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## Mexico's Economic Adjustment Program

On Friday, Feb. 19, a day and a half after the peso was cut loose from support by the Bank of Mexico, Finance Minister David Ibarra and Planning and Budget Minister Ramón Aguirre called a press conference to announce an eight-point "Action Program" of adjustments in all areas of Mexican economic policy.

Ibarra termed the packet "drastic, painful measures," a "program of the strictest financial and budgetary austerity." The official growth target for 1982 was reset at 4.5 to 5.0 percent, down from the 7.1 percent announced by the government in November 1981. Job-creation goals were similarly scaled down from 5 percent to 3-4 percent.

The eight points are:

1) **Exchange rate:** The peso will be allowed to find its "objective" level. Free exchange of the peso is inviolable. "Let us not echo rumors of exchange controls or freezing of dollar accounts."

2) **Federal budget:** A three percent cut in previously mandated 1982 levels, a reduction of roughly \$3 billion. According to some glosses, Ibarra stated the funds thus freed up will go into debt service.

3) **Financial policy:** a) "competitively" high interest rates will remain in effect; b) those companies,

both public and private, which contracted dollar debt in "good faith" and now face repayment problems, "will get help" from the government, including provisions for tax write-offs on 1982 returns; c) a seventh "petrobond" issue will go on sale March 1; d) a new form of bond will be issued, with a 6 percent guaranteed return over the consumer price index.

4) **Wages:** No emergency wage compensation, but adjustments "as soon as possible" as the effects of the devaluation are felt.

5) **Foreign trade:** Further tightening of restrictions on luxury-goods imports. Easing of some import curbs on items deemed basic for consumption. For exporters: a "flexible system of slippage" of the peso to keep exports competitive, plus "guarantees against any differential which may arise between external and internal inflation." (It is not clear if this implies maintaining the kind of export subsidy system under attack in U.S. countervailing duties cases.)

6) **Prices:** Some extension of price controls on basic items. No major new programs.

7) **International financial policy:** Continued full participation in international financial institutions; Mexico will meet all obligations to international creditors, public and private.

8) **Border action:** A program to move more Mexican-produced consumer goods into the northern border region which, because of inadequate Mexican production and transport, has become dependent on U.S. supply.