

# Offshore banking comes to Mexico: will the Alemán faction re-emerge?

by Timothy Rush

On Jan. 4, Mexico's official government gazette published new regulations permitting the establishment of International Banking Facilities (IBF's) in Mexico. This is the same step, bringing "offshore" banking on-shore, which New York took the first week of December.

The measure had been held back for three years by nationalist forces in the Mexican bureaucracy who understood its implications. As in New York, the Bahamas, Hong Kong, and everywhere else such institutions are allowed to flourish, the IBF's in Mexico will serve to divert credit flows away from productive purposes, into supranationally controlled financing of drugs, real estate speculation, luxury tourism, and other parasitical activity.

The key to the British-directed "offshore" operations is that they exist outside of any government supervision and free from banking reserve requirements. Their operations are thus ideal for not only disguising flows of hot money, but generating spiraling multiples of unbacked "Eurodollar" credits which take on increasing weight as domestic credit systems are squeezed.

The implications for the rest of Latin America are ominous. Knowledgeable sources have told *EIR* that the principal initial flow of funds through Mexican IBF's will be flight capital out of the rest of the continent. Furthermore, the back-to-back New York and Mexico legalization puts intense pressure on other Latin American centers, such as Brazil. What is taking shape is an entire continent in which individual nation states have lost the core of economic sovereignty, no longer having final say over the most basic decisions of credit creation and allocation.

The implications for Mexico's domestic political line-ups are equally disturbing.

The IBF decision spearheads a determined bid by the political faction of Miguel Alemán Valdez, which runs Mexico's drug and dirty money rackets, to take over fundamental economic decision-making from the pro-industry, nationalist faction grouped around President José López Portillo.

The offensive was kicked off with a December pro-

posal conducted through Tourism Minister Rosa Luz Alegría to re-open casino gambling in Mexico, 45 years after it was thrown out of the country by Mexico's most popular president of the 20th century, Lázaro Cárdenas. (See this week's Dateline Mexico column). Bolstered by the IBF decision, the Alemán push will receive a new shot in the arm during consultations with the Canadian branch of what has been called the Dope Inc. cartel, on the occasion of Prime Minister Trudeau's visit to Mexico starting Jan. 13, 1982.

In contrast to these measures to facilitate dirty money flows, the picture for Mexico's productive industry-related finance looks more and more bleak. On Jan. 1 Mexico was obliged to cut its oil prices again, an average \$1.00 per barrel, due to further drop in advanced sector demand. The oil revenues are crucial to Mexico's program of capital goods-acquisition from abroad. On Jan. 13, the first big loan of 1982 came through for Mexico, a \$400 million Eurodollar syndication advanced to the government's Banrural. The spread over LIBOR: seven-eighths of a point, as against the five-eighths prevailing since the oil boom began four years ago.

## The Alemán empire

From the period of his presidency (1946-1952) on, Miguel Alemán Valdez dedicated himself to building up the "umbrella" infrastructure which serves Mexico's dope, gambling, prostitution, contraband and flight capital rings. His first big project was Acapulco, which rose to its jet-set glamor status under his presidency; the major cover for his efforts was luxury tourism. He promptly established and remains the president today of the Mexican National Tourist Council, a worldwide personal diplomatic and intelligence network running parallel to Mexico's official activities abroad.

The most important fact about Alemán today is that he is Henry Kissinger's "Mexican connection." Every February Kissinger spends a full month as Alemán's guest in Acapulco. This year Kissinger will be bringing some very special projects with him. In mid November 1981, Kissinger conducted intensive corporate strategy

sessions in Brazil to vastly upgrade and diversify the flow of illegal drugs and dirty money through the southern half of the continent (see *EIR*, Dec. 22, 1981). At the beginning of January, he showed up for a similar planning session at the home of designer Oscar de la Renta in the Dominican Republic. With his personal piggybank, David Rockefeller, Kissinger is the primary figure attempting to insert the drug plantation known as Jamaica as the center-piece of the soon-to-be-announced Reagan administration Caribbean Basin Initiative.

