

# The Iran crew targets Mexican industrialization

by Dolia Pettingell

As *EIR* warned in its Editorial Comment of the Feb. 26-March 3 issue, Mexico is currently a leading target for destabilization by the same crew of international anti-industrial proterrorist intelligence agents who ran the Dark Ages horror story known as the Khomeini Revolution.

As documented in the following pages, this is not hyperbole, nor is it merely a question of *intent*; the phase of implementation of the "Iranization" of Mexico is further along than many have chosen to believe, both within and outside Mexico.

Henry Kissinger, who operates out of the Jesuit Georgetown University in Washington, D.C., has visited Mexico virtually monthly of late, in order to personally coordinate such subversive operations. Twelve hours after one of Kissinger's latest touch-downs, the resident Jesuit networks performing the role of Iran's Muslim Brotherhood orchestrated the seizure of the Belgian and Danish embassies in Mexico City by two groups of terrorist-led peasants. The object of the cynical international public relations ploy was to tar Mexico as a major human rights violator.

As stated in our Editorial, the goal of instigating a Khomeiniac, Jesuit-run upsurge in Mexico is to destroy the thrust toward science, industrialization and progress represented by the circles around Mexican President José López Portillo. "The Mexican people are going to teach a lesson to the Mexican government if it continues to stick to its industrial programs," U.S. State Department envoy and former Attorney General Ramsey Clark told



*Ramsey Clark ducks away from the camera.*

Photo: NSIPS

an interviewer last week. Clark, along with Princeton professor and Council on Foreign Relations ideologue Richard Falk, are two of the major architects of the intelligence operation that put the Ayatollah Khomeini regime in power in Iran and run international cover for the Dark Ages Khomeini regime today. They have joined forces again to assault Mexico.

President López Portillo's and his closest collaborators' response to the Iranization threat has been precisely to "stick to" their commitment to industrialization, as is clearly shown in a series of recent statements and developments.

"Despite the enormous economic and social differences, Mexico will maintain its current levels of economic growth since we know that this is the only way we can deal with the challenge we now face," the Mexican President told the University Council of one of Mexico's southern states March 3. He insisted that the "fight for equality does not mean reducing the current levels of growth, but instead driving the country into higher stages of development."

A few days later when he met with the leadership of the Congress of Labor—the major pro-government labor umbrella organization in Mexico—López Portillo repeated the commitment. He called on the workers to strengthen the historic worker-State alliance that traces back to the Lincoln-allied Benito Juárez government. The way to do this, he emphasized, is by "increasing productivity through gaining higher levels of efficiency." By becoming an industrialized country, Mexico will be

in a position to compete in the international markets, he added.

Giving substance to the President's statements, Mexican Minister of Industrial Development José Andres de Oteyza, had announced Feb. 12 the initiation of the second stage of the mammoth, state-run Las Truchas steel industrial complex on Mexico's west coast. De Oteyza told the press that over \$2 billion would be invested in expanding the existing steel facilities by 2 million tons per year capacity, and that work would start on the project within weeks.

According to observers, De Oteyza's announcement is key because it studiously ingores the International Monetary Fund's demands that Mexico shelve all plans for Phase II. The IMF argued that Mexico should exercise austerity in order to pay off its foreign debts. Furthermore, the announcement of Phase II of Las Truchas represents a solid step forward toward the full implementation of Mexico's National Industrial Development Plan (PNDI), the target of the Mexican Khomeinians.

This kind of large-scale industrial initiative continues to demonstrate that Mexico is a stable and progressive leader of the developing sector. However, the intelligence operation to subvert that country and topple its republican institutions is definitely advancing. This becomes clear if one takes into consideration the international connections of the Mexican Khomeinians which make them part of a well coordinated and financed network demonstrably capable of overthrowing the most solid regimes.

One of the weakest and most dangerous flanks that these networks are exploiting is the very serious problem that Mexico now faces in the agricultural sector. It is the backwardness of agriculture which makes the huge peasant population of Mexico susceptible to being manipulated against the government's industrial plans. Furthermore, the agriculture sector's problems represent a burden on and a limitation to the National Industrial Development Plan. Unless this bottleneck is solved, Mexico's drive to industrialization will be easily short-circuited.

### Coming in April: Can Mexico Develop?

One year ago, collaboration between EIR, the Fusion Energy Foundation (FEF) and economist Lyndon LaRouche produced a new computer-applications tool of economic forecasting, the "Riemannian Model," the accuracy of its results proving superior to any conventional "econometric" model in current use. Now, EIR, FEF and the Mexican Association for Fusion Energy, will undertake a groundbreaking application of Riemannian analysis to the Mexican economy.

