the B'nai B'rith in Miami last week by a Kennedy energy consultant. The Administration, said Lawrence Goldmuntz, must force Mexico to build a pipeline to the U.S. for "military" as well as economic reasons. "In the case of a conflict, even a limited one," he explained, "the Navy cannot guarantee supply from the Persian Gulf, Africa or Indonesia." The capacity of the proposed pipeline: eight million barrels per day — *almost the equivalent of total Saudi Arabian exports.*

Mexican resistance

Mexican is saying no to the entire scheme with a vehemence that only the fantasy-ridden Carter Administration could ignore. In an address to his nation celebrating its republican institutions, President José Lopez Portillo said Feb. 5: "Mexico will use its (oil) resources as it sees fit and exclusively as it sees fit... for its national interests." Mexico will "never deviate in response to bilateral greed." He clarified that his country is more than willing to sell oil to the U.S. provided Washington decides to join in building a new world economic order (such as embodied in the EMS), in which Mexico's resources would be seen as what Lopez Portillo called "patrimony of humanity." The point is clear: not a drop of Mexican oil for war plans.

Sources in another Washington lobbying firm, with ties to the offices of both Kennedy and Schlesinger, have revealed that Kennedy is launching a parallel bid for control over Venezuelan oil as well, and is expected to issue a policy statement soon calling for the same sort of "special relationship" he seeks with Mexico. Schlesinger deployed high-level DOE official James O'Leary to Caracas only two weeks ago to do initial scouting for this angle of the overall project (see below).

According to the outlines of the Carter-Kennedy policy proposals, key Latin American oil producers — particularly Mexico and Venezuela — would become locked into long-term purchasing arrangements with Washington on a "preferred" basis. "Preferred" does not necessarily mean the U.S. would get a bargain price; the key consideration is guaranteed supply in exceptional circumstances—such as war. In fact, the general expectation is that a cutoff of Middle East oil supplies through Iran-style destabilizations will drive world prices into the $25 per barrel range.

The hemispheric scheme would mean limited sovereignty for Latin American suppliers. The Council of the Americas, a business organization linked to the Council on Foreign Relations, has prepared a study for the White House laying out precisely how this would be put into effect. The memo (see below) calls for Mexican oil production and marketing to be placed under the control of "a Binational Energy Authority" under de facto U.S. domination.

We must get Mexico's oil — Kennedy

Senator Edward Kennedy unveiled his most recent campaign to define Mexican oil as part of the U.S. strategic reserve in a speech delivered Oct. 12, 1978 to the Inter-American Press Association in Miami. Notably, Kennedy called for such IMF-linked institutions as the World Bank and the Inter-American Development Bank to finance hemispheric oil exploration as further means of shifting U.S. dependence away from the Mideast. His aides told reporters this was the most important policy thrust of the speech.

The wonder is why Mexican oil and gas resources have been given so little attention and priority by the Administration. Although some estimates indicate that Mexico could both meet its own vital development needs and supply 25 percent of United States imports by 1990, Mexico appears not to have been taken seriously into account by the United States.... We have failed to accord Mexico the same attention and respect offered countries such as Iran and Saudi Arabia.... I believe we can formulate arrangements of long term mutual benefit to both Mexico and the United States, arrangements which address our respective interests and concerns in a balanced and long term manner. And I believe we can do so in the context of steadily shifting our dependence on imported oil from the Middle East to the Western Hemisphere....

I believe that the governments of this Hemisphere should establish a much larger fund to finance drilling activities, both by state-owned enterprises and private companies. In addition to the World Bank, the Inter-American Development Bank should finance both exploration and drilling efforts....

'Kennedy should cut rhetoric'

In the following interview, a top Washington energy lobbyist long associated with the "strategic reserve" project and also connected to Senator Edward Kennedy's office, outlines the current status of the Venezuelan aspect of the hemispheric operation. After describing

The reserve: who's pushing it

The oil crisis in 1973 gave renewed impetus to the hemispheric reserve policy, which was first floated in 1959. But the biggest boost came with the inauguration of Jimmy Carter and his appointment of James Schlesinger as Energy Secretary in early 1977.

