Is Mexico ready to break with IMF, galvanize debtors?

by Mark Sonnenblick

Concern is growing inside the banking community that Mexico may break loose from its ascribed role as "pawn of the U.S. Federal Reserve Board," *The Wall Street Journal* reflected on July 15. The *Journal,* finding out about a secret meeting near Mexico City July 10-15 of economic planners from 10 Ibero-American countries, saw the ghost of the "Latin American Debt Bomb," triumphantly buried last year by all U.S. news media.

Suddenly, all the major debtors that one-by-one had fallen into line with the debt service bloodletting demanded by U.S. Fed chief Paul Volcker, Treasury Secretary Donald Regan, and Secretary of State George Shultz, are simultaneously questioning whether their nation-states could survive the ongoing collapse of world trade and increasingly high real interest rates. As Mexican President Miguel de la Madrid warned the iron ears of Margaret Thatcher in June, the British/Russian-triggered collapse of oil prices may have been the last straw. Mexico will not be able to continue interest payments next year, even by prolonging the grinding austerity by which it has remained solvent for the past two years.

"Involuntary insolvency is not immorality," Manuel Aguilera Gómez wrote in the Mexico City daily *Excelsior* on July 17, a view shared by Mexico's statesmen. "Rather, the moral burden is on the perpetuation of backwardness and misery to which broad sectors of the Mexican population are condemned if the scarce financial resources coming from a collective wealth—oil—is destined to cover punctually bankers' interests." He called for Mexico to to "grow towards within," were it cut off from credit by enraged bankers.

"Mexico is not conspiring against the international banking system," Trade Secretary Héctor Hérnandez declared in Washington, D.C. on July 15. "We are conscious that commitments should be fulfilled, but international conditions must be provided which make it possible,"
warned Washington, as did the Brazilian central bank head the next day, "Unless our exports to the United States increase, interest payments will become complicated."

The Latin American economist of a major Wall Street bank confirmed to *EIR* that he was troubled about the impact on debt programs of "the fall in Mexico's oil prices, the Mexico meeting, and the entry of Alan García into Peru's presidency." The City of London's organs, such as *The Economist* and the *Financial Times*, also fret about Brazilian president José Sarney's refusal to accept any IMF program which does not permit economic growth, and about the resurgent strength of the Argentine Peronist labor movement against President Raul Alfonsín's suicide leap into classic IMF "shock therapy."

'Open up politics, open up the economy!'

The shock to the financial circuits comes from such new political potential, *not* from any debt bookkeeping problems arising from dropping oil prices, which mean less income for Mexico and Venezuela and less import expenses for Brazil. Since the crisis broke in 1982, all major debtors in Ibero-America have responded to each ratchet of worsening world conditions by turning the other cheek, with another ratchet of domestic consumption cuts and increased export volumes.

Although nowhere stated directly, the real jolt is the way Mexico handled its recent elections. The same Miguel de la Madrid whom, the *Wall Street Journal* moans, personally invited 10 countries to attend the secret meeting in Oaxtepec, broke profile by deciding to smash the Nazi-communist National Action Party opposition in the July 7 elections. His decision marked a dramatic shift of the balance of power in Mexico from the technocratic servants of international usury to the Mexican Revolution's labor and nationalist bases.

The *Financial Times*'s lead editorial of July 16 warned that "a new factor has entered the picture which could have a profound effect on the remaining three years of de la Madrid's term of office." The same government which recently implemented new austerity, will not "act on structural reforms," will not "reduce the role of the public sector," and end national control over "those strategic areas which interest multinationals." The reason, protests the *Financial Times*, is: "The Mexican government . . . is still handicapped by the weight of the baggage of the Mexican Revolution and its costly ideas of nationalism and independence."

In the same day's *Diario Las Americas,* Cuban exile José Ignacio Rasco pounds out the boring litany of charges that the PRI is a "Cuban-model totalitarian" party and concludes, "But we don't know if Don Miguel [de la Madrid] is willing to flee the PRI's prisons. . . ."

The *Financial Times* gives a glimpse of its fear that de la

Madrid may no longer be prisoner to manipulation by international banking centers—and of how those centers are trying to make him impotent—in the concluding sentence of its editorial: "The wide publicity now being given to what are seen by Mexicans as rigged results can only damage the democratic legitimacy of the government and ultimately weaken its hand in implementing policy."

