be used by Fox to justify repression. Another important problem is the IMSS labor leaders' narrow trade unionist view. At no time have Vega Galina and his collaborators attempted to extend their polemic beyond a strictly trade union focus. They have even proposed their own form of austerity and sacrifice to the workers, offering longer hours and up to 10% of the workers' wages to sustain the pension fund.

The views of certain sectors that are backing the IMSS trade union are not so narrow. For example, among senators and deputies in various political parties, members of the UNT, and in the IMSS trade union itself, there are some who have managed, albeit defensively, to identify the real culprit, by noting that the blame lies with the government bailout of Fobaproa, the foreign and domestic debt, and, above all, in the "neo-liberal, privatizing model" that has paralyzed the Mexican economy and destroyed jobs.

Classic Tragedy Today

The Decline of The Monterrey Group

by Benjamín Castro Guzmán

In the early morning hours of Saturday, July 24, Don Eugenio Clariond Garza, the 85-year-old founder of the group Industrias Monterrey S.A. de CV, better known as IMSA, died of what the Mexican media described as "an illness." However, no one missed the fact that Don Eugenio's death occurred just four days after local and national newspapers announced the sale of Enermex—manufacturer of the popular LTH car battery—a company Don Eugenio founded in 1947, a key part of the IMSA consortium. The battery company—one of the main sources of liquidity for the consortium—was sold for $525 million to its "partner," Johnson Control, which already held 49% of its stocks. According to Eugenio Clariond, Jr., Enermex was sold for the purpose of reducing IMSA's debt from $731 million to $200 million. The $525 million from the sale went to pay that debt.

The local daily *El Norte* announced the operation on page one of its July 20 edition, under the headline: "IMSA Left Without Batteries . . ." Four days later, the man who had founded the company more than a half century ago, died.

On July 26 and 27, details appeared in the local newspapers. All the coverage spoke about Don Eugenio as "a visionary" or as "the forefather of Mexican business," and "founder of the steel industry in Mexico." There were other reports too, which spoke about the relationships and connections of Don Eugenio and his entire family, especially those of his son Eugenio, who headed up the family business. They spoke of Bank of America, Bank of Boston, and of the house of Rothschild, not forgetting JP Morgan, which served as the middleman for the family's operations abroad. All expressed their condolences to the family of their "client."

There was a message of condolence from BBV-Argentaria, the Spanish bank which swallowed up Bancomer, for which Eugenio, Jr. still serves as an "advisor," together with other important Monterrey businessmen who today only "control" 2-3% of that bank's assets, ever since BBV-Argentina bought the remaining 49% of the bank's assets in 2002. Bancomer had been given to the region's businessmen by then-President Carlos Salinas de Gortari, during the orgy of bank privatizations in the 1990s.

Harakiri, Mexican-Style

The history of the Monterrey Group is a classic case of a business elite which has disappeared because it clung irrationally to the axioms of free trade and globalization which, under today's conditions of global financial disintegration, led to their own destruction. This is the history of a collective *harakiri,* Mexican-style.

Don Eugenio Clariond Garza was the president in the 1980s of the Mexican Businessmen's Council, a group made up of only 34 members of the Mexican oligarchy. This exclusive body was also headed by his son, Eugenio Clariond Reyes-Retana, who in addition headed the Business Coordinating Council, the highest body of Mexican business associations, as well as other business organizations in the state of Nuevo Leon. In his numerous positions, Clariond Reyes-Retana distinguished himself as a fierce proponent of the "dollarization" of Mexico. He frequently would say that "the peso is not even good for tips." He was, and is, a great promoter of the ideas of globalization, free trade, and, of course, a great critic of state intervention in the economy, which he calls excessive regulation.

In 2002, this writer had the opportunity to talk at length with Clariond Reyes-Retana at IMSA's corporate offices, along with Nevada State Sen. Joe Neal (D), and Paul Gallager of *EIR.* The subject was California's energy crisis, and the policies of Enron and other members of the Houston energy cartel. Clariond defended Enron, for doing "good business," and argued that they should come to Nuevo Leon to lower energy prices. Enron then went bankrupt in the midst of a huge scandal, exactly as we had warned him. He never understood.

