The Mexico-IMF deal: a damage report

by Elsa Ennis

Thanks to the "conditionalities" imposed by the International Monetary Fund on Mexico last December, the first traces of outright famine and epidemics will threaten the country within a few months. According to officials in the state health service, the Social Security Institute, the Health and Assistance Ministry, and the State Workers' Union, stocks of imported medical drugs have dropped to such low levels in many of the country's hospitals that "there is a danger death rates may begin to rise."

As the IMF demanded before agreeing to grant Mexico a three-year credit of $3.6 billion, Mexico has drastically reduced its imports from $24 billion in 1981 to $17.5 billion in 1982. And the country is headed fro an estimated $12 billion import level for 1983.

The danger of a food shortage

According to private information obtained from officials of the Agriculture and Water Resources Ministry (SAHR), declines in lending by the government agriculture bank, Banrural, are resulting in a decline of 2 million hectares under cultivation during this agricultural cycle—some 10 percent of the total land under cultivation in the country.

Lack of $3 million to import a special type of catalyst has shut down one of the largest fertilizer plants in the country; as a whole, fertilizer production is running considerably below last year's level. This situation, farm leaders report, has led to a 58 percent increase in the price of fertilizer.

The agricultural crisis has been aggravated by lack of adequate amounts of water for irrigation. An American exporter of high-technology irrigation equipment told *EIR* in early March that local water costs for irrigation in some regions, such as the southeastern state of Yucatán, have jumped 600 percent. As he was meeting with a state agriculture official there in early March, the official was suddenly called out on an emergency—the district water manager was being held hostage by enraged peasants who will no longer be able to afford water for their crops.

Water rates have gone up as a result of the IMF's demand for the government to end its long-established policy of subsidies for essential needs. The effects of this policy can be seen in the irrigated La Laguna district of the state of Coahuila, one of Mexico's "breadbaskets," where only enough water to irrigate one hectare per member is being provided to the *ejidos* (collective farms). While the region has traditionally been a food exporter to other regions, now the *ejidos* will barely feed the local area.

In the state of Tamaulipas, a planned area of 150,000 hectares of land for maize production has been reduced to 90,000 hectares. In making the announcement March 15, local farmer leader Amaro Garza said the government-ordered maize parity price does not even cover 50 percent of the investment made by the farmers in that crop. This increase in investment costs, he said, come mainly from the 58 percent increase in fertilizer prices, and a 150 percent increase in gasoline prices.

The week of Feb. 15, the Finance Ministry ordered the Federal Electricity Commission (CFE) to start collecting a special tax on all electricity users using more than 50 kilowatt hours of electricity per month. Poorer farmers using electric pumps for irrigation in many parts of the country immediately raised an outcry. Several *ejidos* in the state of Hidalgo have shut down their irrigation systems.

On March 9, an official for Pronase, the state-controlled producer of food seeds, told the press that the cost of producing seeds has increased by 35-40 percent, and this will mean a deficit of seeds this year.

On March 14, the head of the National Association of Vegetable Producers, Luís Saenz Unger, announced that in 1983 vegetable production will fall by 55 percent, forcing thousands of producers into bankruptcy and putting some 90,000 agricultural workers on the unemployment rolls.

All these snapshots of skyrocketing costs of production and declining credit add up to a larger picture of imminent food shortages beyond anything forecast in the current plan to import some 9 million tons of grain from the United States. Knowledgeable sources in the northwestern state of Sonora suggest that there could be food shortages—and possibly food riots—in a number of areas of the country over the next three to four months before the next harvest comes in.

As for cattle raising, Javier Zaragoza, a farm leader in the state of Chihuahua, announced in early March that 1 million hectares of pasture will go unused this year in that state because of lack of credits and adequate technology. Agriculture officials also warn that the lack of essential vaccines against diseases in cattle and pigs that Mexico imports could lead to epidemics. The lack of such drugs could make pork consumption especially hazardous.

Medicine shortages

The manager of the pharmaceutical division of Bayer Laboratories, Carlos Obbertagh, announced in mid-March that restrictions on imports of basic drugs has led to a deficit of key components in the production of analgesics. There is also a shortage of antibiotics, whose prices, according to doctors and other medical workers, have increased by an average 600 percent in recent months. Doctors and medical technicians are regularly denouncing the fact that many of the country's best hospitals no longer provide such basic diagnostic services as x-rays except under emergency treatment situations.