Alemán functions, like Kissinger and Kissinger's host in Rio, Israel Klabin, as a key link into the circles associated with Meyer Lansky. The recent rapid expansion of Mexico's largest commercial banks into the unregulated offshore centers of Hong Kong, the Bahamas, Panama, and other dirty-money centers was opened up by Alemán personally during an extended tour of the Far East two years ago.

### Setbacks for Alemán

Serious blows against the Alemán apparatus were delivered under the administrations of both Luis Echeverría (1970-1976) and José López Portillo. Echeverría's ruthless war on Mexico's drug production, launched in 1975 as Operation Condor, went far toward eliminating one of the most important underpinnings of the Alemán empire. Alemán to this day holds a grudge against Echeverría's then-Attorney General Pedro Ojeda Paullada, responsible for carrying out the effective drug eradication campaign. Alemán reportedly took U.S. Vice-President Bush aside in the mid-September, 1981 days just preceding the announcement of Mexico's next president, Miguel de la Madrid, to enlist U.S. influence to blackball the chances of De la Madrid's chief competitor, the same Ojeda Paullada.

López Portillo, for his part, firmly and repeatedly rejected Alemán's demand that Mexico invest its oil money primarily in tourism and other service-oriented activity. Industry and advanced, productive technology are to be the basis of Mexico's leap into the 21st century, López Portillo insisted.

The new Alemán offensive is designed to test just how far Alemán can go in gaining control over the next administration, that of De la Madrid.

### How the IBFs will work

Unlike the proposal to re-establish casino gambling, which raised an uproar, the IBF's slipped through on Jan. 4 with hardly a murmur.

Perhaps part of this was due to the fact that the enabling regulations forbid "offshore" banks established in Mexico City from taking deposits from within the country and from lending within the country. However, such an attempt to "insulate" the IBFs from the

domestic banking system is purely fictitious. Any Mexican who wants to, can simply deposit his flight capital in a foreign branch of the same Mexican or international bank which has set up an IBF in Mexico. That deposit, quite legally, can then be wired back into Mexico "from abroad." It is all one, interlocking, computerized "hot money" system—and it increasingly dictates who gets access to liquidity and who doesn't. The Mexican private sector debt contracted directly from such Eurodollar sources, largely in offshore havens, currently amounts to between \$15 and \$20 billion, according to informed estimates. Mexican companies have been forced to resort to this "dollarized" financing—with enormous penalties in case of a peso devaluation—because the domestic liquidity simply isn't available, with much of the shortfall a consequence of flight capital and similar speculative activity.

The extension of IBF's to Mexico itself reinforces this whole vicious circle.

### 'New techniques'

Moreover, the intention is clearly to build Mexico into a major international banking center à la Hong Kong.

José Manuel Rivero, a top economist at Banamex (some wags are now calling it Bananamex due to its overlap with drug networks epitomized by Max Fisher's United Brands), stated that one of the main arguments in favor of the measure was to "build up a good image for Mexican banking procedures." Sources in the Finance Ministry also stressed the importance of training Mexican banking personnel in "the new techniques of international banking." And Melanie Shain, of a Pennsylvania consulting firm called Finance and Trade Services Corp., told *EIR* that "flexibility is the key thing. Though setting up IBF's in Mexico is a high price for flexibility, there is the determination to make it pay off.

"Mexico is one of the few countries in the area to be making real strides in communications, especially into the rest of Latin America." This means Mexico will capture an important part of the Latin American flight capital market, she noted. When pressed to justify the extension of IBF's to Mexico, Mexican bankers are pulling out copies of an internal U.S. Federal Reserve study written to back the New York move into IBFs.

Banamex, which has opened "offshore" facilities in Hong Kong and the Bahamas over the past two years as well as interfacing foreign branches in Los Angeles, New York and London, will be the first Mexican bank to take advantage of the IBF's, our sources inform us. Banamex president Agustín Legorreta was a companion of Kissinger's at the Dope, Inc. planning sessions in Rio last November. Bancomer, the other Mexican bank in the world's top 100 banks, says that it is going to wait and study the new regulations for a while.