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## Mexico's Growth Push

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# Oil-for-technology deals: the potential

by Timothy Rush

EIR estimates that the American share of Mexico's skyrocketing imports could reach \$100 billion over the next years. That is two-thirds of the total \$150 billion Mexico can be expected to import over that time.

Imports surpassed \$15 billion in 1980, a whopping 55 percent increase in nominal terms and something on the order of 35 percent in real terms. Over 80 percent of the imports are capital goods, other producers' goods, and raw materials.

Will rapid growth continue to make this \$100 billion potential market a reality?

The official Bank of Mexico statistics for 1980 released last week show last year's growth at 7.4 percent. This is slightly under the target of 8 percent, but nevertheless one of the highest in the world. Extraction and refining of petroleum led the growth categories with 17.5 percent, followed by communications and transport at 10.5 percent, industry at 8.5 percent, and agriculture at 7 percent. Manufacturing slowed its percentage increase to 5.6 percent, from some 8.5 percent the year before. This was due partially to supply bottlenecks and partially to lags in production while new investment comes on line. Investment itself increased by a healthy 15.8 percent, and there is reason to expect the manufacturing rate to pick up in 1981.

The basis for extending the boom into the next five years is being laid now.

First, the central impulse for the boom, the oil development program, is taking its next expansion steps:

Pemex director Jorge Díaz Serrano announced Feb. 26 a new \$3.6 billion program of investments in basic petrochemicals for the 1981-1985 period. The plan calls for the construction of almost 50 new processing plants and would increase Mexico's annual petrochemical production threefold, to 28 million metric tons from the current 8 million metric tons. Díaz Serrano termed the Mexican petrochemical industry, which has grown at 18 percent per year for three years, "the fastest growing petrochemical industry in the world."

Pemex subdirector Adolfo Lastra Andrade told Mexican oil geologists March 2 that Mexico will install seven specialized gas-processing platforms in the oil-rich Campeche Bay in the course of 1981. Two of the platforms, he

said, will be the largest in the world.

In the rhythm of Mexican economic life, most large investments are tailored to phase out at the end of each six-year presidential term, leaving a cyclical "dry period" before the new administration gears up its own plans.

But given the extended lead times of the oil expansion and its central role in driving the entire economy forward, the upcoming *sexenio* changeover in 1982 will be different, and the next president—due to be chosen later this year—can expect to inherit a solid basis for continuing the growth drive without letup.

Other crucial investment programs are finally getting in gear after initial delays, and like the Pemex expansion, should carry over into the next administration.

Some \$2 billion is slated for port development over this year and next. The planning for this attack on one of the biggest bottlenecks took some two years. As ports development director Alfonso Rosenzweig told the Mexican Association of Fusion Energy (AMEF) conference two weeks ago, this was precisely because the planning is long term: 20 years. More than ports, it's a complete program of city-building. At two of the four principal sites, there is not even a building standing in the area slated for development.

The first contracts for "groundbreaking" on one of these sites, the Altamira location 10 kilometers north of Tampico on the Gulf coast, were signed a month ago. Other contracts are expected to follow soon.

Though still troubled by delays, the steel expansion program is similarly poised for a takeoff. Due to strikes, electricity shortages, and planning delays, the steel industry stagnated at approximately 7 million tons last year. Many of these snags are now shaken out. Key projects such as Las Truchas stage two are "go" for this year and will see completion sometime early in the next presidential term.

As outlined in previous sections of this Special Report, none of this exceptional growth perspective and enormous export market can be taken for granted. The LaRouche-Riemann model shows that an even more ambitious growth plan will have to be carried out if takeoff momentum is truly to be achieved. Key bottlenecks in agricultural productivity and transport will have to be solved. Antigrowth political offensives, both domestic and foreign, will have to be defeated.

But a very solid basis for the required growth of the next years is not only in place, but expanding, and this is very good news for U.S. businessmen.

## Oil for nuclear

Mexico is paying for the tens of billions of dollars worth of capital goods it needs with oil money. Exports last year rose even faster than imports—a 74 percent leap, about 50 percent in real terms—and the increase was all oil.

