

anese business community concerning Mexico, as MITI has now adopted the initial IBJ \$500 million proposal as official government policy.

Despite many intriguing aspects of this account, it should be noted that other sources have voiced an opposing view, that the IBJ-MITI proposal for advanced payments is designed as a "compromise" with Mexico, i.e., an "alternative" to a full package deal. If this is the case, of course, the proposal will only further hurt relations between the two countries.

Whichever account is true, it remains to be seen what effect the government taking charge will have on the relations between Mexico and Japan. Without a clear change in Tokyo's political direction, the prospects for the relations blossoming to take full advantage of potential cooperation are not good.

—Peter Ennis

U.S. wages energy war against Mexico

U.S.-Mexico relations are at rock bottom, despite the rosy media and Carter administration predictions of an impending deal on U.S. purchase of Mexican natural gas. Washington policy toward Mexico has maintained its singleminded focus, what Mexican press angrily identifies as "myopia": to break Mexico's policy of measured oil development-for-industrialization in order to claim that country's massive reserves of oil and natural gas for U.S. strategic stockpiles.

Nowhere is the bent of U.S. policy clearer than in the intense and "cross party" pressure exerted on the Lopez Portillo administration to accept some form of "common

by Mexico as a veil for an energy grab and a virtual declaration of war by the United States. While pressing for Mexico to "share" its energy resources, Washington has steadfastly refused to acknowledge Mexico's demand that large-scale technology transfer to aid Mexican industrialization be the basis of any "interdependence" between the two nations.

Washington clearly views the question of concluding a natural gas accord with Mexico in strategic terms far surpassing the resource itself. As the *Baltimore Sun* stated, in a July 26 "leak" on the gas talks, a Mexico-U.S. deal would "serve as a sign of the cementing of an 'energy alliance' between the U.S. and Mexico."

Gas negotiations

Gas negotiations were reopened in April, after a breach of more than a year, ever since Energy Secretary

Schlesinger torpedoed negotiations between six private U.S. gas companies and Mexico's state oil company, Pemex, on the grounds that Mexico's asking price was too high—particularly relative to the price of Canadian natural gas.

This new round of talks is being handled directly by Washington, with involvement of State, Commerce and Treasury Departments, as well as the National Security Council.

State Department Undersecretary for Economic Affairs Richard Cooper told journalists July 25 that the U.S. is "on the verge of negotiating" the framework of an accord that would set guidelines for price scales and volume, leaving U.S. private gas companies to sign the actual sales deals. An accord would presumably be sealed at the planned (no date has yet been set) "summit" of Mexican President José López Portillo and Jimmy Carter in September.

Whether a deal is in fact close remains unclear, despite official leaks to the contrary. The *Los Angeles Times* published a front page "inside" report Aug. 2 that the talks had once again collapsed. It is likely that price remains a point of contention. While Canada conveniently began raising its gas price—now heading toward \$3.50 per thousand cubic feet by next spring—toward the Mexican price formula, which works out to be \$3.80, the *formula itself* for price increases is still a sticky point, according to Department of Energy sources. Washington wants to peg Mexican price increases to the world market price of number 6 heating oil, while Mexico is pressing for a peg to the somewhat higher price scale of number 2 heating oil. Mexico has stated categorically that it will accept nothing less than a "just price" for the gas it sells.

How much gas?

Just how much gas would be available to the U.S. in the event of an agreement with Mexico? Vice President Walter Mondale told the National Association of Governors conference in early July that purchase of "great quantities" of Mexican natural gas (he did not mention a volume amount) is one of the highest priorities of the Carter Administration. But Mexican official statements strongly contradict these projections.

The only gas available for sales abroad, the government has declared, would be whatever surplus Mexico does not use domestically. This policy has been reaffirmed—as government policy—repeatedly over the last months by Pemex director Jorge Diaz Serrano and Natural Resources and Industrial Development Minister Jose Andres de Oteyza, who said May 9 that Mexico's "surplus for export is relatively small." A U.S. gas company insider told *EIR* that the volume of gas available is definitely below the 2 billion cubic foot amount discussed in 1977.