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## DEPARTMENT OF STATE

Washington, D.C. 20520

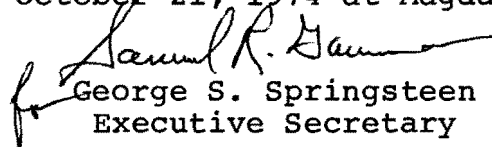
November 2, 1974

UNCLASSIFIED  
(WITH ~~SECRET~~/EXDIS  
ATTACHMENT)

MEMORANDUM FOR LIEUTENANT GENERAL BRENT SCOWCROFT  
THE WHITE HOUSE

SUBJECT: US-Mexican Presidential Meeting

Attached for the NSC staff is a Memorandum of Conversation of the meeting between President Ford and President Echeverria of Mexico and their respective staffs on October 21, 1974 at Magdalena de Kino, Mexico.

  
George S. Springsteen  
Executive Secretary

Attachment:

Memorandum of Conversation

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DECLASSIFIED  
E.O. 12958 Sec. 3.6

DEPARTMENT OF STATE

*Memorandum of Conversation*

MR 00-1; at LU 4124100

By dlc, NARA, Date 4/4/01

DATE: October 21, 1974  
From 12 Noon to 2:30 p.m.

SUBJECT: Talks between President Ford and President Echeverria

PARTICIPANTS: U.S. Participants: President Ford  
Secretary Kissinger  
Anthony Hervas, Interpreter

Mexican Participants: President Luis Echeverria  
Foreign Minister Rabasa  
Mrs. Italia Morayta, Interpreter

After an initial exchange during which President Ford expressed his appreciation for the fine reception extended by the people of Nogales and of Magdalena, and the hope that he would be able to reciprocate the high standard set by his host later on during the visit to Tubac, Arizona, President Echeverria suggested that it would be an appropriate moment to discuss matters of common interest.

President Ford:

The United States has a great interest in the solution of problems regarding illicit traffic of drugs and narcotics. I am aware of the cooperation of the Government of Mexico in this area including efforts made by the Army to control the cultivation of poppies. A number of agencies and organizations are cooperating in an effort to stop the flow of heroin and marijuana. However a maximum effort is presently needed because though heroin traffic to the US decreased for a while we are now witnessing a renewed increase in such traffic. Unfortunately, too much of this heroin is coming across the Mexican border. For this reason it would be a good time to discuss what the US can do to help stop such traffic.

President Echeverria:

Mexican and US officials have been cooperating in the fight against drug traffic and a number of very important seizures have been made. However, because of the extended border between the two countries, continued and increased cooperation is necessary.

ARA/LA:WDRogers:LS:Hervas:mjt

*WDR*  
*LS*  
*Hervas*  
*mjt*  
(Drafting Office and Officer)

~~TOP SECRET - XGDS (3)~~  
CLASSIFIED BY: HENRY A. KISSINGER

Substantial amounts of drugs that originated in Lebanon and France are being shipped through Mexico. This is also true of drugs coming in from South America, which account for a large part of the traffic. Along the three thousand kilometer border, it is very easy for small planes to take off and land in small private ranches. However, over the last 10 or 12 years, cooperation between officials of both countries has been much greater and has resulted in increased seizures. One such very large seizure took place just a few days ago. It involved a large band of Mexican smugglers with a connection in France. Nevertheless, I believe it is necessary to expand efforts to educate the consumers because they played an important role in the overall drug situation. Pushers providing free drugs to potential addicts and smugglers expanding available supplies are largely responsible for growing demand.

President Ford:

I agree it is necessary to be tough with the pushers. The strongest measures, however, should be directed against the kingpins or heads of the organizations. A strong policy should be adopted against this criminal element. In talks with our experts, we have found that the countries of Southeast Asia, which are important producers of drugs, do not worry much about drugs until they find that the problem is getting closer to home. When the children of high echelon officials become addicted, the parents begin to show concern. When our own population was affected, the result was a stronger and tougher attitude. In the United States many children of wealthy families became addicted. As a result we now have a much tougher attitude against drug use.

