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Jack Anderson and Dale Van Atta We Owe Mexico

1 June 86

Much has been said about the massive foreign debt that Mexico owes to banks in this country. We'd like to say a few words about the intangible but very real debt everyone in the United States owes to the Mexican people and the administration of President Miguel de la Madrid.

By acting responsibly at serious cost to themselves, the Mexicans may well have averted a devastating financial depression that would have crippled the United States—indeed, the entire world.

If Mexico had defaulted on its foreign loans in 1982, as Fidel Castro later urged all Latin American debtor nations to do, it would almost certainly have triggered similar defaults throughout the hemisphere. Major U.S. banks, holding the lion's share of Latin America's debt, would have collapsed, dragging a string of smaller banks down with them.

The disruption of the U.S. banking industry would have had such a drastic impact on the international financial community that the world's economy could have gone into a tailspin as it did in the Great Depression.

Instead of urging the easy, if shameful, way out, President-elect de la Madrid urged his predecessor, Jose Lopez Portillo, to work out a salvage operation with U.S. bankers and government officials to pay off its nearly \$100 billion foreign debt.

The embodiment of this responsible policy, then and now, is Finance Minister Jesus Silva Herzog. Following de la Madrid's lead, Silva Herzog has heeded resolutely to a policy of repaying the debt through severe austerity measures.

The Mexican people accepted the stringent cutbacks in government services and subsidies—asterity that would probably have caused major riots in most other countries.

Silva Herzog made clear how great his people's sacrifice had been when he told Dale Van Atta in Mexico City recently:

"The Mexican society was used to a long period of economic and social development. . . . [E]very year people would think that their lives would be better than the previous year. And now, for the first time in their lives, they have come to confront the reality that the country is going through a difficult period."

The finance minister noted that real wages for Mexican workers have fallen by 25 percent or 30 percent during this period.

Silva Herzog said the solidarity of the Mexican people has been "most stimulating for the ones that have to make some of the difficult decisions." Part of this is due to the leadership. In other debtor countries—Argentina, for example—the governments have encouraged press reports that suggest debtor-nation cartels as a means of solving the problem by simply ignoring the "paper difficulties" of the New York bankers.

But de la Madrid and his top officials have taken to the airwaves and the editorial pages to preach just the opposite answer: self-sacrifice and fiscal responsibility to pay off the debts.

The latest National Intelligence Estimate sent to President Reagan on Mexico makes clear the welcome relief that de la Madrid's attitude is to the intelligence community.

The report, classified Secret, had this to say:

"President de la Madrid's tough austerity measures have eased considerably the immediate financial crisis he inherited. . . . To continue making progress, de la Madrid will have to hold the economy on a relatively tight leash well into his administration. . . ."

"His task will not be easy. De la Madrid will be under pressure to attack unemployment through a faster rebound in industrial production even at the cost of continued high inflation and expanded foreign debts."

Mexico's precarious situation was brought on by the drastic drop in oil prices. "We are going to lose something between \$6 billion and \$8 billion of foreign exchange annually with the oil shock," Silva Herzog said.

He has been earnestly reminding Mexico's creditors that the world's economy is too interdependent to withstand a heading foreclosure. He has proposed paying part of Mexico's debt service on the basis of the price of oil. If oil goes up, the payments go up.

While willing to shoulder Mexico's share of the blame for its predicament, Silva Herzog correctly points out that "the responsibility of the debt problem [lies] with the debtors, the banks and the governments of creditor countries that five years ago were very happy and applauding the capacity of the banks to recycle the oil money then—and are now critical of the banks because they were 'irresponsible' in their lending procedures." He added: "It's also a responsibility of the international financial institutions." To which we say: amen.

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JACK ANDERSON AND DALE VAN ATTA

Mexican President Fights Corruption

Sen. Jesse Helms (R-N.C.) has taken a lot of heat for his hearings on corruption in Mexico. But while he may be faulted for lack of tact, there is no denying the seriousness of the problem. In past columns, we have exposed massive, top-to-bottom corruption.

Privately, the Mexicans themselves acknowledge this. The same high Mexican officials who complain about the indignity of the Senate disclosures readily admitted to Dale Van Atta on his three recent visits to Mexico that corruption is a critical problem that must be curbed.

The CIA and other U.S. intelligence agencies recognize this as well. But in their latest National Intelligence Estimate on Mexico, they give President Miguel de la Madrid credit for doing more than his predecessors to fight corruption.

"In particular," the secret report states, "he has worked to distance himself from the egregious corruption and failures of President Lopez Portillo (1976-1982) . . . by pursuing an anticorruption campaign that has included the imprisonment of at least one former high official and revelations of abuses by others, and by projecting an image of fairness, competence and probity."

In fact, the secret report suggests that the most serious threat to de la Madrid's government would be the popular perception that he is not living up to his campaign promise of "moral renovation."

Eight of 10 Mexicans in a recent poll said they believed "that the country's current crisis is the fault of corrupt or inept officials who enriched themselves while in office," the intelligence report states. It adds:

"Though bribery, influence peddling and nepotism and illegal profiting have historically been accepted elements of the political and social systems, corruption reached such excessive and conspicuous levels during the oil boom years that senior party and government officials as well as some labor leaders are apparently blamed by many for most of the country's current problems."

The report predicted that de la Madrid will persist in his anticorruption campaign, at least for a while, but warned of "dangers in his proceeding too quickly or casting the net too widely."

As we pointed out two years ago in a series on the high-level corruption and profiteering that were bringing the country to its knees, Mexico's problems have a far more direct and important effect on the United States than those of Nicaragua and El Salvador combined.

