

Zedillo brings failed Brazil plan to Mexico

by Carlos Cota Meza

On Feb. 2, Mexican President Ernesto Zedillo gave an address to the nation, in which he announced his plan to privatize the Federal Electricity Commission (CFE), the state company responsible for the generation, distribution, and marketing of electrical energy in Mexico. As might be expected, the proposal triggered nearly universal rejection, although the Executive had not yet even presented its bill to the national Congress.

The President stated in his message that he would propose “a reform of the Constitution, to open up opportunities for private interests to invest in the generation, distribution, and marketing of electrical energy, without the state losing the necessary oversight in this sector.”

Among the justifications that he offered for his proposal, President Zedillo mentioned that the electrical sector will need some \$25 billion in investment over the next six years (approximately \$4.1 billion a year), and that the state simply didn’t have the funds. Like the child who is caught eating the cookies but looks up innocently and asks, “What cookies?” so, too, Zedillo stated: “I should stress that the reform of the electrical sector is not being dictated by any short-term financial duress. Such problems are dealt with through other economic policy instruments.”

Although the privatization had been expected for months, and even years, President Zedillo made his final decision to privatize the CFE following the World Economic Forum in Davos, Switzerland. On Jan. 28, Mexican Finance Secretary José Angel Gurria, speaking from Davos, announced that “Mexico will seek support from the International Monetary Fund [IMF] to meet its 1999 and year 2000 obligations.” This year, Mexico must pay some \$7.269 billion, and next year another \$6.421 billion, in debt payments. If it doesn’t bring in \$13.690 billion in revenue over the next 22 months, the country will be in default. These are the “pending” payments that are left over from the 1994-95 financial rescue package.

During the private meeting held with Stanley Fischer, deputy director of the IMF (and President Zedillo’s professor at Yale University), Secretary Gurria took a bath much colder than the snowstorm that slammed Davos. Fisher told him that the IMF had no money for Mexico because of the magnitude of the Brazilian crisis. And this was the final straw, for the CFE.



Mexican President Ernesto Zedillo wants to privatize the state electricity commission, in order to pay off some of the debt to international bankers.

Soros and Brazil

On Feb. 2, the same day that President Zedillo made his announcement, his Brazilian counterpart, Fernando Henrique Cardoso, nominated as the new director of the Brazilian central bank one Arminio Fraga, a 41-year-old who only days earlier had been director of the Quantum Emerging Markets Growth Fund of Soros Fund Management.

On Jan. 28, the same day that Gurria gave his press conference in Davos, international speculator George Soros announced his proposal for avoiding the “financial meltdown” of Brazil. Following Soros’s precise instructions, the Cardoso government decreed that foreign interbank credit lines could equal a full 100% of the banking system’s liquid assets. This means the immediate “dollarization” of the entire Brazilian banking system.

It should be remembered that in his *Manual on Currency Boards*, author and speculator Steve Hanke identifies that one of the ways to de facto impose currency boards, is precisely through the total “dollarization” of bank assets, thereby raising the quantity of dollars in the banks to a level higher than that of the international reserves of a given country.

The next step is the banking system’s “acquisition” of the international reserves, and thus, the dollar becomes the actual currency of an economy. The flood of dollars into that economy must then be supported by a policy of rapid privatization of state companies. As can be seen, Soros’s banking coup d’état to impose a currency board in Brazil, is already on the march in Mexico.

Soros was just a boy in Hungary when he began the practices that were to later make him famous, fraudulently seizing the businesses of Jews who were fleeing the Nazi army when Hitler invaded Hungary. Thus, the policies of Soros today differ not a whit from those of the criminals who extracted

the gold teeth from Jews who were cremated in the ovens at Auschwitz.

This is the reason that the world financial oligarchy has imposed one of its main agents as “administrator” of Brazil’s central bank, and of its international reserves.

CVRD given away

In May 1997, when Asia was nearing its mid-year financial blowout, the Cardoso government privatized the Companhia Vale do Rio Doce (CVRD), the third-largest mining company in the world. To accomplish that privatization, the “Brazil Consortium” was created, headed by the National Steel Company, as well as by phantasmagoric foreign consortiums headquartered in the Cayman Islands, including Sweet River, a consortium which includes Soros’s Quantum Fund.

While valued at more than \$20 billion, CVRD was bought by the Brazil Consortium for just \$3.5 billion. Thus, for this relative trifle, Soros and the suspect capital that makes up the Quantum Fund ended up with the world’s leading producer of iron ore, the main gold producer in Brazil, 14% of the world’s bauxite reserves, 23 million unexplored hectares of land, and the mining rights to another 600,000 forested hectares. CVRD was also owner of 2,000 kilometers of railway, a 22-boat flotilla, seven ports, eight steel plants in Brazil and another three abroad, three paper and cellulose plants, and so on.

Comparing Mexico’s CFE to the Brazilian mining giant, who can believe President Zedillo when he says that the privatization of the Mexican electricity sector will guarantee to the next government a regular income of more than \$4 billion a year, for six consecutive years?

Further, one must take into account that the Mexican government has had serious problems in sustaining its privatization program. Throughout the Zedillo administration, they have been unable to privatize the petrochemical companies; the only branches of National Railways they have been able to privatize are those specifically of interest to the *maquiladora* companies—the foreign-owned sweatshops. They have been unable to privatize the airports, as had been promised; and in 1997, the government had to renationalize thousands of kilometers of highway that had been privatized during the Carlos Salinas de Gortari government.

President Zedillo’s announcement is the first concrete step toward scrapping the Constitution’s articles that define the sovereign nation-state as the owner of the country’s soil and subsoil. As is happening with the current Brazilian government, President Zedillo is vilely surrendering to the financial oligarchy’s efforts to apply their Nazi “final solution” to the problem of Ibero-America’s foreign debt, vainly trying at all cost to prevent the dying international financial system from going belly up.

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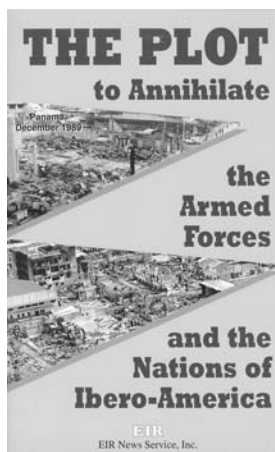
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—James Zackrisson, *Defense Force Quarterly*