

Mexico becomes the new oil giant

A tremendous opportunity for America, if...

Jorge Diaz Serrano, head of Mexico's national oil company (Pemex), stunned last week's meeting of the American Petroleum Institute's conference in Chicago with the news that Mexico has uncovered a giant new reservoir that might contain as much as 100 billion barrels of oil and 40 trillion cubic feet of natural gas.

The oilmen's response was not unwarranted. Since the new find is not included in Mexico's current reserve figures, which already place its proven reserves at 20 billion barrels and potential reserves at 200 billion, Mexico's overall reserves could reach 300 billion barrels! Saudi Arabia, to date the world's oil giant, lists proven reserves of 150 billion barrels.

As significant as the size of the new deposit — which Diaz Serrano described as "one of the bigger hydrocarbon accumulations in the Western Hemisphere" — is its location. The field, called "Chicontepec," is in the legendary "Golden Lane" which stretches 100 miles south from the Gulf of Mexico port of Tampico. The new deposits are in an area which was thought to have been exhausted.

What will it mean for the U.S.?

As the U.S. and British press were quick to recognize, the new oil finds will turn Mexico into "the next oil power." But despite the unusually large amount of publicity, few sources in the U.S.

discussed what it will mean to have a "Saudi Arabia" south of the border. In fact, it was Mexican officials who drew out the full

implications of their country's emergence as an oil power for relations with the U.S. in language any astute American businessmen could not fail to understand.

Speaking at an important conference on petrochemicals in the state of Yucatan one day prior to his speech at the API convention, Diaz Serrano declared that the Chicontepec field "represents a magnificent opportunity for definitely industrializing our country." At the same event Industries Minister Jose Andres de Oteyza announced government incentives to domestic and foreign businessmen who want to invest in the promising petrochemical industry. Two days later, Finance Minister David Ibarra announced the establishment of a special \$200 million fund to begin implementation of the government's program for production of capital goods. And in the process of working out special legislation to provide the guidelines for the development of nuclear energy, a group of Mexican Congressmen has called for a long-term program which would start immediately with the construction of eleven nuclear plants.

In short, Mexico is moving ahead with its industrialization program at breakneck speed. As its leaders have said in the past, the revenues from oil exports will be used to import the advanced technology and manufactured goods required to expedite this process.

It's no coincidence that Mexico chose to announce the new oil discoveries one day prior to Diaz Serrano's speech at the Chicago

API Convention. Given that the U.S. is Mexico's largest and traditional trading partner, Mexico would very much like to see the establishment of a mutually beneficial trade and development relationship. Last week it was announced that President Carter will visit Mexico in February of next year, giving the U.S. another opportunity to reciprocate these Mexican offers, which in the past have been sabotaged by Energy Secretary James Schlesinger and National Security advisor Zbigniew Brzezinski.

But Mexico is making no secret of the fact that if the U.S. does not respond positively to its offers, Mexico will take its business elsewhere. This was stated starkly by the head of Mexico's Central Bank Romero Kolbeck at a press conference on Nov. 14, in which he reviewed the effect of current U.S. economic policies on Mexico. Romero warned that the current anti-inflation measures adopted in this country, in particular the sharp rise in interest rates, as well as the collapse of the dollar, could lead to a dangerous situation of economic depression and "distortions in international trade currents." Mexico is taking measures to defend its own economy in light of the trend in the U.S., he said, by turning to "the new international capital markets which are emerging in West Germany, Japan and Switzerland." Observers in Mexico interpreted this as a clear reference to the European Monetary Fund.