

Lopez Portillo's report to nation: uncompromising fight for 'modernization'

"Modernization" of Mexico against all adversity was the theme of José López Portillo's third state-of-the-nation address (the *Informe*) Sept. 1, in which the Mexican president strongly reaffirmed his administration's commitment to carry out intensive industrial development fueled by the country's massive oil and natural gas resources. As a projection of administration policy and action over the next year, the President's report was unequivocal: "let us not relax in our efforts to further economic growth, ... we are not going to brake our momentum. That would signify a setback."

In tone and content, the *Informe*, which is anticipated and closely followed by millions of Mexican citizens, was a sharp answer to opponents of Mexico's development strategy both within and outside the country.

Reviewing the nation's social and economic progress over the past year, Lopez Portillo announced the successful conclusion of phase one of his six-year economic plan: overcoming the "grave crisis, defined as inflation with recession..." Mexico is now at the second stage of economic "consolidation," "one where inflation persists, but with economic growth"; this two-year process of consolidation, if accomplished, he said, will open up a "stage of accelerated growth."

The president was emphatic in stating that inflation will be controlled not by repressing demand and cutting public spending—the economic deflation measures key elements of the private sector have called for to "fight inflation"—but only through "production, production, and more production." While reaffirming his government's policy of "Alliance for Production" with private business, he announced that strict penalties will be imposed against those who act to subvert the economy and national development plans—the "moneylenders, monopolists and unscrupulous middle men who have until now enriched themselves with impunity at the

expense of the poor and the government's efforts to relieve their poverty."

U.S.-Mexico relations

The *Informe* was a resounding "no" to pressures from the Carter administration for Mexico to shelve its oil-based industrialization policy and instead prioritize labor-intensive "employment" in the countryside. Although Lopez Portillo made no direct mention of U.S.-Mexico relations, which have suffered a sharp downturn in the last month as a result of Washington's provocative handling of the Ixtoc-1 oil spill and the gas negotiations,

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he clearly defined Mexico's stand on many of the most important outstanding bilateral issues which will underlie the Carter-Lopez Portillo "summit" Sept. 28 in Washington.

- **Unemployment and Agriculture.** Lopez Portillo condemned "demagogic agrarianism that limits and bogs down production" and stressed that urban-centered industrial growth is Mexico's future. While emphasizing the need to increase agricultural output and improve transportation infrastructure, he flatly rejected the idea that agriculture will solve Mexico's unemployment problems—the policy pushed by Washington as the only way to stem migration of undocumented workers. He pointed out the "absurd paradox" of a simultaneous shortage of jobs and shortage of skilled labor, and said the only solution is economic growth and intensive manpower training programs and upgraded education services.

- **Oil and gas.** Mexico's oil and gas are its "exclu-

sive patrimony" and will be put to the service of national development. To U.S. pressures to buy oil and gas at concessionary terms, Lopez Portillo reiterated Mexico's stand on pegging gas prices and price increases to "the fuel that it displaces". The president restated his belief that a global solution to the energy crisis must be reached based on the concept that energy is the "common responsibility of mankind," a proposal he will personally present to the United Nations General Assembly Sept. 27.

• **GATT.** Lopez Portillo did not say yes or no to the question whether Mexico will join the GATT, one of the thornier issues in bilateral relations. But he did, in effect, lay out several conditions for entry: GATT must change to allow special treatment in trade to LDCs, in order to promote development; simple "freeing" of trade is harmful. And Mexico, he said, will never grant tariff concessions higher than those granted by other countries under similar circumstances."

Perhaps the most striking moment of the three-hour address, and the part which sharply expressed the tone of current Mexico-U.S. relations, was when the president addressed the domestic Mexican reaction that had been manipulated around the Ixtoc oil well spill. The combination of the recent attempts by Washington to hold Mexico liable for alleged ecological damages caused in the Gulf, and a long press and political campaign by "slow-growth" forces inside Mexico to "prove" that oil exploration and industrial development is harmful, was the motivation of Lopez Portillo's harsh denunciations. He attacked the domestic critics of Pemex and the Ixtoc accident as virtual traitors, using the metaphor of Malinche, the Indian woman who became mistress of Cortez the conquistador. And for the "outsiders"—a reference to Washington and other foreign media—"I reserve my most profound contempt."

