Mexico will 'adjust' to world crisis

Budget czar Salinas de Gortari has won the first round in the fight over national economy policy.

What happens when a country lets an accountant servile to foreign bankers run its economic policy? The first round of the debate in the Mexican economic cabinet was won by the Secretary of Planning and Budget, Carlos Salinas de Gortari, and if the rest goes this way, the result will be disastrous.

From the outset the more experienced officials had grumbled, because they weren't consulted to design the National Development Plan. The conflict first surfaced publicly on June 4, when Secretary of Finance and Public Credit Jesús Silva Herzog presented President de la Madrid with the program for his sector, the National Program of Financing for Development 1984-1988. Later on, when Secretary of Commerce and Industrial Promotion Hector Hernández issued his National Program for the Promotion of Foreign Trade, it had to wait until July for adjustments before being published.

But by mid-August, when Francisco Labastida Ochoa issued his National Energy Program, it was clear that Carlos Salinas and Miguel Mancera (head of Banco de Mexico), had overwhelmed the other ministers. The abrupt firing of Robles García as Secretary of Agriculture and Water Resources told the story: His technical advisers had rebuffed pressures from Planning and the Budget technocrats to adopt the old Mexican Alimentary System, a proven fiasco.

In the end, Silva's advisers and the rest of the cabinet who wanted to loosen the grip of the International Monetary Fund by seeking a common Ibero-American trade and financial strategy, agreed to play by the Budget Ministry rules—those of Henry Kissinger and the international bankers.

This is why President Miguel de la Madrid began his second annual Report with a brief but accurate explanation of why his administration sees the domestic economic situation as a "success," despite ongoing recession and inflation.

"The world economy is also in crisis," said President de la Madrid. "Beginning with the 1970s there appeared acute instability of the raw materials markets . . . shaky currencies, a *financial system not subject to control and healthy forms of operation,* shrinking world trade, revived protectionism, and erratic changes in interest rates."

"Now people talk about the unviability of several nations as sovereign entities or the ungovernability of societies," he added. "We Mexicans have to move in this uncertain and dangerous world."

The strategy chosen "in this uncertain world" is to seek global negotiations in the official forums, while the national economy adjusts to the world economic situation, "which is also in crisis."

This is also the main reason why the Coordinating Committee of Mexico's creditors agreed "in principle," to reschedule the payments on the principal of the debt due between 1985 and 1990.

Besides imposing "self-surveillance" on Mexico's economy, what really assures the bankers that Mexico will play by the rules, is the *content* of all the sector programs—designed to make Mexico a "medium industrial power" by the end of the century.

Many thought that Mexico was already a medium industrial power, and expected to become a major industrial power by 2000. So, many suspect that going from "newly industrialized country" to "medium industrial power" is a step backward, not forward.

The foreign trade program's goal is to produce hard currency and let domestic consumption go begging. Thus, industry and manufactures are oriented to foreign markets, and would grow at a 9% rate annually. Manufactures for domestic markets, would only grow by 7%; manufactures for import substitution, by 8.6%. Development poles will be the border cities, centers of parts industries. In fact, the only way manufacturing exports have increased has been the collapse of the domestic market.

The energy plan is also based on energy "savings" and making foreign exchange. A case in point is the Aguamilpa dam, to be built on the Rio Santiago in the state of Nayarit. Unlike the original plan, the dam will not serve for irrigation, but only electricity generation. That will cut off 60% of the water intended to feed the irrigation complex of PLHINO (Northwest Water Plan). The alleged reason for letting the water go on flowing into the sea (and not the rich and technically advanced farmlands of the northwest), is that it would take investments that, "under current circumstances" are not viable. So, the plan builds in *not* achieving self-sufficiency in food, because the "structural change" promised by Salinas will allegedly give enough hard currency to buy abroad.