U.S. banking crisis shocks Ibero-America

by Dennis Small

"Panic in the U.S. economy," was the headline of the Venezuelan daily *El Nuevo País* at the end of October, warning of the insolvency of the U.S. banks. It singled out Chase Manhattan for special attention.

"The U.S. approaches its fall as a nation," was the headline in the Venezuelan magazine *Elite* Oct. 23, describing the collapse of real production, the skyrocketing of speculative activity, and the resultant financial crisis.

The Mexican daily *El Financiero* on Oct. 23 quoted "international financial experts" stating that another major debt crisis was about to erupt. The cause? The overall weakness of the dollar, along with the insolvency of U.S. banks, as evidenced by the over $20 billion in arrears that they are carrying on their books.

And on Oct. 17, Brazilian Finance Minister Zelia Cardoso told the daily *Folha de São Paulo* that, of all Brazil's creditors, the U.S. banks responded most negatively to Brazil's recent debt proposal, because of their own problems with junk bonds and the collapse of the real estate market.

Such commentary may come as no surprise to most Americans today—and certainly not to readers of this magazine. But it is a shocking revelation in Ibero-America, where for the last few years people have been told by virtually every government and political leader that their own economic problems would soon be solved by help from the "booming" U.S. economy.

Now, there is a growing recognition that the U.S. economy is about to blow out, and that President Bush is on the ropes politically because of his handling of the budget crisis, in particular. This has led to scrambling in every major Ibero-American capital. As one seasoned analyst of the area noted, in an apt mixed metaphor: "Every Ibero-American government is in trouble. They have hitched their wagons to a sinking ship."

Carlos Salinas's woes

Typical is the case of Mexican President Carlos Salinas de Gortari, who has staked his entire administration, both economically and politically, on doing the bidding of the U.S. banks and the Bush administration. As a result, the Anglo-American Establishment has lionized Salinas as the purveyor of an "economic revolution" based on "free market" policies which are properly obsequious to the banks. President Bush has gone so far as to patronizingly refer to him as "that young and talented Harvard-trained economist, my friend, the President of Mexico."

But now Salinas is in deep trouble—because Bush is in trouble, and because the U.S. economy is in trouble. One well-placed Mexican official told *EIR* that every number, every calculation, every economic projection that Salinas has based his administration on, is now out the window. At the recent meeting in Caracas, Venezuela of eight Ibero-American heads of state, Salinas's sales pitch for Bush's policies went over like a lead balloon. "Bush's initiative was treated with great caution," according to Venezuelan journalist Ted Cordova-Claure, "in light of the economic recession in the U.S. . . . In private, [the presidents] talked about the U.S. government's tremendous financial difficulties."

The Seineldín affair

All of this is a formula for a gigantic political explosion, in much the same way Bush's incompetence and the economic crisis are creating a strong anti-Establishment backlash within the United States. It also explains the fear with which the Establishment views those political leaders in a position to lead this backlash, in both North and South America.

South of the border, the man to be watched is Argentine Army Col. Mohamed Alí Seineldín, the hero of his country's 1982 Malvinas War against Great Britain, and a nationalist who has spoken out strongly against the Argentine government's submission to Washington, the creditor banks, and the International Monetary Fund. Argentine President Carlos Menem has responded hysterically to Seineldín, accusing him of plotting a military coup and of deploying Iraqi and Palestinian hit-teams to assassinate cabinet ministers, and has placed him under arrest for 60 days. Menem is reportedly now desperately trying to concoct further criminal charges against Seineldín, in order to jail him permanently. Like Lyndon LaRouche in the United States, this is a man the Establishment does *not* want walking around free, when the banking crash hits in earnest.

The man they *do* want to be in charge is the increasingly discredited Salinas, and so there has been a lot of hustle and bustle to try to bolster his image. For example, Miguel Alemán, Mexico's plenipotentiary ambassador for special affairs and the son of a former President of that country, was dispatched to an Oct. 29 meeting of the Rotary Club in Los Angeles, to proclaim, according to the official Mexican wire service Notimex: "Mexico is willing to play by the rules of the game imposed by the U.S., and according to the IMF's guidelines for joining the most powerful economic system in the world. What is happening today in the country [Mexico] is more astonishing than the fall of the Berlin Wall."