

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

SECRET/NODIS/XGDS

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 11/24/98, State Dept. Guidelines
By KSH, NARA, Date 3/22/00

MEMORANDUM OF CONVERSATION

PARTICIPANTS: President Ford
Jose Lopez Portillo, President-Elect of Mexico
Charles W. Robinson, Acting Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Amb. Jose Juan de Olliqui, Mexican Ambassador
Amb. John J. Jova, U. S. Ambassador to Mexico
Anthony Hervas, OPR/LS (Interpreter)
Enrique Loaeza (Interpreter)

DATE AND TIME: Friday, September 24, 1976
2:58 - 4:10 p.m.

PLACE: The Oval Office
The White House



Lopez: Aren't you feeling tired?

The President: It's a letdown, a bit. I spoke before a Polish-American group; I went to an Italian market. So that was a lift. I am looking forward to tonight.

Lopez: I was very pleased at the opportunity to meet with you and introduce my family.

The President: My son Jack will join us.

Let me congratulate you on your election. I look forward to working with you in the months and years ahead. I know we can build on our good bilateral relations.

Lopez: That is what I expect and hope, especially when Mexico is entering a period of turbulence. There is a sense of fortune in the people. We have

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to build a sense of hope and trust. It will take much work and the main element is the United States. Much of our economic problems stem from the U. S. economy. You are our most important customer and any change is of great consequence to us.

Fortunately, we have made economic arrangements with you and the IMF to carry us over this difficult period.

The President: We are very pleased to be of assistance.

Lopez: Your help has already had its favorable impact. The rest is up to us. But there is one thing. Our trade balance with the United States is very unfavorable. It is accidental, but it is legitimate on our side to seek to restore the balance. We think there are remedies. We have had conversations with the Secretaries of Agriculture and Commerce, and the Congress.

Let me give an example. We could organize an agriculture committee of both countries in areas where it makes sense. This would mean dividing the market equitably, and it would avoid labor migration to the United States. Strawberry cultivation is an example. It is labor-intensive and we have excess labor. If we divided it up, we could grow them in Mexico and our workers wouldn't have to come into the United States. We know that is one of the most serious problems between us. That wouldn't solve the problem, but it could relieve it.

The President: Are you shipping any new oil into the United States?

Lopez: As I remember, some goes to the U. S. and some to Israel. We don't sell to Central America because of an agreement with Venezuela. We sell a little to Brazil. We have an open market and we sell to who ever wants it.

The President: Is your production up?

Lopez: Yes, until 1973 we had to import crude oil. We had the bad policy of subsidizing energy, so our investment was low. I turned this around and in 1974 we were self-sufficient and in 1975 we started to export. We are self-sufficient in oil, but even though I am President I can't really find out how much. There are old hands in Pemex who think the oil should stay



in the ground for the future. I will straighten it out, and I will have someone at my side to give me the information the old hands and technicians want to keep from me.

I understand we have 6-7 billion barrels, and with secondary recovery there would be much more -- maybe 11-12 billion barrels of proven reserves. For unproven reserves, the information is more general -- probably 50-100 billion barrels. It is hard to make a policy without the information. It is essential to outline our export policy and refining capability.

The President: It should help your foreign earnings.

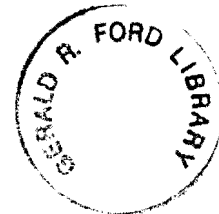
Lopez: Most of our exports are raw materials. That is why I am emphasizing the countryside and energy. We are also prospecting for mining. We have found lots of minerals. All this has to be developed if we can find the financing.

Let me describe a trap in our financing. Our trade deterioration was obvious recently. One of the ways to increase exports was oil, but we couldn't increase production because the import of materials overloaded the economy. We have to reorganize our economy between prices, wages, production, exports, imports, taxes, expenditures, etc. It is like squaring the circle.

There are already 63 million Mexicans; when I leave there will be 70 million.

[Described how optimum a six-year term is.]

[Some discussion about campaigning.]



The President: Are there any particular problems we should discuss?

Lopez: Yes, I think the terms of trade is the most serious, but there are others.

One is non-documented workers whose situation and treatment in the United States worries us very much. Their non-legal status hurts them because they can't be a contractual situation. We would like to avoid this problem, but when it arises, we would like to adhere to the migratory principles of the ILO. That, of course, has its own sanctions. These people have no empathy for the U.S. and the U.S. has none for them. I know the solution is job creation in Mexico.

The President: As I recall, we used to have an agreement for Mexicans to come to the U. S. under contract. I thought that was a good program. There were controls, but they had guaranteed wages and conditions. Unfortunately, the Congress ended that program under pressure and the problem is bad now. Echeverria and I discussed the prospect of the study maybe to revive that program. I generally favor that approach, though I don't know where the study is.

