crush attempts to steal the vote. Addressing a rally of 70,000 in Mexico City's main square, the Zocalo, after the debate, López Obrador reminded his supporters that Mexican nationalists are up against very powerful interests, who are accustomed to winning at all costs, to maintain their power "to continue devouring our country."

A brawl is raging within the López Obrador camp over both how to secure that victory, and what must be done on the economic front, should he be elected. The continuing failure of the U.S. Democratic Party to face up to the fact that the only power available to defeat such "devouring" interests is that of a population rallied to defend its fundamental interests, stands as an object lesson for those in the PRD who are seriously committed to changing the economic system itself.

Wall Street Defenders

Not surprisingly, Wall Street has its own advocates within the López Obrador camp, the most notorious being top campaign strategist Manuel Camacho Solís, whose long-standing relations with mega-speculator George Soros are well known. López Obrador's principal economics advisor, the London-trained Rogelio Ramírez de la O, also remains convinced that under globalization, there is no other way to achieve "a market economy of social responsibility" than the neo-liberal reforms applied by President Carlos Salinas de Gortári (1989-2003), which only have to be modified to eliminate the corruption which ruined what otherwise would have worked. The problem is, Ramírez de la O explained, that unless a new government takes some measures to alleviate the social destruction created by that model, Mexico will be ungovernable.

Ramírez de la O's stark statement that the existing system cannot be touched, and therefore the best that Mexico can do is adopt "uncorrupt" Salinas policies, published in a lengthy interview with *El Semanario* the very day that López Obrador raised the Kirchner strategy, forced the candidate to personally issue a statement the next day sharply denying that his policies will have anything to do with the former President's policies of privatization and free trade which so destroyed Mexico.

Others within the López Obrador camp, however, have been going around the country, mobilizing people to get out in numbers to demand great infrastructure projects and great changes, if they want to win the battle against the recommendations coming out of what they call “the Mexico City” group around Camacho Solís.

This internal brawl intersects the growing understanding that the next President of Mexico will come in, in the midst of the breakdown of the international financial system—exactly as Lyndon LaRouche has warned. One López Obrador advisor told LaRouche organizers, that members of his team had participated in a meeting in Berlin, Germany, where the discussion had been not *if* the dollar system would collapse or not, but only *when* it would occur.

Even Ramírez de la O, when asked by LYM members in Mexico City at a forum at the National Autonomous University (UNAM) on May 31, if López Obrador would declare a debt moratorium and join LaRouche’s drive to found a New Bretton Woods, said no to both, but his argument was that the international crisis was not sufficiently bad to permit such measures.

Mexico’s Own Debt Bomb

In his June 1 interventions, López Obrador reiterated his long-standing commitment to set up a “Truth Commission” to investigate FOBAPROA, the scandalous government bailout fund set up after the Mexican banking system went bust in 1995, in order to restructure the FOBAPROA debt. This is no small matter, from the standpoint of the “devouring” interests. Under FOBAPROA (or as it is now known, the IPAB), the Mexican government assumed the bad debt of the entire private banking sector, issuing in exchange for the non-performing assets *interest bearing* FOBAPROA bonds, which became the largest source of income for Mexico’s few remaining banks, more than 80% of which are owned by the giants of international finance. Today, that debt has ballooned to \$120 billion, representing, as López Obrador indicated, an enormous burden for the public coffers.

What happens to that debt, under conditions of international blow-out? Mexican officials are fond of touting how the Fox government has lowered Mexico’s foreign debt, but they dare say little about the ballooning of so-called “domestic” debt—which in this globalized economy, is only another form of foreign debt. Official statistics released in early June, show that since Vicente Fox took office in December 2000, domestic public debt has *tripled*, to reach the grand sum of 2.1 billion pesos, or around \$190 billion.

Mexico’s finances are already so precarious, that Mexico’s central bank chief Guillermo Ortiz defensively insisted on May 8, in an interview with London’s *Financial Times*, that there is absolutely no relationship between the situation today, and that December 1994-January 1995 blow-out of the Mexican debt which almost brought down the world financial system.