The leading figures of the so-called Monterrey Group, such as Clariond Reyes-Retana, were all educated in some U.S. university or other, whether it be MIT, Georgetown, Yale, or Stanford. They were also all doctrinally "reinforced" by frequent degrees and courses at the Panamerican Business Institute (IPADE), and shared the same dogmatic ideas of globalization and contempt for national sovereignty and eco-

© 2004 EIR News Service Inc. All Rights Reserved. Reproduction in whole or in part without permission strictly prohibited.

nomic protectionism.

The history of the Monterrey Group, in fact, extends back to the 19th Century, when they supported Gov. Santiago Vidaurri's alliance against President Benito Juárez, and also allied with the Confederacy in the U.S. Civil War. More recently, they backed the Presidential candidacy of Juan Andrew Almazán in 1940, against that of Manuel Avila Camacho. Andrew Almazán was a confessed Nazi, who was supported by Adolf Hitler's regime, and his campaign manager was Manuel Gómez Morín, another Nazi sympathizer who founded the National Synarchist Union (see *EIR,* July 9 and July 16, 2004). The Monterrey Group later wiped Andrew Almazán out of their historical record, the way cats cover up their excrement by scratching dirt over it.

Today Eugenio, Jr. is a member of the Board of Directors only of Banorte, the sole bank which supposedly belongs to Mexicans; it is headed by Roberto Gonzalez Barrera, father-in-law of Carlos Hank Rhon, whose Interacciones bank is also being targetted for takeover by such Spanish banks as BBV-Argentaria and Santander. Banorte, for its part, claims to be firmly in the hands of Mexicans, but already has a "partnership" with Assicurazioni Generali, the Venetian firm with centuries of experience in taking over lesser partners, and of pillaging—as seen in its financing of Benito Mussolini.

Don Eugenio Clariond Garza was the prototype of the old-style Mexican businessman. He founded the steel industry, after running a retail business. Later, he diversified the steel industry, adding a battery-producing branch. Now, as Eugenio, Jr. explained, "low sales in the auto industry and the increase in the life of batteries" led them to decide to diversify again, selling off the battery business—which dominated the national market, and had extended its sales into Central and South America—while trying other "acquisitions," paid for by taking on new debt, to which they have access because they are "the least indebted group in Mexico," with a debt of only $200 million.

They had previously attempted similar adventures. For example: the company Toll Roads (Viaductos de Peaje), which managed the highway by-pass around metropolitan Monterrey, also went bankrupt recently, unable to meet a payment of some $800 million. IMSA had bought up that highway some years back, together with the Lobo family company, PROTEXA, a construction company which specialized in building pipelines for the state oil company, PEMEX, and the construction and maintainence of oil installations. PROTEXA—which in the 1980s extended its operations into South America, as well as across a good part of Mexico—declared bankruptcy at the beginning of this year. PEMEX no longer gave it contracts nor projects to build, because these are only being given to U.S., European, and even Korean multinational companies.

Now, together with IMSA, they face the bankruptcy of their highway "business," and want the state government to help them with a bailout. There is talk of a "state FOBAPROA"—FOBRAPROA was the Federal government's bailout of the private banking system—according to which the state government would assume the highway's 8 billion peso debt, which is almost equal to the totality of the state's current debt.

Other Emporiums Which Vanished

IMSA has reason to be confident it will be bailed out. One of IMSA's most important partners is Fernando Canales Clariond, today President Fox's Secretary of Economics, who is also the nephew of the deceased Don Eugenio Clariond Garza; Fernando Canales Clariond completed construction of that highway as governor of the state from 1997 to 2002. If that were not enough, it should be pointed out that before Fernando Canales, his cousin, the son of the deceased Don Eugenio Clariond, Benjamin Clariond, was acting governor of the state from 2002 to 2003. Natividad González Paras was elected governor in the 2003 elections; he, curiously, is the son-in-law of the owner of the Construcciones Maiz company, which is the third partner in that highway "business." Fernando Canales was removed from his post as governor because of his incompetence and excessive arrogance.

