

Mexico's bid for industrial partners

by Timothy Rush

When Miguel de la Madrid was tapped late last month by Mexico's ruling PRI party as President José López Portillo's successor, one of the questions was whether—and how aggressively—the nominee would continue the industrialization policies which have made Mexico a showpiece of the economic development possible when “North” and “South” come to terms.

One early signal is the decision by the López Portillo administration to pull out the stops on Mexico's ambitious nuclear energy program. This program will of necessity bridge the López Portillo and De la Madrid administration—it had to be personally approved by both men—thus fostering continuity of Mexico's high-technology development strategy.

The full-speed-ahead decision on nuclear power came a few days after López Portillo and Reagan had met personally in Grand Rapids, Michigan—and a few weeks

before the summit of 22 heads of state in Cancún, Mexico, convened to examine “North-South” economic issues on a world basis.

The pronuclear decision by Cancún's host country is a signal to the other participants in the summit that Mexico remains committed to transfer of technology as the linchpin of national development—and not any of the “appropriate technology” schemes which some nations in both North and South have tolerated.

And, though U.S. firms are not guaranteed the contracts in Mexico's current round of bidding, they are absolutely in the running—something which could not have been said a year or even six months ago.

This week, and in future installments, *EIR* will survey the new steps toward a North-South relation based on technology transfer being taken by Mexico and three principal partners: the United States, Japan, and West Germany. In this issue we review Mexico's ties with the first two countries, including 1) improved prospects for U.S. involvement in Mexico's ambitious nuclear program; and 2) the status of Mexico-Japan ties, with an exclusive report from Guadalajara, Mexico by *EIR*'s Héctor Apolinar, on the twelfth annual meeting of the Japan-Mexico businessmen's council, accompanied by *EIR* interviews with the Japanese ambassador to Mexico, and the Mexican ambassador to Japan. Mr. Apolinar reports that the low-profile approach taken by the Japanese in Mexico is a thing of the past.

How the Mexican nuclear push was re-launched

Mexico officially opened bidding Oct. 5 on the next stage of its ambitious nuclear program. The tender is attracting interest from almost all major nuclear export countries: the United States, France, Canada, Sweden, and West Germany.

As is standard practice in Mexico, the renewed nuclear push is planned as an integral element of Mexico's overall industrialization plan, with special emphasis on capital goods production. And Mexico is looking to constantly upgrade its access to technology: as one private U.S. nuclear official put it upon returning from Mexico two weeks ago, “Mexico's principal interest is in tying the construction of these next reactors to a long-term transfer-of-technology package.”

To underscore the technology issue, Mexico is in fact building an unusual feature into its bidding process. The validity period for technology transfer offers will run six months beyond the validity period for the reactor construction bids themselves—up to Feb. 1, 1983.

Though it does not necessarily demand this as part of

the immediate bidding package, Mexico is also making clear that it is interested in full fuel-cycle technology further down the road—particularly uranium enrichment.

September 22 meeting

Mexico's December 1980 National Energy Plan ratified a strong nuclear energy program, setting the goal of 20,000 MWe by the year 2000. Bidding in February for the next stage was postponed, however, in part because of a furious debate in some nuclear circles over whether to go with the light water reactor technology, which is the world standard and the technology of Laguna Verde, or with Canada's heavy water design, called the CANDU.

Then in late September the nuclear issue was suddenly put back on the agenda and rapidly pushed through. *EIR* has reconstructed the events.

On Sept. 22, López Portillo just back from Grand Rapids, Michigan, attended an unpublicized session of the administration's top energy officials at the office of the Mexican Federal Electricity Commission (CFE). Present, in addition to the President, were Ing. Alberto Escofet, director of the CFE; José Andrés de Oteyza, Minister of Industry with responsibility for energy

matters; De Oteyza's Undersecretary for Energy, Fernando Hiriart; Finance Minister David Ibarra; Planning Minister Miguel de la Madrid; and Damau Costa, Director of the Nuclear Research Institute (ININ).

