

Mexico's Strategy For Development

Mexican President Lopez Portillo's State of the Nation address

Mexican President Jose Lopez Portillo laid out a battle plan for nation building in his second State of the Nation address on Sept. 1. We reprint here excerpts of this historic speech which describe his appeal to the nation and to the world to act "with the power of reason," to join in city-building, the building of a new world monetary system, the creation of a new world economic order.

In a poetically developed dialogue with the nation, Lopez Portillo asserted the role of the dirigist state in directing the industrial development of the country for the benefit of all its citizens, and described the rights and responsibilities of the population and of private enterprise in the nation-building tasks of the republic.

"The worst is over," said the Mexican President, describing the current recuperation of the Mexican economy from the severe economic crisis suffered during the last year of the Administration of his predecessor Luis Echeverria. The President described the sacrifices that workers have endured over the last two years in solidarity with the government's efforts to reestablish full economic sovereignty, and laid out the goals of the coming periods of "economic consolidation" and "accelerated growth."

Then, Lopez Portillo attacked the "unpatriotic ones," who spread rumors of devaluation and threaten capital flight to sabotage the institutions of the Mexican Revolution and the state-directed

development of the nation. These are the same forces that carried out the destabilization of the Echeverria Administration, denounced by Echeverria as "the hooded ones," the Mexican networks of the Black International and the Order of Saint John of Jerusalem.

Armed with the oil-for-technology weapon, and allied with international humanist forces which are developing a new world monetary system based on rapid industrial development of the Third World, Lopez Portillo ruthlessly warned not only the internal destabilizers, the "denationalized ones," but also the destabilizers within the U.S.

U.S. Energy Secretary Schlesinger's sabotage of U.S. purchase of Mexican natural gas was described by the Mexican President, who made clear that Mexico will not bow to blackmail of any sort, and will not "scab" against the Organization of Petroleum Exporting Countries (OPEC).

The speech by the Mexican President is a concrete demonstration that the Schlesinger policy and any other attempted destruction of Mexican-U.S. relations constitutes economic warfare against the U.S. economy. At this crucial time, there is no better neighbor or trading partner for U.S. high-technology industry than the Mexican Republic.

The following excerpts of the Mexican President's address were taken from the Sept. 2 edition of Mexico City's English-language daily The News.

'We Will Build A Nation With The Power Of Reason'

The International Economic Crisis

...Toward the end of the 1960's problems forced their way onto the international scene which were new to the select ruling classes of the super-powers, but which poor and exploited countries had suffered for generations—shortages of food, raw materials, and energy supplies. The inflationary spiral gathered speed and competitive devaluations followed one upon the other. The period of unprecedented growth that the world economy had enjoyed since the last world war came to an end. A break in the precarious

political equilibrium was accompanied by the loss of apparent economic stability which contained basic elements of injustice and caprice that were the seeds of its destruction. Though it had been many years in coming, the crisis caught governments and peoples by surprise and unprepared to meet it.

Uncertain and bewildered by these unforeseen events, countries and consortiums tried each in its own way to profit from the situation. Dialogue and negotiation gave way to confrontation and arbitrary attitudes. By sheer force, the strong took advantage

of the situation at the expense of the weakest, who could no longer continue to support both their own burden and the escalation in pressures from the powerful; but, when the final balance was cast, we all came out the losers.

No country in the world escaped this situation, Mexico was no exception, and has also suffered the effects of the crisis. Here too there were selfish attitudes and violent reactions. The strongest held their own, but the damage affected our whole society.

...In the darkest hour of the crisis, it was proposed that wage hikes be moderated in order to relieve those inflationary pressures resulting from disproportionate increases. Mexico's workers made this solidarity and combative attitude their own and did not exercise their recognized right to dissent. The desired effect was achieved. But sacrifice cannot be unending and it cannot be imposed. Their decision was valiant but necessarily temporary. To prolong it would lead to a continued reduction in demand and, paradoxically, would hinder economic recovery. The next logical step is to adapt wages and prices.

...We have established a series of goals that provide the outline of an overall plan for national development to be carried out in three two-year stages; during the first two years, overcoming the crisis; the second two years, consolidation of the economy; and the final two years, accelerated growth.