The excerpts which follow are taken from the Sept. 2 issue of the Mexico City English-language newspaper, *The News*.

—Mary Goldstein

Jose Lopez Portillo speaks

For the first time, the new organic law makes the programming of activities a compulsory working system for the federal government administration. We already possess the programming procedures that will undoubtedly enable us to make more rapid and orderly progress and will at the same time, by means of the alliance, enrich the systematic programming of the concerted collaboration of the social and private sectors with the government. Furthermore, to the extent that resources are currently available to strengthen government finances, the state will be more easily able to assume its role as the guiding force in our mixed economy...

The grave crisis, defined as inflation with recession—the worst possible combination—has passed.

We are now at a new stage—one where inflation persists, but with economic growth. It is still critical, owing to the danger of a relapse, but it also presents the opportunity for consolidation. Inflation is a symptom of the economic disorder of the world in which we live. It is not a viable alternative—much less an objective. It is an evil which we must control...

We cannot afford to waste our energy and resources by applying a stop-and-go economic policy. We are fighting inflation by shaping strategy to our needs and adjusting the pace as we go along. That is why we consider the consolidation stage a transitional one, to continue until next year. By then, if we can complete this phase satisfactorily and eliminate the bottlenecks revealed by the evolutions of the economy, we shall enter upon a stage of accelerated growth, with inflation under control and declining...

Expectations of profit or progress on the part of certain groups cannot be increased if doing so means defrauding the legitimate aspirations of the majority sectors. We must recognize that although inflation growth has benefited some people, inflation has hit most of the population very hard. To consolidate is to share the burdens more equitably.

When in more difficult days we were just beginning our task, we declared that we were all in the same boat, because there were some who felt or wanted to be excluded. This is no time for deserters or mutineers. Let each one take up his duties and accept his risks. There must be no deviations in the route we chose then, and choose today. The government stands firm in this resolve...

The tremendous economic effort this country must make in order to achieve that goal cannot depend on

to his country

mere fleeting adherence, false solidarity, emotional whims, or easy profits won by grasping, but faint-hearted, stock market speculators. It must be a mature effort, made by upstanding Mexicans...

We are now growing at a rate four times greater than in 1976, which means that we have recovered, and have recently surpassed, our traditional growth rates.

The economic growth rate for this year is about 7.5 percent. Although insufficient in itself, this rate constitutes a precondition for resolving pressing problems, such as unemployment. If we have been unable to solve this problem with annual growth rates of 6 or 6.5 percent over a long period of time, one of the essential steps—and I emphasize—is to increase our rate of economic growth.

Public expenditure

The public sector had a budget for 1979 of more than a million million pesos—that is, 1,124,300,000,000 pesos—23 percent higher than the 1978 budget. Investment accounted for one-fourth of the total—37 percent higher than the 1978 investment and 113 percent more than the 1977 figure.

Among the sectors to which the largest amounts were allocated are the industrial sector with 136 billion pesos, or 46 percent of the budget; agriculture and livestock with 52 billion, or 18 percent; and communications and transport with 48 billion, or 17 percent. This demonstrates the congruency of the order of priorities of the action we have taken with regard to energy, food and bottlenecks.

Government investment, omitting decentralized state-affiliated enterprises, increased 38 percent compared with 1978, and private investment revived in an unprecedented way. Many of the projects launched under the two forms of investment have not yet concluded: their costs have been high and they have yet to show dividends. This natural lag accounts for some of the inflation.

We insist here once again that it is not just the salaries that the workers receive which distort the economy. The latter will not remain in equilibrium if there is an insufficient generation and supply of socially necessary goods and services.

... Progress is being made on improving the structuring of the public debt and on lowering its cost. A drastic reduction has been achieved in the short-term debt.

Development

Oil is our potential for self-determination, because it will make us less dependent in external financing and will improve our international economic relations, but that is not all. The possibilities offered by petroleum as regards its exploitation and processing, its triggering of new activities and its association with others, enable us to outline a sound energy strategy: to act on the basis of an assured demand for capital goods, and thus to expedite industrial planning together with its associated undertakings in transportation, human settlements, education, training, social development, and principally, in agriculture.

The industrial development plan, which is already being implemented, is the result of efforts to set short-term and long-term goals within a framework of macroeconomic and sectorial consistency, assigning priorities to branches of activity on the basis of the contribution each makes to the overall objectives.

