The Canadian government recently decided to purchase Mexican oil for the five eastern provinces—Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland—as a means to lessen their dependence on the politically volatile Middle East.

At the same time Canadians are being told that additional sales of our natural gas and oil reserves are necessary so we don't lose our American customers to competitive Mexican firms.

The following article outlines the struggle by the Mexican people to retain control over their resources.

Mexican Oil

The Canadian Connection

re-printed from The Energy File
written by John Dillon

In 1938 Mexico nationalized its entire petroleum industry. The decision by President Cardenas to expropriate the foreign oil companies was welcomed by most Mexicans because the companies were widely condemned for exploiting workers, polluting the environment and exhausting Mexico's oil reserves.

Since 1938 Mexicans have jealously guarded their sovereignty over their petroleum resources. Former President Luis Echeverria promised that Mexico's oil would be exploited "in a profoundly nationalistic and anti-imperialist manner."

MEXICO'S DEBT LEGACY

When Echeverria departed from the presidency in 1976 he left his successor a legacy of growing foreign indebtedness. Mexico's external debt had more than tripled during the six years that Echeverria was in office.

The new president, Jose Lopez Portillo, inherited a foreign debt of $27.6 billion at the end of 1976. This grew to over $40 billion by 1978.

In 1976 Mexico had to negotiate a special "stand-by" credit with the International Monetary Fund (IMF). To obtain this loan Mexico adopted the "policy of austerity" demanded by the IMF.

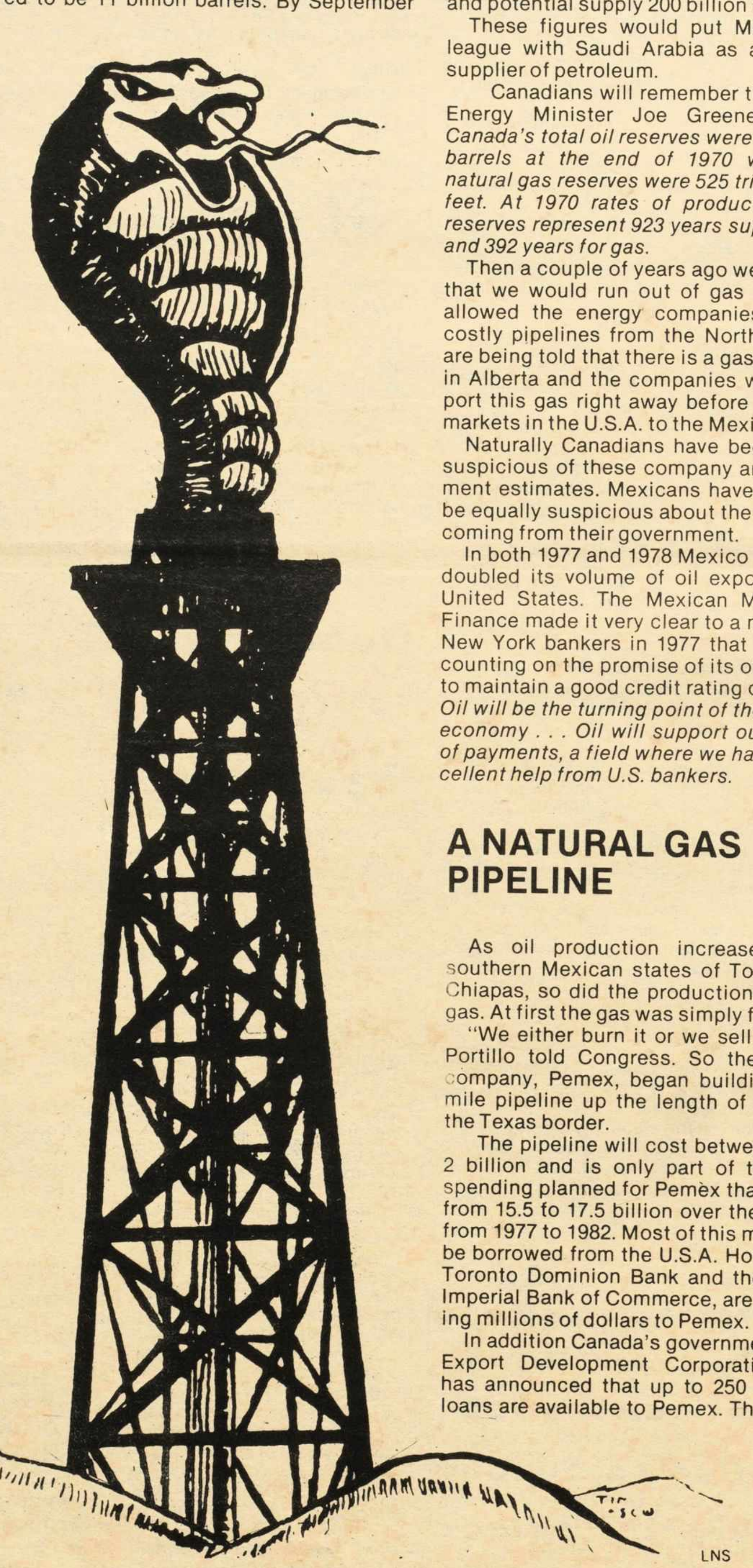
Mexican workers bore the costs of this austerity through wage controls and cutbacks on spending for social services.

