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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
1. memo	E. M. Truman memo re Mexican financial situation (3pp.) <i>Sanitized 4/22/96 KBH</i>	11/4/76	C(A) B
2. memo	copy of item 1 (3 pp.)	11/4/76	C(A)
3. memo	Henry Wallich to Burns re Mexican swap drawings (3 pp.) <i>opened 4/22/96 KBH</i>	11/5/76	C(A)
	4. memo case, Truman to Burns, 11/13/76		
4a. telegram	American Embassy Mexico to Sec. of State, Mexico 14384 (3 pp.) DECLASSIFIED 7/25/07 dal <i>opened 4/22/96 KBH</i>	11/11/76	A
5. memo	Edwin Truman to Burns re Mexican swap drawings (1p.)	11/15/76	C(A)
	6. memo case, Truman to Burns, 11/16/76		
6a. telegram	American Embassy Mexico to Sec. of State Mexico 14461, re Mexican economic situation(3pp.) DECLASSIFIED 7/25/07 dal	11/13/76	A
	7. memo case, Truman to Burns, 11/17/76		
7a. telegram	American Embassy Mexico to Sec. of State, Mexico 14518, re Mexican economic situation (2 pp.) DECLASSIFIED 7/25/07 dal	11/15/76	A
	8. memo case, Truman to Burns, 11/18/76		
8a. telegram	American Embassy Mexico to Sec. of State, Mexico 14564 re Mexican economic Situation (3 pp.) DECLASSIFIED 7/25/07 dal	11/17/76	A
	9. memo case, Truman to Burns, 11/19/76		
9a. telegram	American Embassy Mexico to Sec. of State, Mexico 14623, re Mexican economic situation(3pp.) DECLASSIFIED 7/25/07 dal	11/17/76	A
	10. memo case, Truman to Burns, 11/22/76		
10a. telegram	American Embassy Mexico to Sec. of State, Mexico 14674, re Mexican economic situation (2pp.) DECLASSIFIED 7/25/07 dal	11/18/76	A
10b. telegram	American Consul Hermosillo to Sec. of State, Hermosillo 0333, re land problem in Sonora (6pp.) DECLASSIFIED et.lev 2/22/08	11/19/76	A
FILE LOCATION Arthur Burns Papers Federal Reserve Board Subject File, Box B80 Mexico, Nov. 4-30, 1976			SR 8/14/84

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10c. telegram	American Embassy Mexico to Sec. of State, Mexico 14674, re Mexican economic situation (2 pp.)	11/19/76	A
10d. telegram	American Embassy Mexico to Sec. of State, Mexico 14705, re Mexican economic situation (2 pp.) DECLASSIFIED 2/12/15	11/19/76	A
10e. telegram	American Embassy Mexico to Sec. of State, Mexico 14754, re Mexican economic situation (2 pp.) DECLASSIFIED 2/12/15	11/20/76	A
11. telegram	American Embassy Mexico, to Sec. of State, Mexico 14819, re Mexican economic situation (2 pp.) DECLASSIFIED 2/12/15	11/22/76	A
12a. biography	Julio Rodolfo Moctezuma Cid, Secretary of Finance and Public Credit, Mexico (1 p.)	12/1/76	A
12b. biography	Gustavo Romero Kolbeck, Director General, Bank of Mexico (2 pp.)	12/1/76	A
12c. biography	Jorge Diaz Serrano, Director General, Petroleos Mexicanos (1 p.)	12/1/76	A
13. memo case, Truman to Burns, 11/29/76			
13a. telegram	American Embassy Mexico to Sec. of State, Mexico 14904, re Mexican economic situation (2 pp.) DECLASSIFIED 2/12/15	11/24/76	A
13b. telegram	American Embassy Mexico to Sec. of State, Mexico 14956, re Mexican economic situation (2 pp.) DECLASSIFIED 2/12/15	11/24/76	A
13c. telegram	American Embassy Mexico to Sec. of State, Mexico 15016, re Mexican economic situation (2 pp.) DECLASSIFIED 2/12/15	11/26/76	A

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FILE LOCATION
Arthur Burns Papers
Federal Reserve Board Subject File, Box B80
Mexico, Nov. 4-30, 1976

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Y. Maroni
November 4, 1976

Summary of Recent Information on the
Mexican Economic Situation

We have no statistical information on the Mexican economy for the period after the abandonment of the 12.50 peso-per-dollar exchange rate on September 1, except for the price indices for September. In September, the national consumer price index was 3.4 percent higher than in August, and 14.7 percent higher than a year earlier. The wholesale price index for Mexico City was 5.9 percent higher than in August, and 12.2 percent higher than a year earlier.

The measures taken immediately after the introduction of floating on September 1 appear to have had mixed consequences. The 23 percent wage increase came on top of increases already granted during the year through collective bargaining, resulting in an increase in wages for the year averaging around 30-35 percent. The introduction of export taxes and the abolition of the tax rebates for exporters have further raised costs for exporting firms. For those relying on imported components, the increased peso cost of imports represents an additional burden, only partly alleviated by the reduction of import duties. Under these circumstances, several American companies operating in Mexico have told the U.S. Embassy that their export competitiveness has been impaired by the devaluation and accompanying measures.

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It would appear that this condition became sufficiently widespread to prompt the authorities to reduce the new export taxes effective on October 26 and to reintroduce selectively the system of tax rebates for some exporters. But the second devaluation, on October 28, dealt a new blow to firms with obligations denominated in foreign currencies. A few American firms have told the American Embassy that they were contemplating liquidating their inventories and reducing their operations to a minimum.

The Mexican stabilization program agreed to in conjunction with the IMF Extended Fund Facility arrangement is not due to become operative until January 1. No commitments were made by the Mexican authorities regarding the remaining months of 1976. However, there are some indications that revisions in certain program targets may have to be negotiated even before the program starts, as a result of the deterioration which has occurred since the program was formulated in August-September. This appears to be especially true of the public sector target. The Government employees' wage increase (totaling at least 23 percent) and other cost increases, together with lower income tax collections from firms hard hit by the devaluation and the accompanying measures, appear to have widened the public sector deficit for 1976, making it that much harder to reach the 1977 target for the public sector deficit to 6 percent of GDP.

The authorities did announce steps to hold down public spending at the end of September, but their impact for the remainder

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of 1976 is expected to be limited. Their principal significance arises from the fact that they represent a signal for the future.

It is encouraging that the second devaluation, on October 28, was not followed by demands for new wage increases. The fact that business has been adversely affected by the various steps taken since September 1 and that, as a result, something of an economic slowdown has apparently been triggered, may have influenced the labor leaders to take a more restrained attitude than after the first devaluation on September 1. However, another wage increase may occur on January 1 when the minimum wage is due to be reviewed.

The dominant characteristic of the current Mexican situation is that the general public has lost confidence in the Government's pronouncements and in its ability to handle the economy's problems. The Echeverria administration has less than a month to go and is becoming increasingly powerless to act. Meanwhile, the Lopez Portillo administration is not yet in office and the President-elect is not in a position to make public statements about his intentions. As a result, there is not only a power vacuum but also a lack of information concerning what the new administration will do. The Mexican program agreed to in conjunction with the Extended Fund Facility arrangement is not widely known, and ignorance fuels lack of confidence.

On the external side, there is a wide divergence of opinion as to the size of the current account deficit in the current year. The Mexican authorities continue to speak of a deficit not exceeding

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-4-

\$3 billion, while the IMF staff is projecting it at \$4.3 billion. Actually, the two estimates are not comparable because of differences in accounting for certain transactions. But the gap between the two is considerably larger than in 1975, when the official Mexican compilation put the deficit at \$3.6 billion while the IMF staff's was \$4.1 billion. I have discussed the IMF estimate for 1976 with the IMF staff and found that they assumed that the devaluation would have a negligible effect on the balance of payments in the last four months of 1976. Their estimate of Mexican imports is about 10 percent higher than the 1975 level, but this seems high considering that, in the first seven months of the year, imports were about at the same level as in the same period of 1975. My own guess is that the 1976 deficit on current account (on the IMF basis) will be around \$3.7 billion.

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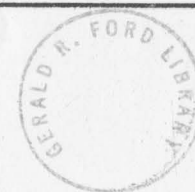


MEXICO: ECONOMIC INDICATORS
(NOT SEASONALLY ADJUSTED) *C.9a*

November 4, 1976

	1973	1974	1975	1975 Q2	1975 Q3	1975 Q4	1976 Q1	1976 Q2	1976 Q3	1976 MAR	1976 APR	1976 MAY	1976 JUNE	1976 JULY	1976 AUG	1976 SEP
1960 PRICES																
REAL GDP(\$BIL.P)	354.1	375.0	390.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
IP (1973=100)	100.0	107.3	112.3	115.7	112.8	113.8	116.3	116.6	N.A.	123.3	113.6	118.8	117.4	N.A.	N.A.	N.A.
UNEMPLOYMENT	NOT AVAILABLE															
WPI (73=100)	100.0	122.5	135.4	133.6	138.0	141.2	149.1	153.9	162.4	151.2	151.9	154.2	155.6	159.5	159.0	168.8
CPI (73=100)	100.0	123.7	142.3	140.3	144.8	147.8	154.2	158.2	163.2	156.2	157.2	158.3	159.0	160.3	161.9	167.4
M1* (Seas. adj.)	24.1	8.3	22.3	6.7	2.9	5.8	3.8	4.8	N.A.	1.0	1.7	3.1	-0.4	3.1	N.A.	N.A.
EXPORTS (\$BIL)	2.1	2.8	2.9	0.8	0.7	0.8	0.8	0.9	N.A.	0.3	0.3	0.3	0.3	0.2	N.A.	N.A.
IMPORTS (\$BIL)	3.8	6.1	6.6	1.7	1.6	1.9	1.4	1.7	N.A.	0.5	0.5	0.5	0.6	0.6	N.A.	N.A.
TRADE BAL (\$BIL)	-1.8	-3.2	-3.7	-0.9	-0.9	-1.1	-0.7	-0.8	N.A.	-0.2	-0.2	-0.2	-0.3	-0.3	N.A.	N.A.
BALANCE OF GOODS & SERVICES(\$BIL)	-1.3	-2.6	-3.6	-0.9	-0.9	-1.1	-0.6	-0.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

* Percentage change from previous period.



C.9b

FINANCIAL INDICATORS -- MEXICO

(dollar amounts in millions)

1975

1976

	1975				1976				Week ended					
	YEAR	QI	QII	QIII	AUG	SEPT	OCT	NOV 1-3	SEPT 29	OCT 6	OCT 13	OCT 20	OCT 27	NOV 3
EXCHANGE RATE (CENTS PER PESO, END OF PERIOD)	8.00	8.00	8.00	8.00	8.00	5.03	3.90	3.92	5.03	5.03	5.04	5.03	3.77	3.92
SDR VALUE OF PESO	.06842	.06924	.06985	.04364	.06957	.04364	.03398	.03398	.04364	.04351	.04367	.04363	.03398	.03398
SHORT TERM INTEREST RATE (E.O.P.)	12.94	13.11	13.11	13.11	14.00	14.36	14.36	14.36	14.36	14.36	14.36	14.36	14.36	14.36
LONG TERM INTEREST RATE (E.O.P.)	No appropriate long-term rate available													
RESERVES (IFS, E.O.P.)	1,533	1,501		897 ^P	1,159									
AVAILABLE IMF CREDIT TRANCHES (E.O.P.)	433	620	615	621 ^P	618	621 ^P	621 ^{P*}	621 ^P						
INTERVENTION, PURCHASES (+) OR SALES (-) OF DOLLARS (OF OTHER CURRENCIES; EQUIVALENT)									-131	-189	-156	-241	-288	-122
SWAP ACTIVITY DRAWINGS (+), REPAYMENTS (-)	360 -360	--	360	--	--	--	--	--	--	--	--	--	--	--
SWAP LINE -- 360														

* With additional credits negotiated from the Compensatory and Extended Fund facilities, Mexico overall access to IMF credit could rise over time to \$960 million.

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November 4, 1976

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BALANCE OF GOODS & SERVICES(\$BIL)	-1.3	-2.6	-3.6	-0.9	-0.9	-1.1	-0.6	-0.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

* Percentage change from previous period.



C.9b

FINANCIAL INDICATORS -- MEXICO

(dollar amounts in millions)	1975				1976					Week ended					
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SWAP ACTIVITY DRAWINGS (+), REPAYMENTS (-)	360 -360	--	360	--	--	--	--	--	--	--	--	--	--	--	
SWAP LINE -- 360															

* With additional credits negotiated from the Compensatory and Extended Fund facilities, Mexico overall access to IMF credit could rise over time to \$960 million.



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E.M. Truman
November 4, 1976

Summary of Recent Information on the Mexican Financial Situation

1. The information that we have recently received on the Mexican financial situation suggest three reasons why a drawing on the Federal Reserve swap line should not be made available to Mexico.

A. The Mexican authorities are projecting a \$204 million net inflow during November and December, suggesting no immediate need.

B. The Mexican authorities have not identified any large financing needs, e.g., debt repayments, that they are concerned about meeting.

C. No takeout is available. (In this connection one might note the precedent that the System might be setting in permitting a drawing by Mexico, e.g., with respect to requests for swap drawings from the Italians. On the other hand, Mexico does have an agreed program with the IMF and has in prospect a change in government that should increase confidence in the peso by early 1977.)