The policy is designed to offer the country options in its progress and it is permitting us to absorb a large volume of manpower, to take advantage of our natural resources potential without neglecting the use of advanced technologies, to achieve a more regionally balanced industrial development as between regions, to stimulate the export and diversification of manufacturers and to leave the stage of indiscriminate substitution of imports behind us.

Petroleum policy

Our hydrocarbon reserves—the sixth largest in the world—have brought Mexico new responsibilities of a type we have not been accustomed to in the past. We have a nonrenewable resource that is real and valuable, one that everyone wants. It is the exclusive patrimony of the nation. This involves a commitment and an obligation to ourselves, but also calls for solidarity with other people in the world who are suffering the impact of an unprecedented energy crisis.

In the present disturbed market we have maintained a policy of solidarity with developing countries desirous of giving economic and social significance to their nonrenewable resources. We therefore sell and shall continue to sell oil abroad at the best price through contracts extending for appointed periods of time, whose terms can be periodically adjusted. We are interested in equitable relations and will therefore never

enter spot or speculative markets that further disrupt the world economy and would later have unfavorable repercussions on us.

Similarly we shall export gas after satisfying our domestic consumption needs. It will be sold as the clean fuel that it is and its price, subject to revision every three months, will be linked to the price of the fuel that it displaces. The actual price is of less concern to us than the principle involved, which is to give due value to our raw materials.

Mexico wants to think of itself as a country whose relations with the rest of the world are not restricted to petroleum but are broad and varied at every level and based on mutual respect and shared benefits.

It would be ironic if a country that needs financial resources for specific projects, many of them already drawn up, should have to become an exporter of capital and manpower because of its lack of absorbent capacity. The world offers tragic examples and Mexico is neither in a position to imitate them nor does it propose to do so....

What was anything but good news was the accident in one of the 150 wells drilled there: Ixtoc I. But perhaps the worst damage caused by the accident was not the oil spilled, or the gas burned, or the possible effects on the ecology, but rather some formless emanation rising from the depth of our national idiosyncrasies, and which should give us cause for thought.

In the depths of this flaming well, we Mexicans have seen ourselves reflected in Texcatlipoca's black mirror. All our lacerating fatalisms emerged, suspicious and self-destructive: our inability to believe in our prosperity; our lack of solidarity in the face of reverses; our mistrust of our own certainties; our willingness to believe foreign opinions and information. Malinche [i.e., traitor—ed.] emerged out of those depths, howling for human sacrifices to satisfy the god of fire.

But also, from the depths of the best there is within us came conscientious and hard working Mexican workers and technicians, supported by men of good will from many parts of the world, even at the cost of their lives, who refused to bow down to uncertainty, stood steadfast in adversity and together gave battle.

To these I express my admiration and my gratitude; as for the others, let them be forgotten together with those dark days. I prefer not even to recall the perversity of those who delight in misfortune and seek their own fortune in it. And for the outsiders whose twisted motives let their ambition and their envy overflow, I reserve my most profound contempt. ...

Rural sector

... It is true that agriculture will not solve our unemployment problems, but it is on its strength that the rest of the economy, which will provide jobs, depends....

This year, in which we celebrated the hundredth anniversary of Zapata's birth, we must reiterate our conviction that the agrarian reform is irreversible as an instrument of justice and perfectable as a system of production. We will carry it out. We are not trying to make an official cult of, or to monopolize, admiration for this hero. We know that his name is taken both as a banner raised in honor of all that has been done as a standard waved to indicate all that remains to be done. Such is the nature of exemplary men who, like Zapata, demand that we neither abandon innovations nor glorify a bucolic and demagogic agrarianism that limits and drags down production....

Our agricultural purchases abroad amounted to 24 billion pesos, while our sales rose to 42 billion pesos. With this positive balance of 18 billion pesos, campesinos contributed substantially—as they have for many years—in reducing the deficit in our country's trade balance caused by other sectors of activity and consumption.

Time and again, we hear that we import corn and wheat. But no mention is ever made of the fact that we also export cotton, coffee, cacao, strawberries, vegetables, fruit, chickpeas, and sesame, nor of the fact that our sugar, mean, and beans are smuggled out of the country. And the height of bad faith and manipulations is that grain imports are compared to oil exports as if these were the only two categories of trade. This is specious reasoning. If we don't want to distort the facts or to confuse urban considerations with rural ones, we must follow the rules of statistics and compare only those things that are comparable. I assure you: the balance is favorable.

