days before the Tokyo Summit of adanced sector countries, to discuss joint Mexican-French diplomacy around the López Portillo proposal for a global energy policy and a world conference of producers and consumer nations.

—*Mary Goldstein*

Mexico-Japan ties hurt by Tokyo's slow pace

The recent decision by Mexico's national oil company, Pemex, to sell Japan only 100,000 barrels of oil per day over the next few years signals that many problems continue to exist in the relations between these potentially highly complementary countries.

The Pemex decision was relayed to the Japanese earlier this month by the assistant director of the company, Ignacio de Leon, when he traveled to Tokyo to negotiate the details of a long-term oil contract between the two countries.

Though some Japanese sources have tried to explain the jolting Mexican decision
crude oil in Mexico and logistical problems, most business and government officials acknowledge unhappily that the decision was based on political considerations. Simply put, Mexico is unhappy with Japan, and though the government of President José López Portillo is potentially willing to export large amounts of oil to Japan, it is avoiding any hasty decisions until a full "package deal" of oil-for-technology is worked out.

It is expected that a long-term oil contract will be concluded between Japan and Mexico in mid-August, when Japan's Minister for International Trade and Industry Esaki travels to Mexico City. Last week, one of Esaki's top aides, Natural Resources and Energy Agency Director N. Amaya, visited Mexico City to work out the final details of the contract and is reported to have offered $500 million in advance payments for oil and Japanese technical help in several development projects, as sweeteners to the deal. While the results of Amaya's talks are not yet known in detail, it is unlikely that his efforts worked to improve the terms of the contract for Japan. The contract is believed to guarantee Japan 100,000 barrels of crude oil per day starting in 1980, with the amount to increase up to 200,000 to 300,000 barrels per day in the last years of the 10-year pact.

It is not too late for Japan to gain access to high quantities of Mexican crude. Should there be an overall improvement in Mexico-Japan relations, the delivery quantities stipulated in the contract would increase as well, more in the area of the 20 percent of the overall exports Mexico originally earmarked for Japan.

Problems with Japan

In Mexico's view,
fundamental issues: the slow pace in discussions between the two countries on a "package deal" involving an exchange of oil for technology; and, the overall direction of Japanese foreign policy, especially on political issues relating to energy. Significantly, both of these issues directly involve the United States.

The influence of the United States in the direction of relations between Mexico and Japan cannot be underestimated, as Japan now finds itself in the unwanted position of "middle man" between Washington's determination to impose its views on Mexico and a Mexico determined to become less vulnerable to American pressures. Washington has traditionally claimed a "special
bor and even low-ranking officials in Japanese corporations gossip about the American pressure on Japan to limit its relations with Mexico and not "interfere" in U.S. "territory." Mexico, on the other hand, is trying to diversify its international economic and political relations and reduce its "special relationship" with the United States, while obtaining the technology it needs for its ambitious industrialization strategy.

In the middle stands Japan—hoping to develop in Mexico a new, reliable source of oil and an export market for high-technology products, while lacking the political will to buck Washington's demand to stand clear of Mexico.

Japan's middle-man position has led to hesitancy in Tokyo to develop a wide-ranging relationship with Mexico, and caused a slowdown in talks on a "package deal" involving an exchange of oil for technology that Mexico has demanded. After more than a year of regular negotiations, high Mexican officials are now quietly expressing suspicions about Japan, and are unsure that the Ohira government in Tokyo is committed to such a "package deal." These suspicions have been fueled by the Ohira administration itself, which is ordering its representatives in Mexico to state that official Japanese policy is to separate the oil and technology issues.

Currently, discussions are continuing between Mexico and Japan concerning cooperation on industrial projects throughout Mexico, especially in transportation, ports and steel. However, most of these discussions have been ongoing for more than a year, and though most Japanese companies acknowledge the need to link the issues of oil and technology, not one of the major projects being discussed by the two countries has been finalized. Japanese officials place much of the blame for these delays on Mexican officials, who, they claim, have failed to be specific in proposing economic cooperation between the two countries. Despite these claims, the lack of political will on the part of Japan cannot be denied.

