Natural Gas Crisis Strikes Down Mexican Industry

by Paul Gallagher

During an Oct. 17-19 visit to the northern Mexico state of Nuevo León, to present Lyndon LaRouche's emergency government oil-trade proposal, I found that the industry of Mexico's north is being brought to its knees by the global hyperinflation in energy prices. Despite emergency meetings between Mexican state and federal officials on the subject, layoffs and shutdowns were ongoing. Some 40-60,000 workers were affected in each of the three states of northern Mexico—Nuevo León, Sonora, and Coahuila. Even the extremely labor-intensive *maquiladoras,* the hundreds of large-scale runaway shops from Monterrey to Nuevo Laredo assembling parts for re-export to the United States, are now being affected by the energy inflation crisis.

An increase in the regional price of natural gas by 150% in one year, has forced steel and chemical factories, large and small, to close, and iron ore is being shipped for smelting to Venezuela, where the natural gas price is fixed and regulated at $1.60 per million btu. By comparison, the price in Mexico is $4.75. After the initiation of the North American Free Trade Agreement (NAFTA) and the subsequent peso collapse in 1994-95, distribution of natural gas in Mexico was bought up by the Spanish conglomerate, Gas Natural. (In the same period foreign financial corporations bought up the entire Mexican banking sector.) Since the advent of Gas Natural into Mexico, the price of the fuel has tripled, including last year's 150% increase up to the price of West Texas Intermediate.

No Relief

Delegations of business leaders and state governors, rushing to Mexico City on Oct. 18 and 19 for emergency meetings with federal ministers, were told by Finance Minister José Angel Gurría that there would be no relief. Either federal subsidies, or federal authorization to Pemex (the state oil company) to sell the gas at lower rates, would go against International Monetary Fund (IMF) dictate to the country, and against NAFTA. In fact, the devastating energy price increases will continue to escalate, as the Mexican price tracks upward the North American gas spot prices, which are headed to levels 25-30% higher during this Winter.

As I told all the audiences to whom I spoke, the new Canadian natural gas pipeline being brought into the United States this year by a conglomerate including Enron Corp., is a speculative vehicle for increasing U.S. prices along with imports, even as the Texas prices are pulling Mexico's higher and higher. ENRON is meanwhile selling Mexican companies financial derivatives, as a "hedge" against the higher prices! And the huge new Chevron-Texaco oil giant is publicly aiming to lock up international distribution of a large part of Mexico's oil production. This is Texas Gov. George W. Bush's idea of an "energy NAFTA," in which *all* hemispheric supplies of petroleum products would be subject to the hyper-speculative futures markets in New York (the NYMEX) and London (the International Petroleum Exchange).

The Mexican government (effectively, that of President-elect Vicente Fox) is simultaneously trying to privatize more state assets, to fill a new $5 billion deficit-hole in this year's budget; withdrawing about $35 million per day from the national money supply, in a strict IMF austerity plan; and claiming a 7% annual rate of GDP growth. In Monterrey this "growth" can be seen: Throughout the decade, new *barrios* have been growing up the foothills which surround the city. These new *barrios,* really Brazilian-style *favelas,* have no regular water or sanitation services and only jerry-built electrical and telephone services. Their inhabitants work for $1 an hour in the *maquiladoras* which stretch for miles around the airport and off to the north of the city; or in little micro-factories that are suppliers to the *maquiladoras,* and pay even lower wages.

Paul Gallagher (left) and State Senator Joe Neal (D-Nev.) (right) attack deregulation and privatization during an Oct. 17-19 visit to the Mexican state of Nuevo León.

The Pemex installation in Veracruz, Mexico. Pemex could ignore the world market price for natural gas, and save its industry and its people.

LaRouche's Policy Proposal

I travelled to Monterrey with Nevada's veteran State Senator Joseph Neal (D), currently the leading opponent among Western States' elected officials, of energy and electricity deregulation. Senator Neal has recently succeeded in stopping this year's scheduled deregulation of electricity in Nevada, and his policy views were sought by businessmen, journalists, and those in the economics profession. Our report of LaRouche's emergency proposal, for long-term government-to-government oil-trade agreements at fixed prices, was widely discussed in the media and at the State University of Nuevo León in Monterrey.

LaRouche's emergency proposal was first circulated in early September, reported in the Venezuelan media during the Organization of Petroleum Exporting Countries (OPEC) heads-of-state summit there later that month, and has become widely known in Europe since. LaRouche identifies the 1997-2000 hyperinflation in the U.S. dollar asset "bubble" as the cause of the sudden skyrocketting of oil and energy prices worldwide. The increases are not due to OPEC, but are the harbingers of an oncoming inflationary blowout of the dollar and dollar-dominated financial markets. Urgent agreements "against the markets" between producer and consumer governments, for long-term trade of technology for oil products (at stable prices), would not remove the *cause* of the hyperinflation, But they would collapse its most virulent flank, and could be the stepping-stone to new monetary agreements among nations, eliminating the IMF and removing the cause of the speculative cancer.

The entire cause of the hyperinflation and looming dollar crash, and the LaRouche proposal, was presented to hundreds of students and teachers at the State University, with the presentations covered on Monterrey television stations. "*Advierten Colapso*" ("Warn of Collapse") headlined the Monterrey daily *El Norte,* which quoted Senator Neal as insisting that the crisis would require "trade without currencies as it has been proposed by Lyndon LaRouche." "*Temen Crisis Global*" ("Fear Global Crisis") was the lead of *El Diario de Monterrey,* which featured the LaRouche proposal next to articles on the failed emergency natural gas price negotiations with the federal government. We were interviewed on successive nights on the drive-time program "Understanding the News." Remarked one industrial executive during a policy-discussion, "You certainly have our attention; we would not have listened to this several months ago."

Nuclear Power

Most of the effort to organize our presentations on the crisis, were made by student members of the Movimiento Solidaridad Ibero-Americana at the Autonomous University of Monterrey, "the LaRouche tendency" there, as the television coverage identified it. Thus, a major focus of the discussions was on nuclear power, and the possible gradual substitution of nuclear power for oil- and gas-fired power, through technology-for-oil trade.

This was part of former Mexican President José López Portillo's 1982 proposal for a conference of oil-producing and -consuming nations. Since that time, demand for production of the U.S. nuclear-power industries has fallen to virtually nil, through economic deindustrialization and environmentalist hysteria; yet, those industries have developed a new generation of higher-temperature, more productive and inherently fail-safe gas-cooled reactor designs. Meanwhile, Mexico witnesses the insanity of ENRON and other Anglo-American companies planning new gas-fired electricity ventures, even as the price of natural gas escalates uncontrollably.

Thus, there was great debate and discussion among the departments at the State University in Monterrey, about the possible revival of nuclear power plans in Mexico; the country's only nuclear plant, the Laguna Verde plant built in the early 1980s, now runs at 25% of capacity or less, due to environmentalist scares and pressures. As one student asked, thinking of LaRouche's oil-trade proposal, "How many barrels of oil would it take for Mexico to get one nuclear power plant?"

Through the students' organizing efforts, the university became the "platform" for the wide broadcast of LaRouche's crisis warning, and his solution, throughout northeastern Mexico.