

U.S.-Mexico economic cooperation moving along these lines. As is widely recognized, the U.S. needs this gas, and Mexico wants to sell it. Mexico's asking price is not out of line with current international levels. And the \$1 billion plus revenues that Mexico stands to earn annually from gas sales, given Mexico's commitment to high-technology industrialization, will translate immediately into further Mexican import orders.

The "American System" of industrial growth and technological advance, fought for in the American Revolution and formalized in the U.S. Constitution, exercised a profound effect on Mexico. What is happening now is that Mexico, having incorporated the same principles in its "Mexican System," stands in a position to catalyze a renewed fight for the American System within the U.S.

Oil: A Kind of Debt Moratorium

The conclusions to be drawn go beyond U.S.-Mexico or U.S.-Venezuela relations, however. Mexico and Venezuela are not exceptional in their development plans. Most if not all of the nations of the Third World would immediately initiate the same kinds of programs, with the same high-technology import requirements, as have Mexico and Venezuela — if they were freed of their crushing debt burdens.

Mexico and Venezuela are "breaking out" not just because they have oil, but because the oil "buffers" them from acute debt problems. Oil is Mexico and Venezuela's "debt moratorium."

The model for advanced sector collaboration with the Third World for mutual development taking shape around Mexico and Venezuela can immediately be extended to the Third World at large, with incalculable benefits for the world economy as a whole, if measures are taken to erase Third World indebtedness to the World Bank and International Monetary Fund, and channel new net flows of credits for productive purposes into Third World areas.

Exporting the Mexican System

The Mexicans know this. On April 8, President Lopez Portillo delivered a major address on foreign policy in which he stressed that Mexico's national development goals can only be realized in the context of a revised world system, in which no country must "export its living standards" in order to survive. Mexican newspapers summarized the perspective the next day: Mexico has undertaken the task of "exporting the Mexican System," they declared.

Significantly, the President's speech occurred as Mexican Foreign Minister Santiago Roel concluded meetings at the highest level with Venezuela. The two countries, who are already coordinating their capital goods drives on a bilateral basis, urged the general assembly of the Latin American Economic System (SELA) to adopt the same focus on a continent-wide level. Mexico is making it clear that it conceives of its alliance with Venezuela as a central axis for intervention into Latin America and the Third World as a whole on behalf of the rapid industrialization programs both countries exemplify.

Mexico: Thinking Big

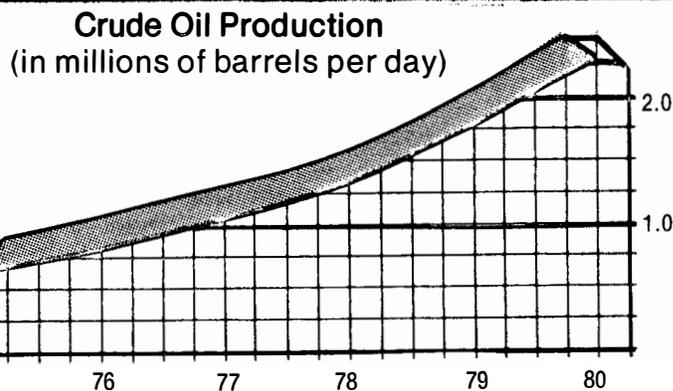
Over the past three months, Mexican President José Lopez Portillo and his top ministers have traveled throughout Mexico announcing government plans, unprecedented in the Third World, to channel Mexico's oil revenues into high-technology industry and capital goods, including steel, industrial ports, and nuclear energy. "We have to rapidly accustom ourselves to thinking big," announced President Lopez Portillo. In two years, he said, Mexico will realize a large surplus in oil revenues, and in preparation, "we must plan large development projects with ambition and vision."

"Thinking big" is especially important for a country that a year and a half ago was suffering a deep political and economic crisis expressed in a massive flight of capital, almost complete paralysis of the economy, and a 50 percent devaluation of its currency, the peso. At that time, Mexico was considered the perfect "patient" by the International Monetary Fund, which intervened at the end of 1976 with a credit line for more than \$1 billion and a package of austerity measures, which included axing the second stage in construction of a huge state steel complex at Las Truchas.

President Lopez Portillo elected to deal with this crisis by rapidly developing Mexico's oil reserves, currently at 17 billion barrels proven and 120 billion barrels "prob-

able." The commitment to the rapid development of the oil industry has been so successful that now the production program of the state oil company Petroleos Mexicanos (Pemex) is *two years ahead of schedule*.