We need more safeguards; a greater effort to educate the public; stiff sentences against offenders; and the systematic destruction of poppy fields, as well as the adoption of any and every possible measures to control this danger.

President Echeverria:

I am aware that Mexican officials are cooperating with their American counterparts. For example, the Mexican Confidential Information Services are in daily contact with U.S. officials. However their efforts are complicated

by the fact that sometimes innocent children fly in from Peru and Bolivia to deliver packages of drugs. When this information is received, Mexican customs confiscate the shipments. However, sometimes the carriers are not aware of the nature of the contents of the packages and are simply acting as relays. One complicating factor is that over 3 million U.S. tourists cross the border every year. Likewise, a large number of Mexican tourists cross the border. Therefore border passage procedures have had to be reduced to a minimum, making traffic control more complicated.

President Ford:

Perhaps we should turn to the topic of illegal aliens. In the past, Foreign Minister Rabasa has talked to me as well as to Secretary Kissinger on the problem of Mexican migrant workers.

President Echeverria:

Much of northern Mexico consists of desert and of poor arid areas; it is precisely from such areas that workers go to the U.S. seeking employment. The availability of such workers sometimes is of great benefit to U.S. farmers because they contribute to cheaper labor costs. During the time the bracero agreement was in force it also acted as a stimulus to the illegal entry of workers through border towns. There they were contracted to work on the farms. The situation created problems that Mexican consuls could not cope with. In addition growing and complex problems with unions opposed to the admission of migratory workers arose. Also, workers who were U.S. citizens, though of Mexican origin, together with migratory workers were used to break strikes. These farmers would hide on farms or the farmers themselves would hide them to avoid detection by officials.

Secretary Kissinger:

The present inflation tends to increase unemployment. However, some thought has been given to the possibility of negotiating a new agreement. This would require extensive consultation with unions and Congressmen who fear that a new agreement which provides legal status to migrant farm workers would allow them to compete in a shrinking labor market.

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President Ford:

When I was in Congress, in the Fifties, and the program was in operation, labor unions forced an end to the program. Since then, the numbers of illegal aliens entering the U.S. has continued to grow. Therefore, I believe it would be helpful if a joint U.S. Mexican Commission would sit down to study the impact of the present circumstances which are bad, and to seek the best solution possible to the problems confronted. The Commission should be broad based and include organized labor. Once it concludes that the present system is more harmful, then it may be possible to persuade members of Congress and public opinion, and then obtain their support for an agreement.

Secretary Kissinger:

Our friend Rabasa has just suggested such a proposal to establish a commission that would study the problems and identify areas of cooperation. He suggested a number of steps: first, the establishment of an international commission similar to the existing Mexican Commission; second, the adjustment of the status of long-term migratory workers. In reference to this point, I have not had an opportunity to talk to Congressman Rodino on the matter.

Secretary Rabasa:

The proposed Rodino bill would hurt Mexico because, for the first time, it provides sanctions for employers. Under the circumstances such employers might be inclined to throw out all Mexican workers, thus creating greater problems. However, Senator Montoya's proposed bill to create a commission appears more constructive. It is, however, weakened by two provisions, the first which would limit the life of the commission to one year; and the second, that it did not include the Secretary of Labor, who is essential to the success of such a commission.

President Ford:

The Rodino Bill, if adopted, would adjust the status of all individuals who were in the U.S. before 1965, thereby legitimating the status of a large number of workers who could gain U.S. nationality.

Secretary Rabasa:

There are over one million Mexican workers in the U.S. The Commission should study the de facto situation of those Mexicans who are married, have children and are already established in the U.S. They could be offered an option to select status, because nationality cannot be imposed on individuals since this would be against constitutional provisions. The Commission could set requirements such as a five year residency and the establishment of a family; the existence of a known domicile. On the basis of such criteria it could legitimize their situation. Mexico already has a national commission to deal with this important matter with representatives of labor, the Foreign Office, and other interested agencies. These people are ready to go to work on the matter.

