

An Ambitious Plan To Industrialize Mexico

by Dennis Small

The last time that Mexico saw actual economic growth was under the Presidency of José López Portillo (1976-1982), and his Global Plan for industrial development. His government was committed to technological advance, to using Mexico's oil to trade for technology with the United States and other nations. It was committed to industrialization, to nuclear energy, to city-building; and it was committed to stopping speculation within and against Mexico, and replacing the global system of speculation and free trade with one committed to production and justice. And it imbued the nation with a sense of "can-do" optimism that it has not seen since.

At the end of 1978, the López Portillo Administration stunned the world by announcing enormous new oil finds which instantly converted the country into one of the world's major petroleum powers. Moreover, the President stressed that the oil revenues would be used to *industrialize* Mexico, and he appealed to the United States and other countries to aid in that process. In its Nov. 28, 1978 issue, *EIR* ran a cover story entitled "The Oil Giant Next Door," and called for the U.S. government to adopt Lyndon LaRouche's policy of exchanging oil for technology with Mexico, to join their ambitious development effort. That feature noted:

"The head of Pemex [Mexico's national oil company] reported that the first new 100 billion barrel field alone would require drilling 16,000 wells in the next 10 to 13 years—quadrupling the drilling rate prevailing in Mexico since it nationalized its oil industry in 1938. These oil exploitation requirements, coupled with Mexico's firm commitment to industrialize fully in order to become a nuclear energy-based economy by the 21st Century, will make Mexico one of the world's most dynamic capital-goods importers virtually overnight. . . . Mexico has laid out detailed plans for vast industrialization based on the steel, petrochemical, capital goods, and nuclear sectors of its economy. In the words of President López Portillo, 'We must begin to construct the cities of the 21st Century.' "

EIR took note of some of the specifics of the López Portillo strategy:

"The commitment of Mexico's leadership is to invest the revenues from its oil boom in *multiplying* and *self-renewing* sources of wealth within Mexico—that is, in unprecedented in-depth industrialization. . . . The industrial boom will make production of capital goods a national priority. Mexico's 'developmentist' (*desarrollista*) model of the past 30 years,

which is now widely repudiated throughout government circles, favored production of consumer goods at the expense of capital goods. Mexico's industrial boom will reverse this emphasis and create a fully integrated, in-depth industrial apparatus for the first time in the nation's history.

"The industrial boom will involve integrated government planning and coordination on a scale never seen before. The oil, electricity, and increasingly the nuclear programs, for instance, will provide the core demand for the capital goods industry. The national gas distribution grid, due to be completed in March 1979, will anchor new industrial centers, with special emphasis on expanding coastal industrial complexes such as the giant Las Truchas steel plant on the Michoacán coast. The need to build ports for the export of the oil is being taken as the spark for fully diversified port-industrial complexes.

"The industrial boom will increasingly shift the nation's energy perspective from oil to the atom. Precisely as the full extent of Mexico's oil potential has been revealed, López Portillo and his top ministers have stressed that a first priority for use of the oil wealth is to guarantee Mexico's advance to the energy perspective stretching beyond oil—nuclear fission and fusion."

In his second State of the Union address, delivered on Sept. 1, 1978, President López Portillo underscored the role the capital goods industry would play in the development strategy his government had adopted:

"Effective use of rural manpower, employment opportunities for the growing labor force, and optimum levels of occupation for the economically active population; we must bridge the gap with the development of the steel and capital goods industries, which are the keystones of the process."

On Nov. 16, 1978, López Portillo submitted legislation to the Mexican Congress which provided for a sweeping reorganization of the private banking sector, in order to create a Hamiltonian credit system to meet the country's development needs. In the words of the bill: "Financing will not be granted exclusively on the basis of collateral, but rather according to the economic viability of the project. . . . Long-term projects will be given grace and repayment periods in conformity with the nature of the projects."