...During the first stage of our program, overcoming the immediate crisis, we removed the danger of losing control of our monetary situation, the flight of capital stopped, and some of the money that had left the country returned. There has been a marked improvement in our foreign debt situation and in the balance of payments. Over the past six months industrial production has risen rapidly and agricultural production is recovering.

The process of "Dollarization" has been halted and even reversed; a clear sign that we have adjusted to the system of floating the peso against the dollar, which is also floating—at times in rough waters—against other strong currencies. Today we know that our future as a nation does not depend on a foreign currency, but rather on what we do or fail to do in our country and for it.

Because of the steps we have taken, for the first time in the last three years the real economic growth rate will surpass the rate of population growth and reach five per cent. This represents the fulfillment of one of the first modest, but realistic, goals we set at the outset of this administration.

Ending IMF Conditions

...The free convertibility of the peso has been maintained. Now that parity is no longer an objective, the rate of exchange responds adequately to the conditions of our economy's position with regard to international competition. Although reserves no longer have the same significance, we must point out that we have primary reserves of 2.719 billion dollars,

and more than 1.828 billion dollars in secondary reserves, despite the advance payments made to the International Monetary Fund to pay off the loans that were part of the extended fund facility agreement signed in 1976.

We have reaffirmed our credit worthiness and regained our automatic drawing rights on IMF resources. In doing so, we have demonstrated that no matter how grave the vicissitudes it must face, Mexico fulfills all its obligations. That is why we enjoy credit. Our ability to pay has been proven beyond a shadow of a doubt.

...Should our policies fail to be translated soon into day-to-day well-being for the majority groups of the population, the latter would have full cause to feel that they had been deceived. If an administration that had been put in office by the majority vote of the people were to end by serving the interests of only a small minority, it would be a tragic and insulting oligarchy. We must never allow this to happen.

We have come part way along the road, but there are signs of trouble arising in the present that are no longer a carryover from the past, but a current product of anonymous irresponsibility that reacts to the symptoms of the economy's takeoff by spreading rumors and stirring up fears. A certain lingering distrust is seen in circles that confused pact with privilege; truce with impunity; prudence with weakness; efficiency with technocracy; worker's solidarity with surrender. We affirm that in Mexico nothing constructive is built on privileges, impunity, weakness or technocracy, and that we will continue our institutional efforts to achieve strength through unity.

...These government efforts are aimed at protecting the economically weak classes, and are therefore justified. What is outrageous, however, is that unscrupulous opportunists make outsized profits by engaging in subterfuges and reprehensible maneuvers that harm society as a whole.

...Nonetheless, we do have the obligation to prevent outright mockery and robbery. Therefore, in addition to enforcing the corrective measures that are already in effect as regards strictly commercial infractions, we are preparing bills that will stiffen penalties and identify certain offenses as crimes against the economy of the masses.

The Rights of Labor and Urban Development

...We refuse to consider man as simply one more resource of society. In a democracy, man's welfare is an end in itself and not a means. His work must be his road to personal and social improvement.

...We want socially productive work for everyone; job training that is available to all who want to work; jobs that ensure sufficient food, proper housing, access to education and to culture, and participation in social security, recreation and welfare systems for workers and their dependents.

One of the fundamental benefits guaranteed to Mexican workers is the right to receive basic and advanced training provided by management.

...Our population's rapid growth rate and its inevitable transformation from rural to urban dwellers is one of the costs of our freedom, and specifically of our right to move freely about the country and settle where we please. To defray those costs we must guide this process in an integral manner, devoting equal attention to population, development and land use.

...For a country that was, at that time, vast and sparsely populated with scanty technology and a restricted market economy, the granting of land tenure was the most immediate and obvious means of distributing wealth. To distribute the land, then, was to do justice.

...Many of the plots of land, which are sometimes measured in terms of furrows, produce only a bare subsistence. Land in itself is no longer a source of wealth if it is not supplied with the elements that make it rich and productive. Today, justice demands that we also supply such general conditions as organization, modern farm techniques, conservation, renovation, and fairness in dealing with and rewarding those who cultivate the land.

...Whatever the system of land tenure, excessively small landholdings are the antithesis of the latifundia. The challenge we face is to find a synthesis that will reconcile both extremes and remedy the low productivity of one and the injustice of the other. If we continue to subdivide the land, we will destroy its potential, condemn the campesino to indigence, and eliminate any hope for our survival as a country.

