Mexico maintains a war footing on debt

by Cynthia Rush

High-level Mexican government officials, according to well-informed columnist Manuel Buendía, are prepared to "declare a debt moratorium" on Mexico's $80 billion foreign debt if Mexico is presented with no choice but to accept IMF conditionalities in order to obtain further international credit. Buendía's cabinet source, he reported on Sept. 12, added that a Mexican debt moratorium would be followed shortly by similar action from Brazil and Argentina.

An advisor to the Interior Ministry, Edilberto Cervantes Galván, gave an unusual public statement to a group of the ministry's officials three days earlier explaining why Mexico felt it had manuevering room to reject tough IMF demands. A Mexican rejection "of the rules of the monetary game will mean the imminent bankruptcy of the international financial system," he stated.

Certainly sentiment in Mexico is growing, fueled by the bank nationalization mobilization, for a line against traditional IMF austerity medicine.

Fidel Velásquez, the head of the Mexican Workers Confederation (CTM), which forms the backbone of the ruling Institutional Revolutionary Party (PRI), stated flatly Sept. 10 that Mexico will never accept, as it has never accepted, conditions which harm the interests of the majority of the population. If the IMF conditions demand ceilings on salaries, "these will never be accepted in Mexico," Velásquez said, adding that any freeing of the prices of basic items will also be opposed. It is well known that both a cap on salaries and unfreezing of prices are part of the IMF proposed package for Mexico.

The Electrical Workers' Union placed an advertisement in the capital's press calling upon the government to reject IMF conditionalities. Other parties, including the United Socialist Party of Mexico (PSUM), issued statements calling for a "drastic rejection" of the IMF's "draconian measures." The Mexican Labor Party distributed a quarter of a million leaflets nationally under the headline, "And now, debt moratorium!"

Many adherents of the bankrupt IMF system, recognizing at least near-term reality, are putting out the line that everything will be different under incoming President Miguel de la Madrid, who takes office from López Portillo Dec. 1. "Since it is unlikely in the remaining two [sic] months of his term López Portillo will move to undo the harm he has already done," wrote *Business Week* in an editorial Sept. 20, "incoming President de la Madrid should denationalize the banks and free up the peso as soon as possible. . . . Until Mexico embarks on this sort of constructive course, it will not be a creditworthy candidate for an IMF bailout."

The popular mobilization to root out speculation and turn the country's credit system to productive uses has a built-in momentum which does not obey calendar dates, however. A Sept. 12 statement by de la Madrid's handpicked president of the new Mexican Senate, Miguel González Avelar, reflected the force of this mobilization: "De la Madrid will not accept international pressures such as those of the IMF," the Mexico City press paraphrased his comments.

Also operative for de la Madrid is the same basic sense of defending Mexico's sovereign existence which López Portillo displayed over the last month, and which was vividly described in columns by Joaquin López Doriga Sept. 12 and 13. Based on inside sources, López Doriga recounted how Mexican Finance Minister Jesús Silva Herzog had been told by U.S. Treasury Secretary Donald Regan in mid-August that U.S. help in a bailout package depended on Mexico's accepting below-market prices for its oil. Briefed by Silva Herzog on the Regan demand, López Portillo gave telephone instructions: "The demands are unacceptable. Suspend negotiations and return immediately. There is no deal." When Silva Herzog communicated this message to Regan, the U.S. position changed immediately and an initial agreement was worked out on more equitable terms.

Throughout most of the rest of the continent, factions favoring a Mexican approach are in a fight with oligarchical groups allied with the IMF. The battle in Argentina is the most openly fierce, because the country's debt crisis is the most advanced. The new Argentine ambassador to Mexico, Rafael Vásquez, told the Mexico City daily *Excelsior* Sept. 10, that "the debts of Mexico, Argentina, and Brazil, which add up to $205 billion, are not a disadvantage, but an opportunity against the powerful." He was hinting at the feared "debtors' cartel."

However, Argentina's President, Reynaldo Bignone, backed the initial steps of an IMF deal worked out by Finance Minister Jorge Wehbe in Toronto. On Sept. 13, Argentina and Great Britain simultaneously lifted the mutual freeze on assets which had been in place since the Malvinas war.

An indication of the internal brawl this first step occasioned was the fact that at the eleventh hour of the original deadline for lifting the freeze, Sept. 12, Argentina suddenly announced a postponement. It lasted for only 24 hours, as it turned out, but the delay served to emphasize that in Argentina any agreement with tough IMF conditionalities is a paper one; the political muscle to see through such austerity does not exist.