The model for North-South deals

The final communiqué issued March 3 by Mexican President José López Portillo and French President Valery Giscard d'Estaing, represents an economic manifesto on the strategy for North-South development in the context of the new European Monetary System. In the context of what both leaders called an "active peace," which means not only cessation of hostilities that threaten world peace, but the elimination of hunger, sickness, illiteracy, ignorance, poverty and injustice, the communiqué goes well beyond an oil-for-technology focus on cooperation. It establishes an extraordinary array of areas of cooperation between the two nations that extends from scientific training to aerospace and nuclear technology.

The emphasis of the discussions between Mexico and France is to make Mexico an exporter of "products with high domestic value added," as was stressed by Mexican Minister of Industries Jose Andres de Oteyza and echoed by Mexican Ambassador to France Horacio Flores de la Pena. Overall, the Mexican diplomat said, the deals signed or those to be signed shortly between Mexico and France can be seen as "one huge factory" that will allow Mexico to export high technology goods, 90 percent of which would go to "the U.S., Canada, and Latin America."

The day before Giscard arrived in Mexico, President López Portillo stated in an exclusive interview with the French daily *Le Monde* what he was expecting from the first direct Mexico-France contact since General de Gaulle visited Mexico in 1964: "We want to be a developed country which also has oil, like Russia or the United States, not an oil country as some special category of the underdeveloped world."

French exports to Mexico*
(total 1,138.1MF)

Steel products	399.7
Industrial mech. equip.	169.3
Semi-finished & chemical	142.3
Auto	137.9
Equipment goods, elect.	106.7
Dairy	31.5
Optical	30.4
Beverages	27.5
Aluminum	20.0

Mexican exports to France*
(total 328.6MF)

Coffee	74.4
Precious metals	63.9
Semi-finished & chemical	27.5
Textile & shoes	26.5
CKD	18.3
Metallurgical metals	16.3
Fruit	15.3
Cotton	13
Electrical & mech. equip.	12.5

Source: Moniteur du Commerce International, Feb. 26, 1979

The deals

The following is a grid of the numerous deals that have either been signed or are in the process of negotiation between Mexico and France since Jan. 1, the date when the new European Monetary System went into effect.

Oil — Starting in 1980, Mexico will export to France 5 million tons of oil per year of 100,000 barrels per day. French officials expressed their desire to increase their imports of Mexican oil if and when Mexico increases its oil production in the future.

Nuclear — During his press conference in Mexico City, Giscard said that the nuclear deal with Mexico embodies three aspects: 1) France will provide technology to help Mexico explore for, and exploit uranium resources, 2) France will guarantee Mexico enriched uranium, 3) both nations would eventually participate in the construction of Mexican nuclear plants. Mexican officials stressed that if the United States does not fulfill its commitment to enrich Mexican uranium, Mexico will accept France's offer to do so.

Mexico and France will eventually sign a deal that will provide Mexico with the know-how, construction, and implementation of the "phoenix" nuclear reactor.

Electric power industry — France will provide Mexico with technical aid in the areas of hydroelectric turbines, generators, and turbogenerators for the electrical industry. The deals were signed between the Commission Federal de Electricidad (CFE) and the French enterprise Electricite de Francia.

The French company Altshom-Atlantique has made an offer for the construction of a turboalternator of 300 Megawatts, jointly with the Mexican company ICA, to be ready by 1987.

Machinery and equipment plants — Mexico has just signed a threefold agreement with the French steel company Creusot-Loire: 1) for the creation of two joint companies, in which the French group will ensure technical direction with a minority share of the capital — Clemex for the construction of heavy equipment, and Clemsa, specializing in engineering; 2) a transfer-of-technology accord for the production in Mexico of a wide array of goods, from compressors to hydraulic presses and industrial turbines (Clemex will import from France certain goods to compliment its own production); 3) Creusot-Loire Entreprises, associated with Clemsa, will sell the Clemex heavy machinery plant, permitting the export of French machine tools.

