imposed by price inflation in supply. Inflation, as reflected in the consumer price index for the domestic market, has been a very serious problem in recent years and appears to be continuing and even increasing in severity. It is expected that the inflation rate will exceed 25 percent in comparison to 20 percent in 1979, with the most pronounced increases in such basic items as rent, milk, bread, newspapers and shoes. Nevertheless, the goal of the national plan is not primarily centred on meeting the economic challenges of inflation. On the contrary, the Global Plan states that the control of inflation "is merely a means and an instrument rather than an objective in itself". The real objectives, instead, are to ensure that distribution of income in unaffected by inflationary pressures, that real growth is maintained, and that social necessities or responsibilities are met; all with the caveat that the "internal" inflation rate is maintained at a level not higher than four to five points more than the "external" inflation rate (presumably that of the U.S.A., Mexico's major trading partner). Thus the Mexican government appears willing to cope with substantial inflation in the next few years in order to focus on other economic and social goals.

In order to finance the ambitious investment priorities, especially in the light of the inflationary pressures of supply and growing levels of domestic demand for both goods and services, the development and exploitation of Mexico's oil reserves is critical. There is a firm distinction made in the Global Plan between "a development policy which utilizes oil", and "an oil development policy", and it is the former that is used as the basis for policy planning.

In March of 1980, the nation's production levels for oil were set at 2.5 million barrels per day with a ten percent flexibility allowed to guarantee supply and exports (up to 2.7 million barrels per day). This production platform is expected to contribute 931.6 billion pesos (or about C $46.6 billion) in government revenues in 1980-82: 22 percent of total GNP. Plans call for revenues from oil sources to be divided in the following manner: 32 percent (C $14.9 billion) to PEMEX investment programs, 17 percent (C $7.9 billion) for agriculture and rural development, 16 percent (C $7.5 billion) in social sector spending (including education), 14 percent (C $6.5 billion) for transportation, 11 percent (C $5.2 billion) designed for the industrial sector (including PEMEX), and 10 percent (C 4.6 billion) to investment programs for state and municipal governments. Therefore, while energy will be the key to economic development, with the major share of income reinvested in exploration efforts in hydrocarbons and alternative resources as well as in upgrading the energy base through industrialization and modernization, the priorities in