This is the world's biggest oil-for-technology deal. "Oil for technology" has been the conscious and explicit government policy since 1978, and the Mexicans have become expert negotiators.

One of the items now moving to the fore is "oil for nuclear" and this may be one of the best specific planks in an overall oil-for-technology policy that Reagan could outline at his late-April summit with López Portillo.

The Mexicans went with U.S. technology when they first entered the nuclear field a decade ago. Now their first two reactors at the Laguna Verde site on the Veracruz coast are close to completion. But over the past three years, as they have systematically built up the planning and technical framework for the next phase of expansion, the Carter administration wrote the United States out of Mexico's nuclear future. Infuriated by Carter's attempt to deny Third World nations crucial advanced technology under the pretext of a flimsy "nonproliferation" concern, Mexico established oil-for-nuclear talks with France, Sweden, West Germany, and Canada.

At the Third Nuclear Conference of the Pacific Basin in Acapulco the week of Feb. 16, Mexican officials announced that two to three new plants will be constructed in the vicinity of Laguna Verde. This is the next step toward an ambitious goal of 20 plants in operation by the year 2000 as ratified in Mexico's energy program of November 1980. Federal Electricity Commission Director Alberto Escofet Artigas stated that bidding for the plants will begin this summer.

French Atomic Energy Commission member Bernard Jampsin summed up France's approach in the phrase, "We need oil, you need technology." Heading up a large contingent in Acapulco, Jampsin stated that nuclear development is not an "alternative" but a necessity. "There are many poor countries who are going to need energy to survive," he said, and no other source than nuclear is realistically available.

France offered Mexico special aid in developing the capability to independently enrich uranium. French scientific attaché Olivier Massenet declared that "France has dedicated great efforts to achieve its own technological independence. It therefore understands very well that Mexico wants the same. And France has a great interest in going to great lengths with Mexico in terms of technology transfer."

The U.S. nuclear delegation was headed by American Nuclear Society President Harry Lawroski (see interview), who told the conference that with the change of administrations in Washington, there was hope that the Carter administration's antinuclear policies will be turned around. Lawroski called urgently for such a revision, and heralded the prospects for an oil-for-nuclear exchange with Mexico if that is done.

Mexico lost no time in telling America that this is the kind of message it has been waiting to hear. The head of Uramex, Mexico's government uranium monopoly, told the Acapulco meeting of scientists and energy officials that keeping Carter's antinuclear stance would "hold back Mexico's development." Francisco Vizcaino Murray stated that with such changes, "everything points to improvement in nuclear energy relations with the U.S." The CFE's Escofet, ticking off the list of countries who will be invited to bid this summer, included the U.S. for the first time in four years as a potential partner.

It will take a great deal to re-establish America's credibility in the multibillion-dollar nuclear market, but the Acapulco meeting showed that the path is open and Mexico a good place to start.

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## Interview

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### ANS's Lawroski on nuclear exports

*In the following excerpted interview with EIR's Timothy Rush, Harry Lawroski, the president of the American Nuclear Society and a featured speaker at the just-completed Third Nuclear Conference of the Pacific Basin, explains his approach to reviving U.S. nuclear exports to Mexico and other leading Third World partners. Lawroski is a chemical engineer who has spent 23 years in the nuclear industry, after 8 years in oil refining R&D. He has been involved in nuclear safety studies, design and construction of plants, and has done consulting in the energy industry for the past five years.*

**EIR:** How does it look for some kind of oil-for-nuclear exchange policy with Mexico?

**Lawroski:** Well, it's obvious that Mexico realizes that their supply of oil is a limited supply of energy. And so they are looking forward to setting up energy systems that allow them to have a continuing energy supply and they look upon nuclear as one of those items. Nuclear is not the only one, but they are looking at it as a very significant portion. The impression I got in talking to [Mexican Federal Electricity Commission director] Alberto Escofet is that they are going to use their capabilities at producing and exporting oil to buy the technology for nuclear power and actually try to build as much as they can within Mexico so that they can utilize their own people's capabilities. They plan to do that by contracting with an outside supplier, using the nuclear steam supplier as the nucleus, and work through the capability of pro-

viding the reactor, the fuel manufacturing, the equipment manufacturing.

