

MEXICO PRIVATIZATION 'REFORMS'

Cheney's Pirates: 'Stand and Deliver, Or We'll Sink You'

by Dennis Small

Consider the following chronology:

Dec. 1, 2000: Vicente Fox is inaugurated as President of Mexico, and promptly announces that he will hitch Mexico's wagon to the U.S. economy. He emphasizes that the *maquiladoras* (Mexican slave-labor assembly plants, mainly along the U.S. border) will be the driving force of Mexico's GNP growth, which he promises will reach 7% per year. All of this will work, he brags, because his *amigo* George W. Bush is going to help out.

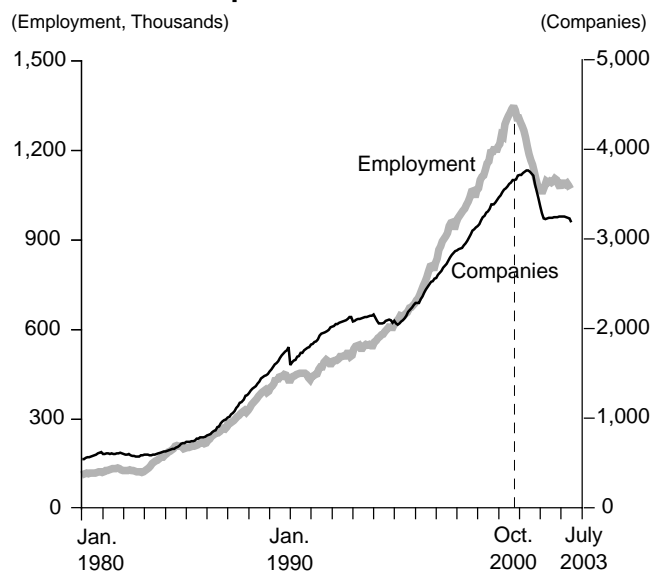
Jan. 19, 2001: Just a few weeks later, *EIR* runs a cover-story entitled "The Demise of the Great Importer of Last Resort," in which Lyndon LaRouche warns that the implosion of the "vast U.S. dollar-denominated financial bubble" portends the end of the "intrinsically bankrupt U.S. economy's role as 'importer of last resort' for much of the world." A back-up article in that same feature package documents that "no country in the world is more thoroughly dependent on trade with the United States than Mexico" (90% of all Mexican exports go to the United States), and that the United States is "a market that is about to disappear." Mexico's gamble on the *maquiladoras*, which "by all rights, must be considered an economic cancer," is a dead-end strategy, *EIR* advises. (*EIR* issues this forecast despite the fact that the most recent official data then available, for Oct. 2000, shows that *maquiladora* employment has just reached a record high of 1.348 million.)

October 2003: Mexico's official statistical agency, INEGI, issues its latest figures, which show that, as of July 2003, *maquiladora* employment had plummeted to 1.071 million. This represents a 21% drop from its historic high-water mark, achieved in October 2000. Similarly, the number of *maquiladora* establishments in existence continues its decline down

to 3,182, a 15% drop from its corresponding high of 3,763 (see **Figure 1**).

Who, as Fox was inaugurated, was right? He and his *amigo* George W. Bush, or Lyndon LaRouche? You would think that would be a "no-brainer," as the saying goes.

FIGURE 1
Maquiladoras: Employment and Number of Companies



Source: INEGI (Mexico).

And yet, despite this most eloquent of fiascos, the Wall Street and Washington authors of that failed free-trade policy are now trying to convince Mexicans that the only problem is—that they haven't gone far enough with "free market" reforms! This is a carbon copy of U.S. Vice President Dick Cheney's argument about California's electricity deregulation catastrophe, which allowed the state to be bled white by Cheney's energy buccaneers. "We want more, more," they snarl. And in Mexico, as in the case of California, Cheney and Co. are relying, not on reasoned arguments to make their case, but on straight terror tactics and blackmail to achieve their desired results. Witness Arnold Schwarzenegger, the hit-man for Cheney's chicken-hawks.

Mexico: Oil for the Machine

What Cheney et al. are demanding of Mexico, is that it fully deregulate and privatize its energy sector, including the strategic state oil company Pemex. President Fox has repeatedly tried, and failed, to ram this policy through a reticent Mexican Congress. On the most recent such occasion, the Mexican Senate, led by opposition PRI Senator Manuel Bartlett, turned around and passed legislation *prohibiting* any electricity deregulation or privatization. As for Pemex, the Constitution prohibits its privatization, so no new legislation was required to stop that gambit.

This time around, the City of London and Wall Street, backed by the government of *amigo* Bush, have told Fox that he *must* succeed—no excuses. For example, on Sept. 1, the London *Financial Times* ran an editorial instructing Fox that he must "tell Mexicans . . . of the costs of failing to make progress [on reforms]," further specifying that "complacent and inactive cabinet ministers should go." The very next day, a compliant President Fox announced that he was dumping his Energy Secretary, Ernesto Martens, and replacing him with PAN party hack Felipe Calderón, whose assignment would be making Congress go along with Fox's plan.

Fox himself, never a master of subtlety, told a group of U.S. businessmen he met with in New York City on Sept. 25, that if foreign capital is not permitted to invest in Pemex, then "Pemex will leave the country." He explained this stunning statement by noting that the Mexican Constitution prohibits Pemex's association with foreign capital only *inside* Mexico; but *outside*, anything goes.

