

Dateline Mexico by Carlos Cota Meza

Salinas's 'foreign shock psychosis'

Even the President's sychophants realize that the Persian Gulf crisis will bring down his house of cards.

Luis E. Mercado, the editor of the daily *El Economista* and known as the main press outlet for the views of Mexico's ultra-monetarist central bank head Miguel Mancera, correctly noted in one of his first columns of 1991 that the government of President Carlos Salinas de Gortari is experiencing a "foreign shock psychosis."

Others, however, believe that the disease afflicting the government could best be described as "Eco-HIV."

Mercado was identifying a phenomenon that has arisen along with the expectation that the conflict in the Persian Gulf is about to break out into war. If war were to break out, demand would grow sharply for certain strategic raw materials that are necessary for that conflict. This would be beneficial for the marketing of Mexican oil, but its main purchaser, the United States, would undergo a worsening economic crisis (George Bush calls it a "recession"), which would in turn bring with it serious problems for Mexico's export sector.

According to Mercado, the Salinas administration is expecting a string of additional adverse phenomena for 1991, even though its policy is to "keep its mouth shut."

First, they anticipate a collapse of world trade, which would end up annihilating Mexico's export-oriented economic strategy, as well as putting a brake on the expected flow of foreign investment.

In this regard, people around the Salinas camp are already discussing that, for 1991, Mexico needs a new foreign investment law, whose pur-

pose would be to provide incentives for a flow of new capital which is needed to finance at least part of the current account balance of payments deficit, which is expected to exceed \$6 billion.

Another phenomenon which is being discussed in Mexico City is that, in the event of a Gulf war, financial and stock markets around the world would be paralyzed. The negative effects of this on the Mexican government's economic strategy would be manifold.

For starters, the stock of Teléfonos de México (the formerly government-owned telephone company, which was recently privatized), which is supposed to be sold "on the world's most important stock markets," would be unsaleable, which would mean the collapse of the speculative bonanza hoped for by the company's new owner, Carlos Slim, and his partners in the Mexican government.

With regard to the banking situation, Deputy Finance Minister Guillermo Ortiz admits in private that the nationalized Mexican banks would not be able to be reprivatized, as is now planned. "We would have to convince buyers that the Mexican banks are better than Citibank or Chase, or any other bank now having serious problems," he says. Similarly, the much-touted credits for the national oil company Pemex, from the U.S. commercial banks, to be issued with Eximbank guarantees, would not come about.

If the Persian Gulf conflict aborts the giant deal of 1990 (the privatization of Teléfonos de México) and the

deal they were hoping to put together in 1991 (the privatization of the banks), the Salinas government will not be able to put its hands on the resources it was counting on to handle the "economic variables": payment of the internal debt, reduction of internal interest rates, freezing the parity of the peso, and so on.

If the Persian Gulf war turns out to be a prolonged one (as everything now indicates it will be), and if it is not limited territorially to the Middle East, the Salinas government would collapse over the relatively short term. According to commentator Mercado, what would be best for the Mexican government would be for the current state of world tensions to continue, with an oil price of between \$20 and \$25 per barrel.

With this reality staring him in the face, President Salinas's response has been curiously dissociated. The concept that Salinas is experiencing a "foreign shock psychosis" emerged after his New Year's Message, in which the President told the Mexican people things that were totally out of touch with reality, such as: "We have restarted economic growth," and "Mexico is preparing itself to be a great exporting nation." With regard to the Persian Gulf conflict, he said, "We expect there to be a solution achieved via diplomacy."

"No, it is not psychosis," a highly placed observer commented in private, "but rather a variant of acquired immune deficiency syndrome. Just as the HIV virus attacks the immunological system until it finally destroys the person, so too does the current Mexican government have zero response capability in the face of the immense crisis facing it. The Mexican government was infected by 'Eco-HIV' back in 1983, and now it is starting to show the symptoms. It's not too hard to figure out how it got infected."