## PEN Club meet

### 'Mexico is much worse than the Nazis were'

by Cecilia Soto de Estevez

A February 7 New York conference sponsored by the American branch of PEN International marked an important, if little noted, "nodal point" in the development of Khomeini-style operations against Mexico.

The conference directly brought together, for the first time, the two high priests of American support for Khomeini with their Mexican co-thinkers, to propagandize the allegation that Mexico is a "human rights violator" on the model of the Shah's Iran.

The co-chairmen of the special PEN panel on "Habeas Corpus and Disappeared Persons" were proterrorist international lawyer Ramsey Clark and the editor of the Council on Foreign Relations' Project 1980s volume on human rights, Richard Falk.

The Mexican delegation featured prominently Octavio Paz, guru poet of irrationalist, antiprogress cultism in Mexico. The chairwoman of the Mexican PEN Club chapter, Julieta Campos, is the wife of one of the other half-dozen leading Dark Ages ideologues in Mexico, Enrique González Pedrero (see below, Mexico's would-be Ayatollahs.)

The entire purpose of the Clark-Falk panel was to portray Mexico as a major violator of human rights—despite the fact that by admission of every "human rights organization" in existence, the case against Mexico is flimsy and the record of the government under López Portillo, one of the best in modern Mexican history. Mexican writer Elena Poniatowska, in her presentation, described Mexico as a country worse than Nazi Germany: "... at least the Nazis used to publicize the list of names of those exterminated in their concentration camps."

But as a reading of the rabid anti-growth and Malthusian economic ideas of Messrs. Clark and Falk shows, the real "crime" of Mexico is not alleged repression but the prodevelopment commitment of President López Portillo and his ambitious National Industrial Development Plan. The Mexican government is trying to impose "a model of development alien to the original culture of the Mexican people," charged Ramsey Clark in a private interview.

PEN International, an association for writers and

journalists, has been widely used as an element in Zbigniew Brzezinski's efforts to destabilize the COMECON nations, as it encourages "dissident" writers to express their views "in the West" through PEN channels. In Iran itself, the PEN added its voice to those forces attempting to define industrialization as one of the Shah's chief "crimes."

### Pig Pen

The tab for the two-day New York symposium, advertized as "an inquiry into the Literary and Political Climate of Latin America," was picked up by the Rockefeller Foundation. The Clark-Falk panel received, in addition, support from the Ford Foundation and the Center for Interamerican Relations, an offshoot of the CFR.

The prize witness of the affair was one Rosario Ibarra de Piedra, a publicity creature of the *New York Times'* Mexico correspondent Alan Riding, who heads up a group calling itself the "Committee in Defense of Persecuted, Exiled and Disappeared Political Prisoners in Mexico." Mrs. Ibarra's committee is a synthetic organization formed mostly of convicted terrorists and working closely with the Jesuit safehouse network known as CENCOS.

Ms. Poniatowska, of similar Polish aristocrat origins to Brzezinski, dedicated her speech to a virulent attack on López Portillo and on the institution of the Mexican Presidency. She then forthrightly described the objective of the tactic: "If one attacks what the President represents, the country will become deformed, it will literally disappear as it is currently constituted. Beyond that is ... the coup d'état, fascism." She proceeded to compare the record of the Mexican government to that of the Argentinian junta, and focused on methods to substitute "One Worldist" supranational agencies for effective national sovereignty, under a human rights banner. "Just as Latin American paramilitary groups inaugurate the practice of 'disappearing', as in the case of México, so can another form of struggle be inaugurated ... If the Argentine military had sufficient imagination to 'disappear' those it viewed as its enemies, couldn't we in the PEN Club ask the International Red Cross and the Interamerican Committee on Human Rights to inspect the detention centers, military bases, and jails in our respective countries?"

The major press conduit into Mexico of this new destabilization push was the Jesuit-controlled magazine *Proceso*, a systematic slanderer of the industrial plans of the government. All of Mexico's major prospective Khomeiniacs are frequent contributors to the magazine. The issue that published the PEN story placed Ms. Poniatowska on its cover with the following title: *The Disappeared Ones of Mexico: A Government Which Kidnaps.*

## Mexico's 'Ayatollahs'

### A 'widely respected' band of intellectual kooks

Very shortly our readers will be as familiar with Mexico's would-be ayatollahs as they are with Bani-Sadr, Khomeini and Pol Pot—if the Anglo-American elites they represent succeed in bringing about the Dark Age policy designed for Mexico. These "eminent" Mexican intellectuals and politicians are already widely known and even respected in the United States, especially in the elite academic circles of our universities. Octavio Paz is considered *the* main surrealist poet in Spanish letters, and perhaps the world, while his disciple and intimate collaborator, Carlos Fuentes, is considered one of the foremost novelists of our time. Most of their works are translated into English almost as soon as they come off the press in Spanish or French.

