

# Workshop 'maestro' talks with Executive Intelligence Review

The "mystery man" of the whole hemispheric reserve drive is Robert A. Panero, globe trotting energy consultant who lives out of hotels and maintains New York "head offices" in a few rooms rented from a British firm called World-Wide Business Centers. World-Wide rents space, secretarial services, and so forth "for the busy traveler." Panero's chief New York assistant, going back to his days as one of Herman "Megadeath" Kahn's top "idea man" at the Hudson Institute, is Lupe Echevarria. Panero's Japan point man, Garrett Scalera, and his French aide, Jean Bottagissio, similarly come from the Hudson crew.

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## EXCLUSIVE INTERVIEW

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In his 10 years of service for Hudson, the New York think tank notorious for logistical planning for nuclear war, Panero devoted special energy to the promotion of a "South American Great Lakes System" based on damming the Amazon. In 1974, just as he began to transfer his operations to the "Panero Associates" label, he worked with Echevarria in Hudson's draft development of Algeria's liquified natural gas program. Panero has also done "development" studies on South Vietnam, Angola, Corsica, France, and the Middle East. He has stated, describing what kind of development he means, that he prefers Sumerian water wheels to the heavy turbines of General Electric.

With his break from Hudson, Panero took with him numerous Hudson contacts, consolidating a farflung European, Japanese, and Latin American network.

In an interview with this news service in his New York hotel, Panero provided the following outline of his Western Hemisphere Workshop focus.

### The Plan for Latin America's Reserves.

**Q:** *Your energy workshop has held two conferences so far. Where do you go from here?*

**A:** We'd like several more. It depends where we can get sponsored. We and the Council of the Americas don't have a budget for this. I put in my time as a public service. There's been interest in Japan, Canada, Mexico, Brazil ... we'll go wherever the offer looks best.

**Q:** *What's the major goal?*

**A:** What we're trying to do first of all is just pull together some sort of inventory of Western Hemisphere energy so we know what we've got. The problem is that everyone has been looking from a sense of energy deficiency, looking only at local resources. We've got to break this defensive mentality. There's plenty of energy. The continent is enormously rich in energy. There's the Amazon, Greenland run-off, the Yukon, coal in the U.S. West; you're going to see announcements of Argentine oil soon; hydroelectric power all across the continent; again, the Amazon. ...

**Q:** *What about nuclear? Brazil, Colombia and Venezuela have all just made announcements of increased and substantial uranium resources. And Mexico has big reserves.*

**A:** (Pause.) Of course ... there are resources for nuclear.

**Q:** *The Lopez Portillo proposal for a world energy consultation mechanism, linked to the United Nations, would seek to rapidly develop energy sources and transfer energy technology ... Would your proposal fit with that, something like two stages?*

**A:** I don't really think so....

**Q:** *You've probably run into discussion at the two Workshop conferences you've held that since the U.S. is the big deficit country in energy, in scale, a western energy hemisphere policy would amount to a U.S. strategic reserve.*

**A:** Yes, we've run into this. But that's not really the point, and we're trying to get people to see this. For one thing, the U.S. is the biggest oil producer in the world. It's moved past the Saudis, the Soviet Union. This has to be remembered.

The Carter visit to Mexico in February was not very interesting, really. What was interesting was the Giscard trip two weeks later. Or Lopez Portillo's trip to Japan last fall.

Look, we've got to back to the Iran developments. Iran was the model Middle East producer under the Shah. It was the best-run, the most advanced, most technocratic. Now that that is all gone, the rest of the Middle East will be following ... Saudi Arabia, and so on.

What does this mean? It means that oil and other energy from anywhere else in the world becomes more valuable. I predict you will see bigger development outside the Mideast, in places like the North Sea, the Norwegian sections; the U.S. will produce more ... Europe and Japan now, they depend almost exclusively on Mideast oil, Japan 90 percent. So they are looking to diversify, they've got to look at the Western Hemisphere.

