

**CONFIDENTIAL**

CONFIDENTIAL [CULL]

FM MEXICO CITY 030145Z SEPT 82.

TO ROUTINE FOC

TELEGRAM NUMBER 721 OF 2 SEPTEMBER

INFO WASHINGTON, DOT, TREASURY, ECGD, BANK OF ENGLAND.

MY TELNO 713: NEW ECONOMIC MEASURES

1. A KEY POLITICAL QUESTION IN MEXICO IS HOW PRESIDENT-ELECT DE LA MADRID REGARDS PRESIDENT LOPEZ PORTILLO'S DECISION TO NATIONALISE THE MEXICAN PRIVATE BANKS AND IMPOSE EXCHANGE CONTROL.
2. I UNDERSTAND THAT DE LA MADRID WAS NOT INFORMED ABOUT THE PRESIDENT'S DECISION UNTIL THE NIGHT BEFORE. THERE WAS NO CONSULTATION. WHEN COMMENTING AFTERWARDS TO THE PRESS, HE SAID THAT THE MEASURES WERE RELATED TO THE CRITICAL CIRCUMSTANCES OF THE COUNTRY, THAT THE STATE COULD NOT ALLOW SITUATIONS TO DEVELOP WHICH THREATENED SERIOUS HARM TO THE NATIONAL INTEREST, AND THAT THE PRESIDENT HAD SPOKEN WITH DEPTH AND COURAGE. THESE COMMENTS SCARCELY AMOUNT TO AN ENDORSEMENT.
3. NOR CAN DE LA MADRID HAVE WELCOMED THE DEPARTURE OF HIS FRIEND AND ASSOCIATE MIGUEL MANCERA, WHO OFFERED HIS RESIGNATION AS GOVERNOR OF THE BANK OF MEXICO ON 26 AUGUST. THE PRESIDENT ACCEPTED THE RESIGNATION BUT ASKED HIM NOT TO REVEAL IT UNTIL 1 SEPTEMBER. THE APPOINTMENT IN MANCERA'S PLACE OF CARLOS TELLO WILL NOT INSPIRE CONFIDENCE IN BUSINESS CIRCLES. TOGETHER WITH THE MINISTER OF INDUSTRY, OTEYZA, BOTH GRADUATES OF KING'S COLLEGE CAMBRIDGE HE HAS LONG BEEN REGARDED AS A LEADING ADVOCATE WITHIN THE GOVERNMENT OF RAPID INDUSTRIAL GROWTH AND THE EXPANSION OF PUBLIC OWNERSHIP.
4. THE RELATIONSHIP BETWEEN OUTGOING AND INCOMING PRESIDENTS IS ALWAYS DIFFICULT, BUT THIS TIME IT PROMISES TO BE EXCEPTIONALLY SO. MANY HOPE THAT THE PROSPECT OF DE LA MADRID MAY ACT AS A RESTRAINING INFLUENCE ON LOPEZ PORTILLO WHO, IN HIS STATE OF THE NATION ADDRESS, HINTED AT A WITCH-HUNT AFTER THOSE WHO TAKEN LARGE SUMS OF MONEY OUT OF THE COUNTRY. THE STATIONING OF POLICE AND SOLDIERS ROUND THE PRIVATE BANKS TO PREVENT DOCUMENTS FROM BEING TAKEN IN OR OUT HAS CAUSED MUCH APPREHENSION. BUT THERE IS SO MUCH DIRTY LINEN IN THE GOVERNMENT'S OWN CUPBOARD THAT THE IMPENDING END OF THE ADMINISTRATION SHOULD ACT AS A DETERRENT. DE LA MADRID WILL CERTAINLY MAKE WHOLESAL CHANGES OF MEN WHEN HE TAKES OFFICE ON 1 DECEMBER. BUT IT IS TOO EARLY TO SAY HOW MUCH FREEDOM OF ACTION HE WILL HAVE TO MAKE CORRESPONDING CHANGES OF MEASURES.

TICKELL

FINANCIAL

MCAD

NAD

**CONFIDENTIAL**