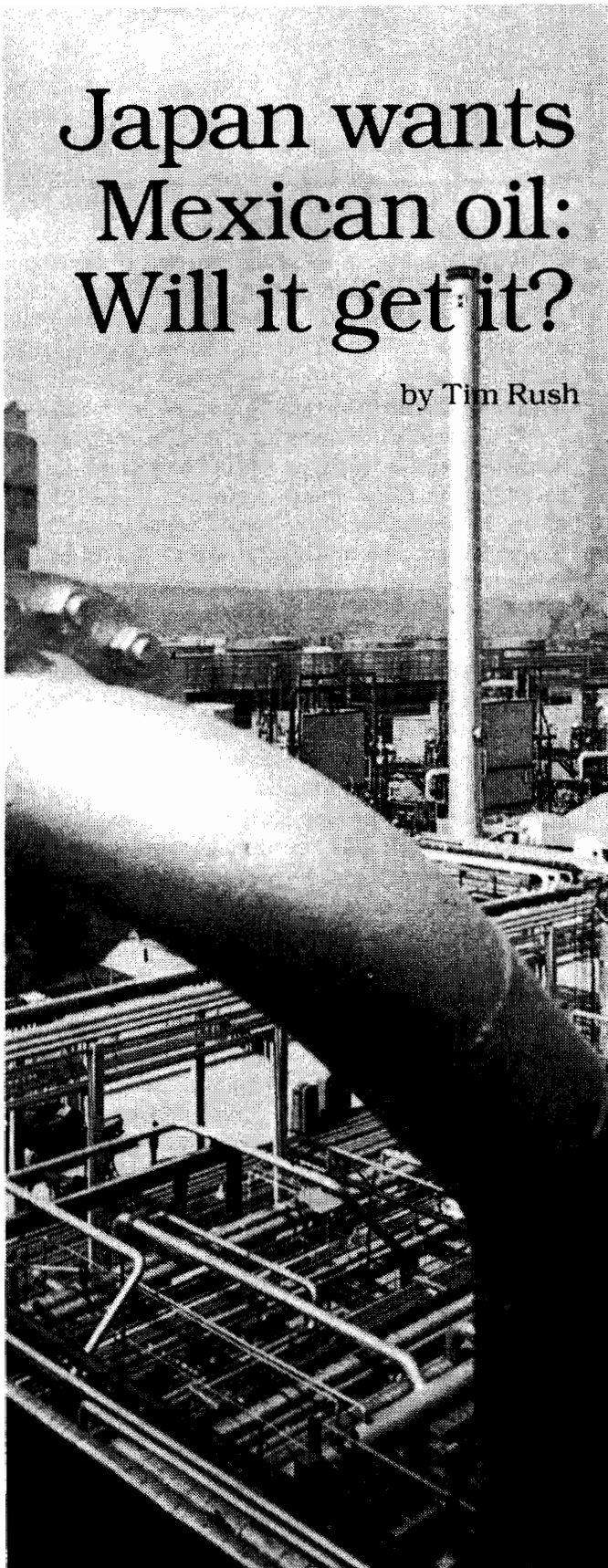


# Japan wants Mexican oil: Will it get it?

by Tim Rush



On May 1, Japanese Prime Minister Masayoshi Ohira will be arriving in Mexico City for a three-day state visit of the greatest strategic importance for both nations. For Japan, it comes at the point of maximum danger to its supply of vital energy since World War II, as a direct consequence of the Carter administration's pressure on Japan to break ties with Iran, which provides a full 10 percent of Japan's oil. If Japan (and Western Europe) don't break with Iran, Washington is threatening, the U.S. will unilaterally blockade parts of the Persian Gulf, which would cut off vital oil supplies for America's allies. But on the other hand, if Japan follows Washington's orders and breaks relations with Iran, Khomeini and Co. will undoubtedly retaliate by suspending oil deliveries to Japan.

In either event, Japan is likely to get the Iranian 10 percent of its oil supply cut off in the coming weeks. So guaranteeing increased deliveries of Mexican crude has become paramount for them.

For Mexico, the Japanese negotiations are also critical. Miguel de la Madrid, Mexico's Minister of Programming and Budget, announced late this week the adoption of a three year Global Development Plan which calls for the investment of \$50 billion of oil revenues in massive industrial and infrastructural projects. Mexico is looking to Japan and Western Europe as the crucial providers of the capital goods necessary to meet this plan.

