

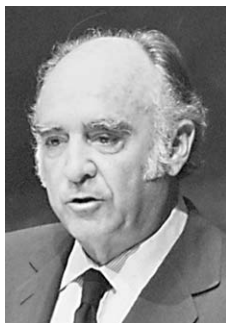
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Interview: José López Portillo

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# We urgently need a new world economic order, a New Bretton Woods

*José López Portillo, President of Mexico from 1976 to 1982, granted this exclusive interview to Carlos Cota Meza and Marivilia Carrasco on Sept. 17, in Mexico City.*



**EIR:** On Oct. 1, 1982, in your last speech as President of Mexico before the United Nations, you stated that to face the critical problems of the world, "Either a new world economic order is accepted, or civilization will sink into a new medieval Dark Age with no hope of a renaissance." Sixteen years after your statement, how would you evaluate it today?

**López Portillo:** I still hold to it. It was evident to me that we had already passed from the stage of economic crisis or erosion through "simple inflation," to the stage of a structural crisis of the international economic and financial system. This was recognized worldwide as the "contemporary crisis," or the "crisis of the capitalist system."

The economic and monetary stability of the Bretton Woods system was already breaking down, due to the abandonment of the obligations of the gold standard by the United States, and then by the rest of the economically developed countries, who later transferred their decision to the rest of the countries of the world.

The kind of Financial Society in which the world lived, was coming apart. There was a world struggle among maintaining the economic precepts of reducing import-dependency, placing public investment in highly profitable areas, having fixed parities, low interest rates, a fluctuating reserve ratio, rationed domestic and foreign credits. All these, significant elements of the Bretton Woods system, had maintained economic stability from the postwar period until approximately 1968.

Strongly pressuring against this was what I characterized as the new economic theology, which was not really all that new: free markets, free trade, free competition, total opening of national economies to "foreign investment." This is the doctrine of the International Monetary Fund, perhaps the last relic of the old Bretton Woods system, which took charge of imposing the conditions for the disappearance of the system which had engendered it.

The worldwide imposition of these precepts has placed humanity in a savage "state of nature," in which force is the justification of the powerful, and the anguished conviction of the weak has to live accepting their rules, on pain of being thrown out of a supposed Garden of Eden, a not very pleasant garden, as a matter of fact: above, arrogance, and below, the cancellation of hope. And this world begins to become diabolic, caught between the arrogance of the powerful and the desperation of the weak.

**EIR:** During your administration, I suppose because you were faced with this dilemma, you proposed that a North-South Dialogue be held, what was called the Cancún Summit, which was attended by a considerable number of heads of state or government.

**López Portillo:** Cancún was in October 1981. Within the postwar economic order, the problem for developing countries has been precisely that of obtaining financing for development.

The development of a country such as ours, requires foreign exchange to purchase abroad that which is fundamental for further growth. And foreign exchange is obtained by exporting or by borrowing. With the latter, either dependence begins, or a marginalization which is hard to accept. It is a brutal monetary encirclement from which we had to find a way out.

I discussed this clearly with all the heads of state with whom I met in advance to invite them to Cancún. The International Monetary Fund, by eliminating the participation of governments in the responsibilities of development, by controlling public spending, creates an open playing field for the private sector, which in Mexico was not, and is not, sufficiently competitive, in addition to the fact that they take their profits out of the country, which leads to a dramatic choice: either to not grow, which is the path to fascism, or to submit to unrestrained foreign investment, which involves the same risk.

In this regard, my government took a rigorous position. If we accepted the IMF's restrictions, and fulfilled them to the letter, we would be administering our resignation to backwardness. But Mexico needed to grow; there was no other choice. We can only live better if we develop our resources.

