

Why Japan's Ohira left Mexico empty-handed

by Dennis Small

In a 48-hour State visit to Mexico May 2 and 4, Japanese Prime Minister Masayoshi Ohira undid three years of patient negotiations with Mexico and left relations with that oil-rich country a shambles.

This was no easy task.

The Ohira-Lopez Portillo summit meeting was eagerly awaited by both countries, and was expected to cap years of painstaking talks by signing sizeable oil-for-technology accords. Two weeks prior to Ohira's arrival, Mexican Industry Minister de Oteyza returned from a trip to Japan expressing public excitement at the complementarities of the two economies, and private willingness to up oil exports to Japan from 100,000 to 300,000 bpd. In exchange, Japan was to sign for massive, multi-billion dollar investment and transfer of technology projects in heavy industrial areas such as steel, port construction, and railroad electrification.

In fact, talks had progressed so far that all Ohira had to do to obtain the urgently needed increase in Mexican oil deliveries, was to sign on the dotted line to guarantee Mexico advanced technology, and to refrain from making any excessively provocative political comments while in the company of his Mexican hosts.

Ohira did neither. The first, and probably most significant, affront to Mexico was the Japanese Prime Minister's 24 hour stop-over in Washington, D.C., *before* arriving in Mexico. "Do they have to get permission from Washington for *everything* they do?" was a commonly heard complaint in Mexican government circles over the recent period (see article below).

The second affront was on oil. Where President Lopez Portillo stated clearly that Mexican oil would be available *only* if Japan agreed to transfer technology to Mexico, Ohira shocked his hosts by saying the exact opposite: "Oil provisions have nothing to do with Japanese investment. Although, if the former increase, the

latter will also." The Mexican hackles could almost be seen rising.

And third, Ohira made every imaginable political blunder in dealing with highly nationalist Mexico:

- He praised GATT, the General Agreement on Trade and Tariffs, which Mexico had six weeks earlier refused to join.

- He called for expanding the powers of the International Monetary Fund, while the Mexican President argued that "it is above all indispensable to reorganize the (world) financial system."

- Ohira refused to at any point endorse Lopez Portillo's fundamental goal of building a New International Economic Order.

- And he baldly attacked developing nations which use their raw materials to achieve political goals—a transparent reference to Mexican oil policy.

Not surprisingly, Ohira left Mexico empty-handed.

It was almost as if someone had *deliberately* misbriefed the Japanese Prime Minister on every single point that was guaranteed to enrage his Mexican hosts and make a shambles of Japanese-Mexican relations.

Someone did just that.

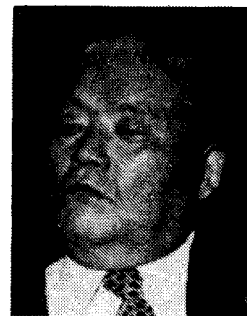
The case of Mr. Okita

Prime Minister Ohira knew full well that his approach would lead to failure in Mexico. *EIR* has learned from various highly reliable sources that Japan's Ministry of International Trade and Industry (MITI) had predicted that the trip would be a total disaster if Mexico was hit with the above package, and advised the Prime Minister to instead "take more presents" with him. Ohira, however, chose to ignore MITI's obviously sound advise, and instead followed the recommendations proffered by Foreign Minister Saburo Okita. Ohira took Okita with him



President López Portillo

Mexico's policy on oil production and export increases will be determined by the capacity of its economy to productively absorb the additional foreign exchange...Development projects undertaken jointly...would contribute to increasing...absorption capacity.



Premier Masayoshi Ohira

"Oil provisions have nothing to do with Japanese investment. Although, if the former increase, the latter will also."

to Mexico, and simultaneously sent MITI Minister Sasaki on a wild-goose chase to seek oil, coal and other economic deals ... from China!