In addition to the Ohira summit, President Lopez Portillo will be travelling to France, West Germany, Sweden and Canada in late May, to try to line up oil-for-technology accords with those countries as well.

For Mexico, more is at stake in these negotiations than its traditional policy of diversifying trade away from excessive dependence on the United States. Highly reliable sources in Mexico have told *EIR* that President Lopez Portillo is currently *totally reviewing* the nature and strategic potentialities of Mexico's ties to Japan and Western Europe. This is being done in light of the economic collapse besetting the United States and Washington's persistent strategic insanity—euphemistically referred to in private by one Mexican cabinet minister as “systematic imprudence.”

Thus, much is riding on the Ohira-Lopez Portillo summit for both sides. If things work out, Japan could well get as much as 300,000 bpd of Mexican oil, three times as much as the Mexicans have so far agreed to. In return, Japan will play a major role in meeting Mexico's capital needs, including direct participation in the construction of industrial ports in dimensions that can only be described as unprecedented. If everything goes

through as it is now being negotiated on the highest levels of the two governments, most *EIR* readers—and world governments!—will probably be stunned by the scope of the accords. The strategic implications for North-South relations will be no less significant.

But will it go through?

To hear Prime Minister Ohira tell it, everything is honey and roses. Yesterday, he predicted to visiting Mexican journalists that “Mexico and Japan are going to be eternal friends,” and that “there is no factor between Mexico and Japan to impede mutual understanding and reciprocal confidence.”

But Mr. Ohira was being less than totally frank with the Mexican reporters. The fact of the matter is that the scheduled summit talks could as easily be an unmitigated disaster as a great success. The reason for this is twofold: first, Ohira will be stopping through Washington *before* he arrives in Mexico City; and second, he is reported to be bringing with him a proposal for Mexico to join a Pacific Basin Community.

Japan has historically molded its foreign policy to American demands. But Mexico, in a word, is profoundly distrustful of Washington's intentions, and believes that the Carter administration's motives are to sabotage independent oil-for-technology accords between Mexico and Japan. Throughout the Lopez Portillo administration, Washington has maintained a policy of strident opposition to Mexico's ambitious industrial development plans, and has tried to convince the Europeans and Japanese that Mexico is “American turf” and that they should keep out. Washington will also be using the Iranian blackmail to try to whip Japan back into line across the board.

If Ohira reflects this in any way, or tries to obtain Mexican oil *without* committing Japan to transfer of technology to Mexico, Mexico will unquestionably take its orders for capital goods—and *its surplus oil*—elsewhere: to France, to Spain, to West Germany, and so forth.

As for the Pacific Basin Community proposal, Mexican officials are profoundly hostile to the concept, since they equate it with Washington's “Hemispheric Energy Reserve” and similar proposals designed to appropriate Mexican oil for America's strategic designs. As we explain below, if Ohira attempts to make this proposal the basis of the Mexican-Japanese negotiations—either on his own initiative or under Washington's duress—then it is also likely that he will go home empty-handed.

In a word, Mexican-Japanese relations have reached a crossroads after three years of intense negotiations. Whether or not they go forward from here depends largely on how Prime Minister Ohira handles the immense pressure he will with certainty be subjected to by Washington before he sets foot in Mexico City.

## MEXICAN VIEW

There is no question that Mexico is looking to Japan as potentially one of its prime partners in development. Since Pemex director Jorge Díaz Serrano laid out a strategy 18 months ago to diversify Mexican oil exports into a 60-20-20 percentage breakdown with the U.S., Europe and Japan respectively, negotiations with Japan have grown rapidly in scope and intensity.

The first milestone was set in August, 1979, when Mexico agreed to sell Japan 100,000 barrels per day in exchange for a first found of transfer of technology deals. In December three major Japanese trading companies acceded to Mexican wishes and formed a single consortium to negotiate participation in the \$2 billion expansion of the Las Truchas steel mill on Mexico's west coast. Mexico announced in mid-February it definitively would proceed with the project.

At the end of March, Toshio Doko, the head of the most powerful industrialist association in Japan, the Keidanren, arrived in Mexico for 3 days of talks. And a week later the Mexican Industry Minister, de Oteyza, left for Tokyo for five days of discussions. His approach was “flexible,” according to sources on both sides. His primary goal: locking up the financing and technology for Las Truchas.

The Mexicans have made it clear to the Japanese: “no technology, no oil.” Last summer, the Mexicans dangled up to 200,000 barrels per day in front of the Japanese. When the Japanese dragged their heels on the corresponding financing and technology packages, they ended up with only half that amount.

