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TO PRIORITY FCO

TELEGRAM NUMBER 1035 OF 07 DECEMBER

INFO TREASURY, DOT, 3CGD, BANK OF ENGLAND, UKDEL IMF/WORLD BANK
WASHINGTON.

MY TEL NO 1021: NEW MEXICAN GOVERNMENT MEASURES.

SUMMARY.

1. THE NEW MEXICAN ADMINISTRATION HAS TAKEN FURTHER STEPS TO DEMONSTRATE ITS DETERMINATION TO PROVIDE THE BASIS FOR RENEVED CONFIDENCE IN THE MEXICAN ECONOMY.

NEW MINISTERIAL RESPONSIBILITIES.

2. AMENDMENTS HAVE BEEN MADE TO THE CONSTITUTION CHANGING THE RESPONSIBILITIES OF VARIOUS CABINET POSTS. FRANCISCO ROJAS ASSUMES A NEW POSITION IN THE CABINET AS CONTROLLER-GENERAL RESPONSIBLE FOR VETTING AND CONTROLLING PUBLIC SECTOR EXPENDITURE. RESPONSIBILITY FOR PROMOTING PRIVATE SECTOR INDUSTRIAL DEVELOPMENT PASSES TO THE MINISTER OF TRADE - NOW CALLED MINISTER OF TRADE AND INDUSTRY-, THE PREVIOUS INDUSTRY MINISTER BECOMING THE MINISTER OF ENERGY, MINING AND PUBLIC SECTOR INDUSTRIES.

NEW ECONOMIC STRATEGY.

3. IN THE MOST DIRECT CRITICISM YET OF THE PREVIOUS GOVERNMENT'S POLICIES, PLANNING MINISTER SALINAS DE GORTARI SAID IN A SPEECH ON 6 DECEMBER THAT IF MEXICO HAD CONTINUED ON ITS PREVIOUS COURSE THIS WOULD HAVE LED TO MORE INFLATION, LASTING DAMAGE TO THE COUNTRY'S PRODUCTIVE CAPACITY, MASS UNEMPLOYMENT AND SEVERE STRAINS TO THE FABRIC OF SOCIETY. THE NEW GOVERNMENT WAS NOT JUST TRYING TO OVERCOME THE IMMEDIATE FINANCIAL CRISIS, BUT TO BRING ABOUT LONG-TERM IMPROVEMENTS IN THE EFFICIENCY OF INDUSTRY AND AGRICULTURE.

INTEREST RATES.

4. INTEREST RATES HAVE BEEN RAISED, IN MOST CASES BY THREE PERCENTAGE POINTS, TO 44% FOR THREE MONTHS DEPOSITS AND 50% FOR 12 MONTH DEPOSITS. BUT INTEREST RATES ARE STILL WELL BELOW THE CURRENT RATE OF INFLATION.

SUBSIDIES.

5. THE PROGRESSIVE REDUCTION OF SUBSIDIES CONTINUES. STEEP RISES IN PUBLIC TRANSPORT FARES ARE REPORTED TO BE IMMINENT.

NEW FOREIGN LOAN.

6. MUCH PUBLICITY HAS BEEN GIVEN TO A NEW US DOLLAR 50 MILLION FIVE YEAR LOAN FROM THE BANK OF AMERICA TO THE PRIVATE SECTOR

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MINING COMPANY GRUPO INDUSTRIAL PEHOLES. THIS IS SAID TO BE THE FIRST FOREIGN CREDIT TO THE PRIVATE SECTOR SINCE 1 SEPTEMBER. SENIOR REPRESENTATIVES OF THE BANK OF AMERICA HAVE BEEN QUOTED AS SAYING THAT IT DEMONSTRATES THEIR CONFIDENCE IN THE NEW MEXICAN ADMINISTRATION.

CENSORSHIP.

7. IN THE LAST DAYS OF THE LOPEZ PORTILLO ADMINISTRATION A NEW LAW WAS PUSHED THROUGH CONGRESS OSTENSIBLY DESIGNED TO SUPPRESS PORNOGRAPHY. THE LAW IS EXPRESSED IN EXTREMELY SWEEPING TERMS, PROHIBITING PUBLICATIONS, FILMS ETC WHICH ARE CONTRARY TO GOOD BEHAVIOUR OR MORALITY, WHICH COULD DISCOURAGE A FAVOURABLE ATTITUDE TOWARDS WORK AND STUDY, WHICH COULD ENCOURAGE CONTEMPT FOR THE MEXICAN PEOPLE, ITS CHARACTERISTICS, CUSTOMS, HISTORY AND TRADITIONS, WHICH GO AGAINST INTERNATIONAL SOLIDARITY, PROMOTE SUPERSTITION OR IGNORANCE OR WHICH USE INCORRECT LANGUAGE, AMONG OTHER THINGS. THE LAW HAS PROVOKED A GROWING CHORUS OF RIDICULE AND INDIGNATION FROM WRITERS AND JOURNALISTS OF ALL POLITICAL PERSUASIONS. IT IS WIDELY SEEN AS THE FIRST DEMONSTRATION OF THE PURITANICAL ZEAL OF THE WIFE OF PRESIDENT DE LA MADRID. ALTHOUGH SOME OF THE PROVISIONS SEEM VIRTUALLY UNENFORCEABLE, IT IS FEARED THAT IT COULD PROVIDE A LEGAL BASIS FOR BANNING NOT ONLY MATERIAL CONSIDERED IMMORAL BUT ALSO PUBLICATIONS WHICH ARE POLITICALLY CONTROVERSIAL OR DISRESPECTFUL. THERE HAVE BEEN SOME OTHER SIGNS THAT THE NEW GOVERNMENT MAY ADOPT A LESS LIBERAL ATTITUDE TOWARDS THE PRESS, TELEVISION AND CINEMA THAN DID ITS PREDECESSOR.

CHANGE OF ELECTION DATE.

8. ANOTHER CONSTITUTIONAL AMENDMENT HAS BEEN INTRODUCED TO CHANGE THE DATE OF THE NEXT PRESIDENTIAL ELECTIONS FROM JULY 1988 TO SEPTEMBER 1988. THIS IS DESIGNED TO REDUCE THE FIVE MONTH LAME-DUCK PERIOD BETWEEN THE SIX-YEARLY PRESIDENTIAL ELECTIONS AND THE ASSUMPTION OF OFFICE BY THE PRESIDENT-ELECT, WHICH DE LA MADRID HIMSELF CLEARLY FOUND EXCESSIVE.

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