The 23.7 percent oil production increase last year has allowed the government to repay part of the IMF loan ahead of schedule, and the government has announced that it does not plan to use the \$300 million remaining in



Source: Banco Nacional de Mexico and Pemex

the credit line. The IMF has been virtually "dismissed" as doctor for the Mexican economy.

In announcing its oil-based industrial strategy, the government, while making clear that it is taking responsibility for "dirigist" planning of the economy as a whole, is making strenuous efforts to bring private-sector businessmen into collaboration in priority investment areas. Response has been positive but cautious. Most notably, the Chamber of Manufacturing Industries (Canacintra) has a campaign to promote the ambitious government capital-goods program.

In conjunction, the government is broadcasting through reliable press spokesmen that the increased oil revenues will strengthen efforts to block any IMF-controlled business faction from launching a replay of the political and economic sabotage waged against then-President Luis Echeverria in late 1976.

In calling on the financial community to step up investments, the government has warned businessmen that last year's 2.5 percent rate of growth is a figure that belongs to the past. The Minister of Budget and Planning, Ricardo Garcia Sainz, has said that this year a rate of growth lower than 4.5 percent will not be tolerated, "either by the government or the people."

Oil. Axis of Development

In a nationally broadcast speech March 18 on the anniversary of Mexico's 1938 oil expropriation, the head of Pemex, Jorge Diaz Serrano, announced that the production goal of 2.25 million barrels of crude oil per day scheduled for 1982 will be achieved two years earlier. Last year's production grew 23.7 per cent, reaching 1.1 million barrels per day. This year crude production should reach 1.4 million barrels per day, close to Venezuela's present daily production of 1.7 million barrels.

In a strong polemic against self-styled "nationalist" tendencies that call for keeping the oil underground and not exporting it in large quantities, Pemex head Diaz Serrano presented the economic advantages that the oil revenues ensure Mexico. During Lopez Portillo's presidential term (1977-1982), total domestic and foreign income from oil sales will total \$60 billion. A net profit of approximately \$11.5 billion will be channeled into the recently announced National Employment Fund, a package of industrial projects whose center, according to the Secretary of National Properties and Industrial Development, Jose Andres de Oteyza, will be "large-scale enterprises."

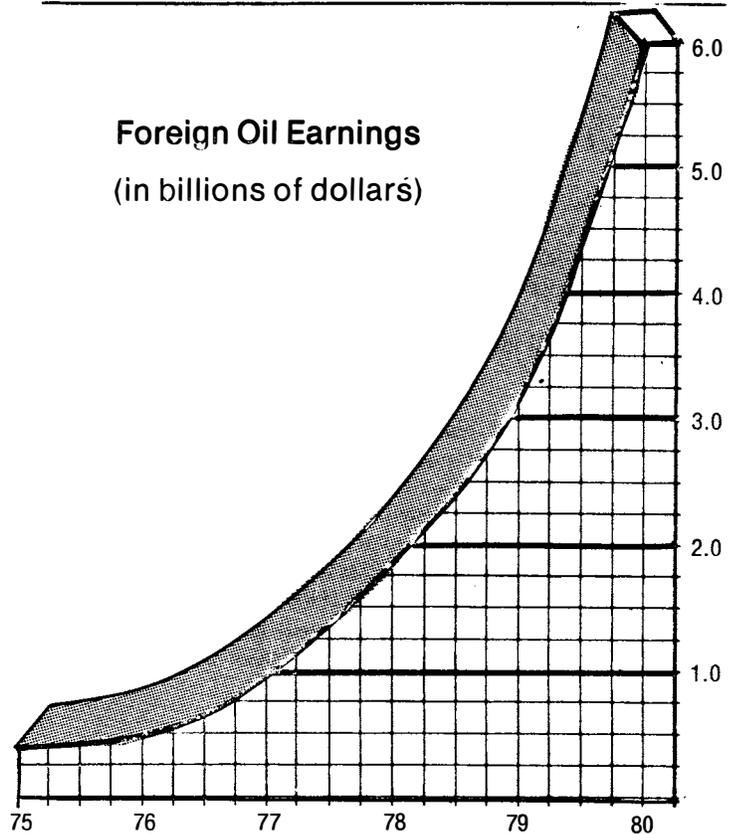
Labor Development

The benefits of this oil bonanza, President Lopez Portillo has emphasized, could be lost if Mexico does not at the same time develop its labor force through the upgrading of education and technological training.

Mexico's forefront commitment to education and technical training recalls the successful industrial development of the United States, and points to a notion of labor policy which U.S. businessmen have not always studied.

