

Mexico heads toward Peruvian solution as debt pressures mount

by Héctor Apolinar

The extraordinary meeting of the National Council of Mexico's ruling PRI (Revolutionary Institutional Party) May 22 and 23, and media coverage given to the Mexican visit of Dr. Debra H. Freeman, representative of the LaRouche candidates in the U.S. Democratic Party, were the initial responses to pressures—described here as “brutal”—from the creditor banking community and Washington to force a new Mexican austerity pact with the International Monetary Fund.

The Mexican government has been in desperate negotiations with the IMF in search of a means to avoid being declared “out of compliance” with IMF conditionalities, because of the severe impact of the fall in oil prices which has left the Mexican government without the \$8 billion required to meet its debt payments and permit at least minimal functioning of the economy. UPI news wires on May 26 reported that the negotiations were not going well, in view of the Fund's demand for a drastic reduction of the government's budget deficit to no more than 6% of GNP. The Mexican government position is that the IMF must accept a 12% deficit.

While the negotiations remain strained, Mexican businessmen who have visited Wall Street recently are confirming that the creditors' position is that not a single new dollar will be released until Mexico signs with the IMF.

Inside Mexico, the press has published contradictory reports on the government's response to this. Some say that President Miguel de la Madrid has decided in favor of a “Peruvian-style solution”; that is, to allocate a fixed percentage of export income to payment of the foreign debt.

However, the so-called economic cabinet, headed by Finance Secretary Jesús Silva Herzog, Miguel Mancera, central bank director, and Carlos Salinas de Gortari, budget secretary and leading client of the Wharton School, is studying a project known as the “Aztec Plan.” This would impose shock therapy on the Mexican economy. Silva Herzog and company have already launched a publicity campaign around the Austral and Cruzado plans of Argentina and Brazil, respectively, in hope of convincing the government that this same recipe should be applied to the national economy.

No one in their right mind in the government is in agreement, however. These plans are already demonstrated to be total failures.

The political groups opposed to the “pay at all cost” policy of the economic chieftains have issued their first public statement of opposition to the new round of austerity, and succeeded in tilting the recent National Congress of the PRI party to declare itself in favor of a new debt payments policy based on the Peruvian model and the Cartagena Consensus.

Sen. Adolfo Lugo Verduzco, president of the PRI, spoke for this tendency in the closing address of the Congress, attended by President de la Madrid. The senator declared that the PRI “is fighting . . . for restructuring the foreign debt on the basis of establishing a ceiling on interest and capital payments, expressed as a percentage of the country's exports of goods and services.” He explained: “We cannot accept any more internal adjustments to cover imbalances imposed from abroad.”

Lugo's speech was interpreted by political analysts associated with the government as a violent attack against Silva Herzog and Miguel Mancera. One former government official commented that various political factions within the government hope by this means to torpedo the finance minister's negotiations with the IMF.

Particularly striking was the response of President de la Madrid to Lugo Verduzco's speech. Said the President: “I substantially share the presentation Lugo Verduzco has made. . . . I will give instructions to members of my government . . . to carefully analyze the conclusions . . . of this Council . . . and to take into account the vigorous new ideas that have been raised here. . . .”

Thus, President de la Madrid placed the PRI party above his own economic cabinet, reversing the policy of the government heretofore, keeping the party under the aegis of government dictates. Among other things, de la Madrid's statement reinforces the presidential potential of Lugo Verduzco.

The change in debt payments policy proposed by the ruling party reflects escalating concerns within the Mexican government over the violent slanders against Mexico proceeding from the U.S. Senate hearings held May 12 and 13 under the auspices of North Carolina's Sen. Jesse Helms (R), hearings designed to present de la Madrid as “the next Ferdinand Marcos.” In this regard, the PRI council condemned “the new partitioning of the world,” which it attributed to

“the interest of the great powers to incorporate other states within their strategic spheres of domination, promoting confrontations, manipulating social movements, destabilizing democratic tendencies and backing internal oligarchies.”

