

Carter resolves on gas policy

Decision sidesteps Mexico's desire for development

U.S.-Mexico relations took another serious turn for the worse last week, just prior to President Jimmy Carter's scheduled arrival in Mexico City Feb. 14.

Two events highlight the continuing downturn; both creating the appearance that a "policy debate" on U.S.-Mexico energy policy is wracking the nation's capital. But in fact, participants in the "debate" all agree on their fundamental approach to relations with Mexico, leaving no one in top policy circles to address the basic issue: how to hook up Mexico's plans to use its massive oil reserves as the basis for massive industrialization with U.S. needs for energy imports and high-technology exports.

Instead, President Carter is being pressed to take sides in what appears to be a policy conflict between Energy Secretary James Schlesinger and National Security Advisor Zbigniew Brzezinski over Mexican oil. Both oppose the industrialization of Mexico and should Carter deliver either insulting variation to Mexico next month, the only benefactor of Carter's goof on the issue will be presidential hopeful Senator Ted Kennedy — whose political machine revved up this "family feud" against the President in the first place.

On January 17, Carter announced to an afternoon press conference in Washington D.C. that there was "no urgency" to sign a

natural gas import deal with Mexico, due to a current "surplus" of gas in the U.S. He would only discuss "long-term strategic approaches" with Lopez Portillo, he said. The major U.S. press immediately reported that Carter had thus embraced Energy Secretary Schlesinger's view on the gas deal question. Wrote the *New York Times*, "Mr. Carter appeared to put a cap on debate within his Administration in recent months, siding with Secretary of Energy James Schlesinger against recommendations that Administration officials said had come from the National Security Council and the Department of State."

Five days later, the scene of the battle shifted from the press and back to Capitol Hill, where Schlesinger was brought before the Joint Economic Committee (JEC) to testify on energy policy. When Schlesinger repeated his view that Mexican gas took third place to the need to promote more domestic and Alaska production, the following heated interchange took place:

Sen. Jacob Javits (R-NY): "Aren't you materially poisoning the atmosphere of relations with Mexico when there are more overriding issues than the natural gas price... Mexican oil could be our greatest asset in breaking OPEC."

Schlesinger countered: "Mexico is going to have to be very careful and concerned about the social implications of too-rapidly

"Seal the border and watch them scream"

A key section of the Presidential Review Memorandum (as reported in the *Washington Post*) notes that: "While there is little danger that — unless we attempt to seal the border — Mexico will become overtly hostile, the cumulative impact of unmanaged tensions could end the conditions that have enabled the United States to discount Mexico's nearness."

And yet, sealing the border is exactly what the Carter Administration policy appears to be headed for, with the clear understanding that it will lead to open violence and unrest within Mexico. The "safety valve" provided by thousands of workers who now migrate to the U.S. for work will be shut off.

This scenario was outlined by "agronomist" William Paddock in an exclusive interview three years ago: "We are

going to clamp the borders of the U.S. and Mexico down. Then watch them scream. There is nothing that really can be done with them. Mexico cannot support its present population on a stable basis. The population will have to be cut to 30 million people (from a population at that time of 60 million people — ed.). This will occur as it always does; through pestilence, famine, and war."

What then seemed like the ravings of a genocidal lunatic, however, is now openly discussed as U.S. foreign policy. At the end of last month the Special Committee on Population led by Representative James Scheuer (D-N.Y.) issued a report calling for "an intense, high-priority and well-funded effort to secure our borders regardless of what else we may do." In the cover letter written by Scheuer for the report, he called for "a firm, hard sealing of the border."

developing its resources. We have seen what happens with a too rapid development in Iran. (So) the pace of these developments will not be sufficient to break the OPEC cartel."

Sen. Edward Kennedy then bitterly criticized the Energy Secretary for "spurning" U.S. relations with Mexico in order to boost the Secretary's more-expensive Alaska project.

Mirror-image politics

Buried behind this facade of policy debate is the reality that Kennedy, Javits, Brzezinski and Schlesinger all agree on the same strategic lunacy: international oil is a geopolitical weapon for destabilization and economic control, not a springboard to high rates of international growth. Therefore, Mexico must not be permitted to use its oil for rapid industry-based development.

