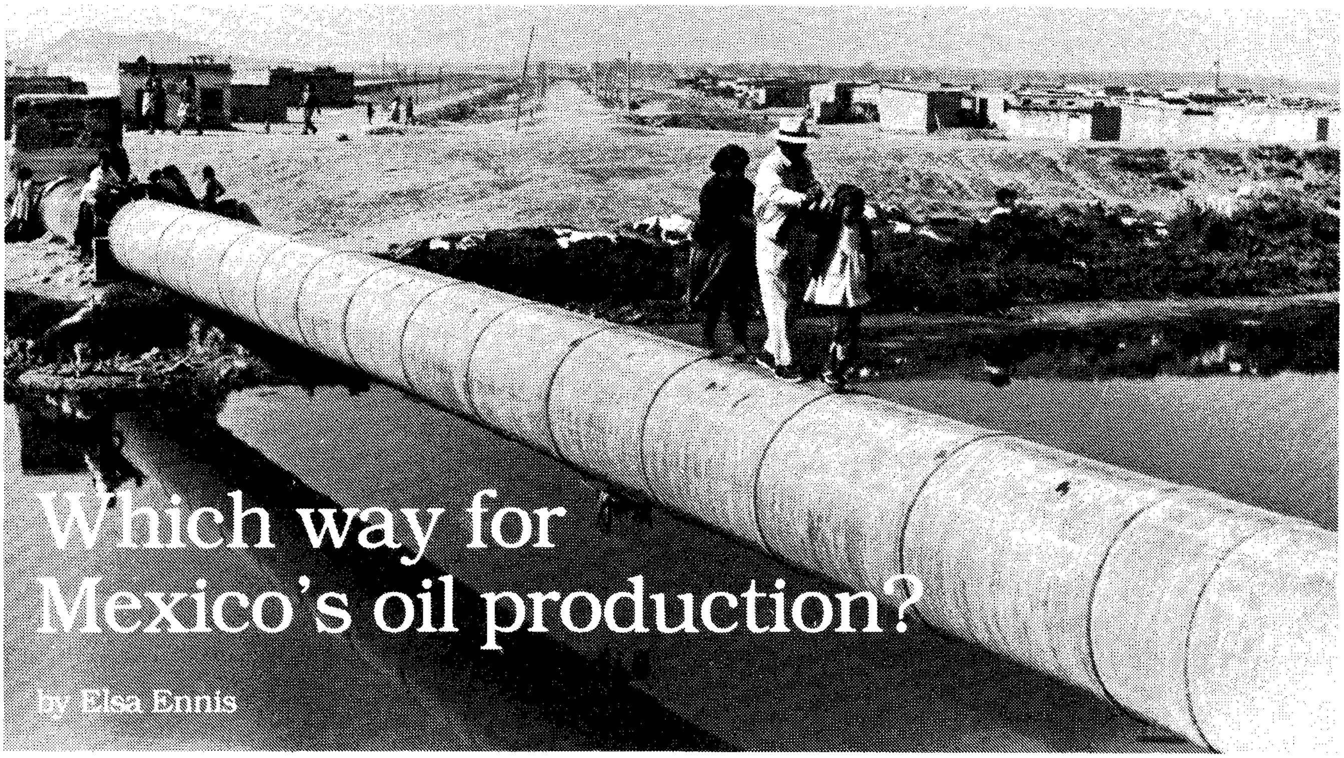

Which way for Mexico's oil production?

by Elsa Ennis

On Jan. 31, the director of Mexico's state oil company PEMEX, Jorge Diaz Serrano, announced that PEMEX is putting together the data necessary for the government to make a decision on whether or not to increase the "oil production platform" of 2.50 million barrels per day slated to be reached by the end of i980. Since 1978, when the Lopez Portillo government set that goal, it has said that once it is reached, the "economic cabinet" (the ministers that deal with the country's economy) will sit to reevaluate a broad range of factors which go from economic performance, to social problems, and the international strategic situation, in order to decide whether it is convenient to increase oil production or not. The decision is scheduled to be made in April of this year.

The criteria underlying the oil discussion currently taking place among government leaders is, and has always been, the industrial development of the country. Two days before Diaz Serrano's announcement, the Secretary of National Patrimony and Industry, Jose Andres de Oteyza, had told the press that although Mexico's enormous oil reserves could easily bring production to greater levels, "the oil sector is not an aim in itself ... it is an instrument, a leverage for the general development of the country." Despite the fact that some press reports correctly note that there is a factionalization inside the Mexican government on this crucial decision, it is widely recognized that this criterion, set by President Lopez Portillo, will be the determining factor.

A PEMEX study released in mid-January stated that Mexico's oil industry "could" raise its "production platform" from 2.50 million barrels to 4 million barrels a day. The international press deliberately misreported the study and took the 4 million barrels per day as the new "production platform" already set by the Lopez Portillo government.