**Q:** *The Mexicans have been very cautious about how they're going to orient production. What kind of package do you think would get the Mexicans aligned with a general Western Hemisphere policy?*

**A:** Whatever is good for Mexico. Jobs, factories, whatever they want. We haven't even offered a jobs package. And the other thing is to offer to replace non-renewable energy with renewable energy on a BTU equivalent basis. You would build a hydroelectric plant, for instance, and oil exports could pick up. Other parts of the continent, there's biomass.

**Q:** *Like gasohol?*

**A:** That's right.

**Q:** *It would seem that nuclear would exactly fit the kind of program you are mentioning.*

**A:** No, not nuclear (shaking his head). Oil-rich countries have no reason to spend money on that. It doesn't

make any sense. If Mexico did that, it would be making the same mistake as Iran. Even the most uneducated person in Iran finally could figure out it was nutty. There's no reason for the West Germans to come in with reactors when gas was being flared in the southern fields.

**Q:** *But nuclear would seem to fit the idea of energy replacement. ...*

**A:** But there's all the import of equipment, money going outside the country. ... No, for Mexico I'm really only talking about hydroelectric. There's tremendous untapped hydroelectric potential in the Southeast. ...

The big problem is how to get the price of oil up to its value. Oil has been so cheap it's distorted planning choices. It's way undervalued still. It can do a hundred things ... petrochemicals and so on. But 95 percent of it is now burned up in things like electricity generation. It's much better to use coal.

**Q:** *So you would agree with the kind of emphasis of the Department of Energy program?*

**A:** Yes, that's the way to go.

**Q:** *The French seem to be stressing their nuclear accord with Mexico. Do you think that will go through, that it will be significant?*

**A:** I don't think so.

## The Japan pitch

*Panero Associates' Tehuantepec Project particularly aims at Japan as the energy-dependent but capital-rich country that can most readily be pulled into line behind the strategic reserve concept. Here are excerpts from Panero's "Rationale for High Priority Japanese Interest in Mexican Superport Project":*

... 2. New facilities for refining petroleum for Japan will be increasingly located overseas...

3. Japan has a long established goal of diversifying its oil sources but has few major options ... Mexican oil (is) the most important single new option....

5. The Panama Canal is the principal route for shipment of Japanese goods to the East Coast of the U.S. A less costly alternative... would be of primary interest.

6. ...Japan in the next few years should be increasingly looking for very major investment opportunities particularly in the area of resources and labor-intensive industries 'just' to avoid embarrassing balance of payment surpluses.

7. A key economic problem for Japan in the next 10 years is very likely to be labor shortages particularly in the lower skills sector which will force Japan to move a considerable portion of its manufacturing industry overseas ... there seems little question it will be looking for major opportunities for labor intensive investment.

A project such as that proposed for Mexico combining development of a major new refining capacity, a large low cost labor pool (particularly if it is combined with a free trade zone or zones), and located on one of the key strategic trade routes of the world, should represent one of the most attractive major new investment opportunities for Japan in the immediate future.

# Tehuantepec superports: a runaway shop

Robert Panero Associates' proposal for a "Super Industrial Port Complex" stretching across the Tehuantepec Isthmus in Mexico is currently the firm's major calling card throughout the Americas, Europe, and Japan.

Panero's "superport" complex calls for a twin deep-water port development on a site near Coatzacoalcos on the Gulf Coast and near Salina Cruz on the Pacific, joined by a series of transportation and pipeline links enabling rapid and cheap transfer of containers and raw materials across the intervening 120 mile neck of land.