The Mexican government has sent the National Congress a bill to reform Article 123 of the Mexican Constitution to make advancing education and skill levels a constitutional right. In a summit meeting on education policy in mid-March, Education Minister Fer-

Foreign Oil Earnings
(in billions of dollars)



Source: Financial Times and Industry Development Minister

nando Solana dramatized the need for educating the broadest layers of Mexico's population by pointing to training and education as "the most efficient means of transforming the potential energy, which resides in the very heart of populations, into the motor force of progress."

The Big Projects

Capital Goods:

Taking into account the great expansion planned for the state sector and the extraordinary market that it provides for capital goods, the government is giving this industry top priority. In the next 10 years, according to Nafinsa Director of Programs Luis Almeida, Mexico's demand for capital goods will total roughly \$45.5 billion. It is hoped that a large part can be supplied by the domestic capital goods industry.

The government-formed task force for the coordination of the capital goods effort will be headed by Finance Minister David Ibarra, a long-time promoter of that industry. Government investment in this area will total \$350 million this year (100 percent more than in 1977). The government has also adopted incentives including an 80 percent guarantee for credits from private banks to capital goods industry, credits that will have a term no less than 10 years. It is also offering favorable tariffs for machinery and equipment imports.

For the rest of Lopez Portillo's presidential term, which ends in 1982, the estimated market for the domestic capital goods industry has been broken down by the government as follows: 20 percent for Pemex (\$8 billion), 17 percent for the Federal Electrical Com-

mission (\$7 billion), 13.6 percent for agriculture, and 9 percent for mining.

Steel:

To direct national steel production, the government formed a private-public sector task force early in February. The state-controlled steel plants, Las Truchas, Altos Hornos, and Fundidora Monterrey, have been consolidated into one enterprise, Sidermex. Total production this year should reach 6.6 million tons, enough to satisfy national demand, sustained especially by Pemex and the capital goods industry. Minimum investment for the next three years will total \$1.58 billion.

Ship-yards:

The Minister of National Properties and Industrial Development, Jose Andres de Oteyza, has emphasized the importance of the shipping industry for the industrialization of the country. By 1982, Mexico will be building 44,000-ton tankers for Pemex, and will gear up its ports on both the Gulf of Mexico and the Pacific coast to accept tankers of 150,000 and 250,000 tons respectively. One of the planned ship-yards will be part of the Las Truchas industrial complex, previously stalled by the IMF.

Petrochemicals:

A 360 percent increase has been programmed for petrochemical production during this government's term, with a total investment of \$4.1 billion.

Fertilizers:

National production in this area is slated to supply 80 percent of the country's demand. The five-year plan for Fertimex (the state fertilizer company) includes an investment of \$304 million.

Natural Gas:

Industry Minister Oteyza has made it clear that Mexico is open to sell natural gas to the United States—despite the fact that U.S. Energy Secretary Schlesinger last year vetoed a contract with Texas gas companies. He further announced that Mexico will utilize its natural gas resources domestically in the interim, and free additional oil for export. On March 29, Oteyza announced the construction of a national distribution network of natural gas, specifying that selected zones on the Gulf of Mexico and the Pacific will enjoy preferential pricing in both natural gas and petrochemicals, and will be provided with infrastructure (roads, water facilities, and industrial ports) to develop as advanced industrial centers.

A Nuclear Future?

These projects are the backbone of Mexico's "think big" planning. The government has yet to make a decision on the key programs for nuclear energy and the agriculture sector.

There is no question that the government is fully committed to exchange its oil wealth for nuclear technology. Lopez Portillo has repeatedly emphasized that nuclear energy is Mexico's "next step." Mexico commands large and barely tapped uranium reserves. The question is how fast nuclear energy will be developed. This issue, vital for Mexico's future, is being discussed

now by scientists, political parties, and government officials in Mexican congressional hearings.

The government is approaching the agriculture question from the standpoint of industrial development as a whole. Several ministers and Lopez Portillo himself have emphasized the necessity of raising the labor skills of the peasantry through industries in the countryside, known as "agroindustries," seen as a transitional stage in the step from peasant farming to an industrialized Mexico with advanced agricultural technology.

However, a full government policy remains to be presented in this crucial area, where several years of stagnating production have created the most serious economic problems the government now faces.

