

'An Iran on U.S.'s southern border'

The March edition of London's International Currency Review could not be more unhappy with Mexico's oil-based development plans:

... How would the United States like an Iran on its southern border? Such an eventuality is far from inconceivable. ... where the inflated oil price is perceived to provide a convenient shortcut to prosperity and social harmony....

... Despite the appalling examples set by countries like Iran, Nigeria and Venezuela, Mexican economic policy makers and international bankers are making exactly the same errors as have undermined stability in those countries.

... The (Mexican) government is extensively exaggerating the importance of oil as an economic panacea—both at home and abroad. If they are not careful, Ministers will light a fuse which will eventually destroy the country's social cohesion—leaving the United States with a chaotic situation on its southern border which could prove extremely difficult to contain.

... The experience of many other countries has made it perfectly obvious that there is no economic future in the relentless expansion of the public sector. (In Mexico) as might be expected the powerful Director-General of Pemex (Petroleos Mexicanos) Sr. Jorge Diaz Serrano leads the expansionist lobby. It is Sr. Diaz Serrano who has been responsible for the periodic announcements which have been plastered all over the international press of enormous increases in Mexico's oil reserves.

With the country's political leaders raising domestic expectations all the time (talking of Mexico's new-found wealth and of their grandiose development plans), the unfortunate population would be faced with mounting chaos, physical shortages and declining real income—brought about by raging inflation. What has happened in Iran makes it quite clear that this cannot

be dismissed as a wildly improbable expectation....

The Energy Secretary, Dr. Schlesinger, is known to believe that if the United States adopts a sufficiently hard line, the Mexicans will ultimately be forced to comply with its wishes ... an examination of current economic realities in Mexico suggests that the U.S. hardliners will almost certainly be proved right—and that Mexico will be faced with little choice but to comply with the United States' wishes. In the first place, the country has incurred a stupendous burden of foreign debt ...

... With the country virtually 'in hock' to the U.S. banking system, those who are pressing for a nationalistic and conservationist approach to the use of Mexico's oil wealth, and for its deployment as a weapon against Washington's hegemony, are probably whistling in the wind.

Furthermore, U.S. official hardliners are perfectly well aware of the chronic weakness of Mexico's non-oil economy—and of the fact that this weakness makes the country all the more dependent on the oil sector for its survival.

Every year the country has 2.5 million more mouths to feed;...there have been violent confrontations between contractors building the natural gas pipeline from the Reforma energy fields to Monterrey and peasant farmers ... So much for President Lopez Portillo's absurd claim that the country's economic crisis has been 'overcome' since he took office.

These dismal realities all underscore the fundamental lesson which should have been learned by now ...

If the government does change its mind and responds positively to U.S. pressure, the ultimate consequences will be an appalling rate of inflation, social disruption and the collapse of economic expectations. Whichever way one looks at Mexico's prospects, therefore, they remain uncompromisingly dismal.