An end-of-the-year economic package

Several pieces of the government strategy for 1982 are in place, but new oil-related pressures are intensifying.

On the evening of Dec. 21, 1981, Industry Minister de Oteyza announced an unwelcome but long-expected Christmas gift for the country. Internal gasoline prices were hiked almost 100 percent across the board.

The cost of the top-grade gasoline "Extra," rose from 6.00 pesos per liter to 10.00 pesos; the popular grade "Nova" from 2.90 pesos to 6.00 pesos; and diesel from 1.00 pesos to 2.70 pesos. Mexican prices thus remain below U.S. prices (the average price works out at a little over 90 cents a gallon), but the differential is markedly reduced.

The gasoline hikes were accompanied shortly after by a second economic measure in the current package of readjustments. The minimum wage rose 34.5 percent as of Jan. 1, 1982.

In late 1980—partially through deferring gasoline price hikes slated for that time—the government kept the inflation rate a hair under 30 percent and decreed a rise in the minimum wage pegged precisely to the inflation rate.

This year's larger increase, despite a slight improvement in the 1981 inflation figures, is due to two factors. First, the gasoline hikes builds a January surge in inflation, and it was politically wise to provide anticipated compensation for workers. Equally important, the official workers' movement under Fidel Velásquez has been giving abundant signals that the time in which wage hikes merely compensated for inflation but didn't surpass it, is over.

Still up in the air, however, is a third element in the new package: exchange rate policy. Mexico's "floating" peso, after three years of unchanged value, began a marked downward slippage last year, at a 12 percent per year rate. Will that rate be maintained or will it speed up? Will there be some kind of one-shot larger adjustment and then a resumed slower float?

There is no saying at this point which track will be taken. President López Portillo has repeatedly stated that he is flexible on exchange rate policy—at the same time he has bitterly assailed those international press outlets and speculators who have attempted to force Mexico into a devaluation in circumstances that would wreck the economy.

One pressure point relieved during the year was the agricultural situation and no new shifts in agricultural policy are expected. Due to unusually good weather conditions and the new investments of government's SAM program, harvests leaped to some 28 million tons of basic grains in 1981—up from 23.3 million tons the year before and the largest harvest in Mexican history.

The leap from famine to feast was so rapid that Mexico is scrambling for storage space and attempting to postpone delivery of some shipments from the United States contracted in the previous period.

Most important for Mexican officials is that, for the current period, Mexico is out from under the "food weapon" threat that U.S. influentials such as Henry Kissinger have so openly promoted.

But the New Year has brought new pressure on another front: Mexico's oil revenues. The Volcker-induced collapse of U.S. industry has been so rapid that use of heavy, residual oil in the United States is running some 25-30 percent below last year's levels. Consumption is sharply down in several other advanced sector nations.

Half of Mexico's oil exports are heavy Maya crude. The resulting new slack gave the multinationals, who had targeted Mexico last summer for a reverse "oil shock," room to force a new price rollback. As of Jan. 1, Pemex Maya crude dropped \$2.00/bbl in price, to \$26.50, thus lowering average price for all its oil by \$1.00.

Though not nearly of the severity of last summer's troubles, this new measure will tend to revive some of the atmosphere of economic insecurity which helped feed broader economic warfare scenarios in the June-August period.

One of the bellweather indications of the toll the international Volcker/Bank for International Settlements regime has taken was the revelation at the end of the year that Monterrey's Alfa Group had cancelled its plans to build a 13-plant petrochemical complex at the new industrial port of Altamira, on the Gulf coast. Alfa was forced into the measure by the soaring interest it is paying on its large debt. This is a significant blow to one of the government's premier development projects.