
Interview: Carlos Amtmann Obregón



How Mexico's business-government alliance works for industrialization

Carlos Amtmann Obregón, one of the most prominent and respected of Mexico's business leaders, in a Sept. 3 interview with EIR's Mexico City bureau chief, Josefina Menéndez, explained the strategy of Mexican business-government cooperation, and the reasons for a number of economic measures, which have drawn the ire of Reagan administration officials: programs of export incentives, new import restrictions, and refusal to join GATT.

Ing. Amtmann Obregón, an engineer, is the longtime president of the National Association of Importers and Exporters of the Mexican Republic (Anierm); the president of the Mexican Business Council on Foreign Affairs (Cemai), which arranges an extensive series of yearly meetings with businessmen and government officials in Mexico's major economic partners; and director of the U.S.-Mexico Chamber of Commerce.

On the eve of the first full session of the new U.S.-Mexico Joint Trade Commission, to be held Sept. 21-23, Amtmann Obregón's views and recommendations on bilateral trade and development policy are particularly timely. Among the topics: interest-rate policy, the danger of Malthusianism, and the kind of industrial support Mexico looks for in the United States.

Menéndez: In July, President López Portillo charged that there was a "plot" against the Mexican peso. One of the great arguments used by those who have attempted to force a devaluation is that it is required to increase Mexican exports. Do you agree with that?

Amtmann Obregón: Our organization, a group of importers and exporters, feels that a peso devaluation would only be beneficial for the 7 percent of the gross domestic product that is made up of exports. On the other hand, it would harm the bulk of imports of products and raw materials, which would become more expensive for us, aside from the increase in public debt, and so forth.

Our detailed analysis shows that a devaluation would certainly favor export prices for our manufactures. But to determine how exporters and the country would benefit, we have to calculate the scheduled volume of exportable products. If our projected export volumes were

double the traditional exports, for example, it would be good business; but if we could not increase the total volume of exports, it would not.

Menéndez: What's the situation now with Mexico's oil exports, after the shakeout period of June and July?

Amtmann Obregón: I believe that we must consider petroleum a product like any other. When demand is great, naturally all producing countries have the opportunity to sell their planned production at reasonable prices. But when the market is saturated, demand goes down, and the power is in the hands of the buyers.

The initial problem has passed, however. What interests us is the future. We are renegotiating the prices. We have been able to recover the export levels which we had programmed, obtaining reasonable prices given the current situation.

Thus, for example, we are meeting Mexico's production goal of 2.5 million barrels per day, while exports are 1.4 million. I believe that as long as we are meeting our production and export goals, we are in good shape. Oil continues to be Mexico's great lever for the economic development of the rest of those industrial sectors that make up the country's economy.

Menéndez: The *Wall Street Journal* recently charged that Mexico's was a "destructively protectionist economy." What would you say to that?

Amtmann Obregón: We must recognize in principle that the world lives in an era of protectionism, even though ostensibly one of free trade. There are many examples of the most-developed countries that apply rules and restrictions, of both a tariff and non-tariff nature, to protect their industry. They want to prevent competitive foreign goods from destroying the prosperity of their domestic industry. Mexico is no different. And it uses the types of economic controls required for different situations as they develop.

For example, last June 26 in the official government record there appeared new limitations on 254 import categories. This was considered necessary because there had been massive, indiscriminate importation just be-

fore. The rate of imports, including unnecessary goods, was growing wildly. An outflow of dollars of this sort, together with other factors, can lead to a balance-of-payments crisis. The Mexican government, well and responsibly aware of this situation, did nothing more than exercise a measure it had at hand, import controls. It thus ended a problem which otherwise could have become critical.

As to whether the pace of protectionism is constructive or destructive, I believe Mexico's protectionism is constructive for its industry and its interests. Because, in addition to the protective measures, the government has discussed with the industrial sectors the need to improve production and quality, and to ensure competitive prices on international markets.

I think it's terrible that interest rates in the United States are so high. A solution must be sought particularly on the part of the advanced-sector countries. In their hands lies the power to revise the entire basis of the system so that money serves as an instrument which complements labor, rather than as a power unto itself.

The authorities have fixed the criteria for the controls so that in some cases they allow imports based on quotas or other measures, and in other cases permits for imports of minimum quantities, so as not to put a brake on industry and trade, while reducing existing stocks. And they carefully identify those products that must be imported because the country needs them and because they cannot be substituted for by domestic production.

This has not been an indiscriminate system; on the contrary, it is very reasonable, such that what we import is needed by the country and can be paid for by the funds that we generate.

Menéndez: There has been conflict between the private sector and the government in Mexico in the past. How would you describe the current relations?

Amtmann Obregón: The business sector, through its leadership organizations, is serving as advisers to the government officials. This guarantees permanent communication. We have an infinity of examples where

business unity forms part of government unity, to create one single task force. Even so, people are free to express a different opinion, even if it is not the general sentiment. But as a country, we are united in a national effort to improve the situation.