2. Two arguments might, nevertheless, be advanced for responding favorably to the Mexican inquiry.

A. The threat to the banking system if, contrary to the information we have received, Mexico cannot handle its debt repayments would be serious.

B. The Bank of Mexico may need resources to make a creditable showing in exchange markets.

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With PORTIONS EXEMPTED
E.O. 12958 Sec. 1.5 (-)
Federal Reserve Restrictions - FOIA (b)(7)(D)

MR 95-1, #17 Fed. Res. ltr. 2/13/96

By KBH, NARA, Date 4/19/96

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Supplementary Points

1. The estimates provided by the Mexican authorities on their debts coming due in November and December are in fact only estimates. They are derived from projections of the balance of payments for the year 1976 combined with information on what has already occurred. In other words, they are derived as a residual.

2. These estimates are based, in turn, on two crucial assumptions.

A. The Mexican authorities will be able to roll over \$600 million in short-term public-sector external debt over the next two months.

B. There will be no additional capital flight.

3. In the latter connection, it is disturbing to note the estimate that during 1976 there has been an increase of \$700 million in dollar-denominated liabilities of the Bank of Mexico to the commercial banks and an increase of \$1,380 million in dollar-denominated liabilities of the Bank of Mexico to public enterprises. The first figure represents a substantial potential claim on Mexican international reserves in the short run.

4. During September and October, Mexican international reserves (excluding gold) declined by Over the same period, "recorded" net intervention sales of dollars were (During this period Mexico apparently sold about of its gold holdings, amounting to net sales of about at \$42.22 per ounce or at an average price of \$115 per ounce.) The table below summarizes these figures in millions of U.S. dollars.



<u>Date</u>	<u>Total Reserves*</u>	<u>Total Reserves Excluding Gold</u>	<u>Change in Non-Gold Reserves**</u>	<u>Recorded Intervention**</u>
Aug. 31
Sept. 30
Oct. 29

* Gold is apparently valued at 90 per cent of the average U.S. dollar market price for the preceding three months or of the recent date, whichever is less.

** Change from the previous date.

5. We have received information indicating that as of June 30, 1976, Mexico's external debt was \$23.6 billion. (Of this amount \$17 billion was debt of the public sector and \$6.6 billion was debt of the private sector, \$5.9 billion was short term and \$17.7 billion was long term.) These figures are in broad agreement with previous staff estimates. Mexico's external debt is estimated to rise to \$25.9 billion by the end of 1976, with all of the rise in the public sector. The Mexicans apparently believe that U.S. banks hold about 70 per cent of their external debt. This figure would imply U.S. bank claims on Mexico on June 30, 1976, of about \$16.5 billion. Recorded U.S. bank claims on that date were \$11.6 billion including an estimated \$0.7 billion in claims by agencies and branches of foreign banks and maybe \$1 billion in externally guaranteed claims. The only major omission from data on U.S. bank claims on Mexico would be claims by subsidiaries of U.S. banks. Such claims are unlikely to amount to more than \$1 billion.



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NR 95-1, #18
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 5, 1976

To Chairman Burns

Subject: Mexican Swap

From Henry C. Wallich

I have promised Fernandez-Hurtado to call him today, Friday, November 5. It is my impression that he would rather be told "no" than to be kept waiting, because he must make immediate decisions about his rate.

I spoke to Yeo, who is holding \$150 million available without requiring prior drawing upon the Federal Reserve, and I have informed Fernandez-Hurtado of that fact. It is surprising that he should have been under the misapprehension that prior drawing on the Federal Reserve was required since Yeo is in daily contact with him.

The information we have from Mexico does not indicate that they have unmanageable maturities before them, unless there are difficulties with rollovers. Thus there seems to be no clear and immediate threat to our banking system. There obviously is in the background a latent and very serious threat. In view of that contingency, I suggest the following approach:

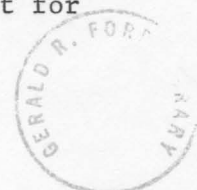
- (1) Allow the Mexicans to draw on the Federal Reserve pari passu with the Treasury up to \$150 million.
- (2) The total to be made available should be paid out in small amounts, say, \$25 or \$50 million at a time, providing an occasion to talk to the Mexicans each time to restrain their intervention.



(3) Because there is no take-out, the Mexicans should maintain the dollar value of the pesos they give us by increasing the amount of pesos if the peso declines. This provision has a precedent in the maintenance-of-value clause of the IMF. It could be implemented in an approximate fashion, by rewriting the swap every week or every month at the then prevailing exchange rate if that rate had declined. We would then have full collateral for our loan. While it is unlikely that we would ever try to collect our loan by selling the pesos in the market, and while the Bank of Mexico could prevent us from doing so by blocking the peso account, nevertheless our position in negotiations with the Bank of Mexico, and perhaps also in the eyes of possible critics of the operation, would clearly be stronger.

Scott Pardee has major misgivings about this approach. He argues that it would set a precedent for all other swaps and could also be applied to U.S. drawings under these other swaps. I see no necessary precedent or parallel, particularly since existing swaps contain some asymmetries, for instance, with regard to loss sharing. Also, we do not ordinarily offer a specific take-out in our own drawings.

(4) We might examine with Fernandez-Hurtado whether a swap of the sort which the Treasury holds available for a second \$150 million would help Fernandez-Hurtado. This second \$150 million that the Treasury could supply would be kept by the Treasury as collateral, so that the Mexicans do not effectively receive any funds and the Treasury runs no risk. My impression is that the Mexicans can use this deposit for



inclusion in their required minimum reserves, allowing them to draw down their own reserve funds by an equal amount. Fernandez-Hurtado told me that he was concerned about violating his required reserve limit. Conceivably an arrangement of this sort with the Federal Reserve, also to be used only pari passu with the Treasury, could help him.

Fernandez-Hurtado told me that he was trying to manage a trend in the rate with minimal use of resources. If he did not succeed, he would have to go out of the market in a few days. Yeo said that yesterday, Thursday, Fernandez-Hurtado made "a big push," presumably to set the rate on an upward trend, and failed. Yeo would be in accord with a policy of doling out funds piecemeal and, in general, going pari passu with the Federal Reserve.



CHAIRMAN BURNS

For Information Only

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 11, 1976

To Board of Governors

Subject: _____

From John E. Reynolds

The attached note by Mr. Maroni describes the limited data on recent lending rates in Mexico that are currently available.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date November 11, 1976

To Mr. Reynolds

Subject: Mexican Interest Rates

From Yves Maroni 1/17

The Mexican rate of interest shown in the data that we regularly distribute to the Board is the rate on six-month certificates of deposits with a denomination of 1 million pesos or more, before deducting the Mexican withholding tax. This rate is set by the Mexican authorities, as are all other deposit rates, and changes infrequently. It was last increased in August 1976, from 13.11 to 14.36 per cent, the former level had been in effect since January 1976.

As regards interest rates charged by financial institutions, very little up-to-date information is available from official sources, and what is available from such sources is of limited usefulness. The National Banking Commission of Mexico publishes with a considerable lag averages of interest rates charged by selected banks in the Federal District (Mexico City) on different types of loans. Its March bulletin, the latest one available, shows that, in March, loan rates ranged from 10.63 per cent for mortgage loans to 14.11 per cent for discounts of commercial paper. The IMF staff does not keep statistics on loan rates in Mexico.

Morgan Guaranty Trust Company publishes in its "World Financial Markets" monthly review a table showing commercial bank lending rates to prime borrowers in major countries. The October issue shows the Mexican prime rate at 14.50 per cent at the end of September, unchanged from the end of 1975. This is not consistent with the data cited in the previous paragraph. I suspect that the averages reported by the National Banking Commission include loans made at preferential rates for specific purposes under special programs fostered by the authorities, for example loans to finance exports. But I have not been able to confirm this.

I spoke by telephone with a staff member at Morgan Guaranty who explained that the rate quoted in "World Financial Markets" is obtained from a Mexican commercial bank. He said that this is the maximum rate allowed by the Mexican authorities, but that the banks add some under-the-counter fees and also commonly require compensating balances. He said that even the best customers must maintain compensating balances, that such balances ranged from 10 to 15 per cent before the September devaluation, but that, more recently, compensating balances as high as 40 per cent had been reported to him.



I also spoke by telephone with Mr. Trigueros, an officer in the New York office of the Banco Nacional de Mexico (Mexico's largest commercial bank). He did not have current information about lending rates at banks in Mexico but said that, some three months ago, the prime rate for business loans of up to 11 months was 13.75 per cent. He said that this was a minimum rate set by the Government and that banks were free to charge more for more risky loans. He estimated that, depending on the borrower, rates went as high as about 17 per cent. He added that, on top of this, borrowers had to pay a front-end fee which ranged from zero for the most creditworthy customers to 1 3/4 per cent. He observed that the practice of requiring compensating balances was rarely used in the past, but was beginning to spread. However, he believed that the best customers were generally not affected by this.

Mr. Trigueros offered to get more up-to-date information from Mexico and to make it available to me. I thanked him and said that I would call him again next week to find out whether he had obtained anything more.

There are apparent inconsistencies in the information obtained from the three sources reported here. I hope to be able to clarify these matters through further inquiries.



November 15, 1976

MEMORANDUM FOR CHAIRMAN BURNS

FROM: Ted Truman

ETM

The Mexicans have asked the New York Fed what conditions they must satisfy in order to draw the second \$75 million under last week's agreement for \$150 million in drawings each on the Federal Reserve and the Treasury.

Governor Wallich said it was understood that they must have signed the \$800 million private bank loan. (This is expected today or tomorrow.) He would like to go along with whatever Treasury does.

The Treasury staff is now checking with either Mr. Yeo or Mr. Cross to find out what their thoughts are.

Can you give me or Governor Wallich some guidance on this question?



4a

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

November 13, 1976

TO: Chairman Burns

FROM: Ted Truman

EMT

Attached for your information is a recent cable on Mexico.

Attachment: Mexico 14384

2:00





Department of State

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PAGE 01

MEXICO 14384 120043Z

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ACTION SS-14

INFO OCT-01 ISD-00 ARA-06 EB-03 SP-02 INSE-00 NSC-05

NSCE-00 FRB-01 ONY-00 SSO-00 1932 W

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O 112359Z NOV 76 ZFF-4

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 8564

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del 7/25/07

F.O. 11652: GDS

TAGS: EFIN

SURJ: MEXICAN ECONOMIC SITREP

REF: STATE 277224

Please return to
International Information Center

1. EXCHANGE RATES. BANCO DE MEXICO CONTINUES TO COAX VALUE OF PESO UPWARD SLOWLY. OPERATING AT UPPER END OF BANK OF MEXICO SPREAD, COMMERCIAL BANKS OPENED 11 NOV. AT 24.39 PESOS PER DOLLAR TO BUY VS 2453. PESOS PER DOLLAR TO SELL. ON 10 NOV. HAD OPENED AT 24.31 VS. 2455 BUT CLOSED AT 24.20 VS. 24.45. ON 9 NOV PESO HAD BEEN QUOTED AT 24.55 VS. 24.70. AFTER SECOND DEVALUATION BENCHMARK VALUE HAD BEEN 20.00 PESOS TO BUY VS. 26.50 TO SELL ON 28 OCT. EMBASSY NOT CERTAIN HOW MUCH CENTRAL BANK INTERVENING IN MARKET BUT WE RELIEVE IT TRYING TO STAGE MANAGE VALUE OF PESO UPWARD IN ORDER TO CREATE PSYCHOLOGICAL IMPRESSION OF CONFIDENCE AND STIMULATE RAPID REFLOWS OF FLIGHT CAPITAL. WE RELIEVE THAT THIS IS NOT YET OCCURRING.

2. STATEMENTS OF INTEREST GROUPS. THE PRESIDENT OF THE CHAMBER OF COMMERCE IN MEXICO CITY PROMISED 10 NOV THAT COMMERCIAL ORGANIZATIONS OF MEXICO CITY WILL KEEP THEIR PRICES FIXED UNTIL

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Department of State

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PAGE 02

MEXICO 14384 1200432

END OF YEAR. IN THIS WAY HE INDICATED THE PURCHASING POWER OF THE WORKERS WILL BE MAINTAINED AND HE HOPED AT THE SAME TIME SALES WILL RECOVER. HE ALSO EXPLAINED THAT THIS ACTION WILL SACRIFICE PROFITS AND THAT QUOTE ONE COULD HOPE THAT THERE WILL BE NO NEW REQUESTS FOR WAGE HIKES, AND THUS AN ENDLESS INFLATIONARY SPIRAL WHICH MOREOVER WOULD CAUSE UNEMPLOYMENT AND REDUCTIONS IN PRODUCTION UNQUOTE.

3. GOVERNMENT FINANCE. RECENT INFORMATION ON 800 MILLION DOLLAR S1 BANK CONSORTIUM LOAN IS THAT LOANS IS TO BE SIGNED NOV. 16 AND THAT ONLY 200 OF MILLION OF IT CAN BE DRAWN BEFORE 1 DEC REMAINDER EXPECTED TO BE DRAWN DOWN QUICKLY (WITHIN ONE TO TWO MONTHS) THEREAFTER. SOME BANKS HAD T⁰ED TO MAKE ENTIRE LOAN DRAWABLE ONLY AFTER 1 DEC., BUT COMPROMISED ON ABOVE TERMS.