Until recently, the Ohira government has tried to deflect American pressure on Japan concerning Mexico by delegating all responsibility for negotiations with Mexico to the powerful business sector of Japan. Despite the efforts of the large business federation Keidanren, and its director, Toshio Doko, to organize orderly negotiations, fierce competition for contracts has split the business community and slowed the pace of discussions.

Last year, Mexican President López Portillo requested that the Japanese centralize their business negotiations with Mexico, and through Keidanren, a six-man committee comprising Japanese industrial firms was established. From the Mexican side, a government task force comprising four officials was established to act as liaison to the Keidanren team.

Recently, the discipline of the Japanese business community has broken down, an
have carried on their own negotiations with Mexico. Three factions have developed, all competing especially for the contracts to import Mexican crude to Japan.

The first group is centered around the energy-minded Industrial Bank of Japan (IBJ), and includes the two largest trading companies—Mitsubishi and Mitsui. In this case, the oil importing would be handled by these two companies, which already import huge amounts of oil from the Middle East, and are very experienced in this field.

A second group is comprised of Japan's independent oil companies and refineries, led by the larg Idemitsu Corp. Working closely with this group are some trading companies, including the fourth largest, Marubeni, and a chief rival of the IBJ, the Bank of Tokyo.

The third group is a loose coalition of the Japanese subsidiaries of the international "major" oil companies, led by Nippon Oil.

Last month, as competition between these groups rose, the IBJ made an unusual offer of $500 million in advance payments to Mexico for crude oil to be delivered next year, in an effort to gain an inside track in the negotiations with Pemex for the oil import contracts.

Such fierce competition has naturally soured the Mexican government toward Japan. In all of the scrambling for oil contracts, Japan lost its focus on the Mexican government's oil-for-technology requirements. Moreover, unrealistic demands by the Japanese business sector—such as changes in Mexico's labor laws—have inevitably alienated a Mexico proud of its constitutionally guaranteed rights for workers.

More than specific negotiations, however, Mexico been concerned with the overall direction of Japan's foreign policy. Japan has yet to clarify its position on one of the most important foreign policy issues today: the proposal by President López Portillo for an international conference of energy producers and consumers which seeks an orderly marketing arrangement for oil, linked to the modernization of the developing countries, and a new world economic order. López Portillo has made this proposal the cornerstone of his foreign policy, and Japan's failure to actively organize support for the proposal has severely reduced Mexico's trust in Japan.

Moreover, the recent announcement of support by Japanese Foreign Minister S. Sonoda for the Camp David treaty between Israel and Egypt did not go unnoticed in Mexico. This statement, which damaged Japan's relations with such key oil-producing nations as Saudi Arabia, Iraq and Kuwait, was a fundamental shift away from Japan's policy of the last five years of cultivating a "special relationship" with the Arab countries so as to guarantee supplies of oil.

Hope in the future

Though most Japanese business officials acknowledge that Mexican-Japanese relations are not currently good, some sources have recently expressed hope that the decision by the Japanese government several weeks ago to take charge of the talks might help improve the situation. The government has ordered the three competing groups to cease all talks with Mexico, and all negotiations are now being handled through Japan's Ministry for International Trade and Industry, MITI. The trip to Mexico City last week of top MITI official Amaya was part of this new government policy.

One source has noted that the MITI has traditionally favored package deals in discussions with the Arab oil producers, and may be coordinating its Mexico talks with a section of the business community, led by IBJ, also traditionally favorable to package arrangements.

According to this source, the first hint of this cooperation between MITI and IBJ came when IBJ issued its proposal to Pemex for $500 million in advance oil payments. Initially opposed by the tight-fisted Ministry of Finance in Tokyo, the IBJ proposal was soon thereafter given the go-ahead when the MOF rejection was overruled. The source said it was likely that IBJ held
proposal, which was then issued as a factional maneuver designed to improve the climate of negotiations between Mexico and Japan. The MOF opposition, the source noted, was likely overruled by MITI, with the help of som leading politicians in the ruling Liberal Democratic Party (former premier Takeo Fukuda was mentioned).