The Mr. Okita whose advice Prime Minister Ohira so respects is a leading member of the zero-growth think tank, the Club of Rome. He is also one of Japan's top members of David Rockefeller's Trilateral Commission. And just prior to the Mexico trip, the Trilateral Commission held its annual meeting in London, where a policy was charted out of preventing the industrialization of developing nations like Mexico, by seizing control of their raw materials as a "strategic reserve" for the London-Washington axis. This is exactly current U.S. policy toward Mexico's oil, and during his brief Washington stop-over Ohira was instructed to take this same approach into the talks with Mexico.

There is little doubt that the Trilateral policymakers were perfectly aware that Mexico would violently reject this approach, and would refuse to deal with Japan on this basis. Since an independent Japan-Mexico relationship built around joint industrialization projects is anathema to the Trilateral Commission, they chose to torpedo the relationship from the inside before anything unmanageable developed.

As far as it went, their strategy was successful.

But Ohira and Okita have a problem: they will now have to answer to people back home for the manifest failure of the summit. There is a powerful faction in Japan—known as the "Resource Faction"—which despises the Club of Rome approach and has historically favored the rapid industrialization of developing nations like Mexico, in alliance with advanced sector partners in the European Monetary System. This is the outlook prevalent in MITI, as well as in many of Japan's large trading companies.

They will be asking Ohira to justify a policy of such

total servility to Washington's every whim that it has resulted in Japan's loss of, first, the 10 percent of its oil that it received from Iran, and, second, of the large quantities of Mexican oil that were on the negotiating table and which Japan so urgently needs. Many close observers of the Japan scene are predicting that the "Resource Faction" will now move factionally against the Ohira crowd, by launching a national debate over "Who lost Mexico."

On the Mexican side, Ohira's fiasco will not aid the forces favoring rapid industrialization. With Mexican President Lopez Portillo leaving for a critical European tour ten days from now, Mexico's sizeable collection of anti-industry leftists, both inside and outside the government, can be expected to use the Japanese example to "prove" that Mexico can't trust any advanced sector nations, including Giscard d'Estaing's France, and that Mexico should instead go it alone or throw in its lot with Third World radical nations like Iran.

What went wrong?

Even before Ohira landed at Mexico City's Benito Juarez airport, the showdown could be seen coming. The day before Ohira departed Washington, a group of U.S. Congressmen—including Senators Javits, Baucus, and Bentsen—called for the creation of a "North American Common Market" among the U.S., Canada and Mexico. Mexican officials as high as President Lopez Portillo himself have categorically rejected such a proposal more than once, calling it "imperialist."

This time, the official Mexican response came less than 24 hours later. Jorge Diaz Serrano, the Director of Mexico's nationalized oil company, Pemex, bluntly told the press: "Mexico will not be a strategic solution, either for the United States or for the world." Mexican Budget

Minister De la Madrid made the same point equally forcefully in a speech delivered to Mexico's Congress two days later: "Mexico will not become an exclusively oil-producing country, nor will it determine its sales of oil based on international pressure."

With these precedents, it is not surprising that the final Joint Communique reads more like a political battlefield than anything else. Virtually the only topic agreed on was "the need for peaceful solutions to international controversies." Otherwise, the two heads of state "exchanged points of view," with each side alternately including major points which the other leader clearly totally rejected. Ohira got not a single barrel of oil above the 100,000 agreed to months earlier. And outside of promises of "utmost sincerity" and "serious willingness to consider" concrete projects, the only thing Japan actually came through with was a pathetic \$1 million for a

Mexican-Japanese Friendship Society.

With the dust still settling in Mexico City, a major Japanese Industrial Fair will open there this week to try to pick up the pieces. Further negotiations will undoubtedly occur, and some specific projects may even be agreed to in the future.

But all eyes are now on Lopez Portillo's European trip, where he will meet with the architects of the European Monetary System, Giscard d'Estaing and Helmut Schmidt, at a moment of strategic redefinition for the Mexican nation. As *EIR* forecast three weeks ago in these pages:

"If Ohira tries to obtain Mexican oil *without* committing Japan to transfer of technology to Mexico, Mexico will unquestionably take its orders for capital goods—and its surplus oil—elsewhere: to France, to Spain, to West Germany, and so forth."

