

Grayson: Population now grows faster than the economy...Mexico's population is growing faster than that of any other major country, and the nation's appetite for energy seems insatiable.

Labor-Intensive Jobs

Riding: The principal concern is that Mexico's oil development and related industrialization will absorb huge amounts of capital...but create relatively few jobs...Some leftist analysts have argued that no rate of oil exploitation would release funds for more labor-intensive economic activities involving agriculture, small-and-medium-sized industry, and commerce.

Karnow: The prospect of instant wealth derived from oil profits is flawed by the fact that the investment required to develop the resource is enormous. Moreover, the new oil industry is only going to provide jobs for a small fraction of the youths entering the labor market.

Lopez Portillo's "Illusions"

Riding: Over the last year, the government of President Jose Lopez Portillo has used oil to strengthen Mexico's balance of payments and to renew foreign confidence in the country's long-term economic prospects. It has also indirectly suggested that oil is a panacea for all of Mexico's problems.

Karnow: Critics of the government contend that Mexican President Lopez Portillo is creating a dangerous illusion by dramatizing potential oil revenues as the panacea.

Pemex "Corruption"

Riding: Most observers also believe that, with the oil industry already in government hands, a principal beneficiary of the boom will probably be the long-ruling Institutional Revolutionary Party, which has been facing growing criticism in recent years... While Pemex is expected to lift the country out of underdevelopment, the company is said to be wracked by corruption and inefficiency.

Karnow: Other critics complain that the oil industry, which is controlled by the government, will serve mainly to strengthen the ruling Institutional Revolutionary Party, which has been in power for years.

Grayson: Of all the constraints, the most important is the inefficiency of Pemex...More important is the role of the powerful Petroleum Workers Union, which makes the Teamsters look like a bunch of Little Lord Fauntlereroys...While vested interest has succeeded in gutting President Carter's energy program, the Mexican chief executive...has begun to reorganize Pemex.

The Grayson Proposal

These are excerpts from the seven-point program for Mexico advanced by George Grayson in the winter 1978 issue of Foreign Policy magazine.

1. Immigration Control: The United States must act at once to stem the flow of illegal or "undocumented" Mexican immigrants to this country. At the very minimum, Carter's quasi-amnesty plan...should be implemented. Many experts insist that a combination of methods — ubiquitous electronic sensing devices, spotlight-equipped helicopters, noncounterfeitable work cards, sturdy fencing, criminal penalties for employers knowingly hiring unlawful workers, expansion of the U.S. border patrol, etc. — will improve the situation...

2. Population Control: The United States, through bilateral contacts and international financial institutions such as the World Bank, should provide all the assistance possible to Mexico's nascent family planning program...Mexico's oil earnings can finance a comprehensive rural family planning program.

3. Labor-Intensive Industry: Under President Robert McNamara the World Bank has insisted that developing countries undertake vigorous population control programs as a prerequisite of major assistance. A similar requirement should be applied with respect to labor-intensive industry...Among labor-intensive activities that might be emphasized are specialty farm crops in Northern Mexico, irrigation, soil conservation, and road-building projects throughout the nation.

4. Trade Policy: If Mexico embarks upon a serious program of labor-intensive production...the United States should facilitate the entry of more items into its market...this strategically important country should be allowed to send more products to the United States in return for exporting fewer bodies.

5. Tax Reform: At a time when many Third World nations are narrowing the gap between rich and poor, this social fissure is deepening in Mexico...an additional 60,000 million pesos could be generated each year if the collection machinery were streamlined. For technical guidance on fiscal matters, international lending agencies, the Internal Revenue Service, and American universities could help.

6. Energy Conservation: The government now sets low energy prices, thereby encouraging energy- or capital-intensive production. Conservation practices...should be encouraged. Technical assistance might come from the increasingly conservation-minded Canadian and American experts.

7. Energy Diversification: Because oil will last only a few decades, diversification of Mexican energy sources should be emphasized...There are major deposits of commercial grade coal...Mexico is one of the only countries with identified geothermal resources... But Mexico's greatest potential lies in solar energy...Success with solar energy might induce Mexico City's policy-makers to reevaluate their fledgling nuclear program, under which the first light-water reactor, Laguna Verde I in Vera Cruz State, will come on line around the end of the decade.