President Ford:

The creation of a commission might complicate the subject. There are already one and one half million aliens in the U.S. and the number is growing daily. Maybe Secretary Kissinger and Secretary Rabasa could work out some other acceptable solution.

President Echeverria:

In my view, this could be a good point of departure. All principal interested parties should be brought together to discuss the matter. This should not be a political decision nor one hastily arrived at. Consultation with trade unions and others should be undertaken.

Secretary Kissinger:

With Government officials and union leaders, a certain amount of initial missionary work is necessary. An idea which was discussed in the meeting between Secretary Rabasa and President Ford was that it would be easier for the U.S. to regulate the matter if we could tell the unions that we would undertake to accept a figure of, say, no more than five hundred thousand workers. In exchange, you would have to guarantee under the agreement that you would stop all other workers from crossing into the U.S. If we are to

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reduce the total number we could guarantee certain minimum conditions. This we cannot do now, but it could be suggested as a result of the study, when we would have something specific to suggest to the unions.

President Ford:

Those who would come under such a program would benefit from better pay and better working conditions.

Secretary Rabasa:

Mexico has signed one such agreement with Canada. The memorandum of understanding which is part of the Canadian agreement contains precisely such provisions.

Secretary Kissinger:

Under the terms of a guaranteed number can Mexico give assurances that no additional workers would come to the U.S.?

Secretary Rabasa:

The Government of Mexico accepts this matter as its own responsibility. In order to find a solution, the Government is going to undertake the creation of more jobs, construct highways, hospitals and other such public works. I accept the point that this situation is essentially Mexico's fault. However, U.S. employers encourage migration because they employ Mexican workers. The problem is not exclusively a Mexican problem but is also a U.S. problem. U.S. firms are very happy to have Mexican workers to pick their cotton and grapes.

President Ford:

I am aware of the fact that, during the period of the apple and blueberry harvest, many strong, fine workers from Mexico and Texas arrive in large groups in Michigan and are both well paid and well treated. At least, this was the case until the unions forced Congress to stop the program.

President Echeverria:

I think we should address the question of a statement to the press on the subject. It will be necessary to say something to alleviate their concerns. To refer to an agreement would be premature. The Mexican press had the idea that I am going to insist on an agreement, but this, of course, is not the case. I also feel that U.S. labor unions would not like the concept of an agreement.

President Ford:

Some trade unions would like an agreement because unorganized workers undercut wages and living conditions because they are willing to work for less money and under worse sanitary conditions. If, as a result of a careful study, Mexico could conclude that it would be able to stop the flow of illegal aliens and the U.S. would accept a limited number of Mexican workers who would receive adequate pay and living conditions, the outcome would be much more successful. That type of a solution could be the subject of an agreement.

Secretary Kissinger:

It might be best that the announcement to the press be limited to the fact that both countries are setting up a commission for the study of the problem.

Secretary Rabasa:

Turning to another area, current discussions relating to the Law of the Sea are at present subject to two conventions, the 1958 Convention and 1960 Convention. These documents regulate such matters as territorial waters, adjacent zones, the continental shelf, pollution contamination, etc. The Caracas conference on the Law of the Sea was not quite a success, though it was not a complete failure either. One trend apparent in the conference pointed to the concept of the "patrimonial sea," as opposed to the traditional concept



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of the "territorial sea." Mexico and 94 other countries have traditionally subscribed to the 12 mile territorial sea concept. However, certain countries--Ecuador and Peru--have recently posed problems by their claims to territorial seas extending two hundred miles from their shores. A new "in between" theory, gaining support, is the one of the "patrimonial sea" or "economic zone." The concept of patrimonial sea does not proclaim sovereignty over the sea, but does claim ownership of its resources, such as fishing, mining, flora, fauna, etc. I am under the impression that Secretary Kissinger appeared to support this concept. However some Senators from the New England states were raising objections.

President Ford:

It is not only the Senators from New England but also those from the West Coast.

