For example: President López Portillo traveled to the Soviet Union shortly after the historic summit between Brezhnev and Schmidt; Foreign Minister Roel spent several days in France and then traveled on to West Germany at the time the European heads of state were first putting together the European Monetary System at their Bremen summit meeting; and President López Portillo arrived in Japan two weeks after West German Chancellor Helmut Schmidt had spent several days there briefing Prime Minister Fukuda.

Simultaneously, Mexican leaders have vigorously attacked the World Bank and the International Monetary Fund. At an IMF preparatory meeting of Latin American countries, Spain and the Philippines held in Mexico in September, Finance Minister Ibarra assailed the IMF as a "straitjacket" on Third World development and proposed that "the World Bank profoundly change its operative and financial policies in order to become a real international development bank. Even the World Bank's name should be changed. . . . The IMF (must) be converted into an organism for long-term financing of developing countries." And denunciations of the IMF and World Bank have been coupled with attacks on the "labor-intensive" policies these institutions promote.

But major U.S. and British press are responding with a systematic campaign of misinformation and outright lies about Mexico. For example, an editorial in the *Washington Post* last month blatantly lied that "Working with the World Bank, the Mexican government is moving toward development plans that emphasize agriculture and labor-intensive industries, to provide food and jobs. The government intends to use its oil revenues to finance this kind of expansion. Capital-intensive industry is likely to be deferred."

—Pablo Silva

British press denies Mexico looks toward Europe

The following are excerpts from a distorted account of Mexico's Grand Design initiatives from the pen of the London Financial Times' *Hugh O'Shaughnessy, appearing Nov. 2:*

. . . Unlike many of the other countries of Latin America, Mexico does not see a strengthened relationship with Europe as a counter to the strong U.S. connection. Britain, Germany, and France are seen as useful sources of technology and providers of financial services, but the Mexican Government does not feel that Brussels and the EEC could ever come to rival in importance the influence of the U.S.

The feeling is all the more marked because at one time the Mexican Government harboured the somewhat unrealistic view that the re-opening of a long-severed relationship with Spain would act as some sort of magic promotional aid to greater trade with Europe. Despite the visit this month of King Juan Carlos to Mexico it is clear that Spain will never become Mexico's bridge to Europe.

If relations with Europe are very secondary to relations with the U.S., Mexico's links with the Communist World are of even less importance.

2. The coming industrial boom

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.

Pemex Director-General Jorge Serrano put it this way last week: Mexico will "establish programs and priorities which allow it to use its oil wealth, not only to generate oil revenues but as the propulsive instrument for the great industrial development of the nation." The same day, Natural Resources and Industry minister Oteyza was telling an international financial conference that Mexico will "double our industrial plant within a period of six to seven years" (see accompanying box).

What will this industrial boom look like? A close gridding of government declarations provides the following picture. It will be directed by a Hamiltonian policy of favoring capital-intensive development over labor-intensive. Mexico's planners are insistent that, though auxiliary labor-intensive programs may be necessary as the immediate-term complement to capital-intensive industrial projects, it is only the latter in the medium and long term which will generate the *expanding surplus* to adequately meet the nation's consumption needs and full employment goals.

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 Michoacan 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.

Finally, the industrial boom will be long-term. López Portillo, on his Far East trip in October, summed up the tasks now being undertaken when he stated, "We must begin to construct the cities of the 21st century."

Economic 'base line'

The "base line" economic picture for this takeoff is one of the most propitious in the Third World. Mexico starts with an extensive industrial capacity and trained work force. Its Gross Domestic Product, estimated at approximately $75 billion in 1977, is already surging forward again after falling off in 1976. The preliminary target for real growth this year, set at 5 percent, has now been revised upward to 7 percent. The industrial sector is leading this recovery: the percentage increase in overall industrial production volume during the first three quarters of 1978 as against the same three quarters of 1977 is 10, 12 and 15 percent respectively. Oil and petrochemicals lead the way, as would be expected. The current forecast is for a 25 percent real volume increase this year. But such areas as iron and steel (8 percent), building and construction materials (8 percent), basic chemicals (7 percent) and motor vehicles (10 percent), all show strong growth and are surpassing initial forecasts.

The agricultural sector lags somewhat behind, but the government sees the solution in extending its industrial focus to the rural areas. It recently announced an ambitious program to both import more tractors and spur domestic tractor production to meet Mexico's estimated 100,000 tractor deficit. Large-scale projects developing new agro-industries across the country are in the advanced planning stage.

In the following summary, the *Executive Intelligence Review* presents a "progress report" on Mexican development in three key areas: nuclear energy, capital goods, and banking and credit. The unifying theme is that the government planners, with their private sector allies, are aggressively taking advantage of the short remaining period before the oil revenues expand to a flood, to prepare the framework and direction of subsequent economic development until the end of the century.

From oil power to nuclear power

Mexico's official nuclear program calls for building 20 nuclear reactors by the year 2000. During the past year, the nation has carefully laid the groundwork to put this major nuclear energy program into gear.

