Billions in trade on agenda at the U.S.-Mexico summit?

by Dennis Small, Latin America Editor

Ronald Reagan will hold two days of summit talks with Mexican President José López Portillo at Camp David, on June 8 and 9, in an encouraging environment of improved relations between the two nations.

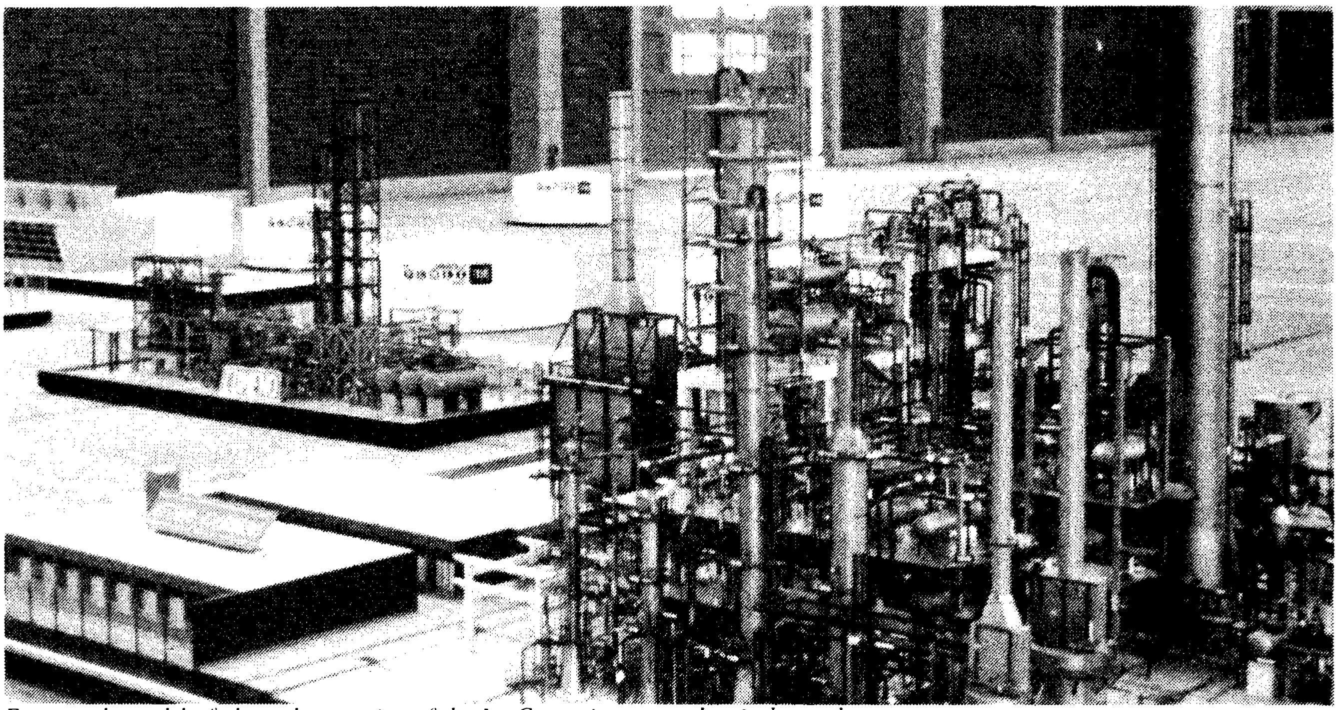
If the discussions go well—if they center on establishing an oil-for-technology accord between Mexico and the United States—then the presidential meeting and its aftermath could result in:

- American exports of capital goods to Mexico totaling $100 billion over the next decade. In 1982 alone, the United States could sell Mexico nearly $7 billion of such high-technology goods.
- The creation of *1 million new high-skill jobs* over the same 10-year period, as a direct result of these exports.
- The increase of Mexican oil shipmen
amount that *EIR* estimates could reach the range of an additional 1 million barrels per day.
- The stabilization of the explosive Central American region, as a result of U.S.-Mexican cooperation, making the area once again capable of sustaining economic growth.
- The creation of a durable, mutually beneficial bilateral relationship between Mexico and the United States, which would serve as a model for all North-South relationships.

Despite this enormous potential the U.S. media has chosen to black out virtually all news of the summit.

The LaRouche initiative

The proposal for a meeting of the two heads of state that would focus on achieving a bilateral oil-for-tehnology accord was first issued last December by Lyndon H. LaRouche, Jr., the well-known American economist and politician who is also the founding editor of this magazine. LaRouche's initiative was partially taken up in the form of a Jan. 9 border meeting in Ciudad Juárez, Mexico, between President López Portillo and President-elect Reagan. Although the talks were positive, and a personal


Exact-scale model of planned expansion of the La Cangrejera petrochemical complex.

Courtesy of ICA and Pemex

working relationship between the two heads of state was established, the concrete dimensions of economic cooperation were not broached.