This past June, CYDSA (Celulosa Derivados), the company controlled by the Sada family of Monterrey, currently headed by Tomas Gonzáles Sada, defaulted for the third time on its bonds. Already, on Dec. 23, 2002 and again on June 23, 2003, the company had defaulted on other obligations. Only weeks ago, CYDSA decided to hand over 60% of its stock to its creditors, and promised to pay an additional $27 million. CYDSA joins PROTEXA among the Monterrey Group companies which are technically bankrupt.

Hylsa, the largest steel company in the country, which, along with Altos Hornos de Mexico, controls 40% of the steel market in Mexico, also has been defaulting on its debts in the past few years. Part of the ALFA group, the steel company got caught up in a "debt reduction" strategy which included taking advantage of the increase in current steel prices to get their hands on more liquidity, and restructure their debts to a longer-term profile, in order to make the company more attractive to potential buyers. In the last week of July, rumors spread of Hylsamex being sold to some "interested party," which could not be, clearly, any of the Mexican steel companies, since they, like Altos Hornos de Mexico, are bankrupt, too.

The case of VITRO represents the most "traditional" among the groups in great financial difficulty. Recently, the company issued $170 million worth of bonds, to "pay debts." It has done almost the same thing each quarter of at least the past two years, while at the same time striving to sell off assets in order to "disinvest," as it is said. The principal such deal was the sale of its division which produced silica sands, from which glass is produced.

VITRO's decline began a few years ago, with the loss of Anchor Glass, a company which the group had acquired in the United States. At the time, the *Wall Street Journal* accused the head of the company at that time, Adrian Sada, of being "Pharaonic," for attempting to expand into the United States. Since that time, the group's situation has not improved, and Adrian Sada turned leadership of the company over to his brother, Federico Sada. The company's sales of flat glass fell drastically, and it tried to sustain itself on the basis of the sale of glass containers to the United States, while cutting back trusted personnel and executives, and laying off workers.

CEMEX: Too Big To Fail . . .

CEMEX, the gigantic cement consortium led by Lorenzo Zambrano, would appear to be the exception within the companies of the Monterrey Group which are vanishing in the world depression. During the past few years, CEMEX has expanded its operations into South America, Europe, Asia, and the Middle East. However, the principal source of its revenues still appears to come from its sales in Mexico, where it controls the national market and the sale of cement and concrete for public works and housing construction. CEMEX's tactic is simple: Sell the cement at expensive prices in Mexico, almost double the price in the United States and other parts of the world, taking advantage of its closeness with Vicente Fox's government and members of the Mexican political class. Yet even with this advantage, CEMEX is considered one of the "most leveraged" companies of Mexico, and the implications of its more than $2.5 billion in debt are frequently discussed.

What could become a serious threat to CEMEX appeared, in the middle of July, when a boat, the *Mary Nour,* arrived at the port of Tampico, Tamaulipas, on the Gulf of Mexico, loaded with some 35,000 tons of cement from Russia, brought by a company named "Trade for Mexican Development." That company was founded by three former employees of CEMEX, Monterrey businessmen Luis Bonales, Ricardo Alessio, and Ricardo Camacho, who had formed an alliance with the Spanish company, Tradeland, which, they explained, "specializes in finding suppliers around the world." Also participating in the venture was a Jordanian shipping company and another trading company called Irkon.