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Trade relations were our logical alternative. This was the intention of the Cancún Summit. To reach an exemplary consensus to be proposed to the United Nations, regarding the necessity of ordering trade, finance, currencies. To close the technological gap between our countries and the developed countries. The issue continues to be, if we continue, or overcome, our condition as mere exporters of agricultural and mineral raw materials, supplying the industrialized countries while we import their manufactured goods. The way to overcome this condition is through the industrialization of our resources.

The North-South Dialogue which we sought, in summary, was an effort to give universal validity, in economics, politics, and the moral realm, to the need to satisfy our development needs, and that it be so understood by the economically powerful countries, to formalize this within the United Nations.

**EIR:** In your administration, you insisted that Mexico would grow “against the tide of the world recession.”

**López Portillo:** I was fully aware as head of state, as I am as a Mexican, that the country should be competitive within the arena of western development. To link ourselves with the world economy, not only through the insufficient policy of *maquiladora* assembly plants, but to link ourselves to its standardization, its technology, its efficiency.

This meant to complement, broaden, rationalize, and modernize our productive plant, and not only “substitute imports,” but to achieve great exports. We had to spread our industry into the regions, ease the congestion of our great cities, go down to the coasts and set up industrial ports so as to produce there, with an eye toward exports, near to the raw materials, to water, and save ourselves the dead-end operations of bringing inputs to the *altiplano*, or the center, to then take the finished products back down.

Otherwise, we could not provide employment for Mexicans. We would fight inflation and unemployment with production, as far as possible, and not by cutting back demand. We posited that investment would generate its own savings, as opposed to those who demanded that monetary factors be protected at all costs, to maintain savings.

This meant great projects for the national economy. Twenty new cities, four industrial superports, the development of the petrochemical sector, entering the era of nuclear energy. For this reason, we began the Laguna Verde nuclear

plant, and I proposed internationally the World Energy Plan, to thus assure the flow of technology vital for the development of economies such as ours.

**EIR:** Recently you signed the call for the establishment of a New Bretton Woods system. This statement, an initiative of the political leader Helga Zepp-LaRouche and Dr. Natalya Vitrenko, a Ukrainian parliamentarian, calls upon President William Clinton to take the lead in establishing a new and just international economic order. What can you add to what the call states?

**López Portillo:** There are various reasons why I join that call. Among the leading ones, is what I have already explained: a new world economic order is urgent.

Another reason appears as a curious occurrence. You will remember that, when I assumed the Presidency of the Republic, we were in the midst of an oil crisis. The OPEC countries had “embargoed” oil exports to the consumer countries of the North, which led to a spectacular increase in the international price of oil. It was in this context that we told the world: “Mexico has oil.”

At the end of my term in office, we faced a drastic fall in the price of oil, which, together with the ruthless rise in interest rates imposed by the United States, brought us to the grave foreign payments crisis which, still today, identifies the 1981-82 period.

Later, everything which we had sought to avoid through the North-South Dialogue, was imposed as a new economic theology: economic liberalism, the so-called globalizing or denationalizing processes, and the systems of politically or ideologically conditioned bailouts.

Curiously, to close the circle, right now, 16-17 years later, there is another “oil crisis,” another fall in the price of oil which is bringing the specter of default on foreign financial obligations to our doorstep. Once again, the price of our exportable raw materials, those of all the Third World countries, are worth nothing in international markets. It is like descending, circle after circle, into a Dantesque Inferno of economic destruction.

But above all, I am convinced that the worldwide solution to the crisis we are experiencing, has to come from an association of developing countries, such as Mexico, India, Egypt, Argentina, Brazil. The case of China is indicative of what a developing country can and should do. The economically

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powerful countries should understand that they, alone, cannot put the world in order, as, in fact, they have been unable to do in this past quarter-century.

With regard to the United States, as I have always conceived it, they have a leadership role which they do not exercise, and this vacuum is filled with something, even if that is disorder and anarchy. The convoking of a new Bretton Woods system by the government of William Clinton, together with countries such as ours, would help solve many of the voids of recent history.