Lopez: Unfortunately, stop-gaps like that don't eliminate the problem. It helps, but there is always a black market problem. Some of your farmers demand cheap labor. There is plenty in Mexico and there is the problem.

The only real solution to this, and other problems -- like drugs -- is jobs in Mexico. That in turn is a matter of markets -- supply and demand. I visited during my campaign the province that is most involved in drugs. Now many of the people there are addicts. What used to be an economic problem has now become a social problem. As we eradicate the traffic, the price rises and the traffic is more lucrative.

The President: We have had wonderful cooperation, and I hope it will continue.

Lopez: To the extent we solve the drug problem, we create another -- American prisoners in our jails, almost all of them because of drugs.

The President: How about the idea of exchanging prisoners?

Lopez: There are some problems, including the constitutional ones, but they will be overcome. I think we can solve the problem to whatever degree you wish.

Robinson: [Explains where the negotiations are]. We have no interest in having American prisoners and Mexico has no interest in having them.

Lopez: I would be happy to solve this if it hasn't been solved by December.

Then there is the problem of border industries. If you could do something about the amount of gifts which can be brought in.

The President: But that is set by law.



Lopez: But it had been \$200 until 1966 and then it went to \$100.

The President: And \$100 then would buy more than \$200 now.

Lopez: Of course, I hope you can do something; that will help me a lot.

Also you could let our export agriculture have better entry.

[More discussion].

The President: I hope your people will talk to State and Agriculture to do something about it.

What percentage of your exports go to the United States?

Lopez: Between 65 and 70%.

The President: Have they been going up or going down?

Lopez: Down just an insignificant amount.

Without being rhetorical, I think my Administration will lay down the basis for the 21st century. If I fail, the country will fail and the country will go the left, then to the right, and democracy will fail.

The President: We certainly want democracy in Mexico. We will certainly do everything we can to help. You take over on December 1st?

Lopez: Yes. I am now preparing my government plan. I thank you a great deal for your expressions of support. In Latin America, there are different methods. We seek justice through liberty. Cuba eliminated liberty to seek justice. Uruguay seeks justice then liberty with order. Right now there are only four democratic-elected Presidents in Latin America.

I know you are very busy, but I want to thank you. I hope it is not our last contact and our hopes are with you.

The President: I look forward to having a state dinner soon for you, with me as the host.

✓ P/Lopez Portillo 258-4:10 pm
Friday 24 Sept 75

L Aunt - you feeling tired

P It is a bit lower a bit. I spoke before Pot-Com
groups went to an Italian market. So that
was a lift. I looking forward to tonight

L I am pleased at a oppo. to ~~reconnect~~ my family.

P My son Joe will join us

but one urgent on your election. I
look forward to meeting w/ you in - week
+ you about. I know we can build on our
good historical ed.

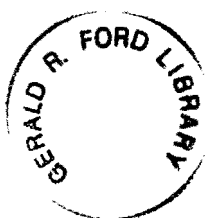
L That what I expect a hope, esp when Mexico
is entering a period of turbulence. There
is a sense of fortune in a people. We
have to build a sense of hope & trust.

It will take much work to maintain element
is a CD. Work of our own job stem
from a CD. You are our most
imp. customer & any change is of great
consequence to us.

Fortunately we have made some arrangements
w/ you & CIMA to carry us over this - by
period.

P We are very pleased to be of service

L Your help has already had its favorable
impact. The rest is up to us. But there
is one thing - the track balance w/ OS
is very unfavorable. It is accidental
but it light on one side to seek balance.



We think there are minerals. We have had some of Suez, Agri, Orce, & Congress. Let me give an example. We could raise agri exports of both countries in areas where it makes sense. This would mean dividing & market separately, & it would avoid labor migration to US. Strawberry cultivation is example. It's labor intensive & in home excess labor. If we divided it up, we could grow them in Mexico & our workers would have to come into US.

We know that is one of most serious jobs but we. That would solve a job but it could relieve it.

P Are you shipping any new oil into US?

L As I remember come to US & some to Israel. We don't sell to Arab. because of agreement w/ V. A little to Brazil. We have an open market & sell to whomever wants it.

P Is your food up?