Consumer safeguards

I would like to inform you today that we have now submitted to this honorable congress of the union a set of bills for amendments to various laws that increase the severity of sanctions against monopolists, so that those who buy up, conceal, or refuse to sell basic consumer goods or the raw materials required to produce them, will be penalized with fines from 2,000 to 250,000 pesos and prison sentences of two to nine years' duration.

Similar penalties are established for those who resell at guaranteed prices to public sector agencies agricultural products acquired at lower prices. Guaranteed prices are designed to benefit farmers, not to enrich middlemen....

Our action is not directed against businessmen as such, but rather against the money-lenders, monopolists and unscrupulous middlemen who have until now enriched themselves with impunity at the expense of the poor and of the government's efforts to relieve their poverty....

It must be stressed that a substantial share of the inflationary pressures on goods, services, and prices is being imported from the developed countries, or is caused by the attraction of the higher prices prevailing in such countries, as in the case of the United States, with which we maintain 70 percent of our trade relations.

... Certain simplistic views attribute our inflation to the money in circulation as a result of government spending; to wage increases; to the lack of initiative of state-owned corporations; to private credit; to agricultural production deficiencies; or to ignorance—according to the theory each represents: structuralist, monetarist, Marxist, psychological, sociological, neo-Keynesian, or Malthusian. In times of inflation, theories on inflation can themselves be inflated. The truth is that inflation is the result of the juncture of a number of critical causes. What is inadmissible, however, is to view any single argument or theory as a sin, so as to condemn the evil of one's choice. This only leads to the satanization of societies and eventually makes life a hell on earth....

Since we are orienting our economy toward export, we are studying the possible benefits of eventually subscribing to the General Agreement on Trade and Tariffs, better known as GATT. To that end, negotiations have a view to specifying conditions and advantages. These negotiations in no way imply a commitment on our part. Rather our intention has been to assess not only the well-known and oft-repeated disadvantages, but also from such membership as regards two of our basic objectives:

To open foreign markets to our present and future products through the elimination or lowering of trade barriers affecting the export of such products; and to influence and participate in the redefinition of the rules of international trade.

Mexico must make its voice heard. For this reason, and in order to defend its legitimate interests, it has participated in multilateral trade negotiations.

We expressed our hope that the considerations we personally expressed at the 1974 Tokyo round would be further defined so as to take into account the situation of the developing countries which, because they do not stand on an equal footing with the developed countries, will enable them to consolidate their development, inasmuch as mere liberalization would be prejudicial to their interests.

We would never grant tariff concessions higher than those granted by other countries under similar circumstances....

At our present stage of development, ... we are confronted by an absurd paradox: there is an unsatisfied demand for jobs and, at the same time, in every branch of activity—fisheries, shipping, specialized services—skilled labor which is not satisfied either. The key to

solving this problem lies in providing the necessary training.

A law making such training compulsory is now in effect. The state has the necessary agencies and operations systems. What the country now demands is a special effort on the part of the factor of production, to carry out an extensive worker training program in accordance with the law.

Education

A country's development is essentially measured by its people's opportunities to be informed, to learn and to teach; by their ability to produce; their freedom to judge the social and political structure in which they live, and the possibilities afforded them for transforming it. We are particularly aware of these considerations now that we are on the threshold of an economic boom....

When the next school year begins, 97 out of every 100 school-age children will be able to receive a primary education. We are at last about to realize a long-hoped-for dream.

... I propose broadening the concept of universal basic education to include ten grades—one year of pre-school education, six years of primary and three years of secondary school....

We shall soon request the authorization of this Congress to visit the highest forum man has established, in order to present a thesis that seeks, with realism and depth, to pose the problem of energy sources as the common responsibility of all mankind. We shall summarize much of what has already been said with regard to rationalizing the production, marketing, distribution and consumption of fuels, and to developing alternative and non-conventional energy resources by means of financing and transfer of technology systems....

The world we live in is in distress. Entire peoples suffer and undergo deprivations. Energy problems exasperate the powerful and are destroying the weak. Energy inflation and its attendant recession are becoming the chronic pathology of the democracies. Many former democracies are now ruled by dictatorships that repress, but do not control. All over the world, attempts at democratic reform are hemmed in and besieged by the economic crisis.