Otherwise, I think the world economy could use reordering. Fixed exchange rates among national currencies; controlled convertibility where it is necessary; exchange controls and capital controls, which prohibit the creation of markets for financial speculation; encouragement of protectionist measures in trade and tariff regulations. If it could be done after the Second World War, with decisiveness, it could also be done today.

**EIR:** Could one speak of the creation of a Non-Aligned type movement among developing countries, or regionally of Latin American unity, a common front, or however you might wish to call it, to address those common problems?

**López Portillo:** Well, Mexico was never a member of the Non-Aligned Movement, just as it never joined other organizations such as OPEC, for example. I am convinced that this is due to our historic neighborhood. But this would be another subject matter.

During my administration, we sought to unite with the countries of Latin America, with Brazil, Argentina, Venezuela (with whom we even reached the San José Pact). It was a political and economic necessity; we had the same international financial problems. But in Latin America, it would seem that problems come, go, and return, and we want to solve them with speeches. We have a temple for this, the Organization of American States (OAS).

I had to govern in a gloomy international environment, a moment of great tension in the Cold War. The revolution in Iran and the Soviet invasion of Afghanistan, the revolution in Nicaragua and the worsening of the armed conflict throughout Central America. The negotiation of the Torrijos-Carter Treaties for the return of the canal to Panama, a worsening of the United States' conflict with Cuba.

And to close out my term, the Malvinas War, where drastic transformations occurred in the historical “doctrines” which had prevailed in all the region. In the Malvinas affair, the United States left Argentina in the lurch, giving its express, open, and brutal support to Great Britain, pushing into oblivion the Monroe Doctrine, the Rio Treaty, and even the policy which it had of providing some protection to the repressive Latin American regimes.

The Malvinas War was the expression of the policy of the Big Stick, in all its open brutality. What followed, in the financial negotiations with international creditors, was the imposition of unlimited arrogance. I maintain that, since 1982, the policy of the United States toward Latin America has been the Big Stick policy by many means, including military. The invasion of Grenada, the vile war against Panama. Actions taken against one, designed to send a message to another.

Then, as now, I firmly believe, a joint position of the Latin American countries was necessary. The region still has to overcome the precarious situation which we had already identified before the OAS. We cannot continue complaining that the United States does not have a policy toward Latin America, because Latin America doesn't have a policy toward the United States either; and, what is worse, Latin America doesn't have a policy even toward itself.

**EIR:** Of those I am familiar with, you are the only statesman who identifies with Shakespeare in order to analyze the essence of our times. Characters such as Hamlet, or Shylock, the usurer of *The Merchant of Venice*, appear in your writings, in your speeches. Why?

**López Portillo:** That is because they are not fictitious characters; they are real people. Hamlet is the recognition that there is an historical anguish, a universal anguish.

Those who do not confront “to be or not to be,” are monolithic spirits, who know nothing of being, and only know of doing. Administrators of their own submission. It seems that this is the spirit of the current leaders of the world. Nobody wants to know about a decision such as, “I am ready for whatever it takes, in order to achieve a noble goal.”

Shylock is the usurer in *The Merchant of Venice*, in whose hands our country has been since 1982. I remember it well. With the fall in the price of oil and the increase in interest

rates, we were left only with payment obligations and without monetary resources.

And we resorted to Shylock to sell him our petroleum blood, before he could try to cut the flesh, and so we could pay him his due. And Shylock behaved like Shylock. Humiliating proposals, unacceptable attempts at blackmail as a condition so that they, the creditors, would provide us the resources to pay them their loans coming due, when, from beforehand, all our economic surplus was already in the safety of their own coffers.

I also know how to deal with Shylock. When I issued categorical instructions, in 1982, that Mexico would declare a suspension of payments, the U.S. negotiators withdrew the unacceptable conditions, not without first obtaining some other usurious benefits.

But they are real people. And because I recognized them as such, so it went. As I have already said on other occasions, a flood of crap fell on me. I look back and remember Indira Gandhi, Omar Torrijos, among others. It didn't go quite that way with them.