Secretary Kissinger:

We are basically in agreement with the concept of the patrimonial sea. However, two specific problems remain. The first refers to its application to the Mar de Cortes, or Gulf of California. Secondly, we oppose a unilateral declaration by Mexico without waiting for the conclusion of the Law of the Sea Conference. If Mexico were to make a unilateral declaration, other countries might feel encouraged to follow suit and the results lead to insoluble problems such as those involving the archipelago as well as the right of transit through straits. What for some countries is a "patrimonial sea" for others is a "territorial sea." If we can get you to stop from making a unilateral declaration on the matter, and if you can get a number of countries to go along with your proposal, I believe we could support the Mexican position.

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President Echeverria:

We could cooperate at the next international conference on the Law of the Sea to be held in Geneva, Switzerland, next March, April and May. If President Ford agrees, both delegations could join forces to support the concept of patrimonial sea. Mexico is not presently contemplating a unilateral declaration. However because of the conflicting theories being proposed at the conference, it would be advisable to reach some kind of agreement regarding waters that are adjacent to the territorial sea. Let us try for an internationally reached agreement. After that each country would try to solve specific problems with its neighbors on a bilateral basis.

Secretary Kissinger:

I think that we could go along with such a proposal but we would like to check it with our lawyers. Our basic position is that in principle we see no incompatibility between our positions and I feel certain we can cooperate with the Mexican concept as long as Mexico does not proceed to make a unilateral declaration. Unilateral declarations by a number of countries such as Persian Gulf countries or Spain could result in denying entry through international waterways.

Secretary Rabasa:

I feel we are substantially in agreement on the matter and whatever name used, whether patrimonial sea, economic zone, or international sea, this is not of great significance. It is important to work out legislation at the Geneva Conference and Mexico will not proceed with a unilateral declaration.

President Ford:

How many countries support the concept?

Secretary Rabasa:

Among others, Ecuador, Peru, Chile, Argentina, Brazil and Uruguay have made claims to a large territorial sea and, in fact, the U.S. and Brazil have signed an agreement regarding shrimp fishing rights in an area of two hundred miles of ocean along the Brazilian coast.

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Secretary Kissinger:

We have a convention with Brazil and this is a concept we can live with. It requires further study in order to arrive at a proposal that would meet with the approval of the Law of the Sea Conference. Would you like to have Mr. Maw come to discuss the matter further with you?

President Echeverria:

Could we have a map of the Caribbean Sea and adjoining areas?

Secretary Kissinger:

The area we will have difficulties with is what you call Sea of Cortes.

Secretary Rabasa:

We should have a conference of the countries in and around the Caribbean, with a view to applying the concept of the patrimonial sea to the area.

Secretary Kissinger:

If the 200 mile territorial sea applied we would close off the Caribbean to all navigation, because no area is more than two hundred miles away from any other.

Secretary Rabasa:

It is our desire to apply the patrimonial sea concept. Not a restrictive interpretation of the territorial sea. The idea we are suggesting is of a community of Caribbean nations which would include Mexico, Honduras, Guatemala, Costa Rica, Panama, Colombia, Venezuela and the Caribbean Islands. All states would retain their fishing rights within certain limits. The U.S. would see its interests represented by the presence of Puerto Rico and the Virgin Islands in the area. I have already spoken with the Foreign Ministers of Jamaica and Cuba and they have expressed their agreement in principle with the concept of a community of the Caribbean Sea. If the concept of the territorial sea was strictly applied, three countries, the U.S., Mexico and Cuba would divide up the area.

11.

President Echeverria:

If the concept of the patrimonial sea prevails, this will be important for us, because Mexico has recently discovered large oil reserves on the continental shelf in an area north of the Yucatan peninsula. The U.S. also has large oil fields in the Gulf south of Louisiana and Texas. For these reasons solution to the question of the rights of the riparian states will become increasingly urgent. Within the next few months, the interested parties should attempt to devise the manner in which the Law of the Sea would deal with such matters.

