

3. U.S. policy blunders

On the same day that Pemex director Jorge Diaz Serrano made public the first of Mexico's enormous new oil finds, the U.S. State Department announced that President Carter will visit Mexico for three days next February. Unlike news of the oil discovery, the announcement took no one by surprise. Relations between the two countries have plummeted to their lowest point in approximately the past 50 years, as a result of a series of British-inspired U.S. policy blunders which began close to one year ago with the veto by Energy Secretary James Schlesinger of an important deal for the sale of Mexican natural gas to the U.S. These tensions peaked one month ago when the U.S. Immigration and Naturalization Service announced the construction of an impenetrable wire-mesh fence along parts of the border with Mexico.

Now, at a critical moment in U.S.-Mexico relations when oil is in the limelight, President Carter will be visiting Mexico.

Just before Carter announced his trip to Mexico, a conference on "Business with Mexico," sponsored by London's *Financial Times* newspaper, got off the ground in Mexico City. The conference attendees include such notable City of London figures as Leopold de Rothschild, Director of N.M. Rothschild and Sons, and Lord Chalfont, President of Canning House. Rothschild was particularly open about British designs, calling on Mexico to come to its "friends" at the City of London for any foreign credit needs.

PRM-41

Before Carter leaves for Mexico he will have to choose from a number of policy guidelines which are being prepared for him under the supervision of Zbigniew Brzezinski's National Security Council in the form of "Presidential Review Memorandum 41," (known as PRM-41). From all indications to date, President Carter won't be given much of a choice.

A recent article in this magazine on PRM-41 (see *Executive Intelligence Review* Vol. V, No. 42) clearly established that discussion of the memorandum by circles around Senator Edward Kennedy, the Rand Corporation and the Brzezinski-Kissinger wing of the National Security Council, centers to varying degrees on how the U.S. can make sure that its own "strategic considerations" prevail over Mexico's in the use of the oil and its revenues.

According to reliable sources, National Security Advisor Brzezinski is saying privately that the U.S. "will never permit another Japan south of the border." As he and his factional allies are unhappily aware, Mexico is committed to using its oil revenues for a program of high-technology industrialization; that is, precisely to become "another Japan."

The key weapon at Brzezinski's disposal is sealing off the border to prevent unemployed Mexican workers from entering the U.S. to find jobs. Until

Mexico's industrialization program goes into full swing, this seasonal migration is an important measure to reduce unemployment and create a "safety valve" for maintaining social stability within Mexico.

While Brzezinski has not discussed this policy in public, his views have been most clearly reflected in the writings of Professor George Grayson of William and Mary College, who first gained prominence with an article in *Foreign Policy* magazine, the journal Brzezinski had edited prior to entering the Administration. In his article, which appeared in *Foreign Policy* in the winter 1977 issue, Grayson began by asking: "What policies will advance Mexico's eco-

Kennedy aide: 'Investment should be on the labor-intensive side'

An aide to Senator Edward Kennedy, shortly after returning from a fact-finding trip to Mexico on behalf of the Senator, commented on Mexico's development strategy in an interview last month.

Q: Mexico has challenged the approach to development currently upheld by Robert McNamara and the World Bank, that Third World countries should minimize their use of technology and maximize the creation of unskilled jobs in rural areas. Mexico is saying that an industry- and technology-centered approach will create domestic jobs, which will also be socially productive and not consign Mexico to perpetual rural poverty. How do you think the U.S. could back up Mexico's strategy?

A: I know the general drift of what McNamara wants, and it seems laudable to me. What does (Mexican Finance Minister) Ibarra mean when he talks of a strong capital goods sector and capital-intensive industry? It sounds like the age-old argument—big production projects, long-term loans, external reliance. Now that doesn't really help the poor. We need to address basic human needs.

Q: But how can basic human needs be met without the social surplus generated by productive jobs in capital-intensive sectors?