The London *Latin America Weekly Report*, a Fabian publication widely read in Latin American business layers, reprimanded the Lopez Portillo government for making that decision and "abandoning almost casually the central feature of its economic strategy." An increase in oil production and exports will only bring inflation and "at worst" cause "total destabilization," said the report.

Inside of Mexico, the press, especially the most radical-leaning outlets, also played up the PEMEX study and presented it as capitulation to American pressure and "oil greed"—an attempt to destabilize the Lopez Portillo government from the "left." On Jan. 19, the daily *Uno mas Uno*, a paper heavily influenced by Jesuit-controlled groups in Mexico, also attacked the government for taking the supposed decision without consulting the population. The *Uno mas Uno* article was carefully designed to provoke a wave of reactions within radical groups by giving the idea that the Mexican government had decided to increase production levels because of U.S. pressures. The next day Herberto Castillo, head of the radical environmentalist PMT party and the most outspoken proponent of "keeping the oil underground" as a way of "protecting it" from U.S. "imperialist" designs, picked up the *Uno mas Uno* debate to denounce the government for supposedly "giving in to U.S. pressures."

Needless to say, U.S. heavy-handed demands on Mexico over the past years—along with continuing private proposals to seize Mexican oil as an American "strategic reserve"—have given ample credibility to the left campaign.

In a clear attempt to create hysteria around the oil production question, the Mexican press continued the "debate" with a series of exposeés on U.S. threats to Mexico. On Jan. 29, the daily *Excelsior* had a front-page eight-column article exposing a "Pentagon group" which recently released a study condemning the Mexican government's refusal to "commit a substantial portion of (the oil) production to the U.S." The day before, *Excelsior* had played up a CIA analysis showing that agency's special interest in the Mexican government's oil discussions. Both "exposeés" were cited with other reports on U.S. bellicose moves in the Persian Gulf and reports that the White House is strengthening U.S. military presence in the Caribbean-Gulf of Mexico area, where most of Mexico's oil reserves are located—very real worries for the Mexican government.

The press debate has ignored the Mexican government's stated oil policy and presented the coming decision as between two false options: either to become a "U.S. puppet," a huge oil reserve to lubricate the Carter administration's war preparations, or to "keep the oil underground" Khomeini-style as demanded by Mexico's radical groups.

Absent from all this so-called debate was the fact that the Mexican government's decision will heavily depend on a series of oil-for-technology deals with Japan and some European countries, especially France. Japan is interested in developing the port and transportation infrastructure which right now is the most pressing bottleneck of the Mexican economy. In his statements for the press, the director of PEMEX Diaz Serrano made a point of the necessity *to diversify* oil exports to non-American customers. Mexico sends 80 percent of its exports to the U.S. and the government has repeatedly said that it wants to reduce that percentage to 60 percent.

A "regional energy order"?

Despite the fact that the Mexican government is committed to an oil-for development strategy, there are indications that the present cold war crisis and open discussion of U.S. designs on Mexico have caused President Lopez Portillo to shift from his aggressive internationalist plan to solve the world energy crisis into a defensive and limited strategy.

Last week, after a trip to Nicaragua, the President told the press that he is working out a Regional Program for Energy Cooperation which includes special oil prices and credit facilities for Central American countries. Although the Mexican President's proposal expresses Mexico's policy to aid other countries to develop, the idea is a huge step back from the President's previous insistence on giving the world energy crisis a "universal" solution, a solution which could not be separated from the creation of a new world monetary and economic system agreed to by both the advanced and underdeveloped countries. Lopez Portillo's new "regional" approach also reflects the pressures from the Jesuit-run government of Venezuela, a country which has been using its membership in OPEC to promote a policy of special oil prices and aid to poorer Third World countries. Venezuela's President Herrera Campins is now touring several OPEC countries in order to win their governments over to this scheme.

Lopez Portillo's capitulation to this policy is more disconcerting since, in the past, he has strongly denounced this kind of special arrangement as not contributing at all to the real development of the recipient countries. OPEC countries have been hostile to the idea on the basis that the recipient countries could very well resell the oil in the spot markets at much higher prices. Without a universal agreement where advanced countries transfer high technology for the development of Third World countries, the special oil price proposal will only make oil countries pay for the debt burden of impoverished underdeveloped countries.

Mexican observers wonder whether an assertion by Foreign Minister Jorge Castaneda last October that Mexico was willing to give preferential oil prices to underdevloped nations was not an "unfortunate mis-

Renegotiating natural gas prices

The director of Petroleos Mexicanos (PEMEX), Jorge Diaz Serrano, has announced that Mexico will renegotiate the price of natural gas supplies to the United States in order to bring it to the level of the Canadian gas price which is expected to go from \$3.42 to \$4.47 per thousand cubic feet. Under an agreement reached last September, Mexico started supplying the United States at the end of 1979 with 300 milion cubic feet of natural gas at \$3.625 per thousand cubic feet.

The Mexican price formula is based on a combination of the cost of heating oil and lower-priced oil used by industries. The U.S.-Mexico deal provided that the price could escalate every quarter beginning next spring to take into account increasing world oil costs.