Secretary Kissinger:

It is necessary to deal with two separate matters. First, with the question of the patrimonial sea and how it would apply to the Caribbean nations. Secondly, whether all Caribbean Islands would be considered together as a unit or whether all states would assert their separate claims.

Secretary Rabasa:

All islands would be considered as a unit, and within that unit, the U.S. would have its interests represented by the presence of Puerto Rico and the Virgin Islands. One practical consequence will be the exclusion of all other countries from the Caribbean.

Secretary Kissinger:

This second proposal has not been studied in detail by U.S. Government officials.

President Echeverria:

I propose that such a study be undertaken in order to determine the respective interests of all countries involved.

President Ford:

Are there any colonial claims which would interfere with the suggested proposal?

Secretary Rabasa:

Barbados, Trinidad and Tobago, Guyana and Jamaica are trying to establish a common market, together with Belize, but their claims would have to be studied considering all the Caribbean Islands a single unit.

Secretary Kissinnger:

We have not studied the future implications of the "patrimonial sea" but in principle we could go along with the concept, provided Mexico does not proceed to a unilateral declaration.

Secretary Rabasa:

The matter can not wait forever.

President Echeverria:

A few months are still available to study the alternatives and determine the extent with which any norms would have world-wide application. I have already held talks on the subject with Venezuelan President Carlos Andres Perez, with Jamaican Prime Minister Manley, and with Cuban Prime Minister Fidel Castro. All agreed that the matter must be studied soon because of existing problems and of others that might arise in the near future. This idea originated with the Prime Minister of Jamaica. We have become very concerned with seeking a solution. One possible problem might arise if a country had oil within its patrimonial sea and was not technically equipped to exploit it. Such countries would be free to contract with foreign companies to assist in the exploitation of these resources.

President Ford:

How did the countries in the North Sea area solve the problem of sovereignty over the oil?

13.

Secretary Kissinger:

They used as a basis the continental shelf and Norway and the United Kingdom drew a line at the continental shelf and divided the rest of the area. Some potential problems could rise applying this measure because some countries such as Argentina it extends 600 miles into the ocean. It would also give origin to disputes between Korea, China and Japan, especially if different criteria were applied.

President Echeverria:

I would like to have the officials involved explain the specific facts regarding recent oil discoveries. I would also like to have other members of the official party join us.

Secretary Kissinger:

Secretary Rogers and Ambassador Jova should join us as well.

President Ford:

We are glad to hear about the new oil discoveries which will be of great benefit to Mexico and will be delighted to hear the facts. However we are doing very well with our own program and we have not come to discuss the question of oil. (At this point, Mexican Ambassador de Olloqui, Mexican Minister of Natural Resources Horacio Flores de la Pena, Director of PEMEX Antorio Dovali, President of the Meixcan Senate Enrique Santana and President of the Mexican Chamber of Commerce Carlos Perez joined the meeting together with American Ambassador Jova and Assistant Secretary William D. Rogers)

President Echeverria:

I feel it is important for Mexico to describe the situation and the oil discoveries as well as to explain the official Mexican policy regarding oil prices and will ask Engineer Doval to do so.

14.

Engineer Antonio Dovali Jaime, Director of Pemex, was asked to discuss Mexico's recent oil finds by President Echeverria.

Engineer Dovali:

Mexico has been conducting extensive petroleum explorations recently. These efforts have been successful, and I can now say that we have increased production as a result of these new finds so as to eliminate any further oil imports. We have also increased exports. This development has great advantages for Mexico, and there is every prospect that we can maintain this favorable situation. The Mexican oil industry will now be in a position to pay for the country's imports of certain petroleum products as well as the machinery and equipment needed to continue our petroleum expansion. These new finds are largely in the area of Chiapas Tabasco. The new production will also allow us to increase the production of fertilizer which is sorely needed by the agricultural sector. In short, the expansion of our petrochemical industry gives important support to our overall development effort. It will permit us to expand LPG as well as gasoline. We are in the process of constructing three new refineries.

President Ford:

How many refineries do you have and where are they?