Though the decision by MITI to intervene and take overall leadership of the negotiations with Mexico appears to have cost IBJ any chance of gaining the inside track with Pemex, the source noted that IBJ will still emerge in a commanding position within the Japanese business community concerning Mexico, as MITI has now adopted the initial IBJ $500 million proposal as official government policy.

Despite many intriguing aspects of this account, it should be noted that other sources have voiced an opposing view, that the IBJ-MITI proposal for advanced payments is designed as a "compromise" with Mexico, i.e., an "alternative" to a full package deal. If this is the case, of course, the proposal will only further hurt relations between the two countries.

Whichever account is true, it remains to be seen what effect the government taking charge will have on the relations between Mexico and Japan. Without a clear change in Tokyo's political direction, the prospects for the relations blossoming to take full advantage of potential cooperation are not good.

—*Peter Ennis*

U.S. wages energy war against Mexico

U.S.-Mexico relations are at rock bottom, despite the rosy media and Carter administration predictions of an impending deal on U.S. purchase of Mexican natural gas. Washington policy toward Mexico has maintained its singleminded focus, what Mexican press angrily identifies as "myopia": to break Mexico's policy of measured oil development-for-industrialization in order to claim that country's massive reserves of oil and natural gas for U.S. strategic stockpiles.

Nowhere is the bent of U.S. policy clearer than in the intense and "cross party" pressure exerted on the Lopez Portillo administration to accept some form of "common

by Mexico as a veil for an energy grab and a virtual declaration of war by the United States. While pressing for Mexico to "share" its energy resources, Washington has steadfastly refused to acknowledge Mexico's demand that large-scale technology transfer to aid Mexican industrialization be the basis of any "interdependence" between the two nations.

Washington clearly views the question of concluding a natural gas accord with Mexico in strategic terms far surpassing the resource itself. As the *Baltimore Sun* stated, in a July 26 "leak" on the gas talks, a Mexico-U.S. deal would "serve as a sign of the cementing of an 'energy alliance' between the U.S. and Mexico."

Gas negotiations

Gas negotiations were reopened in April, after a breach of more than a year, ever since Energy Secretary Schlesinger torpedoed negotiations between six private U.S. gas companies and Mexico's state oil company, Pemex, on the grounds that Mexico's asking price was too high—particularly relative to the price of Canadian natural gas.

This new round of talks is being handled directly by Washington, with involvement of State, Commerce and Treasury Departments, as well as the National Security Council.

State Department Undersecretary for Economic Affairs Richard Cooper told journalists July 25 that the U.S. is "on the verge of negotiating" the framework of an accord that would set guidelines for price scales and volume, leaving U.S. private gas companies to sign the actual sales deals. An accord would presumably be sealed at the planned (no date has yet been set) "summit" of Mexican President José López Portillo and Jimmy Carter in September.

Whether a deal is in fact close remains unclear, despite official leaks to the contrary. The *Los Angeles Times* published a front page "inside" report Aug. 2 that the talks had once again collapsed. It is likely that price remains a point of contention. While Canada conveniently began raising its gas price—now heading toward $3.50 per thousand cubic feet by next spring—toward the Mexican price formula, which works out to be $3.80, the *formula itself* for price increases is still a sticky point, according to Department of Energy sources. Washington wants to peg Mexican price increases to the world market price of number 6 heating oil, while Mexico is pressing for a peg to the somewhat higher price scale of number 2 heating oil. Mexico has stated categorically that it will accept nothing less than a "just price" for the gas it sells.

How much gas?

Just how much gas would be available to the U.S. in the event of an agreement with Mexico? Vice President Walter Mondale told the National Association of Governors conference in early July that purchase of "great quantities" of Mexican natural gas (he did not mention a volume amount) is one of the highest priorities of the Carter Administration. But Mexican official statements strongly contradict these projections.

The only gas available for sales abroad, the government has declared, would be whatever surplus Mexico does not use domestically. This policy has been reaffirmed—as government policy—repeatedly over the last months by Pemex director Jorge Diaz Serrano and Natural Resources and Industrial Development Minister Jose Andres de Oteyza, who said May 9 that Mexico's "surplus for export is relatively small." A U.S. gas company insider told *EIR* that the volume of gas available is definitely below the 2 billion cubic foot amount discussed in 1977.