Under Schlesinger the hemispheric reserve policy advanced on two levels. First, the strategic reserve, an anti-OPEC stockpile stored in Louisiana salt domes, became law. Second, efforts to nail down Mexico and Venezuela as U.S. "preferred" suppliers were intensified.

The outlines for the stockpile legislation were presented to Henry Jackson's Senate Energy Committee in January 1977 by national security and oil consultant Melvin Conant — before Carter was even officially in office. It was Conant's testimony, applauded by Senators Jackson, Kennedy, and Jacob Javits, plus his lengthy memo to the Pentagon that provided the groundwork for the plan.

The legislation itself is an expansion of pre-existing Pentagon authority to purchase oil on world markets for defense stockpiles. The same Pentagon office that makes these procurements, in fact, would run the logistics of the reserve. Moreover, there is existing "stand-by" legislation that would empower the Pentagon, in coordination with the Department of Energy, to enter into direct purchasing contracts with world suppliers for general U.S. consumption. This is the authorization that would be used to launch "preferred" contracts with Mexico and Venezuela, putting their oil in a category of *de facto* strategic reserves almost as secure as the Louisiana salt domes. As one source close to Schlesinger commented this week, "All the President has to do is sign it. You don't need any emergency or crisis."

By the summer of 1978 the decision was made by Schlesinger, Kennedy, et al. to reappraise Mexico as an alternative supplier to the Mideast. Consultant Lawrence Goldmuntz placed a July call to arms in the Wall Street Journal urging the Administration to use Mexican oil as a tool to bust OPEC. Goldmuntz's piece was followed by a major feature on the same theme in the August 19 issue of the New Republic. Not only did Kennedy have both of these articles entered into the Congressional Record, but the New Republic feature was written in coordination with his Capitol Hill staff.

By late August, according to the Montreal Gazette, the B'nai B'rith was "lobbying on an international scale" to "coordinate the role of American and Mexican

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how the Administration is seeking some form of long-term "privileged" agreement regarding both conventional and extra-heavy Venezuelan crudes, our interviewer noted that this has been a long-standing goal of Kennedy and Schlesinger.

Q: This has never washed with the Venezuelans. What makes the Administration think they'll buy it now?

A: Well, Herrera Campins (Venezuela's president-elect—ed.) has hinted that he will be more open to the idea of foreign participation in the Orinoco.... But this is not the main point. The key thing is to guarantee a market for it (the Orinoco heavy oil —ed.).

I'll tell you who is *very* interested in this problem: Senator Kennedy. He may soon put out a public statement on this. You know, he believes strongly in this hemispheric system idea. The problem is that he's been blasting OPEC lately in this context.

Q: That's exactly what the Venezuelans have always denounced. They've always said the U.S. "hemispheric" approach is just a move to bust OPEC and therefore they want no part of it.

A: That's exactly what we've been trying to tell him. He's got to cut that out if this thing's going to go anywhere. The terrible thing is that people here (in the U.S. —ed.) think that because of all this concern for Mexico and Venezuela, they believe we'll get a price break. That has nothing to do with it. The key thing is the *market*. What we should do is walk in there (Venezuela — ed.) and say, OK, we'll guarantee 80 percent of your exports with long-term contracts, including the Orinoco oil. The (U.S.) government has the authority to do this. It's standby, but all you have to do is have the President sign it. No emergency or crisis is needed.

Q: But isn't this the strategic reserve authority?

A: Well, it's part of the same legislation.

Q: You said the U.S. should guarantee a market for the Orinoco. The cost of producing Orinoco heavy crude is prohibitive at this point. Aren't you saying that with Iran knocked out and as chaos spreads in the Mideast, the world price for oil will skyrocket, thus making the Orinoco profitable?

A: Right. Everything has changed since Iran. If I were the Venezuelans, I'd invest heavily in the development of the Orinoco rather than put money into nuclear.