**EIR:** There are interventions of various kinds in many countries, attacking not only the institutions of the Nation-State, but the very idea of the Nation-State itself. It is evident that this is what is behind the conflict in Chiapas in Mexico, and not any legitimate interest in the fate of the Indian populations that have been so greatly victimized by the economic policies. What is your view of this matter?

**López Portillo:** This is the only issue of current affairs of Mexico about which I have said anything, since, as ex-President, I have respected the unwritten rule in my country, that ex-Presidents do not intervene in domestic affairs. The issue of Chiapas, however, is more than a merely domestic matter. For more than six decades there have been international efforts to demand minority rights, supposedly not recognized in the idea of the Nation-State. This strikes me as a great mistake. Mexico's strength lies in our *mestizaje* [mixing of races], which they seek to weaken with the idea of "the right to difference" demanded by the ideologues of the indigenist movement.

For example, in Chiapas, through national and international players they seek to establish a special body of law—contrary to the Western culture which has become universal—a racist special body of law, racial law which is profoundly discriminatory, like Hitler's Nazism. Opposed to this, which would be a grave setback, a state of Law seeks to be universal. To be valid, Law must have a universal character.

The Western experience of the Nation-State poses two fundamental questions: a) national unity as an integrating force; and b) the idea that the state is based on Law, which is of a general nature, and not on custom. Common law, which is custom, lacks universal character, and therefore lacks validity in Law. So that, if someone wanted to reestablish what is

called "Montezuma's Laws," based on custom and the arbitrariness of the ruler (who sentenced even death by decree, for example), more than 500 years of Western legal heritage would be destroyed. The Fathers of Independence in Mexico decided to found a modern Nation-State, and did not seek to reestablish "Montezuma's Laws," nor did they disavow the virtues contained in the Law of the Indies applied by the Spanish conquerors. Mexico became a federal state in order to not become divided, as distinct from the United States, which did so in order to unite. There were "centrifugal" forces in Mexico in 1824. Central America split apart, for example, because it did not become a federation.

If an attempt is made to legislate in a special manner for that group of Mexicans, someone must come up with a statute of regulations which are not contrary to general constitutional law. Otherwise, the doors would be opened to fragmentation and the elimination of the Nation-State.

**EIR:** Since last October's crisis in Southeast Asia, there have been important interventions by leaders of those countries against the policies of the IMF, prominently including the Prime Minister of Malaysia, Dr. Mahathir bin Mohamad. In a certain sense, Dr. Mahathir is returning to the policy you held in 1982, asserting the need for an "international financial system to ensure currency stability," among other things. There are former heads of state, such as Brazilian ex-President João Baptista Figueiredo, or heads of government such as Dr. Mahathir, who represent a kind of leadership which has to find ways of expressing itself, in order to provide the world and humanity an example of statecraft against what Dr. Mahathir himself has called "market fundamentalists." What is your view of this matter?

**López Portillo:** That they are on the right path; and as for myself, as I am not in active politics, it only remains for me to express my hope that their purposes succeed in coalescing around them an international solidarity of countries in equivalent conditions, that they may be heard and, thereby, that they may act.

**EIR:** In conclusion, I would like to ask you for a few words about Lyndon H. LaRouche. There was a lot of speculation about your relationship with him during your Presidency, which I would like you to comment on; also, how do you view him now, as ex-President?

**López Portillo:** As President, I had a relationship with Mr. L.H. LaRouche of respect for his solidly independent and tenacious ideological position, which I share in large measure, largely because of the adherence he had achieved from a group of young Mexicans, whom I equally respect and admire, who even had to endure accusations of belonging to the CIA, which turned out to be false.

As ex-President, my sympathy for his imprisonment, and my wish for his legal situation to finally be resolved, the which is aggravated by an illness from which, I hope, he recovers.