

Dateline Mexico by Josefina Menendez

Banking potentates come under fire

The bankers and the government got together at the annual Mexican Bankers' Association meeting in Acapulco—and sparks flew.

By and large, the tone of the annual conventions of the Mexican Bankers Association—the premier events of the business calendar—during the López Portillo years has been one of a “forum for evaluation,” where the powerful private banking sector indicates and proposes the economic and financial policies that the country must follow. More, the convention has frequently ended up becoming a back-slapping session on the importance of the private banking sector and its unquestioned directing role in the conduct of the nation's domestic financial affairs.

However, at this year's festivities in Acapulco, June 16-18, the bankers had a harder time of it. The convention debated, in depth, the crucial issue of whether the banking sector will be an instrument to finance the large industry-centered development projects mapped out by the government—or continue diverting substantial resources into real estate speculation, drugs, and usurious short-term lending. That is the policy of the dynastic strongholds of Banco Nacional de Mexico (Agustin Legorreta) and Banco de Comercio (Manuel Espinoza Yglesias).

“We aren't getting the credits we need for industrial expansion,” one prominent industrialist, linked to the Chamber of Processing Industries told the *EIR* on the eve of the convention. “We're ready to pay the interest they demand, even

at the current high rates, but they're simply not giving it out.” He explained that the banks are only keeping credit lines open to their big, established clients, many of whom are linked to the top banks through other business or family ties. The casualty list from this selective shut-out includes such priority areas in the government's development strategy as capital goods manufacture

President López Portillo and Finance Minister David Ibarra, in personal appearances at the convention, reiterated that Mexico's priority is growth in output and expansion of social services—even if it means continuing high inflation rates. Last year's real growth was a hefty 8 percent, though inflation climbed to 20 percent.

The bankers' counter-position was summed up in a message which Manuel Espinoza Yglesias of the Banco de Comercio group sent to the convention from Paris. Espinoza complained, “It's about time that we come to grips with the fact that we can't expand production, give everyone better access to medical services, let everyone go to the university, renovate our transport infrastructure, and so on, without inviting runaway inflation.” Hence—cut back on development.

The new president of the Mexican Bankers' Association, Arcadio Valenzuela echoed the bankers' demand that the government throw itself into battle against inflation,

even if that meant throwing the brakes on the economic expansion the country is undergoing.

It's worth noting that in the working groups, where Ibarra broke tradition by sitting in, some bankers blasted the government for requiring the banks to deposit a bit more than 40 percent of their new deposits in the Central Bank. They also faulted government agencies for selling bonds, certificates, and other paper on the domestic money markets to obtain capital directly.

The finance minister responded that the government uses such procedures to regulate money supply, which helps control inflation, and to pick up capital needed for the huge industrial projects the government is pursuing.

Visibly provoked by some bankers' incessant criticisms, Ibarra later bluntly remarked, “the banks don't come before the national interest.”

A number of politically attuned observers consider Arcadio Valenzuela's rise to the ABM presidency, in a year in which choices for the next president of Mexico will be hotly debated, as a strong indication that the bankers will throw everything they've got into the political battle.

Valenzuela, president of a bank called Banpacifico in northwest Sonora state, is one of the country's notorious *latifundists*, only recently turned banker. Valenzuela is considered a tool of the most radical “Mont Pelerin” wing of the Monterrey Group.

Some have noted the apparent coincidence—Banpacifico's lending territory was the primary base of marijuana growing and smuggling into the United States when the bank was founded.