A deafening silence on oil

Why isn't anybody responding to some provocative schemes that converge on "Oil Grab 1984"?

New York Democratic Representative Charles E. Schumer proposed on Nov. 11 that Mexico be so kind as to store its oil in U.S. Strategic Petroleum Reserve salt domes.

The Schumer Plan runs like this: To avoid the cost of *buying* Mexican oil for the SPR, have Mexico fill up those salt domes as a gift. "In the event of a supply emergency, the U.S. would have the unilateral right to buy the oil." In the meantime, it would pay nothing, and the oil would be used as collateral to bank loans to Mexico. "In the event that Mexico could not maintain its payments on the loans, the bank would take title to the oil. . . ."

Schumer, one of the front men in Congress for "new Bretton Woods" global austerity plans, appropriately asks, "Why should Mexico be interested in this deal?" His answer: "Putting up oil as collateral may be the only way that Mexico can obtain financing for new development projects."

Schumer did not indicate whether Mexico would get a bonus for saving the United States the cost of sending Marines into Mexico's southeast oilfields.

Mind-boggling as this scheme is, perhaps even more astonishing is the silence with which it has been greeted in Mexico. It was reprinted in *Excélsior,* the newspaper of record, on Nov. 30, in the midst of two days of nonstop grilling in Congress of Pemex oil company head Mario Ramón Beteta. Not one deputy asked Beteta what he thought of the proposal. No newspaper columnist touched the topic.

Normally, Mexican nationalist sensitivities are aroused at the smallest hint that the oil could pass out of direct Mexican control. Since the oil nationalization of 1938, few topics are more sacred.

The silence extends to the small print in the contract Mexico signed on Aug. 31 for renewal of its $4 billion syndicated oil acceptance facility, managed by Bank of America and involving dozens of foreign banks.

The contract, which I recently had an opportunity to scan, conforms to those that have cropped up in almost every Ibero-American country: large "renewal," "commitment," and "agency" fees are added on top of a spread of 1.5 percent over the U.S. prime rate. Mexico gave up sovereignty over adjudication of the syndication, confirming that "this agreement shall be governed by and construed in accordance with the law of the State of New York."

What is extraordinary is how tight a web of cross-default clauses has been woven around the acceptance facility. If Mexico "shall fail to pay any amount of principal" or "shall fail to pay any interest on any advance under the UMS agreement [Mexico's $5 billion jumbo borrowing of March, 1983] *within five days*," the facility is voided. The same will be the case if the Mexican government "should declare a moratorium" of any kind on any of its debt payments, and if Mexico ceases to be a member of the International Monetary Fund "or any successor."

These extraordinary terms have not been released publicly by Finance Minister Jesús Silva Herzog, for fear of raising inconvenient questions about the terms of the rest of Mexico's $20 billion in debt reschedulings this year, and the $4 billion new borrowing which enters negotiations Dec. 12 in New York.

But the provisions of the oil facility renewal were leaked into a variety of congressional committees here over the past month. Not one question on the subject was raised in the prolonged congressional grilling of cabinet ministers starting the week of Nov. 21.

This suggests that there are more than a few further deals yet to mature, of a highly sensitive nature. One lead is the year-old proposal from Billygate-tainted Charter Oil for Mexico to off-load some of its foreign debt to U.S. oil companies in exchange for signing long-term supply contracts at below-market prices.

Another is the meeting Armand Hammer had with Silva Herzog in New York in late August. According to published reports, the Occidental Petroleum chief offered to open up additional U.S. markets for non-oil exports from Mexico, in return for a cut of Mexico's direct oil supply and unspecified further goodies.

One reason Mexicans don't look too closely at Pemex's international dealings is, of course, that there exists no other real source of cash. This year, like last year, $16 billion of Mexico's $20 billion in exports will be oil.

In the backs of their minds, most people keep figuring that a Mideast explosion might be Mexico's gain. Now that it is equally possible that Saudi oil dumping will give Mexico a New Year's present of a new price decline, there may be some rethinking. Will it speed up the under-the-table deals now maturing, or bring the basis of the existing deals under scrutiny?