We must recognize the fact that property ownership of any kind is a social function and derives its significance from this alone. Anyone who holds title to land has the duty to make it produce more to help supply a rapidly expanding society, which in turn is obliged to provide better distribution.

...Holdings symbolic of the situation we want to end were recently appropriated by the government. As soon as possible, and as the necessary and sufficient elements become available, we will continue the process with other such holdings until we have eliminated them all. This will be done without damaging production units, which will pass from a single owner who accumulated all the profits to groups of organized owners who thereby acquire the obligation to cultivate those lands and even improve them.

...Anyone who can produce should do so. Our common goal must be to reach a level of sufficiency and, beyond this, to generate shared wealth. It is the duty of the State to create the institutional conditions and provide the necessary infrastructure, stimulus and regulation in order to obtain production levels that will benefit both the nation and those who work the land, avoiding missteps that imply monopolization of the

land or its product, or that leave the campesino prey to the rapacity of middlemen and the voracity of speculators.

Government Will Direct Industrial Development

... It is obvious today that disorderly industrial growth designed to meet conditions of underdevelopment, oriented towards substitution of imports, highly protected, and dependent on capital goods, financing, inputs and technology from abroad, has created a domestic market that is incapable of penetrating further through the strata of society in order to expand mass consumption, and has severe difficulties both in exporting and in assimilating the growing demand for jobs.

It is time now for us to integrate the processes it involves by making more energy sources available and promoting the country's regional development, by aiming such efforts at providing effective use of rural manpower, employment opportunities for the growing labor force, and optimum levels of occupation for the economically active population. We must bridge the gaps in such activity with the development of the steel and capital goods industries, which are the keystones of the process; make good use of our raw materials and stimulate agroindustry; choose the most appropriate technology; weigh the benefits of protectionism, in order to increase our competitive capacity and orient production towards mass consumption as well as towards export, and combine these things with effective financing, credit, fiscal incentives, trade and surplus management measures. Unless these steps are taken, we shall continue to orbit around stabilizing development, which no longer has any socially useful potential.

... Where energy sources are concerned, the conditions for their use have long been established. Their management is exclusively reserved to the nation.

... Mexican petroleum geologists have successfully developed surprising new concepts to explain the formation, placement and location of hydrocarbon deposits.

A few months ago, proven reserves had already reached 16 billion barrels. As of last July 31, they rose to 20 billion barrels, while our probable reserves stood at 37 billion and our potential reserves at 200 billion barrels. . . .

These finds were not the work of chance. At the opportune moment, we had asked oil workers, technicians and administrators to carry out such research, exploration, drilling, development and industrialization. Like the skilled workers they are — among the best in the world — they have done so under unprecedented conditions and time limits; to them, I pay a tribute of admiration, respect, and solidarity. In their areas of competence, they have done away with our dependence on other countries. Today, we can even export oil technology. To our pride, many of the

plants they have designed, built and operated are among the largest and most efficient in the world.

Mexico Will Not Bow to Schlesinger's Blackmail, Will Not Bust OPEC

. . . We will produce fuels and petrochemical products for domestic consumption and for export, in the quantity and time-frame most convenient to us, according to fluctuations in prices and circumstances. Our decision to use both the oilwell gas of southeast and the dry gas of the north within the national system we are building opens ample perspectives for managing such different variants in the structure of fuel production as gasoline, diesel, fuel oil, gas or petrochemical products. We have plants already installed that can be adapted to any one of the options just mentioned.

One point should be clarified here: over a year ago, when serious recognition was first being given to our oil potential, we had to choose between massively exporting the oil-associated gas, which we had to extract anyway, consuming it domestically, or flaming it. We chose to export it, because this would bring us considerable amounts of foreign currency more quickly, thus allowing us to solve our still overwhelming problems. We had to call the world's attention to our prospects.

The other alternative, to use the gas in Mexico, required more time, more promotion, and would generate less foreign currency in the short term.

This is why, assuming a traditionally structured free market, preliminary agreements were reached with foreign companies, in order to revalue the gas as a high quality input and not as the waste product of a production process.

One forgets that gas has fuel value equivalent to that of other combustion fuels, with an edge as concerns its residue rate. Logically, it should be worth more, but this is not the case within the present structure of transactions and waste. Our position, however, remains the same: we must give gas its real value.