4. RUMORS. DURING NOV. 5 DINNER AT AMBASSADOR'S FOR LIC. LOPEZ PORTILLO, ONE OF JLP'S STAFF TOLD EYC COUNSELOR THAT THEY WERE EXPLORING IDEA OF MULTIPLE EXCHANGE RATES TO DISCOURAGE CAPITAL FLIGHTS WHILE ENCOURAGING TRADE. STORY IS NOW CIRCULATING IN MEXICO CITY THAT GOM WILL ESTABLISH 17 PESO RATE FOR COMMERCIAL TRANSACTIONS (AND PAST OBLIGATIONS) AND 22 PESOS FOR CAPITAL TRANSACTIONS.

5. BUSINESS INFORMATION. FIRM INFORMATION THAT SAN RAFAEL, LARGEST PRIVATELY OWNED PAPER PRODUCER AND FORMER BLUE CIP FIRM, IRRETRIVABLY BANKRUPT. GOM HAS REFUSED ASSISTANCE AND FIRM WILL HAVE TO BE REORGANIZED. SOME U.S. BANK EXPOSURE BUT MINIMAL. BANCO NACIONAL DE MEXICO, WHICH IS ALSO MAJORITY OWNER, WILL HAVE TO ABSORB MOST OF LOSS. BANAMEX REPORTEDLY WILL BE ABLE TO DO THIS HOWEVER WITHOUT SERIOUS REPERCUSSIONS. DEVALUATION GAVE COUP DE GRACE TO SAN RAFAEL FOLLOWING BAD MANAGEMENT. REPORTS CONTINUE THAT MANY FIRMS SHOWING NEGATIVE BALANCE SHEETS BECAUSE INCREASE IN PESO LIABILITIES DUE TO DEVALUATION IS GREATER THAN CAPITAL. STOCK MARKET CONTINUES TO DECLINE SLOWLY. INDEX AT CLOSE 10 NOV. WAS 249.84 VS. BENCHMARK OF 273.16 ON 26 9:5. VALUE OF GOLD CNETENARIO BETWEEN 79.00 DOLLARS TO BUY VS. 82.00 TO SELL ON 10 NOV. VS. SPREAD OF 77.00 -

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00.00 ON 28 OCT.

6. WAGES AND PRICES. CARTON MILK PRICES IN MEXICO CITY ROSE FROM 5.15 PESOS TO 5.50 HAD BEEN 4.0 PESOS UNTIL SEPTEMBER.

7. AS WASHINGTON ADDRESSEES PROBABLY AWARE, MANY GOV OFFICIAL STATEMENTS INTENDED TO LEAD MEXICAN PUBLIC TO BELIEVE CONDITIONS ARE IMPROVING WHEN, IN FACT, REAL SITUATION MAY BE OPPOSITE. EMBASSY INTERPRETS PARAGRAPH OF REFTEL TO MEAN THAT EMBASSY OFFICERS SHOULD AVOID SOLICITING INFORMATION FROM HACIENDA AND BANK OF MEXICO OFFICIALS WHICH ARE ONLY POSSIBLE SOURCES OF ACCURATE INFORMATION. THESE CONSTRAINTS SERIOUSLY LIMIT ABILITY TO REPORT FULLY.
TOVA



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6a

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

November 16, 1976

TO: Chairman Burns

FROM: Ted Truman

BMT

Attached is a copy of our latest
cable on the Mexican economic situation.

Attachment: Mexico 14461

cc: Governor Wallich





Department of State TELEGRAM

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PAGE 01 MEXICO 14461 1300572

71-60
ACTION SS-14

TNFO OCT-01 ISO-00 ARA-06 EB-03 SP-02 TRSE-00 NFO-01

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 8607

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F.O. 11652: GDS ^{dal 7125107}
TAGS: EFJN
SUBJ: MEXICAN ECONOMIC SITREP 2

Please refer to
International Information Center

REF: A. STATE 277224 B. MEXICO 14384

1. EXCHANGE RATES AND CAPITAL MOVEMENTS: BANCO DE MEXICO AGAIN SFT TRADING RANGE OF PESO 12 NOV AT 24.30. PESOS PER DOLLAR TO BUY VS. 24.53 TO SELL, SAME AS YESTERDAY. REPORTS WE GET STILL INDICATE A CONTINUING CAPITAL OUTFLOW OF MODEST PROPORTIONS.
2. STATEMENTS OF INTEREST GROUPS: THE HEAD OF THE CONSUMER PROTECTION AGENCY ANNOUNCED THAT IN SEPTEMBER AND OCTOBER HIS AGENCY RECEIVED 55,000 COMPLAINTS ABOUT PRICE RISES AND THAT THEY WERE ARRIVING AT THE RATE OF 2,500 A DAY. A TOURIST ASSOCIATION STATED THAT CREDIT SALES IN DOLLARS OF AIRLINE TICKETS ARE OFF 95 PERCENT. PRESUMABLY TRAVELERS ARE AFRAID OF GETTING CAUGHT WITH DOLLAR OBLIGATIONS AND EVEN CHEAPER PESOS IN FUTURE.
3. GOVERNMENT FINANCE: SOME BANKING CIRCLES EXPECT GOM MUST COME UP WITH EXTERNAL FINANCING OF ABOUT

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PAGE 02

MEXICO 14461 130057Z

6 BILLION DOLLARS IN COMING YEAR: 3.5 BILLION DUE TO TRADE DEFICIT AND 2.5 BILLION DUE TO GOVERNMENT DEFICIT. GREAT UNCERTAINTY ABOUT HOW THIS CAN BE MANAGED. CALCULATION BY EMBASSY AG ATTACHE SHOW THAT IMPROVED GRAIN AND FEED PRODUCTION COULD REDUCE MEXICO'S IMPORT BILL OF THESE ITEMS IN COMING YEAR BY AS MUCH AS 100 MILLION DOLLARS. LAST YEAR MEXICO IMPORTED ABOUT 400 MILLION DOLLARS WORTH OF AGRICULTURAL PRODUCTS FROM THE U.S.

4. RUMORS: AMBASSADOR INFORMED BY MEMBER OF BOARD OF BANCO DE COMERCIO YESTERDAY THAT DUAL EXCHANGE RATE SYSTEM UNDER CONSIDERATION SIMILAR TO THAT MENTIONED REFTEL (B) BUT HE MENTIONED RATES OF 15 FOR COMMERCIAL TRANSACTIONS AND 19 FOR CAPITAL TRANSACTION. THIS DIFFERS FROM THE 17 VS. 22 SPREAD REPORTED REFTEL.

5. BUSINESS INFORMATION: TEXTILE INDUSTRY, PARTICULARLY FIRMS IN PUEBLA AREA, APPEAR TO BE IN GREAT DIFFICULTY. THE HEADS OF THE TEXTILE AND CLOTHING ASSOCIATIONS ANNOUNCED THAT ABOUT 385 CLOTHING FIRMS AND 10 TEXTILE FIRMS HAD CLOSED AND UNLESS SITUATION IMPROVED 40,000 WORKERS WOULD SOON BE OUT OF WORK. THE CAUSES OF THE FAILURES WERE GIVEN AS THE INCREASE IN COSTS OF INPUTS DUE TO DEVALUATION, THE LIMITATION OF PRICE INCREASES TO 10 PERCENT, THE FALL OFF IN SALES BY 35 PERCENT, AND THE "DECAPITALIZATION", I.E. BANKRUPTCY, OF FIRMS (REFERRED TO IN PARAGRAPH 5 OF REFTEL B). NEITHER PRIVATE BANKS NOR GOVERNMENT WOULD LEND TO THESE FIRMS, MOST OF WHICH APPEAR TO BE SMALL. AMBASSADOR VISITED PUEBLA YESTERDAY AND CONFIRMED OBVIOUS DISTRESS OF AREA. STOCK MARKET INDEX ROSE SLIGHTLY (1.17 POINTS); FIRST TIME SINCE SECOND DEVALUATION.

6. WAGES AND PRICES. CAMPILLO SAINZ, SECRETARY OF INDUSTRY AND COMMERCE, STATED THAT AUTOMOBILE PRICES WILL HAVE TO GO UP AN AVERAGE OF 38 PERCENT SHORTLY. MONTHLY BULLETIN JUST RELEASED BY A LOCAL BANK STATES THAT WHOLESALE PRICES WILL RISE BETWEEN 22 AND 25 PERCENT THIS YEAR. SEPTEMBER PRICES WENT



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UP 6.2 PERCENT OVER THOSE OF AUGUST. ALREADY THROUGH
SEPTEMBER THIS YEAR WHOLESAL PRICES HAVE RISEN
16.3 PERCENT COMPARED TO 9.8 PERCENT FOR THE SAME PERIOD
YEAR. THE ARTICLE WENT ON TO STATE THAT OCTOBER
PRICE RISES FOR MOST PRODUCTS WILL REFLECT THE
10 PERCENT OFFICIAL RISE GRANTED BY THE GOVERNMENT
CALDERHEAD



CONFIDENTIAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

November 17, 1976

TO: Chairman Burns

FROM: Ted Truman

EAT

Attached is the latest cable that we have received on the Mexican economic situation.

Attachment: Mexico 14518

cc: Governor Wallich



Defense classification of this document is due to the inclusion of U. S. Government information officially classified under Executive Order 10501 which provides that "A document . . . shall bear a classification as least as high as that of its highest classified component."



Department of State

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03
ACTION 99-14

INFO OCT-01 ISO-00 FB-03 ARA-05 SP-02 NSC-05 NSCE-00 PLS

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FM AMEMBASSY MEXICO
TO SELSTATE WASHDC IMMEDIATE 8629

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dal 7/25/07

F. O. 11652: GDS
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SUBJECT: MEXICAN ECONOMIC SITREP 3

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REF: (A) STATE 277224 (B) MEXICO 14461 (C) MEXICO 14499

1. EXCHANGE RATES. TRADING RANGE OF PESO ON 15 NOV. WAS 24.14 PESOS PER DOLLAR TO BUY AND 24.32 TO SELL, DOWN ABOUT 20 CENTAVOS FROM FRIDAY. BANCO DE MEXICO CONTINUES TO SLOWLY RAISE VALUE OF PESO.
2. STATEMENTS OF INTEREST GROUPS. THE PRESIDENT OF THE NATIONAL CHAMBER OF THE FOOTWEAR INDUSTRY HAS STATED THAT INDUSTRY IS FACING BANKRUPTCY PROBLEMS WHICH COULD AFFECT 200,000 WORKERS. ITS PROBLEMS SEEM SIMILAR TO THOSE OF THE TEXTILE INDUSTRY (SEE REFTEL (B) PARA. 5).
3. GOVERNMENT FINANCE. THE SECRETARIA OF INDUSTRY AND COMMERCE RELEASED TRADE DATA FOR 1976 THROUGH AUGUST. FOR THE FIRST EIGHT MONTHS OF 1976 MERCHANDIZE EXPORTS WERE 26,201.9 MILLION PESOS AND IMPORTS 52,905.7 MILLION PESOS; GIVING A MERCHANDIZE DEFICIT

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Department of State

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PAGE 02

MEXICO 14518 160029Z

OF 26,703.8. COMPARABLE FIGURES FOR 1975, 23,096.3, 52,227.5 AND 29,131.2. THE PRESIDENT OF THE CONFEDERATION OF CUSTOMS AGENTS ANNOUNCED THAT SMUGGLING HAD FALLEN OFF 95 PERCENT SINCE THE DEVALUATIONS. ONE WONDERS HOW HE KNOWS, BUT BEFORE DEVALUATION SMUGGLING WAS OBVIOUSLY WIDESPREAD. THIS TENDS TO CONFIRM THE EMBASSY'S OPINION THAT EXCHANGE CONTROLS OR DUAL EXCHANGE RATE SYSTEM WILL BE HARD TO CARRY OUT IN MEXICO. MONEY IS EASIER TO CONCEAL THAN GOODS.

4. RUMORS. RUMOR WAS WIDESPREAD THROUGHOUT MEXICO CITY FRIDAY, INCLUDING THE FOREIGN MINISTRY, THAT PESO WOULD BE DEVALUED AGAIN OVER WEEKEND TO ABOUT 30 TO THE DOLLAR. THIS IS ANOTHER EXAMPLE OF THE ALMOST COMPLETE LACK OF CONFIDENCE IN THE POLICIES OF THIS GOVERNMENT. THE GOVERNMENT OFFICIALS SENSING THIS ARE SAYING NOTHING AND KEEPING A VERY LOW PROFILE ON ALL ECONOMIC STATEMENTS AS WELL SINCE THE SECOND DEVALUATION.

