

López Portillo charges international conspiracy against Mexican peso

by Dennis Small, Latin America Editor

On the morning of July 17, Mexican President José López Portillo denounced the existence of an "international conspiracy" to destroy the Mexican economy, and warned: "I will fight like a dog to maintain a stable peso."

Although Mexican officials have publicly denied that the current assault is similar to the massive run on the peso and forced devaluation of August 1976, in private many are far less sanguine. One high-ranking security official confided to *EIR* earlier this week that the 1976 scenario is not only a possibility, "it is happening already, and it's the same damned crowd at it once again."

In 1976, specialists in international flight capital provoked a \$4 to \$6 billion run on the Mexican peso in a period of weeks, and forced President Luis Echeverría to devalue the peso by 50 percent. This led to a deep recession of the Mexican economy and serious damage to the country's political stability, which President López Portillo has painstakingly rebuilt in the intervening five years. As a result, Mexico today is far stronger both economically and politically than it was five years ago, and thus more able to withstand "international conspiracies." But the *strategy* of Mexico's enemies then and now is identical.

The forces seeking to once again throw Mexico into turmoil are centered in Wall Street's financial houses, the Socialist International, and the notorious Trilateral Commission—whose former executive director Zbigniew Brzezinski gained infamy in the Carter years for proclaiming an American policy toward Mexico of "never tolerating another 'Japan' south of the border."

This grouping's goals in the current attempted rerun of 1976 include:

- 1) sabotage Mexico's exemplary industrialization effort, which has resulted in 8 percent annual growth rates in each of the last three years;
- 2) destabilize President López Portillo on the eve of his critical October 1981 selection of his successor, and in this way try to impose a candidate to Wall Street's liking; and
- 3) deprive prodevelopment layers in the U.S. of a \$100 billion export market for capital goods, and thereby

help shut down the heart of American industry as well.

The key weapon in the current anti-Mexican campaign is the declaration of full-scale economic warfare against that country, orchestrated by David Rockefeller and his Trilateral Commission. Over the past month, Mexico has had its oil boycotted by the Exxon Corporation and other Rockefeller-linked oil companies, and suffered a strong assault on the parity of the peso through a calculated rumor campaign which was kicked off in the pages of the *Wall Street Journal* in early July. Since then, the international press has been filled with one story after another purporting to demonstrate that Mexico can only solve its economic ills by cutting back sharply on its ambitious development projects.

It was this "informational terrorism" that was the special object of López Portillo's fury at his July 17 press conference. With a bluntness that disarmed the gathering of foreign journalists, the Mexican president scathingly denounced those who were trying to stampede people into dumping the peso. The Mexican president declared total warfare against these Wall Street forces, and tore into their Mexican errand boys—"those little bank employees who tell their clients to buy dollars." He insisted that the Mexican economy is "growing like never before," and that Wall Street's prescription of austerity was ludicrous and unacceptable.

The Mexican president's call to arms—echoed and endorsed by every editorial in every Mexican newspaper and by the top spokesmen of the country's labor movement—was enough to quiet the exchange markets for the time being, and force a drop in peso sales. But the story is far from over.

López Portillo himself has stated that he will now allow the peso to float downward somewhat more rapidly—some analysts believe a yearly rate of 8 to 10 percent is likely—and he has also not ruled out a modest devaluation at some point in the future. But the Wall Street-Trilateral crowd is not interested in a technical devaluation as such, but in an economic and political *confrontation* with Mexico. They can therefore be expected to renew their anti-peso campaign shortly.

A July 21 *Journal of Commerce* article—the only coverage to date in the U.S. press of López Portillo's important address—said as much: “The pressures on the Mexican peso are real, not imaginary,” wrote Alan Robinson, “and the Mexican economy does not need an international plot to send it down.”

This last week, Wall Street added another weapon to their anti-Mexican arsenal: the deliberate political destabilization of the country through the activation of radical Church networks. This strategy was delineated in detail in a July 21 *Wall Street Journal* article, which argued that a repeat of the 1920s bloody showdown between the Catholic Church and the fledgling Mexican republic—known as the Cristero Rebellion—could easily be repeated. The resulting “civil war between the Church and the state,” *Journal* scribbler George Getschow noted merrily, “could threaten the political and economic stability of Mexico.”

The particular area of the country that has been targeted for trouble this time, is the oil-rich southern state of Chiapas, which borders on volatile Guatemala and which has an inordinate concentration of Jesuits and other troublemakers.

In this context, Mexican security officials will be closely watching the upcoming trip to Mexico of Father Theodore Hesburgh of Notre Dame University, who is on the Board of Directors of the Rockefeller Foundation. *EIR* has learned that Hesburgh's closest collaborators were responsible for planting the call for another Cristero Rebellion in the *Wall Street Journal* (see below), and are also actively working with Theology of Liberation priests in Mexico's south.

The interest-rate question

In his press conference, López Portillo indicated a two-level response to the “international conspiracy” against Mexico. The first, as mentioned above, was to mobilize the nation on the straightforward basis of patriotism, asking citizens to come to the defense of Mexico's currency and institutions. The second was to recognize that the full solution to Mexico's problems lies not inside Mexico, but in the international arena.

