Mexico, Venezuela Break The Third World Pattern

Both Mexico and Venezuela are breaking radically with the traditional pattern for Third World "boom economies" based on raw materials exploitation. And the role of oil in their successful development policies is important in a way not understood by most observers.

Venezuela was the typical example of the "boom" pattern before the 1976 nationalization of its oil industry. Cultivated by direct or indirect British colonial policies for centuries, looted of their raw material and human resources, and never allowed to use the vast income thus generated for serious industrialization, such "developing nations" find themselves at the end of the "boom" with neither the basic infrastructure nor the advance in the cultural level and skill of the workforce required for real development. The boom economy remains in fact a plantation economy.

Mexico and Venezuela are applying both a different economic policy and a different political approach to achieve actual industrialization. They are demonstrating to the world what real development in the Third World looks like: not one-shot consumption and consumer goods industrialization, but full-scale industrialization with emphasis on capital goods, heavy industry, and upgrading of the labor force.

Politically, the governments of both Mexican President José Lopez Portillo and Venezuelan President Carlos Andres Perez have defined the state sector as the "dirigist" leader of economic development, and have clearly delineated the tasks and goals for their private economic sectors to follow. Knowing that the private sector performs better when coordinated with state economic policies, both governments have consistently organized industrialists and other businessmen to participate with the state in the drive to industrialize their countries.

This dirigism has been forcefully expressed by the Mexican Industry Development Minister, Jose Andres de Otezya, who told a meeting of industrialists last month that Mexico has to convert its surging new oil revenues into "industry which reproduces itself" — with capital goods and basic industry leading the way. Mexico's commitment to development of its labor force is exemplified by a projected constitutional amendment to make advancing education and skill levels a constitutional right.

Venezuela, for decades a classic example of the "boom" economy which provided no fundamental impetus to national development, began the break toward "in-depth" industrial development with the inauguration of its "V Plan" development program in 1976. In the past months, parallel to Mexico, it has defined a broad capital goods production effort as the leading edge of its industrialization drive.

"No Japan South of the Border"

The prospect of a massively industrialized Mexico, in particular, is a matter of grave concern to those in the U.S. who demand traditionally British policies of Third World cultural and economic backwardness. It is reliably reported that Brzezinski circles in the National Security Council are alarmed that the U.S. may face "another Japan south of the border."

The tactic that these monetarist forces have chosen to stop Mexico's capital-intensive focus is to create hysteria over Mexico's high unemployment levels and export of "illegal" labor to the U.S. in order to force the Mexican government to abandon its longer-term industrialization goals for short-term labor-intensive "jobs-creation" programs in the countryside, particularly in areas of high rural emigration.

U.S. Ambassador to Mexico, Patrick Lucey summed up this "British approach" to Mexico in a major Los Angeles speech April 7. He lamented that Mexico had "turned down" a $2 billion U.S. program which would have channeled funds into low-capital agricultural programs, but instead had gone ahead to sign a $1 billion credit for expansion of PEMEX, the state oil company.

American System and Mexican System

For U.S. factions committed to renewed U.S. industrial growth in the context of world economic recovery, however, the perspective south of the border could hardly be brighter. Yet these groups — particularly export-oriented manufacturers of high-technology goods — have in fact been slow to respond to the opportunities now developing to the south. A top official in Mexico's development bank, Nafinsa, recently told visiting Swiss industrialists that they should not fail to take into account the import needs of Mexico's capital goods program as they plan their international operations. The advice is appropriate to all advanced sector countries.

U.S. Export-Import Bank chairman John Moore, aware of the strength of the Mexican market, told an Atlanta audience at the end of last month that Exim lending to Mexico could jump "several billion" if bank resources are expanded. Mexico is further committed to a nuclear policy in the 1980s, a policy which could mean large orders for the U.S. if anti-nuclear-export regulations are dismantled in Washington.

Observers point to the completion of the U.S.-Mexico natural gas deal, derailed by Energy Secretary Schlesinger last winter, as a crucial initial step to get

U.S.-Mexico economic cooperation moving along these lines. As is widely recognized, the U.S. needs this gas, and Mexico wants to sell it. Mexico's asking price is not out of line with current international levels. And the $1 billion plus revenues that Mexico stands to earn annually from gas sales, given Mexico's commitment to high-technology industrialization, will translate immediately into futher Mexican import orders.