Over the course of September, Fox's team has prepared the requisite legislation for the energy reforms, and his top operators have begun to wheel and deal to get a faction of the opposition PRI party to back his own PAN, in order to approve the reforms. But the real hard-ball tactics are being orches-



Mexican President Vicente Fox with his "amigo" George W. Bush, during a visit to the United States. Fox foolishly hitched Mexico's wagon to the bankrupt U.S. economy—and now the Wall Street crowd is demanding the full deregulation of Mexico's energy sector.

trated from abroad, as LaRouche's Mexican associates in the LaRouche Youth Movement and the Ibero-American Labor Committees warned in a statement issued on Sept. 29: "The desperate need for liquidity of the bankrupt and dying international financial system, is triggering a new and brutal offensive by the Wall Street bankers and the Synarchist International, represented by the despised U.S. Vice President Dick Cheney, to seize Mexico's national energy sector. . . . With this new offensive, pressures and blackmail against the Congress will intensify, to force our nation's legislators to submit to the unbalanced demands of President Fox," the statement advised.

Three events of early October came to quickly confirm that warning, ushering in a new stage in economic warfare against Mexico.

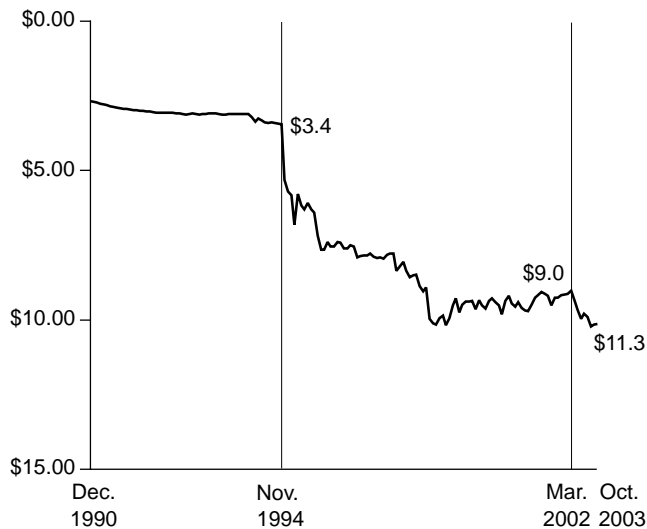
First, on Oct. 1, the University of Chicago-trained Finance Minister, Francisco Gil Díz, a hard-nosed free-trade ideologue, testified before Congress and issued an overt blackmail threat. The Fox government was *halving* its official forecast for 2003 GNP growth, from 3% down to 1.5%. However, Gil Díz offered, if the Congress complied and passed Fox's economic reform package, foreign investment would be "encouraged," and growth next year would rise by at least two percentage points.

Then, on Oct. 2, the financial rating agency Moody's Investors Service announced that it was "considering" cutting its credit rating for Pemex, citing the company's high debt and tax burden. Financial wire service Bloomberg noted laconically that "the report coincided with comments from Finance Minister Francisco Gil Díz," that growth estimates were being cut in half, and that the combined effect of these two announcements led to a plunge in the value of Mexican

FIGURE 2

Mexico: Devaluation of the Peso

(Pesos per Dollar)



Source: Banco de México.

government bonds, and to a speculative assault on the peso which brought it to 11.3 to the dollar, a record low (see **Figure 2**).

Lest anyone miss the point about the Moody's release, Bloomberg went on to quote an economist for the Swiss investment bank UBS Warburg: "I see this as an implicit criticism of Mexico's energy policy, which aims to stiff-arm private capital. . . . It should be a wake-up call." And an analyst for ABN Amro bank broadened the attack: "The [Moody's] statement regarding Pemex can be inferred as a statement on the government of Mexico's creditworthiness."

Pressure Church To Back 'Reforms'

Third, also on Oct. 2, Mexican Government Minister Santiago Creel took the highly unusual step of going to the Basílica of Guadalupe, the most important shrine of Mexican Catholics, which government officials rarely visit. Creel went with the clear purpose of exerting maximum blackmail and pressure on the Catholic Church, for it to back President Fox's proposed economic reforms.

According to the Mexico City daily *El Universal*, Minister Creel, while at the Basílica, pointedly "spoke about the desire for an electricity reform. He considered his visit to be evidence of the good relations between the State and the Catholic Church, accompanied by his host, the rector of the Basílica Diego Monroy. . . . He's going to pray for the reforms, members of Santiago Creel's team said in jest."

The reference to purported "good relations" between the



With a leading cardinal, Juan Sandoval Iñiguez, under threat of prosecution, the Mexican church has come under pressure to back the government's energy reform.

government and the Church, is a loaded remark, given the fact that the Attorney General's office is currently investigating the Cardinal of Guadalajara, Juan Sandoval Iñiguez, for alleged drug-money laundering on behalf of Vatican finances. One informed observer characterized Creel's message to the Church as a veiled threat: Play ball with us on the energy reforms, and we'll call off the dogs. Otherwise. . .

Leading Mexican Church figures, including Cardinal Sandoval, are on record strongly opposing the deregulation and privatization of Mexico's energy sector. Furthermore, the Sandoval affair threatens to unleash religious violence in Mexico, along the lines of the 1926-29 Cristero War (see "Targetting of Cardinal Sandoval Triggers Religious Warfare Potential," *EIR*, Oct. 10). That war also had as a backdrop, an effort by international financial interests, such as the Buckleys, to seize Mexico's oil.

U.S. Presidential pre-candidate Lyndon LaRouche responded forcefully to the reports of Creel's thuggish tactics. "This kind of corruption, where the money-changers are trying to buy the Mexican pulpit, is unacceptable," LaRouche stated. "We trust the Church will side with the people, and not with the usurers."

"We cannot tolerate the idea of the Church being required to sell its soul to the money-changers. Anyone who demands that, should not be allowed in government. That crosses the Church-State division in a way which is intolerable. When you separate the Church and the State, you have to protect the Church. The Church has rights; the right to be free from blackmail from special moneyed interests is part of that," LaRouche concluded.

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