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A vote in the US House of Representatives to block further disbursement of funds for the Mexican government to pay off short-term obligations is expected to have little impact on the Mexican economy. The measure, passed overwhelmingly in the US House, effectively bans the use of US Treasury funds for new loans to Mexico, effective on Oct. 1. According to analysts, the House move in many ways is symbolic, since the Mexican government has already used about US$12.5 billion of the US$20 billion total in loan guarantees made available by US President Bill Clinton's administration in late January as part of US$50 billion international rescue package for the Mexican economy (see SourceMex, 02/01/95).

Many economic analysts doubt that Mexico will even need to draw on the remaining US$7.5 billion, since the government currently has more than enough reserves to cover all the Treasury bonds (Tesobonos) that are due to mature this year. Indeed, in early July the Finance Secretariat (SHCP) reported that Mexico's existing foreign reserves are now more than sufficient to meet pending Tesobono obligations of US$9.788 billion due to mature before the end of the year.

In explaining the situation to reporters, Finance Secretary Guillermo Ortiz Martinez said the Mexican government has retired about US$30 billion in pending Tesobono obligations since the start of the year (see SourceMex, 07/19/95). He said there is a strong chance that the Mexican government will not have to use the US$7.5 billion in loan guarantees available from the US. Many analysts also note that should any emergency arise, Mexico still has access to funds from the International Monetary Fund (IMF), the European-based Bank of International Settlements (BIS), and a consortium of private banks.

The lack of concern about the US House vote was reflected in the trends at the Mexican Stock Exchange (BMV). On July 20, the day after the House decision, the BMV's main index (Indice de Precios de Cotizacion, IPC) closed with a gain of 1.03%. According to market analysts, the House move was only a secondary concern to traders, who were more interested in following developments in the Dow Jones Industrial Average at the New York Stock Exchange (NYSE). The US congressional vote also appeared to have very little impact on the stability of the peso, which declined by a minimal amount to 6.15 nuevo pesos per US$1.00 on July 20. On July 25, the peso remained stable at 6.12 nuevo pesos per US$1.00.

The analysts said any concern about the House move was also dispelled by President Bill Clinton's commitment to veto any measure that would freeze aid to Mexico. To avoid bringing up the issue for a vote in the US Congress earlier this year, US President Bill Clinton used an administrative maneuver to draw funds from the US Treasury's Exchange Equalization Fund. The maneuver received support from both Democrats and Republicans, but has also come under attack by other members of both parties. The bipartisan support and opposition was reflected in the vote in the House, where 156 Republicans, 88 Democrats, and one independent voted for the amendment

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to freeze the assistance. The one independent, Rep. Bernard Sanders of Vermont, was the chief sponsor of the amendment. Similarly, the amendment was opposed by 73 Republicans and 110 Democrats. Among the supporters of the package in the House are Speaker Newt Gingrich (R-Ga) and Banking Committee Chairman Rep. Jim Leach (R-Iowa).

In the Senate, the Clinton administration is also facing a mixture of opposition and support. A key supporter of President Clinton's assistance package last January was Majority Leader Bob Dole (R-Kan). Dole, who has announced his candidacy for US president in 1996, has since joined Sen. Alfonse D'Amato (R-NY) in proposing an end to loans to Mexico. D'Amato, who chairs the Senate Banking Committee, has already announced plans to introduce an amendment similar to the one in the House to restrict President Clinton's ability to unilaterally draw from the US Treasury's currency stabilization fund to bail out any country's economy. On the other hand, D'Amato's bill provides the administration some flexibility by allowing the president to withdraw funds from the account without congressional approval in cases where amounts are less than US$1 billion.

Congressional observers said the D'Amato bill could gain strong support in the Senate, where members would be allowed to vote in principle against any massive future bailouts of foreign economies, while not having to make any decision that would directly affect the economic stability of Mexico or any other country. Indeed, according to the New York Times, many senators and members of Congress were privately pleased that Clinton undertook the maneuver to draw funds from the US Treasury's currency stabilization fund, since this avoided a congressional vote on a bailout, which would have placed many legislators in a difficult position. (Sources: Agence France-Presse, 07/19/95 07/20/95; Associated Press, Reforma, 07/20/95; La Jornada, 07/19-21/95; New York Times, 07/15/95, 07/22/95; El Financiero International, 07/24/95)

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