Last year, industrial investment declined 20 percent. According to a recent Banco Nacional de Mexico (Banamex) study based on the conservative estimate that investment will drop by 25 percent this year, overall manufacturing for the year will decrease 6.7 percent, with consumer durables such as cars dropping a minimum of 20 percent. If the collapse of imports is factored in, production drops will be even greater. Production costs have been pushed up by such factors as the 55 and 70 percent increase recently announced for steel prices. Industrial leaders have warned that this increase will have a disastrous effect in the production of capital goods, automobiles, construction equipment, household equipment, and other goods which utilize a heavy component of steel.

Colombia receives a visit from the IMF

by Valerie Rush

Amid a wash of rumors about currency devaluations and a possible military coup, Colombia—the international bankers' longtime showcase of "prudence" and "stability"—appears to be falling prey to the economic warfare that has already engulfed most of Latin America. On March 18, Colombian Finance Minister Edgar Gutiérrez Castro was forced to impose limited exchange controls, citing a "multimillion dollar bleeding of our international reserves" by flight capitalists.

As the March edition of *EIR*'s "Ibero-American Debt Watch" service forecast, Colombia under President Belisario Betancur—like López Portillo's Mexico before it—is targeted for political and financial submission to the International Monetary Fund. The preparatory "softening up" operations began over a month ago when Betancur was forced to cancel his trip to the Non-Aligned conference in New Delhi because the Supreme Court overturned his tax reform program.

The same financial interests behind the Supreme Court decision have used the wave of currency devaluations in Venezuela, Peru, Bolivia, and elsewhere to orchestrate a scare campaign inside Colombia. The Colombian black market in dollars over the past month has been reaping a fortune from individuals desperate to get their money out before the peso fell. In the last week alone before controls were slapped on, a reported $80 million fled the country. The 27 percent devaluation of the Ecuadorean sucre on March 20 completed the encirclement of Colombia and the Betancur government was forced to plug the hole before its reserves were drained.

Despite the government's adamant denials that the Colombian peso will be devalued, such rumors generally prove self-fulfilling because they foster the capital flight which weakens a currency, leading to its eventual devaluation.

Speaking on nationwide television and radio March 13, Betancur declared that the rumors of an impending devaluation were part of an obstructionist campaign by Colombia's private banks. He added threateningly, "If an agreement with the banks is not reached, we will use other means provided us by the constitution and the law." The president's speech was universally viewed as a ultimatum.

Those banks, which are in manay cases intimately linked to the money-laundering activities of Colombia's powerful drug mafia, have been consistently refusing to corporate with the government's economic recovery plans.

The banks' campaign against Betancur is well-coordinated from without, as indicated by the unexpected visit from a group of IMF functionaries the third week in March. Traditionally, Colombia has had relatively little to do with that international financial body, limiting the bulk of its borrowing to longer-term development funds from the World Bank and the Inter-American Development Bank. However, the debt crisis of the rest of Ibero-America is catching up with Colombia, which is low on the list of debtor nations.

EIR's Ibero-America Debt Watch Service reports: "While Colombia's foreign debt is still small relative to that of other Latin American nations, it is beginning to take a relatively large toll on the overall economy. While raw materials prices continue to tumble, the ratio of debt service to export earnings is growing rapidly. . . . Total debt payments due in 1983 are equal to 81 percent of 1982 export earnings."

A public battle presently being waged between Finance Minister Gutiérrez and Comptroller General González on the extent of the crisis Colombia faces suggests that President Betancur's declared support for collective renegotiation of the continent's foreign debt has activated at least one IMF "submarine" in Betancur's economic cabinet.

Comptroller González charged in mid-March that Colombia is facing a deliberate "international credit blockade," while Gutiérrez rebutted that Colombia's "prestige" with the international lenders was spotless. Speaking at the March 21-23 assembly of Inter-American Development Bank directors in Panama, Gutiérrez claimed that Colombia occupies the number-one position for creditworthiness in Latin America, and renegotiation was completely unnecessary.

Asked to comment on the appearance of an IMF mission in Colombia, Gutiérrez blustered, "We are not going to ask them for money because we don't need it, but we do want them to give us their opinion on management of economic policy." Knowledgeable observers report, however, that the IMF mission is intended to complete the process of forcing the Betancur government into devaluing its currency.

A Colombian peso devaluation can be expected to have a crushing effect on the debt-ridden productive sector, while boosting the nation's infamous drug "export industry." Under such conditions, Betancur's current broad popularity could give way to a coup and civil war danger.