The aim of "Trade for Mexican Development" is to bring cement into the Mexican market at cheaper prices than CEMEX offers. The businessmen, who learned their trade as employees of CEMEX, explained that Mexican concrete producers want better cement prices inside Mexico, since CEMEX sells the product at $115 per ton, as compared to around $70 in the United States. The businessmen Bonales, Allesio, and Camacho, also plan to bring another boatload of cement into a Pacific coast port. Immediately, they only aspire to seize 1% of the national market, without affecting CEMEX and Apasco, the other big cement company which operates in Mexico. However, in the medium and long term, they could challenge CEMEX's domination of the market, given that they are seeking to reduce by 50% the price of cement. This could seriously threaten CEMEX's cash cow: its monopoly over the Mexican market.

CEMEX mobilized its connections in the Mexican government, and succeeded in halting the unloading of the boatload of Russian cement in Tampico, for more than a week. The aim was to raise the cost of the operation for the importers, so that the cement would be more expensive when it finally entered Mexican terrority. CEMEX assured people that "we aren't opposing free trade" by this maneuver, but are only concerned with protecting security at the port of Tampico, by ensuring it was not overloaded.

Romo: When Madness Joins With Arrogance

The debacle of the Monterrey Group began to be a scandal with the case of Alfonso Romo, president of the Pulsar group, which includes such companies as the agro-industrial firm Savia, the stockbrokerage Vector, and others. At the end of the 1990s and beginning of 2000, Romo was viewed as the "rising star" of the Monterrey Group. He specialized in hostile takeovers and junk bonds, similar to the predatory operations of Michael Milken in the United States in the 1980s. Romo took over bankrupt companies such as Ponderosa of the Vallina Group in Chihuahua. He bought them at prices way under their value, and then recovered his money by increasing their value in the stockmarket. "I don't have creditors; I have partners," he liked to say, since he met with investors to get them to put up their money for these operations.

Through Savia, the petulant Romo said, he intended "to control the world seed market" for agriculture, ignoring the fact that agriculture in the United States and in Mexico would collapse, and the number of cultivated hectares would fall drastically, too. After Carlos Salinas de Gortari's regime ended, Romo hired Salinas's Treasury Secretary, Pedro Aspe, in 1995 to run operations at Vector and other businesses.

As could be expected, the acquired companies, whose value was then artificially inflated, were bankrupt, and continued to be so. The Mexican economy went from zero growth to outright depression, from 1988 to 2004, and from this, no one could escape. By the beginning of 2002, after the Pulsar Group reported increasing profits quarter by quarter, bankruptcy set in. Today, little remains of Alfonso Romo's emporium.

But there was one thing which distinguished Romo from the others, and that was his limitless arrogance. While the height of his speculative operations made it possible to do so, Romo presented himself as a great "leader" and strategist. Believing his own madness, Romo founded a "school of leadership" to train young businessmen. The school was named "Duxx," which is the name of the Doge of Venice, the head of the Venetian *fondi* and families from the 12th to the 16th Centuries, when Venice dominated the markets and finances of the world. When the collapse of Romo's house of cards came, his Duxx school also went bankrupt, and he had to sell it as scrap iron, literally, to a local university.

Business Briefs

Housing Bubble

Home Foreclosures Up Sharply in Ohio

Home foreclosure auctions in Ohio jumped 26% last year, due to job losses and banks' predatory lending practices. More and more Ohio families lost their homes in 2003, as county Sheriff's departments across the state put more than 36,425 foreclosed residential properties up for sale at auction. This number represents a 26% increase from the level in 2002—and a 57% leap from just two years earlier, according to a study by Policy Matters Ohio. About one in every 117 Ohio households lost their homes to Sheriff's sales of foreclosed properties.

More than 57,000 new foreclosure filings were made in Ohio courts during 2003, up 3% from a year earlier, up 31% from 2001, and more than double the number in 1998, the *Cincinnati Enquirer* reported on Aug. 12. Ohio's foreclosure rate is the second highest in the nation, behind Indiana; as of June, the state had lost a total of 232,000 jobs, including 173,00 jobs in manufacturing, since January 2001.

Five Greater Cincinnati counties were hit by double-digit percentage increases in both foreclosures and Sheriff's sales between 2001 and 2003.