Ohira talks oil, Portillo talks technology

On May 3, Mexican President Lopez Portillo granted an interview to Japan's Asahi TV. He had the following to say on the oil question.

We have recently fixed our oil production platform at between 2.25 and 2.5 million barrels per day, with a 10 percent flexibility margin to guarantee internal supplies and exports of about 1.1 million barrels. . . . So long as there does not exist an international order which justifies Mexico changing her policies, we will naturally continue in accord with the internal interests of our country, given that the current disorder does not guarantee that Mexico's possible increased efforts would be fruitful . . .

Asked when Mexico would increase its oil exports, Lopez Portillo replied:

Not for a sufficiently long time, until we see how the country's economy performs with these [current] export indices. . .

For Japan, Mexico is an interesting market for her products, a place where she can invest to satisfy the needs of our internal market, and, supported by such a base, go out and export to neighboring markets, from the U.S. to Latin America. Mexico is a country which possesses raw materials, coastlines, and human resources sufficient to support many projects. . . It has

energy sources, attractive levels of installed capacity. . . This might interest Japan.

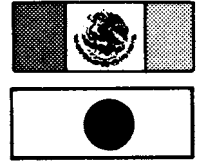
Japanese Prime Minister Ohira spoke to the press on May 3. The following are selected comments.

. . . Our relations with Mexico exist not only because she has oil, since even if she didn't, we would study our relations with this country. We have learned recently of Mexico's great oil resources, and Japan needs oil; therefore we came to obtain crude from Mexico. Japan can offer technology and capital for economic development. . .

Crude oil is an important objective. We have spoken of three steel projects and we promise serious cooperation on this. On the other hand, Japan wants to increase its Mexican oil imports to 300,000 barrels per day by 1982. Mexico answered us that she determined her oil production plan three months ago. Export quotas for a number of countries, including the United States, have already been set and it is impossible for Mexico to change its development plan. Mexico wants to increase her production, because several countries have asked for it but Mexico has to think of the inflation which this would bring the Mexican economy. And Mexico wants economic development without inflation.

In Mexico, increases in oil production and economic development are tightly linked. Thus, they promised to try to satisfy our demands. . .

Japan has \$230 million invested in Mexico. Oil provisions have nothing to do with Japanese investment. Although, if the former increase, the latter will also. That's natural. . . ."



Ohira bows to Washington's desire

by Peter Ennis

The failure of Japanese Prime Minister Masayoshi Ohira's trip to Mexico was hardly surprising to those who carefully observed his stop in Washington on May 1. Though he was in the United States for only 24 hours, Ohira managed to grant more concessions to the Carter administration than most heads of state could make in a week-long stay. The decision by Ohira to not actively pursue expanded economic relations with Mexico was just one of these many concessions.

In fact, it was precisely with the intention of making concessions that Ohira traveled to the United States. Arriving immediately on the heels of the Carter administration's Iranian hostage "rescue" operation, which caused shock and anger throughout Japan, Ohira designed his trip to be a demonstration of the "true friendship" between Washington and Tokyo. Ohira is known to be worried about the growing scepticism in Japan toward the Carter administration, especially those policies which are causing an increase in global tensions. To counter this, Ohira is arguing that Japan has "no choice" but to follow the United States on any major strategic policy, and he went to Washington prepared to go to any lengths to prevent a rift in U.S.-Japan relations.

Ohira traveled to great lengths indeed. During his stay in Washington, the premier succeeded in demonstrating his personal friendship with the Washington Trilateral Commission crowd by agreeing to numerous administration demands, including increased Japanese defense spending in cooperation with the NATO countries, provision of financial aid to several tottering Third World countries now functioning as bases for the NATO alliance, and acceptance of Henry Kissinger's International Energy Agency as the source of oil supplies to Japan in the event of an "emergency."