On the domestic front, the Mexican Congress has concluded a year's debate with this week's approval of a comprehensive nuclear energy bill reorganizing the nation's nuclear program. Previously, a small but capable nuclear research and training institute, INEN, had stood in a loosely defined relationship to the pioneer Mexican commercial reactors being built by the Federal Electricity Commision at Laguna Verde on the Veracruz coast. The nation's enormous uranium reserves—10,000 tons of it proven with estimates of potential reserves ranging from 200,000 to 500,000 tons—had lain virtually untapped. The uranium for the Laguna Verde plants in fact was purchased in France and sent to the U.S. for enrichment!

The new law establishes a Nuclear Energy Commission to coordinate all aspects of the nuclear effort. Its three sub-branches include a government-controlled uranium mining and refining monopoly called Uramex, expansion of INEN as the core research and training facility, and a reactor construction program.

During the course of the debate, the pro-nuclear forces in the country were strengthened by the Aug. 24

Pemex: Mexico's

Even now that news of Mexico's mammoth oil reserves has begun to hit the pages of the U.S. press, few people in this country are familiar with "Pemex" (pronounced "Peh-Mex"), short for "Petroleos Mexicanos", the Mexican national oil company. And yet Pemex is the single largest corporation in Latin America, with assets exceeding $11 billion, sales this year worth $5.4 billion, and a staff of nearly 100,000.

At the time Pemex was founded in 1934 by the government of nationalist president Lazaro Cardenas, all of Mexico's oil was exploited by British and U.S. oil companies, primarily Royal Dutch Shell's "El Aguila" and Standard Oil's "Huasteca Petroleum." Pemex, or Petromex as it was then called, accounted for only 1.75 percent of all oil extracted in Mexico.

However, the foreign oil companies' power was curtailed by the 1917 Constitution, framed at the conclusion of the Mexican Revolution, which proclaimed that all land, minerals and territorial waters belonged to the nation, and would be administered by the government for the benefit of the population.

Following the expropriation of all foreign oil holdings by President Lazaro Cardenas in March of founding of the Mexican Fusion Energy Association, working in coordination with the New York-based Fusion Energy Foundation.

The bill represents a major setback for some Mexican government officials who were in open alliance with U.S. Energy Secretary James Schlesinger in attempting to restrain Mexico's nuclear development. An unprecedented series of attacks from press and congressional sources culminated in early November when INEN director Francisco Vizcaino Murray accused several government officials by name of sabotaging President López Portillo's nuclear strategy and delaying the completion of the Laguna Verde plant. The President has ordered the twin Veracruz reactors completed "at forced-march pace," Vizcaino reported.

Simultaneously the government has opened intense international negotiations for "oil for nuclear technology" deals. Mexico's nuclear future headed Foreign Minister Santiago Roel's agenda during his trip to France and Great Britain last July. In discussions of long-term deals with the British-Dutch-German nuclear consortium Urenco, Roel and Vizcaino Murray demanded for Mexico a status "not as a client" but "as a partner" in the consortium. Mexico has begun discussions with France and the Soviet Union concerning advanced training programs, while France offered Mexico access to the full seven years of preparatory studies going into France's Super-Phoenix breeder reactor. The deals worked out at that time could very well be consolidated during French President Giscard's visit to Mexico next February.

Continuing the push, two nuclear collaboration deals were among the core of agreements worked out this week during the visit of King Juan Carlos of Spain to Mexico City.

The only major nuclear supplier country currently outside the Mexican negotiations is the United States, despite the fact that it is U.S. suppliers who won the major contracts for the Laguna Verde plants. Carter Administration "antiproliferation" strictures, which have delayed the return of Mexican uranium in the U.S. for enrichment, have incensed Mexico's leaders, who take pride in their international efforts for nuclear disarmament. Mexican congresswoman and economist Ifigenia Navarrete rose in the Chamber of Deputies near the conclusion of the nuclear law debate to castigate those foreign countries which, "just like the gods who were angered that Prometheus gave the gift of fire to mankind, now try to prevent the spread of nuclear technology, now open to everyone."

The stage is now set for beginning the immediate siting studies and actual construction for a vastly stepped-up program. To keep on the timetable of a minimum 20 reactors by the year 2000, Congressman Hugo Castro Aranda has estimated that 13 reactors must be completed by 1993. In eloquent testimony to the Congress the day the new nuclear bill passed, Castro Aranda declared:

> "The construction of a reactor takes from eight to ten years. If we don't make the decision now to build those reactors and to have an ambitious nuclear program in Mexico, by 1985 the same thing will happen to us as has happened in other moments of our history: we will miss the opportunity for development."

Capital goods: full speed ahead

To provide "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." With these words from his second State of the Union address, President José López Portillo underscored the role the capital goods industry will play in the development strategy his government has adopted.

To give an idea of the tremendous capital goods requirements of Mexico over the next years, the Director of Programs for Nafinsa (Mexico's national financing agency), Luis Almeida, has calculated that in the next decade Mexico's demand for capital goods will total $45 billion dollars.