Earlier in 1976 the Mexican peso had suffered a drastic devaluation because of the growing debt problems, and rich Mexicans sent millions of dollars out of the country seeking safe havens from political and social unrest. Meanwhile urban and farm workers faced higher prices for food and other necessities.

PETROLEUM RESERVES "INCREASE"

Lopez Portillo was inaugurated president on Dec. 1, 1976 and by January 1977 it became evident he was seeking to "solve" Mexico's economic problems through petroleum exports.

When Echeverria left the presidency the official estimate of Mexico's proven petroleum reserves was 6.4 billion barrels of which 35-40 per cent was natural gas. In January 1977 proven reserves were reported to be 11 billion barrels. By September



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proven reserves were officially increased on 16 billion barrels, with potential reserves said to be 120 billion. In July of 1978 Lopez Portillo himself announced that proven reserves were 20 billion barrels and potential supply 200 billion barrels.

These figures would put Mexico in a league with Saudi Arabia as a potential supplier of petroleum.

Canadians will remember that in 1971 Energy Minister Joe Greene told us *Canada's total oil reserves were 469 billion barrels at the end of 1970 while total natural gas reserves were 525 trillion cubic feet. At 1970 rates of production these reserves represent 923 years supply for oil and 392 years for gas.*

Then a couple of years ago we were told that we would run out of gas unless we allowed the energy companies to build costly pipelines from the North. Now we are being told that there is a gas "surplus" in Alberta and the companies want to export this gas right away before we "lose" markets in the U.S.A. to the Mexicans.

Naturally Canadians have become very suspicious of these company and government estimates. Mexicans have reason to be equally suspicious about the estimates coming from their government.

In both 1977 and 1978 Mexico has nearly doubled its volume of oil exports to the United States. The Mexican Minister of Finance made it very clear to a meeting of New York bankers in 1977 that Mexico is counting on the promise of its oil reserves to maintain a good credit rating on Wall St. *Oil will be the turning point of the Mexican economy . . . Oil will support our balance of payments, a field where we have had excellent help from U.S. bankers.*

A NATURAL GAS PIPELINE

As oil production increased in the southern Mexican states of Tobasco and Chiapas, so did the production of natural gas. At first the gas was simply flared off.

"We either burn it or we sell it," Lopez Portillo told Congress. So the state oil company, Pemex, began building an 800 mile pipeline up the length of Mexico to the Texas border.

The pipeline will cost between 1.5 and 2 billion and is only part of the capital spending planned for Pemex that will total from 15.5 to 17.5 billion over the six years from 1977 to 1982. Most of this money is to be borrowed from the U.S.A. However, the Toronto Dominion Bank and the Candian Imperial Bank of Commerce, are also lending millions of dollars to Pemex.

In addition Canada's government-owned Export Development Corporation (EDC) has announced that up to 250 million in loans are available to Pemex. The purpose of these loans is assist companies based in Canada to ke profitable sales of goods and serviceto Pemex for petroleum development.