On the ideological level, what binds these Mexican Khomeiniacs together is a burning hatred of progress in industry, science and technology. "Born out of the Idea

### The would-be Ayatollahs

**Octavio Paz:** He is obsessed with eroticism, mysticism, incest and computer-application linguistics.

**Carlos Fuentes:** His hatred is directed at "The State," the "Soviet Union," and "the Idea of Progress."

**Enrique Gonzalez Pedrero:** He demands an economy devoid of industry and any taint of "modernity."

**Mario Moya Palencia:** His slogan is "Let's Make Ourselves Less."

**Heberto Castillo:** He has built an "environmentalist" movement now heading toward terrorism.

**Raul Olmedo:** He proclaims technology "the murderer and enemy."

of Progress," says Octavio Paz, technology is "synonymous with crisis, anguish, violence and oppression and perhaps death." In an interview with *The New York Times* earlier this year, Carlos Fuentes had this to say on the same issue: "... once you believe that you are ordered to progress ... those that oppose you are no longer your equals, but figures of evil. It is strange, isn't it, that it was in fact in Iran where manicheism was invented, and it is the West that is applying it."

In this respect, both Paz and Fuentes—teachers and friends of the rest of Mexico's khomeiniacs—are in perfect agreement with the Dark Age policies Henry Kissinger and the New York Council on Foreign Relations have in store for Mexico.

**OCTAVIO PAZ** during an ambassadorship in India, he oriented his writings to the "eroticism" and "mysticism" of the East, something which complimented his long fascination with the nature of "incest." He became intimately acquainted with the noted Schachtian economist John Kenneth Galbraith, then U.S. ambassador to India.

Paz gained worldwide notoriety, especially among left-intellectual circles, that year, 1968, for his self-righteous resignation as Mexico's ambassador in New Delhi over the student massacre in Mexico City in October of the same year. The "student massacre" was an outcome of a British-American intelligence operation launched in France that year designed to force General Charles de Gaulle—the standard-bearer of the Idea of Progress—out of power.

Following his resignation, Paz self-exiled in Cambridge University where he was involved in computer linguistic techniques, the sort of brainwashing techniques which experts have pointed to as instrumental in the creation of modern day zombie-terrorists.

Together with Carlos Fuentes and Heberto Castillo, Paz helped other "intellectuals" in the formation of a "new socialism" in Mexico, an attempt that failed and later became the fascist Mexican Workers Party (PMT) headed by Heberto Castillo. Earlier in his life, Paz was involved in the beginnings of Mexico's Christian Democratic Party, known as Accion Nacional (PAN).

The "surrealist" poet and essayist Paz has been groomed by the Anglo-American ruling elites as an "intellectual guru" representing "rebellion against the State." Deeply anti-Soviet and "anti-totalitarian," Paz is the holder of Mexico's prestigious National Letters Award for his writings on the origins of Mexican primitivism which he champions in opposition to industrial progress and science. In his *Corriente Alterna*, Paz states that drugs is the way to "authenticity and freedom."

Paz is internationally recognized as the "authority" on the Mexican psyche. His 'classical' work, *The La-*

*brynth of Solitude* portrays a bestialist, irrational, hidden self as the core of "Mexican culture."

**CARLOS FUENTES** a self-styled "Zapatista," a reference to the Mexican revolutionary leader who according to Fuentes envisioned a totally bucolic Mexican state. He shares with Paz, his friend and mentor, his hatred for the "State," the "Soviet Union," and the "Idea of Progress."

His pamphlets and writings of 1968 were instrumental in the spreading—and financing—of the French student revolts in Mexico.

With his latest novel *The Hydra Head*, Fuentes established himself as a top Anglo-American intelligence scenario writer, and his scenarios—including one for the 1980 U.S. presidential elections—have been published in *The New York Times* and other major U.S. journals. In a two-page-long editorial feature Feb. 11 Carlos Fuentes wrote in *The Washington Post*: "John Paul was welcomed (to Mexico—ed.) by millions of people; in an era of resurgent spiritual movements, he has shown (to the horror of Mexico's official but minority Jacobinism) that the southern neighbor of the United States might be as swayable as Iran by its deep and ancient religious commitments."