Since that time, LaRouche has argued the case for an oil-for-technology accord in both Washington and Mexico, where he traveled in early March to meet with government and business leaders. LaRouche also commissioned the preparation of a computerized study of Mexico's development needs, and of how the United States could help meet them. The resulting Mexican "shopping list"—totaling more than $150 billion in capital goods imports alone over the next decade—is detailed for the first time in the pages that follow.

LaRouche's proposals have been well received on both sides of the border, where top officials are now preparing for the early June meeting in a climate increasingly shaped by the LaRouche initiative. For example, Texas Governor William Clements, a Reagan intimate, in early May told the Mexican press that both he and Reagan believe that the United States should "help Mexico to develop a solid industrial base" by "transfer of technology" to that country. Other agenda items for the summit, such as undocumented workers, drugs and contraband, and possibly Central America, will reportedly be treated as subsumed topics.

Mexico angered by Volcker

In the weeks following the announcement of the U.S.-Mexico summit, the López Portillo government has reaffirmed its commitment to high-technology industrial growth. But there is a dark cloud on Mexico's

In this section

economic horizon that is increasingly disturbing.

A growing number of Mexican businessmen, politicians, and journalists are protesting the near-20 percent interest rates that Paul Volcker has created in the United States, since Mexican monetary authorities have felt forced to raise their own rates even higher, in order to remain competitive. Otherwise, they have argued, depositors will take their money out of pesos and put it into higher-interest dollar accounts across the border.

The only visible option would be to establish exchange controls—which the López Portillo government has repeatedly stated it will not do. Most analysts agree that an exchange control policy would be virtually unworkable in Mexico in any event, given the country's extensive linkages with the U.S. economy and the 2,000-mile border that the two nations share.

Mexico's official prime-rate equivalent has thus risen to the 35 percent range in the recent period. But effective interest rates, according to Industry Minister José Andrés de Oteyza, are even higher, often reaching de facto levels of 40 to 50 percent for many businesses—once commissions and other "add-ons" are considered.

José Porrero Lichtle, president of Mexico's leading industrialist association, Canacintra, told López Portillo in a recent private meeting that the rise in international interest rates "constitutes a brake on industrial development." Other industrialists are also demanding that the Mexican government do something to keep interest rates down.

The Mexican outcry has reached such proportions that it is possible that López Portillo will raise the issue with Reagan at their June meeting.

How President Reagan handles this Volcker problem will be crucial to the future of U.S.-Mexican relations—not only because of Mexico's concern with its own economic growth, but because the United States may well be *unable* to meet Mexico's import neeeds if U.S. industry is further dismantled by the Volcker measures.

Also critical will be whether or not President Reagan reins in Secretary of State Alexander Haig, who, along with his advisers, is violently opposed to Mexico's continued industrial growth. Under Jimmy Carter, a similar policy of enforcing "no more Japans south of the border" led to an unprecedented falling-out between the two nations.

There are, however, encouraging signs that Reagan and his closest collaborators are beginning to abandon some of the worst features of Carterite diplomacy. For example, it appears that the Carter policy of trying to establish a "North American Common Market" among the United States, Mexico, and Canada—a policy that the Mexicans have stridently rejected—has finally been scuttled by Reagan. National Security Adviser Richard Allen, for example, backpedaled furiously on his earlier strong endorsement of a "North American Accord" in an April 29 press conference. He told the press that the accord idea had been "misunderstood," and that Reagan never intended to "usurp" bilateral talks on subjects like energy and technology transfer into a multilateral framework.

Reagan's recently confirmed ambassador to Mexico, John Gavin, in Senate confirmation hearings also backtracked on his earlier support for the Common Market. In answer to a question on the subject, Gavin said, "I think that the most important thing at this time is to continue with a bilateral approach on bilateral issues. . . . López Portillo in Canada has stated quite directly that Mexico is not interested [in the Common Market]."

As Governor Clements accurately noted in his press interview, Mexico, too, has its opponents of positive U.S.-Mexico relations. The command center for this disruptive faction, ironically enough, is the office of Foreign Minister Jorge Castañeda, who has consistently bucked President López Portillo's growth policies. Castañeda's fury at the summit preparations was reflected in a recent column in the Mexican press by well-known Jesuit Manuel Buendía—a notorious leaker of lines fed from Castañeda's office. Buendía, in an infantile display of pique, wrote: "The upcoming meeting of López Portillo with Reagan is another cause for concern, rather than hope. The fact that the original site was changed in favor of Washington, casts a shadow. . . . No valid reason was given for Mexico to accept the change." Buendía concludes: "This is an abuse by the White House."

Texas governor proposes oil-for-technology deal

The following comments by Texas Governor William Clements appeared in the April 30, 1981 edition of the Mexican daily Excélsior.

On an oil-for-technology exchange: "[We must] substantially help Mexico to develop a solid industrial base. In the long run this will make Mexico an exporter of goods and will create jobs. We in the U.S. can help with that. We have the capital, the technology, the raw materials to be able to aid Mexico over the next 20 to 25 years. Capital investment, transfer of technology, transfer of people: that would help create the industrial base. And we would have future deliveries, for example, of oil and natural gas. Not necessarily today, or next year, but within 10 years."

On Reagan's approach to Mexico: "President Rea-