The "American System" of industrial growth and technological advance, fought for in the American Revolution and formalized in the U.S. Constitution, exercised a profound effect on Mexico. What is happening now is that Mexico, having incorporated the same principles in its "Mexican System," stands in a position to catalyze a renewed fight for the American System within the U.S.

Oil: A Kind of Debt Moratorium

The conclusions to be drawn go beyond U.S.-Mexico or U.S.-Venezuela relations, however. Mexico and Venezuela are not exceptional in their development plans. Most if not all of the nations of the Third World would immediately initiate the same kinds of programs, with the same high-technology import requirements, as have Mexico and Venezuela — *if they were freed of their crushing debt burdens.*

Mexico and Venezuela are "breaking out" not just because they have oil, but because the oil "buffers" them from acute debt problems. Oil is Mexico and Venezuela's "debt moratorium."

The model for advanced sector collaboration with the Third World for mutual development taking shape around Mexico and Venezuela can immediately be extended to the Third World at large, with incalculable benefits for the world economy as a whole, if measures are taken to erase Third World indebtedness to the World Bank and International Monetary Fund, and channel new net flows of credits *for productive purposes* into Third World areas.

Exporting the Mexican System

The Mexicans know this. On April 8, President Lopez Portillo delivered a major address on foreign policy in which he stressed that Mexico's national development goals can only be realized in the context of a revised world system, in which no country must "export its living standards" in order to survive. Mexican newspapers summarized the perspective the next day: Mexico has undertaken the task of "exporting the Mexican System," they declared.

Significantly, the President's speech occurred as Mexican Foreign Minister Santiago Roel concluded meetings at the highest level with Venezuela. The two countries, who are already coordinating their capital goods drives on a bilateral basis, urged the general assembly of the Latin American Economic System (SELA) to adopt the same focus on a continent-wide level. Mexico is making it clear that it conceives of its alliance with Venezuela as a central axis for intervention into Latin America and the Third World as a whole on behalf of the rapid industrialization programs both countries exemplify.

Mexico: Thinking Big

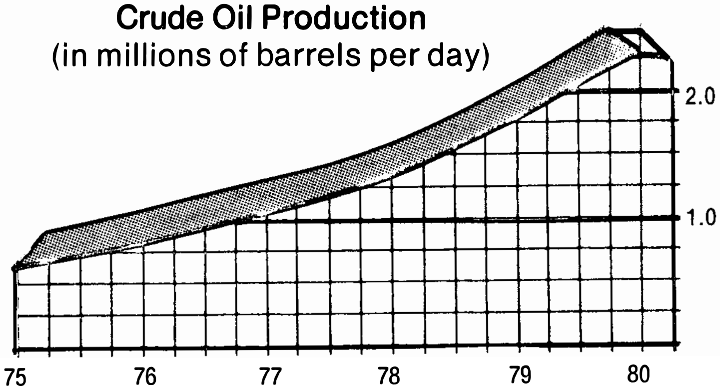
Over the past three months, Mexican President José Lopez Portillo and his top ministers have traveled throughout Mexico announcing government plans, unprecedented in the Third World, to channel Mexico's oil revenues into high-technology industry and capital goods, including steel, industrial ports, and nuclear energy. "We have to rapidly accustom ourselves to thinking big," announced President Lopez Portillo. In two years, he said, Mexico will realize a large surplus in oil revenues, and in preparation, "we must plan large development projects with ambition and vision."

"Thinking big" is especially important for a country that a year and a half ago was suffering a deep political and economic crisis expressed in a massive flight of capital, almost complete paralysis of the economy, and a 50 percent devaluation of its currency, the peso. At that time, Mexico was considered the perfect "patient" by the International Monetary Fund, which intervened at the end of 1976 with a credit line for more than $1 billion and a package of austerity measures, which included axing the second stage in construction of a huge state steel complex at Las Truchas.

President Lopez Portillo elected to deal with this crisis by rapidly developing Mexico's oil reserves, currently at 17 billion barrels proven and 120 billion barrels "probable." The commitment to the rapid development of the oil industry has been so successful that now the production program of the state oil company Petroleos Mexicanos (Pemex) is *two years ahead of schedule.*

The 23.7 percent oil production increase last year has allowed the government to repay part of the IMF loan ahead of schedule, and the government has announced that it does not plan to use the $300 million remaining in

Crude Oil Production
(in millions of barrels per day)



Source: Banco Nacional de Mexico and Pemex