L Yes. In '73 we had to be crude. We had a bad policy of subsidizing energy, so our investment was low. I turned this around & in '74 we were self suff. & in '75 we started X. We are self suff. in oil, but ^{find out how much} I don't know much. ~~find out how much~~ There

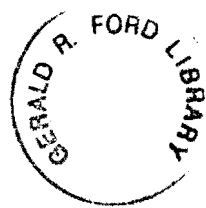


are old ~~books~~ ^{books} in Pemex who think - oil
should stay in ground for a future. I
will straighten it out & I will have someone
at my side to give me info & old
books ^{attached} want to keep from me. I understand
we have 6-7 bil bbls + w/ secondary
recovery there would be much more - maybe
11-12 bil bbls of proven reserves. For unproven
reserves a trip is more good - part 50-
100 bil bbls. It ~~has~~ ^{has} ~~been~~ ^{been} ~~hard~~ ^{hard} to make a
policy w/o a trip. It is essential to outline
our X policy & refining capability.

X It should help you foreign earnings

L Most of our X are new materials. That
why I emphasize country side & challenge.
We are also prospecting for mining. We
have found lots of minerals. All this has to
be done if we can find financing.
Let me describe a trip in our financing.
One trip ~~later~~ ^{was} obvious recently. One
of ways to X was oil, but we couldn't X
prod because a lot of materials needed to
be expensive. We have to ~~expand~~ expand our
currency, but prices are high, production
X, M, taxes, expenditures, etc. It is squaring
a circle. Already 63 mil Mexicans & when
done will be 10.

(Described how optimum a 6 yr term is)



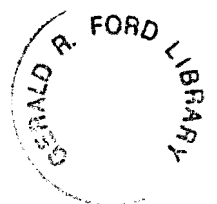
(Some discussion about campaigning)

P Are there any particular behavioral jobs we should discuss

L Yes. I think terms of trade is a must series, but third one there. One is non-dc. workers whose set + treatment in US varies no very much. Their non-legal status hurts them because they can't be in a contractual set. We would like to avoid this whole job, but when it exists, we would like to adhere to negative presump. of ILO. Treaty of course has its ^{own} conditions. These people here are very few US & US more for them. A basic condition is job creation in Mexico.

P As I recall, we used to have an agreement for Unifac to come to a US market contract & that that was a good job. There were controls, but they had guaranteed wages & conditions - Unifac. They ended that program because pressure & cost is too much. Etc & I discussed prospect of a study brought to review that job. I greatly favor that approach, but I don't know where a study is.

L Unifac. Unifac ~~but that~~ like that don't eliminate a job. It helps, but there is always a black market job. Some of your former farmers demand cheap ^{labor} ~~labor~~



There is plenty in Mex. + there is a job.
The only real solution to this + other - like
drugs - is jobs in Mexico. That in turn
is a matter of markets - supply + demand.
I visited during my campaign + previous visit
involved in ~~the~~ drugs. How many of a people
that are addicts. What used to be a ~~con~~
has now become a social prob. Or we had
a traffic + price rise + a traffic is
more ~~business~~ lucrative

P we have had wonderful crop + I hope to
will continue.

L To extent we solve a drug prob we
create another - Am. prisoners, about
all because of drugs.

P How about idea of exchanging prisoners

L There are some prob, incl. constitutional
but they will be over come. I think we can
solve a prob to whatever degree you wish

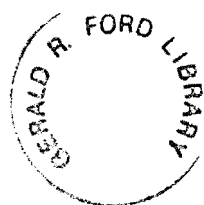
Robertson (Explains when we got an) ~~money~~. We have no
interest in having Am prisoners + Mex.

L I would be ~~very~~ happy to solve this if it
hasn't been by Dec.

Then there is prob of border ~~prob~~ industries.
If you could do something about amt of goods
which can be brought in.

P Best that set by law

L But it had been \$200 til 66 + then it went
to \$100.



P And \$100 then would buy more than 200 more

L Of course I hope you could do something that will help a lot.

Also you would like let some X agree have better entry (more discussion)

P I hope your people will take to start & ^{also} to do something about it.

What % of you X go to US

L But 65-70%

P How many have P & V

L Down just ~~winning~~ ^{winning} about.

W/o being editorial, I think any admission will lay down a basis for 21st Cent.

If I fail, a country will fail & a country will go to a left then to the right & always will fail.

P We certainly want demo. in Tokyo. We will certainly do anything we want to help.

You take over Dec!?

L Yes. I'm now preparing my govt plan.

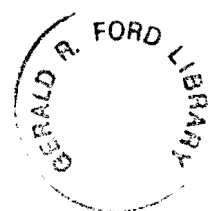
Thank you great deal for your expressions of support. In L.A. there are life methods.

We seek justice then liberty. So when

we seek liberty to seek justice. We seek justice then lib w/ order. Right now

we are only 4 demo. United Pers in L.A.

I know you're very busy but I want to thank



you & hope it will be most content & to
hope it will be.

P I look forward to state dinner soon
for you w/ me as best.

