

EIR Global Energy Fight

‘Southern Flank’ in Mexico Against Bush’s Energy Cartel

by Rubén Cota Meza

From May 21 through 26, Harley Schlanger, U.S. Western region spokesman for Lyndon LaRouche’s 2004 U.S. Presidential campaign, conducted a tour of the Mexican cities of Guadalajara, León, and Mexico City, where he was given widespread coverage by the media. Schlanger addressed audiences of both Federal and state congressmen, associations of businessmen and labor unionists, political groups, professors, students, and the public in general, and in every case, he strengthened his audiences’ resolve to fight the assault of the “energy pirates”—George W. Bush’s friends—who are out to loot Mexico the way they are looting California and elsewhere.

Under the theme “The Failure of Energy Deregulation in the U.S.: The Case of California,” Schlanger provided a detailed report of how the Texas friends of George Bush, owners of natural gas and electricity-generation facilities, are mercilessly looting California, and warned that the same would happen to Mexico if these “energy pirates” are allowed to take over the national electricity sector.

Schlanger explained that in 1996, the California legislature unanimously approved a law creating a deregulated market for electricity. That law established that the electricity companies should sell their generating plants to the highest bidder. Those who bought the generating plants were companies like Enron, Reliant, and Dynegy, which were already the owners of the production and distribution of natural gas, as well as of the gas pipelines. The deregulation law, which also determined that electricity was to be sold on the free market in daily auctions, became effective in April 2000. As of that date, the price per megawatt-hour, which previously had been \$35, shot up by at least ten times that amount, to an average of \$350 per MWh, although at certain points, it went as high as \$1,900 per MWh.

The distributors that buy the electricity from the generating companies immediately went bankrupt, and the state government had to enter the scene, buying up the electricity on an emergency basis, in order to keep the lights on. The California government, which until then had been operating with a fiscal surplus, was now heading toward a deficit, and was forced to slash \$3 billion from its education, health, water, and transport management budgets. In California, said Schlanger, they have created a sort of “electrical Fobaproa,” a reference that is very familiar to the Mexican public, as it alludes to the \$100 billion rescue of the privatized Mexican banking system, an amount which the Mexican government now shoulders as more debt. Despite the intervention of the California government, the first blackouts began to sweep the state on March 19 and 20, and it is expected that this Summer will see 50-70 days of blackouts, which will cause more than \$1 billion in losses.

While Californians are suffering this bloodletting, Schlanger explained, the energy cartel run by Bush’s friends has more than doubled its profits. For example, Enron, headquartered in Houston, Texas, increased its profits from \$40 billion in 1999, to \$100 billion in 2000, without any increase in the amount of electricity sold. In the face of this looting, both President Bush and Vice-President Dick Cheney have refused to establish electricity price caps on the wholesale market, because that would “interfere with the free market.” Enron has been the most important contributor of campaign funds to the electoral campaigns of the two Bush Presidencies, senior and junior. Reliant has been the second-largest contributor. This is corruption on a grand scale, concluded Schlanger.

Schlanger’s presentations included an address to the Regional Chamber of Manufacturers (Careintra) and the Graphics Industry Council, in Guadalajara. In León, in the state

of Guanajuato, he spoke to the regional Careintra there. In Mexico City, he held private meetings with legislators and other political leaders at the offices of the Chamber of Deputies, the Mexican College of Civil Engineers, and the National College of Economists.

None of those who attended Schlanger's presentations were shocked by his description of such brutal looting, all carried out in the name of "competitiveness, efficiency, and low prices." Nonetheless, many previously held assumptions were abandoned. One political leader who attended Schlanger's talk at the Chamber of Deputies in Mexico City, declared that "traditionally, we Mexicans have held an anti-U.S. attitude. It is a pleasant surprise to see that there are Americans who share our concerns and our aspirations for development."