If we have a surplus, we can sell, consume or keep it in reserve; but we will never undersell it, which would be equivalent to flaming it.

We did not want to intervene in the domestic problems of other countries, which are in the process of defining their energy policies. When the time limit ran out, we simply withdrew from the agreement and fell back on the other alternative: consuming our gas here, in order to substitute it for other fuels or inputs and thus make optimum use of our hydrocarbons. . . .

Our potential and our geographic location are such that our position as regards fossil fuels can represent a pressure of worldwide significance. Therefore, we once again reaffirm Mexico's line of conduct. We have maintained our unshakeable desire to give raw materials their true value. Neither now nor in the future will we sabotage the efforts of those who, like

ourselves, are fighting for this. It is a fundamental part of the new international economic order we are fighting to obtain. That is why we have sold our crude oil at top prices on the international market; that is why we did not sell our gas. We know that low prices keep the new oil-producing regions of the world from prospering and growing.

Inflation levels and the rise in oil prices can have devastating effects on the world, or at least on its most defenseless areas. Mexico therefore reaffirms the thesis that energy sources must be considered as the common heritage of mankind, and offers its cooperation in efforts to maintain a balance that will allow us to find lasting and universally valid solutions.

We believe it is essential for developed countries to channel know-how, financing and capital goods under reasonable conditions of cost and opportunity towards other countries, in order to promote the discovery and development of alternate energy sources that will allow us all to conserve oil, delay its depletion, use it not only as a fuel, and make use of other energy sources.

. . . Large concerns must become the nuclei for small and medium-sized companies, each one developing its respective advantages. Overall productive efficiency is increased by the subcontracting of processes which small and medium-sized firms are better equipped to carry out. This also permits economies of scale and improved cost and quality control, promotes the spread of technological progress and facilitates auxiliary financing systems through directed supply contracts. There is thus no contradiction between these two structures. This has been proved by our country's experience and by that of developed economies.

. . . The large enterprise justifies its existence in our economy when it uses the ample means at its disposal to originate technological innovations; when it forms part of spearhead industries which can lead the other factors to more advanced stages of development; and when, on the basis of these accomplishments, it can successfully compete in the different foreign markets. The small and medium-sized enterprise, on the other hand, plays an authentically nationalist and democratic role: it creates jobs and diversifies and enhances the domestic market.

Mexican Foreign Policy And The Rule Of Reason

. . . Mexico's international policy has remained the same from the time we achieved our independence to the present day. Principles have never been sacrificed to circumstances or to passing interests. Consistency continues to be our bulwark and our strength.

Throughout history our policy has gone beyond defensive positions that guarantee our independence and assert our sovereignty. We are participating with increasing determination in the effort to transform the



international system. We want a tomorrow, if insanity does not prevent its attainment, in which the world is one of co-responsible nations and not of superpowers.

. . . We have paid special attention to our relations with our neighbors and have sought solutions to the problems that arise demanding no more than what we offer: solidarity and respect. The systems for overall analysis and coordinated solutions of problems that we agreed on during our visit to the United States are functioning well. In view of the constant increase in our trade, these systems are designed to prevent misunderstandings, interference, or dangerous distortions.

Mexican affairs have no place in the internal life of the United States, just as U.S. problems are not the concern of our domestic policy. This understanding is the basis of our friendship. However varied and intense our contacts may be, our relations with other countries are strictly internationalist in character.

. . . The fact is that since these great nations have solved their basic problems of survival, their main interest lies in expanding their spheres of influence; thus, the only thing they fear is war, which they cool off, warm up, or heat to the boiling point according to the times and their temperaments.

For poor countries, the sheep in this world of wolves, avoiding war is very important, but it is not enough. They have other vital needs as well — such

things as food supplies, health services, education, employment, housing and security.

The attainment of peace is important to us also. Peace can be achieved only by establishing an equitable order in the world economy and by organizing financing, trade, and the monetary system to do away not only with war, but also with hunger, disease, and ignorance. The resources exist to accomplish this. Of course, they are not ours, but belong to the powerful nations, who use them to invent new weapons or to make old ones capable of wiping mankind off the face of the earth. They produce these weapons in such quantities that they can even be exported at bargain prices. We will fight to make the giants understand us, so that they will be worthy of a power that can be a blessing to humanity, instead of the affliction it is today to the world's peoples.