Engineer Dovali:

90 kilometers from Mexico City, one at Salina Cruz on the Pacific which provides distribution to the California area and one in Monterrey. We do not have all the data we need to evaluate our finds. We have only 47 wells, but they are very rich. They average 5,000 bbs per day.

President Echeverria :

That is as good as the Persian gulf.

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Engineer Dovali:

In fact, some of our wells produce as much as 10,000 and 15,000 bbs a day. They are very rich wells to average 5,000. These 47 wells belong to three different structures. We have in fact, identified 15 to 20 new structures which are promising. We are drilling in several of these structures.

President Ford:

What is the terrain like?

Engineer Dovali:

It is semi-tropical. The structures which bear the oil are limestone and they are 4,500 meters deep.

President Ford:

What transportation facilities are available and are they near a harbor?

Engineer Dovali:

They are adjacent to some new pipelines and to the refinery at Tehuantepec, as well as to the shipping port at the mouth of the Cachacualco River. So we can put the wells into early production. Furthermore, these fields evidently extend as far out as the edge of the Continental Shelf. We have done seismographic exploration off Campeche and we are ready to drill. There are indications of both gas and oil.

President Ford:

How far are these from the coast?

Engineer Dovali:

About 30 miles from the coast.

President Ford:

Have you struck oil in these new off-shore wells?



16.

Engineer Dovali:

This is elementary, but there are favorable indications. West of Tabasco in Vera Cruz, there are fields with the same promising structure as Tabasco.

President Echeverria:

Minister Flores should say a word about OPEC, international petroleum prices, and Mexico's policy.

Engineer Dovali:

They are already in production, and in two years we hope to produce 20,000 bbls. daily. We do not yet know the true dimensions of the find, but within twelve months we should be able to put into production enough wells to have significant exports. We should also be able to define the resources of the basin which runs 300 kilometers from Vera Cruz to Campeche. It is, in any event, rich.

Minister Flores:

As to international pricing, they, OPEC, have a rule that one must be "an important, permanent net exporter." Mexico is not yet important, but we are permanent. Our oil exports are marginal. What is now important is that we are saving considerable foreign exchange by reducing imports. If Chiapas Tabasco had not come in, we would be importing \$800 million each year of petroleum.

President Ford:

Each year for the next five years?

Minister Flores:

Yes. We also have other sources of oil which have promise. Baja California for one. Next year our exports will begin to reach 90,000 bbls. eventually reaching 200,000 bbls. including various products in addition to the crude. This is a radically altered situation for Mexico; instead of \$800 million worth of imports next year we should have \$500 million of exports.

President Echeverria:

Will we follow OPEC's prices? What will happen to the small importing countries?

17.

Minister Flores:

Mexico's policy is to obtain the best prices in the market we can. We do not plan to increase or decrease prices. The problem is what will the other producers do? Mexico is the only oil producer which produces petroleum on a national basis. The others increase prices by taxes and other indirect means, but do not have a national governmental company.

President Echeverria:

I have my own idea. The Department of State should study it, and provide you, Mr. President, with the statistics and position papers. There is in the world a serious lack of food and a serious inflation. There is no doubt that Mexico must seek the world price for its oil. But Mexico is, at the same time, proposing a system of international cooperation. People are dying in Asia and India. The poor do not have oil. It is they who are suffering. The increase in the price of oil is felt more by the poor. Even countries with a long history of stability are suffering from inflation. In April 1972, Mexico proposed the Charter of Economic Rights and Duties of States. This is a banner which has now been taken up by more than 100 countries. With regard to petroleum, the question is at what point does this vital raw material reach a price which is detrimental to both the rich and the poor. There are some 50 poor countries with scarcely any resources. Is it possible to improve the idea of international cooperation and include petroleum? The opposition should not be crushed. Otherwise it will lead to chaos and serious imbalance.

