

(LWR) offered by everyone else, it entails a top-to-bottom re-tooling of the Mexican nuclear industry, outside the kind of timetable implied in the decision to go for immediate bids on the next stage, as taken Sept. 22.

Evaluation: The CANDU is supported for political reasons by a powerful faction in the Mexican nuclear workers' union, SUTIN, the nuclear research institute, ININ, and surrounding leftist political layers. Their argument is that heavy water is subject to less "foreign dependence" than enriched uranium. This argument did not carry the day in the Sept. 22 meeting and is not likely to in the future. Other considerations, technical and commercial, favor the other bidders and Canada's chances are now somewhat reduced.

Sweden

Sweden has made a surprisingly strong run for the money, starting with a full tour of Sweden's nuclear industry provided López Portillo during the Mexican President's visit to Sweden in May, 1980.

Strengths: Sweden is making an offer no other competitor has on the table: the physical relocation of its nuclear company, ASEA ATOM, to Mexico. This would enhance Mexican opportunities for manufacture of components, both for itself and for export. Sweden also already has an extensive share of Mexico's non-nuclear electricity technology market. Mexico's Industry Minister De Oteyza, with a large say in the nuclear decisions, was reported to have been particularly impressed with the Swedish industry during his 1980 visit.

Weaknesses: Sweden does not have enrichment capability, nor a major export record (its only sale has been to Finland so far).

Evaluation: Not one of the front-runners.

West Germany

A late entry in the competition, Germany did not even include nuclear energy on the formal agenda when López Portillo visited Bonn in 1980.

Strengths: West Germany's Kraftwerke Union (KWU) is the only firm in the bidding able to offer all three commercial reactor technologies: Boiling Water, Pressurized Water, and Heavy Water. It has experience with a broad-ranging Third World nuclear development program (the Brazil deal) graduating into supply of a full fuel-cycle capability. Specifically, like France, Germany has an experimental enrichment technology it has been willing to export.

Weaknesses: Entered the bidding so late that it does not have any significant "lobbying" apparatus already built up in Mexico. It has to demonstrate that it is seriously interested in the Mexico market, which it had previously been willing to write off as it concentrated on the Brazil deal.

Evaluation: Trailing the pack at this point.

Japan-Mexico Relations

Tokyo out to rebuild trade and investment

by Héctor Apolinar

Over 100 Japanese businessmen and government representatives met with various Mexican businessmen and state officials the week of Oct. 5-7 in Guadalajara, 300 miles west of Mexico City, at the 12th Plenary Meeting of the Mexico-Japan Businessmen's Committee.

The most striking aspect of the meeting was the evidence that Mexico and Japan are taking steps to consolidate economic and political cooperation of a sort perhaps not occurring anywhere else in the world at this time. If this relationship succeeds, it could rapidly become a new model for relations between advanced industrial countries and those underdeveloped countries aspiring to advanced status.

Economic ties between the two countries have made surprisingly large advances in the past two years, demonstrated by the fact that Japan moved from fifth to third place in foreign investment in the country. Japanese investment now totals \$1.5 billion, surpassing France and Sweden. For 1982, the Japanese objective is to displace West Germany, currently in second place, with approximately \$3 billion in investments.

The Japanese offensive is making businessmen from other countries nervous. The Mexico-Japan Businessmen's Committee in fact projects a \$4 billion level of investment by 1983 and trade valued at \$3 billion.

In the course of talks in Guadalajara with the Japanese participants, it became clear to me that for these industrialists, who created Japan's economic resurgence, Mexico is seen as an almost ideal place to invest. Mexico's economic opportunity and natural resources, and above all the enormous productive and creative potential of the Mexican population, are considered by the best of Japanese industrialists to endow Mexico with the makings of a second Japan.

Another faction of Japanese businessmen is disconcerted by these developments, even unhappy over the markedly political emphasis established by Mexico in its international economic negotiations. Part of this reaction can be traced to the fact that Mexico has refused to

carve out enclaves of economic influence, as many less developed countries have done, but has instead insisted on welcoming Japanese investment only according to Mexico's "rules of the game."