Moreover, Carter did not respond with return concessions. Terrified of a cutoff of crude oil supplies

from the Middle East, Ohira is reported to have meekly requested that the United States take no more military action in the Persian Gulf. Carter offered no comment.

Tokyo takes responsibility

Throughout the two hours of talks between Ohira and Jimmy Carter, defense and international strategic matters were the main agenda topics. Concerning Japanese defense spending, Carter is reported to have urged Ohira to speed up the timetable for implementation of a recently announced Japanese Defense Agency plan to modernize the country's armed forces. The modernization program stems from years of American pressure on Japan to assume more "responsibility" for the defense of the Asian region.

Ohira was careful in his response to this "request," going only so far as to say that Japan would have to decide on its own how best to increase defense spending. Most saw Ohira's cautiousness as stemming from domestic opposition to this plan, indicating that Ohira himself was operating under certain constraints in demonstrating his "friendship." However, Ohira fully agreed in principle to an increase in Japan's defense responsibilities. Earlier this year Ohira demonstrated this same commitment when he allowed the Japanese navy to participate in naval maneuvers with Australia, New Zealand and the United States—the first time in the post-war period that joint military activities were undertaken with a country other than the United States.

Moreover, to show his good faith and Japan's full commitment to the "Western Alliance," Ohira announced that Japan will undertake a major effort to aid such strategically "important" countries as Oman, Pakistan, Turkey, Somalia and Kenya. There is little disguising the fact that this is military-related aid, something which Japan had previously avoided since World War II.

Much publicity was given to a reported commitment by the Carter administration to help supply oil to Japan in the event a shortfall in supplies develops for that country. This commitment supposedly came as American "thanks" to Japan for backing the administration in imposing sanctions against Iran.

However, on close examination it is very clear that the administration offered no concrete plan to Ohira, but instead made vague reference to the possibility of emergency supplies coming from American multinational oil companies, or Alaska. The only guarantee the administration did supply was American support for any Japanese effort to invoke the "emergency" sharing provisions of the International Energy Agency—established by Henry Kissinger after the 1973 oil embargo. This "help" will include an IEA diktat to Japan to cut back oil consumption by at least seven percent, and will further increase Japanese dependence on American and British dominated institutions for oil supplies.

Overall, while the administration treated Ohira in a

"polite but firm" fashion, the premier was given a rougher time by the U.S. Congress. This was undoubtedly done with the prior knowledge of the administration.

Before having lunch with Carter on May 1, Ohira had separate breakfast sessions with the foreign relations committees of the House and Senate. The agenda for these meetings was largely set by a group of seven senators, including Charles Percy (R-Ill.), Frank Church (O-Idaho), and Jacob Javits (R-N.Y.), who drafted a letter to Ohira shortly before his arrival outlining their views on how Japan could better contribute to the Western Alliance. Their "suggestions" included most of the demands later put before Ohira by Carter. The letter also contained a direct threat to pass protectionist measures against Japanese cars imported into the United States—a threat which Carter himself also made. The letter was eventually co-signed by thirty-five senators and delivered to Ohira through the American embassy in Tokyo, showing beyond doubt that the demands had the official backing of the Carter administration.



Ohira freezes at mention of Okuma

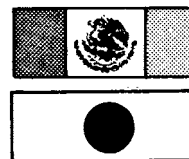
Observant attendees noticed Ohira suddenly stiffen during the opening banquet when Lopez Portillo said that the foundation of productive Japan-Mexico relations lay in the 1883 treaty Mexico signed with Japanese Foreign Minister Count Okuma. In that treaty Mexico became the first country to abrogate the unequal treaties which were hindering Japan's industrialization.

The barb on Portillo's spear was that specific reference to Count Okuma. Japan is an industrial power today because of the courage and determination of the Meiji Restoration faction led by Okuma. Yet every step of the way, Okuma and his associates were subjected to political attack, including assassination, by the men whom Ohira correctly regards as his forebears, the British-allied Mitsui faction.