A Unique Opportunity

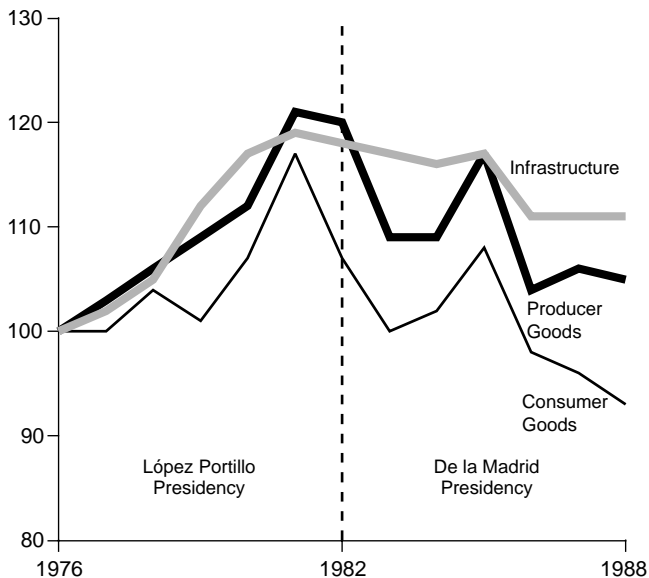
In his fourth State of the Union address on Sept. 1, 1980, López Portillo stressed the theme of industrial development:

"By the year 2000 . . . if we wish to meet the goals of the Global Plan, we shall be obliged to build at least a whole new Mexico in addition to the present one, the legacy of its entire history. That is the measure of our responsibility. . . .

"Mexico, through a combination of favorable circumstances, has not only overcome the recession, but its economy has expanded as never before in its history. Just as was proposed in the Global Plan, for the second consecutive year, the growth of our economy has reached an unprecedented 8%,

FIGURE 1
Mexico: Physical Economic Growth Under López Portillo

(index 1976=100)



Source: *EIR*.

thanks to the country's vitality of all its citizens. . . . There are those who, because of understandable ideological paradoxes or warped intellectualism, question and criticize the economic growth we have achieved, as if it were a crime. Let them stew in their own sick juices. . . .

"We have therefore concentrated our resources and capital goods on the most dynamic and productive strategic activities, such as petroleum, steel, chemicals, petrochemicals, fertilizers, and electricity. The facilities that we are now installing in the petroleum, electric, and steel industries are among the largest in the world. . . .

"We cannot afford to make mistakes today. We will never have another opportunity like this one."

The Administration of José López Portillo did in fact succeed in seizing that historic opportunity—all the subsequent lies notwithstanding. According to a detailed *EIR* study of the physical economy of Mexico over the period 1970-96, as measured in the physical production of market baskets of consumer goods, producer goods, and infrastructure, the real economy of Mexico grew in the six years under López Portillo, by about 15% per capita—including the last year of his Administration (1982), which was characterized by vicious international financial warfare against Mexico, which caused a significant downturn in the real economy. These results compare more than favorably with the 11% per-capita real *decline* under López Portillo's International Monetary Fund-run successor, Miguel De la Madrid (see **Figure 1**).

1982 State of the Union

'Mexico Shall Live'

Excerpts from President José López Portillo's Sept. 1, 1982 State of the Union address, explaining his decree nationalizing the banks.

The world's productive capacity has been increasingly subjected to contraction and unemployment by an unjust and obsolete financial system that claims those policies are the only remedy to the growing crisis. . . .

The lack of coherence between industrial progress, whose technology advances by ever more astonishing leaps, and a world financial structure that has responded to the technological challenge primarily by attempting to stop it, is increasingly evident. The financial plague wreaks more and more havoc around the globe. As during the medieval era, it plunders country after country. It is transmitted by rats, and in its wake lie unemployment, misery, industrial bankruptcy, and speculative enrichment. The remedy of the witchdoctors is to deprive the patient of food and submit him to forced rest. . . .

What we could not deal with was the loss of confidence in our peso, aggravated by those—inside and outside the country—who could manipulate expectations, and cause what they pronounced, by the mere pronouncements themselves. . . . Against this, the vigor of our economy simply could not hold out. . . .

One of the unavoidable decisions that the New World Economic Order must take before the current system collapses in an untimely and perhaps catastrophic manner, is the formation of a system of compensation, so those nations that are victims of capital flight can have access to some form of credit originating in those resources, through a special recycling mechanism. . . .

We would like to discuss this with representatives of the financial system of the United States, and, I emphasize, to convince the generous American people that in the solution to our respective problems, we are not trying to harm the American taxpayer, but rather to make accessible to Mexico the credit represented by extensive Mexican resources that have left our country in a way that creates economic and trade problems on both sides of the border. . . .

The Mexican state has never expropriated for the sake of expropriating, but rather for the public good. What we now do liberates the free initiative and the free productive impulse of Mexicans from free trade and the straitjacket imposed by a parasitic system. . . .

[W]e can conservatively affirm that within the past two or three years, at least \$22 billion has left the Mexican econ-