**ENRIQUE GONZALEZ PEDRERO** a high official in Mexico's Ministry of Public Education, did his university studies at the University of Paris, in the same milieu where Iran's Bani-Sadr and Cambodia's Pol Pot were trained. These are the same academic circles around the Institut des Hautes Etudes Pratiques, out of which come Jacques Soustelle, an anthropologist and leader of the OAS terrorist organization of the Algerian independence days. Soustelle is an intimate collaborator of Octavio Paz.

Gonzalez Pedrero, in charge of the government's "free textbook program" for Mexico's elementary schools, earned notoriety last year with the publication of *The Wealth of Poverty*. This book, dedicated to Carlos Fuentes and Octavio Paz, is an unabashed apology for a Dark Ages policy in Mexico. Its approach to Mexico's problems is self-sufficiency and an economy devoid of industry and based on small agricultural-peasant communities and opposed to any solution which implies "modernity."

**MARIO MOYA PALENCIA** was Mexico's powerful Interior Minister from 1970 to 1976. Moya headed up the reactionary forces embedded in Luis Echeverria's cabinet in a compromise with Echeverria's progressive nationalist base. A "respected" Law Professor at the Autonomous University of Mexico (UNAM) for many years, Moya Palencia has become the number one ideologue of

the Club of Rome's "zero population growth" policies. These policies were popularized at the Bucharest Conference on Population in Rome 1974, chaired by David Rockefeller, and attended by Moya. During his term as Interior Minister, he attempted to make the slogan "let's make ourselves less" a household word in Mexico.

Presently, Moya Palencia holds an important post in Mexico's National Council on Tourism, headed by ex-President Miguel Aleman—the Mexican darling of the U.S. Zionist lobby—whom Henry Kissinger recently addressed in public as "Mr. President."

His continued efforts towards promoting "zero growth" include a major promotional drive for Enrique Gonzalez Pedrero's book *The Wealth of Poverty*.

Moya is also a long-time friend of Carlos Fuentes. Fuentes is known to have bragged publicly that Moya had read and admired his recent novel, *Terra Nostra*..

**HEBERTO CASTILLO** is president of the so-called Mexican Workers Party (PMT), a populist version of the right-wing PAN Party. Castillo has replicated in Mexico the kind of pro-terrorist, environmentalist movement which late last year attempted to take over the Seabrook nuclear plant installations in New Hampshire. Internationally, the Anglo-American media have made Castillo the number one spokesman against Mexico's government-owned oil company, Pemex, as well as against Pemex's nationalist director Jorge Diaz Serrano and his policies. Castillo contributes weekly to the Jesuit-linked *Proceso* magazine—launched under the auspices of Octavio Paz et ál. and his libelous writings caused Mexico's President José López Portillo to refuse an interview with him unless every word of it was taped.

**RAUL OLMEDO** is presently director of post-graduate studies of the Political Science School of Mexico's UNAM. He took his graduate degree in France, under the direction of "structuralist" ideologue Louis Althusser who was expelled from the French Communist Party recently for his connections to Toni Negri, University of Padua professor and controller of the Italian Red Brigades terrorists.

Olmedo heads the "left-wing" side of the operations against the "Idea of Progress" in Mexico, and his main propaganda conduit is Mexico's best known daily *Excelsior*, where Olmedo heads the economic page. Olmedo, identified as Louis Althusser's representative in Mexico, devotes his volumes to promoting the notion that economic progress as an offspring of industrial progress "will shackle Mexico to the chains of Imperialism." His solution is an economy where "individuals use the energy of their own bodies"; technology is "the murderer and enemy" of productivity.

---

---

## Falk: 'High technology is very threatening to Mexico'

*Richard Falk, Princeton University professor and the New York Council on Foreign Relations' resident luminary on the operational uses of human rights campaigns, has functioned as Bani-Sadr's U.S. collaborator since well before the Iranian events of last year. His general objective of using human rights issues as a cover to destroy national sovereignty was promulgated in Falk's contribution to the CFR's Project 1980's series, "Human Rights and the International Order," excerpts from which follow.*

...The 1980s will be a period of learning and experimentation. The multifaceted struggle to uphold basic human rights will be an important way to convey the image of alternative systems of world order and to test their relative potency.

...Ultimately, global guarantees of human rights are virtually synonymous with the quest for the next world order system.

As I have argued, even in the most optimistic view of the 1980s, territorial supremacy will insulate severe violations of human rights from international control. The state system imposes structural constraints that set firm limits on global policy. Overcoming these limits presupposes the emergence of a new world order. ...It should also be appreciated that Hitler's Germany and Mussolini's Italy did well by needs criteria as compared to their more moderate predecessors—e.g., standard of living of workers improved in both countries.