A: My instinct is that that's just another version of trickle-down economics, one in which the oil benefits will only go to the top layer of the society. We need small-scale technology in an agricultural base. Investment should be on the labor-intensive side.

conomic interests, while satisfying U.S. security needs?" He then proceeded to focus most of his attention on Mexico's "population explosion" and the "illegal immigration" into the United States. Grayson proposed a two-part strategy: "Closing the border escape valve" and forcing Mexico to adopt "labor intensive agricultural projects." In a more recent article written for the *Washington Post*, Grayson argued emphatically against losing sight of these primary objectives by placing too much emphasis on Mexico's oil:

This country should not exchange dependence on the Saudis for dependence on Mexico. Such a step could hamper an assertive border policy that will soon be necessary lest the current flood of illegal immigrants becomes a tidal wave. Increased purchases of oil and gas from our southern neighbor should be coordinated with a determined effort on their part to create jobs.

Kennedy's "soft line"

The forces around Senator Edward Kennedy fully agree with this general policy outlook, although they have tried to couch their proposals in "softer" terms in an effort to maintain their "liberal" profile and portray themselves as "friends of Mexico." Kennedy and spokesmen for the Zionist Lobby (such as *New Republic* magazine) have focused most of their attention on the vastness of Mexican oil reserves and on how they could be used to bust OPEC. While Kennedy is expected to implement the Carter program to stem the flow of illegal aliens into the U.S. when he assumes chairmanship of the Senate Subcommittee on Immigration next year, he has so far downplayed that issue.

However, as the interview with a top Kennedy aide working on Mexico (which accompanies this article) makes clear, Kennedy favors exactly the same labor-intensive, anti-industrialization policies explicitly outlined by Grayson.

Kennedy himself, in an op-ed last week in the *Washington Post* proposed such an approach by endorsing a plan by the World Bank — the main proponent of intensive labor projects in the Third World — for establishing a revolving fund to finance oil exploration in non-OPEC countries.

But while Kennedy and his Zionist Lobby allies would like to see Mexico's oil used to bust OPEC — a strategy which Mexico has repeatedly rejected — that does not mean that they favor an increase in overall energy production in the U.S. Although the Kennedy forces now piously criticize Schlesinger for clumsily mishandling the gas negotiations last year, they remain fully committed to Schlesinger's zero-growth energy supply views. Almost every pronouncement generated from Kennedy's office over the past few months has included embarrassed disclaimers that the astonishing Mexican oil finds "do not reduce the need for strict conservation policies in the U.S."

— Pablo Silva

Washington Star endorses Mexican oil plans

The following quotes are taken from the Nov. 20 lead editorial of the Washington Star, titled "Mexico's big-time oil." Despite a mildly anti-OPEC tone to certain sections of the editorial, the selections presented below document one of the few cases of American spokesmen seriously arguing for the necessity of joining with Mexico's ambitious industrialization plans, instead of sabotaging them.

Mexico has given much official confirmation in recent days to reports of oil finds that would place it in the big league of the world's producers. In fact, our neighbors to the south could be sitting on the greatest of all petroleum reserves, surpassing even Saudi Arabia's...

There are intriguing implications in all this, for Mexico, the United States and the rest of the world.

Mexico has the opportunity — and President Lopez Portillo sounds ready to seize it — to use its oil wealth for the most serious effort yet to bring its economy into the 20th (and the 21st) Century. It will take years, of course, to build up actual oil production and facilities for using and shipping great new quantities. But instead of just spawning a hopelessly growing and massively unemployed population, Mexico could use oil earnings to finance large-scale development of its industrial potential and a prosperous life for its people. The President puts the possibilities this way: "We have before us 20 or 30 years to organize our country in such a way that we will enter the next century as a society with full employment. We can have this, or national failure — this, or the humiliating condemnation of seeing a nation of illegal workers."

This is an exciting prospect for underemployed Mexico — and for the United States, which has been used to regarding its southerly border as the bothersome source of illegal immigration by job-hungry people. Is it possible that the flow will be dried up some year soon by the labor demands of a booming Mexican economy? Or that some new fences might be needed on the other side of the Rio Grande?...

The United States undoubtedly will be a close collaborator in Mexico's economic development plans, and the countries provide natural and growing markets for each other. A more equal economic relationship will make for less strained friendship between the North American neighbors...

Mexico's augmented oil wealth — bolstering the planet's exhaustible supplies — is good news for everyone.