

Dateline Mexico by Hugo López Ochoa

The 'devalued' candidate

Since he is the architect of Mexico's economic policies, Salinas de Gortari may now see his political stock wiped out.

The Mexican stock market was the only one in Ibero-America to be dragged into the maelstrom of "Black Monday" in New York and other stock exchanges throughout the world. In a single day, it lost 16.5%. Combined with the 15% it had lost in the previous two weeks, it is calculated that between Oct. 6 and Oct. 20, more than \$14 billion evaporated into thin air—the equivalent of nearly the entirety of the international reserves accumulated by Mexico in five years of brutal self-looting!

On Oct. 21, Finance Secretary Gustavo Petricioli publicly claimed: "There is no link between the New York and Mexican stock markets." Everything in Mexico was being caused by mere "psychological reactions" to New York developments. "The economy is recovering as anticipated," he insisted.

Petricioli, of course, waited to give his pitch until after the Mexican market decline had shown a reverse, the result of the government's intervention through the Nacional Financiera (one of the largest government-run financial agencies) to push up the value of certain stocks. It was only after the Mexican government had poured its already scarce resources into the market that Mexico's narco-bankers threw in their own emergency funds of approximately \$1.55 billion.

As elsewhere in the world, no one knows for certain what is going to happen to the Mexican stock market in the short term. What is certain, however, is that its behavior is more linked to that of Wall Street than Petricioli is willing to admit. It is true that the vol-

ume of Mexican corporate stocks participating in the New York market is minimal. But the mere fact that Mexico is the "pampered child" of Wall Street as far as the foreign debt is concerned, establishes a link stronger than any stocks. It was, in fact, Mexico's groveling submission to the International Monetary Fund, beginning in 1982, that served as a key factor in preventing New York's "Black Monday" from occurring before now.

The primary link between the two stock exchanges lies in the fact that the financial methods of Mexico's economic cabinet, headed by Budget and Planning Minister Pedro Aspe, are identical to those of Wall Street. It is not coincidental that they all studied at Harvard. The similarities are so striking that, just as Wall Street hopes to postpone a U.S. financial crash until after a Republican triumph in 1988, so too has Mexican President Miguel de la Madrid allowed the Mexican stock exchange to continue to inflate, giving the appearance of an economic recovery to facilitate popular acceptance of the very unpopular PRI presidential candidate, Carlos Salinas de Gortari.

De la Madrid's hope is that Salinas—the true architect of Mexican economic policies over the past five years, Aspe's former boss at Planning and Budget, and also a Harvard alumni—will preside over said "recovery," and thereby retain bank confidence. Mexican stock market president Manuel Somoza told reporters Oct. 20: "The Mexican exchange is the letter of introduction not only for the PRI presidential candidate, but for

the entire country." If that be the case, then it is Salinas who turns out to be the most seriously devalued Mexican "stock" following Wall Street's "Black Monday."

One day before the initial Oct. 6 panic in New York, Mexico's National Exchange Commission had to suspend activity on the Mexican stock exchange for one hour. Ironically, the danger of a market collapse stemmed from the dizzying climb of Mexican stock prices triggered by "investor confidence" in the Oct. 4 nomination of Salinas.

Why? Although it is true that Mexico's flight-capital artists, dirty-money launderers, and narco-bankers garnered enormous profits on the exchange over the past six months due to protection granted under the IMF agreements, the true motor behind the artificial rise of the stock market was the Treasury Certificate (CETES), government paper which, through mid-September, represented 80% of the total value of the exchange. It was with CETES that the public deficit of the last quarter was financed, at the cost of a soaring public debt.

On Oct. 5, the rise was so disproportionate that the government ran the risk of being unable to pay bondholders, and was forced to intervene, triggering nervousness that turned into full-scale panic with the Oct. 6 events in New York. Stock market leaders, who at first bitterly protested the Oct. 5 intervention, retreated and demanded government intervention to halt the "invisible hand," but that "hand" had already wiped out any fanatic worldwide who had allowed himself to be guided by it.

Therein lies the New York-Mexico "connection." The government intervened, enabling the market to survive, at least for now. The question is, will Salinas's political stock survive?