In my area, international trade, the best example I can give is the Fourteenth National Convention on Foreign Trade that will take place Oct. 1-3. The convention will be keynoted by President López Portillo, with an agenda worked out with the participation of the country's top foreign-trade officials and the representatives of businessmen's organizations.

Menéndez: Are you happy thus far with the development of relations between Mexico and the Reagan administration?

Amtmann Obregón: With two countries at different stages of development like the United States and Mexico, it is clear that differences of opinion on what is necessary can easily lead to friction. But man is intelligent enough to overcome these conflicts, as we see in the mixed commission created by the Reagan administration whose principal virtue is that it tries to prevent differences from becoming frictions.

The conclusion we must draw is that we can look forward with serene enthusiasm to the promising future of both our countries if the lines of communication remain open.

Menéndez: What suggestions do you have to improve the relationship?

Amtmann Obregón: It has been urged that the United States change the criteria by which it assesses a country's level of development and whether or not it has access to the General System of Preferences [Mexico has lost some GSP benefits by being reclassified as an advanced developing country—J.M.]. Mexico is in the process of developing, but it is not yet fully developed. Nonetheless, rather than being able to share in the benefits of a system that should aid and support all nations equally, we find that limitations have been imposed on us as a result of the criteria used to determine a country's access to the GSP.

Menéndez: What policies do you urge the American private sector to pursue to improve ties with Mexico?

Amtmann Obregón: Of the total amount of foreign investment in Mexico—\$7.5 billion—U.S. investment represents 69 percent, or \$5.2 billion. What I would recommend here is that this investment increase, and that it be accompanied by greater technological inputs and the freedom to use them in production for export—not just to the United States, but to other countries. This would allow Mexico to diversify its markets, and not limit the

use of those technologies only to its national territory.

Menéndez: What impact have American high interest rates had on Mexico, and do you think the rates should stay high?

Amtmann Obregón: I think it's terrible that interest rates in the United States are so high. This is harmful for Mexico. The higher interest rates for dollar savings obviously lead to capital flight. To retain investment in our country, Mexican rates have to be a few points higher. This brings us to the question of the international monetary system, which we're told suffers from a number of infirmities. A solution must be sought particularly on the part of the advanced-sector countries. In their hands lies the power to revise the entire basis of the system so that money serves as an instrument which complements labor, rather than as a power unto itself which subjects all other interests to its own.

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Menéndez: Why did Mexico decide not to join GATT, and do you as a Mexican businessman agree with this decision?

Amtmann Obregón: The issue of whether Mexico would enter GATT was debated publicly here, and every sector had the opportunity to discuss it and express its opinions. The conclusion of the debate was that we would postpone our entry because such an international commitment at this time could hurt, interfere with, or modify our economic conditions and the methods and policies of domestic economic development.

All of the sectors arrived at that conclusion together, and we agreed to postpone for some future date renewed study and review of possible entry into GATT.

Menéndez: Late last year, the U.S. State Department issued a report known as *Global 2000*, which says it is desirable to severely limit population growth due to so-called resource constraints. Do you agree with the viewpoint that says there are "limits to growth"?

Amtmann Obregón: From an economic standpoint, demographic growth should seek a balance with production. The fact that production in Mexico is growing at rates above 6.5 to 7.0 percent annually, against 2.6 percent demographic growth, is reasonably good. It will allow production to create jobs to absorb the growing unemployed population. In the short term, public services will more rapidly be able to meet demand; we will more rapidly be able to provide a sufficient number of teachers for our classrooms, and appropriate material for the education of our population. Health services will be able to provide sufficient hospitals, beds, and related material to which every citizen has a right. Any limitations on demographic growth must be—as it is in fact—determined by the free will of nations and governments that have the responsibility of meeting the needs of their populations.

As for the argument that demographic growth should be limited because of scarce food supplies, this is very questionable. Full-time researchers are working every day to perfect technologies that allow man to produce more than sufficient quantities of food on ever-smaller areas of land. Scarcity then no longer becomes an issue thanks to the imagination and creativity of those who work tirelessly in an organized fashion to meet the challenge of science and to place it at the service of society.

Menéndez: What's the significance of Mexico's export drive, and how does it fit with other development goals of the economy?

Amtmann Obregón: I think it is in the national interest that the nation export greater amounts of manufactured goods. To further this, the government provides generous packages of financial support to encourage investment, production, and planning for exports. I think it is legitimate and of the greatest importance economically that the country count on foreign exchange generated from manufacturing exports, and that income from oil which currently represents 75 percent of our exports gradually become less important in our trade and payments balance. It should serve us only as a conjunctural lever for development, so that long-term fixed investment—such as in industry—can increase and consolidate the economic development of the country, the creation of jobs, the utilization of our infrastructure, the use and increase of inputs and services, and ultimately generate the creation of a full-cycle economy that is intimately linked to the country's foreign trade.