**EIR:** What sort of price tag would you see in terms of U.S. nuclear export potentials?

**Lawroski:** Oh, I think we would be talking in the order of several billion dollars.

**EIR:** If we put together the situation in Mexico with other Third World countries anxious to develop nuclear energy, what do you think would be the overall market the U.S. might tap into?

**Lawroski:** I would have to say we're talking about something on the order of \$50 billion.

Now Mexico feels that they must have an internal capability to build their energy systems. They have, as you know, signed some sort of an agreement which says that they will not use any of their technology for weapons development. They've made that very, very clear. And they're very upset with people who would not believe them in their good faith in their not pursuing the weapons material.

**EIR:** You're probably familiar with their work with the Tlatelolco Treaty, which declares Latin America to be a nuclear-free zone?

**Lawroski:** Yes, that's right, they are a signatory to that treaty, and they're really upset if anybody doesn't believe them. I think the [Carter administration] nonproliferation legislation basically—if you look at it—says they don't believe them. . . .

**EIR:** It seems after many years of friction with the Carter administration, when U.S. nuclear technology wasn't mentioned by Mexican officials, that they are now again beginning to consider the U.S. as a prospective bidder.

**Lawroski:** Well, they're including us, but I would have to say they don't classify us as what we would call a "heavy" yet, until changes are made in our policies. My understanding is that they will ask a couple of the U.S. companies to bid.

It's an opportunity, that's the only thing you can say at the present time, but it's going to mean that we're going to have to get better relations with our neighbors. You know, they're just across the border.

**EIR:** And what kind of signals are you getting from Washington?

**Lawroski:** We know that there are people in Congress who

**EIR:** Your presentation in Acapulco seemed to be pointing toward educating the United States about the opportunities that we have in exporting nuclear energy.

**Lawroski:** We feel very strongly that we ought to use the technologies we have in order to reduce the tensions throughout the whole world, particularly in the competition for oil and gas. The ability of the Third World to use oil and gas is considerably greater than to use nuclear technology. If we go into competition and continue to use as much oil and gas on the free world market, we are in competition with the Third World. And we're tough competition, because we have the resources and the money to buy it.

**EIR:** Either in the ANS or perhaps out of the Acapulco conference, do you have a perspective on reviving the concept of nuplexes and the floating nuclear plants?

**Lawroski:** I think there will be a revival of interest in that—yes, indeed. I think that we will begin seeing a modularization of construction. We will probably be seeing smaller reactor sizes in the developing countries. . . . I see these in the range of 5, 6, and 700 megawatt-sized reactors. When you get into that size, you can now start to modularize the construction, float them, and bring them right over into place.

You have the same concept as Westinghouse had down in Jacksonville, Florida, and I think in many respects that may be revived. Mexico would be looking at [floating plants] for the simple reason they do not have large supplies of inland water. . . .

**EIR:** The focus on the Pacific Basin is very interesting, from the standpoint of making that into a functioning economic unit. There are basically two conceptions about that development. The first, is to leapfrog high technology as it develops, and to export each successive generation to build up the region as a whole. The second is the old geopolitical concept of maintaining the technology in selected areas, and exporting raw materials from the less-developed portions of the region. Which was the focus in Acapulco?

**Lawroski:** Well, I would say the first. Since the cutting off of oil in 1973-74, and again in 1977, and now with the conflicts in Iran and Iraq, people are getting really uptight about depending on supplies of energy from other parts of the world. . . . So they're looking much more closely at indigenous supplies of energy. . . .

If you go to the fast reactor concept, of course, the breeder, now you start to get into real independence. The Japanese for instance, have been taking a very hard look at extracting uranium from sea water. Well, it's expensive, but that expense isn't anywhere near as much as if somebody shuts off your oil supply or your coal supply.

And environmentally, it's tremendously more sound than handling coal. The fast reactor, from an electric production standpoint, really starts giving countries the capabilities of having indigenous supplies of energy, and being able to store it really quite conveniently.

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