Early in 1977 Pemk signed contracts with six U.S. gas cnpanies to supply natural gas for $2.60 housand cubic feet at the Texas border.

The price was to tied to the cost of fuel oil in New Yorkity. However these contracts were subt to U.S. Government approval.

The Carter adminration took a very hard line in negotions with the Mexicans, demanding th Mexico lower its price $1.75 a thousarcubic feet. This demand must be seern the light of the struggle going on ahe time within the U.S. over energy legistion.

In that struggle thenergy companies and their allies in Coress were fighting for an end to the regtion of natural gas prices, while the Car administration appeared to want to hd down the price of natural gas within theS.

To put added presse on Mexico to settle for a lower pric Energy Secretary James Schlesinger eatened to deny loans to Mexico frothe Export-Import Bank (a U.S. governnt body similar to Canada's EDC).

At the end of 19 the contracts between Pemex and thsix U.S. gas companies expired beforn agreement could be reached on the pe question. Meanwhile opposition wasilding within Mexico against gas saleshe U.S.

MOVEMENT FOR THE DEFENCE O NATURAL RSOURCES

In July, 1978 The can government announced there wobe no gas exports to the United Stat Instead the gas would be used domcally for Mexico's own industrial develoent.

While the refusal he U.S. to pay the price requested by Mico was a key factor behind this annouement, we should not underestimate thmportance of the opposition movementhin Mexico.

Four months earlin the fortieth anniversary of the naalization of Mexico's petroleum in, some 30,000 Mexican workers a demonstration against the completiof the natural gas pipeline to the Texas der.

The demonstrationas sponsored by the Movement for theefence of Natural Resources which inced the major opposition parties, ependent trade unions, rank and fimovements from within the official uns of oil, electric, and nuclear workersnd social action centres such as CENCS (National Centre for Social Communican).

It is worthwhile tote why the movement was successful organizing a broad coalition against the eline and the sale of Mexican gas to theS. They did so by uniting the legitimateterests of the different sectors of the pulation:

1) They appealed to workers and the unemployed by challenging the investment of so much capital in a project that would create only a handful of jobs. This is in a country where it is estimated that seven million persons out of a total labour force of 17 million are unemployed or underemployed.

2) They linked the struggle against the pipeline to other issues of concern to Mexico's workers such as wage controls and cutbacks and the particular struggles of the nuclear and electrical workers.

3) They proposed instead investments in agriculture and fishing, pointing out that Mexico is now importing basic foods such as corn, wheat and milk that could be produced domestically, while it is allowing agribusiness firms to export luxury fruits and vegetables.

4) They pointed to the strategic military interest the U.S.A. would have in "defending" a natural gas pipeline, thus posing a further threat to Mexico's sovereignty.

5) They did not allow the issue to be defined simply in terms of what price the gas would command in the U.S. market but instead focused on the issues of sovereignty and the option for a less dependent and more self-reliant future for Mexico in both food and energy.

6) They kept their positions before the Mexican people with a series of news releases and public statements culminating in the March demonstration.

7) They demanded the nationalization of the food industry. They utilized the very powerful symbol of marching to the tomb of President Cardenas on the fortieth anniversary of the nationalization of the petroleum industry. It was also under Cardenas that more land was redistributed to the landless than under any other president. They had an articulate spokesperson in Herberto Castillo, president of the Mexican Workers Party, who held the attention of the national and international press.

The struggle over Mexico's natural gas reserves is far from over. The Movement for the Defence of Natural Resources remains steadfast in its opposition to gas sales to the U.S.A.

Officially the government of Mexico says that it is building a gas distribution network to meet the needs of Mexican industry and not for export. However, unofficial reports continue to circulate concerning imminent gas sales to the U.S.A.

A lobbyist for the American Gas Association predicts that such sales will occur now that the U.S. Congress has passed its energy legislation. Under the terms of the legislation the regulation of gas prices within the United States will end in 1985.

This is incentive for the U.S. gas industry to import natural gas from either Canada or Mexico during the next few years and to bring on stream "newly discovered" gas from within the continental United States during the 1980's when it will be more profitable to do so.