According to reliable sources, Hiriart presented the case for proceeding with immediate bidding on the next stage of the nuclear program. Costa, in part reflecting the bias of the nuclear workers' leadership for the Canadian CANDU design, asked for a delay and a scaling down of the program. The argument of the CANDU backers is that Mexico should go slower in order to maximize its "independence" from foreign sources for enriched uranium or components.

CFE head Escofet and Industry Minister De Oteyza reportedly intervened strongly to insist that the plan could suffer no further delays. De la Madrid upheld the same position. And then López Portillo sealed the argument by noting that the CFE had final responsibility for setting the pace and scope of the electricity program, and therefore its viewpoint carried the greatest weight.

The following day De Oteyza announced that bidding on the next stage would begin Oct. 5. And two days later the PRI party announced the designation of López Portillo's successor—De la Madrid.

The U.S. role

Three of the seven bidders are American firms. This is a turnaround from the four years of the Carter administration, when the U.S. closed itself so completely out of the Mexican market that America was not even included in the prospective list of partner countries that Mexico drew up in early 1979. Mexico remembers bitterly, in addition to the general anti-nuclear tenor of Carter export laws, Energy Secretary Schlesinger's unilateral embargo of previously contracted enriched uranium to Mexico—despite the fact that Mexico had been an original signer of the Nuclear Non-Proliferation Treaty, and has headed the successful movement to turn Latin America into a nuclear-free zone.

The Reagan administration began to make overtures to Mexico to end this chill as early as March 1981, but really moved the question forward only in September—in perfect timing with the Mexican initiatives.

The U.S. made a point of bringing up its interest in nuclear exports at the U.S.-Mexico Trade Commission meetings in Mexico City on Sept. 21-22. The final communiqué from the trade sessions, released the same day as the Mexican cabinet meeting on nuclear policy, stated in its final clause: "The United States affirmed its intention to re-establish itself as a reliable international nuclear supplier and partner, and indicated a special interest in strengthening nuclear energy cooperation between the U.S. and Mexico. . . . The Mexican delegation was receptive to undertake consultations in the

nuclear energy area."

U.S. Ambassador John Gavin, a party to the high-level Bush-Reagan-López Portillo diplomatic consultations that were undertaken just before and during the Grand Rapids meeting Sept. 17, had previously called on De Oteyza to receive assurances that Mexico planned to include U.S. firms in the bidding. De Oteyza reportedly stated emphatically that U.S. companies were welcome, and offered to meet personally with U.S. vendors in Mexico.

That opportunity came a week later on Sept. 29-Oct. 1, when a three-day U.S.-Mexico nuclear symposium opened up in Mexico City. All the major U.S. reactor companies made presentations on their records in nuclear exports and what they were prepared to offer Mexico. The U.S. Department of Energy, the Nuclear Regulatory Commission, and the Commerce Department filled out the picture of what doing nuclear business with the U.S. would look like.

Ambassador Gavin inaugurated the symposium with a headline-grabbing pledge that the "obstructionism" of the Carter era was over, and that the United States was once again a "reliable supplier" that could be trusted by the Mexicans.

In a private meeting with executives from one of the U.S. firms involved, De Oteyza reportedly declared, "We are determined that this program go ahead, regardless of the change of administration at the end of the López Portillo term next year. We will continue not only under De la Madrid, but under the President after. This is our intention."

The U.S. role is still far from a sure bet, encouraging as these developments are. For one thing, U.S. financing through Eximbank is grossly inadequate for competing with the attractive export-financing packages available from such bidders as France, West Germany, and Sweden. Exim's capabilities, eroded under Carter, have been cut back even further under David Stockman. Several U.S. firms indicated extreme concern over the existing situation. Westinghouse, in fact, is considering inviting in Mitsubishi on its bid solely in order to tap outside Japanese financing.

Similarly, there are problems still to be resolved in demonstrating America's newly pledged reliability. The same week that Gavin spoke in Mexico for one wing of the administration, the "Global 2000" wing, acting through Haig's and James Buckley's offices at State, backed up an NRC ruling that Brazil could not be shipped enriched uranium previously contracted for on both sides.

Reliable sources indicate that Washington plans to send "a high-level delegation" to Mexico near the end of the year to explain U.S. non-proliferation policy, "identify problem areas," and provide Mexico with additional assurances of U.S. cooperation.