The Helms Foreign Relations subcommittee that deals with Mexico had planned to hold hearings last fall. A key Helms aide wrote a memo to the senator listing the topics for the hearing: U.S. economic aid to Mexico; "Mexican crimes against Americans" (such as the murder of a U.S. narcotics agent in February 1985), "corruption in Mexico," "fraud in Mexican elections," "failure of land reform" and "religious persecution."

The hearings were postponed because of the Mexico City earthquakes last September, and then they were delayed further by other foreign-policy crises: the fall of Haitian dictator Jean-Claude (Baby Doc) Duvalier and the ouster of Philippine President Ferdinand Marcos.

STON POST

FRIDAY, JUNE 27, 1986 C19

JACK ANDERSON and DALE VAN ATTA

Reagan Warned of Instability in Mexico

The Central Intelligence Agency has told President Reagan that there is at least a 1-in-5 chance that the Mexican government will collapse within the next five years. This alarming judgment was delivered to the White House two years ago, but our CIA sources tell us that, if anything, it was an optimistic appraisal. In the last two years, they pointed out, Mexico's problems have grown by quantum leaps as the price of oil has fallen and charges of election fraud have hit the headlines.

The prediction of possible disaster was contained in a classified National Intelligence Estimate, the most important appraisal of a country that the intelligence community provides a president.

The 35-page estimate began: "The Mexican political system is under greater stress today than at any time under the last 30 years. Ultimately, of course, the preservation of Mexico's stability will rest on the skill and competence of its leaders and on the strength of its political fabric."

It continued: "We judge that in the end the Mexican political system is likely to remain intact." Then came the kick in the pants:

"But the majority of the intelligence community principals also judge there is roughly a 1-in-5 chance that during the period of this estimate—through the remainder of President [Miguel] de la Madrid's term, which ends in 1988, and the first few years after his successor is scheduled to take office—centrifugal forces now at work within the system, combined with internal political opposition and perhaps external pressure, will result in the political destabilization of Mexico."

Because the estimates represent the view of all U.S. intelligence agencies, dissent is noted. In the case of the prediction of Mexico's collapse, the majority of the "intelligence community principals" agreed, but five representatives disagreed with the CIA's pessimistic opinion.

Among those who agreed were CIA Director, William J. Casey; Lt. Gen. Lincoln Faurer, then-director of the National Security Agency; Rear Adm. John L. Butts, then-chief of naval intelligence, and the Treasury Department's intelligence unit.

Disagreeing were Lt. Gen. James A. Williams, Defense Intelligence Agency boss; Hugh Montgomery, head of the State Department's intelligence and research bureau; Gen. William E. Odom, Maj. Gen. James Pfautz and Brig. Gen. Larry Smith, the intelligence chiefs of the Army, Air Force and Marine Corps, respectively. All five have since moved on to other jobs.

The dissenters' view was given at length: "While Mexico will experience increased political instability associated with extremely difficult social and economic problems, the probability that these conditions will reach the extreme of political destabilization during the period of this estimate is remote"

"The complete political destabilization of Mexico would require an extremely well-organized opposition with dedicated leaders capable of challenging one of the most durable and resilient political systems in Latin America." The dissenters felt this was unlikely in the near future.

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WASHINGTON POST

WEDNESDAY, JULY 2, 1986 E21

JACK ANDERSON and DALE VAN ATTA

In Mexico, the Pols vs. the Technocrats

Mexico's serious economic problems have brought on a crucial struggle at the highest levels of the country's political system. The outcome will have a great impact on the United States, for it could decide whether our neighbor struggles out of its desperate situation or succumbs to violent revolution.

The battle for control of the government—and ultimately for the hearts and minds of the Mexican people—is between the “technicos” (technocrats) who are now in control and the “politicos” (old-line party bosses) who yearn to regain their old power.

The struggle has drawn close scrutiny by U.S. analysts, and is summarized like this in the most recent, highly classified National Intelligence Estimate:

“In contrast to the first six presidents in the modern Mexican system, [President Miguel] de la Madrid and his two predecessors all rose to the top largely by dint of their performances as regime bureaucrats. All three appointed men of similar backgrounds to most of their Cabinet posts, and most of [de la Madrid's] current Cabinet secretaries have never held elective office.

“Opposition to this trend comes from the older generation of state and regional political bosses and from others concerned with economic mismanagement. One critic . . . lamented the declining role of the old political hands and predicted that they will have to be brought back into positions of influence to help guide the country through its current problems They fear that the new class of technocrats will be unable to maintain the support of the masses.”

In other words, the party bosses will be needed to sugarcoat the bitter pill of austerity the technocrats have prescribed for Mexico.

“The tension between technocrats and politicians is one that is heavily freighted with historical and psychological baggage,” the intelligence estimate continues, “because the former bear a striking resemblance to the ‘cientificos’—the scientific ones who came to control the country's political economy in the years before the Revolution. That violent upheaval had many causes, but high among them was the arrogance and detachment from the masses of the president and his circle of technocratic advisers.”

Even if the technocrats are peacefully ousted, it would have serious implications for the United States. The Harvard-educated de la Madrid is probably the most genuinely pro-U.S. president of Mexico in decades.

The president's popularity is slipping, though how widespread the slippage is cannot be determined. The derisive whistles that greeted him at the World Cup soccer opening—considering the high prices of the tickets—indicated only that middle- and upper-class Mexicans are unhappy over his austerity program.

As for the president, a few days after his nomination by the ruling PRI party—which has been tantamount to election for more than half a century—a journalist asked him if he was a technico or a politico.

“Politicians are the ones who win the nominations and the elections,” he replied.

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