

Schlesinger and Carter say they want to stimulate U.S. production, especially in Alaska, and hold off on a big Mexico push.

But there's no disagreement here on anything fundamental. Schlesinger takes back seat to few in Washington in threats and bluster against OPEC. He is notorious for his sponsorship, last year, of a proposal to create special U.S. "mobile shock forces" capable of "defending U.S. interests" in the Persian Gulf region.

As the architect of Carter's disastrous "zero energy growth" program in Washington, Schlesinger certainly is no friend of cheap energy for the sake of cheap energy. But as a pragmatic question, Mexican oil and gas can't come on stream fast enough to "break OPEC," in Javits's terms. As his "Iran" ravings indicate, he nevertheless wants to take no chances that Mexico will really emerge as a new industrial giant — another Japan.

Carter, stepping into this debate, has "resolved" the wrong issue. The question is not gas; the question is whether the U.S. fosters a Japan or an Iran on its border.

—Tim Rush

## On Mexico, Carter makes an about-face

Over the past few months President Carter has made several public statements on Mexico which have stunned observers for their inaccuracy and inconsistency.

First, during a press conference in November when Carter was asked about the furor caused by plans to build new "impenetrable" fences at various points along the border, he responded, "What fences?"

Then, on Dec. 7, Carter told reporters during a breakfast meeting at the White House that:

"In preparation for my visit to Mexico in February, the National Security Council has been assessing all the facets of our Mexican policy, political, economic, and so forth. . . . I consider

## State siding with Schlesinger

It's not that Schlesinger has been blocking the deal. We've been trying for six months to get down there (to Mexico — ed.). But we're getting no signals back. It's very clear, they are not prepared to negotiate.

Let me explain to you a little bit about how this situation developed. It's Mexico which backed off from negotiations last year, not Schlesinger. Schlesinger had nothing to do with this. . . . There was a hoorah in Congress, when Senator Stevenson introduced a motion to link an Eximbank loan to a reduced price (in consultation with Schlesinger's office — ed.). Despite all this public discussion, we still began discussions. We wanted to see how the matter could be recast. There was a need for optics on their side.

*EIR: What do you mean by "optics?" Different ways for two people to see the same thing?*

**Katz:** That's right. In this case, we offered ways for both sides to accept a \$2.60 (per thousand cubic feet) price.

But the key thing is that we never said "no."

Now the Mexican posture since has been: "you guys blew it. You lost the Exim loan, we went to London and got financing there. We're using the gas domestically" — though that's arguable — "and when we want new discussions, we'll be the ones to say. Not now."

*EIR: Administration policy toward Mexico at this point — on trade, gas, and undocumented workers — appears to be becoming more hard line.*

**Katz:** That would be terribly unfortunate. The trade issue is very specific, a question of certain goods and agricultural products, like tomatoes. In my view, it is soluble. Energy questions, the same. Now immigration is not my bag. There are at least four different views. This is one issue that really bugs the Mexicans.

*EIR: The editor of this publication, Fernando Quijano, has recently received extensive coverage in the Mexican press, advocating a policy of U.S.-Mexico relations based on the exchange of oil and gas for capital goods and other advanced technology. The French and Japanese have accepted this approach. What do you think of the concept?*

**Katz:** I don't see any problems with an oil-for-technology program in terms of trade policy. But you should know Mexican policy is as protectionist as any in the world. Hopefully that will change. . . .

It's not that the U.S. is falling behind other nations in trade, but rather a deliberate decision on the part of Mexico to reduce its trade with the U.S.

It seems fine for Mexico to acquire capital goods from Europe and Japan. But if they think they can then sell manufactured goods to the U.S., they're wrong. We're blocked as it is from fair trade arrangements with Japan and Europe in areas like steel. We certainly couldn't take Mexican steel, for instance.

our relationships with Mexico to be as important as any other that we have, and my relationship with President Lopez Portillo has been very good.

