

Mexico and Japan forge a post-Cancún alliance

by Timothy Rush and Héctor Apolinar

“No other country has shown its decision to place its relations with Mexico within the spirit of Cancún as much as Japan has,” Mexican President José López Portillo told the leaders of Japan’s largest-ever trade mission to Mexico Nov. 17. Japan’s commitment to aid Mexican development is not just “rhetorical,” but has already passed from “words into action,” he declared.

Bunichiro Tanabe, the head of Japan’s largest corporation, Mitsubishi, and the chief of the 131-man Japanese delegation, announced that 240 agreements worth over \$310 million had been signed. But substantial as these results are, the “fundamental purpose” of the effort was “looking ahead to the future, sowing the seeds that will bring benefits in the long term.” Tanabe called Mexico’s future “brilliant”; if “Mexico continues to grow at this rate, in this great effort, Mexico will be a great country.”

The Japanese-Mexican talks advanced the renewed momentum for economic growth initiatives among many leading nations generated at the Cancún summit of 22 countries last month. From the Third World side, these nations included India, Nigeria, Brazil, and the Philippines, in addition to Mexico. On the side of the advanced sector, Japan took the lead in organizing a partnership with the Third World around high-technology industrial development, upgrading labor capabilities, and a new era of worldwide economic growth.

This was the “American System” program that President Ronald Reagan should have offered. Instead, under the advice of Secretaries Haig and Regan, Reagan

offered only warmed-over recipes from the British “free enterprise” economics cookbook.

New mechanisms

The Japanese delegation to Mexico of leading businessmen and government officials from the powerful Ministry of International Trade and Industry (MITI), focused on developing opportunities for Mexican exports to Japan, and joint ventures for transfer of technology and export to third countries.

“The world is in recession, but Mexico is still growing,” López Portillo observed in his 45-minute meeting with the Japanese business leaders. “Therefore many countries want to sell products to Mexico but few countries want to buy.” That is why the Japanese interest in promoting Mexican exports is especially helpful and welcome, he stated.

The new accords signed involve \$130 million in mining, \$83 million in agriculture and fishing, \$71 million in chemicals, \$20 million in machinery and machine tools, and \$10 million in consumer goods. Mexico’s Industry Ministry also established a “special mechanism” directed exclusively to promoting Mexico-Japan joint investments. This mechanism will match up with a similar agency that is already functioning on the Japanese side.

In the course of the tour, members of the mission met with eight top government officials and visited twelve different states.

The trip continued a process begun with a successful

14th Meeting of Mexican and Japanese Businessmen in Guadalajara at the beginning of October, as well as the Japanese-Mexican coordination at Cancún. In sharp contrast to the previous phase of Japanese dealings with Mexico, when Japan showed little interest in anything except gaining Mexico's oil, Japan is now forging an economic and strategic alliance with Mexico. In discussions with this news service, the vice chairman of the Japanese mission, MITI's Shiro Miyamoto, stressed that Japan sees Mexico as a world power in the not-too-distant future. Japan will cooperate with Mexico in a wide range of fields, he stated, because it views Mexico as the "stabilizer" of Central America and much of Latin America.

Japan to U.S.: lower interest rates

Japanese Prime Minister Suzuki told America exactly why its policies were failing in a speech to the Japanese Diet this week. Angrily rejecting demands from the U.S. Commerce Department that Japan cut back on high technology exports, Suzuki placed the blame for America's growing trade deficit squarely on Volcker's high interest rates and America's increasing lag in basic research and development.

The U.S. trade deficit with Japan has zoomed to nearly \$15 billion for the year. To solve that problem, Suzuki proposed a combination of joint Japanese-U.S. cooperation in R & D, production, and marketing of high-technology items, together with increased Japanese imports.

Suzuki knew whereof he spoke. Japan has kept domestic interest rates at only a fraction of Volcker's, and recently lowered rates again, to 6.5 percent.

The same lesson applies to export credit. A dramatic case in point came this week when it was revealed that Combustion Engineering, one of America's largest nuclear and electricity generating technology firms, was on the verge of losing a several hundred million dollar contract for part of the Rio Escondido coal-fired electricity generating plant in northern Mexico.

The favored competitor: Japan's Mitsubishi. The reason: U.S. Eximbank's 10¾ percent interest rate on export financing, compared to Japan's 7¾ percent.

Combustion Engineering is also bidding with other U.S. firms, General Electric and Westinghouse, on the next stage of Mexico's nuclear program. Executives of all three firms have signalled that chances of winning the coveted contract are gravely jeopardized by the Reagan administration's failure to aid high-technology exports.

The terms of the new trade relations between Mexico and Japan thus call the question for the Reagan administration, which has prided itself on having reversed the disastrous tone of U.S.-Mexico relations set during the Carter administration.

From the communiqué

The 131-man Japanese delegation divided into an executive group and six other sub-groups during the 13 days of the visit. The executive group met with Commerce Minister De la Vega Domínguez; Industry Minister De Oteyza; Finance Minister Ibarra; Foreign Minister Castañeda; Foreign Trade Institute director Salinas; Fishing director Rfull; Pemex head Moctezuma Cid; and Fertilizers director Gustavo Gutiérrez.

The lengthy communiqué issued at the end of the tour Nov. 18 summarized the work of the remaining subgroups. These are highlights:

- **Medium and long-term affairs:** The Mexicans expressed hopes of intensifying relations with Japan "in such sectors as agroindustry, petrochemicals, (and) industries related to port development." The Japanese welcomed "the possibilities for joint investment and transfer of technology" in Mexico, while requesting that Mexico waive aspects of its foreign investment regulations for joint investments "during the initial period in which the administration of these firms is stabilized."

The communiqué hailed the decision of the Mexican Industry Ministry (Sepafin) to "establish a mechanism for the promotion of Japanese-Mexican joint investments." "The parallel Japanese entity to this mechanism, the Organization to Promote Mexico-Japan Joint Investment,

collaboration of this Mexican mechanism."

- **Mining products:** "Immediate and medium-term prospects for Japanese import of Mexican mining products could well reach a total of \$130 million."

- **Agriculture, livestock, and fishing:** \$83 million in deals, including some to third countries. The Japanese urged improvement in Mexican storage, commercialization, and standardization of farm and fishing exports.

- **Chemical products:** prospective deals totalling \$71 million.

- **Machinery and industrial products:** immediate sales prospects of \$20 million, and extensive possibilities for new joint investment and transfer of technology. Existing areas of joint investment slated for expansion: "auto, construction equipment, heavy machinery for the electricity sector; telecommunications; steel tubing."

- **Consumer goods:** \$10 million.

Follow-up: the Mexican government will sponsor a return visit of Mexican businessmen to Japan in the near future. The Japanese mission "is convinced that the Mexico visit constitutes a vital step in the promotion of cooperative relations between the two countries."