Political Economy

More Economic Disasters Under Blair's New Labour

Unemployment in Britain increased by 27,000 as of June, despite another fall in the number of people claiming jobless benefits, British newspapers reported on Aug. 12. The total jobless figure is now 1.44 million, the Office for National Statistics reports.

But more revealing, is that the number of "economically inactive" people, the sick and disabled, those on early retirement, or those no longer seeking work, was up by 89,000 to 7.85 million—the highest figure since record-keeping began in 1984.

On Aug. 11 it was reported that Britain's National Health Service (NHS) has lost 15,000 hospital beds since Labour came to power. In 1997, NHS hospital beds were nearly 199,000, but the number was down to 183,826 in 2003, a 7.6% decline, despite claims of "unprecedented investment." The claim is that medical advances mean that patients can be treated as "outpatients," as is done in the United States. In reality, the overcrowding is increasing the danger that patients will contract dangerous hospital infections.

British government figures show that the number of general and acute hospital beds, used by most patients, fell from 140,515 in 1997 to 136,679 in 2003, a 2.7% drop. Other bed losses are for psychiatric, geriatric, and learning disability patients.

At the same time, the NHS budget overall has almost doubled to a record level, from £33 billion in 1997 to £63 billion in 2004, and is expected to rise to £92 billion in 2007.

Meanwhile, British students are leaving universities with a record £12,000 average in debt. The debt figure rose by 33% in just the last year. One in three students think they will need at least a decade to pay off their debts. According to a study by NatWest bank, a student has to pay £23,800 for a three-year university course, up £19,400 from only a year ago. Now, Prime Minister Tony Blair's hated new law imposing "top up" fees on university students, adding some £3,000 a year for expenses, is going into effect.

Italy

Public Debt at All-Time High

Figures published Aug. 12 by Banca d'Italia, the Italian central bank, show that despite the Maastricht-dictated budget control policies implemented since 1992, the Italian public debt has increased. State debt in May 2004 was at 1,466,377 million euros, 106% of Gross Domestic Product and 3.8% more than in May of 2003. In 2004, Italy will pay 69.2 billion euros in interest on that debt.

Italian state debt inflated as a result of International Monetary Fund (IMF) programs in 1974 and 1976, and as a consequence of capital and currency liberalizations in 1980. As a study published by *EIR* in 2003 shows, Italian state debt in 1978 was already high, but still at about 50% of GNP. With the post-Moro "restoration" governments, currency and capital liberalization, and the Thatcher-Volcker high-interest policy, the Italian public debt skyrocketed, and in 1991 surpassed GNP.

Two-thirds of Italian public debt used to be owned by Italians (one-third families, one-third banks); but post-1992 governments have promoted an internationalization of the debt, which is today 50% owned by foreigners.

Similarly, a study by Mediobanca R+S department shows that one-third of Italian firms are now owned by foreigners. In a survey of 1,945 firms, 570 are owned by foreigners. Foreign ownership, however, is higher in key sectors, such as chemicals (60%), food processing (39.1%), and machinery-electronics (35.7%). The study shows a general decline of manufacturing production, and the firms were 4.5 billion euros in the red.

Labor

Wage Demonstrations Flare in Southern Russia

Tensions are rising over wage arrears in the south of Russia, *Nezavisimaya Gazeta* reported Aug. 5. The paper said the actions were on a scale "unprecedented" in recent years.

In the Rostov area, employees of more than 200 companies—both public and private sector—have unpaid wages totalling 500 million rubles ($17.2 million). Russian news services monitored by RFE/RL Newsline reported that a picket line of laid-off workers from a bankrupt electric power construction firm in Volgodonsk was broken up Aug. 4 by police on the pretext of a problem with their rally permit. City officials also complained that the workers were using political slogans in an "economic" protest, including demands for Volgodonsk Mayor Alexander Kleimenov, a founder of the bankrupt company, to resign.