Definite steps to implement this strategy are already under way. On Nov. 15, the government's Program for the Development of the Capital Goods

National Oil Company

1938, Pemex began to demonstrate just how the Constitution's mandate would be carried out. Despite the hostility fostered internationally by the foreign oil companies — who in addition to withdrawing all their technicians and trained personnel also organized international boycotts of Mexican oil — Pemex personnel rapidly assumed all aspects of oil production.

Since then Pemex has placed great emphasis on the training of a skilled labor force, working closely with the Mexican Oil Institute (Instituto Mexicano del Petroleo). Pemex now has one of the largest cadres of trained personnel in the Third World. As a result, Mexico is the *only* oil producer in the developing sector that has the ability to run its entire oil industry without the aid of foreign oil companies, and is looked up to for that accomplishment throughout the Third World. In fact, during the past few years Mexico has signed agreements with other Third world countries to provide them with technical assistance and training.

Today Pemex is 100 percent owned by the Mexican government. In accordance with Article 27 of the Mexican Constitution, no private or foreign company can exploit the country's oil or other mineral resources.

Industry was inaugurated with the signing of a $180 million domestic credit for several capital goods industries which will provide Pemex and the Federal Electricity Commission with heavy equipment. With this credit, said Finance Minister Ibarra, the process of harmonization between the two strategic economic areas—capital goods and energy—had been initiated.

In a second development, and as part of the preparations for King Juan Carlos's visit to Mexico, Spain's largest machine tool company, and the sixth largest in Europe, Mecánicas Asociadas, and the Mexican enterprise Presimaq, S.A. announced that they were setting up a joint investment in Mexico in machine tool production.

The full dimension of the Mexican government's plans in the capital goods area was given by Pemex director Diaz Serrano in his speech to a *Financial Times*-sponsored symposium last week in Mexico City. He invited the European Community to join in heavy-industry investment in Mexico whose products could be "exported to all of the American continent, including the United States."

The architect of the capital goods strategy is Finance Minister David Ibarra Munoz, who oversaw the preparation of a major study, "Mexico: A Strategy for the Development of the Capital Goods Industry," published in 1977 under United Nations auspices. He is not accidentally the major proponent of Mexico's proposal for a $15 billion international capital goods promotion fund for the entire Third World.

Hamiltonian credit policies

On Nov. 16 López Portillo submitted to Congress for its approval a sweeping bill to reorganize Mexico's private banking sector. His aim: force the private banking sector away from its historic tendency to invest in short-term, speculative activity, and into longer term credit for basic production projects. The bill is a major step along the road toward a full-fledged Hamiltonian "two-tiered" credit policy. Mexico is creating a structure which will grant incentives for capital invested in the nation's development needs and will penalize money thrown into speculation. In the words of the proposed bill, "financing will not be granted exclusively on the basis of collateral, but rather according to the economic viability of the project." Additionally, "long-term projects will be given grace and repayment periods in conformity with the nature of the projects." The legislation goes on to explain: "The foregoing will foster the multiplication of investment projects that optimally utilize financial resources, and the support to businesses that require large volumes and capital and which are indispensable to the integration of the productive structure of the country."

In addition to such new regulatory powers for the federal government, the bill would prohibit any one individual from owning more than 15 percent of the equity shares in a banking institution—a blow at the handful of oligarchic Mexican banking families currently dominating the field.

Alongside these measures to streamline the flow of credit for domestic development purposes, the bill prepares the ground for Mexico's entrance into international capital market operations. This dramatic development will occur through "authorizing Mexican institutions to attract resources from outside the country and lend them outside the country," says the bill, outlining future developments which could parallel Japan's emergence as a major independent financial power.

—Tim Rush

Industry minister spells out industrialization goals

The following are excerpts from a Nov. 14 speech by Mexican Minister of National Resources and Industry Jose Andres de Oteyza in the state of Coahuila:

Tax incentives for the decentralization of industry must bring about a wealthier, more just and more humane society by the dawn of the next century. . . Industry must be distributed on a medium-sized scale throughout the national territory; outside of the great metropolises, yet large
advantage of the economies which only other industries and urban infrastructure make possible. . . . Our industrial policy is based on the impulse from those sectors which, like the capital goods industry, give us greater financial self-determination.

On November 16th, Oteyza addressed a forum organized by the British newspaper The Financial Times *entitled "Trade with Mexico." The following are exerpts of that presentation which were reported in the Mexican daily* El Universal:

"The financial self-sufficiency which oil surpluses will provide, together with adequate planning, can enable our economy to grow at annual rates of 10 percent, for an extended period, without creating balance of payments pressures or excessive inflationary effects."

De Oteyza said that with this rate (of growth) the new labor force would be absorbed and gradually latent unemployment would be eliminated by the 1990s, the last decade of this century. It would further allow us to double our industrial plant within a period of six to seven years.

He also said that "I would like to use this forum, at which important companies from different countries are represented, to invite them to collaborate with us in our development, within the framework established by our laws, and in a mode which stresses the importance of providing technical and managerial knowhow. Offer your cooperation to encourage our industry; your capacity to encourage greater Mexican exports; your technology to establish the basis for our own and to orient it towards the objectives we seek."