Dateline Mexico by Carlos Cota Meza

Oil resources on the auction block

The vaunted "new U.S. credits" will only go for drilling for oil for export, and to pay the debt.

At the late-November summit meeting with President Bush in Monterrey, Mexican President Carlos Salinas de Gortari said that the oil which is the patrimony of all Mexicans would not be made part of a Free Trade Agreement with the United States. Salinas denied that the Constitution would be amended to permit foreign investment in petroleum, an area that is vital for the Mexican economy.

What Salinas did not say, is that he has already figured out how to do an end run around the Constitution in order to hand the oil over to the U.S.

As the summit ended Nov. 27, U.S. Treasury Secretary Nicholas Brady declared, "For the first time, Mexico will contract drilling services from U.S. companies." Brady also announced that the U.S. government's Export-Import Bank would give a massive credit to the Mexican state-run oil company Pemex.

Eximbank's assistant vice president for Latin America, Richard Feeney, later clarified that the Eximbank would only provide loan guarantees so that Pemex could get loans from private U.S. banks, for contracting U.S. services and equipment for oil exploration and drilling. It further emerged that a fixed percentage of the output would be exported to the United States. The Salinas regime bases Pemex's "development strategy" on borrowing $5 billion from foreign banks. That is precisely the "monumental loan" from U.S. commercial banks, with Eximbank insurance.

Eximbank officially admits that it does not have funds budgeted "to cover even a tiny part of that enormous figure." There are, therefore, other reasons for its involvement. The Eximbank's purpose is to promote U.S. exports to the borrowing country. Depending on the type of credit and investment, Eximbank requires that up to 85% of its loans go to purchases from the United States. In the Mexican case, this component could go as high as 100%.

The Pemex Operations Program 1989-94 depends totally on this U.S. mechanism, at the same time that its foreign debt would increase dangerously. Pemex already owes $13.714 billion, not counting its bonds. U.S. banks hold 22% of this debt. If the Bush-Salinas plan were implemented, by 1994 Pemex's debt would approach $20 billion, the highest in its history. Of this, $11 billion would be owed to U.S. banks.

The cynicism of the Mexican government showed itself in the early-December explanation of Senate Energy Committee President Héctor Mayagoitia, that Mexico can decide for itself whether to use "the credit line of up to $5.6 billion." He said it would only be used to "contract services for the perforation itself. Pemex would tell the company providing the service, 'I want a well here.' But the credits will not be used for exploration, a field in which we are self-sufficient."

Such explanations are nothing more than the senator's psychological projection; when he was governor of the state of Durango, everybody knew of his oft-repeated love of being "drilled." Deputy Gonzalo Martínez Corvalá, president of the Energy Committee, said he did not know the conditions attached to these credits.

The handing over of Mexican oil to the North Americans is making giant strides forward. Pemex's 1991 Operations Program mandates that exports will continue having priority over domestic consumption requirements. Since 1983, Mexico has abandoned the idea of satisfying internal needs before exporting.

Next year's target is to export 51% of total production, set at an average of 2.677 million barrels per day. But the phony, government-imposed leader of the Oil Workers Union, Guzmán Cabrera, has declared, "The oil workers are willing to raise production up to 3 billion barrels per day." All that, without adding a single barrel to proven oil reserves, which have been declining since 1983.

As of November, Pemex expected its total income for 1990 would be $9 billion, 54.2% above its initial expectations. The reason for this is Bush's "splendid little war" in the Middle East. From January to July, Mexico received an average price of $14.77 per barrel on its exports of 1.220 million bpd. From August through November, the average receipts were $28.14 on average exports of 1.355 million bpd, which includes the additional 100,000 barrels sent daily to the United States. In other words, in only five months, Pemex obtained $5 billion in *unexpected* income, the equivalent of what it says it will have to borrow during the next five years with a "guarantee" from Eximbank.

If this $5 billion were not used to pay the federal government's foreign debts ("financial consolidation"), Pemex would not need to borrow even a penny. Likewise, the Mexican government would not have to be auctioning off other strategic state companies, to obtain income for its functioning.