

Christopher Whalen

False Images of Mexico

Henry Kissinger's recent commentary on Mexico [op-ed, April 5] accurately reflects the inside-the-Beltway view of that country. As a supporter of Cuauhtemoc Cardenas Solorzano, the leading opposition candidate in this August's elections, let me give another perspective on the current political situation there.

In the wake of the assassination of government-party candidate Luis Donaldo Colosio last month, the United States pledged \$6 billion to support the peso. Stabilizing the bloated Mexican currency at its current rate of 3.3 per dollar may seem good policy at the U.S. Treasury, but this support for the Salinas government is economically shortsighted and politically dangerous.

The best kept secret on Wall Street is that the Mexican economic program is a failure. In fact, the Mexican economy "grew" at a mere 0.4 percent in 1993, the lowest rate in seven years. Mexican manufacturing actually shrank 5 percent last year, when roughly two private companies were closed for each new enterprise started. Newly privatized commercial banks in Mexico are inundated with bad loans. In rural areas, 1 million additional farmers reportedly are being put off the land annually because of cheap grain imported from the United States and Canada.

The vast inflow of dollars into Mexico over the past four years was created by

artificially low interest rates in the United States, and has left Mexico with \$150 billion in foreign debt and a badly overvalued currency. With a \$2 billion-per-month current account deficit, any net dollar outflows pose mortal danger to Salinas because the basic economic fundamentals in Mexico are unsound. And the growing

Taking Exception

economic dislocation, in turn, is the engine behind rising political unrest.

In fact, the image of growth and free-market reform under Salinas is an illusion maintained by Washington to protect the corrupt, PRI-dominated status quo in Mexico City. Even before Colosio's murder, the Treasury was considering a standby facility of several billion dollars to support the increasingly isolated Salinas government. The Wall Street Journal reports that the \$6 billion "bridge loan" dates all the way back to the pre-NAFTA debate between Vice President Al Gore and Ross Perot. Yet this is not the first time the Federal Reserve has intervened in Mexico's political affairs.

Six years ago, during Mexico's last presidential election, the United States secretly took steps to ensure a smooth and thoroughly undemocratic transi-

tion of power. Notes kept on the August 1988 meeting by senior Fed officials reveal that the United States negotiated some type of "deal" with the outgoing government of Miguel de la Madrid. Mexico borrowed \$1 billion and later repaid the loan, but an even larger credit was apparently discussed just months before the 1988 Mexican election.

In documents published in the Congressional Record by House Banking Committee Chairman Henry B. Gonzalez, then-Cleveland Fed President W. Lee Hoskins denounced talk of a larger, \$3.5 billion loan to Mexico in 1988 and warned that Fed participation in the loan could be interpreted as subservience to the White House.

Chairman Gonzalez, whose family fled the 1910-1917 Mexican civil war, derides U.S. support for the PRI. "In the middle of this political turmoil [in the fall of 1988] comes the Federal Reserve with its \$700 million loan—it even discussed a much larger line of credit," Gonzalez observes. "Should the taxpayers have a timely record of what the Fed was doing? Should we be told why they chose to support the ruling [PRI] party at this time?"

In July 1988, as thousands marched in the streets of Mexico City demanding democracy and denouncing ballot fraud, outgoing President de la Madrid passed

power not to the winner of the election but to his own chosen successor. Were it not for U.S. intervention in 1988, Carlos Salinas would not have taken office, and Cuauhtemoc Cardenas, who again is a candidate this year, would already be president of Mexico. It is no small irony that the United States opposes the popular Cardenas, who supports tax cuts for small businesses, the breakup of private monopolies in television and communications, and a campaign against corruption.

More than Americans, Mexicans deserve an explanation of why again in 1994 the United States is supporting a regime that violates basic democratic rights, encourages corruption and steals elections with impunity, even as it enacts "electoral reform" legislation.

Without political stability in Mexico, the economic opening and the benefits of NAFTA are in jeopardy. And without democratic change away from the corrupt political monopoly under the PRI, there can be no social peace. It's time for all those supporters of NAFTA and "free trade," including President Clinton, to start speaking out in favor in democracy and freedom in Mexico.

Christopher Whalen is a Washington consultant and writer who serves as an adviser to the campaign of Cuauhtemoc Cardenas.