This is apparently only the beginning of a big battle, in which the presidential succession will play a part. The PRI has issued a call to mobilize all of its cadre nationwide against the “aggressions” issuing from Washington, D.C. against President de la Madrid. In this context, the media reception offered Debra Freeman, representative of Democratic Party presidential pre-candidate Lyndon LaRouche, was a message intended for the Reagan White House.

Inside Mexico, it is clearly perceived that President Reagan has lost control of his own nation’s policy toward Mexico, reflected in the recent resignation of his friend, John Gavin, as ambassador to Mexico.

According to sources with access to the presidential palace in Mexico City, ruling circles understood the Helms hearings against President de la Madrid as a warning not to apply the Peruvian solution to payment of the debt. Not accidentally, Imevision state television broadcast a series of dramatic interviews with Peru’s President Alan García, in preparation for that head of state’s official visit to Mexico in early July.

Documentation

The following are excerpts from the closing speech of the National Congress of the Institutional Revolutionary Party (PRI) of Mexico, presented on May 23 by PRI president Adolfo Lugo Verduzco:

We PRIistas categorically affirm that we Mexicans, in the face of the economic crisis, are not seeking a national design. We already have it. . . .

In Mexico, the Constitution is the basis of the fundamental social agreements which bring cohesion and power to the nation. . . . The great demands of the nation and its people, as expressed in the Constitution, are not up for discussion. Their efficacy in making possible the development of Mexico is proven by history. We revolutionaries reject those who proclaim the national security of one country at the cost of a violation of the integrity and sovereignty of other countries. . . .

The people of Mexico will determine the path and the pace of structural changes in our model of development. Those changes are not designed to make the law of the market prevail; nor to reprivatize strategic areas, which are exclusive to the public sectors; nor to indiscriminately open the internal market to multinational competition and direct foreign investment. . . .

Structural change is the way to generate enough jobs in

the face of demographic dynamism, to satisfy the national demand for socially necessary goods and services, as well as to allow greater independence in international economic relations. . . . In no case will structural changes be an instrument for rolling back the most prized popular conquests. . . .

Mexico went into debt with foreign loans to accelerate its development process, not to cancel it. Therefore, we PRIistas do not accept simplistic schemes which ignore the pressing needs of the country’s great popular majorities.

Although we don’t deny our financial commitments abroad, the Council affirms that the solution to the foreign debt crisis demands co-responsibility of creditors and debtors to distribute the costs of adjustment equitably. *So long as that co-responsibility is not granted, we PRIistas do not accept more internal adjustment to cover imbalances coming from abroad.* . . .

The party calls for the elimination of protectionist policies in the developed countries, and justifiably fights in our action program for *restructuring the foreign debt on the basis of setting a ceiling on interest and capital payments, expressed as a percentage of the country’s exports of goods and services.* . . .

Above any interest, is the interest of the nation. . . .

. . . We PRIistas are not willing to accept concessions which threaten national sovereignty over strategic resources or harm popular interests. The sovereignty of Mexico is not negotiable. . . .

Those who suppose they can attack the country’s political institutions have miscalculated the correlation of forces. Whoever tries will be energetically repudiated by the nationalist political forces and by the Mexican people as a whole.

Those who do not share the collective aspirations of the Mexican people isolate themselves. . . . Given their inability to legitimately win power with the support of the people, *the party of the reaction goes abroad to seek the discrediting of the Mexican political system*, of which they too are a part. . . .

The unappealable judgment of Mexico’s reality belongs solely and exclusively to the Mexican people. . . . No foreigner has the right to intervene in affairs which only belong to Mexicans. This national council has energetically condemned the recent interventionist and defamatory declarations of those who have arrogated to themselves the right to air Mexico’s internal affairs.

It is about time that the real objectives of the reaction are exposed. . . that those who vote for the political organization of the reaction know that they are not [voting] for a national political party, but for a branch of foreign interests.

In other difficult times for Mexico, characterized by internal divisions, sell-out of some groups, and foreign seige, the people moved forward, led with visionary genius and historic certainty by President Benito Juárez.

. . . Let those who live outside of history listen to Juárez: “The triumph of the reaction is morally impossible.” [emphasis added].