5. BUSINESS INFORMATION. SEE PARA 2, ABOVE.

6. WAGES AND PRICES. PRICES OF GASOLINE, OIL, AND LIQUID GAS, WERE RAISED EFFECTIVE 15 NOVEMBER (SEE REFTEL C). PRICES OF ELECTRICITY WERE RAISED TOO BUT THE INCREASES VARY ACCORDING TO USE AND AREA AND ALSO ARE PROGRESSIVE IN SENSE THAT LARGE USERS WILL PAY MORE PER UNIT. HENCE NOT POSSIBLE TO ESTIMATE THE INCREASE CONCISELY. HOWEVER IT SHOULD BE NOTED THAT MEXICAN PUBLIC SERVICES TENDED TO BE UNDERPRICED REQUIRING GOVERNMENT SUBSIDY. THE REASONS GIVEN FOR THE INCREASES WERE THE SAME IN BOTH INDUSTRIES: THE NEED FOR A GREATER RETURN TO COVER INVESTMENT REQUIRED TO SATISFY EXPANDED FUTURE DEMAND. AUTOMOBILE PRICES WERE RAISED EFFECTIVE 15 NOVEMBER AS INDICATED REFTEL 181. THE BASIC VOLKSWAGEN WENT FROM 66,000 PESOS TO 84,000 PESOS. THE FORD LTD FROM 140,000 TO 240,000 AND THE ROYAL MONACO FROM 120,000 TO 220,000...
CALDERHEAD



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C.9a

MEXICO: ECONOMIC INDICATORS
(NOT SEASONALLY ADJUSTED, UNLESS NOTED)

November 18, 1976

	1973	1974	1975	1975 II	1975 III	1975 IV	1976 I	1976 II	1976 III	1976 MAR	1976 APR	1976 MAY	1976 JUNE	1976 JULY	1976 AUG	1976 SEPT
REAL GDP, 1970=100	119.4	126.4	131.8	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
REAL GDP, PER CENT CHANGE (1)	7.6	5.9	4.2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
INDUSTRIAL PRODUCTION 1970=100	122.7	132.8	139.0	143.2	139.7	140.8	144.0	144.3	N.A.	152.6	140.6	147.1	145.3	144.3	N.A.	N.A.
INDUSTRIAL PRODUCTION PER CENT CHANGE (1)	9.3	8.2	4.7	8.2	-2.5	0.8	2.2	0.3	N.A.	9.3	-7.9	4.6	-1.2	-0.7	N.A.	N.A.
WHOLESALE PRICES PER CENT CHANGE (1)	15.7	22.4	10.5	4.0	3.3	2.3	5.6	3.2	5.5	1.5	0.5	1.5	0.9	2.5	-0.3	6.2
CONSUMER PRICES PER CENT CHANGE (1)	12.2	23.8	15.0	3.0	3.2	2.0	4.3	2.6	3.2	1.0	0.7	0.7	0.4	0.8	1.0	3.4
MONEY STOCK (M1) (S.A.) PER CENT CHANGE (1)	24.8	20.9	22.3	6.6	2.9	5.8	3.9	4.7	N.A.	1.1	1.7	3.1	-0.4	3.0	-1.2	N.A.
PUBLIC SECTOR DEF.(-) AS PER CENT OF GDP	-5.7	-7.8	-9.3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
CENTRAL GOVT. DEF.(-) AS PER CENT OF GDP	-4.4	-3.8	-4.3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
EXPORTS (2) (\$ BILLION)	2.4	3.4	3.5	0.9	0.8	0.9	0.9	1.1	N.A.	0.3	0.3	0.3	0.3	0.2	0.2	N.A.
IMPORTS (\$ BILLION)	3.8	6.1	6.6	1.7	1.6	1.9	1.4	1.7	N.A.	0.5	0.5	0.5	0.6	0.6	0.6	N.A.
TRADE BALANCE (2) (\$ BILLION)	-1.4	-2.6	-3.1	-0.8	-0.8	-1.0	-0.5	-0.6	N.A.	-0.2	-0.2	-0.2	-0.3	-0.4	-0.4	N.A.
BALANCE ON GOODS AND SERVICES (\$ BILLION)	-1.3	-2.6	-3.6	-0.9	-0.9	-1.1	-0.6	-0.9	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

(1) PER CENT CHANGE FROM PREVIOUS PERIOD. QUARTERLY CHANGES
AT QUARTERLY RATES; MONTHLY CHANGES AT MONTHLY RATES.

(2) MONTHLY DATA EXCLUDE EXPORTS OF BORDER ASSEMBLY PLANTS AND OF SILVER
AND ARE NOT CONSISTENT WITH QUARTERLY OR ANNUAL DATA.



C.9b

FINANCIAL INDICATORS -- MEXICO

(dollar amounts in millions)	1975				1976									
	YEAR	QI	QII	QIII	AUG	SEPT	OCT	NOV 1-17	Week ended					
									OCT 13	OCT 20	OCT 27	NOV 3	NOV 10	NOV 17
EXCHANGE RATE (CENTS PER PESO, END OF PERIOD)	8.00	8.00	8.00	8.00	8.00	5.03	3.90	4.11	5.04	5.03	3.77	3.92	4.07	4.11
SDR VALUE OF PESO	.06842	.06924	.06985	.04364	.06957	.04364	.03398	.03573	.04367	.04363	.03398	.03398	.03545	.03573
SHORT TERM INTEREST RATE (E.O.P.)	12.94	13.11	13.11	13.11	14.00	14.36	14.36	14.36	14.36	14.36	14.36	14.36	14.36	14.36
LONG TERM INTEREST RATE (E.O.P.)	13.02	12.86	14.17	n.a.	16.03	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
RESERVES (<u>IFS</u> , E.O.P.)	1,533	1,501	1,585 ^P	870 ^P	1,181 ^P	870 ^P	651 ^P	667 ^P						
AVAILABLE IMF CREDIT TRANCHES (E.O.P.)	433	620	615	621	618	621	466	596 ^{P*}						
INTERVENTION, PURCHASES (+) OR SALES (-)														
OF DOLLARS								-314	-156	-241	-288	-122	-64	-211
(OFF OTHER CURRENCIES; EQUIVALENT)														
SWAP ACTIVITY														
DRAWINGS (+), REPAYMENTS (-)	360 -360	--	360	--	--	--	--	150 -360	--	--	--	--	75	75
SWAP LINE -- 360														

* Available under three-year Extended Fund Facility program starting January 1, 1977.



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

November 18, 1976

TO: Chairman Burns

FROM: Ted Truman EMT

Attached is the latest cable on the Mexican economic situation.

Attachment: Mexico 14564

cc: Governor Wallich

Defense classification of this document is due to the inclusion of U. S. Government information officially classified under Executive Order 10501 which provides that "A document . . . shall bear a classification as least as high as that of its highest classified component."





Department of State

TELEGRAM

EMT DD, SS

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CONFIDENTIAL 2190

PAGE 01 MEXICO 14564 170215Z

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ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 NSC-05 NSCE-00 SP-02 ER-03 TRSE-00

FRB-01 SS0-00 /032 W

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O 170010Z NOV 76 ZFF-4
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 8654

~~CONFIDENTIAL~~ MEXICO 14564

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dat 7/25/07

F. O. 11652: GDS
TAGS: EFIN
SUBJECT: MEXICAN ECONOMIC SITREP 4

REF: (A) STATE 277224 (B) MEXICO 14518

1. EXCHANGE RATES AND CAPITAL MOVEMENTS. TRADING RANGE ON NOV. 16 FOR PESO WAS 24.10 TO BUY VS. 24.32 TO SELL, SAME AS YESTERDAY. BANKERS STILL BELIEVE THERE IS A SLIGHT, BUT POSSIBLY INSIGNIFICANT CAPITAL OUTFLOW.

2. GOVERNMENT FINANCE. BOTH FINANCE SECRETARY, MARTO RAMON BETETA, AND BANCO DE MEXICO DIRECTOR, ERNESTO FERNANDEZ HURTADO, REFUSED TO COMMENT ON PSEO DEVALUATION, RECENT PRICES INCREASES, OR EVEN THE STATE OF MEXICAN ECONOMY WHILE AT THE OPENING SESSION OF THE IBERO-AMERICAN FEDERATION OF STOCK EXCHANGE MONDAY, NOV. 15. RAMON BETETA DID STATE THAT THE MEXICAN BOLSA HAS BEEN AFFECTED BY "THE DIFFICULT SITUATION OF SOME COMPANIES WHICH HAVE HAD TO FACE AN INCREASE IN THE LIABILITIES IN FOREIGN CURRENCIES," AND THAT "THE NEXT ADMINISTRATION WILL HAVE TO STUDY CAREFULLY THE

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Department of State

TELEGRAM

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PAGE 02

MEXICO 14564 170215Z

REVALUATION OF ASSETS OF FIRMS. CONFRONTING A DIFFICULT ECONOMIC SITUATION."

3. RUMORS. RUMORS ARE AGAIN RAMPANT OF ANOTHER DEVALUATION PENDING. HOWEVER, BANKERS DISCOUNT TALK OF EXCHANGE CONTROLS OR MULTIPLE EXCHANGE RATE BECAUSE GIVEN MEXICAN SITUATION BOTH ARE CONSIDERED BEYOND COM ABILITY TO HANDLE.

4. BUSINESS INFORMATION. FUNDIDORA MONTERREY, THE THIRD LARGEST STEEL FIRM IN MEXICO, WHICH IS THE LARGEST TOTALLY PRIVATELY OWNED ONE AS WELL, IS AMONG THE LARGE FIRMS PRACTICALLY BANKRUPTED BY DEVALUATION. ALMOST ALL THEIR LONG TERM DEBT WAS IN FOREIGN CURRENCIES, MOSTLY DOLLARS, AND DEVALUATION WIPED OUT THEIR CAPITAL. UNLIKE THE SITUATION OF SAN RAFAEL REPORTED SITREP 11, FUNDIDORA IS SALVAGABLE, HOWEVER. NOT ALL FIRMS ARE LOSING MONEY THOUGH. THE BANCO DE COMMERCI O EXPECTS TO SHOW ABOUT 940 MILLION PESO PROFIT FOR 1976, DOWN ABOUT 60 MILLION CAUSED BY GOVERNMENT DECREED WAGE INCREASES. CANADIAN EMBASSY INFORMS US THAT CANADIAN BANKS HAVE ABOUT ONE BILLION DOLLAR TOTAL EXPOSURE IN MEXICO BUT TERM STRUCTURE MAY BE SOMEWHAT SHORTER THAN U.S. BANKS. U.S. BANKS HAVE MUCH MEDIUM TO LONG TERM LOANS WHILE CANADIANS TERM STRUCTURE MORE BALANCED WITH RELATIVELY MORE SHORT TERM LOANS. STOCK MARKET INDEX CLOSED 15 NOV. AT 242.52, DOWN 1.65 FROM FRIDAY'S CLOSE.

5. WAGES AND PRICES. WITH THE INCREASE IN PRICES OF GASOLINE, FUEL, AND ELECTRICITY COMES WORD THAT THE PRICES OF BUS FARES, AUTO RENTALS, THE ENTIRE LOCAL PUBLIC TRANSPORT SYSTEM (WHICH RUNS AT A DEFICIT) AND EVEN DRINKING WATER HAVE TO BE REEXAMINED.

6. STATEMENTS OF INTEREST GROUPS. THE PRESIDENTS OF THE CONFEDERATION OF INDUSTRIAL CHAMBERS (CONCAMIN), THE NATIONAL CHAMBER OF INDUSTRIAL TRANSFORMATION (CANACINTRA) AND THE CONFEDERATION OF NATIONAL CHAMBERS OF COMMERCE (CONCANACO) ALL MADE SIMILAR STATEMENTS. ALONG THE LINE THAT PRICE INCREASES FOR FUEL AND

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TELEGRAM

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PAGE 03

MEXICO 14564 170215Z

ELECTRICITY HAD BECOME NECESSARY. GOVERNMENT FIRMS
COULD NO MORE RUN AT A LOSS THAN PRIVATE ONES. HOWEVER
INDUSTRIAL USERS OF THESE PRODUCTS DID NOT NECESSARILY
HAVE TO RAISE THEIR PRICES. IN MANY CASES COSTS WOULD
GO UP LESS THAN ONE PERCENT AND COULD BE ABSORBED IN
MORE RATIONAL USE OF RESOURCES. NONETHELESS LABOR LEADERS
DO NOT SEEM TO BE AS MODERATE IN THEIR STATEMENTS.
FIDEL VELAZQUEZ, SECRETARY GENERAL OF THE CTM STATED
THEY WERE THROUGH WITH WAITING FOR AN INCREASE IN
SALARIES WHILE OTHER LABOR LEADERS STATED THAT PRICES
CONTINUE TO RISE AND ERODE THE INCOME OF WORKERS.
CALDERHEAD



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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

November 19, 1976

TO: Chairman Burns

FROM: Ted Truman *EMT*

Attached is the latest cable on the Mexican economic situation.

Attachment: 14623

cc: Governor Wallich

Defense classification of this document is due to the inclusion of U. S. Government information officially classified under Executive Order 10501 which provides that "A document . . . shall bear a classification as least as high as that of its highest classified component."





Department of State

Mexico
TELEGRAM

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CONFIDENTIAL 5088

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PAGE 01 MEXICO 14623 172353Z

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ACTION SS-14

INFO OCT-01 ISO-00 ARA-06 SP-02 TRSE-00 NSC-05 NSCE-00

SSO-00 FRB-01 /029 W

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O 172308Z NOV 76 ZFF-4
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 8681

~~CONFIDENTIAL~~ MEXICO 14623

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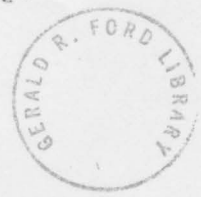
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^{del 7/25/07}
F. O. 11652: GDS
TAGS: EFIN
SUBJECT: MEXICAN ECONOMIC SITREP 5

REF: (A) STATE 277224 (B) MEXICO 14518

1. EXCHANGE RATES AND CAPITAL MOVEMENTS. FOR THIRD DAY IN
ROW BANCO DE MEXICO SET TRADING RANGE FOR PESO AT SAME VALUES
24.10 TO BUY AND 24.32 TO SELL.

