Who's getting Mexico's oil?

State-to-state negotiations put France in lead for share of oil reserve

Despite the best efforts of a sensationalist press campaign against an oil spill resulting from Mexico's Ixtoc-1 oil field, the real significance of this enormous June 3 oil find in the Campeche Gulf is not lost in knowledgeable circles: Mexico has more oil than ever. As Diaz Serrano, director of the state-owned Pemex oil company, told the press last weekend: "We want everyone to know that the Mexican oil industry is the owner of the largest offshore oil deposit in the world and one of the largest in the entire history of the oil industry."

The current figures of 40 billion barrels of proven Mexican reserves and 200 billion, potential, are once again shown to be gross underestimates.

Who's going to get it? This is the fundamental question as the scramble for world oil continues.

There are three sets of negotiations now ongoing: Mexico-Japan, Mexico-France, and Mexico-U.S. President José López Portillo has defined 1979 as the year of "decisions" preceding Mexico's achievement in late 1980 of a 2.25 million barrels per day "oil production platform." Exports at that time will total 1.1 million barrels per day. The basic goal Mexico has announced to help diversify exports is a 20-20-60 split between Japan, Europe, and the U.S., respectively.

Mexico's strategy in the three sets of negotiations has been public and unvarying, expressed in two areas. The domestic component is an unyielding commitment to convert the oil wealth into a massive industrialization program. This means oil-for-technology package deals with oil partners. The international component is a drive to use the negotiating potential of oil on the side of international agreements to spur oil development and equitable exploitation of energy resources worldwide. This is the "oil-for-peace" plan—López Portillo has warned that the alternative is "apocalypse." He will present this proposal to make energy "the common responsibility of mankind" to the Non-Aligned Nations meeting in Havana in early September and the United Nations General Assembly later the same month.

How have Mexico's negotiating partners responded? France has embraced both aspects of the Mexican energy strategy and its negotiations are moving ahead strongest. An agreement for oil deliveries of 100,000 bpd starting in 1980 should be signed soon, the amount France had asked for, and technology and trade deals are moving ahead full speed. Of particular importance is that France and Mexico are advancing in port development negotiations on the Gulf coast, where oil deliveries to Europe would be facilitated. Ports have been pinpointed by Mexico as one of the key bottlenecks in development efforts.

Japan, in negotiations with Mexico on all fronts, has shown hesitancy in accepting the oil-technology link and has held back from full collaboration on the López Portillo energy proposal. The result of this "go-slow" approach: expected Mexican deliveries for 1980 to Japan have been cut back sharply from 220,000 bpd to 100,000 bpd. But the negotiating picture remains fluid.

The United States, alone of the three negotiators, has chosen to ignore both facets of Mexico's energy strategy. The Carter administration has insisted on labor-intensive ruralization projects for Mexico in preference to real backing for heavy industry and capital goods production. National Security Advisor Brzezinski is reported to have summed up the administration's approach thusly: "We cannot tolerate another Japan south of the border."

As for the López Portillo proposal, there has been official silence. But unoficially the word is that it's a "public relations ploy."

The result is that U.S.-Mexico negotiations are going nowhere, regardless of whether a gas accord is signed during the late September Carter-López Portillo summit.

And observers see an especially hot two months in U.S.-Mexico relations shaping up as a U.S. hard line becomes policy. The issues: a U.S.-Mexico-Canada Common Market which Mexico sees as a threat to its sovereignty; the outcry launched around potential environmental damage from the Ixtoc-I oil spill; and the orchestrated backroom efforts to force Mexico into a peso devaluation.

Not far removed from these issues is the threat of direct invasion. Using the line, "informed sources say," a front-page Baltimore Sun article on July 29 recalls earlier U.S. invasions of Mexico and then warns that "both sides know there are limits to U.S. tolerance" of Mexican political and economic independence. "Just as the U.S. could not accept a truly hostile nation to its south, Mexico does not want to reawaken the imperialism of the past."