Mexico is well aware that Japan has always “cleared” its moves into Latin America with Washington. As one State Department official confirmed it to *EIR* this week, America “has had close discussions with the Japanese both before and after” all Japanese visits to Mexico and Latin America.

Any sign of U.S. interference to cool off the Mexico-Japan deals will be like pouring oil on a fire, in terms of U.S.-Mexico bilateral relations. Bad as relations have become, such action by Washington could make current relations look rosy in comparison.

And there will be little Mexican sympathy for Japan if it accedes to U.S. pressure. “Does Japan have to ask Washington permission for *everything*?” queried one Mexican official this week.

## JAPANESE VIEW

The upcoming trip of Prime Minister Masayoshi Ohira to Mexico is viewed in Tokyo as a mission of vital importance to Japan's future, as Mexico's huge oil reserves are a possible source of supply for Japan.

Japanese premiers are not known for their trips abroad, and very careful preparations are made for all such jounries. In the case of Mexico, the Ohira trip will be the culmination of more than three years of slow and cautious (many say too slow and too cautious) efforts by Tokyo to develop ties with Mexico, by walking a thin line between Mexico's demands for advanced technologies, and American demands that Japan not move in on the U.S. "backyard."

It should be noted that Japan's opportunity for successful talks with Mexico is a recent development. Indeed, the Japanese alienated many officials in Mexico when the serious talks for expanded ties began three years ago. At that time, representatives of the Japanese business group Keidanren made the blunder of opening negotiations with the controversial Monterrey private sector in Mexico, and went so far as to suggest that Mexico alter its labor laws so as to make the investment climate "more favorable." Naturally, these Japanese tactics did not wash too well.

It was only after Japan's Ministry of International Trade and Industry centralized all economic negotiations with Mexico, including the vital question of importing oil, that chances for successful relations between the two countries opened up.

With the Japanese-Mexican bilateral relations pretty much set to go, the big question mark is what will happen when Ohira stops in Washington. Japanese sources say that public opinion in Japan is running high against the United States, angered by the pressure on Tokyo from Washington to abide by the sanctions against Iran. This atmosphere has put both Ohira and Foreign Minister Saburo Okita in a corner, as their natural inclination is to follow Washington policy to the proverbial "T."

Japanese officials have let it be known that Ohira's less-than-24-hour stop-over in Washington is largely a formality, and of secondary importance to the trip to Mexico. Japanese sources report that Ohira plans to bring up Mexico in his talks with Carter, to emphasize the importance he places on his visit.

## THE U.S. VIEW

There are several factors determining Washington's attitude toward the Ohira trip to Mexico at this time.

Foremost on the minds of Carter administration officials is forcing Japan (and the European countries) to submit to the policy dictates of Washington by adhering to the boycott of Iran. Of only slightly lesser importance to Carter officials is breaking the back of the "maverick" nationalism of Mexico, and getting the Japanese to help in that task.

Sources in Washington report that Carter officials are considering trying to "kill two birds with one stone," by linking the issues of Iran and Mexico during the Ohira stopover at the White House. There are several options under discussion in this regard. The first is to argue to the Japanese that, due to the crisis in the Middle East, Mexican oil has become a vital part of the strategic "reserves" available to the "Western alliance," and therefore "bilateral" relations with Mexico must be subjected to "multilateral, strategic" considerations. As part of this option, Mexico's refusal to make its oil available for use by the "Western alliance" must be broken by denying the country any independent oil-for-technology arrangements.

The other option under consideration in Washington is to tell the Japanese that the Carter Administration will aid in procuring more oil for Japan from Mexico, in exchange for Japanese compliance with the sanctions against Iran—a ludicrous proposition given the disfavor with which Mexico currently views Washington.

Despite these policy "options," however, Carter officials are in fact fretting over what to do. Many officials contacted admitted that the pressure on the Japanese may not be sufficient, and keeping Mexico and Japan apart will not be an easy proposition. One top American expert on Japan with ties to the State Department acknowledged that Ohira plans to raise the issue of Mexico as a snub to Washington, and said that Carter officials will try and insist that discussions focus on Iran. Other, medium level Carter officials insist that Mexico will not even be discussed between Ohira and Carter, indicating they are either not briefed on the policy options, or are fearful the Japanese will use the issue of Mexico as a snub to Carter.