We must be aware of this fact if we are to understand what is happening to us and keep external pressures and tensions from being made worse by internal discontent and recriminations, which remedy nothing and only encourage those who delight in morbidity, provocation and malice to rise up with a great flap and commotion in a vain attempt to darken our horizon.

We have shown ourselves capable of wresting our liberty from great empires and of preserving it, and have cherished it, day by day, living next to the most

powerful country in the world. We have successfully exercised our sovereignty and self-determination as a nation.

...We have convictions and the willingness to act, and because of this and on its account, we must learn to tell the truth, and to be honest with ourselves. Any error—acknowledged and overcome—is better than the most pious lie. Let us not be afraid of the truth. Let us recall that in its effort to evade the truth, the Greek democracy corrupted its people by distributing largess and that the Roman Republic used the circus to degrade its citizenry....

Sometimes freedom of speech is confused with the needs of a free trade in information, which relies, legitimately, on selling news, publicity, and popularity. It therefore often happens that the right to information and freedom of speech create confusion when reality is distorted by exaggeration. The public is dazed by scandal, bewildered by sensationalism, frightened by alarmism, stirred up by the morbid interpretations. Fear is sold as news; blackmail extorts money; people are made famous for the sake of defaming them; clothed in prestige for the sake of stripping them of it; silence is paid for; lies are used as arguments, and slander becomes a way of life.

Behind all this an aberrant international structure has been raised. The information that is gathered on our developing countries and that is channeled back to us is managed by others. A single example will illustrate what I am saying.

Every year throughout the world, an average of 60 oil wells blow out, of which some 15 are at sea. At this moment, there are 10 wells out of control on land—seven in the United States, one in Canada, one in China, and one in Iran; there are three offshore blow-outs—one in United States waters, one off Singapore, and one off Iran.

It is clearly to be seen that information has been withheld and even distorted in Mexico's case. Abroad there has been bias; at home there has been acquiescence and connivance.

In spite of all this, we do not place any restraint on freedom of speech and on the press—not that we consider this a merit, but simply the exercise of our most profound conviction that it is for the good of our democracy. We prefer to run the risks inherent in the exercise of those freedoms, rather than to engage in flagrant provocation....

What must prevail over the allure of quick and easy profits and the temptation to adopt dogmatic positions is an authentic diversity of opinion and general adherence to the objective of developing the country, based on truth and conscience. This could become the basis

for renewed understanding of loyalty between the government and the information media. It would be an alliance for communication. The republic calls for it and the nation deserves it.

With every new day, let us take action to overcome the inequities that still exist among our people and to convert their felt needs into effective demand. But let us do so in high spirits and with a will to win and not just to analyze, criticize, contemplate and bewail what we have not done, or have done badly. Let us not hatch failure, but encourage hope.

Let us not relax in our efforts to further economic growth, which is a precondition and a prospect. We are not going to brake our momentum. That would signify a setback.

... Only through production, production, and more production can we effectively fight inflation. Having revitalized our economy, we must not be daunted by the magnitude of the task before us. We must not be distracted by the barking of dogs. Let us press on.

Let Mexico be reborn into modernity.

To modernize the country is to free ourselves once and for all from colonialism—within Mexico, by destroying the feudal sway of the caciques [bosses]; in the international sphere, by establishing relations that are not between equal human beings.

To modernize the country is to promote social development and above all, to intensify the action we take to give due value to our natural resources, and thereby to contribute to the rise of a new international economic order.

To modernize Mexico ... is to recover the time we lost, or could not gain, while we remained on the outskirts of the industrial revolution.

It is to organize our agriculture efficiently.

It is to promote a new scheme of industrial development, based on a consistent energy policy.

To modernize the country is, in brief, to fully and meaningfully achieve the objectives expressed by Morelos in "The Sentiments of the Nation," for those were the proposals that became the basic principles of our constitution.

Let us reaffirm ourselves as a people joined by common ideals and conjoined principles, by the integration of divergent viewpoints and by shared endeavor—as a people prepared to burst the shackles of inertia; to redeem the universality of our exemplary origins; to recognize our achievements and failures with honesty; to abolish the stigmas of incompetence, corruption and sloth; and to reach the threshold of the 21st century with optimism that is based on reason, doing our best together as a national democratic, representative and revolutionary republic.