*In a recent interview made available to the EIR, Falk revealed his thoughts on the following topics.*

**On Iran.** "They (in Iran) are very proud of the fact that they staged a revolution that owed virtually nothing to Western thought...that the Third World possess the cultural ingredients of domestic revolutionary process. It not only doesn't need Western technology, it doesn't need Western ideology."

**On the need for a One World technocracy.** "People's real identities are either with their communities or are being identified in large-scale terms with religious identity or with humanity as a whole. Those various kinds of broader identities seem to me to represent the stronghold for creating a future world order that is capable of avoiding a really catastrophic kind of destiny for the planet. The technology, the crowdedness and the ine-

quality are such that we have created a very explosive political arrangement.”

**On embassy take-overs.** “State terrorism leads to popular terrorism, and there is a kind of unspoken conspiracy between these two elements in the modern political world...So before one becomes too one-sided in condemning those who carry out embassy seizures on behalf of positive goals, I think one has to understand that the whole basis of political life in many of these countries is associated with terrorism.”

**On Mexico.** “I think that any kind of dramatic transformation of the reality of a country like Mexico arouses all kinds of fears...I think big technology can be very threatening to the patterns of existence that are prevalent, particularly in the rural countryside. One sees the effects among Indian communities as most extreme. Iran is very helpful as an experience because there all this modernization that was supposed to be so good for people was experienced by them as a terribly corrupting and degrading encounter with what a modern world has to offer...”

**On his Mexican co-thinkers.** “I believe the two Mexican thinkers most congenial to my views are Carlos Fuentes and Octavio Paz.”

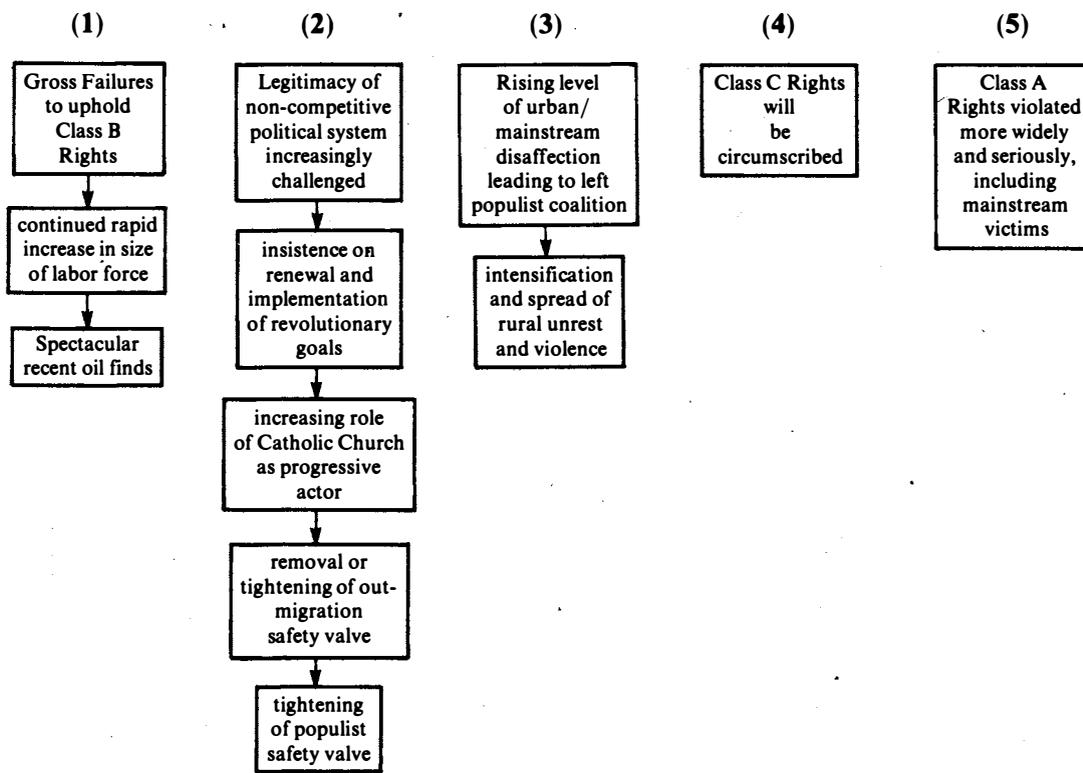
## Clark: ‘Mexico reminds me of Iran under the Shah’

*In a recent interview with a Mexican journalist, the man who led “human rights” marches down the streets of Teheran in January 1979, explains why he is turning his attention to Mexico and why Mexico must, in his view, turn back from modernization and industrialization.*

**Q:** What’s your thinking on Mexico’s future?

**A:** The first thing that comes to my mind in thinking about Iran...er, I mean Mexico... is the example of Iran. Iran is the perfect case study on how oil revenues caused a disaster by pushing industrialization and as a result of it, an accelerated process of urbanization that led to terrible suffering for the population. It was a copy of an alien model. So it is clear for me that Mexico has to be very careful about her oil and must foster conservation.