— Alicia Fernandez
— Tim Rush

Mexican Oil Revenue Slated For Development

Here are excerpts from the speech by Jose Andres de Oteyza, Mexican Minister of Industrial Development, announcing the creation of a National Employment Fund at the annual meeting of the Concamin (National Chambers of Industry), March 15, 1978:

...The oil program will lead us to obtain a foreign exchange surplus which will allow us not only to solve our current problems of foreign imbalance, but will also give us unprecedented maneuvering room in economic policy. The task is to turn our abundance of hydrocarbons into a lever of integral, independent and well-planned development. To achieve an adequate balance between reserves and the rates of exploitation of hydrocarbons, to generate sufficient external resources that will help supercede the short-term restrictions imposed by the balance of payments on the economy, and to utilize those resources and the substantial demand for investment that is generated by the sector to foster in the medium and long term a national capital goods industry, is helping at the same time the creation of new activities which, as with petrochemicals, will be intensive in the use of these inputs.

Nevertheless, there exist tendencies in other spheres of economic activity which, if not reversed, will be critical in the medium term. Not only is agriculture not sufficiently productive, but the food industry as well has constricted. We must again become a country capable of feeding itself.

Investment in priority sectors, which now can and should accelerate thanks to the unpressured balance of payments situation will imply a growing demand for capital goods. Therefore, the establishment of an industrial plant capable of producing machinery and equipment, that is to say, capable of *reproducing itself*, is an appropriate destiny for our oil resources.

In this context, the government has decided to selectively promote this strategic sector for the integration and diversification of industry. Concrete measures include a regimen of acquisitions for the leading semi-state companies, a series of fiscal stimuli and the modification of the laws of operation of various rediscount funds, so as to increase the resources that will

specifically help this industry. Through a policy of energy price differentials, we will seek regional development and industrial decentralization. Great ports on our coasts will be constructed to serve as ports of departure for our exports.

The policy of constructing great industrial ports in the country with broad characteristics constitutes the innovative element of the government's present conceptions of industrial decentralization.

...What we need to accomplish is the transformation of non-renewable resources into others capable of reproducing themselves, including developing alternative sources of energy such as nuclear.

I urge the creation of large agroindustrial complexes that will increase production in the countryside, that can offer a sure and remunerative market for the peasantry, that can process its products and distribute them efficiently both in the country and in the exterior. The large company should constitute itself as the foundation of the small and medium companies, each one developing in accordance with its own characteristics. Thus the presidential decision to create a national employment fund, destined to promote the development of public and private sector projects.

Lopez Portillo: We Won't Postpone Development

Following are excerpts of a speech by Mexican President Jose Lopez Portillo March 31 to a rally of 25,000 oilworkers gathered to pledge support for the government's oil program. In these passages Lopez Portillo targets the curious alliance of reactionary elements in the country and certain "left" figures who insist that Mexico "defer" massive development of its oil so as not to jeopardize the resource base for "future generations."

...Thanks to the efficiency of Mexican workers, technicians and administrators, the responsibility of administering our oil surplus is going to begin under this regime in 1980. I am not simply talking about handing over this potential to whoever succeeds me, but determining in this administration what we must accomplish with this surplus resource. And with it I assume a responsibility that I consider historic...

Here are the petroleum resources. They are resources that will run out. Who is going to take advantage of them and for what purpose? That is a moral problem...

Are we going to sacrifice the present generations for those of the future, or are we going to leave the future generations subject to their own advice and decision? This is a grave question to pose to a politician. It is the grave question that was posed to the politician who was Lazaro Cardenas, when he expropriated foreign oil holdings for the future generations. And this was 40 years ago; comrades, we are now the future generations of that time.

For the first time and within two years, we will have the possibility, the potential to not have to resort to foreign financing in order to maintain, increase and accelerate our development.

What are we going to use these potentialities and the petroleum surplus for? To begin an era in which we only pay debts? This, friends, is the grave question before us. And it is an appropriate moment for all sectors of public opinion to debate this national question. It doesn't bother me at all that those who have an opinion in our free society want to give it. It is the future of Mexico that is under discussion.

I think, comrade workers, that the historic moment has arrived to say "enough" to the ancestral misery of the Mexicans; we must have sufficient talent and decisiveness to solve once and for all...the problem of misery and marginality; and for this, the fundamental support, the basic pivot, is and should be oil.

I believe it unjust, for those who are out of work, and there are many; I believe it unjust, for those who suffer hunger; I believe it unjust, for those who are sick; I believe it unjust, for those who are ignorant; I believe it unjust for the Mexicans who are unhappy, that we should postpone the decision to build the greatness of the country. We are going to build it now, for ourselves and for our children.

There are those, comrades, who would want us to defer this decision. They are the same who, wishing that we not exploit the oil now, do not wish us to be indebted either. And the economy does not perform miracles. If there are no internal resources and they do not come from abroad, hope is cancelled; and I do not want the hope of the Mexican people to be cancelled. It has been cancelled too many times in the past. I want to open up hope. We have the means to do it.