The proposal stresses:

- There is no other site in the hemisphere as geographically well-placed for easy inter-ocean trans-shipment in bulk, close to trade routes and close to markets;

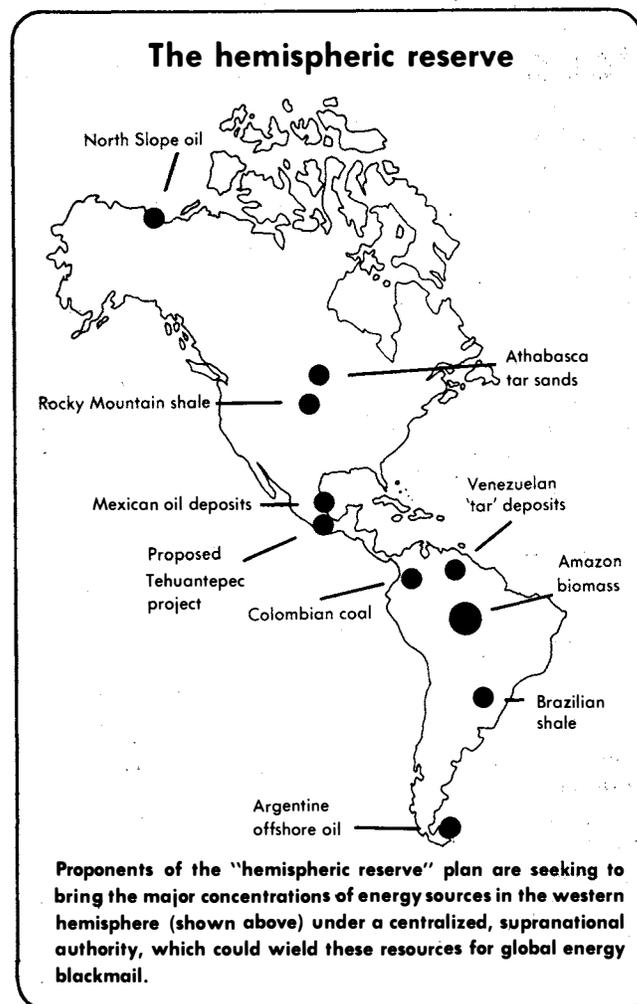
- The proximity to Mexico's oil and gas producing region in Tabasco and Chiapas, and its southeastern hydroelectric resources, make energy-intensive transformation and industry advantageous;

- Nearby labor pools at low wages make labor-intensive industry advantageous.

While the proposal appears to cohere generally with stated development goals of creating "industrial superports," the Mexican government has reason to be suspicious of the project. Panero's proposal is being advanced as a key aspect of the larger "hemispheric reserve" concept which envisions the Latin American continent as a war time reserve of raw materials for the London-Washington monetarist axis. While the rest of the continent is deindustrialized and looted of its natural wealth, the Tehuantepec superports would become the processing center for that wealth, a runaway shop of cheap Mexican labor and a chokepoint for the Latin American economy.

As emphasized by Panero's associate Lupe Echevarria in an interview, Mexican sponsorship of the basic infrastructure is essential for the success of the project, given Mexico's strong nationalism. Once endorsed, Panero hopes to turn the subsequent of transformation and industry into a playground for multinational investment.

The Panero prospectus virtually drools over a list of "transformation" possibilities: "bauxite from Jamaica, Surinam, Guyana, Brazil; metallic ores from Brazil, Venezuela, Peru, Bolivia and Chile; petroleum from Alaska, Colombia, Indonesia" and a corresponding list of trans-shipment possibilities. With the Alaska oil trans-shipment contract "alone," asserts the prospectus, "it would be possible to develop the concept in all its



initial aspects." No integrated industrial focus, including capital goods and finished products, is mentioned.

The Panero proposal has been submitted to Mexican government agencies for consideration, but Echevarria expressed discouragement with government response so far. Foreign interest in the project is not the problem; "We have circulated the idea to a rash of people in Washington," says Echevarria. The reality is that the proposal, despite its apparent development features, is fundamentally rooted in a notion of regional and even global raw materials looting which is totally anathema to Mexico's internal development strategy and foreign policy.

