Denying the crisis makes it worse

Finance Minister Aspe is blaming the rest of the world for President Carlos Salinas de Gortari's economic failures.

Finance Minister Pedro Aspe dumped a bucket of cold water on his audience at the Second Mexico Youth Forum, organized by Mexico's private universities, when he declared that "the government is not responsible for the economic deceleration of the country," and that Mexico is merely suffering the consequences of the economic crises of the industrialized nations.

This impotent statement brought to mind the events of May 1982, when President José López Portillo publicly acknowledged that he was unable to control capital flight. However, Aspe went further, blaming Mexico's business sector for the growth of the current account deficit, which this year is near $20 billion, supposedly because businessmen and industrialists are going into debt to modernize their plant and equipment "in amounts greater than their savings capacity."

With the characteristic insanity of the current Mexican government, Aspe insisted that the monetary, fiscal, and financial measures of the Salinas administration remain "solid" and "firm," and that it is only a matter for the country's industrialists and farmers to put up with credit shortages, high interest rates, new taxes, dramatic fall in sales, and the expiration of their loan deadlines until the second half of 1993, by which time, Aspe swore, there would be a reactivation from foreign "investment" as a result of the North American Free Trade Agreement (NAFTA).

What Aspe did not want to admit is what the whole world already knows: that the ceremonial signing of NAFTA on Oct. 7 was a celebration over a cadaver. In the same way, the European Maastricht Treaty is already dead, despite France's shaky "yes" vote, as the result of England's withdrawal from the exchange rate agreements, heralding the official start of the Great Depression of the 1990s.

Just as with López Portillo in 1982, Aspe's comments aggravated already existing panic, rather than calming it. On the day of his speech, the Mexican press published a study by Canacintra, the association of Mexico's manufacturers, which revealed that 8 out of every 10 Mexican industries suffered from "deceleration" (official statistics show that GNP in the second half of 1992 grew less than 1.5%, well under the 5.2% of the same period in 1991), and that the remaining 20% were also experiencing the effects of economic contraction.

Julio A. Millán, president of Consultores Internacionales, issued a call to the private sector "not to panic" for lack of operating capital. He said that deceleration is causing obvious "concern and anxiety," but he advised against "dramatics or alarmism."

Such spokesmen for government economic policy as Adrian Lajous and Carlos Eduardo Represas, president of the Center for Private Sector Economic Studies (CEESP), have told the media that it is "healthy" for inefficient companies to shut down. "There is no better cure for inefficiency," Lajous told the newspaper *Excélsior*, "than elimination of incompetents. There is a human cost in terms of displaced workers and businessmen who don't survive," but this is necessary.

However, CEESP assistant director Raymundo Winekler warned that "the state cannot withdraw assistance to industry and tell the inefficient ones to die, nor can it declare that 'it is unimportant if 30% or 40% of the industrial plant disappears.'" He asserted that "the extreme of the absolute free market is dangerous." This clear warning was in response to another of Aspe's lunacies at the youth forum, where he stated that the government was not planning to resume its role of credit issuance and increasing its indebtedness with the central bank, since this is prohibited by the new bank reprivatization laws.

The effects of this "solid" and "firm" government policy are devastating. New data recently published in the Mexican press reveal that the so-called "deceleration" has endangered 850,000 industrial jobs alone. Productivity of the clothing, footwear, and electronic appliance industries has fallen by 80%. According to a World Bank report, Mexico's GNP per capita is $2,490 a year, one-third that of Barbados and slightly less than Brazil's.

Mexico needs $40 billion over the next two years in foreign reserves, but projections in the growth of the current account deficit show $24.6 billion in 1993, and another $28.8 billion the year after. Thus Salomon Brothers investment bankers say that "Mexico has very probably already begun to use up its international reserves to cover the deficit." Only a $700 million reduction in the country's $18.9 billion reserves is being admitted to thus far, but the panic is growing with rumors that Salinas will have to devalue the peso.