### Projected political model of human rights observance and violation in Mexico



I think Mexico is facing a very dangerous conjuncture. What has to be questioned is the desirability of industrial expansion, especially in a country with the cultural tradition of Mexico. I love the country myself. I spent my honeymoon in the Isthmus of Tehuantepec, I know all the back towns of Oaxaca. Mexican Indian art I find particularly attractive.

If you build a significant industrial plant, you create an enormous need for energy. Mexico's oil supply could only last for say 40 years, and after that what could you do? Think about the Shah fantasizing about nuclear energy. It was only a fantasy because there was no national reality for nuclear energy in Iran. It was economic planning based on a foreign model, and was denounced by my good friend Bani-Sadr for over 20 years as an economist.

Mexico should learn the lessons of Iran, although I imagine the Mexican government wouldn't depict itself as similar with the Shah's regime, because it allegedly doesn't violate human rights so blatantly. But the Mexican government is in fact highly aristocratic. And once you have that, and once you add rapid urbanization, popular resentment and chaos begin, and you have a revolution.

## Falk's "human rights" assault plan

This chart, contained in an unpublished paper by Richard Falk, entitled Human Rights in Brazil and Mexico, is a glaring example of the way the CFR undertakes destabilization scenarios. Class A rights, in Falk's lexicon, are those "gross violations pertaining to Dignity of Persons and Groups"; Class B, refers to "Gross Failures to satisfy Basic Human Needs of Person and Groups" (economic rights); Class C, "Gross denials of participation in Economic, Social, Cultural, and Political Domain."

Column 1 describes the basic ingredients—according to Falk—that will lead the Mexican government to be a major Class A, Class B and Class C human rights violator during the next decade. Notice the mention of Mexico's "spectacular recent oil finds." Column 2 identifies the major elements now being used by the CFR to destabilize Mexico: The first box recommends a massive attack against the "Presidentialist" Mexican political system, of the sort discussed at the recent PEN International conference and which has proliferated in all of Mexico's "opposition" magazines. The third box "predicts" the increasing role of the Jesuit "Theology of Liberation" variety of manipulation.

## A national plan

### Steel sets the pace for Mexico's industrial growth

The Feb. 12 announcement that Mexico was going ahead with the construction of Phase II of Las Truchas, the giant West Coast steel complex also known as SICARTSA (Siderurgica Lazaro Cardenas, S.A.), marks an important step toward the implementation of the now year-old National Industrial Development Plan (PNDI).

This Plan, a groundbreaking planning effort designed to chart priority investment strategies for Mexico's anticipated oil revenue boom, provides for heavy incentives for a capital-intensive industrialization strategy. Two forms of incentives exist under the PNDI. First, incentives are placed on investment according to production line. The prime beneficiaries here are electricity and other infrastructure, steel, capital goods and agro-industry.

The other scale arranges incentives according to geographical location. In order to decentralize Mexican industry out of its present four highland strongholds (Mexico City, Puebla, Monterrey, and Guadalajara), and increase trade prospects, the PNDI established a priority development classification of "I-A" for four giant industrial port complexes. These four I-A zones—Lazaro Cardenas and Salina Cruz on the Pacific side, and Tampico and Coatzacoalcos on the Gulf—are granted extraordinary development advantages, including energy discounts of up to 30 percent in certain production lines.

The just announced SICARTSA Phase II expansion, long on the drawing boards but stalled through anti-industry pressures from the International Monetary Fund, is rated at the top of both incentive scales in the planning revisions kicked off by the promulgation of the PNDI in March, 1979. An additional plus in its favor, which helped shape the Mexican government's final decision, is its inclusion of determined Japanese co-investment partners.

### Steel projections before and after the PNDI

With the initiation of Phase II of SICARTSA, the growth of the steel sector remains close to the ambitious targets mandated by the PNDI.

Before the adoption of the National Industrial Development Plan (PNDI) in March 1979, the projections for growth of demand for the Mexican steel industry were 8 percent per year. It was estimated that total demand for 1982 would only reach 11.2 million tons, and that this could be handled through a relatively modest expansion program. In March 1978, the director of the state's steel holding company, Sidermex, Leipen Garay, and the Steel Industry Coordinating Commission unveiled the expansion program for the years 1978-1982. The program aimed at expanding installed capacity from 9.4 million tons to 11.9 million 1982, through total investment of approximately 40 billion pesos (\$1.8 billion).