. . . We are battling in every world forum to obtain the implantation of a new economic order. Almost everything possible has been said on this subject; almost nothing has been done. Since we have no other arms than our principles and our words, we will continue to wield these weapons until the force of world's peoples and the power of reason makes them a reality in which international law reigns supreme.

. . . We must convert our standards into reality for the more than 64 million Mexicans who by the end of this century will have become more than 100 million. Depending on the action we take, we shall find

ourselves then in a fertile land of tilled fields, or in a barren wasteland; in huge shapeless cities and tiny scattered villages, or in a harmonious balance between city and countryside; with skyrocketing and subsidized prices or with real costs, purchasing power and fair profits; amidst bleak and unproductive plains or burgeoning crops and industrial complexes; with sad and sickly children, or in a world of happy childhood; with bloated rich who travel to buy property abroad; with young people obsessed with their impotence who kill and die, knowing full well that this will not give them what they seek, or with a healthy and equitable people, increasingly well-informed, aware of these differences and contesting them, a people that claims its right to enjoy the gifts of life. In a word, we must choose between maintaining the status quo and creating a new model of country that we will shape together making it the fruit of our triumphs and errors, our possibilities and competence.

The Future Is In Our Hands

. . . The worst is over. Let us not retrace our steps, but rather hold fast to what we have achieved. Let us not throw everything away and have to start from scratch once more. To do so would mean that we would have to begin at a lower level than before and spend years getting back to where we are now — but with more scars, less energy, and more bitterness.

Now that the seas have calmed, we can see what the tempest had blinded us to: there are shoals and reefs that we must and can overcome.

. . . We must use surpluses to strengthen the state and safeguard our national patrimony, preferably through long-term programs that will reach into the 21st century.

. . . We must take steps to prepare for a timely diversification of primary energy sources, with a view to substituting hydrocarbons and developing atomic energy to its full potential.

Little by little, step by step, we will proceed to invest resources where and when they are most needed. If we were to attempt to cover a wide range of projects, the effect would be imperceptible and resources would quickly vanish.

We will carefully select our beach-head projects that will give us entry into the worldwide correlation of forces, and having accomplished this, carry other national activities in their wake.

We will not use surpluses to meet circumstantial pressures or populist demands, to finance subsidies or unproductive transfers, to create an imprudent surplus of monetary reserves, or to relax tax, tariff, budgetary, or economic policies that must be carried out regardless of surpluses; nor will we use them to pay the foreign debt or to finance long-term investment abroad.

Kennedy, Zionist Lobby Grab For Mexico's Oil

They say the resource should be used to bust OPEC

When Mexican President Lopez Portillo stated categorically in his State of the Union address last week that Mexico "is not nor ever will be a scab against those who, like ourselves, are fighting...to give raw materials their true value," the Mexican press was quick to note that the statement was an indirect — but "definitive" — reply to U.S. Senator Edward Kennedy (D-Mass.).

are attempts by Sen. Kennedy and the B'nai B'rith, on behalf of the U.S. Zionist lobby, to play a "Mexico Card" against the Middle East oil producers, particularly Saudi Arabia, by promoting Mexico's enormous oil reserves as "the United States' alternative to dependence on Saudi oil."

On Aug. 25 Sen. Kennedy introduced into the *Congressional Record* an article from the *New Republic*, which attacked high U.S. officials for "concealing" information from the public on the gigantic Mexican oil reserves. The article called for an "extra-special relationship" to be established

between the U.S. and Mexico to guarantee that "the special hold the Saudis have over us can be broken." Over the Labor Day weekend, Kennedy dispatched one of his top aides, Jerry Brady, to Mexico to size up chances for such an oil grab.

Meanwhile the B'nai B'rith is "lobbying on an international scale" to "coordinate the role of American and Mexican B'nai B'rith members in the development of Mexico's oil resources," according to the *Montreal Gazette* Aug. 25. The pressure campaign will be worked out in a week-long B'nai B'rith conference in New Orleans Sept. 17 to 25.

The *New Republic* article — which was written in close consultation with Kennedy's office — parallels an article in the *Wall Street Journal* last month, in which Washington energy consultant Lawrence Goldmuntz argued that Mexican oil must be encouraged to bust the Organization of Petroleum Exporting Countries. However, it is well-known both within and without Zionist lobby circles that it will be 7