The Mexican president noted in his remarks that the economic difficulties Mexico is facing are shared by most nations in the world, and that this is due to the “scissors” effect created by the combination of reduced prices for raw materials (such as Mexico's oil) and stratospheric interest rates on the U.S. dollar. López Portillo therefore called on the recently concluded Ottawa summit to force the U.S. to lower interest rates.

After Ottawa, Mexico plans to make these issues the central topic of discussion at the October 1981 North-South meeting in Cancún, Mexico. But Wall Street is counting on having brought the his knees before that time.

How currency warfare worked in 1976

On Aug. 31, 1976, four months before the inauguration of President José López Portillo and on the eve of then-President Luis Echeverría's sixth and last State of the Union message, Mexico was forced to devalue its currency—the peso—by 50 percent. It was the first devaluation in 22 years!

The devaluation was the result of a coordinated destabilization against the Mexican nation, kicked off in March 1976, when Wall Street and Trilateral Commission press outlets started to systematically call for devaluation with lengthy rumor-mongering and scare articles. The leading publications in that campaign were *Money Manager*, *Barron's*, and the *Wall Street Journal*, which even suggested that the “best time” to “effect the mechanisms of devaluation” would be September.

Politically, the calls for devaluation were accompanied by a tourist boycott of Mexico, organized by Rockefeller protégé Jacob Javits and the Zionist lobby, coordinated with ex-President Miguel Alemán, the head of Mexico's Tourism Council, who has notorious links to international Zionism.

While the Zionists attacked Mexico for “anti-Semitism,” U.S. Rep. Larry McDonald sponsored full-page ads in the major U.S. press warning of Mexico's “slide toward communism.”

This classical “right-left” operation was designed to foster a lack of confidence in Mexico, and to provoke massive capital flight from the country.

Within days of the devaluation, rumors abounded that Mexican bank accounts would be frozen by the government, triggering a national banking panic. Thousands of people besieged banks throughout the country attempting to withdraw their deposits. Other rumors—that the government planned to nationalize the banks, or that a military coup was in the works—also spread like wildfire during the second week of September. Things got so bad that, on Sept. 16, in an unprecedented statement in Mexican politics, the chief of staff of the armed forces, General Gutiérrez Castañeda, was forced to announce that “the doors of the military are closed . . . to any fascist coup.”

The Echeverría government at the time denounced the rumors as a “form of terrorism” fostered by “small groups” which pay others to spread rumors to “disorient people.”

'I sense a conspiracy'

The following are excerpts from Mexican President José López Portillo's remarks to foreign journalists in Mexico City, delivered on July 17.

On the attack against the peso

I would like to underline the fact that frequently certain interests—that I would call petty—manipulate news items, they transmit them, and they fall on a naive audience or on a malicious one that propitiates and enlarges them. . . . Every day, some cable or other from some foreign bank arrives, talking about the peso and its status. And this encourages the little bank employee, who confidentially calls up the lady who is his client, and tells her: "Madame, I want to give you a tip—buy dollars, because of this, that, and the other." And in that way an internal climate is created which is the cause of the serious tensions. . . .

I sense that there is a conspiracy—and I am not suffering from a persecution complex—because I see it in the informational terrorism against our poor peso. Both inside and outside Mexico, many people are committed to a sudden devaluation. . . .

I will fight like a dog to maintain a stable peso, I will fight with all my strength, because I don't want to reward the speculators. . . . I don't want to reward the least positive—I should actually say the most negative—elements of our society, because this would harm a lot of good people, who have shown solidarity with our nation. . . . I don't want to reward the arrogance of the fatalistic technicians who have issued pronouncements against the peso. . . .

At exactly the moment that our economy has strong vital signs—we are growing like never before, we have more work than ever before—that we have, for speculative reasons, been hit with this blockade, this foreign or domestic siege, against our peso. . . .

Every morning some cable from some foreign bank arrives saying they are limiting their purchases of pesos, because a devaluation in Mexico is imminent. Well no, it is not imminent. And here inside [we have] those little bank employees who tell their clients to buy dollars. . . .

I have had enough of weak nations like ours being victimized by foreign manipulation by the money markets, of having our future determined by an alien and

hostile market. . . . Our future is our peso, and so we will fight against this because it is an unjust order.

I have a special interest that in the very heart of the powerful nations [the Ottawa summit—ed.] one of the most conflictive problems be posed . . . [a problem] that is affecting the world very negatively: the problem of the high interest rates on the dollar. . . . The artificially high interest rates are forcing the countries of the world into very severe monetary and financial problems that we cannot resolve. . . . We must emphasize the ruin being caused in every country, by the deformation of having its capital sucked out artificially. . . .

If we add to this the fact that raw materials prices are dropping . . . this has created a scissors in a way that is unprecedented in recent times. . . . These are the problems that we cannot solve inside Mexico and that we must solve outside, or at least pose outside, and that is what we want to do at the North-South meeting.