"We have also had negotiations with them earlier this year on the purchase or pricing of natural gas, and perhaps eventually oil, as those fields are developed. Because of the uncertainty of congressional action on the energy legislation, they were postponed, with agreement on both sides, until after the Congress adjourned. Those will be reconsidered, and I guess we will do some background work on that before I arrive in Mexico to conclude, hopefully, these continuing negotiations."

While Carter seemed to be emphasizing a "soft" negotiating posture in relations with Mexico, his comments on the gas negotiations were highly inaccurate in that: 1) there was no "agreement on both sides" to "postpone" the negotiations, and 2) there have been no "continuing negotiations."

At a press conference on Jan. 17 Carter completely reversed himself and endorsed the "hard line" position taken by Schlesinger a few days earlier.

"In the immediate future, the next few months, there is no urgency about acquiring Mexican natural gas. We have, at this moment, a surplus of natural gas in our own country; and the statements made by the Secretary of Energy were related to that fact. He has encouraged large users of oil and gas to use gas instead of oil.

"And we also have the problem of using efficiently gas produced in the 48 states of our country; and, in the future, how to bring the natural gas that is available from Alaska down through Canada to our nation. It's a very complicated thing. And when I go to Mexico next February this will obviously be one of the matters that I will discuss. But I'm not going down there to negotiate the price of natural gas. We'll be talking, myself and President Lopez Portillo, more in long-range strategic approaches on how we might best provide a good market for Mexican oil and gas that they want to sell to us."

## Schlesinger line won't budge Mexico

*Spokesmen for the Mexican government did not delay in responding to President Carter's endorsement of Schlesinger's "hard line" policy on gas sales. The following are excerpts from statements made on Jan. 18 by Patrimony and Industries Minister Jose Andres de Oteyza and by Jorge Diaz Serrano, director of the national oil company, Pemex, which appeared in the Mexican press.*

### **We will not be pressured**

Mexico will not accept pressure of any kind regarding its oil sales, stated Mexico's Secretary of Patrimony and Industrial Development, Jose Andres de Oteyza this week. Secretary Oteyza added that Mexico expects to be producing two and a quarter million barrels of oil a day by 1980.

The Industries Secretary asserted that the new National Plan for Industrialization — to be discussed Monday (Jan. 22 — ed.) by the country's industry-related ministers in the presence of President Jose Lopez Portillo — would revolve around oil sales and surpluses. After approval it will be implemented later this year.

According to Oteyza, there is no possibility that any type of external pressures will affect in any way this policy of industrialization based on oil revenues. "We don't know what they're thinking (in the U.S. — ed.), but we do know what we want, and we will not allow ourselves to be pressured by anyone regarding the use of our oil," stated Oteyza in no uncertain terms. "We are going to produce. . . to use Mexican oil productively, in terms of Mexican national interests."

Oteyza also commented that Mexico has under study a plan to establish a crude refinery in Bilbao (Spain), to be used as a distribution point for Mexican refined oil products throughout Europe.

### **We don't need the U.S. for oil sales**

Jorge Diaz Serrano, director of the Mexican state oil company Petroleos Mexicanos (Pemex) stated on Jan. 18 that Mexico doesn't depend on whether or not the United States decides to buy Mexican oil. He said that diversification (of markets — ed.) is the solution to Mexico's oil problems and that "it is better to have three friends than only one." The Mexican oil executive indicated that Mexico has diverse markets, including trade with Central and South American countries, while Spain is handling the introduction of Mexican oil products into Asian and European markets.

Diaz Serrano warned that Mexico will not put itself in the position of having only one purchaser for its oil output, and further insisted that Mexico's development — of its industry as well as the country overall — would not be impeded if the United States does not purchase Mexican oil products.

He stated flatly that Mexico has no expectations regarding U.S. purchase of Mexican natural gas. And in regard to Carter's remarks on the subject Serrano said, "He's free to say what he wants."