Mexico defends the industrial capitalist system

by Fernando Quijano, President, *EIR* Research, Inc.

Hardly 30 days after the Sept. 1 Mexican measures nationalizing the banks and imposing exchange controls, the two most widely spread lies being bandied about the measures have met a violent death. One of them was that the measures had been taken in order to facilitate Mexico's acceptance of International Monetary Fund conditionalities—that one was being spread by the Federal Reserve. The other one was that the measures were "socialist," and that Mexico would now go toward a "siege" economy—that one was being spread by Kissinger Associates, Inc. Of course, idiots in high places repeated these. Some of them even repeated them simultaneously!

The facts are now clear, as can be seen by President López Portillo's speech to the North American Governors' Association on Sept. 19, which we publish in full as part of this Special Report. The measures were taken because Mexico could not maintain its economy and its institutions unless it openly challenged the criminal policies of the current international monetary system, as exemplified by the IMF.

The next step López Portillo will take is to bring Mexico's battle with the IMF to the United Nations on Oct. 1. As he stated in a press conference on Sept. 24, there he will call on the world to realize that if the world economic collapse is not reversed, "the deterioration of the South will bring down the countries of the North" and that the world is "brutally linked . . . such that either everything goes well for us all, or nothing goes well for anyone."

Putting these statements together with previous speeches, it becomes clear that Mexico is saying that unless there is a New World Economic Order, Mexico will not pay its debts. Of course the truth of the matter is that even if Mexico tried to pay its debts it could not do so—that also being the case for the rest of the Third World.

Preceding López Portillo at the U.N. on Sept. 27 will be the Brazilian President General Figuereido (no one could possibly accuse the Brazilian military leadership of being "socialist"), who is also expected to deliver a "hard-line" demand for a New World Economic Order.

Not only will the Brazilians talk on this matter. Now they are also taking

Mexican President José López Portillo (c) greeting the crowds with PRI party officials at the Sept. 2 Mexico City demonstration in his support.

action, according to our Latin American Editor Dennis Small and Contributing Editor Uwe Parpart, who are ending a two-week visit to Brazil. After meeting with Planning Minister Delfim Netto and lecturing at the prestigious Escuela Superior de Guerra (Superior War College), Small and Parpart point to a speech by Delfim Netto at the same institution on Sept. 16 (we publish excerpts in this Special Report) which calls for Third World countries to begin a barter arrangement. In the face of the overall crisis, says Netto, such arrangements would be the way for the Third World to achieve prosperity.

This type of trade, now actively being sought in Brazil by Petrobras state oil company head Shigeaki Ueki on his current trip to Venezuela and Mexico, also challenges the very root of the IMF system. Under GATT (the General Agreement on Tariffs and Trade), an integral part of the IMF system, this type of trade is strictly prohibited. Although it may be some time before such trade patterns become widespread, the Brazilian action signals the de facto founding of an Ibero-American Common Market.

EIR analysts also foresee, given this kind of Common Market approach and of Mexico's attitude on Third World debt, that Ibero-America's big four debtors—Mexico, Brazil, Argentina, and Venezuela—will come to an agreement that will set forth a series of conditions under which debt renegotiations will be carried out. In short, Ibero-America will seek to impose conditionalities on the IMF, and in that way open the way for prosperity for both the Third World and the OECD countries.

Although President Reagan's official response to these developments is not known, the experts now making policy for him in this area, Treasury Secretary Donald Regan, Secretary of State Charles Shultz, and Henry Kissinger, have decided on the following course of action:

Kissinger strategy

1) Have case by case negotiations and avoid all bloc negotiations;

2) Maintain "flexibility," as opposed to the IMF's rigidity—in that way trying to convince Brazil to drop its "Third Worldist" course;

3) Try to wait out Mexico until President-elect Miguel de la Madrid takes office on Dec. 1. By that time Kissinger and his cronies hope to have created a credible threat of a split in Mexico's ruling PRI party, so as to force de la Madrid to change the policy by López Portillo. In this way they hope to make Mexico the first spectacular victim of the IMF in 1983;

4) As set forth by Kissinger at the recent CSIS conference, the Reagan administration, in cooperation with the British Foreign Office, will try to promote and create as many border conflicts as possible in Ibero-America, with a Chilean-Argentina conflict first on the agenda in South America and Guatemala versus Mexico first in Central America;

5) Launch an all-out destabilization of Venezuela modeled on the one that finally forced Mexico to take the measures it took, hoping that in the Venezuelan case there won't be the leadership to carry out Mexican-like measures.

Whether the Regan-Shultz-Kissinger policies or the Ibero-American Common Market and coordinated debt-renegotation policies will predominate at this point looks to be a matter of which side moves the fastest.