Dateline Mexico by Carlos Cota Meza

How deep is Mexico's recession?

While the analysts are busy debating definitions, Salinas's "miracle economy" is going through the floor.

Various spokesmen for Mexico's business sector have sounded the alarm over what they perceive to be indications of a severe economic recession in the country. Government spokesmen prefer to call it a "deceleration of growth."

As a result, analysts are trying to define precisely what is an economic recession. Some say it is when there is a real decline in the gross national product for two consecutive economic quarters. Others insist that a recession exists when there is an accelerated accumulation of accounts receivable (or payable) throughout the economy, along with a surge in the non-performing paper of the credit institutions.

The fatal flaw of these analyses is that they stem from the axiom that "the economy will reassert itself" as soon as one or another variable presents itself. The truth is that this cannot possibly happen because there *never was* any growth. The best, the most truthful, definition of the moment is that President Carlos Salinas de Gortari's "economic miracle" has bitten the dust.

Indeed, signs of negative growth are now appearing in all the key economic indicators. The association of the manufacturing industries, Canacintra, reports that of the 12 most important industries, eight are reporting an average 25% in idle capacity. The food industry is registering 32%; the shoe industry, 23%, textiles, 46%; and petrochemicals, 39%. The automobile, machine-tool, and non-metallic minerals industries, all of which are reporting a slight improvement of 3.3%, nonetheless admit that 23% of their installations are unused.

Medium, small, and the so-called micro-industry have accumulated more than $3 billion in bad debt in the past five years. The future for the 1.3 million industries of this sector (responsible for 60% of national employment) is uncertain. Non-performing bank debt is rising at a 177% annual rate, and threatens to reach 4.5% of the nation's total debt portfolio, a level comparable to that of 1982, according to economist Armando Labra.

The situation in the countryside is one of total crisis, affecting the basic crops (corn, beans, etc.) and the commercial ones alike. There is a crisis in sugar cane, wheat, rice and corn, in vegetables and fruits, and so on. The bad debt of the agricultural sector can be measured in trillions of pesos.

The trade balance is also a disaster. The deficit for the first half of 1992 is officially $9 billion, representing a 120% increase over the same period in 1991. Oil, agricultural, and mineral exports are stagnant, with manufactured exports precariously sustained only by the *maquiladora* industry.

Speculation is heading in the same direction. The Mexican Stock Exchange is in a nose-dive, which has been virtually unaffected by the "great expectations" of the North American Free Trade Agreement (NAFTA) announcement. At the beginning of this year's second quarter, market levels were at their lowest since 1987, the year of the crash.

A report issued by the Mexican Exchange Institute reveals that at the close of the first half of this year, 99 leading businesses on the stock exchange had accumulated a foreign debt of $16.432 billion, of which $8.411 billion is short term.

The Monterrey Group's Alfa is the leader in short-term debt, followed by the Carso Group (owner of Teléfonos de México). In long-term debt, Teléfonos de México is at the top of the list, followed by Vitro company, another property of the Monterrey Group. Given that the speculative stock market boom is nothing but an orgy of mutual complicities, what is pending, in view of the imminent insolvency of these companies, is a long chain of mutual betrayals over who will survive at the expense of the other. In effect, another crash is on the way.

The Salinas government is fresh out of fairy tales, as cold reality reasserts itself. In fact, the only truth to the myth of government "efficiency" is in payment of the foreign debt. According to the Bank of Mexico and the Finance Department, the government has "served" its creditors between 1989 and today with more than $44 billion. The interest portion of that, $29 billion, is 13% higher than the $25.6 billion in "foreign investment" which entered Mexico to play the stock market.

In 1989, Mexico paid $13 billion while the rest of Ibero-America contributed $31.4 billion; in 1990, Mexico handed over $13.4 billion while the rest of the countries totaled $27.3 billion; in 1991, Ibero-America paid $31.5 billion, and Mexico $15.1 billion.

For 1992, the "projections" of what Ibero-America will be paying out are $35 billion, and that of Mexico $14 billion. And yet the newspaper *El Financiero,* basing itself on official information, says that Mexico has already paid a whopping $14.116 billion in debt payments in the first half of 1992.