The relatively centralized industry comprises five major firms and a variety of smaller-scale, unintegrated firms primarily dealing with specialty steels. Three of the majors—Altos Hornos (AHMSA), Fundidora Monterrey, and SICARTSA—are state-controlled. The two private sector majors are Hojalata y Lamina S.A. (HYLSA), in Monterrey and Puebla, and Tubos de Acero (TAMSA), located in Veracruz and controlled by Monterrey associate Bruno Pagliai.

### Mexico steel industry goals as of 1978

(in millions of tons/year)

Company	Installed Capacity			Production*
	1970	1978	1982	
AHMSA	2.10	3.20	4.20	3.78
FUNDIDORA	1.00	1.50	1.87	1.68
SICARTSA	—	1.30	1.45	1.31
HYLSA	1.00	1.55	2.30	2.07
TAMSA	0.30	0.45	0.75	0.67
Other	0.70	1.35	1.35	1.22
<b>TOTAL</b>	<b>5.10</b>	<b>9.35</b>	<b>11.92</b>	<b>10.72</b>

\* Estimating that steel production reaches 90% of installed capacity over a three-year shake-down period.

Source: Sepafin

The PNDI, released in March of 1979, raised the goals for steel demand from the 8 percent previously adopted, to 13 percent. Sidermex and the Coordinating Commission immediately ordered studies prepared to determine the best way to meet the new projections, which would require installed capacity of over 15 million tons per year by 1982.

The guiding conception was that while industry expansion up through 1982 would still in large measure take place at the existing AHMSA, HYLSA and TAMSA plants located in Monclova (Coahuila), Monterrey and Veracruz respectively, additional growth for those years to meet the new targets, as well as almost all development afterwards, would take place on the Pacific

and Gulf coasts. Beyond the general considerations of contributing to the government's industrial port concept and enjoying the I-A classification under the PNDI, two other specific factors contributed to this orientation. First, it is projected that in the medium term Mexico will have to import significant quantities of iron ore. The existing reserves at La Perla (supplying AHMSA), Pena Colorado (AHMSA, HYLSA, FMSA and TAMSA), and Las Truchas (SICARTSA), are running down. Second, the production of steel will increasingly be oriented to capital goods manufacture and shipbuilding, both activities slated for priority location at the new port complexes.

In the fourth quarter of 1979, SICARTSA presented a plan to the Coordinating Commission for:

- A sponge iron plant, using natural gas for the direct reduction method.
- An electric arc steelmaking plant with a 1.5 million tons/year capacity.
- Equipment for continuous casting, and a rolling mill to produce steel plate.

This is the plan that, with minor modifications, has now been adopted. Industrial Development Minister de Oteyza, in his Feb. 12 announcement, broke down a total investment tag of 57 billion pesos (\$2.0 billion) into three components: 48 billion for the flat steel expansion; 6 billion for a forging mill to be financed with Japanese co-investment; 3 billion for a large-scale seamless pipe facility, also with Japanese co-investment. He also highlighted an additional 10 billion for completion of Mexico's largest fertilizer plant now under construction at Las Truchas.

De Oteyza stressed that the flat, rolled steel will meet the supply side for capital goods expansion, one of the top PNDI goals alongside steel itself. The \$280 million NKS (Nafinsa-Kobe-SICARTSA) capital goods plant at Las Truchas, announced in December and due for completion in 1982, is expected to be an immediate beneficiary.

### The technology question

For several months, Phase II was held up as planners debated the cost and technical aspects of direct reduction versus blast furnace technology. A large blast furnace (1 million tons or more) consumes approximately 3.8 gigacalories per ton of pig iron. The direct reduction process consumes approximately 5.0 gigacalories per ton of sponge iron, for installations of the same size. Though this energy differential is narrowing with the introduction of new technologies for direct reduction, the energy-intensive economics of direct reduction still places a premium on low-cost natural gas.

Mexico's current domestic gas prices are among the lowest in the world, only a fraction of world market

prices. The debate thus revolved around whether such a low pricing pattern was desirable and should be maintained by the government over the long term. If not, then the advantages of direct reduction for SICARTSA II were reduced, if not eliminated, in cost terms.

For several reasons, including the desirability of maintaining at least some differential in gas price in order to encourage energy-intensive exports, and the security of domestic gas supply in comparison with partially imported coal, the planners in SICARTSA, Sidermex and the Coordinating Commission reached an agreement in favor of the direct reduction option. The specific licensing technology is reported to be contracted from HYLSA.