The code-phrase giveaway is "Mexico could be another Iran." Schlesinger, in his JEC testimony, became the first cabinet member to publicly present this outrageous assertion. While Mexico moves rapidly on projects which will end problems of unemployment and rural backwardness — the precise ingredients for social unrest — Schlesinger is now on the record stating that Mexico must court economic disaster and "go slow."

The Mexican government, however, in response to the Carter-Schlesinger statements, is sticking to plans to become an industrial giant with or without the U.S. (see below), and furthermore, has the partners in Japan and Europe to do it. French President Giscard's planned trip to Mexico, two weeks after the Carter trip, makes clear that the U.S. stands to lose by the Carter Administration approach.

The only way that an "Iran scenario" could take hold in Mexico is if Washington sets about to create it — by sealing the U.S.-Mexico border. This measure is designed to create the circumstances of rising popular unrest by cutting off Mexico's unemployment "escape valve," thus inviting the chaos of an Iran.

Three years ago, when zero population growth fanatic William Paddock called for sealing the border, it seemed like a cry from the blue. Now a full committee of Congress — the Select Committee on Population — has endorsed major steps in the direction of a border closing, and Committee Chairman Scheuer urges completing the job.

This is a perspective for sending Mexico back into the Dark Ages. Representing help in this direction from within that country, one of Mexico's leading "fiscal conservatives," the Mont Pelerin Society's Juan Sanchez Navarro, stated to the Mexican press last week that Mexico is facing "eight centuries of the Dark Ages," just as "Europe did after the fall of the Roman Empire."

The Kennedy angle

One of the more astonishing aspects of Carter's sudden embrace of Schlesinger on energy policy toward Mexico is that it hands his major rival for the 1980 Democratic Party nomination, Edward Kennedy, a carte blanche to parade as the friend of Mexico wanting to see the gas deal go through. Kennedy's office worked with the Brzezinski side of this fracas in the formulation of the "soft-line" aspects of a classified document known as Presidential Review Memorandum-41, which advocated an immediate gas deal.

A Kennedy staffer contacted this week was quick to insist that "Schlesinger's hard line won in the debate in the White House... it's a very sad development."

But Kennedy's well-known aversion to Third World industrial development is precisely the flip-side of the "seal-the-border" threats. What kind of economy will fit the New Dark Ages of a Mexico thrown into chaos by border-sealing? A Kennedy staffer boasted of Kennedy's policy toward Mexican economic development last fall: "Mexico needs small-scale technology in an agricultural base. Investment should be on the labor-intensive side."

Kennedy's self-proclaimed model for such development is the programs of the World Bank. World Bank director Robert McNamara arrived in Mexico personally last week to urge Mexico to pay more attention to "agricultural development" in the poorest and least-efficient peasant areas, and to focus on "job-creation" rather than industry.

All against OPEC

What then is the debate about Mexican gas? Brzezinski and Javits, on one side say it's worth it to get a gas deal through immediately, even if on Mexico's terms, in order to get more gas and oil as a U.S. reserve against OPEC.

On U.S.-Mexico policy,

In the following interview with the Executive Intelligence Review, Julius Katz, Assistant Secretary of State for Economic and Business Affairs, reveals the thinking of an extensive "Schlesinger faction" within the State Department for the 18 months that the Mexico natural gas deal has been up for debate. Katz wildly distorted the sequence of events which led to the collapse of the gas negotiations, as well as the positions taken by the parties involved.

EIR: In Carter's press conference statement Jan. 17, the President indicated that he agreed with Schlesinger's insistence that a gas deal with Mexico was not a priority for the Administration.

Katz: Schlesinger's view has been mischaracterized. He has said that an immediate deal is not urgent from our point of view. So it's not necessary to accept Mexico's higher price. But at a certain time, price and time will come together. Now there's one other point which converges here, and that's the Mexican view. How anxious they are for a deal is somewhat questionable. It's part of a larger can of worms.