2. GOVERNMENT FINANCE. THE CONCLUDING OF THE EURODOLLAR LOAN
OF 800 MILLION DOLLARS WITH 64 BANKS PARTICIPATING GOT FRONT
PAGE HEADLINES IN ALL NEWSPAPERS. HALF OF THE LOAN HAS A TERM
OF FIVE YEARS AND THE SEVOND HALF ONE OF SEVEN YEARS. FINANCE
SECRETARY, MARIO RAMON BFTETA STATED AT THE SIGNING CEFEMONIES
THAT THE EXPFRIENCE OF PRESIDENT-ELECT JOSE LOPEZ PORTILLO IN
ECONOMIC AND FINANCIAL MATTERS WILL ENABLE MEXICO TO PROGRESS
QUOTE IN SPIEA OF THE DIFFICULT ROAD AHEAD UNQUOTE. HE IS
ALSO REPORTED TO HAVE SAID THAT THE GOVERNMENT HAS PUT INTO
EFFECT A STABILIZATION PROGRAM WHICH WOULD OPERATE FIRMLY
AND GRADUALLY TO REDUCE THE DEFICIT IN PUBLIC FINANCES
AND FOREIGN DEPT. ACCION COMUNITARIA, A GROUP OF WELL-
INFORMED AND ECONOMICALLY TRAINED BUSINESSMEN, WHOSE PAST





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TELEGRAM

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STUDIES HAVE GENERALLY BEEN ACCURATE, HAS ESTIMATED THE 1976 FEDERAL BUDGET DEFICIT TO BE 117.1 BILLION PESOS, DOWN SOMEWHAT FROM 1975'S 1130.6 BILLION. ALSO IT APPEARS THE CURRENT ACCOUNT DEFICIT FOR 1976 WILL BE ABOUT THE SAME MAGNITUDE AS 1975, I.E., ABOUT 3.5 BILLION DOLLARS. THESE TWO FACTS INDICATE THAT MEXICO WILL NEED MORE THAN THE 800 MILLION DOLLAR EUROLOAN AND THE RECENT IMF CREDIT DRAWING OF 1.2 BILLION DOLLARS. MEANWHILE U.S. PRIVATE BANKS INDICATE TO US THEY ARE BECOMING MORE CAREFUL IN CONSIDERING ADDITIONAL LOANS TO EITHER GOM AGENCIES OR PRIVATE FIRMS.

3. RUMORS. THESE ARE ALWAYS WIDESPREAD PARTICULARLY THOSE CONCERNING A DUAL EXCHANGE RATE SYSTEM.

4. BUSINESS INFORMATION. THE STOCK MARKET INDEX CLOSED 16 NOV. AT 258.37 UP FROM THE 15 NOV.'S INDEX OF 252.51.

5. WAGES AND PRICES. PETITIONS ARE POURING INTO THE SECRETARIAT OF INDUSTRY AND COMMERCE (SIC) TO AUTHORIZE PRICE INCREASES. THE MANUFACTURERS OF TORTILLAS WANT AN INCREASE OF 30 PERCENT. INCREASES ARE BEING CONSIDERED FOR TELEPHONE SERVICE, DOMESTIC AIRLINES, GROUND CARGO AND PASSENGER CARRIERS, AND EVEN SALT. JET FUEL PRICES ARE BEING RAISED 15 PERCENT AND AIRPLANE GAS 40 PERCENT. DESPITE THE CONSIDERABLE NUMBER OF PRICE INCREASES ANNOUNCED SINCE DEVALUATION WE DO NOT YET HAVE OFFICIAL PRICE INDICES TO GET AN ACCURATE IDEA OF THE AMOUNT OF INFLATION DEVALUATION IS GENERATING WITHIN THE ECONOMY. IT WILL BE AT LEAST ANOTHER MONTH BEFORE THESE BECOME AVAILABLE.

6. STATEMENTS OF INTEREST GROUPS. ONCE AGAIN THE PRESIDENT OF THE CHAMBER OF COMMERCE OF MEXICO CITY CALLED UPON MERCHANTS TO RAISE PRICES ONLY ENOUGH TO COVER COST INCREASES. THE ECONOMIC ADVISOR TO THE CDM (MEXICAN LABOR CONFEDERATION) STATED THE RISE IN PRICE OF ENERGY WOULD NECESSARILY LEAD TO A RISE IN THE PRICE OF CONSUMER NECESSITIES. SO FAR SINCE THE SECOND DEVALUATION THE LABOR SECTOR HAS NOT DEMANDED A READJUSTMENT OF ITS QUOTE REAL UNQUOTE WAGES. THE SECOND DEVALUATION

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PAGE 03

MEXICO 14623 172353Z

TION SEEMS TO HAVE SHOCKED ALL SECTORS OF THE ECONOMY
INTO REALIZING HOW SERIOUS THE MEXICAN ECONOMIC
SITUATION COULD ACTUALLY BE.

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Translation of Bank of Mexico Announcement
Appearing in the Newspaper "Excelsior,"
Monday, November 22, 1976

MEXICAN BANKS WILL SUSPEND TEMPORARILY PURCHASE AND SALE OF FOREIGN EXCHANGE

Considering that, in recent days, there have occurred excessive conversions of national currency into foreign currencies, that these conversions have no relation to the international flows of goods and services, nor with the movements of productive investment capital, and that these operations have been causing disorderly situations which gravely disturb the exchange market, the Bank of Mexico, S.A., has resolved to adopt on a temporary basis and to make public the following measures:

1. As from November 22, 1976, and until further notice, the credit institutions will abstain from buying and selling foreign exchange and gold coins.
2. Liquidation of foreign exchange obligations in favor of or charged against credit institutions will continue to be effected as is customary in the currency required. When the customers of the institutions choose to effect this liquidation by delivering the equivalent amount in national currency, the applicable exchange rate will be the representative rate prevailing in the brokers' market.
3. All other banking operations will continue to be carried out in the usual manner without any modification.

Bank of Mexico, S.A.
November 21, 1976

Translated by: Yves Maroni
November 22, 1976





Department of State

MEXICO

TELEGRAM

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PAGE 01 MEXICO 14779 221657Z

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ACTION ER-07

INFO OCT-01 ARA-10 ISO-00 SSO-00 TNRE-00 USIE-00 NSC-05
AID-05 CIAE-00 COME-00 FRR-01 TNR-07 NSAE-00 TRSF-01
XMR-04 OPTC-06 SP-02 CIPP-02 LAB-04 SIL-01 OMB-01
SS-15 STR-04 CFA-01 NSCF-00 /076 W

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22
O 221640Z (NOV 76 ZFF-6
FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 8766
INFO TREASURY WASHDC IMMEDIATE

Please return to
International Information Center

UNCLAS MEXICO (14779

F. O. 11652: N/A
TAGS: EFIN, MX
SUBJECT: SUSPENSION OF FOREIGN EXCHANGE OPERATIONS BY BANKS.

1. SHORTLY AFTER MIDNIGHT NOVEMBER 22, THE BANK OF MEXICO ISSUED THE FOLLOWING PRESS RELEASE:

2. "CONSIDERING THAT IN RECENT DAYS THERE HAVE BEEN EXCESSIVE CONVERSIONS OF NATIONAL MONEY TO FOREIGN EXCHANGE THAT HAVE NO RELATION WITH INTERNATIONAL TRANSACTIONS IN GOODS AND SERVICES NOR DID THE MOVEMENT OF PRODUCTIVE INVESTMENT CAPITAL. OPERATIONS THAT HAVE GIVEN RISE TO DISORDERLY SITUATIONS THAT SERIOUSLY AFFECT THE FOREIGN EXCHANGE MARKET, THE BANK OF MEXICO HAS DECIDED TO ADOPT AS A TEMPORARY MEASURE AND TO MAKE KNOWN THE FOLLOWING MEASURES:

- "1) BEGINNING NOVEMBER 22, 1976 AND UNTIL FURTHER NOTICE, CREDIT INSTITUTIONS WILL ABSTAIN FROM BUYING AND SELLING FOREIGN EXCHANGE AND GOLD COINS.
- "2. LIQUIDATION OF OBLIGATIONS IN FOREIGN EXCHANGE IN FAVOR OF OR AT THE CHARGE OF CREDIT INSTITUTIONS WILL CONTINUE BEING EFFECTED AS USUAL IN THE CORRESPONDING CURRENCIES. WHEN THE CLIENTELE OPT THAT SUCH LIQUIDATIONS

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BE EFFECTED BY THE DELIVERY OF THE EQUIVALENT VALUE IN NATIONAL CURRENCIES, THE REPRESENTATIVE RATE OF EXCHANGE THAT RULES IN THE BROKERS' MARKET WILL BE APPLIED.

"3. ALL OTHER BANKING OPERATIONS WILL CONTINUE BEING EFFECTIVE IN THE USUAL FORM WITHOUT ANY MODIFICATION."

3. WE ASSUME ABOVE ANNOUNCEMENT TO MEAN THAT COMMERCIAL BANKS WILL NOT UNDERTAKE FOREIGN EXCHANGE TRANSACTIONS BUT THAT MONEY BROKERS, WHICH ARE LIMITED IN NUMBERS, WILL MAKE THE MARKET.

4. THE MORNING PRESS CARRIES FOR THE MOST PART ONLY THE TEXT OF THE COMMUNIQUE. WE HAVE NOT YET SEEN ANY EXPLANATORY INFORMATION AND SUSPECT THERE WILL BE CONSIDERABLE CONFUSION.

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Translation of Bank of Mexico Announcement
Appearing in the Newspaper "Excelsior,"
Monday, November 22, 1976

MEXICAN BANKS WILL SUSPEND TEMPORARILY PURCHASE AND SALE OF FOREIGN EXCHANGE

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3. All other banking operations will continue to be carried out in the usual manner without any modification.

Bank of Mexico, S.A.
November 21, 1976

Translated by: Yves Maroni
November 22, 1976



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

November 22, 1976

TO: Chairman Burns

FROM: Ted Truman

EMT

Attached are the latest cables on the Mexican economic situation.

Attachments:	Mexico	14674
	Hermosillo	0333
	Mexico	14685
	Mexico	14705
	Mexico	14754

cc: Governor Wallich





IV
Department of State

TELEGRAM

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PAGE 01 MEXICO 14674 190038Z

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ACTION SS-14

TNFD OCT-01 ISO-00 ARA-06 EB-03 SP-02 NSC-05 NSCE-00 FRB-01

TRSE-00 CTAE-00 SSO-00 ONY-00 /032 W

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC IMMEDIATE 8707

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F. O. 11652: GDS ^{dat 7/25/07}
TAGS: EFIN
SUBJECT: MEXICAN ECONOMIC SITREP 6

Please return to
International Information Center

REF: (A) STATE 277224 (B) MEXICO 14518

1. EXCHANGE RATES AND CAPITAL MOVEMENTS. FOR FOURTH DAY IN ROW BANCO DE MEXICO SET TRADING RANGE FOR PESO AT SAME VALUE: 24.10 TO BUY AND 24.52 TO SELL. WE BELIEVE BANCO DE MEXICO PLAN OF SETTING A LOW VALUE TO THE PESO AT THE SECOND "FLOAT" AND THEN TRYING TO ENCOURAGE REPATRIATION OF FLIGHT CAPITAL BY SLOWLY RAISING IT HAS NOT BEEN SUCCESSFUL. THERE STILL IS ALMOST CERTAINLY A SMALL OUTFLOW OF CAPITAL DUE TO LACK OF CONFIDENCE IN THE PRESENT ADMINISTRATION. HENCE THE BANK MAY HAVE CONCLUDED THAT THE GAME WAS NOT WORTH PLAYING. HOWEVER, THE LONGER THE RATE REMAINS FIXED THE HARDER IT WILL BE TO CHANGE IT IN THE FUTURE. A BANKER IN MATAMOROS PUBLICLY STATED THAT ANY FURTHER TINKERING WITH THE EXCHANGE RATE WOULD FURTHER AFFECT PUBLIC CONFIDENCE.

2. GOVERNMENT FINANCE. THE SECRETARY OF COMMUNICATIONS

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Department of State

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PAGE 02

MEXICO 14674 190038Z

AIR TRANSPORTATION ANNOUNCED THAT THE NATIONAL RAILROADS WILL SHOW A DEFICIT GREATER THAN 2.5 BILLION PESOS FOR 1970.

3. RUMORS. RUMORS PERSIST THAT THE INDEPENDENCE DAY CELEBRATION OF SATURDAY, NOV. 20, WILL BE ACCOMPANIED BY A MILITARY COUP. IF SO, THIS IS INDOUBTEDLY THE BEST ADVERTISED COUP IN HISTORY, AND ALL RUMORS POINT FOR MOCTEZUMA CID TO BE SECRETARY OF TREASURY.

4. BUSINESS INFORMATION. NOTHING SIGNIFICANT.

5. WAGES AND PRICES. NO SIGNIFICANT.

6. STATEMENTS OF INTEREST GROUPS. THE SECRETARY GENERAL OF THE AUTOMOBILE WORKERS STATED THAT SINCE SEPTEMBER THE INDUSTRY HAS LAID OFF 20,000 PEOPLE FROM ITS ORIGINAL WORK FORCE OF 50,000.

