

Japan stalls on aid for Mexico's industrialization

by Richard Katz

Japan's fear of disobeying Washington, and its own strong dose of "oil fever," once again snatched defeat from the jaws of victory in the matter of Japan-Mexico oil-for-technology cooperation.

At high-level talks in Tokyo Oct. 13 to 15, Japan's business and political leaders first turned aside Mexico's invitation to participate in Mexico's industrialization efforts, and then pressured Mexico to up its oil sales to Japan in any case. Japan ignored the reaffirmation by Jorge Díaz Serrano, director of the Mexican state oil firm Pemex, that Mexico's oil will go only to those countries which aid its development.

Seemingly, conditions in both countries were ripe for a successful meeting. With Japan's exports of consumer durables like cars being hit hard by rising protectionism, that country's businessmen are eager to sell capital goods and machinery overseas. Japan's need for oil, always of concern to its businessmen and officials, became even more acute with the loss, at least temporarily, of its supplier for 10 percent of its oil imports, Iraq (which has also been its largest customer for plant and equipment exports in 1979). Since Mexico has escalated its commitment for rapid industrialization, headlined by port, steel, and other development efforts, it required cooperation with countries such as Japan.

Despite these factors, the meetings ended with little to show for the efforts, except perhaps heightened irritation at Japan by the Mexicans. Only one cooperation agreement was reported signed, a relatively minor one for cooperation in fishing. Additionally, Premier Zenko Suzuki announced plans to create a new vehicle for promoting Japanese-Mexican joint investments in Mexico. The institution will be organized under the aegis of the Mexico City office of the Japan External Trade Organization (JETRO), and will include the government's Overseas Development Corporation and the two major business federations, the Chamber of Commerce and Industry (JCCI) and the more powerful elite Keidanren. Under other circumstances, this would be hailed as a major step forward. However, considering Japan's reaction to Mexico's joint investment proposals, it is difficult to see exactly what work the new body will have.

Díaz Serrano and Special Projects Coordinator Moctezuma Cid arrived in Tokyo hoping that the new Suzuki administration would be more responsive than that of Suzuki's predecessor, Masayoshi Ohira. Just prior to the meeting on Sept. 25, Mexico and Japan concluded the long-awaited \$370 million deal for capital goods and steel between Japan's Kobe Steel, Mexico's national development bank Nafinsa, and the state steel firm, Sidermex. Public figures ranging from Resources and Industrial Development Minister José Andrés De Oteyza to labor chieftan Fidel Velázquez hailed the project as exemplary of the kind of cooperation Mexico sought both with Japan and other advanced countries.

At the first round of the Tokyo talks, Díaz Serrano and Moctezuma Cid specified billions of dollars worth of projects. They included:

- a joint Mexico-Japan refinery and petrochemical complex in Japan, modeled on a similar Pemex arrangement with Spain. Presumably the products would supply not only Japan but also other countries in Asia;
- four major port projects on which \$1.4 billion will be spent during 1980-82. This includes dredging deeper ports at Las Truchas, to aid the Kobe steel project mentioned above, a new superport complex at Altamira for a new steel-centered project for which Japanese participation is also sought, further expansion at Salina Cruz, and an entirely new port at Laguna de Ostión, on which groundbreaking is expected in 1981;
- five other major projects in the agroindustry fields of cattle-raising and forestry;
- requests for Japanese investment in Mexican projects for secondary petrochemicals, capital goods, machinery and steel. Steel merits particular mention, since President López Portillo recently intervened in an internal dispute over the rate of steel development to mandate a higher rate of development, about \$2 billion in steel projects every year for the next ten years. Japan's technology is particularly sought in this area, based on the recommendation of De Oteyza after his April 1980 tour of Japan.

Japan's political and business leaders responded to these offers in a way the proudly nationalist Mexicans

could only regard as insulting. Japan's business spokesman, Mr. Shuo Izawa from the Long Term Credit Bank, patronizingly told the Mexicans that they "cannot expect to industrialize overnight," adding that they were "premature" to judge Japan's lack of cooperation "harshly," since serious talks had gone on for "only two years." He then told the high-level visitors that if Mexico wanted Japanese investments, it had to forego its strict "Mexicanization" law. This law, which prohibits foreigners from owning more than 49 percent of any production venture in Mexico, has almost constitutional status in the public mind. Other Japanese business leaders reportedly told the Mexicans to change their "overprotective" labor laws as well.