President Ford:

What you have set forth so eloquently is very similar to the idea that Secretary Kissinger and I tried to promote. The US is affected by the oil price increases, and it hurts Japan and Europe and more. However, the poor countries are hurt the most. They are suffering and lack funds. They are spending their reserves. Ten or twelve countries are getting rich. But they can go broke. You and I are talking about cooperating not to promote inflation but rather to build the economies of the poor nations. Secretary Kissinger is working with the Europeans. I raised this theme at the UN and Secretary Kissinger followed up with his own speech. I sincerely hope we can work together.

Secretary Kissinger:

We have supported President Echeverria on the Charter. There is one provision, Article 2, which creates a problem. If we could get the others to agree, for example as it was worked out by Mr. Maw and Secretary Rabasa, we could give strong support to the Charter. You will recall, Mr. President, that you instructed us to put forward a very positive proposal at the World Food Conference, which demonstrates our belief that solidarity among the consumers is essential.

Minister Flores:

How do the Arabs feel about that?

Secretary Kissinger:

Saudi Arabia is not famous for its sophisticated economic approach nor does it specialize in deep analysis of the world situation. Neither does Abu Dhabi where the acquisition of money is a profession. Saudi Arabia and the Gulf States must realize that at present prices they run the risk of producing a massive breakdown in the world economic situation, and may provoke counter measures. I believe that all the oil states now realize that they should not raise prices, and some may lower them later.

Minister Flores:

They will not lower prices since they can reduce production without harming themselves.

President Ford:

Can you tell me about the production costs of your wells?

Minister Flores:

Our wells are about 5,000 meters in depth, which is expensive, but the oil costs 22¢ per barrel because production is very high. As we said, production is averaging 5,000 bbls. a day, reducing considerably the price per barrel.

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President Ford:

But that also means that if you cut back production your cost goes up.

Minister Flores:

We only have 47 wells so far. You still don't know what you have in Alaska, and you have 96 wells there. We will need to drill 200 wells before we really know what we have.

President Echeverria:

The US, Mexico and the world must conserve their non-renewable resources. On the other hand, Mexico will have to sell abroad at market prices. The press would attack us if we sold at reduced prices. We are increasing our reserves, our research and exploration, but we are concerned in the present world where the uncertainty over oil complicates all our problems. We propose a system of cooperation based on the idea of the Charter. At the UN, we saw what happened in connection with the admission of the Peoples' Republic of China where a great majority supported the admission and only a few voted against. This situation is much the same. People want food, oil, and industrial development. There are a large number of small countries, but their vote is important. Can we not consolidate the idea of the Charter and meet US objectives? The Japanese now want to sponsor the Charter. There is international support for it.

Secretary Kissinger:

We support the Charter, but there is the problem of Article 2.

Secretary Rabasa:

Article 2 is the very essence of the Charter. It involves a commitment that each national has full, permanent sovereignty over its natural resources, that it can control foreign investment, and that it can nationalize. We and the US are in agreement on everything except the third point. We feel that when something occurs within our national jurisdiction, it is not subject to external rules. Of course, our own policy is illustrated by our practice of Mexicanization, which is not nationalization.

Minister Flores:

We have a major policy in the Mexican Government of promoting joint ventures with numerous private groups. This has proved a good marriage. Some other examples are Dupont, Anaconda, and the telephone company, ITT. ITT recently sold us 26-28% of its shares. This is not a problem. The Government does not want to administer more businesses, it wants to invest as a capitalist.

President Echeverria:

Lets discuss mining.

Minister Flores:

We just agreed to invest \$150-170 million jointly with Anaconda.

President Ford:

The US would approve these national policies which Mexico has. We recall that the US companies which were nationalized by Mexico in the petroleum field were all fairly compensated. We have no objection to the kind of arrangements you are talking about; five years ago I was involved with a small company which invested here, and it worked out fine. We are concerned with what other countries have done -- nationalization without compensation. We can't approve a Charter without protection in this sense.