Both countries also concluded several agreements for the construction of more furnaces for the state-controlled steel cartel, Altos Hornos, Fundidora de Hierro, and Acero de Monterrey.

Also, Mexico will begin six projects for the construction of machine tools and specialized steel industries. Eighty
will be imported. Mexican officials announced that these six industrial projects will operate with 60 percent Mexican capital and 40 percent French.
capital and 40 percent French.

Aerospace — France offered Mexico cooperation on aerospace technology and even offered the "supersonic" Concorde jet for the state-owned Mexican airline, Aeromexico. The French company Thomson-CSF is interested in equipping Mexico's radar system and supplying an air navigation system.

Communications — French industry has completed the first phase of the construction of the Mexican subway system, is in the process of completion of the second phase, and is in negotiation for the third phase which should begin within one year and covers an additional 41 kilometers (worth one billion francs).

In the field of telecommunications, CIT-Alcatel and Thomson-CSF are vying to take part in the development of the telephone system. (3.3 million lines by 1982 planned, against 1.9 existing), competing with ITT's CGCT.

Financial Cooperation — The French government has opened a line of credit to Mexico that will extend until 1982. One billion Francs ($240 million) will be made available in 1979.

In coordination, France will support Mexico's plans to float bonds in the Eurofranc Market.

In addition, David Ibarra, the Mexican Finance Minister, was quoted in the Mexican daily *El Sol* on March 4 saying that France offered Mexico two credits for $500 million.

—Dolia Pettingell

Mexico's oil: who will get it?

There is no question that Mexico has Saudi-sized oil reserves. But how fast will Mexico increase production? *Financial Times'* correspondent in Mexico Alan Riding and other British outlets have claimed that the Mexican government has decided to halt production at the 2.25 billion barrels per day target set for 1980 because of fear of an "inflationary explosion" that could lead to "Iran-style social chaos."

The facts

But, these statements are nothing but the product of classic British misinformation techniques. The facts of Mexican oil are these:

Mexico's oil production is now two years ahead of the government program President Lopez Portillo first set in 1977.

Mexico is willing to move well beyond the 2.25 million barrels per day figure, and quickly, if two conditions are met:

1) If there are sufficient projects domestically to absorb the higher oil income. The way Lopez Portillo put it in a Jan. 4 press conference is that Mexico "will increase oil production as much as we can digest its revenues."

Jorge Diaz Serrano, answering skeptical reporters' questions in mid-February, made it clear that Mexico has a big industrial appetite. "If you realize that we have increased our production 60 percent in the last two years, it shows that in Mexico things can be done very fast if there is enough support, enough resources....The more we industrialize the country, the more we will require funds, resources; the more we change the infrastructure, the more we build ports, the more we build highways, the more we build schools, the more we build hospitals, *the more we have a better country, the more we will need resources, and the more we will produce oil.*

2) If a new international economic order, providing for distribution of production according to international development criteria takes increasing effect. Lopez Portillo inserted in the joint communiqué he signed with Carter on Feb. 16 that "it is not possible to separate energy resources from economic development" and urged that "production, distribution and consumption of (energy) resources be made in an orderly and rational fashion and that all alternative sources of energy be developed, including the financing and transfer of technologies...to all developing countries."

This was the precise approach brought by Giscard to Mexico this week.

Who gets it?