EIR: But aren't their criteria for deciding the wisdom of a gas deal between neighbors like the U.S. and Mexico beyond simple price? Won't it help relations and eventually bolster the economies of the two countries in ways that go far beyond the dollars and cents cost of the gas itself?

Katz: Look, Schlesinger's position has been grossly distorted.

Schlesinger and Carter say they want to stimulate U.S. production, especially in Alaska, and hold off on a big Mexico push.

But there's no disagreement here on anything fundamental. Schlesinger takes back seat to few in Washington in threats and bluster against OPEC. He is notorious for his sponsorship, last year, of a proposal to create special U.S. "mobile shock forces" capable of "defending U.S. interests" in the Persian Gulf region.

As the architect of Carter's disastrous "zero energy growth" program in Washington, Schlesinger certainly is no friend of cheap energy for the sake of cheap energy. But as a pragmatic question, Mexican oil and gas can't come on stream fast enough to "break OPEC," in Javits's terms. As his "Iran" ravings indicate, he nevertheless wants to take no chances that Mexico will really emerge as a new industrial giant — another Japan.

Carter, stepping into this debate, has "resolved" the wrong issue. The question is not gas; the question is whether the U.S. fosters a Japan or an Iran on its border.

—Tim Rush

On Mexico, Carter makes an about-face

Over the past few months President Carter has made several public statements on Mexico which have stunned observers for their inaccuracy and inconsistency.

First, during a press conference in November when Carter was asked about the furor caused by plans to build new "impenetrable" fences at various points along the border, he responded, "What fences?"

Then, on Dec. 7, Carter told reporters during a breakfast meeting at the White House that:

"In preparation for my visit to Mexico in February, the National Security Council has been assessing all the facets of our Mexican policy, political, economic, and so forth. . . . I consider

State siding with Schlesinger

It's not that Schlesinger has been blocking the deal. We've been trying for six months to get down there (to Mexico — ed.). But we're getting no signals back. It's very clear, they are not prepared to negotiate.

Let me explain to you a little bit about how this situation developed. It's Mexico which backed off from negotiations last year, not Schlesinger. Schlesinger had nothing to do with this. . . . There was a hoorah in Congress, when Senator Stevenson introduced a motion to link an Eximbank loan to a reduced price (in consultation with Schlesinger's office — ed.). Despite all this public discussion, we still began discussions. We wanted to see how the matter could be recast. There was a need for optics on their side.

EIR: What do you mean by "optics?" Different ways for two people to see the same thing?

Katz: That's right. In this case, we offered ways for both sides to accept a \$2.60 (per thousand cubic feet) price.

But the key thing is that we never said "no."

Now the Mexican posture since has been: "you guys blew it. You lost the Exim loan, we went to London and got financing there. We're using the gas domestically" — though that's arguable — "and when we want new discussions, we'll be the ones to say. Not now."

EIR: Administration policy toward Mexico at this point — on trade, gas, and undocumented workers — appears to be becoming more hard line.

Katz: That would be terribly unfortunate. The trade issue is very specific, a question of certain goods and agricultural products, like tomatoes. In my view, it is soluble. Energy questions, the same. Now immigration is not my bag. There are at least four different views. This is one issue that really bugs the Mexicans.

EIR: The editor of this publication, Fernando Quijano, has recently received extensive coverage in the Mexican press, advocating a policy of U.S.-Mexico relations based on the exchange of oil and gas for capital goods and other advanced technology. The French and Japanese have accepted this approach. What do you think of the concept?

Katz: I don't see any problems with an oil-for-technology program in terms of trade policy. But you should know Mexican policy is as protectionist as any in the world. Hopefully that will change. . . .

It's not that the U.S. is falling behind other nations in trade, but rather a deliberate decision on the part of Mexico to reduce its trade with the U.S.

It seems fine for Mexico to acquire capital goods from Europe and Japan. But if they think they can then sell manufactured goods to the U.S., they're wrong. We're blocked as it is from fair trade arrangements with Japan and Europe in areas like steel. We certainly couldn't take Mexican steel, for instance.