Whatever impact a press stuffed with "rigging" allegations may have in London, the opposition National Action Party (PAN) knows it lost the elections in Sonora and elsewhere so badly that whatever fraud there was wouldn't have made much of a difference. The PAN is demoralized by its failure to mobilize more than pathetic numbers to demonstrate that it has the population's support. As per the *Plan Madero* scenario revealed months ago in *EIR*, PAN's leaders are issuing increasingly frantic calls for violent insurrection against the Mexican government.

The Economist of London has been describing in recent months the package deal which Washington thought it had worked out for the Mexican elections, under the threat of financial warfare: Mexico was first to "open up its politics," to the PAN, and then to "open up its economy," to auction off the national patrimony to get quick cash to keep up debt payments without immediate additional cuts in living standards.

De la Madrid was to demoralize his own PRI party by waging lackluster campaigns in the states of Sonora and Nuevo Leon, while permitting the PAN to use funds obtained from narcotics and contraband operations on the U.S. border to buy votes and election officials.

In return for allowing "breathing space" for the Nazi-communist PAN opposition, the Reagan administration—or at least, the State Department—would "help" Mexico handle its debt problems, U.S. Ambassador John Gavin hinted time and again. The Republican Party also went overboard in its promotion of the PAN.

As a July 13 *Boston Globe* editorial realized after the fact, stupid Reagan administration attempts to bludgeon Mexico evoked a formidible nationalist resurgence. It notes, "Mexico is a cosponsor of the Contadora peace plan [of Venezuela, Panama, Colombia, and Mexico]. . . . Some in the Reagan administration seem to think that if the PRI machine were weakened, Mexico would be less frisky. . . . For that reason the administration has encouraged a conservative, pro-business, pro-American opposition called the PAN. . . . Its showing in the elections appeared weak, even adjusting for the 'big shutdown' of vote fraud."

The Boston Brahmins judge that Mexicans felt that *"hanging on to sovereignty is a more deeply ingrained priority than clean government or social injustice. . . . A weakened 'ruling party' and an emboldened opposition would provide openings for U.S. efforts aimed at neutralizing Mexico's calming influence in Central America. Many Mexicans are certain that the one crisis their society could definitely not withstand would be active U.S. military involvement in Central America. They believe that Mexico's wobbly social balance would collapse and that the country would be polarized and inflamed along with the rest of the region. . . . Mexico's need for political evolution runs counter not only to the PRI's narrow self-interest, but also to the suspicion that weakening the machine will lead to an erosion of national sovereignty—and to chaos."*

Fidel vs. Fidel

Mexico's long-quiescent labor movement took responsibility for spoiling the deals between PAN-lovers inside the U.S. and Mexican administrations. Starting in late April, Fidel Velázquez, the veteran leader of the Confederation of Mexican Workers (CTM), began issuing marching orders against the regime's submission to the IMF. As Washington's intervention in favor of the PAN hit more than one raw nerve in Mexico, Velázquez denounced the PAN as "traitors" and suggested that its party registration be voided. Then, with the necessary blessing of President de la Madrid, the PRI's labor and peasant apparat broke all back-room deals and launched an extraordinary mobilization to get PRI voters to the polls.

The media in Brazil and Spanish America is full of discussions of the Kissinger and Castro "solutions." But, the great fear of Kissinger and Castro is that Mexico will galvanize the 11 biggest Ibero-American debtors (the Cartagena group) at their July 29 summit in Lima, in the same fighting spirit the Mexican "system" used to smash the National Action Party (PAN).

Fidel Velázquez exalted his triumph just before the polls closed on July 7. He exclaimed, "No Mexican who thinks of himself as a Mexican votes for the PAN, knowing that party is a *traitor to the fatherland* and seeks solutions for Mexico's problems abroad." Asked to clarify whether voting for the PAN is betraying the fatherland, he answered, "Well, almost, almost. . . . If not betrayal, it is complicity in treason. If after these elections and what the electoral authorities determine on them, PAN continues with that attitude—*and continues having the total support of the business sector*—the labor movement is going to have to act as it knows how, against anyone who tries to disturb the peace." Fidel Velázquez was asked if he sought cancellation of PAN registration as a party. "No. We have other arms. . . . *I believe that the industrial barons could not resist an indefinite general strike, for example.*" He joked that PANistas threatening to take exile in the United States would have to cross as wetbacks, since they probably would not be let in as farmhands.