Critical support from Juarez's Mexico, Lincoln's America and republicans in France, helped Okuma lead Japan from literal zero-growth feudalism to industrialism in one generation. Students of Lincoln's economic advisers Henry Carey and Friedrich List were in turn advisers to Okuma. Okuma's group is often called the Mitsubishi faction, after the business group which it created to carry out its economic and political policies.

To Okuma's industrial policy, Ohira's Mitsui ancestors countered with economic subordination to Britain, the cultism of "sonno-joi" shintoism, and the terrorism and drug dealing of the infamous Black Dragon Society.

Ohira today is trying to peddle to Mexico the same anti-industrial policy which his 19th century political ancestors, in alliance with Britain, tried to foist on Japan. Ohira became nervous at the very mention of the parallel.



The Joint Communique

The following are excerpts from the Joint Communiqué issued at the end of the Ohira-López Portillo summit.

The two heads of state exchanged points of view on international development strategies for the 1980s and on beginning a series of global negotiations on raw materials, energy, development, currency and finance. ... They agreed that bilateral and multilateral efforts should continue taking into full account the need of developing countries to advance their industrialization and economic diversification processes, to seek greater export revenue stability, to reduce their great external imbalances, to obtain greater access to world trade flows and relief from their burdensome accumulated foreign indebtedness. The President [of Mexico] appreciated Japan's efforts during the Tokyo Round of multilateral trade negotiations.

The Prime Minister [of Japan] expressed his conviction that the implementation of the Tokyo Round agreements would promote an increase and an opening of world trade and would result in great benefits for the developing countries.

The President likewise stressed the need to change the present international monetary system to make it capable of meeting the demands of the moment, specifically, the needs of the developing countries. And, in this respect he reiterated Mexico's firm support for the action program for the reform of the international monetary system which was presented to the developing countries at Belgrade in 1979. ... Prime Minister Ohira praised President López Portillo's very timely United Nations initiative for drafting a world energy plan....

In regard to the three steel projects (the second stage of SICARTSA, a foundry and heavy-duty forge, and a large diameter pipe plant), the Prime Minister expressed with the utmost sincerity his complete willingness to cooperate. The two heads of state decided to continue with the negotiations as soon as possible, to determine the modalities of said collaboration.

The Prime Minister expressed his government's serious willingness to consider and, by means of co-invest-

ment or other modalities, begin implementation of projects in the fields of industry, mining, industrial port construction and equipping, railroad electrification, fishing, and tourism. The two leaders instructed the relevant officials in their administrations to proceed—actively—to define, study, and detail concrete projects in said fields.

In his turn, and in the same way, the President of Mexico reiterated the willingness of his government in the context of this global cooperation program, to contribute to Japan's energy requirements by means of crude oil exports to that country, which will reach 100,000 barrels per day toward the end of 1980. These exports and their possible increase in the future are a central element of Mexico's contribution to global cooperation between the two countries and, thus, their relation requires advances, according to an agreed schedule, in the implementation of the cited cooperation projects.

The two heads of state agreed to make joint efforts to increase and diversify Mexican exports.

The Prime Minister expressed his appreciation for Mexico supplying 100,000 barrels per day of crude oil to Japan starting this year. The Prime Minister stated his desire and expectation that this would be increased until it reaches 300,000 barrels per day during 1982.

The President reiterated Mexico's policy that oil production and export increases will be determined by the capacity of its economy to productively absorb the additional foreign exchange generated by such increments. In this regard, he recognized that the promotion and bringing on line of development projects undertaken jointly by both sides in Mexico, would contribute to increasing said absorption capacity. In this context, and within the long-term global development policy for the Mexican economy, the President stated that he was politically willing and disposed to consider the Japanese request...

The Prime Minister expressed the intention of the Japanese government to make a donation equivalent to one million dollars to establish in Mexico a jointly-administered Mexican-Japanese Friendship Fund for cultural exchange...