by Industry Minister Pierre Dreyfus.

As July 1, the day for announcing the $2 per barrel boost approached, Mexico found itself swamped with international wires datelined Europe, Japan, and the United States, containing "unofficial" reports of massive contract cancellations.

On July 1 Pemex announced that it was officially renegotiating its contracts to incorporate the price increase. The next day, to resolve uncertainty, López Portillo met with the board of directors of Pemex, and a short statement was issued. The statement denounced an "information war launched through cables," in which Mexico "was officially informed [only] later" of its clients' decisions. Pemex stated that as of that time, four U.S. companies—Exxon (175,000 barrels per day, the largest individual contract), Ashland, Charter, and Clark Oil—and five country-to-country contracts had been canceled. Among the latter: Mitterrand's France.

On July 4, Mexico's Industry Ministry responded with a terse 87-word announcement stating that, due to the French action, Mexico was declaring French bidding off limits to major Mexican development projects.

EIR's sources state that France was singled out not just because it had so patently double-crossed Mexico at the last moment. The root issue was that Mexico's sales of oil to France were embedded in an oil-for-technology framework that had been negotiated state to state. One portion of the deal could not be canceled without the rest tumbling down as well. The original deal, negotiated by former French President Giscard with López Portillo in March 1979, was a model of North-South relations based on transfer of industrial technology.

The Mexican response carried an unmistakable overtone of the 1938 confrontation that occurred when Mexico nationalized its oil rather than submit to Rockefeller and British oil company dictates, and outlasted a four-year international boycott.

The vehemence of the Mexican move caught Mitterrand and his ministers off guard, according to reports in both France and Mexico. Despite Mitterrand's adherence to the Brandt Commission Report, which prescribes policies that would lead to widespread genocide in the Third World, Mitterrand has carefully cultivated an image of friendship for the developing nations. The Mexican action exposed this posturing in a highly embarrassing way.

Mitterrand's friends in Mexico, coordinated by Foreign Minister Jorge Castañada, immediately mobilized to let Mitterrand off the hook. The Foreign Ministry

The campaign for a sharp peso devaluation

The Wall Street, Rockefeller and Mitterrand "joint wrecking command" against the Mexican economy has an important "peso scare" component.

The in-house daily of the lower Manhattan financiers, the *Wall Street Journal*, published a call for a massive devaluation of the peso July 2 which sent shock waves through responsible business and government leaders both in Mexico and the U.S.

The position of the Mexican government, repeated by President López Portillo in mid-June, is that a peso devaluation is not appropriate and will in fact seriously impede Mexican efforts to combat inflation and develop the economy.

To artificially stampede a run on the peso, *Wall Street Journal* staff scribbler George Getschow prominently played up predictions from Chicago Prof. John Bilson and currency trader Lyle Pai that the Mexican peso was irremediably overvalued and that a devaluation was imminent. Getschow presented Bilson and Pai as impartial experts on the Mexican economy.

However in exclusive interviews with *EIR* this week, both Bilson and Pai indicated that they are personally committed to *forcing* through a peso devaluation, and seek to do this by manipulation of a media scare. The two are regarded by a knowledgeable insider as currency speculators who have based their reputations on "short" positions in peso futures contracts. Getschow had been in touch with them for months planning the story.

But the sordid affair goes even further. Bilson, currently a fellow at the Hoover Institution of Palo Alto, California, together with Hoover colleague Melvyn Krauss, are fervent supporters of a plan to wreck Mexico's industry-based economy and substitute one based on drugs, tourism, and sweatshops—what they call the Hong Kong model. The chief exponent of this model is, of course, Milton Friedman—a fellow traveler of Bilson's from Chicago to Hoover over the past year. No such concentrated process of economic dissolution would be tolerated in Mexico without imposition of some form of fascist regime, and both Friedman and Krauss are staunch defenders of the "success" of Pinochet's Chile as a model for the region.

In the words of these gentlemen, attempting to force a devaluation is above all an attempt to stop Mexico's industrialization.