This has meant asking the Japanese to form consortia of companies and banks capable of offering large *packages* of technology and financing for the large-scale projects Mexico has adopted. For example, Japanese firms and Mexican government consortia, with financing from Japanese banks, are now collaborating on this basis to build part of the second stage of the Las Truchas steel plant and an adjacent plant to produce large-diameter steel tubing.

The principle of association and joint venture for the industrial projects was stressed by Mexican government officials throughout the meeting. The Mexican Undersecretary of Foreign Trade, Héctor Hernández, stressed in his speech that "the Mexican government has had special interest in intensifying its economic ties with those countries which help in strengthening our national productive plant, as has been the case in the recent period with Japan."

In the face of this Mexican strategy, the high command of the Japanese business community has split between those who are ready to invest under Mexico's rules and those who are not. Some, like Keidandren head Toshio Doko and Renzo Taguchi, in private say they love Mexico because of its enormous development potentials.

In contrast, groups like those around former Foreign Minister Saburo Okita have refused to cooperate with the Mexican government approach, and freely comment that the Mexican government is incapable of directing the economic development of the country.

The difference in approach became particularly evident when Okita ran the show during Prime Minister Ohira's ill-fated trip to Mexico in early May 1980. The Japanese so offended their hosts with unacceptable demands and arrogant public criticism that relations took a nosedive, and were only slowly and painstakingly resumed over the following six months. The current progress in relations is a hopeful sign that the Okita approach will take a back seat under Japan's current Suzuki government.

The oil question turns around

In the course of an interview with *EIR*, Mexican Ambassador to Japan, Francisco Javier Alejo, stressed his view that Mexico has established a clear strategy toward Japan, but that Japan's strategy toward Mexico had been much less defined.

He may have been referring to the ironic turnaround in the state of Mexican sales of oil to Japan.

Starting in early 1979, Japan constantly pressured

Mexico for a larger share of Mexican crude oil exports than the 100,000 barrels per day set in the beginning of that year. Mexico repeatedly stated that there was no more oil to export at that time and that additional quantities in the future would depend on better oil-for-technology packages than those then being offered by the Japanese.

Then, this June, when the bottom fell out of Mexico's export contracts because of price squabbles in a contracting world market, Mexico suddenly came back to Japan and said that 200,000 and even 300,000 barrels per day of oil was available. The Japanese, with ample current supply from elsewhere, replied that they appreciated the offer, but were not interested at this time.

At the Guadalajara meeting, the Mexican government renewed its pressure for Japan to take more oil. In a speech written by Pemex Director Moctezuma Cid and read by Francisco Ruiz de la Peña, Pemex's Director of Finances, the Mexicans emphasized that "we can see future operations of greater magnitude than those we are carrying out today" in oil sales. What we require, he stated, "is to transcend purely commercial relations, creating a mechanism for true collaboration." Or as Ambassador Alejo put it, "It would indeed be unfortunate if, once again, we were not able to arrive at an accord which is acceptable to both sides. I believe that the moment has arrived to identify the most productive avenues of cooperation for the medium and long term, and proceed immediately to advance along them with an explicit program."

Though the Japanese in Guadalajara continued to speak of problems in price and quality in the Mexican crude oil offer, there is reason to think that Japanese interest may converge in the relatively near future on increased Mexican imports. I was told that studies exist in Tokyo saying that it is strategically important for Japan to reduce its dependence on Mideast oil supply, and increase Mexican imports until the latter reach 5 to 6 percent of total Japanese needs.

Overall, a strong sense of cooperation and joint commitment to deepen economic ties predominated in Guadalajara, spurred further by Japan's emergence as a spokesman sympathetic to large-scale transfer of technology at the Cancún North-South talks.

Several further Japanese visits are immediately planned to follow up on this momentum. At the end of October, a mission of the Japan Consulting Institute will arrive to study the prospects for setting up joint ventures in the five largest Mexican port projects, and report back to Japanese businessmen on their findings. Shortly thereafter Japan will send an importers' mission with representatives of 150 firms. The mission will be headed by the Chairman of the Board of Directors of Mitsubishi, Bunichiro Tanabe, and sponsored by the Japanese foreign trade ministry MITI.