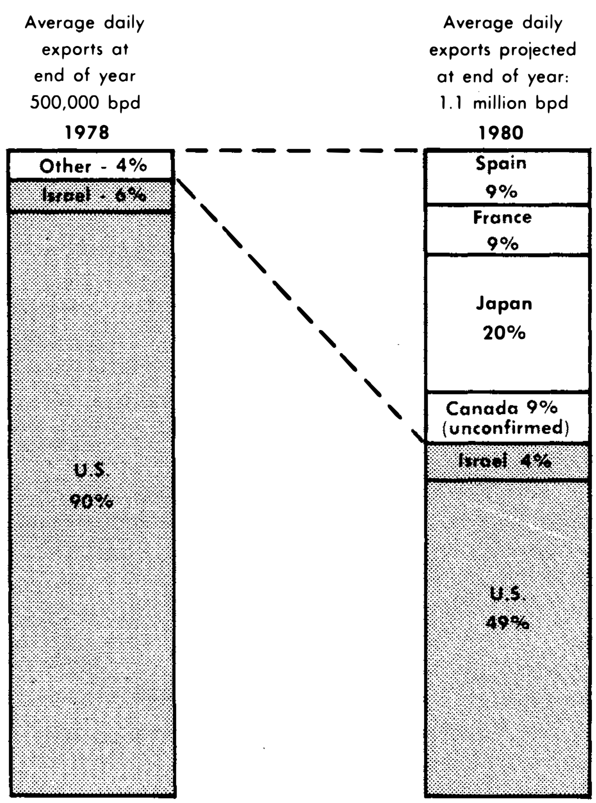
Who will get the oil? Mexico has repeatedly stated its goal of maximum diversification of markets, so as not to be locked into just one client. Diaz Serrano has pegged target percentages at 60 percent exports to the United States, 20 percent to Europe, and 20 percent to Japan. Mexico now has negotiations underway or signed to export 100,000 bpd each to France, Spain and Canada as of 1980, and 220,000 to Japan.

What is the U.S. perspective? If it continues to play blackmail games to gain control of Mexican oil as a strategic reserve, and continues to discourage Mexican industrialization in favor of labor-intensive rural "job creation" programs, the consequence is that it won't get much, if any, oil.

If it adopts the kind of approach taken by Giscard, all statements from the Mexican government indicate it will be able to import from Mexico in constantly growing, hefty volumes, at the same time Mexico diversifies its overall export picture.

The changing composition of Mexico's oil in export distribution 1978-1980

Based on current commitments either signed or in advanced negotiation.*



* Further export contracts, most notably to Brazil, are under consideration.

Carter netted zero,

President Carter's trip to Mexico was a total failure, a fact widely acknowledged both within and outside the United States. Yet the media emphasis on Carter's obvious diplomatic blunders — like his references to his attack of "Moctezuma's revenge" during his prior visit to Mexico or his astonishingly banal speeches about his and President Lopez Portillo's "beautiful" wives and their common interest in "jogging" — are in fact misleading. There were far more serious blunders committed that have brought U.S.-Mexico relations to their lowest point in 50 years.

As we reported months ago, Carter's trip was condemned to failure from the moment it was admitted that his Administration had no economic program to take to Mexico.

Instead, Carter went to Mexico City with a packet full of offensive threats to Mexico and its right to development. The U.S. government "offers" included some armtwisting to make Mexico's oil a U.S. strategic reserve, an end to the flow of undocumented Mexican workers to the United States, and a proposal to make Mexico part of a North American "Common Market" wherein the Mexicans would give up their national sovereignty.

What Carter had to offer

From the moment Carter and his entourage of National Security Advisor Zbigniew Brzezinski, Secretary of State Vance, and Undersecretary of State for Latin American Affairs Viron Vaky arrived in Mexico, Carter started putting pressures on the Mexican government to agree to the points recommended in a policy review document on U.S.-Mexico relations — Presidential Review Memorandum 41 (PRM-41) — elaborated by the National Security Council.

They proposed that the Lopez Portillo government make Mexico part of what PRM-41 called a "North American community" of Mexico, the United States and Canada. Mexico would have to surrender control over natural resources and would have to adapt economic programs to fit the role of a mere raw materials supplier.

The Mexican government said no. In an interview with *New York Times* columnist James Reston, President Lopez Portillo insisted that "there is still a lack of confidence and risks" in the proposal. In an interview with the Mexican daily *Excelsior*, Secretary of State Vance implied that although they pushed the idea very hard with the Mexicans, he thought "Mexico sees a number of problems in it."

It was with PRM-41's main policy aim — to make