

EIR: Would you endorse President García's 10% solution?

McCain: I reluctantly wouldn't endorse this approach, because it would cause a severe dislocation in the international financial markets, but I would hope that the IMF would take García's proposals as a signal of things to come, and dramatically revise the way they do business. If the IMF doesn't do that, there will be many more García proposals throughout Latin America and elsewhere. . . .

EIR: Some Congressmen have said that the debt burden incurred by Latin American countries has prevented them from devoting the necessary resources into dealing with their drug problem. What do you think?

McCain: There are two levels to this question. First, we stand ready to provide assistance to these countries to root out drugs. The larger problem is the dependence these countries have on the drug trade for revenues. I think Americans would prefer that this debt be rescheduled or canceled, rather than have these countries repay it with drug money, given the enormous toll that takes on our own country.

EIR: Are you aware that some people associated with the IMF have in fact suggested that these countries legalize drugs, in order to collect taxes with which to repay their debt?

McCain: No, I wasn't aware of that. But if it's true, that would be another reason I condemn the activities of the IMF.

EIR: According to a State Department spokesman, Secretary of State George Shultz was quite critical of García's attacks on the IMF when the two men met at the U.N. Sept. 24. Do you think that was an appropriate way for a representative of the U.S. government to treat the Peruvian President?

McCain: It certainly won't improve the chances of García abandoning his 10% solution. . . .

EIR: There are efforts now to put the U.S. under IMF surveillance. The recent IMF Interim Committee meeting formally announced that the U.S. and other advanced economies would be subject to IMF monitoring, with the full concurrence of Treasury Secretary James Baker. If that is implemented, would you consider it an affront to U.S. national sovereignty?

McCain: Not only would it be an affront to U.S. national sovereignty, but it would be rejected out of hand by this country. I wouldn't want anybody but our leadership to decide what's best for ourselves. It's not clear to me why Secretary Baker would recommend such measures.

IMF bankers say Mexico was 'helped' by earthquake

The attitude of the International Monetary Fund and the world financial oligarchy toward nations of the Third World was starkly conveyed in a Sept. 24 commentary from the British wire service Reuters. The article excerpted here, "Mexican Quake Seen Having Possible Advantages for Economy," was written by Stephen Addison.

The quakes which killed thousands last week may have done Mexico's debt-ridden economy more good than harm in the long term, bankers and economists say.

Although damage was severe, it was concentrated mostly in a small area of residences and government office buildings in the capital of 18 million. Mexico's productive capacity, and in particular its all-important oil industry, were virtually untouched. "If anything, it's a golden opportunity to get rid of a few hundred bureaucrats and a lot of dead wood by simply not rebuilding their offices," one European banker said.

Independent economists, describing Mexico's bureaucracy as bloated and corrupt, say paying wages to people who do little or nothing is inflationary and diverts

badly needed funds from more productive areas like public investment.

Two months ago, some 23,000 civil servants were fired in a bid to cut wage bills and streamline government. Economists agreed it was a step toward curbing chronically excessive state spending, but most said it had not gone nearly far enough in trimming the budget deficit. Bankers dismissed suggestions that the earthquake damage, as yet unassessed but likely to amount to tens of millions of dollars, would affect Mexico's ability to continue paying the average \$11 billion a year interest on its \$97 billion debt. Neither did they think it would soften the attitude of foreign banks toward the country.

"There are no balance of payments or debt service repercussions in this," a British banker said. "To say that the banks are going to somehow feel sorry for Mexico is . . . rather unrealistic."

The earthquake destroyed or damaged up to 700 buildings, including important sections of the central bank and the headquarters of the foreign trade secretariat, but residents say the extent of the material damage had been exaggerated abroad. . . .

The only major industrial casualty was the partly built Lazaro Cardenas steel complex on the west coast. But one economist said the complex had long been a white elephant and the quake might give the government an excuse to scrap it.