In the meantime these same gas utilities are telling Canadians and Mexicans that we are in competition with each other for access to the U.S. market.

cartoon/Excelsior

'Let's hope this doesn't become another Canal!'

LESSONS FOR CANADA

In Canada the conditions exist for building a national movement similar to the one in Mexico. Here the energy companies are proposing a number of projects for transporting natural gas. Several of these projects involve sales of Canada's "newly discovered" natural gas "surplus" to the United States.

The prime example of a project that does not meet Canadian needs and endangers Canadian interest is the Alaska Highway Natural Gas Pipeline planned by the Foothills consortium to take Alaskan gas through the Yukon, British Columbia, Alberta and Saskatchewan to markets in the lower 48 states.

To obtain financing for this dubious project, its sponsors are proposing to "prebuild" its southern portions to allow the export of "surplus" to build the rest of the pipeline.

A rival scheme proposes to export more Alberta gas through existing pipelines. Two different plans exist for transporting liquified natural gas by tanker from the Arctic.

The Polar Gas pipeline from the Eastern Arctic is also on the drawing board. Two competing plans for extending existing pipelines into Quebec and the Maritimes include the prospect of sales to Eastern United States.

There is even a proposal to ship Russian gas across the Bering Strait into North America by another pipeline!

In addition to these natural gas transportation projects there are other major investment proposals for oil, hydro and uranium development.

IMPLICATIONS FOR CANADIANS

The Royal Bank of Canada says that if these projects are to proceed governments will have to become providers rather than users of funds. According to a Royal Bank economist: *There will be structural room in the economy (for these projects . . . only) if* ***housing, government and consumer spending*** *decline as a proportion of total spending. (emphasis ours)*

In other words Canadians will have to do without new housing, accept cutbacks in government services, and have less disposable income in order to finance these massive energy projects, many of which would serve the U.S. and not Canadian energy markets.

The federal government has already announced $2.5 billion in cutbacks. Five thousand jobs will be lost from the civil service. 130,000 unemployed Canadians will lose their unemployment insurance.

In his television address announcing the cutbacks on Aug. 1, the Prime Minister took care to mention that his government had "helped to make possible big projects like the Yukon gas pipeline."

Another cost of such huge energy projects is jobs. These capital-intensive ventures create relatively few jobs. The same investment in manufacturing or service industries will create from five to ten times as many jobs.

As in Mexico, Canada's food trade is underdeveloping as our exports become more specialized and we import more of the food items we previously produced for ourselves.

In *Canada's Food Trade - By Bread Alone* GATT-Fly has shown that if present trends continue, by the year 2000 Canadians will be net importers of almost every kind of food except grains, oil seeds, milk and eggs.

Canada now owes foreign creditors more than $106 billion. As this debt grows so does pressure from foreign bankers for cutbacks and incentives for foreign investors. Borrowing abroad for huge resource projects only accelerates Canada's spiral of indebtedness and compromises our sovereignty over our natural resources.

In *Paying the Piper* GATT-Fly examined in detail how working people pay the price of huge resource projects while the banks and resource companies call the tune.

OPPOSITION IN CANADA

Fortunately many popular organizations in Canada are struggling against the type of perverse "development" planned by the energy companies and our present governments.

The native peoples of the Yukon, the Dene Nation and the Eastern Arctic continue to resist the corporate designs for their resources and to defend their aboriginal rights.

The British Columbia Federation of Labour rejects "jobs at any costs" and has called for the nationalization of energy resources and "complete and total rejection of a continental energy policy."

The National Farmers Union is not only fighting the underdevelopment of agriculture in Canada but has called for a "comprehensive energy policy for Canada" based on the nationalization of "all facilities employed in the development, extraction, processing and distribution of all energy resources within Canadian jurisdiction."

The NFU also calls for a "pricing formula for all forms of energy that will insulate Canadians from the so-called 'world market'."

The United Fisherman & Allied Workers Union proposed that Canada is capable of achieving self-reliance in energy within a decade and self-sufficiency by 1995.

What is needed in Canada is the kind of political leadership that could bring together all the groups adversely affected by present food and energy policies—native peoples, workers, farmers, fishermen, the unemployed, and victims of government cutbacks.

The question is: from where will this leadership come?