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Department of State

TELEGRAM

MEXICO

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PAGE 01 HERMOS 00333 01 OF 02 200329Z

R7
ACTION ARA-10

TNFO OCT-01 ISO-00 SSN-00 NSCE-00 INRE-00 USIE-00 CIAE-00
DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01
PRS-01 SP-02 SS-15 AID-05 COME-00 EB-07 FRB-03
TRSE-00 XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01
AGRE-00 /078 W

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O 191045Z NOV 76 19
FM AMCONSUL HERMOSILLO
TO SECSTATE WASHDC IMMEDIATE 1123
INFO AMEMBASSY MEXICO IMMEDIATE

Please return to
International Information Center.

~~CONFIDENTIAL~~ SECTION 1 OF 2 HERMOSILLO 0333

MEXICO PASS AMCONSUL TIJUANA

F.O. 11652: GDS
TAGS : PTNT, EGEN, MX
SUBJECT : LAND TENURE PROBLEM IN SOUTHERN SONORA AT
CRITICAL POINT

REGIN SUMMARY: THE CONFLICT BETWEEN CAMPESINOS AND THE OWNERS OF THE RICH IRRIGATED FARM LANDS OF THE YAQUI AND MAYO VALLEYS IN SOUTHERN SONORA, THE BREADBASKET OF MEXICO, REACHED A CRITICAL STAGE DURING THE PAST TWENTY FOUR HOURS. RELIABLE SOURCES ADVISE THAT TEAMS OF SURVEYORS FROM AGRARIAN REFORM SECRETARIAT (SRA) FLOWN INTO CIUDAD OBREGON DURING EVENING OF NOVEMBER 18 BEGAN AT TWO A. M. NOVEMBER 19 TO "EXECUTE" JUST SIGNED PRESIDENTIAL DECREES OF AFFECTATION OF PRIVATE LANDS, CONVEYING THESE TO CAMPESINOS WHO HAVE BEEN CAMPING ON OR NEAR THE LANDS IN QUESTION FOR THE PAST SEVERAL DAYS. ACTUAL EXTENT OF LAND AFFECTED BY THESE PRESIDENTIAL DECREES, WHICH WERE SIGNED NOTWITHSTANDING EXISTENCE OF AMPAROS PROHIBITING ANY SUCH ACTION UNTIL JANUARY 1977, NOT KNOWN AT THIS

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E.O. 12958 SEC. 3.6

MR 07-117, #9. Dt. str. 2/22/08

BY del NARA DATE 3/10/08

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Department of State **TELEGRAM**

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TIME. RUMORS HAVE IT THAT THESE COULD AMOUNT TO FIFTY THOUSAND HECTARES OR MORE, BUT IN ALL PROBABILITY ARE CONSIDERABLY LESS. TENSIONS IN CIUDAD OBREGON, SONORA, AND THE SURROUNDING YAQUI VALLEY, ARE VERY HIGH, AND AN OUTBREAK OF VIOLENCE AND BLOODSHED CANNOT BE RULED OUT. CAMPESINO ORGANIZATIONS FORMING PACT OF OCAMPO HAVE CALLED FOR A MASS CAMPESINO RALLY IN CIUDAD OBREGON ON SUNDAY NOVEMBER 21. REPORTS ARE RIFE THAT SECRETARY PARRA GARCIA OF SRA HAS BEEN BUSING AND TRUCKING CAMPESINOS AND AGITATORS FROM OTHER PARTS OF MEXICO TO SOUTHERN SONORA TO SPEARHEAD ATTACK ON PRIVATE PROPERTY HERE, EMPLOYING FLEETS OF CONASUPO AND CAMPESINO ORGANIZATION TRUCKS FOR THEIR SUPPLY PAID FOR FROM FEDERAL MONIES. AGRICULTURAL ACTIVITY IN THE AREA (PLANTING OF WINTER WHEAT) WHICH WAS FAR BEHIND SCHEDULE IS NOW PARALYZED, ENDANGERING MEXICO'S 1977 WHEAT GRAIN SUPPLY. END SUMMARY

1. RECURRENT PATTERN OF PAST YEAR OF LAND INVASION BY ORGANIZED CAMPESINOS, FOLLOWED BY EXHAUSTIVE NEGOTIATIONS MARKED BY SONORAN GOVERNOR'S APPEALS TO CALM AND REASON AND TO "STRICT ADHERENCE TO THE LAW", AND EVENTUAL PEACEFUL WITHDRAWAL OF THE "INVADERS", STARTED ANOTHER CYCLE ABOUT NOVEMBER 10 WITH SEIZURE OF SIX BLOCKS IN THE YAQUI VALLEY BY CENTRAL CAMPESINA INDEPENDIENTE (CCI) LED CAMPESINOS. THIS WAS FOLLOWED AT END OF WEEK BY NUMEROUS "PARADAS" OR DEMONSTRATIONS ADJACENT TO NUMEROUS FIELDS WHICH CAMPESINOS CLAIM ARE PART OF SIMULATED LATIFUNDI AND WHICH THEY VOWED THEY WOULD NOT LEAVE UNTIL THEY WERE GIVEN SATISFACTION. BOTH INVADERS AND DEMONSTRATORS ARE REPORTED TO BE WELL ARMED WITH MODERN FIREARMS. IT SHOULD BE NOTED THAT LATEST RASH OF INVASIONS FOLLOWED IMMEDIATELY UPON DECISION OF AMPARO TRIBUNAL MAGISTRATE IN MEXICO CITY END OF LAST WEEK TO EXTEND AMPAROS PROTECTING LAND OWNERS UNTIL JANUARY, WHILE ALLOWING SRA THIS ADDITIONAL TIME TO SUBMIT SATISFACTORY EVIDENCE THAT THE PRIVATELY OWNED LANDS IN QUESTION WERE BEING HELD IN VIOLATION OF LAWS AND CONSTITUTION. ACTUAL EFFECT OF THE DECISION, WHICH WAS WIDELY HAILED AS A VICTORY FOR THE FARMERS OVER THE CAMPESINOS, WOULD HAVE BEEN TO POSTPONE SETTLEMENT OF THE PROBLEM UNTIL WELL INTO THE NEXT ADMINISTRATION.

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Department of State **TELEGRAM**

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HERMOS 00333 01 OF 02 200329Z

2. THE INTERMITTENT NEGOTIATIONS OVER THE SOUTHERN SONORA LAND TENURE PROBLEM HAVE BEEN DRAGGING ON SINCE PRESIDENT ECHEVERRIA'S APRIL 19 VISIT TO CIUDAD OBREGON (HERMOSILLO ON 7/21/76) WHEN HE ANNOUNCED THAT HE WOULD RETURN IN ONE, TWO, OR THREE MONTHS, AS OFTEN AS NECESSARY, IN ORDER TO ALLOT LANDS TO CAMPESINOS "ACCORDING TO THE LAW". IN FACT, ECHEVERRIA HAS NOT RETURNED, AND WHILE BARRA GARCIA HAS BEEN BACK ON REPEATED OCCASIONS, HIS VISITS HAVE NOT RESOLVED THE CONFLICT OR RESULTED IN ANY MORE AFFECTATIONS OF LANDS, LARGELY BECAUSE OF WIDESPREAD RECOURSE OF THE FARMERS TO THE AMPARO PROCEDURE. SONORAN PRIVATE FARMERS IN PARTICULAR, AND THE PRIVATE SECTOR IN THE STATE IN GENERAL, ARE BITTER IN THEIR DENUNCIATIONS OF BARRA GARCIA AND HIS SECRETARIAT'S ACTIVITIES, CHARGING THAT THEY HAVE ORGANIZED, ENCOURAGED, AIDED AND ABETTED DISREGARD OF THE LAW AND CONSTITUTION, INCITED TO VIOLENCE, AND USED ALL OF THE VAST POWERS OF THE STATE AGAINST PRIVATE FARMERS AND THE RIGHT OF PROPERTY. INVASIONS OF VARIOUS BLOCKS OF LAND IN BOTH THE YAQUI AND MAYO VALLEYS WHICH HAVE DRAGGED ON FOR MANY MONTHS ARE SAID TO HAVE BEEN MADE POSSIBLE BY SURREPTITIOUS MORAL AND FINANCIAL SUPPORT OF BARRA GARCIA AND HIS SRA PERSONNEL.

3. PRIVATE FARMERS' ORGANIZATIONS, DURING NUMEROUS ROUNDS OF NEGOTIATIONS IN MEXICO CITY AT SRA AND FREQUENTLY AT LOS PINOS HAVE OFFERED TO RELEASE FOR DISTRIBUTION TO CAMPESINOS UP TO TEN THOUSAND HECTARES OF IRRIGATED LAND, PROVIDED CERTAIN CONDITIONS OF COMPENSATION WERE MET, AND THAT THESE WERE IN FACT ALLOCATED TO "LEGITIMATE" CLAIMANTS, MEANING REAL CAMPESINOS AND NOT PERSONS WHO WERE DEMANDING LAND BECAUSE SOME WAS ABOUT TO BE DISTRIBUTED. THE OCAMPO PACT ORGANIZATIONS WERE VARIOUSLY REPORTED AS DEMANDING 25,000 TO 30,000 HECTARES. SRA REPORTEDLY WENT THE CAMPESINOS ONE BETTER, CLAIMING THAT 34,000 HECTARES WERE IMPROPERLY HELD BY PRIVATE FARMERS AND SHOULD BE CONFISCATED AND DISTRIBUTED TO CAMPESINOS. IT WILL BE RECALLED THAT THE GOM HAS ANNOUNCED THAT IT WILL CLEAR 35,000 HECTARES OF NEW LANDS ADJACENT TO THE YAQUI VALLEY, BRING THEM UNDER IRRIGATION, AND DISTRIBUTE THESE TO SEVEN THOUSAND CAMPESINOS AT THE RATE OF FIVE HECTARES EACH. TEN THOUSAND OF THESE NEW HECTARES HAVE ALREADY BEEN CLEARED BY THE PROSPECTIVE OWNERS WORKING FOR WAGES, AND THE REQUIRED IRRIZA

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RPT IRRIGATION WORKS HAVE BEEN STARTED, INCLUDING BOTH IRRIGATION AND DRAINAGE CANALS. WHAT THIS HAS NOT FULLY TAKEN INTO ACCOUNT IS THE PERENNIAL SHORTAGE OF IRRIGATION WATER, WHICH IS INSUFFICIENT TO SUPPLY EXISTING WATER-RIGHT LANDS EVEN WHEN SUPPLEMENTED BY PUMPED GROUNDWATERS OF RELATIVELY HIGH SALINITY. HYDRAULIC RESOURCES SECRETARIAT REGIONAL HEAD JUAN MUNOZ (WHO REP WHO WAS FOR MANY YEARS CHIEF OF THE MEXICALI VALLEY IRRIGATION DISTRICT) WAS REPORTEDLY SO DISGUSTED WITH THIS TECHNICALLY UNSOUND DECISION THAT HE RECENTLY LEFT HIS POSITION FOR EARLY RETIREMENT, PATHER THAN BE FORCED TO CARRY OUT THE PROJECT.



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MEXICO PASS AMCONSUL TIJUANA

4. CONVERSATIONS OF THE REPORTING OFFICER WITH FARMERS' ORGANIZATIONS LEADERS IN SOUTHERN SONORA INDICATE THAT THE TACTICS OF THE PRIVATE SECTOR WERE TO HOLD OUT AGAINST THE ECHEVERRIA REGIME AS LONG AS POSSIBLE, AND HOPEFULLY UNTIL THE NEW ADMINISTRATION TAKES OFFICE, IN THE CONVICTION THAT THE LOPEZ PORTILLO TEAM WOULD ADOPT SOUND ECONOMIC POLICIES IN AGRICULTURE. STATEMENTS BY THE THEN-CANDIDATE TO THE EFFECT THAT "THERE IS NO MORE LAND TO DISTRIBUTE" AND "LAND CANNOT BE STRETCHED LIKE RUBBER" ARE RECALLED IN SUPPORT OF THESE HOPES. WHEN ASKED WHAT WOULD HAPPEN TO THE THOUSANDS OF CAMPESTINO CLAIMANTS, NOW CAMPING OR SQUATTING IN SOUTHERN SONORA OR NORTHERN SINALOA, THEY SAID THE MILITARY, "IF BACKED BY THE PRESIDENT" WOULD SHIP THEM BACK TO WHENCE THEY WERE BROUGHT BY BARRA GARCIA AND THE SRA. REACTIONS TO THE POSSIBILITY THAT THIS MIGHT RESULT IN SOME VIOLENCE AND POSSIBLY BLOODSHED, WAS THAT MORE MEXICAN BLOOD HAS BEEN SHED OVER LAND THAN ANYTHING ELSE.

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5. LATEST REPORTS FROM CIUDAD OBREGON, RECEIVED FROM WELL INFORMED, ALBEIT STRONGLY PARTISAN PRIVATE SECTOR SOURCES, ARE THAT DURING THE LATE EVENING AND NIGHT OF NOVEMBER 18 - 19 TEN AIRCRAFT ARRIVED AT CIUDAD OBREGON, SONORA WITH THE PERSONNEL OF 83 BRIGADES OF SPA SURVEYORS AND OTHER OFFICIALS, CARRYING FRESHLY SIGNED PRESIDENTIAL DECREES OF

EFFCATION GRATING LANDS TO 50,000 "SO-CALLED CAMPESINOS", AND THAT THESE TEAMS BEGAN THEIR WORK IMMEDIATELY, STARTING AT TWO A.M. TACTIC OF WORKING DURING THE NIGHT IS NOT NEW FOR THE TURN OVER OF THE SAN IGNACIO, RIO MUERTO, SONORA LANDS WHERE THE OCTOBER 1975 "MASSACRE" TOOK PLACE, WAS CARRIED OUT IN SIMILAR MANNER DURING THE NIGHT.

