TRADE

Governors push for national action on export

A group of U.S. governors has formulated a very promising approach to expanding U.S. high-technology exports to every sector of the world and for reining in the power of the various Carter Administration agencies to kill export potentials. At hearings before a subcommittee of the Senate Banking Committee on March 12, Georgia Governor George Busbee and Texas Governor William Clements presented an eight-point policy recommendation on increasing exports and proposals to amend the Export Administration Act of 1969 which is up fo. renewal this year.

This package was first presented at the governors' semiannual meeting in Washington, D.C. on Feb. 25. As the head of the Governors' Committee on International Trade, Governor Busbee addressed a seminar on exports: "I believe special attention must be given to manufacturing involving high technology, since that is where our competitive advantage in foreign markets often exists.... But this is the same area where the disincentives or barriers to exports tend to be the greatest.

Mark Shepherd, Jr., chairman of Texas Instruments, told the same seminar that while "capital outlays ... create the new capacity essential to a growing economy and it is through new equipment and facilities that more advanced technology is injected into the economy, the impact on productivity of a dollar spent for research and development is several times that of a dollar invested in fixed capital." Shepherd proposed to the governors that Congress and the Administration seriously examine a tax credit for research and development expenditures similar to the investment tax credit.

CORPORATE STRATEGY

Businessmen beware

The firm resolve of the Mexican government of President López Portillo to commit revenues from Mexico's virtually limitless oil reserves to fund a national industrial development program, has caught the imagination of an increasing number of businessmen. But if they chose the wrong "connection," U.S. and foreign corporations and banks looking to enter the Mexico market could find themselves in touch with the anti-industry faction — the one that is firmly out of power — and may even be set up for involvement in a Mexican "Watergate."

A case in point is the inquiries made by at least two Japanese firms to New York merchant banks, Lazard Frères and Lehman Brothers Kuhn Loeb. Both are well known for the extensive international ties.

Contacting Kuhn Loeb will get the inquirer their Mexican expert, José de Cubas, the author of the Council of the Americas' "free zone" plan for sweatshop industry in a strip 50 miles on either side of the Rio Grande — a sort of "Hong Kong West." Referring to his authorship, de Cubas says: "That's my brainwave."

Yet, the Mexican government, while still accepting this investment in border assemblyline plant indutries, is leaning toward convincing new business to locate in accordance with the nationwide Mexican industrial program.

De Cuba's highest level contact to Mexico is said to be Fernando Hiriart, an official in Sepafin, the Mexican Industry Ministry. Hiriart, as head of the energy section of Sepafin, is known to have impeded Mexico's energy development — both oil and nuclear — and is an outspoken champion of solar power. The Mexican government, in contrast, is committed to building

What the governors proposed

The governors' proposal is to recast the Export Administration Act of 1969 to state that the U.S. national interest lies in exports and stipulates that the burden of proof is on the government to show cogent reasons why any productive commerce should be prohibited. Also proposed was a large-scale educational campaign to make "people, including youth, in all regions of the country aware of how export trade affects them individually, their state and their nation," as a way of ensuring that the vague "security threat" rulings used by the Administration against trade deals will cease.

The governors proposed four levels to the export administration structure: First, the administrative level. The Export Administrative Office would remain in the Department of Commerce and be directed by an interagency board, the National Export Administration Board (the next level), composed of three voting members—one each appointed by the secretaries of State, Commerce, and Defense. The third level would be an Export Administration Review Council with members appointed by the same agencies. At top would be the President.

Every export license would be voted on—consensus would be replaced by a majority vote. Reasons for denial of any export license would be fully reported and the entire process, from submission to final appeal, would by law take no more than 90 days.

The governors also proposed a clarification of the definition between legal facilitating payments and illegal banks which is now subject to the interpretation of the Securities and Exchange Commission, the IRS, and the Justice Department.

Besides taking the Governor's recommendations to the Senate, Texas Governor Clements announced last week that he would lead a "people to people" delegation to the Soviet Union this year. Governor Clements, who called for Schlesinger's resignation at the Governors' Conference, is also organizing a June conference of all four U.S. states bordering Mexico—Arizona, California, New Mexico, and Texas—to which the governors of Mexico's four border states will be invited.

Washington State Governor Dixy Lee Ray has meanwhile dispatched her entire Energy Department to West Germany at the invitation of the government of Chancellor Helmut Schmidt.

—Richard Schulman and Anita Gallagher

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20 nuclear power plants by the year 2000, in addition to large-scale utilization of its oil production domestically. The government has also pledged an 18-20 percent growth rate in the capital goods sector and intensive development in key port areas.

The government's plans were exemplified by the nearly $4 billion in high-technology contracts initiated or signed during French President Giscard d'Estaing's historic visit to Mexico a month ago.

The Bustamante connection

Similar inquiries made to Lazard Frères may result in a connection with Roberto De la Madrid, who, Lazard may correctly claim, is governor of Baja California state. De la Madrid's top business and/or political connection is to Carlos Bustamante, a Vescoesque figure with extensive business connections to both sides of the border.

U.S. businessmen may not be overly concerned by the myriad Bustamante connections exposed by the *New York Times* on March 11 and 12, but his intimate ties to California Governor Jerry Brown are important.

Brown is known to have pressured Blyth, Eastman and Dillon to release its North American Common Market plan to the White House before President Carter's February Mexico trip so that Carter could push this plan with Portillo. According to Kenneth Hill, a director of Standard Oil of California and self-proclaimed author of the Common Market idea, Brown intends to use this program as the centerpiece of his presidential bid.

As for De la Madrid, he supports the "free zone" idea — he wants to allow 100 percent foreign ownership instead of the present 49 percent maximum — and thinks that gambling is the key to Mexico's future. In this, he thinks like Mexico's tourist czar and former President Miguel Aleman, who called for a Common Market as early as 1971.

The Common Market plan would annex Mexico to the United States and Canada and make its oil a strategic reserve. The Mexican government flatly refuses to discuss the plan.

Manuel Buendia, a columnist who is friendly with the Portillo government warned in the Mexico City daily *Excelsior* on March 21, that the ties between Brown, De la Madrid, and Bustamante could spiral into a Mexican "Watergate."

So although Mexico holds considerable promise, making the wrong connection could be unproductive — if not costly.

— Leif Johnson