The Panero proposal insists that a Port Authority framework be devised as the governing agency of the project. Though the complex would be billed as "wholly Mexican operated," Echevarria argued that the establishment of such a project authority would enable the project to escape the political shifts implied in changeovers between Mexico's six-year presidential terms—a step toward splitting the agency out from government control.

# Stopping 'inconvenient' energy development

*Guillermo O. Zubaran, an executive director of the Inter American Development Bank (IADB) and the former energy minister of Argentina, delivered a speech to the March 22-23 Bogota "Workshop on Western Hemisphere Energy," which has been hailed by the architects of the hemispheric reserve policy as one of the most concise explanations of their objectives. The Council of the Americas is circulating transcripts of Zubaran's remarks, excerpts of which we print below.*

*Readers should note Zubaran's emphasis on expected nationalist opposition to the hemispheric idea. As Zubaran elaborated this point in an interview with Executive Intelligence Review, he said it is crucial to stop "energy programs in each country which may have a direction inconvenient to our proposal."*

As we have noted, the (Latin) American countries that are or will be able to export fossil fuels have a prospect of domestic investment for purposes of their economic development. This situation will tend to strengthen the idea of adapting production and exploitation of fuels to the pace of such development and no further....

In some way our concern would have to be conveyed to those responsible for the making of policy decisions *before* an integral legal, financial, economic, and social structure based exclusively on current internal aims and needs is consolidated....

Necessarily a hemispheric energy balance will be possible only through international agreements and coordination of national policies whose framework goes beyond energy alone....

(There is a) greater awareness of the fact that energy ... is a scarce resource and, consequently, a greater willingness to comprehend the need for price increases.... (However,) there is not yet any acceptance of conservation methods.... A global approach offers enormous advantages....

Any substantial changes made in the technology or outsetting (sic) of industries in the more advanced countries dating from an era of abundant, cheap energy, will be extremely expensive and time-consuming. In contrast, the adoption of new technology and equipment, taking into account the factors of shortage of high cost of energy in hemispheric countries that have not yet begun to industrialize or are in the early stages of industrialization, will be much easier and economical....

In due course those who perform this task whose prospects we explore today, should inform the public in our countries that they are striving not simply to

*increase the current flow of energy resources from the countries that have them to countries that consume them.... You must excuse me for stressing this point but it should be noted that at some point this proposal will inevitably become the subject—often mistakenly—of public discussions in our countries and will be opposed by chauvinistic sectors and attacked by the small sectoral interests that originate and expand under the shelter of protectionism and isolation." (Emphasis in the original.)*

## **Mitre Corp.: establish a 'strategic relationship'**

*The following quotes are taken from the Summary of the Workshop to Survey Western Hemisphere Energy, held at the Mitre Corporation headquarters in McLean, Virginia on Nov. 2 and 3, 1978. The Summary outlines how the so-called hemispheric reserve policy is intended to ensure a maximum of raw material flows for U.S. military designs, while Latin America is forced to accept an economic package premised on expensive and low density energy inputs, banned nuclear technology, and limited sovereignty. The first axiom of the workshop, sponsored by Mitre, Council of the Americas, and Robert Panero Associates, is "the strong possibility of a major energy shock during the mid-1980s."*

A special relationship exists among the nations of the Western Hemisphere due to mutual geographic, strategic, and economic interests.

It is appropriate to look at the potential for cooperation in the Western Hemisphere for reasons of Hemisphere national and regional security, economic growth, and economies to be realized from the geographic proximity of energy resources and users.

The Western Hemisphere can be energy self-sufficient if we do what we are clearly able to do. No major technical breakthrough is necessary.... These solutions will hinge on timing, human, economic, and political factors more than on technology or the availability of raw resources.

Mitre studies consider that renewable resources including hydro, solar, biomass, and geothermal hold the long-term promise of making a significant contribution to the Western Hemisphere's energy requirements.

Synthetic fuels, in the form of liquid, can be produced from coal or from shale at no more than two to three times the present world price of oil, and perhaps even less for some higher grade deposits of shale.