Javits In Mexico To Beat Down Resistance To IMF Shock Treatment

MEXICO

A raging battle has broken out in Mexico over the attempts by the IMF and Wall Street to force Mexico through Chilean "shock treatment" economic policies. Nationalist forces within Mexico have for the first time openly denounced the agreement signed early this year between the government of President José López Portillo and the International Monetary Fund. On April 6 Congressman Armando Labra opened fire on the IMF in an interview prominently reported in the Mexican press in which he attacked the "extremely damaging" economic austerity policies proposed by the Fund. Labra specifically attacked the IMF for "attempting to impose a policy to restrict the growth of the national economy" and called on the government of López Portillo to reject policies which would dismantle Mexico's large state sector and drastically cutback consumption by formally "renegotiating" the agreement with the IMF.

Labra's statements, which have effectively rallied pro-development forces within Mexico into open battle against Wall Street policies, have had major repercussions both in Mexico and in the U.S. Two days after Labra's remarks, U.S. Senator Jacob Javits arrived in Mexico to head up a top-level delegation whose mission is to insure that Mexico does not buck the IMF. The U.S. delegation which includes Senator Lloyd Bentsen and Carter's Undersecretaries of State and Treasury Richard Cooper and Anthony Solomon, will participate in a series of "quadripartite meetings" involving U.S. and Mexican government and business representatives. While the meetings have been officially billed as a "step towards easing investments by U.S. companies in Mexico," the Carter Administration's great interest in Mexico's oil has not remained concealed. On his way to Mexico City Javits went out of his way to visit one of Mexico's new rich oil-field regions in Tabasco. A spokesman for Senator Bentsen — an outspoken proponent of U.S. control over Mexican oil — indicated that the main purpose of the meeting would be "how the U.S. can use the natural resources that Mexico offers."

The details of the IMF program for Mexico are meanwhile being circulated in U.S. financial circles in a document written by Redvers Opie, a founding member of Business International and an economic analyst in Mexico, which calls for, in the words of a New York financial expert, "putting Mexico through the grinder." Opie makes clear that Wall Street, is now demanding straight Chilean shock treatment administered by the IMF under a "two year recession" and a total credit shutoff.

While Carter's representatives try to strongarm the Mexican government into accepting this program, a high level Mexican delegation headed by Finance Minister Moctezuma Cid and the director of the national oil company (Pemex) Diaz Serrano, scurried up to New York on April 11 for a round of meetings with top Wall Street representatives.

The Moctezuma Cid visit is specifically designed to deny the reports, following the Labra attacks on the IMF, that Mexico is reviewing its agreement with the IMF. In a speech before the Council of the Americas April 12 Moctezuma assured the banks that Mexico will stick to the IMF's debt ceiling of 3 billion in loans this year, and promised to cut imports further. Moctezuma and Diaz Serrano went on to reiterate that Mexico has no intention of joining OPEC but at the same time insisted that while López Portillo's strategy centers around reducing inflation it also is based on insuring a "satisfactory growth" of the economy.

David Ibarra, the head of the national financing agency (Nafinsa) followed through with an explicit denial that Mexico was thinking of repudiating the IMF's conditions. In a show of good will Ibarra announced that Mexico will follow up the recent issue of lucrative "petrobonds," directly backed by and pegged to the international price of oil, with special "silverbonds."

The centrist position of the López Portillo government on the latest IMF demands for a total zero growth, "shock treatment" economy, was presented on April 11 by Planning Minister Tello Macias. While reiterating the government's commitment to austerity policies including a low wage increase, Tello warned that "stagnation of the national economy cannot be considered as a viable option for the country . . . due to the political and social problems that would imply." Aware of the social upheaval that further austerity would bring, the López Portillo government is resisting Wall Street demands for total "shock treatment." At the same time, however it is trying to entice the bankrupt New York banks into providing some credits to roll over Mexico's large foreign debt.

The sum total of credits received by Mexico this year, however, bodes ill for this tactic. During the first quarter of this year, Mexico has only received $800 million, in sharp contrast with the more than $1 billion received in the same time span last year, and there are no indications that the banks will come through with much more despite Moctezuma Cid and Diaz Serrano's public relations job.