The revised production projections are now as follows:

### Mexico steel industry goals as of 1980

(in millions of tons/year)

	1982 capacity	1985 production
Original Program*	11.55	10.40
SICARTSA II	2.00	1.80
<b>TOTAL</b>	<b>13.55</b>	<b>12.20</b>

\* Minus a 370,000 ton addition to Fundidora, scheduled in the 1978 plan but subsequently abandoned.

Source: Sepafin

Investment levels, in addition to the \$57 billion pesos for SICARTSA, are projected at 17 billion pesos (\$750 million) each for AHMSA and HYLSA, and 13 billion pesos (\$550 million) for TAMSA.

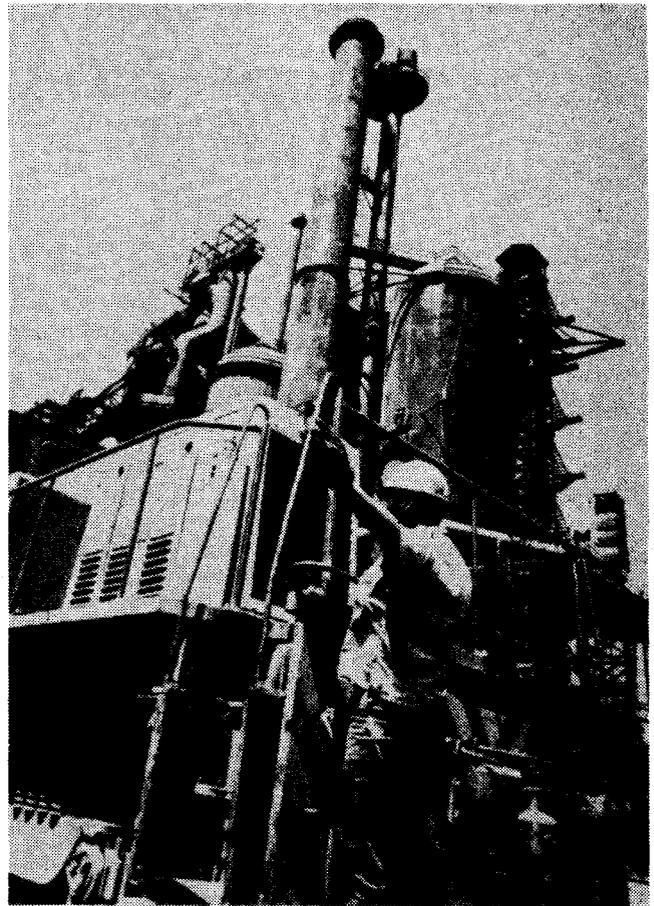
### Filling the gap

This current, revised plan still leaves an approximately 1.5 million ton gap to be filled in order to meet the PNDI projections of steel demand. The Coordinating Commission has not yet decided how—and if—it plans to bridge this gap.

One possibility under consideration to fill the immediate steel production gap is to amalgamate SICARTSA Phase II with a further projected Phase III into one giant expansion of 3.5 million tons.

Another possibility under consideration is the initiation of a major Gulf Coast steel complex. The only existing Gulf Coast plant is the privately-owned Tubos de Acero (TAMSA) plant in Veracruz, which already plans expansion to 800,000 tons/yr. production of seamless steel pipe by 1982. Further expansion in the short term is considered unlikely by Mexican steel industry sources.

If a new plant is to be constructed on the Gulf Coast, the likely location is Tampico. In addition to its I-A classification, Tampico's location places it relatively near



A steel plant on Mexico's Pacific coast.

the existing steel centers of Monterrey and Monclova, the Sabinas basin coal and gas deposits, and, to the south, the Chicontepec oil reserves. The exploitation of Chicontepec alone will require drilling over 15,000 separate wells, and will generate one of the greatest demands for capital goods in the history of the country, according to Pemex director Jorge Diaz Serrano.

A Japanese firm is currently conducting planning studies for large-scale infrastructure at Altamira, a site 10 miles north of Tampico but within its I-A development zone, and the Mexican government has asked private sector groups to specify investments for the site. But because of the scale of infrastructure required, it is almost certain that the Altamira project or any similarly conceived effort would only bring added steel capacity on line in a 5-6 year time period, rather than the 3 years which fall within the Steel Coordinating Commission's 1982 plan.

Leipen Garay signaled some major project along these lines in a recent briefing to Mexican businessmen. He spoke of possible Gulf developments reaching 5 million tons, but provided no details as to location or construction schedule.