6. SUPPORT FOR REPORTS THAT OUTBREAKS OF VIOLENCE ARE FEARED COMES FROM SCATTERED SOURCES: THE RED CROSS IN SONORA HAS BEEN ORDERED TO CONCENTRATE UP TO FIFTY AMBULANCES IN THE CIUDAD OBREGON AREA; THE SPA HERMOSILLO OFFICE STAFF HAVE BEEN SLEEPING IN THEIR OFFICES FOR THE PAST TWO DAYS TO BE AVAILABLE AT ALL TIMES; SONORA GOVERNOR CARRILLO MARCOZ LEFT HERMOSILLO UNEXPECTEDLY DURING THE EVENING OF NOVEMBER 18 FOR CIUDAD OBREGON.

7. THE RESULT OF THE PREVAILING TENSION AND UNCERTAINTY IN SOUTHERN SONORA IS THAT PLANTING OF WINTER WHEAT IS BEHIND SCHEDULE, WITH ONLY TWENTY FIVE PERCENT OF THE AREA PLANTED ON THE COMPARABLE DATE IN 1975; THE FINAL DATE FOR PLANTING WITHOUT SERIOUS ADVERSE RESULTS TO PRODUCTION IS DECEMBER 15, AND TALK OF SIZEABLE AND COSTLY IMPORTS BEING REQUIRED AS A RESULT IS ALREADY BEING HEARD. ON THE OTHER HAND, THREE OF THE 85 FARMERS DISPOSSESSED OF THEIR LAND AT SAN IGNACIO, RIO MUERTO, SONORA HAVE FILED SUITS ON THEIR BEHALF AGAINST BARRA GARCIA, HIS SUB-SECRETARY TORRES, AND AN ENGINEER DROPEZA, FOR TWENTY ONE MILLION PESOS FOR DAMAGES AND VIOLATION OF LEGAL ORDERS, ON THE GROUNDS THAT BARRA DISREGARDED PRESIDENTIAL ORDERS ON OCTOBER 29 THAT THE FARMERS BE COMPENSATED FOR THEIR CROPS, FARM IMPLEMENTS AND IMPROVEMENTS LOST WHEN THEIR LANDS WERE TAKEN.
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F.O. 11652: GDS
TAGS: EFIN
SUBJECT: MEXICAN ECONOMIC SITREP 7

Transmitted to
International Information Center

REF: A) STATE 277224, B) MEXICO 14674

1. SINCE SENDING REFERENCE B WE HAVE BEEN INFORMED THAT A GREAT RUN ON THE BANKS IS UNDERWAY DUE ON PART TO RUMORS (UNFOUNDED IN OUR OPINION) OF IMMINENT COUP ON NOV 20. AMBASSADOR WAS TOLD (BY HIGH OFFICER OF BANCO DE COMERCIO LAST NIGHT) THAT BANCO DE COMERCIO ALONE HAD TO BORROW \$26 MILLION FROM CENTRAL BANK YESTERDAY TO MEET DEMAND. THE ENTIRE BANKING SYSTEM BORROWED OVER \$68 MILLION FROM CENTRAL BANK YESTERDAY.
2. AMBASSADOR'S SOURCE DOUBTED THAT BANCO DE MEXICO WOULD BE ABLE TO CONTINUE THIS PAYOUT FOR LONG, AND TODAY IS EXPECTED TO BE WORSE. LOCAL BANK STAFFS ARE OVERWHELMED AND SOURCE STATED THAT COMMERCIAL BANKS MAY HAVE TO CLOSE BEFORE NORMAL HOURS TODAY.
3. SOURCE ALSO DISCOUNTS COUP AND OTHER ALARMING RUMORS, BUT SAYS THAT LEVEL OF CONFIDENCE IS SO LOW IN MEXICO THAT PUBLIC WILL BELIEVE ANYTHING (EXCEPT WHAT GOVERNMENT SAYS).

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4. IT IS INCREDIBLE THAT I HAVE BEEN DEPRIVED OF THE SERVICES OF FINANCIAL ATTACHE PASCOE AT A TIME LIKE THIS AND DESPITE EXPLICIT PROVISD THAT IF HE WERE CALLED TO WASHINGTON (IN ITSELF UNWISE) HE BE BACK BY LAST WEEKEND. REQUEST PASCOE'S IMMEDIATE RETURN, OR THE IMMEDIATE ASSIGNMENT OF A FOREIGN SERVICE OFFICER OF APPROPRIATE BACKGROUND WHO WILL BE UNDER MY CONTROL.

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MEXICO

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SUBJECT: MEXICAN ECONOMIC SITREP 8

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International Information Center

REF: A) STATE 277224, B) MEXICO 14685

1. SENIOR OFFICIAL OF BANCO DE COMERCIO HAS JUST CALLED ME (11:45 A.M.) TO SAY THAT BANK WITHDRAWALS AND CONVERSIONS INTO DOLLARS CONTINUE VERY HEAVY TODAY. DESPITE THIS, THERE IS NOW NO RISK THAT BANKS WILL CLOSE EARLY AS BANCO DE MEXICO HAS GUARANTEED TO PROVIDE DOLLARS IN ANY AMOUNT REQUIRED, CONSIDERING THIS THE BEST MEANS TO CALM PUBLIC FEARS AND SPECULATION. SOURCE BELIEVES THAT PRESSURES FOR CONVERSIONS WILL CONTINUE AT LEAST THROUGH MONDAY BY WHEN IT IS HOPED THAT A QUIET WEEKEND WILL HAVE TAKEN PLACE AND PUBLIC CONFIDENCE RESTORED.

2. IN THE MEANTIME, THERE ARE ALARMING RUMORS OF HEAVY LAND INVASIONS IN THE NORTH AND OF THE FACT THAT PRESIDENT ECHEVERRIA HAS REVERSED HIMSELF AND IS AUTHORIZING DISTRIBUTION OF LAND IN THE YAQUI VALLEY NEAR CIUDAD OBREGON, THROUGH AN OFFICIAL DECREE (WHICH, WE UNDERSTAND, WILL APPEAR IN THE DIARIO OFFICIAL WHICH IS NOT DISTRIBUTED PUBLICLY UNTIL MONDAY). THIS DECREE APPARENTLY OVERRIDES JUDICIAL "AMPARO" GRANTED BY THE COURTS TO THE LAND OWNERS UNTIL JANUARY 5. THIS HAS CAUSED CONSTERNATION IN BUSINESS

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BY del NASA DATE 2/12/15



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COMMUNITY AND I HAVE BEEN TOLD THAT THE EXECUTIVE BOARD OF COPARMEX (CONFEDERACION PATRONAL DE LA REPUBLICA MEXICANA) HAS BEEN CALLED INTO SESSION. BANK AND BUSINESS SOURCES HAVE TOLD US THAT THEY CONSIDER THIS PRESIDENTIAL DECREE AS ECONOMIC AND POLITICAL MADNESS, PARTICULARLY COMING AT MOMENT OF GENERALIZED LACK OF CONFIDENCE AND IN THE LAST DAYS OF AN OUTGOING REGIME AND OVERRIDING A COURT ORDER. (WE WILL ATTEMPT TO REPORT SEPARATELY ON LAND INVASION MATTER.)

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SUBJ: MEXICAN ECONOMIC SITREP 0

AUTHORITY state dept exp rev 5/4/04

BY dal NARA DATE 2/12/15

REF: A) STATE 277224, B) MEXICO 14685, C) MEXICO 14705

1. DURING CONVERSATION LATE THIS MORNING BETWEEN
AMBASSADOR DEFT (STR) AND MARIO RAMON BETETA, SECRETARY OF TREASURY,
MEXICO. BETETA STATED THAT YESTERDAY AND TODAY WERE DIFFICULT
DAYS FOR MEXICO AS IT WAS EXPERIENCING LARGE DEMAND FOR
DOLLARS. THIS DEMAND HAD BEEN GENERATED BY
LACK OF TRUST IN THE ADMINISTRATION AND RIDICULOUS RECENT
RUMORS. HE BELIEVED THESE RUMORS WERE PURPOSELY BEING
PLANTED BY DISAFFECTED ELEMENTS IN MEXICAN SOCIETY TO
DISCREDIT THE CURRENT ADMINISTRATION AND AT THE SAME TIME
WEAKEN THE POSITION OF THE INCOMING ADMINISTRATION. AFTER
THIS WEEKEND HE SAID PEOPLE WILL SEE THAT THERE IS NO
FOUNDATION TO THESE RUMORS AND THE CONVERSION OF PESOS
TO DOLLARS WILL STOP. FORTUNATELY, THE TIME WAS
SHORT UNTIL THE NEXT ADMINISTRATION TOOK TO POWER,
ONLY SEVEN WORKING DAYS, AND THERE WOULD BE NO
CATASTROPHE.

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2. BANKS REPORTED HEAVY RUN ON PESOS TODAY BUT THEY CLOSED THEIR DOORS AS USUAL AT 1:30 ALTHOUGH MANY PEOPLE WERE LEFT INSIDE TO BE SERVICED LATER. INTERESTINGLY, BANKERS NOTED THAT MANY WEALTHY AND SOPHISTICATED PERSONS WERE CONVERTING PESOS TODAY. THEY ATTRIBUTED THIS TO CONSTERNATION CAUSED BY SURPRISE ANNOUNCEMENT AT 9:30 THIS MORNING BY PRESIDENT ECHEVERRIA THAT THE GOVERNMENT WAS EXPROPRIATING 100,000 HECTARES OF LAND IN SONORA FROM 72 FAMILIES. THE LAND IS REPORTEDLY IN THE YAQUI VALLEY AND TO BE DISTRIBUTED AMONG 8,000 CAMPESINO FAMILIES. (SEE REFTEL C).

3. FOR FIFTH DAY IN ROW BANCO DE MEXICO HELD THE EXCHANGE RATE CONSTANT AT 24.10 TO BUY AND 24.32 TO SELL.
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ACTION ARA-10

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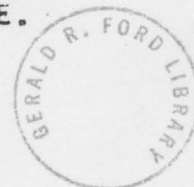
F. O. 11652: N/A
TAGS: EFIN MX
SUBJECT: FOREIGN EXCHANGE MARKET OPERATION UNDER NEW SYSTEM.

REF: MEXICO 14779

1. FOLLOWING IS OUR PRELIMINARY UNDERSTANDING ON HOW THE FOREIGN EXCHANGE MARKET IS NOW OPERATING BASED ON CONVERSATIONS WITH BANKERS.

2. FOREIGN EXCHANGE TRANSACTIONS ARE BEING HANDLED BY BROKERAGE HOUSES (CASAS DE VALORES) OR REGISTERED STOCK EXCHANGE AGENTS (AGENTES DE BOLSA). AT LEAST SEVERAL LARGE BANKS (BANCO DE COMERCIO AND BANCO NACIONAL DE MEXICO) CONTROL BROKERAGE HOUSES. THE BRANCHES OF THESE BANKS ARE BUYING DOLLARS AND DOLLAR INSTRUMENTS AT RATES SLIGHTLY ABOVE 28 PESOS PER DOLLAR. OFFICERS OF BANCO DE COMERCIO HAVE AUTHORITY TO CONVERT UP TO \$500. WHILE THE TRANSACTION IS HANDLED THROUGH BANCO DE COMERCIO OFFICES, IT SHOWS UP ON THE BOOKS OF ITS BROKERAGE HOUSE.

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SALES OF DOLLARS ARE BEING MADE ON AN "AS AVAILABLE" BASIS, AT A RATE ABOUT ONE PERCENT ABOVE THE DOLLAR BUYING RATE.

3. WHILE THE BANK OF MEXICO COMMUNIQUE (REFTEL) REFERS TO MONEY BROKERS (CORREDORES DE CAMBIO), WE UNDERSTAND THAT ALL STOCK MARKET BROKERS (AGENTES DE BOLSA OR CASAS DE VALORES) CAN PARTICIPATE IN THE MARKET.

4. WE UNDERSTAND THAT THERE HAVE NOT BEEN MANY TRANSACTIONS THIS MORNING. CITIBANK IS HOLDING OFF MAKING ANY TRANSACTIONS THOUGH THEY HAVE HEARD THAT BANKS CAN IN FACT MAKE TRANSACTIONS AT OR NEAR THE RATES BEING QUOTED BY BROKERS.

5. THE MEXICAN BANKERS WERE TO MEET WITH BANK OF MEXICO AND TREASURY OFFICIALS THIS MORNING AT 11 A.M. WE DO NOT YET KNOW THE OUTCOME. THERE IS CONSIDERABLE CONFUSION AS TO HOW THE MARKET SHOULD OPERATE, THIS BEING THE FIRST EXPERIENCE WITH A FLOATING RATE. WE MAY HAVE TO MODIFY ABOVE DESCRIPTION UPON RECEIPT OF NEW INFORMATION.