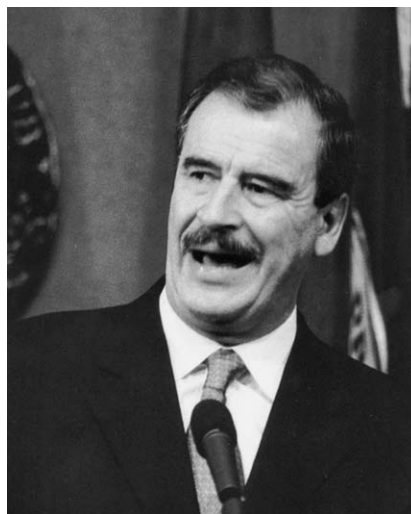
Fox: In Line with the World Bank and Bush

The visit to Mexico by LaRouche's campaign spokesman, at the invitation of the Ibero-American Solidarity Movement (MSIA), intercepted the growing concerns of broad sectors of Mexico's business, political, and academic communities. They are particularly distressed over plans, recently announced by the Vicente Fox government, to change the Mexican Constitution, to permit direct foreign investment into the energy sector, and the creation of a deregulated electricity market. The previous government of Ernesto Zedillo, of the Revolutionary Institutional Party (PRI), had tried to change the Constitution in 1998, but was defeated by the Congress. Today, both the Bush Administration and the international financial institutions are demanding that the Fox Administration win that battle.

However, it will not be easy for Fox to defeat the legislature over this issue, after having lost the majority of the initiatives he has undertaken in the first six months of this government. In support of Fox, on May 22, the World Bank announced its "Integral Development Agenda" for Mexico, with more than 700 pages devoted to arguments in favor of the privatization of the country's energy sector, and of Mexico's integration into an energy common market with the United States and Canada, which is the demand of George Bush and his "energy pirates"

The World Bank recommendations were announced by Olivier Lafourcade, the bank's director for Mexico and the former boss of Mexico's Economics Secretary Luis Ernesto Derbez, at the World Bank's office for Western Africa.

Mexico needs the liberalization of its energy sector, in order to ascend to the category of "First World economy," the World Bank cynically asserts. The electricity sector alone needs an investment of \$10 billion annually over the next decade, and requires "rates that will enable it to recover costs." To facilitate this, the bank proposes dividing the Federal Electricity Commission (the state company, which for the past 40 years has generated, transmitted, and distributed electricity in virtually the entire country) into three areas: generation, transmission, and distribution. The idea would be to permit "competition" in generation and distribution. This



Mexico's new President Vicente Fox, the great globalizer, is just in time to inherit the crises of the collapse of globalization.

is precisely what was done to California.

The World Bank also considers it unnecessary to maintain the monopoly of the state-run oil company, Pemex, in secondary activities, including refineries.

However, in referring to Mexico's agriculture sector, the World Bank admits that this is where the most drastic "structural reforms" have taken place over the past ten years, but where the results have been the most disappointing: stagnation and an increase in rural poverty. For this reason, the bank argues, it is necessary to liberalize the grain-producing sector.

Questioned about the World Bank's recommendations, President Fox stated that "they are very much in line with what we are contemplating." There are strategic lines "that the country must follow, in order to truly enter into a process of sustainable development." Opening up to foreign investment "in everything having to do with energy generation, is the right direction," Fox said.

At the same time, the Bush government's recently unveiled National Energy Development Policy, insists that it is the imbalance between supply and demand that defines the energy crisis in the United States, and that deregulation is not the root cause of the current disaster. To deal with this crisis, argues the Bush Administration, it is necessary to "increase the supply" of energy: oil, natural gas, and electricity. To obtain this energy, "the United States calls on the members of the World Trade Organization to open up the markets to private participation in a whole range of energy services, from exploration to the final consumer," and also "to create pro-competitive regulatory environments" in the energy sectors. What Bush seeks, is what Fox is proposing to do.

The battles lines are thus defined: Bush's energy-cartel buddies, with their armies of ideologized lackeys on the one side, and those sectors committed to meeting the general welfare of the population on the other. Harley Schlanger's tour in Mexico serves to begin forming the battalions of resistance, and to provide them with the intellectual ammunition they will require to win.