Secretary Kissinger:

We want a Charter consistent with the Maw-Rabasa agreement but we cannot go beyond that. We do not want to elaborate principles of international law to be used against us. Secondly, as to oil, all our positions and speeches are consistent with the Charter's principle of operation, but we cannot accept the proposition that these nations can wreck the world economic system, and effect such a massive transfer of resources as to render worthless the very paper with which they are paid. We admit that prices were too low. We know they cannot be reduced to previous levels. Our food policy shows that we can take a cooperative view.

President Ford:

If there is a collapse, the oil would not move and the paper would be worthless.

Minister Flores:

No. The dollars in the hands of the Arabs would be worth more.

President Ford:

Not if it is invested in ventures that go broke. In any event, let's avoid such a collapse.

Minister Flores:

If we cannot fight inflation, then there will be a depression. But we must fight inflation and reduce not only the price of oil but of capital goods as well.

President Ford:

I think that you will find that competition will result in a reduction of the price of capital goods, if oil prices are reduced, or at least level off.

Minister Flores:

I am not sure.

President Ford:

No body is certain in this type of situation. There were tremendous increases in the price of oil.

Minister Flores:

We are paying much more for our equipment.

President Ford:

In any event, the two increased at the same time. But now I think it is now time to leave.

(At this point the meeting ended)

NSC CORRESPONDENCE PROFILE

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SOURCE/CLASS/DESCRIPTION

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KISSINGER \_\_\_\_\_ COLBY, W \_\_\_\_\_ UNCLAS LOG IN/OUT

SCOWCROFT F SCHLESINGER, J \_\_\_\_\_ OTHER \_\_\_\_\_ LOU NO FORN NODIS

DAVIS \_\_\_\_\_ ST EX SEC \_\_\_\_\_ F \_\_\_\_\_ C EYES ONLY EXDIS

S \_\_\_\_\_ CODEWORD

TS SENSITIVE

SUBJECT: *Memorandum of Info. Study Res. HAK & Medina Sus Luis Cheverria, Magdalena de Teni, Mexico, Oct 21, 1974*

DISTRIBUTION/INITIAL ACTION ASGMT

INTERNAL ROUTING AND DISTRIBUTION		ACTION	INFO	REC CY FOR	ACTION REQUIRED
ADVANCE CYS TO HAK/SCOWCROFT					MEMO FOR HAK ..... (*)
STAFF SECRETARY					MEMO FOR PRES ..... ( )
FAR EAST					REPLY FOR ..... ( )
SUB-SAHARAN AFRICA					APPROPRIATE ACTION ..... ( )
MID EAST / NO. AFRICA / SO. ASIA					MEMO _____ TO _____ ( )
EUROPE / CANADA					RECOMMENDATIONS ..... ( )
LATIN AMERICA					JOINT MEMO ..... ( )
UNITED NATIONS					REFER TO _____ FOR: _____ ( )
ECONOMIC					ANY ACTION NECESSARY? ..... ( )
SCIENTIFIC					CONCURRENCE ..... ( )
PROGRAM ANALYSIS					DUE DATE: <u>11-11</u>
NSC PLANNING					COMMENTS: (INCLUDING SPECIAL INSTRUCTIONS)
CONGRESSIONAL					
OCEANS POLICY					
INTELLIGENCE					

SUBSEQUENT ROUTING/ACTIONS

DATE	FROM	TO	S	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	CY TO
11/7	Low	Murphy		O.K. to send to White House File	
11/7				C NFAR per Low	

NSC/S DISP INSTR

DISPATCH \_\_\_\_\_

CY RQMTS: SEE ABOVE PLUS: \_\_\_\_\_

NOTIFY \_\_\_\_\_ & DATE \_\_\_\_\_ BY \_\_\_\_\_

SPECIAL DISPOSITION: \_\_\_\_\_

CROSS REF W/ 7404753, 7404702

SUSPENSE CY ATTACHED: \_\_\_\_\_ FOLDER: \_\_\_\_\_

MICROFILM & FILE RQMTS:

NOV 11 1974

CRT ID: \_\_\_\_\_ SA SF

OPEN \_\_\_\_\_ HP NS

CLOSE Bty EP

PA DY