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-

Mexico's superports: a strategy of city-building for five million people

by Timothy Rush

For the foreign businessman, the evidence is in that Mexico is not just a partner with lots of oil and big projects on paper. Three years of solid investment are now reaching the maturation stage and the picture is impressive.

On April 29, 1981, Mexican President José López Portillo inaugurated Latin America's largest petrochemical complex at La Cangrejera, in Mexico's southeast. This giant undertaking, involving no fewer than seven separate major facilities, was finished in world-record time. The majority of engineering and all the construction was Mexican. The value of its initial output is $1 billion per year. It is expected to replace a full 90 percent of Mexico's current petrochemical imports.

The same day the state oil company, Pemex, announced that commercially viable hydrocarbon deposits had been found in the Gulf of California between Sonora and Baja California. This is the first time Pemex has ever officially confirmed what has been rumored for over two years: that Mexico's Pacific Coast, hitherto completely outside Mexican statistics of 68 billion barrels of proven reserves and 250 billion possible, is also oil-rich.

And on May 4, an extraordinary five-hour evaluation session at the presidential palace involving twelve cabinet ministers, three governors, and leaders of the business sector reviewed Mexico's historic city-building program centered on four new "industrial ports" and judged it moving ahead on target. The time is ripe to begin planning for three more, the head of the special development projects told the President (see map, page 22).

The week spanning the Cangrejera inauguration and the cabinet summit on ports provided a special concentration of events to underline Mexico's achievements, but it was not really unusual. As Pemex officials noted at the Cangrejera ceremonies, that facility was but one of 36 major Pemex facilities currently under construction. And hardly had the president finished the ports review when he flew to Saltillo, Coahuila, to mark the opening of four large auto and truck motor plants which will produce a total of 400,000 motors per year.

"We are convinced that a country which deserves to be a country, a country which wishes to be viable, must conceive of itself in the long term," López Portillo said as he summed up the ports evaluation session. "The industrial ports are an important and audacious way to do this. Enough of concentrating ourselves in the central highland areas and folding our arms in the face of fatalistic economic processes! Let's organize to export, let's induce and lead change. We are growing at extraordinary speed in a short time. We can normalize this to the degree we plan new initiatives."

These are the highlights of the progress report:

• Work has begun on all four of the port projects announced in 1979, Altamira and Laguna de Ostión on the Gulf Coast, and Lázaro Cárdenas and Salina Cruz on the Pacific. Altamira and Laguna de Ostión involve port and urban infrastructure built from scratch.

• By the end of 1982, at the end of the López Portillo term in office, the first phase of the program will have been concluded at a cost of $1.8 billion.

• By 1990 the ports will include four new steel

gan is extremely sensitive to all the things I have mentioned about Mexico. He understands relations with Mexico. Being governor of California is like being governor of Texas, because we have a great inheritance as part of our culture.

"I find nothing on which President Reagan and I disagree regarding what we have discussed on Mexico, and we've discussed everything, whether it be documentation of illegals, tourism, cultural exchange and the concept of great cities, or the industrial base."

On those trying to sabotage relations: "Even within the State Department, even within the business sector in the U.S., you can find people who are very critical of what I am saying and of what the President is saying. But so what? You are never going to find unanimity in these kinds of situations. . . . In Mexico [there are also] those who are opposed to improving relations with the United States. In fact, it serves their interests to have bad relations with the United States. They are trying to manipulate the situation."