Dateline Mexico by Josefina Menéndez

Mexico and the U.S. strategic reserve

A quick petroleum deal has not obscured a range of troubling questions that underlie Mexico-U.S. relations.

Agreements between Mexico and the U.S., especially energy ones are not known for speedy negotiation. It was therefore somewhat startling that the industry ministry here announced Aug. 20 that the two nations had come to an agreement to substantially boost Mexico's sales to the U.S. strategic oil reserve.

Starting Sept. 1, Mexico will ship the U.S. 200,000 bpd to be stored in the salt dome reserves in Louisiana. From January 1982 until August 1986 a long-term contract of 50,000 bpd will go into effect. The 200,000 bpd level of the initial four months represents some 15 percent of Mexican exports and 30 percent of Mexican exports to the United States.

What's behind the deal? On the U.S. side it seems part of the administration's readiness to court near-term military confrontation. The Mexican oil acquisition increases the reserve's rate of fill by 50 percent, rising to 500,000 bpd. Though the boost will still only place the reserve at one-third the targeted total 750 million barrels, it is a substantial pickup, and it focuses political attention on the nearness and reliability of Mexican oil.

Though Mexico was one of the first countries to sell to the reserve in 1978, it is acutely sensitive both to the general implications of its becoming a giant "strategic reserve" for the U.S., and to the specific context of the current American buildup. High-level political and security officials here take the threat of a U.S. invasion of Mexico's oilfields very seriously.

The deal has some sweeteners for Mexico. First, it is state-to-state. Previous consignments have gone through private-sector oil companies as intermediaries; this one goes directly from Pemex to the U.S. Department of Energy. The *Washington Post* reacted with outrage at the potential loss of an economic warfare club: an oil company "can simply walk away from the offer" if it doesn't like a price, it editorialized Aug. 25; but "the U.S. couldn't break off its purchases from Mexico without creating a political incident of some magnitude." Worse, unlike the multis, the government might "have to show a measure of concern for the economic stability of its neighbor."

Second, the U.S. will also take a special consignment of Mexico's heavy Maya crude, which Mexico has had trouble marketing.

The Mexican government was careful to state that the deal does not violate the National Energy Plan's limit of 50 percent of exports to any one country. The government averaged out the lower exports of earlier in the year with higher exports over the final four months to make the claim.

There's no question, though, that the primary reason for Mexico's acceptance was to further stabilize oil-export revenues after the roller-coaster of the June-July period when oil contracts plummeted. Current estimates are that Mexico's losses from interrupted contracts and cut prices could add up to $5 billion by the end of the year. The 4 percent across-the-board cut in spending decreed by President López Portillo July 10 forced a major reappraisal of spending programs, and any further prolonged uncertainty could have intensified the shock dangerously.

At the height of "Black July," the rumor was circulating that construction on Pemex's giant 54-story headquarters in Mexico City, planned to be the tallest structure in the city, had been suspended.

There are indications that some Anglo-American strategic planners think the deal shows they have Mexico now in their geopolitical pocket. The issue of the Alaska swap, reportedly revived at high levels of the administration in recent weeks, could be the next test of the thesis. The swap calls for Alaskan oil to go to Japan and current Mexican shipments to Japan to be rerouted to the U.S. East Coast. Mexico has been firmly opposed to this in the past.

But it's a mistake to draw overhasty conclusions about Mexico's "weakness." The major development programs have not broken stride. The announcement on Aug. 25 that Pemex is going ahead with a big refinery project near Guadalajara, together with the continued construction of the Pemex tower, symbolize this.

In 1938, faced with a crippling oil boycott by U.S. and British companies after Mexico nationalized its oil, Mexico sold even to the Nazis; but it has never fundamentally abandoned its own strategic independence.