B'nai B'rith members in the development of Mexico's oil resources." A full-scale pressure campaign was worked out in a week-long B'nai B'rith conference in New Orleans Sept. 17-25. During this same period, Bernard Lewis, the British academic based at Princeton University and architect of detailed plans for returning the Middle East to warring tribal sects, paid a sudden and secret visit to Mexico.

National Security advisor Zbigniew Brzezinski began to transform the Kennedy-B'nai B'rith lobbying effort into official White House policy in October, when he began drafting Presidential Review Memorandum 41, which calls for using Mexico to break OPEC and for the creation of a North American Common Market as a means of securing Mexican oil supplies.

In their own words

Two architects of the "strategic reserve policy are the New York Council on Foreign Relations, in its 1977 book Contemporary Venezuela and Its Role in International Affairs, *and oil specialist Melvin Conant, who broached the idea in January 1977 testimony before Senator Henry Jackson's Senate Energy Committee, and, prior to that, in a report for the Pentagon. Below are their views of the policy.*

Melvin Conant (testifying before the Senate Energy Committee): The U.S. can embark on an unprecedented effort to expand supply sources outside the Persian Gulf, to three highly prospective areas in this hemisphere ... Canada, Mexico (and the Caribbean basins) and the Orinoco Belt of Venezuela. Success in developing oil resources in these three ... should give solid assurance that the U.S. can withstand contrived supply shortages.

Council on Foreign Relations: The United States should accept the need to devise a comprehensive oil import plan, a plan which would, on the one hand, take into account a "profile" of preferred import sources, and would on the other, involve the exercise of authority over import decisions rather than leaving these largely to private companies.... It would seem advisable to form a regional system of consultation involving both consumers and producers — a kind of Western Hemisphere Energy Institute — to exchange information and try to coordinate regional supply decisions, especially between the United States and such countries as Canada, Mexico and Venezuela.

The Goldmuntz way

In the following interview, Lawrence Goldmuntz, a Washington energy consultant who recently briefed the executive board of the B'nai B'rith Anti-Defamation League on his proposals, outlines his plans for replacing Middle East oil by a Latin American strategic reserve.

Q: How do you see bringing Western Hemisphere oil production into play as an alternative to dependence on Mideast supply?

A: Basically, the idea is that the U.S. should write purchase orders to Venezuela and Mexico, for the long-term — 20-25 years — at world prices. Take the example of Venezuela. Venezuela's heavy oil is produceable at today's prices.... If we give them a purchase order, that can be discounted at banks and gives Venezuela the means to develop their more expensive oil.

We should give the same purchase orders to Mexico — this must not be an opportunity for bilateral tension. And it should be an arms-length transaction, government to government.

We face an international oil cartel which is unstable. We need to attack that problem.

What are the advantages to the Latin American approach? One, it satisfies our military requirements. Two, it can be an element in North-South negotiations. Three, it can lead to lower prices.

Q: But won't it mean raising prices if high-cost Venezuelan crude is produced?

A: God gave Mexico low-cost oil, Venezuela, high. Tough for Venezuela. Let them fight it out. We can take from them both, at world market prices.

Q: All signs from Lopez Portillo in Mexico are that he will keep Mexican production pegged to Mexican oil and revenue needs, and only open up more in the context of new world economic arrangements. Getting locked into contracts with the U.S. doesn't seem to be what he's talking about.

A: You never know how cold the water is until you stick your feet into it. Of course, collaterally, we must discuss immigration, tomatoes, and all those other fine things.

Q: So the purchase contracts would be discountable by Mexico or Venezuela?

A: That's right. They are fungible instruments. The whole thing came out of a talk with Schlesinger. He was saying, "I can't compete with the Japanese." They're offering development aid in return for the contracts. I said, "You don't have to." With these purchase contracts, we get long-term supply and the producing country can exchange the contracts for whatever they need on the international markets to develop the oil. This is how the Japanese are buying coal from Australia. Schlesinger said, "write it up."