While turning aside development cooperation, Premier Suzuki and Trade and Industry Minister Rokusuke Tanaka nonetheless pressured Mexico to hike its oil shipments to Japan from the current 100,000 barrels per day to 300,000 barrels per day. Ironically, Mexico had raised the level to 100,000 bpd only a few days before the visit as a goodwill gesture, though not contractually required to do so until the end of this year. So strong was Japan's "oil fever" that Díaz Serrano was forced to declare false a press leak by Suzuki's office that indicated Díaz Serrano had pledged in private to raise oil sales to Japan once Mexico raised its overall production.

In fact, Díaz Serrano angrily summoned a press conference to declare: "Press reports indicated that, if Mexico increases its [oil] export level, it would increase its supply of crude to Japan. For now, and this is definite, Mexico has no plans to modify the structure of its oil production and export levels."

Japanese businessmen attributed the behavior by Suzuki and the business community to fear of offending Jimmy Carter. One Japanese banker told *EIR*: "Washington regards Mexico as being part of its circle. Japan cannot seek a great deal of Mexico's oil or aid its industrialization without first consulting with the United States."

The Carter administration has repeatedly made it clear to Japan that it will not tolerate their helping Mexico become, in Brzezinski's phrase, "a new Japan south of our border," i.e., an industrial powerhouse. The banker added: "Japan's ten-year perspective is to shift heavily from oil to nuclear and coal. But we must depend heavily on the U.S. for both. We cannot risk this by seeking too much Mexican oil against U.S. wishes." One observer noted that if current trends continue, Mexico will shortly be in a better position to offer nuclear cooperation with Japan than America.

Similar pressure before the late Premier Masayoshi Ohira's May 1979 visit led to a serious setback in Japan-Mexico relations, when Ohira fully adhered to Washington's dictates. This latest visit was seen as a test case as to whether the new Suzuki government would continue Ohira's posture, not only in regard to Mexico, but more

generally regarding Japan's subservience to Washington, even at the expense of Japan's own interests. Suzuki, who had been a behind-the-scenes fixer for Ohira before becoming premier, has proved to be, to the disappointment of at least some of Japan's businessmen, "the same as Ohira."

Nothing could contrast more with the upshot of the Japan-Mexico talks than the fruits of the Mexican delegation's later stop in South Korea. On almost every point at issue, the Korean government and business community responded favorably to Mexico's desire for industrial partnership. As a result, Díaz Serrano told the Koreans that Mexico would supply them with oil. Since all shipments for 1981 are already contracted for, the sales cannot begin until the first months of 1982. No figures have been released as yet.

Both Chang Cho Chung, president of the Korean Chamber of Commerce and Industry, and Sae Chong Song, president of the Samsung business group, one of Korea's largest, said that Korea desires a full industrial partnership with Mexico. "We are not interested simply in commodity trade," explained Chang, "we want to have big construction projects in Mexico, and to transfer industrial technology." Such plant and equipment export ventures, already plentiful in the Middle East, have been a major economic strategy for Korean development for some years now. Unlike the Japanese, Chang expressly said that Mexico's law limiting foreign investment shares to 49 percent presented no problem. In addition to the large projects, the Koreans also foresaw a significant trade potential in shipbuilding, textiles, and other areas.

Both of the businessmen also welcomed Díaz Serrano's proposal for a joint Korean-Mexican oil refinery and petrochemical complex in the Philippines, stipulating only that this should be done on a government-to-government basis—something the Mexicans also prefer.

In this context, the Mexicans agreed in principle to supply oil to Korea for exactly the same reason they did not agree to increase shipments to Japan: only those countries which cooperate with Mexico's economic development will share in its oil.

The fruitful discussions with Mexico are part of the economic diplomacy the new Korean government of Chun Doo Hwan is carrying out with Indonesia, Malaysia, Venezuela, and other non-Middle East oil producers. The new Korean premier, Nam Duck Woo, had been a major architect of the economic boom under Park Chung Hee in the 1960s and 1970s. He is expected to end the economic retrenchment enforced in Korea by the World Bank over the last two years. A major component of the economic revitalization campaign will be making Korea a major exporter of plant and equipment to developing countries, particularly those able to supply oil and other raw material to resourceless Korea. The successful Korea-Mexico negotiations are likely to be replicated by Korea elsewhere.