Popular Mobilization Against IMF

Meanwhile, within Mexico the progressive forces linked to former president Luis Echeverria are moving to mobilize popular support for and institutionalize the resistance to the IMF's policies first voiced by Labra last week. On April 11 the head of the School of Economists, Becerril Straffon strongly backed up Labra's attacks on the IMF and stressed that the "government must mobilize the popular masses around a historical project of development." Becerril's call is being put into motion by pro-development elements within the Congress. Congressman Heladio Ramirez on the same day announced that the congress will begin tours throughout the country to listen directly to the demands of the population and to evaluate federal projects — the first time since López Portillo took office that the progressive congressmen will adopt a high public profile.

At the same time other congressmen are arranging a separate ordinary session of congress solely for oversight of public spending. As an unprecedented step the measure will institutionalize the popular input into what has traditionally functioned as a rubber stamp congress — at the same time that it places the issue of IMF demands for slashing public spending in a forum for open debate.

IMF, Industrialists, Vie For Venezuela's Petrodollars

VENEZUELA

The Wall Street financial weekly, *Money Manager*, described Venezuela in its April 11 issue as an "unfolding economic horror story ... spending itself into debt faster than its oil earnings soar." The article gives no facts or figures to substantiate its assertion of a coming economic crisis in Venezuela, but predicts a massive capital flight in the near future.

Money Manager's picture of Venezuelan inflation and growing insolvency due to the government's spending, the most dire of a series of similar similar articles that have appeared recently in the international financial press, is, in fact, false. Venezuela has one of the lowest inflation rates in the world, around 8 percent in 1976, and still has more than $8.5 billion in petrodollar reserves.

But *Money Manager*'s warnings match a fierce internal debate over economic policy within Venezuela. The premise of the development policy of President Carlos Andres Perez is to use the enormous increase in oil income — now primarily resting in New York banks — to industrialize Venezuela. A five-year, $20 billion investment program has been designed to carry out that policy. Perez, backed by a growing faction of Venezuelan industrialists, has stressed that the way to reduce inflation is to expand both production and the productive base of the Venezuelan economy. The strategy of the opposing monetarist faction, headed by Finance Minister Hector Hurtado, is to halt inflation by bringing production to a halt.

At the heart of the debate lie the petrodollar reserves. Spokesmen for the Perez faction have called for Venezuela to pull its money out of New York for domestic production. Venezuela last week promised Italian Foreign Trade Minister Ossola an increase of deposits in Italian banks, already tripled since last November. Although the promised increase is modest, the significance of the pull-out is political.

On the other hand, Hurtado told the press last week that Venezuela is "favorable" to funding the proposed $15 billion bailout fund for the International Monetary Fund (IMF).

Hurtado last week proposed a counter domestic economic package, and demanded that the Finance Ministry be given tight control of the country's purse-strings. Current expenditures in the 1978 budget must be 10 percent under those of 1977, (in actuality representing a minimum cut of 20 percent after inflation), "priorities" for expenditures must be established and government projects "reevaluated" and revised accordingly, Hurtado has said. Any programs for which there is not a "critical mass of human and financial resources" must be eliminated, and available resources "concentrated" in only those projects already begun.

Pro-growth industrialists supporting Perez will not be pleased with Hurtado's austerity budget. Jose Ignacio Casal, ex-Development Minister and a spokesman for industrialists, told the Caracas daily *El Nacional* that the difference between this administration and previous ones is "like the difference between heaven and earth" for industrialization. He pointed out that in the past two years the rate of industrial growth has doubled, and a "take-off phase" of industrialization has been reached to move beyond mere import substitution and assembly manufacture to medium and heavy industry. Demanding from the government only more credits for industry, Casal stressed that there was a real "climate of confidence" for investment in the country.

An economist for the powerful Mendoza national capital group, Carlos Acedo Mendoza, explicitly demanded pulling the petrodollars out of New York. In an op-ed in one of the major dailies in early March, Acedo Mendoza wrote that holding reserves abroad is "bad business." If the enormous reserves are a dangerous source of inflation, then the reserves should be reduced, through the "increase in importation of capital goods, technology and imputs which permit the expansion of local projects."

"Never Has A Government Done So Much In Such A Short Time For So Many People"

Gumersindo Rodriguez, ex-Planning Minister and present Congressman, defended the government's economic policy against its critics in a rousing speech before Congress last month. Rodriguez was speaking for the ruling Accion Democratica party in a debate called