

A Mexican 'Miracle'

...And messing with Medicaid

by Gus Tyler

The front-page headline proudly proclaims: "Mexico Pays Off U.S. Loan Three Years Ahead of Schedule." Mexico is happy. It will no longer have to put up its oil income as collateral to America. President Clinton is happy because a risky loan has been paid off. All is well on both sides of the border. However, it's a myth. Now for a few facts.

How was Mexico able to repay an outstanding loan of \$12.5 billion? It did so by going into debt, by selling bonds to investors in America, Europe and Asia. These bonds, to quote the *New York Times*, carry relatively high interest rates, some 3.25% more than U.S. Treasury securities. Investors believe that Mexico will be able to service this newly acquired debt because it has a substantial new income from America. Last year, we ran an \$18 billion trade deficit with Mexico.

This trade deficit was not mentioned by Mr. Clinton in the celebration of Mexico's loan repayment, although he did boast of our rising exports to Mexico — another myth. A huge

chunk of such "exports" consists of component parts exported from America to Mexico to be assembled and then returned for sale here. Also included is equipment shipped by American corporations to Mexico when they close plants here to open plants there.

How has Mexico managed to sell us more than we sell them? By cutting wages. When the peso was devalued by half, Mexican workers had their pay (in dollars) cut in half. "The cost was very high for Mexican workers who lost their jobs during the austerity imposed as a condition of the loans," reports the *Times*.

American workers also suffered. The rule of thumb is that a trade deficit of \$30,000 means the loss of one job. By that reckoning, the American trade deficit with Mexico means the loss of 600,000 jobs.

Guillermo Ortiz, Mexico's finance minister, does admit that laying off the debt to the United States "took a toll in terms of economic welfare" in Mexico. And Treasury Secretary Rubin notes that "this experience has been enormously painful for the Mexican people." Neither mentions the cost to American workers.

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