On mobilizing the nation

Mexico is we Mexicans, and Mexico will be what we Mexicans want it to be. . . . We who are here, who have our families here, whose destiny is here and who will stay here, are the ones who will make this nation great or small. It depends on our will, and it depends on our solidarity. . . .

Pay no attention to the rumorologists. . . . What can I say to you? Ally with your nation, gentlemen. I am not asking you to fight against your own interests.

'I back a strong defense'

Lyndon H. LaRouche, Jr., *EIR* founder and a leading figure in the Democratic Party, late on July 17 expressed his public support for President López Portillo's defense of the peso earlier that day. According to a spokesman for the noted economist and politician, "Mr. LaRouche expressed his sympathy and agreement with the remarks and analysis made by President López Portillo, and commended his mobilization of the Mexican nation to defend itself against the thuggery by international financial powers who would impose the depressionary policies of Nazi Finance Minister Hjalmar Schacht on the world, in the name of fighting inflation.

"Mr. LaRouche also takes this occasion," the spokesman concluded, "to inform his friends in Mexico that he, as one leading political figure in the United States, will continue to denounce as unconscionable, the virtual warfare against Mexico that is being mobilized by the evil Father Theodore Hesburgh of Notre Dame University, and the fanatical genocidalist George Ball."

Two case studies in press 'terrorism'

More than one U.S. businessman may have had the feeling in recent months that information he is supplied by the *Wall Street Journal* and the *Journal of Commerce* is more designed to sever U.S. business opportunities with Mexico than foster such opportunities. His presentiment is absolutely correct and constitutes one of the great scandals of the financial press.

The sabotage efforts of the two papers, responding to leading factions of Anglo-American finance based in lower Manhattan, could not have been more obvious over the past two weeks. While the *Wall Street Journal* ran front-page articles designed to sink the Mexican peso and boost Church-state strife, the *Journal of Commerce* ridiculed López Portillo's efforts to protect America's fastest growing export market—the Mexican economy—from being ravaged by economic warfare. It is such attitudes that López Portillo recently characterized as "informational terrorism."

The *Journal of Commerce* has played a particularly marked role for the past six months. Among the daily's key behind-the-scenes string-pullers, our sources report, are Vrimmer de Vries of Morgan Guaranty, Robert Roosa, and the "Group of 30." The Group of 30 is an IMF think tank founded by former IMF Director Johannes Witteveen. Its current chairman is Geoffrey Bell of Schroeders Bank and its executive director is Robert Pringle, the former editor of *The London Banker*.

Highlights of the *Journal of Commerce's* Mexico coverage:

Jan. 7, 1981: In extended editorial commentary on the Jan. 5 López Portillo-Reagan summit, the *Journal* bitterly attacks Mexico's leading political institution, the PRI party, as a "cozy arrangement between the government and the privileged." The paper gives its full support to a *Foreign Policy* magazine article by a London-based couple, Michael and Nanneke Redclift. The Redclift article appeals for a reduction in Mexico-U.S. economic cooperation and the devolution of the Mexican economy back to labor-intensive forms of production. "Mexico should increase controls on foreign investment, limit oil sales further, and make a serious effort to diversify manufactured exports," quotes the *Journal* approvingly from the Redclift study.

April 24, 1981: *Journal of Commerce* Mexico cor-

respondent Alan Robinson, formerly of the *London Times*, promotes Wharton School propaganda that "growth must be slowed and the overheated engine cooled down." Robinson's forte is not subtlety: "The Wharton Econometric Forecasting Associates, whose warnings that the Mexican economy was overheating have been largely borne out by events, now says that if something is not done soon to correct the nation's economic course, the 1976 recession and monetary crisis could be repeated."

July 7, 1981: "Is Mexico's Oil-Fueled Boom Over?" heralds a Robinson special. "A spiraling inflation that may exceed 30 percent this year, lost revenues from canceled or suspended contracts . . . and a sharply overvalued peso are sending shock waves through the foreign financial community."

July 8, 1981: Robinson devotes a major column to charges that Mexico's oil company had broken government policy by putting up Mexican oil for sale on the Rotterdam spot market. Robinson does not inform his readers that the information comes verbatim from a column by Mexico's noisiest and most discredited critic of oil development, Heberto Castillo, in the pages of the left-Jesuit scandal magazine *Proceso*—and were entirely baseless. Robinson gives the game away with his own editorial interpolation: "It remains a mystery how anyone could take the oil agency [Pemex] as the means to bring the nation out of economic crisis."

There are indications that there is more to this media story than meets the eye.

On June 16, Mexican journalist José Carreño Carlán wrote an article charging that in early 1973, the Rand Corporation asked a group of experts from MIT to develop a program for using the media to destabilize governments that are "potentially hostile" to the U.S. In February of that year, the MIT experts reportedly charged the well-known advertising agency, J. Walter Thompson, with implementing its set of recommendations and, according to Carreño, this was done in Allende's Chile through the newspaper *El Mercurio*.

The "success" of the psychological warfare campaign in that country was subsequently transplanted to Jamaica and its *Daily Gleaner* in the late 1970s. It is now reportedly slated for application against Mexico.