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TAGS: EFIN, MX
SUBJECT: MEXICAN ECONOMIC SITREP

AUTHORITY state dept rep Nov 5/4/06
BY dal NARA, DATE 2/2/15

REF: A) MEXICO 14700, B) MEXICO 14779

1. EXCHANGE RATES AND CAPITAL MOVEMENTS, AS NOTED IN REFTELS
MEXICO IS NOW ON A TRULY FLOATING EXCHANGE RATE AS BANCO DE
MEXICO WITHDREW FROM FOREIGN EXCHANGE MARKET. AS OF NOON TODAY
RATE BEING QUOTTTED WAS SLIGHTLY MORE THAN 28 PESOS PER DOLLAR
(SFE REFTEL A). ACCORDING TO PRESS CAPITAL OUTFLOW HAD BEEN
RUNNING 10 TO 15 MILLION DOLLARS A DAY FOR LAST WEEK OR SO,
HOWEVER IT INCREASED RAPIDLY AT END OF LAST WEEK TO ABOUT
150 MILLION ON FRIDAY. BANCO DE MEXICO UNDOUBTEDLY SAW PONS
OF THIS COMING IN THE FEW DAYS PRECEDING ACCESSION TO POWER
OF LOPEZ PORTILLO ON DECEMBER 1 AND DEEEECIDED IT COULD NOT
FINANCE SUCHHHH A DRAIN. REPORTEDLY A "OPEN" MARKET IN DOLLARS
OUTCKLY DEVELOPED AT THE AIRPORT AFTER THE EXCHANGE BOOTH
CLOSED FRIDAY AFTERNOON. THIS MARKET HAD TRADED THE PESO AT
ABOUT 26 TO THE DOLLAR.



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2. GOVERNMENT FINANCE. THE NATIONAL TELEPHONE COMPANY, TELEFONOS DE MEXICO, WILL HAVE A DEFICIT OF 14 BILLION PESOS THIS YEAR ACCORDING TO THE LEADER OF THE TELEPHONE WORKERS. HE ALSO STATED THAT THE SITUATION WAS AGGRAVATED BY THE FIRM HAVING THE MAJOR PART OF ITS LIABILITIES IN DOLLARS AND THAT RATES WOULD BE INCREASED BETWEEN

15 AND 20 PERCENT.

3. RUMORS. (SEE MEXICO 14711)

4. BUSINESS INFORMATION. NOTHING SIGNIFICANT.

5. WAGES AND PRICES. NEWSPAPERS REPORT GREAT PRICE INCREASES IN ONE OF MEXICO'S MAJOR DOWNTOWN MARKETS OVER THE WEEKEND. PRICES OF FRUITS AND VEGETABLES ALMOST DOUBLED. SELLERS QUESTIONED STATED THEY HAD NOT FAITH IN THE VALUE OF THE PESO. NEWSPAPERS TODAY STATE THAT A REPORT JUST RELEASED BY BANCO NACIONAL DE MEXICO, WHICH WE HAVE NOT YET RECEIVED, SAYS THAT WHEREAS THE MONEY SUPPLY HAD BEEN INCREASING AT

AN ANNUAL RATE OF 22 PERCENT THROUGH AUGUST 1976, IN SEP-

TEMBER THE RATE OF INCREASE JUMPED TO 42 PERCENT. THIS IS AN ASTOUNDING RATE OF INCREASE PARTICULARLY WHEN THAT AT THIS TIME PESO CURRENCY AND ACCOUNTS WERE INCREASINGLY BEING CONVERTED TO DOLLARS. ONE OF THE MAJOR REASONS FOR THIS JUMP IN THE RATE OF MONETARY EXPANSION COULD HAVE BEEN THE

NEED TO FINANCE THE GROWING PUBLIC DEFICIT BUT THIS EXPLANATION DOES NOT SEEM AT THIS TIME TO BE SUFFICIENT, NOR DOES THE LIQUIDATION OF PESO TIME DEPOSITS AND INSTRUMENTS SINCE THESE DO NOT FIT IN THE MONEY SUPPLY.

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November 29, 1976

TO: Chairman Burns

FROM: Ted Truman

EINT

Attached are the latest cables on the Mexican economic situation.

Attachments: Mexico 14904
Mexico 14956
Mexico 15016

cc: Governor Wallich

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ACTION: SS-14

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TAGS: EFIN MX

SUBJECT: MEXICAN ECONOMIC SITREP

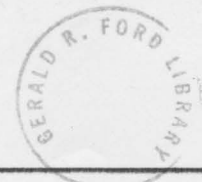
AUTHORITY state dept sys (rev) 514106

BY dal NARA, DATE 2/12/15

REF: MEXICO 14819

1. EXCHANGE SYSTEM. ON SECOND DAY OF NEW EXCHANGE SYSTEM, DOLLAR BUYING RATE OF BANCO NACIONAL DE MEXICO (BANAMEX) DECLINED FROM 25.5 AT THE OPENING TO 22.0 AT ONE P.M. DOLLAR SELLING RATE ROUGHLY 10 PERCENT MORE, MAKING FOREIGN EXCHANGE BUSINESS PROFITABLE. BANAMEX OFFICIALS TELL US THAT DECLINE WAS DUE IN PART TO SELLING BACK OF DOLLAR CURRENCY THAT WAS PURCHASED LAST THURSDAY AND FRIDAY, BUT IN A MUCH SMALLER VOLUME. MARKET NOV. 23, AS NOV. 22, WAS DOMINATED BY INDIVIDUALS AND CHARACTERIZED BY SMALL TRANSACTIONS. COMPANIES APPEAR TO BE HOLDING OFF FOR THE TIME BEING.
2. ONE BANKER TOLD US THAT ALL TRANSACTIONS OVER \$5,000, HAVE TO BE REPORTED TO THE BANK OF MEXICO PRIOR TO EXECUTION. AS A RESULT, ONE PURCHASE OF \$50,000 WAS BROKEN INTO ELEVEN TRANSACTIONS.
3. PUBLIC UNDERSTANDING OF THE NEW MARKET IS STILL LIMITED. MONDAY'S NEWSPAPERS MERELY REPRINTED THE BANK OF MEXICO'S COMMUNIQUE WHICH

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GAVE THE IMPRESSION, PERHAPS DELIBERATELY, THAT ALL FOREIGN EXCHANGE TRANSACTIONS HAD BEEN SUSPENDED. NOV. 23 PAPERS NOTE THAT BROKERAGE HOUSES ARE ENGAGING IN FOREIGN EXCHANGE OPERATIONS, BUT DO NOT PROVIDE OUTLINES FOR BUYING DOLLARS. THE INDIVIDUAL HAS TO FIND OUT FOR HIMSELF.

4. THERE ARE FIVE OR SIX BANKS THAT HAVE CASAS DE VALORES (BROKERAGE HOUSES). WE HAVE NOT YET CONFIRMED THAT ALL THESE ARE OPERATING IN THE FOREIGN EXCHANGE MARKET, THOUGH ONE, BANCO DEL ATLANTICO, ADVERTISED SERVICES OF ITS BROKERAGE HOUSE IN NOV. 23 PAPERS. WE ARE AWARE OF SEVERAL BANKS, INCLUDING CITIBANK, THAT ARE NOT ENGAGING IN FOREIGN EXCHANGE TRANSACTIONS.

5. BANCO DE COMERCIO OPENED NOVEMBER 23 AT 25.5 BUYING AND 27.5 SELLING. IT CLOSED AT 22.0 BUYING AND 25.0 SELLING. IT OPENED AT 23 BUYING AND 25 SELLING ON NOVEMBER 24. WIDE SPREAD IS DISCOURAGING TRANSACTIONS.

6. WHILE SHARP DROP IN RATE FROM MONDAY'S 28 PESOS PER DOLLAR MAY BE DUE TO MARKET FORCES, SOME OBSERVERS SUSPECT THAT BANK OF MEXICO MAY BE MANIPULATING THE MARKET.

7. ONE HALF OF \$800 MILLION LOAN IS TO BE DRAWN DOWN ON NOVEMBER 24 AND THE OTHER HALF ON NOVEMBER 29. FOREIGN BANK REPRESENTATIVE TELLS US THAT BANK OF AMERICA SENT LETTER TO TREASURY REQUESTING DETAILS ON IMF PROGRAM AS WELL AS RELEVANT FUND AND WORLD BANK DOCUMENTS. TREASURY REPLIED THAT FUND AND BANK PROHIBITED THE RELEASE OF THESE DOCUMENTS, BUT GAVE A RESUME OF THE EFF PROGRAM.

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FO 11652 : GDS
TAGS : EFIN MX
SUBJ : MEXICAN ECONOMIC SITREP

AUTHORITY state dept sys rev 5/4/06
BY dal NARA, DATE 2/15/15

REF : A) STATE 277224; B) MEXICO 14904

1. EXCHANGE SYSTEM. TODAY, NOVEMBER 24, DOLLAR BUYING RATE CONTINUED TO DROP. BANCO DE COMERCIO REPORTS THEY OPENED AT 25 PESOS TO BUY DOLLARS AND 23 TO SELL, BUT CLOSED AT 24 AND 21 RESPECTIVELY. HOWEVER, OFFICIAL NOTED OTHER BANKS, AND EVEN BANCO DE COMERCIO BRANCHES OUTSIDE OF MEXICO, WERE QUOTING SOMEWHAT DIFFERENTLY ALTHOUGH TENDENCY WAS THE SAME. MARKET CONTINUES TO HANDLE MOSTLY REQUESTS BY INDIVIDUALS, SOME OF WHOM TRADED LARGE AMOUNTS. STILL LITTLE CORPORATE ACTIVITY BEING NOTED. DOLLAR BUYING RATE DROPPING DUE TO DOLLAR OFFERINGS CONTINUING SOMEWHAT LARGER THAN DEMAND. BECAUSE BANKS HAVE NO GUARANTEE THAT BANCO DE MEXICO WILL BUY THE DOLLARS FROM THEM, OR THE RATE IF IT BUYS, THEY ARE TRYING TO BALANCE THEIR POSITIONS. BANCO DE COMERCIO TOOK IN A LARGE AMOUNT OF DOLLARS AT 28 PESOS EARLY MONDAY LEAVING IT VERY LONG ON DOLLARS. HOWEVER, IT HAS NOW ALMOST BALANCED ITS POSITION. INFORMANT EMPHATIC THAT BANCO DE MEXICO NOT IN THE FOREIGN EXCHANGE MARKET IN ANY MANNER.



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2. OTHER ECONOMIC FRONTS. THESE ALL CONTINUE
REMARKABLY QUIET WITH NOTHING SIGNIFICANT TO REPORT.
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BY dal NARA, DATE 2/12/15

REF : A) STATE 277224 B) 14904

1. EXCHANGE SYSTEM. YESTERDAY, NOVEMBER 25, BANKS WERE BUYING DOLLARS AT 23 AND SELLING AT 24. TODAY, THE RATES REMAIN THE SAME. MARKET MAY BE CONSOLIDATING. TRADERS HAVE FORCED THE NARROWING OF THE BUYING AND SELLING SPREAD BY SHOPPING AMONG BROKERS.

2. OTHER ECONOMIC FRONTS. THE LEADER OF THE MEXICAN LABOR CONFERATION, FIDEL VELAZQUEZ, STATED THAT THE LABOR MOVEMENT WILL NOT ASK FOR A GENERAL INCREASE AT THIS TIME. WHILE THE PESO FLOATS THE DETERIORATION OF PURCHASING POWER CAN NOT BE CALCULATED. HOWEVER, THE NATIONAL MINIMUM SALARIES COMMISSION WILL HAVE TO FIX A NEW MINIMUM WAGE JAN 1, 1977. SINCE THE SECOND DEVALUATION, OCT 27, LABOR HAS SHOWN REMARKABLE FOREBEARANCE IN NOT IMMEDIATELY CLAIMING A WAGE INCREASE TO RESTORE REAL INCOME. THIS COULD BE DUE TO SEVERAL FACTORS: EVEN ORGANIZED LABOR IS FEELING THE PINCH OF UNEMPLOYMENT AND THE SHOCK OF THE SECOND DEVALUATION TO WHICH THE IMMEDIATE PRICE AND WAGE RISES FOLLOWING

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THE FIST CONTRIBUTED.

3. RUMORS. EMBASSY OFFICERS HAD BEEN TOLD BY OFFICIALS OF TREASURY THAT MARIO RAMON BETETAN CURRENT SECRETARY OF TREASURY, WILL BE APPOINTED AMBASSADOR TO THE

UNITED STATES. NEWSPAPERS SPECULATED THAT LIC. ANTONIO CARRILLO FLORES, FORMER SECRETARY OF FOREIGN AFFAIRS AND TREASURY AS WELL, WOULD BE NAMED DIRECTOR

GENERAL OF THE BANCO DE MEXICO. HE WAS SECRETARY OF TREASURY IN 1974 DURING LAST DEVALUATION AND IS CONSIDERED A "SOLID MAN." FINALLY, RUMOR IS CIRCULATING

IN BUSINESS AND BANKING CIRCLES THAT ERNESTO FERNANDEZ HURTADO, CURRENT DIRECTOR GENERAL OF BANCO DE MEXICO,

VISITED WASHINGTON EARLY THIS WEEK TO PLEAD FOR A MORATORIUM ON DEBT REPAYMENT.

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