—*Timothy Rush*

France, Mexico agree on oil for technology

A number of top French government and private sector officials converged on Mexico City last month to work out the details of the "economic association" between Mexico and France. The French Commissioner of Planning, the Central Bank governor, and the head of the European Center for Industrial Cooperation met with Mexican government officials to begin implementation of the wide-ranging economic cooperation accords reached during the late February state visit of French President Valery Giscard d'Estaing. In exchange for 100,000 barrels per day of Mexican crude oil (shipments to begin in 1980), France is providing Mexico with the technology and financial and technical aid to carry out the López Portillo administration's 10-year Industrial Development Plan. The price of Mexico's oil is still under negotiation.

The tone of the working meetings was set by the French ambassador to Mexico, Jean Rene Bernard, who lauded López Portillo and Giscard d'Estaing's shared "rational and humanistic" approach to the global energy crisis and emphasized the importance of developing nuclear energy as a substitute for oil. Restating France's endorsement of López Portillo's proposal to reorder world energy policy in the context of a new world economic order—based on the principle that energy is the "common responsibility of all mankind"—Bernard indicated where France's interests lay, saying, "Mexico-U.S. relations are of interest to us, but [more interesting is] what Mexico thinks about the future of the world energy situation." He referred to the proposal the Mexican President will present to the U.N. in September.

Nuclear energy

French aid in developing Mexico's nuclear energy capacity figures high in the oil-for-technology agreements. Planning Commissioner Michel Albert announced that France will begin making investments in Mexico in the near future in the area of nuclear energy, as well as in the petrochemicals and capital goods sectors. France has offered not only technical nuclear aid, but to provide enriched uranium should the U.S. back out of its supply agreements. The French Atomic Energy Commission president toured Mexico last May, and Mexico has set a goal of building 20 nuclear power plants by the year 2000 to assure that the electrical needs of its ambitious development program will be met.

The priority which France has put on its political-economic relations with Mexico was underscored by the signing of a $300 million "swap" arrangement between the Central Banks of Mexico and France. This bank-to-bank financial-monetary agreement, which puts $300 million at Mexico's disposal for short-term balance of payments adjustments, was characterized by French Central Bank governor Bernard Clappier as a direct result of the López Portillo-Giscard summit and a "first" ever for France.

Private sector

Much of the French investment in Mexican development projects will be channeled through the French private business and industry sector. The French National Confederation of Businessmen (CNPF) has just issued a detailed report on the Mexican economy, and announced that on Sept. 19 it will open a "liaison bureau" to encourage and coordinate investment, headed by the president of Celanese Corporation in Mexico and head of the large petrochemicals equipment firm, Constructions Metalliques de Provence. The CNPF is sponsoring a 10-day technology transfer conference and exhibition in Mexico City in early November.

Representing a layer of French private business, Olivier Giscard d'Estaing, president of the European Center for Industrial Cooperation, visited Mexico in late July where he met with Mexican Natural Resources and Industrial Development Minister Jose Andres de Oteyza. O. Giscard d'Estaing, brother of the French president, expressed French interest in selling railroad cars to Mexico, which suffers from a serious transport bottleneck, and in modernizing Mexican port facilities. He singled out, in particular, a project to build up the gulf port of Coatzacoalcos as the hub of an industrial complex and expanded energy and transportation grid.

Ongoing consultations

France and Mexico have maintained an ongoing, tight consultation on political and economic affairs—as provided in the Giscard-López Portillo accords. French Mines and Energy Minister Francois Wissocq stopped in Mexico for talks with government officials after meetings in Washington June 22 which focused heavily on coordinating French and Mexican attempts to curb oil price speculation on "spot" markets like that in Rotterdam. Mexico's under sub-secretary for Planning and Budget, Ms. Rosa Luz Alegría, traveled to Paris for a meeting with President Giscard d'Estaing only