The earthquake hit the financial markets when de la Madrid echoed Velázquez with his fiery July 9 pronouncement, "I don't care about the confused opinions of minorities. There have always been confused minorities in Mexico. We respect them because they are Mexicans, because they are our brothers. But that does not mean that we are going to get scared by strident manifestos seeking to take power from the Mexican Revolution." He continued, exhorting peasant leaders to "fight with the people's power and blood against any foreign intervention and against the model which a . . . power supported from abroad has sought to impose on Mexico" since the times of Lincoln's ally, Benito Juárez. De la Madrid thanked President Lazaro Cardenas (1936-42) who organized the peasantry and nationalized Mexico's oil.

For Mexico to be nationalist, however, does not mean falling into Fidel Castro's trap of fighting for the banks to be bailed out at the expense of 12% cuts in the U.S. defense budget. A top Cuban labor leader visited Fidel Velázquez in late June and then gave a press conference at CTM headquarters announcing that Fidel would attend Castro's labor conference on debt in Havana on July 15 and 16. But Velázquez did not go. No CTM leader went to Havana. Rather, nine CTM union leaders attended the Ibero-American debt conference held simultaneously in Mexico City by the Schiller Institute Labor Commission. That conference unanimously approved economist Lyndon LaRouche's *Operation Juárez* proposal for resolving the Ibero-American debt crisis.

As alarm bells rang on Wall Street, the Kissinger faction went to work. On July 11, U. N. Ambassador Vernon Walters flew in for a day of intimidation. Walters served as towel boy and cunning interpreter for Averrel Harriman during the decade he implemented the Marshall Plan and fired Gen. Douglas McArthur. George Shultz will twist arms in Mexico on July 25-26.

On July 23, Henry Kissinger will formally unveil to the U.S. House of Representatives his response to LaRouche's program. Kissinger is promising a "New Marshall Plan" which boils down to stretching out austerity over decades for those countries willing to make "structural reforms" so that creditors can take over their natural resources. Kissinger would grant those countries temporary relief from deeper austerity and a perception of "hope."

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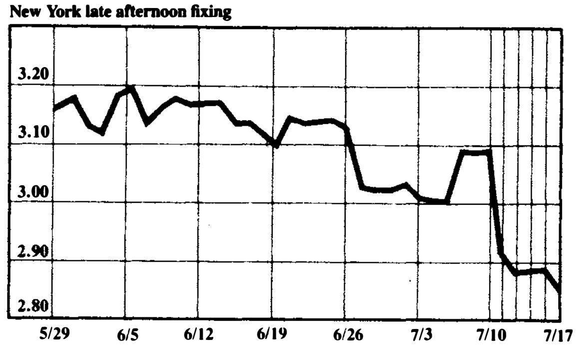
Currency Rates

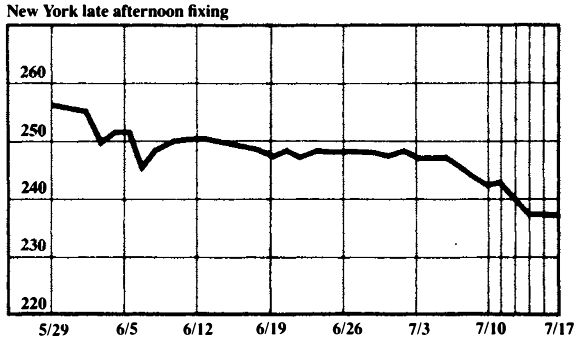
The dollar in deutschemarks

New York late afternoon fixing



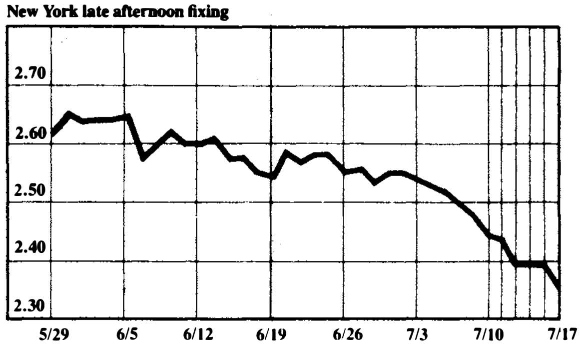
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing