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AUTHORITARIAN DECISION-MAKING
AND ALTERNATIVE PATTERNS
OF POWER AND INFLUENCE:
THE MEXICAN IBM CASE

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AUTHORITARIAN DECISION-MAKING
AND ALTERNATIVE PATTERNS
OF POWER AND INFLUENCE:
THE MEXICAN IBM CASE

by

ARNOLDO VELA, B.A., M.B.A.

DISSERTATION

Presented to the Faculty of the Graduate School of
The University of Texas at Austin
in Partial Fulfillment
of the Requirements
for the Degree of

DOCTOR OF PHILOSOPHY

THE UNIVERSITY OF TEXAS AT AUSTIN

May 1988

Copyr ight
by
Arnoldo Vela
1988

Abstract of

AN AMBER MOLECULAR MECHANICS STUDY OF THE INTERACTION OF
CALCIUM (II) AND MAGNESIUM (II) IONS WITH THE
18-23 CYCLIC PEPTIDE LOOP OF BOVINE PROTHROMBIN
AND MODEL PHOSPHOLIPID HEAD GROUPS

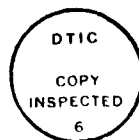
by Captain Joel D. Cain, USAF
1987
(20 pages)

prepared towards the

Master of Science degree majoring in Chemistry at
The University of North Carolina at Chapel Hill

Prothrombin is a zymogen important in the blood coagulation cascade. Prothrombin activation involves the binding of the zymogen to an acidic phospholipid surface. In this study, divalent calcium and magnesium ions are viewed as providing a bridge between the γ -carboxyglutamic acid (Gla) residues in the 18-23 loop of bovine prothrombin and the phospholipid surface. The energetics of the binding is calculated using Assisted Model Building with Energy Refinement (AMBER). Amber uses force field parameters to minimize conformational energies. In each calculation, the starting conformation was varied in type of metal ion, type of model phospholipid head group, or in placement of the complex on the peptide loop.

The results of the calculations show that the lowest energy conformation of the bare loop is with the Gla21-Pro22 bond in a trans configuration. When a realistic head group model was used, the lowest energy calcium-bridged conformation had a cis Gla21-Pro22 orientation while the lowest energy conformation using magnesium was still trans. The orientation and binding effects of the calcium and magnesium are discussed in light of the fact that calcium is essential to prothrombin activation while magnesium will not effect activation.



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To
"D", Tony, and David

PREFACE

△ This study examines the nature of decision-making within the Mexican political system in the area of industrial policy. The combination of interests that generated this work is a complex one which evolved over the course of my graduate work. I attribute the key spark to an interest in multinationals and the response they have evoked from host governments in Latin America. My inquiry into views these governments have developed towards foreign investment led to a recognition of the increasingly important role technocrats exercise in formulating industrial policy. Of particular interest was the case of Mexico where technocrats have inherited the highest political office in the last three administrations and are now poised to continue that trend. Mexico also merited interest because of the on-going debate about the nature of its political system - authoritarian or democratizing? At the center of such a question lies the age-old concern over the locus of power and the relatively more recent interest in determining the distribution of influence. (11-21)

Decision-making analysis seemed to be an excellent tool to uncover these variables. The Mexican decision to encourage, initially reject, and finally approve an IBM proposal to manufacture microcomputers in Mexico promised to be an excellent candidate for the application of this type of analysis. The result, I hope, sheds light on the decision-making process as well as contributes to a better understanding of the evolving Mexican political system.

In the pursuit of this work I have incurred substantial debits on many accounts. First, to Professors Karl Schmitt, Lawrence Graham, William Glade, Henry Dietz and Rodolfo de la Garza I owe a special tribute of thanks for providing the knowledge, criticism, encouragement and support that I needed to complete this work. To Professor Schmitt who guided me through my program of study from the very beginning, provided invaluable advice at key points, and saw my work through to completion I owe a special debt of thanks. Professors Calvin Blair, Darrell Young, Michael Conroy, F. T. Januzzi, James Bill and Gordon Bennett also deserve credit for what may be of merit in this

work.

Without the research, there is no substance upon which a case can be built. To Professors Rodolfo de la Garza and Richard Adams I express my gratitude for the letters of introduction that opened doors to contacts in Mexico. I am grateful to Professor Sidney Weintraub of the LBJ School of Public Affairs and to Professors Manuel Garcia y Griego, Lorenzo Meyer, Manuel Villa and Miguel Wionczek of the Colegio de Mexico for their comments and suggestions on doing research in Mexico.

While those who assisted my research in Mexico are too numerous to mention (some of whom I promised not to identify), I must single out Molly Shields and Colonel Michael Connolly at the U.S. Embassy and Ingeniero Guillermo Robledo of Dispositivos Magneticos. The access Molly Shields and Ingeniero Robledo provided me to their files on the IBM case was invaluable. I am grateful also to Lic. Diego Valadez for helping me make valuable contacts at the Chamber of Deputies and to Senador Jose Antonio Padilla for the information he provided me on the work of the Senate in the area of informatics. I would be remiss if I did not also mention Sergeant First

Class John Gutierrez and his extended family who sheltered and fed me while I carried out my research in Mexico City. For the finances to support my research I am most grateful also to the E. D. Farmer International Fellowship Fund.

For their confidence in granting me the time to pursue and complete this work, I am grateful to Colonels Daniel Hannaway and Ruben Cubero. To Colonel James Parsons I owe a special debt of thanks for the administrative and, especially, the moral support that encouraged me at critical points.

A debt of gratitude that I can never repay goes to my wife Delia for her unquestioning faith, forbearance and love during my many hours away from home. To Tony and David likewise I owe a debt of thanks for their patience and sacrifice. Finally, to my parents who never doubted that their earlier years of nurture would bear fruit, I acknowledge my greatest debt.

AUTHORITARIAN DECISION-MAKING
AND ALTERNATIVE PATTERNS
OF POWER AND INFLUENCE:
THE MEXICAN IBM CASE

Publication No. _____

Arnoldo Vela, Ph.D.
The University of Texas at Austin, 1988

Supervising Professor: Karl M. Schmitt

This study argues that in the area of industrial policy, the Mexican decision-making process does not conform to either the authoritarian model of decision-making or to various alternative models as proposed by Graham T. Allison. A case study of the Mexican decision to allow IBM to manufacture microcomputers in Mexico under a 100 percent equity arrangement was used to test four models of decision-making: authoritarian, rational policy, organizational process, and politicking. At least one major element predicted by the authoritarian, rational policy, and organizational process models was absent when applied to the IBM case. Whereas all of the

elements predicted in the politicking model were present, the model was found to be a necessary but insufficient explanation of this case. Only a synthesis of all the models tested was able to adequately explain the various stages through which the decision progressed from deliberation to initial rejection to final acceptance to IBM's proposal. In the various stages of the decision-making process, the patterns of distribution of power and influence shifted, suggesting that not only does the decision-making process vary by policy area but by stage of deliberation as well. The six stages of decision-making in the synthesized model are incremental and interactive. They include: 1) a demand for action; 2) a demand for policy; 3) a plan for action; 4) a politicking stage; 5) a resolution stage; and 6) a conflict management stage. The decision-making process in Mexican industrial policy can be defined as the translation of a demand for action into a plan for action that meets desirable policy objectives, can be implemented by organizational process, and is made acceptable to political interest groups.

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CHAPTER 1

INTRODUCTION

The objective of this research is to reexamine the nature of the decision-making process in the Mexican political system. The general consensus that the Mexican political system is an authoritarian one has been questioned for the area of industrial policy.[1] An authoritarian political system is one in which power is said to be centralized in governmental leaders and interest group influence is limited. Applying a strict structural-functional approach to decision-making in an authoritarian regime would predict that, mirroring the regime-type, decisions critical to the regime would be centrally controlled and influence allowed to societal groups with an interest in the decision output would be limited. A more sophisticated approach to decision-making would allow the possibility that political structure alone does not determine the decision-making process. The decision-making process may in fact depend on the policy area in question. While this would not necessarily imply that the regime

in question is not authoritarian after all, it would call into question the assumption that authoritarian regimes always and everywhere reach decisions in an authoritarian manner. This study seeks to determine whether the distribution of power and influence as exercised in the industrial policy area within the Mexican political system is as authoritarian as it has been shown to be in other areas or whether, in the industrial policy area, the pattern of distribution of power and influence is more diffuse. To answer these questions, this study advances the propositions that various stages of the decision-making process display particular patterns of power and influence and that these patterns of power and influence will vary by policy area. Four decision-making models are tested to determine which one or which ones best explain the Mexican decision-making process in the area of industrial policy. A case study approach is used to focus on the decision-making process utilizing the Mexican decision to allow IBM (International Business Machines) to manufacture microcomputers in Mexico with 100 percent IBM equity even though the manufacture of microcomputers was an industrial activity previously reserved for Mexican-majority enterprises. The IBM

decision is chosen because it involves the federal bureaucracy as an obvious center of power arbitrating between two segments of industrialists - domestic and foreign - that were attempting to influence industrial policy with respect to the development of the Mexican informatics industry. As such, it is an excellent vehicle with which to pursue questions about the distribution of power and the flow of influence. This study will provide further insights into the Mexican political system as well as generate hypotheses about the decision-making process itself, the respective roles of the economic and technocratic elite in a mixed economy, and the role of multinational corporations in development.

Review of the Literature

There are two main strands of literature relevant to this study. One has to do with the nature of the Mexican political system and the other with the nature of the decision-making process in governmental affairs. They are related insofar as decision-making is a core function of any political system. Decision-making, for

our purposes, is defined as the conversion of a demand for action into an authoritative plan for action.[2] The process by which decisions are made (who makes them and how they are made) is at the center of political interactions. Whether the overall political process is defined as "the authoritative allocation of values for a society"[3] or simply as "rule-making, rule-application, and rule-adjudication"[4], the core decision-making process discloses the centers of power and influence within a political system as well as the degree of distribution of such power and influence. While influence may be defined as the attempt to obtain a particular outcome, power is understood as "effective influence on policy outcomes." [5] A political system where patterns of influence on decision-making are predominantly pluralistic - in terms of participation in the decision-making process and contestation for decision-making roles - may be defined as democratic[6] or, in Dahl's terminology, polyarchic.[7] On the other hand, when power is centralized around an individual or small group and the patterns of influence tend to be limited with respect to the number of participants and the frequency or degree of their participation, the political system is defined as authoritarian.[8]

Classifying the Mexican political system according to these criteria has been a problematic task. Historically, several authors have tended to identify pluralistic aspects in the Mexican political system and consequently viewed it as democratic, semi-democratic or as a pre-democratic political system in transition to democracy.[9] Since the early 1970's, however, and especially since the influential work of Juan Linz using Spain to typify an authoritarian regime[10], studies of the Mexican political system have tended to focus on its authoritarian aspects.[11] Notable among these works in terms of utilizing a decision-making framework to analyze the political system is that of Susan Purcell.[12] Purcell systematically applied the Linz model of authoritarianism (limited pluralism, limited mobilization, and patrimonial leadership) to government policy in the area of business-labor relations. Specifically, she studied the Mexican profit-sharing decision whereby the decision was made to implement the distribution of a portion of industry's profits to labor as called for in the Mexican constitution.

Although the authoritarian thesis has become generally accepted, some questions still arise. Dale

Story, for example, has challenged the strength of the authoritarian thesis for the industrial elite.[13] In particular, he cites the initial Mexican decision to postpone entry into GATT (The General Agreement on Tariffs and Trade) as evidence of the considerable ability of the business elite to participate in and influence that decision.[14] David Mares, on the other hand, concludes in his review of this decision that it was the President who changed his own mind about accession and consequently manipulated the competing political actors so as to support a decision for postponement.[15]

Hence, the debate about decision-making patterns of power and influence and its reflection on political system-type remains a lively one. Perhaps, as Story suggests, there is not a simple one-to-one correlation between regime structure and decision-making process. In their study of the Soviet political system, Jerry Hough and Merle Fainsod suggest that the distribution of power and influence rather than being static, as a narrow application of structure to process would assume, is instead, dynamic. Specifically, they generalize that the distribution of power must vary with the policy

area.[16] Several other authors have related the decision-making process to policy "areas." Theodore Lowi distinguishes policy "arenas" according to decision outcome. That is, any decision will be said to result in distribution, regulation or redistribution of resources. Rather than deduce the decision-making process from the structure, he argues that "each area tends to develop its own characteristic political structure, political process, elites and group relations." [17] John and Susan Purcell apply this theoretical framework to Mexico. They accept the hypothesis that "patterns of relations between government and the private sector vary, depending on the type of issue being decided." However, they modify Lowi's arenas to reflect the "structural and ideological environment within which the Mexican issue process operates." Hence, although they utilize Lowi's "arenas," their approach, unlike Lowi's, still proceeds from structure to process rather than vice-versa.[18] Also building on Lowi's framework is Michael T. Hayes, who argues that the decision outcome will be determined not only by the policy arena but by the supply pattern (mode of response) of the decisionmaker in relation to the demand pattern (conflictual or consensual) of the

pressure group.[19] Jerel A. Rosati treats both decision structure and decision-making process and, like Lowi, argues that "the decision structure depends largely on the critical or noncritical nature of an issue." [20] The decision-making structure, according to Rosati, will follow the decision "context," although he does not further elaborate on this point.

Since the terms "policy area," "issue" and "policy arena" can be confused, I will define "policy area" in accord with the use of the term by Hough and Fainsod. By policy area I mean no more than a distinctive area of competence under the primary responsibility of a particular government bureau, agency, or department which merits the concern of a particular interest group (an individual, group or organization with a defined stake in the decision outcome).

With respect to variation by policy area, Hough and Fainsod suggest that top leadership involvement is apt to be high with respect to defense and foreign policy, low with respect to transportation policy and unclear with respect to wage policy. On the other hand, participants other than the top leadership play a greater role exerting a significant amount of influence depending on

the policy area. Thus, foreign area specialists play a significant role with respect to foreign and defense policy as do railroad management executives with respect to transportation policy and workers and peasants with respect to wages. In effect, what Hough and Fainsod suggest is the utility of a combination of technocratic expertise and interest group demands as an alternative approach to understanding the decision-making process as the policy area varies.[21]

In the context of the American political system, Rosati, reviewing the applicability of the bureaucratic politics model for foreign policy analysis, suggests that the level of participation of top leadership will vary by the salience of the particular issue involved. Hence, a decision will not always require presidential attention but may be settled at the bureaucratic or local level depending on the decision context and decision participants.[22]

Both a focus on a particular policy area and an examination of the pattern of distribution of power and influence is a promising approach to the study of decision-making in such a complex political system as Mexico and is one which Story adopts in attempting to

"disaggregate" the authoritarian state.[23] The question that arises is whether and to what extent decision-making patterns vary by policy area in the Mexican political system. Few case studies have been carried out recently on decision-making in the Mexican political system and these have generally concurred with the authoritarian interpretation of the Mexican regime. Purcell's study dealt with a decision that benefitted labor as the recipient of an eight percent share in the profits of industry. This decision, of course, also benefitted the government as it was meant to appease labor's setbacks in conflicts with the previous administration and, consequently, gain labor's support for the current administration. Michael Dziedzic[24] studied a decision that benefitted the Mexican military in terms of modernization of its air force via the purchase of F-5 aircraft. He concludes that a patron-client model such as Merilee Grindle applies to the peasant sector in her study of the management of CONASUPO (the Mexican staples company)[25] is appropriate to decision-making in Mexican civil-military affairs. With respect to decision-making in the private sector, the major recent proponent of a competitive, participative approach is Dale Story. He uses this

approach selectively with respect to the industrial elite, noting the fact that this sector has not been incorporated into the *PRI* (Institutional Revolutionary Party) and that it enjoys a greater measure of independence from the government than do peasants, labor, and the popular sector in terms of the assets they control.[26] This, he believes, translates into a greater capacity to exert influence in governmental decisions that affect their interests.

If decision-making patterns in policy areas affecting the industrial elite - industrial policy, trade policy, foreign investment policy - cannot be explained by the authoritarian decision-making model, then alternative decision-making models are needed to explain the patterns of power and influence that are at play. An alternative set of models that explores the nature of decision-making in governmental affairs has been proposed by Graham Allison in his landmark study of the Cuban missile crisis.[27] Allison proposes three models or "lenses" with which to view the decision to blockade Russian ships carrying missiles to Cuba: 1) a rational policy model; 2) an organizational process model; and 3) a governmental (bureaucratic) politics

model.[28] He concludes that while a rational policy model may be sufficient to explain the decision in terms of final outcome, much is added to the analysis by exploring organizational process and bureaucratic politics. Specifically, the process by which a final decision is arrived at is better understood and, I contend, the patterns of distribution of power and influence are better illustrated. Hence, the objective of this research is to subject the IBM case to a thorough analysis to determine if the authoritarian decision-making model can adequately explain the decision-process that took place. The authoritarian model will be analyzed in competition with those proposed by Allison and with an attempted synthesis of the above models to determine which can best explain the decision-making process involved in the IBM case, a case which involves industrial and foreign investment policy.

Theoretical Framework

For the authoritarian model of decision-making I borrow Purcell's succinct formulation. Purcell concluded that

the Linz model of authoritarianism would exhibit the following traits with respect to decision-making:

1. an erratic relationship between the authoritarian leader's decision and the expressed group demands;
2. a reduction in the number of demands made upon the authoritarian leader providing him with substantial decision-making autonomy; and
3. difficulty in tracing the origins of a decision.[29]

For our purposes, a decision-making process would have to fit all of these criteria to be judged authoritarian. Otherwise, it would imply some modification of this model, the presence of some other model, or some amalgam of models.

Before Allison, the traditional approach in decision-making studies had been the so-called "rational" approach[30]. It corresponds to a rigorous model of action formulated primarily in economics, decision, and game theory.[31] Key concepts include terms like *decision*, *policy*, and *action*. *Decision* presupposes a *decider* and a *choice among alternatives* with reference to some *goal*. *Policy* means the realization of a number of particular instances of some agent's objectives. *Actions* under this model are seen as phenomena performed by *purposeful* agents and assumes

that these actions are "intendedly rational" and that cumulative behavior is "goal-directed." The model is considered useful for explanation, problem-solving, and evaluation.[32] Decision-making under this model may be summarized as "action chosen by a unitary, rational decisionmaker: centrally controlled, completely informed, and value maximizing." [33] As such, the model does not differentiate among the processes that a democratic, authoritarian, or totalitarian regime would take in arriving at a decision. It does assume a centralization of power in a unitary actor. However, no attempt is made to limit sources of influence which ultimately determine the criteria by which he is to judge. Hence, while decision-making power is centralized in the unitary decisionmaker, influence can be considered to be diffuse.

With respect to the distribution of power, the organizational process model takes a much broader view of governmental action than does the rational policy model. It recognizes that a government consists of "a conglomerate of semi-feudal, loosely allied organizations, each with a substantial life of its own." [34] A pragmatic division of labor allocates a

specific set of problems to each organization which acts on these problems in a quasi-independent manner. The resolution of any important issue usually requires the co-ordination of several of these organizations. Due to their quasi-independence, however, "governmental leaders can substantially disturb, but not substantially control, the behavior of these organizations." [35] Allison draws on the literature of organization theory to abstract the following characteristics of organizations as they seek a solution [decision] to a problem:

1. Factored Problems - the tendency to split complex problems into independent parts and deal with the parts one by one.
2. Satisficing - the tendency to find a course of action that is "good enough."
3. Search - the tendency to use relatively stable, sequential processes to find a solution.
4. Uncertainty Avoidance - the reluctance of organizations to base actions on estimates of an uncertain future.
5. Repertoires - the tendency to devise action programs that constitute the range of effective choice. [36]

A combination of these limits the ability of an organization to arrive at effective solutions. For example, when satisficing, organizations tend to stop

their search with the first alternative that is good enough, thus severely limiting the resultant menu. Also, to avoid uncertainty, organizations tend to rely on short-run feedback to eliminate deviations between actual and desired performance.[37] The existence of repertoires consisting of established patterns and standard operating procedures lead to a lack of flexibility and even a "resistance to leaders attempting to force organizations to act contrary to existing goals." [38]

But political leaders who sit atop government organizations decide which organizations shall play out which programs, and where.[39] The need to recognize the leaders of organizations as players, in their own right, of a central competitive game implies a new model. Allison originally named this the "governmental politics" model but soon after popularized it as the "bureaucratic politics" model.[40] The essence of this model is *politics* defined as "bargaining along regularized circuits among players positioned hierarchically within the government." [41] The implications of this model are that the ultimate determinants of a decision go beyond 1) the criteria of

a rational actor acting on his conception of the national interest - a conception which transcends specialized interests and 2) the factored goals of independent organizations. As Almond would suggest, the determinants of choice are the influences that the individuals on top of governmental organizations respond to. These may include the general public, the attentive public (Congress, the press, interest groups), policy and opinion elites (policy analysts and scientists), and top party officials.[42] This model implies an elite structure where there exists a large number of autonomous and competing groups. Autonomy assumes that power is widely dispersed among participants and drawn from a variety of independent sources. Competition assumes that participants differ about both ends and means. The group aspect assumes that only by coordination can individuals assemble sufficient power to achieve their proposals.[43] As a political process, decision-making under this model exhibits three characteristics:

1. a diversity of goals and values that must be reconciled before a decision can be reached;
2. the presence of competing clusters of people within the main group who are identified with each of the alternative goals and policies;

3. the relative power of these different groups of people involved is as relevant to the final decision as the appeal of the goals they seek or the cogency and wisdom of their arguments.[44]

This model implies that

the advocate of a particular policy must build a consensus to support his policy. Where there are rival advocates or rival policies, there is competition for support, and all the techniques of alliances appear: persuasion, accommodation and bargaining.[45]

This model implies conflict, the "haul and pull of politics." In governmental affairs, this conflict is evident in

- leaks of secret material to Congress or the press;
- attempts to force the President to adopt "the only right path;"
- outright falsification or deception; as well as
- more conventional techniques of bargaining.[46]

To summarize the four models: whereas the authoritarian model presupposes a concentration of power around a patrimonial leader with influence limited to his close advisors, the rational policy model assumes a concentration of power around a unitary actor with influence as diverse as the sources that provide the criteria for an acceptable policy or decision. The organizational process model implies limited

decentralization of power to a few organizations as well as a limitation of influence to organizational boundaries. The governmental/bureaucratic politics model involves the actors that sit on top of organizations and represent the views of other actors who support their own views. Hence this model implies a wider distribution of power and influence. To differentiate this model from the "bureaucratic politics" model that joins the organizational process and the original governmental politics model, we will rename this the "politicking" model. In so doing, we emphasize the activity of the interest groups attempting to influence an outcome in their favor through the "actors that sit atop organizations." Hence, the actors in this model include not only the inner circle of the leaders in government but also the wider circle of leaders of interest groups.

In summary, a typology of decision-making models based on the distribution of power and influence appears in Table 1.

Table 1
Decision-Making Models and Power-Influence Patterns

Decision Model	Power Distribution	Influence Distribution	Who Governs
Authoritarian	Centralized	Limited	Omnipotent President
Rational Policy	Centralized	Diffuse	President as Administrator
Organizational Process	Dispersed	Limited	Ascendant Bureaucracy
Politicking	Dispersed	Diffuse	Stalelated President

Rather than draw too close a relationship between the decision model and who governs, this model is designed to show that a dynamic relationship is possible and that the distribution of power and influence will vary depending upon the level(s) at which decision-making takes place.[47] And that in turn will vary with the policy area. Hence, I would suggest that these four models can be unified in a dynamic way. That is, looking at decision-making as a process rather than as an outcome, we can suggest that a proposal or a demand seeking decisional resolution can pass through a variety of stages, exiting at the earliest level at which an acceptable solution is found.[48] Table 2

Table 2
An Incremental Model Of Decision-Making

FORMULATION		
Stage/Dominant Model	Process/Major Concern	
Stage 1. Demand for Action (Orgzl Process)	Is this a routine matter? YES	NO
	Implement	Defer to RATIONAL POLICY
STAGE 2. Demand for Policy (Rational Policy)	Does this demand support major goals in new way? YES	NO
	Formulate New Criteria	Reject
STAGE 3. Plan for Action (Orgzl Process)	Agreement with New Criteria? YES	NO
	Develop New Routine/Process	Demand for Bargaining
IMPLEMENTATION		
STAGE 4. Bargaining (Politicking)	Is a compromise acceptable? YES	NO
	Defer to ORGZL PROCESS Implement	Defer to AUTH MODEL
STAGE 5. Resolution (Authoritarian Model)	Power to impose solution? YES	NO
	Defer to ORGZL PROCESS Implement	Defer to POLITICKING
STAGE 6. Conflict Mgmt (Politicking)	Is a compromise acceptable? YES	NO
	Defer to ORGZL PROCESS Implement	Process Breakdown/ Conflict

provides a model depicting the paths a decision-making process in industrial policy would follow.[49]

Under such a schematic, the question is not "who governs?" but "who governs when?" Who exercises power and who exercises influence at any given stage of the decision-making process? A greater relative contribution may be given to the final decision at any given stage. A political regime can be characterized by the predominant mode in which decision-questions are resolved. However, analysis of the decision-making process can be improved by recognizing that other levels of decision-making are available and may be exercised. The more complex or controversial the decision, the greater the number of stages in the decision-making process will be utilized.

These four frameworks - the authoritarian model, the rational policy model, the organizational process model and the politicking model - will be applied to the IBM decision in order to determine which model(s) best explain(s) the decision of the Mexican government 1) to invite foreign investment in the electronics area, 2) to reject IBM's initial proposal for a 100 percent equity investment in microcomputer manufacturing and 3) to

reverse that decision six months later and accept IBM's proposal. The study seeks to learn what political processes were involved. Was the decision a strictly authoritarian one reached at the highest levels of government? Was it an exercise in adjusting a proposal to existing or new criteria until the two finally matched - as a rational policy model would suggest? Was it a matter that was resolved at the organizational level? Or was it an example of the "politicking" model where competing interests were arbitrated by the haul and pull of politics with a resultant compromise solution? Or, perhaps, does some combination of these approaches best explain what actually took place? What do the findings reveal about the Mexican political system? Where does the decision-making process seem to be concentrated/distributed in the industrial policy/foreign investment area? What patterns of influence exist in this area? While a case study of a decision in the area of industrial and foreign investment policy cannot answer these questions for all policy areas, it is hoped that it will, at least, offer some suggestions.

To help guide our study, the following propositions

from each of the theoretical frameworks will be tested.

Authoritarian Model

If this model best explains the Mexican IBM decision, the following features will be present in the decision-making process:

1. an erratic relationship between the authoritarian leader's decision and the expressed group demands;
2. a reduction in the number of demands made upon the authoritarian leader providing him with substantial decision-making autonomy; and
3. difficulty in tracing the origins of a decision.[50]

Rational Policy Model

If the rational policy model were exclusively involved in the Mexican IBM decision-making process, it would manifest itself via a unitary actor arriving at a decision in accordance with

1. various values and objectives;
2. perceived alternative courses of action;
3. estimates of various sets of consequences;
4. a net valuation of each set of consequences.[51]

Organizational Process Model

If an organizational process model were involved in

the Mexican decision, it would exhibit the following features:

1. the handling of the proposal requiring a decision would be determined by organizational *routine* and not by the direction of government leaders;
2. flexibility to deal with conflict would be limited and any change to the initial proposal would be of an incremental nature;
3. a favorable decision to a proposal would be contingent on the administration's ability to mesh the proposal with one of its pre-determined goals.[52]

Politicking Model[53]

If the Mexican IBM case were best explained by the Politicking Model, the decision process would exhibit the following features:

1. the decision outcome would be different from what any one player proposed;
2. individual players would favor a decision that is in accord with their priorities, perceptions and the "face of the issue" they see;
3. individual players would attempt to build a coalition to convince others that what needs to be done is what they propose be done.[54]

There is, of course, no reason to believe that the latter three models are mutually exclusive. A mix of these models is both possible and anticipated under certain conditions - basically involving conflict at the

rational policy, organizational, and politicking levels. Allison and Halperin have combined, for example, the organizational process and governmental politics models into a bureaucratic politics model that treats organizational processes as constraints that leaders of organizations must take into account in the haul and pull of politics.[55] I suggest that under conditions of conflict and high issue salience, all three models need to be combined. This would imply that a greater degree of interaction is required between the different levels to explain the ultimate decision. The decision process would advance in stages from one level to the next, as indicated in Table 2.

With these frameworks, we have in place the indicators that will allow us to determine which decision-making model is in play. By seeking answers to the questions posed by each model, we can tell how power and influence are distributed in the area of industrial policy. This will then prove or disprove the central proposition of this investigation - that the distribution of power and influence will vary by policy area.

Methodology

The methodology used in this study to determine the patterns of distribution of power and influence in the area of Mexican industrial policy is that of a case study. A case study approach is appropriate in that it provides detailed empirical material upon which to base the applicability of the various theoretical models proposed above.[56] As such, it serves primarily as a test of the validity of the authoritarian thesis as applied to Mexican industrial policy. In this sense, it aims to serve as a disciplined-configurative study. Additionally, as an attempt to synthesize the various decision-making models, it serves as an heuristic case study.[57] A brief synopsis of the details of the IBM case set against the context of Mexican industrial and foreign investment policy is provided in chapter two.

The sources used to gather information for this case were newspaper and journal articles, Mexican government documents dealing with industrial and foreign investment policy, and interviews with Mexican government officials, private sector officials in the informatics industry, US embassy officials, Mexican

academicians, and a newspaper reporter. Some of these individuals must remain anonymous as I have promised they would be.

Mexican and English-language newspapers and articles were searched to provide background material such as chronologies and the names of actors involved in the case. Different actors from across the spectrum of IBM supporters, IBM opponents, and Mexican government officials were identified for interview. I was able to get access to middle level government officials but not to officials at the top level (ministers) of government. The same is true of officials in the private sector, although I was able to talk to a vice-president and a key organizer of the group opposing IBM's proposal.

The questioning took the form of open-ended questions and was designed to gather information, to explore the individual's role in the decision-making/influencing process and generally to answer questions suggested by each of the models of decision-making being tested. The authoritarian model, as outlined above, suggests that the following questions would be of importance: Who were the principal actors

involved in the IBM decision? What groups or individuals attempted to influence the system? Were their demands heard? Was there an attempt to limit these demands? Can we identify with certainty the final decision-maker(s)? An analysis of the answers to these questions is treated in chapter three.

The rational policy model assumes a rational (or analytic) unitary decision-maker with one set of goals, one set of perceived options and a single estimate of consequences of each alternative. Hence this model raises the following questions: Were there criteria based on explicit values and objectives against which to judge the merits of the IBM proposal? Were these criteria agreed upon such that upon fulfillment of these criteria the IBM proposal would be accepted? Were there analyses within the government bureaucracy that weighed the consequences of accepting IBM's proposal versus expanding the capability of local companies or some other options? Assuming that IBM's proposal may have been rejected because of failure to meet objective criteria but that the final proposal was accepted because it was substantially different, were there in fact substantial differences in both proposals? The

answers to these questions form the subject matter for chapter four.

The organizational process model, the topic for chapter five, assumes that organizations act in a routine manner to solve problems according to established standard operating procedures; that they are not monolithic actors but share fractionated power with other organizations who contribute their resources to the problem solution; that they often exhibit propensities concerning parochial priorities, perceptions and issues. Questions that arise here include: With which organization did responsibility for the IBM decision rest? Was there an established procedure by which the IBM proposal could be judged? To what extent did the primary organization share responsibility with other organizations? In what areas? Did any of these organizations have an organizational "vested interest" in supporting the IBM proposal? In opposing it?

Finally, Allison's governmental/bureaucratic politics model assumes that actors are individuals in a position to have a say about a given outcome, have their own parochial priorities, perceptions and issues as well

as personal interests, stakes and power capabilities, judge an issue not only on its own merits but on the potential impact to their own interests, utilize established action-channels where the appropriate action is ultimately to convince other players that their preferred position is the desired outcome. If we include actors outside the bureaucracy, this approach resembles an interest group approach. In our approach we do include actors outside the bureaucracy and refer to this model as the "politicking" model. Appropriate questions to raise include those raised for the organizational process model plus the following: What are the expressed preferences of the major actors involved? Are there positions on which they stand firm? Where are they willing to compromise? How are their preferences communicated to other players? These questions form the basis for the discussion in chapter six.

It must be again emphasized that the decision-making models on which these questions are based may not be mutually exclusive. Features of all three may in fact be involved in fully explaining the IBM case. While it is assumed that one model may carry

further weight than the others in satisfactorily explaining the decision-making process involved in the IBM case, I believe that a model that integrates them may offer the most comprehensive explanation. In the concluding analysis, such a synthesis is attempted in chapter seven.

This study does not purport to predict what patterns of power and influence pertain for all policy areas within the Mexican political system. It does examine one case that pertains to the industrial policy area. If the patterns of power and influence are discovered to be non-authoritarian, then the argument that the decision-making process can be predicted by the regime structure is weakened. Conversely, the argument that the decision-making process and the patterns of distribution of power and influence will vary by policy area is strengthened. The final chapter reviews the findings with regard to this central question and also raises the implications these findings may have for better understanding the nature of the Mexican political system, the nature of the decision-making process itself, the role that technocrats and the economic elite play in industrial policy, and the role of multinational

corporations in developing countries.

NOTES

1. See, for example, Dale Story, "Entrepreneurs and the State in Mexico: Examining the Authoritarian Thesis," Technical Paper Series Paper No. 30, The Institute of Latin American Studies (Austin: The University of Texas Press, 1980) and his Industry, the State and Public Policy in Mexico (Austin: The University of Texas at Austin, 1986). Aside from the area of industrial policy, in the area of public higher education, Daniel Levy argues that the Mexican government does not exercise as much control over the academic, administrative and financial matters of the National Autonomous University of Mexico (UNAM) as one would expect from an authoritarian regime. His findings underscore "the relative weakness of regime control over middle-class institutions." Daniel Levy, University and Government in Mexico: Autonomy in an Authoritarian System (New York: Praeger Studies, 1980), p. 150.

2. This definition is suggested by Easton's conception of the political system as a conversion mechanism for demands into outputs and his discussion of these outputs as authoritative. See David Easton A Framework for Political Analysis (Englewood Cliffs, N.J.: Prentice-Hall, 1965), pp. 50 & 110.

3. *ibid.* p. 50.

4. See Gabriel Almond and James S. Coleman, eds., The Politics of Developing Areas (Princeton: Princeton University Press, 1960), pp. 4-17. While these functions are separated in the U.S. political system and correspond respectively to the legislature, executive and judicial branches of government, they may in fact be performed by one branch of government in other political systems such as the executive branch where the executive branch is particularly strong. Hence a study of who performs these functions and how can yield insights as to the nature of that political system.

5. See Graham T. Allison, "Conceptual Models and the Cuban Missile Crisis," The American Political Science Review 63 (September 1969), p. 210.

6. Samuel P. Huntington synthesizes the contributions of Joseph A. Schumpeter, Capitalism, Socialism and Democracy, 2d ed. (New York: Harper and Brothers, 1947), p. 269 and those of Robert A. Dahl, Polyarchy: Participation and Opposition (New Haven: Yale University Press, 1971), pp. 4-9 in his definition of democracy. See Huntington, "Will More Countries Become Democratic?" Political Science Quarterly, 99, 2 (Summer 1984), p. 195.

7. Dahl prefers the term "polyarchy" distinguishing democracy as an ideal type from any institutional representation it may have in the real world. He reserves the term polyarchies for those real world political regimes that tend toward the ideal type of democracy to the extent that they are high in participation and competition. See Dahl, Polyarchy, pp. 8-9.

8. This definition corresponds to Linz' elements of patrimonial leadership (centralization of power), limited mobilization (limited degree and frequency of participation), and limited pluralism (limited number of participants). It omits, as does Purcell, the element of limited ideologization which is one element Linz uses to distinguish between totalitarian regimes (high ideologization) and authoritarian regimes (characterized by mentality instead of ideologization). For a more in depth discussion of these variables see Juan J. Linz, "Totalitarian and Authoritarian Regimes," in Handbook of Political Science, vol. 3, Macropolitical Theory, ed. by Fred J. Greenstein and Nelson W. Polsby (Reading, Mass.: Addison-Wesley, 1975), pp. 277-281. Linz defines authoritarian regimes as "political systems with limited, not responsible, political pluralism; without elaborate and guiding ideology (but with distinctive mentalities); without intensive nor extensive political mobilization (except [at] some points in their development); and in which a leader (or occasionally small group) exercises power within formally ill-defined limits but actually quite predictable ones." See Linz, "An Authoritarian Regime: Spain," in Mass Politics: Studies in Political Sociology edited by Erik Allardt & Stein Rokkan (New York: The Free Press, 1970), p. 255.

9. William P. Tucker, The Mexican Government Today (Minneapolis: University of Minnesota Press, 1957) and Robert E. Scott, Mexican Government in Transition

(Urbana: University of Illinois Press, 1959), for example, highlighted representative aspects of Mexico's dominant political party, the PRI (*Partido Revolucionario Institucional*). Gabriel Almond and Sidney Verba, The Civic Culture (Boston: Little Brown and Company, 1963) included Mexico as a democratic polity eligible to be included along with the U.S., Great Britain, Italy and West Germany for the study of the political culture of democracy. In this vein see also Robert Scott, "Mexico: The Established Revolution," in Lucian Pye and S. Verba, eds., Political Culture and Political Development (Princeton, N.J.: Princeton University Press, 1965). L. Vincent Padgett, The Mexican Political System (Boston: Houghton Mifflin Co., 1966), while not according the PRI the role of aggregator of interests that Scott does, nevertheless sees the PRI as facilitating the final aggregative decisions emanating from the President's circle and hence, as still playing a significant role in a process which culminates in interest aggregation. Martin C. Needler, Politics and Society in Mexico (Albuquerque: University of New Mexico Press, 1971) refers to Mexico as a "single party democracy." In a later work, "Problems in the Evaluation of the Mexican Political System," Contemporary Mexico (Los Angeles: University of California Press, 1976) edited by James W. Wilkie, Michael C. Meyer and Edna Monzon de Wilkie, pp. 339-347, Needler acknowledges that the Mexican political system is complex enough to support various interpretations but concludes that because of evidence of participatory aspects, it is, if not democratic, then in transition to democracy.

10. see note 8.

11. To mention a few, Frank Brandenburg, The Making of Modern Mexico (Englewood Cliffs, N.J.: Prentice-Hall, 1970) speaks of the ruling elite as "the revolutionary family"; Roger D. Hansen, The Politics of Mexican Development (Baltimore, Md.: The John Hopkins University Press, 1971) speaks of them as the "revolutionary coalition"; and Peter H. Smith, Labyrinths of Power (Princeton University Press, 1979) speaks of a political and economic elite. All three assume an authoritarian system in which the political elite operate as a modernizing elite controlling the Mexican political process while directing its economic development. Other authors focus on the repressive measures that

authoritarian regimes often take when cooptive measures are ignored. Among these see Evelyn P. Stevens, "Protest Movement in an Authoritarian Regime: The Mexican Case," Comparative Politics, Vol. 7, No. 3, April 1975, pp. 361-382 and Kenneth F. Johnson, Mexican Democracy: A Critical View, new ed. (New York: Praeger Publishers, 1978). On a more theoretical level, see Robert R. Kaufman who applies O'Donnell's bureaucratic-authoritarian model to Mexico in "Mexico and Latin American Authoritarianism," in Authoritarianism in Mexico, eds. Jose Luis Reyna and Richard S. Wehnert (Philadelphia, Pa.: Institute for the Study of Human Issues, 1977). In that same volume, see also Reyna, "Redefining the Authoritarian Regime," pp. 155-171. For Purcell's contribution to the authoritarian literature, see Susan Kaufman Purcell, "Decision-Making in an Authoritarian Regime: Theoretical Implications from a Mexican Case Study," World Politics 26, 1 (October 1973), pp. 28-54 and The Mexican Profit-Sharing Decision: Politics in an Authoritarian Regime (Berkeley: University of California Press, 1975). For an approach that explicitly attempts to balance both the democratic and the authoritarian theses, see John A. Booth and M.A. Seligson, "The Political Culture of Authoritarianism in Mexico: A Reexamination," Latin American Research Review 19, 1 (1984), pp. 106-125. They conclude that Mexico is a "persistently authoritarian, yet popular political system sustained by a predemocratic citizenry." On whether the Mexican political system is in fact moving in a democratic direction, see Kevin J. Middlebrook, "Political Liberalization in an Authoritarian Regime: The Case of Mexico," in Transitions from Authoritarian Rule, eds. Guillermo O'Donnell, Philippe C. Schmitter and Laurence Whitehead (Baltimore: The John Hopkins University Press, 1986), pp. 123-147.

12. For the application of the Linz model (minus the mentality-ideologization dimension) to the profit-sharing decision, see Purcell, "Decision-Making in an Authoritarian Regime," pp. 28-54. For a more detailed analysis of the profit-sharing decision, see Purcell, The Mexican Profit-Sharing Decision, 1975.

13. See note 1. In examining the role of the private sector vis-a-vis the state, Story comes to the conclusion that the business sector is considerably more independent of the state than authoritarian

interpretations would lead one to expect. Hence, he argues that one ought to disaggregate among sectors when applying the authoritarian model to a particular regime. See also Story's "Political Elites in Mexico: Ideology and Influence," Journal of Interamerican Studies and World Affairs 25, 3 (August 1983), pp. 351-376.

14. See Dale Story, "Trade Politics in the Third World: A Case Study of the Mexican GATT Decision," International Organization 36, 4 (Autumn 1982), pp. 767-794.

15. See David R. Mares, "Explaining Choice of Development Strategies: Suggestions from Mexico 1970-1982," International Organization 39, 4 (Autumn 1985), pp. 667-697. See especially fn. 83, pp. 695-696.

16. See Jerry F. Hough and Merle Fainsod, "The Distribution of Power," How the Soviet Union Is Governed (Cambridge, Mass.: Harvard University Press, 1979), p. 550.

17. Theodore Lowi, "American Business, Public Policy, Case Studies, and Political Theory," World Politics 16 (July 1964), pp. 677-715.

18. See John F.H. Purcell and Susan Kaufman Purcell, "Mexican Business and Public Policy," in Authoritarianism and Corporatism in Latin America ed. James M. Malloy (Pittsburgh: University of Pittsburgh Press, 1977), pp. 191-226. In differentiating the Mexican arenas from those of Lowi, the Purcells note less confrontation and greater "disaggregation" of decision-making. This is comparable to Lowi's distributive arena, which curiously is the arena Lowi associates with a pluralist/elitist political structure.

19. See Michael T. Hayes, "The Semi-Sovereign Pressure Groups: A Critical Current of Theory and an Alternative Typology," Journal of Politics, 40, 1 (February 1984), pp. 134-161.

20. See Jerel A. Rosati, "Developing a Systematic Decision-Making Framework: Bureaucratic Politics in Perspective," World Politics 33, 2 (January 1981) pp.

234-252.

21. Hough & Fainsod, "The Distribution of Power," 550-551.

22. See Rosati, "Developing Decision-Making Framework," pp. 247-252.

23. See Story, "Entrepreneurs and the State in Mexico" and his Industry, the State and Public Policy in Mexico, pp. 79-105.

24. For the F-5 purchase decision, see Michael J. Dziedzic, "The Essence of Decision-Making in a Hegemonic Regime: The Case of Mexico's Acquisition of a Supersonic Fighter" (Ph.D. dissertation, The University of Texas at Austin, 1986).

25. For the study of patron-client relationships in CONASUPO see Merilee S. Grindle, Bureaucrats, Politicians and Peasants in Mexico: A Case Study in Public Policy (Berkeley: University of California Press, 1977) and William P. Glade, "Entrepreneurship in the State Sector: Conasupo of Mexico," in Entrepreneurship in Cultural Context eds. Sydney Greenfield, Arnold Strickon and Robert Aubey (Albuquerque, N.M.: University of New Mexico Press, 1979), pp. 191-222.

26. On their relative independence, besides Story's observations (notes 12 and 13) see Scott, Mexican Government in Transition, p. 24 and Peter H. Smith, Labyrinths of Power (Princeton University Press, Princeton, N.J.), pp. 191-216. On their position of privilege as beneficiaries of Mexican economic policy, see Padgett, The Mexican Political System, pp. 134-135; Rafael Izquierdo, "Protectionism in Mexico," in Public Policy and Private Enterprise ed. Raymond Vernon (Cambridge University Press, 1964), pp. 277-285 and Roger D. Hansen, The Politics of Mexican Development (Baltimore: The John Hopkins University Press, 1974) to mention a few. For a view that stresses Mexican control of the business sector, however, see Purcell and Purcell, "Mexican Business and Public Policy."

27. See Graham T. Allison, The Essence of Decision: the Cuban Missile Crisis (Boston: Little, Brown & Co.), 1971.

28. The bureaucratic politics and organizational process models have been combined viewing organizational process as constraints on the decision-making options. See Graham T. Allison and Morton H. Halperin, "Bureaucratic Politics: A Paradigm and Some Policy Implications," in Theory and Practice in International Relations eds. Raymond Tanter and Richard N. Ullman (Princeton: Princeton University Press, 1972), pp. 40-79.

29. For a further elaboration of the model, see Purcell, "Decision-Making in an Authoritarian Regime," pp. 30-37.

30. Some authors have objected to the use of the label "rational" for the first model arguing that it might imply that other approaches would therefore be less than rational or normatively condemned. Hence they refer to this as the "analytic" model. See, for example, Dziedzic, "Decision-Making in a Hegemonic Regime;" J.D. Steinbruner, The Cybernetic Theory of Decision: New Dimensions of Political Analysis (Princeton: Princeton University Press, 1974), p. 27 and B.C. Cohen and S.A. Harris, "Foreign Policy," Handbook of Political Science vol. 6 eds. Fred I. Greenstein and Nelson W. Polsby, (Reading, Mass.: Addison-Wesley Publishing Company, 1975), pp. 381-437. Nevertheless, I find the "rational actor" designation useful 1) because it has been widely accepted and 2) because to me it implies no more than that a decision is made based on a search for and evaluation of the consequences of various alternatives in relation to stated goals.

31. For a formulation and critique of this model in economics, see Herbert A. Simon, "Theories of Decision-Making in Economics and Behavioral Science," The American Economic Review, 49, 2 (June 1959) pp. 253-283. For its formulation in decision and game theory, see John Neumann & Oskar Morgenstern, Theory of Games and Economic Behavior (Princeton: Princeton University Press, 1944).

32. see Allison, The Essence of Decision, p. 38.

33. *Ibid.*, p. 67.

34. *Ibid.* For a more detailed exposition on the organizational approach, see James March and Herbert A.

Simon, Organizations (New York: John Wiley & Sons, 1958); Richard M. Cyert and James G. March A Behavioral Theory of the Firm (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1963); and James G. March, ed., The Handbook of Organizations (Chicago, 1965).

35. Allison, The Essence of Decision, p. 67.

36. Ibid., pp. 71-72.

37. Ibid., pp. 76-77.

38. Ibid., p. 113.

39. Ibid.

40. See note 28.

41. Allison, Essence of Decision, p. 144. The mechanism of arriving at a decision via bargaining and the process of muddling through is one that Allison borrows from Lindblom. He cites the following works of Lindblom as contributing to this model: "Bargaining? The Hidden Hand in Government," RM-1434-RC, Rand Corporation, February 22, 1955; "The Science of 'Muddling Through,'" Public Administration Review 19 (Spring 1959) pp. 79-88; and The Intelligence of Democracy (New York: The Free Press, 1965). See Allison, The Essence of Decision, p. 154.

42. see Gabriel Almond, The American People and Foreign Policy (New York: Frederick A. Praeger Publisher, 1950) as cited in Allison, The Essence of Decision, p. 153.

43. Allison, Ibid.

44. see Roger Hillsman, To Move a Nation (New York: Dell Publishing Co., 1964), pp. 553-555 as cited in Allison, The Essence of Decision, p. 157.

45. Allison, Ibid., p. 158 again borrowing from Hillsman, To Move a Nation, p. 561.

46. Allison, Ibid., p. 158.

47. The entries in the "who governs" column come directly from Carole Needleman and Martin Needleman,

"Who Rules Mexico? A Critique of Some Current Views on the Mexican Political System," Journal of Politics, 31, 4, pp. 1011-1034. But, they could just as easily be taken from Dahl's regime types, in which case the labels would be, from top to bottom: exclusive hegemonic, inclusive hegemonic, competitive oligarchies, and polyarchies. See Robert A. Dahl, Polyarchy, pp. 4-9. As Dahl indicates, however, these are extremes and most political systems would fit somewhere in the middle. Additionally, he allows for movement from one type to another.

48. Hayes, in his supply-demand pattern of decision inputs, identifies the presence or absence of conflict (or opposition to a particular policy) as a crucial factor in determining how a particular demand would be met within the legislative process. See Hayes, "The Semi-Sovereign Pressure Groups," p. 142. Hence, by allowing for opposition or consensus, Hayes multiplies Lowi's categories of policy areas by two. Hayes' model is a dynamic model in that he explicitly allows for issue movement among the six policy areas. Hence, in a scenario where there is opposition on a particular issue, resolution could move from a policy area of non-decision to one of regulation and, finally, to one where a redistribution of resources settles the issue (pp. 156-159). Initially, an issue that is new forcing a conflict in goals will receive the attention of the rational actor(s) in an attempt to reduce the uncertainty of embarking in a new direction. When criteria are developed to fit the new situation, a basis for implementation at the organizational level will exist. If upon an occasion for implementation, the new criteria meet with rejection on the part of organizational decision-makers, the demand (proposal) is either resolved through a process of bargaining and compromise that involves the politicking model or a solution is imposed in an authoritarian manner from above. Hence, I hypothesize that, in the absence of goal or organizational conflict, a demand will be handled at the organizational level. Table 2 indicates these relationships.

49. It should be noted that the same actors often interact at different levels in different roles. Organizational actors may attempt to influence policy at the rational level while trying to impose their own goals on their organizations and attempting to gather

support from interest groups at the politicking level. Likewise, interest groups can try to make their interests felt at both the policy and organizational levels and may involve the "actors who sit atop organizations" in doing so. Note also that implementation in this scheme is not strictly separate from formulation but that there may be interaction between the two processes as the attempt to implement a plan for action may meet with resistance and the subsequent need for reformulation at the policy level. In effect, the process may involve a "muddling through" as suggested by Lindblom. See Lindblom, "The Science of 'Muddling Through,'" pp. 79-88.

50. Purcell, "Decision-Making in an Authoritarian Regime," pp. 30-37.

51. See Allison, "Conceptual Models and the Cuban Missile Crisis," pp. 689-718.

52. *Ibid*, pp. 702-703.

53. This corresponds to Allison's original governmental politics model but expanded to include leaders of interest groups as actors that act through the leaders atop governmental organizations.

54. See Allison, "Conceptual Models and the Cuban Missile Crisis," p. 711.

55. See note 28.

56. For the appropriateness of the case study approach as an empirical basis for evaluating the validity of interpretative schemes or theoretical models, see Lowi, "American Business," p. 688.

57. See Harry Eckstein, "Case Study and Theory in Political Science," in Handbook of Political Science, Vol. 7: Strategies of Inquiry eds. by Fred I. Greenstein and Nelson W. Polsby (Reading, Mass.: Addison-Wesley Publishing Co., 1975, pp. 79-137. Briefly, Eckstein characterizes a disciplined-configurative study as a case study which "contains exhaustive descriptions of a phenomenon and the context in which it occurs but which instead of simply allowing the facts to speak for themselves, seeks to interpret them according to theory or, at least, a

framework of inquiry where theory has not yet developed" (pp. 96-99). A heuristic case study, on the other hand, is one "deliberately used to stimulate the imagination toward discerning important general problems and possible theoretical solutions" (p. 104).

CHAPTER 2

THE POLITICAL ECONOMY OF THE IBM CASE

The Mexican decision to permit IBM to manufacture microcomputers in Mexico with 100 percent foreign equity has three important phases: 1) the proposal and debate phase, 2) the rejection and renegotiation phase, and 3) the final approval and implementation phase.[1] Before reviewing these, however, it is necessary to set the stage in order to understand the context in which the decision-making process involving IBM evolved. This requires that we discuss briefly the governmental apparatus of the Mexican political system and the Mexican economic development model. In addition, to properly set the stage for examining the IBM case, we will introduce the bureaucratic organization principally involved with the IBM decision and the principal actors - governmental and non-governmental - attempting to influence the decision in one manner or another.[2]

It is necessary to introduce these factors here for a variety of reasons. First, it is important to understand the nature of the Mexican political system

for two reasons: 1) to understand how such a system normally arrives at a decision and 2) to understand how a pressure or interest group would or could operate under such a system to influence a decision. Second, it is important to understand the economic development model because it sets the constraints within which general economic policy will develop. Third, it is important to focus on the organization of the Ministry of Commerce and Industrial Development (*Secretaria de Comercio y Fomento Industrial*, SECOFI) as the central bureaucratic organ relevant to this case in order to understand the basis for the organizational conflict that arose. Finally, it is important to identify who the actors are in order to understand the types and sources of influence that entered into the formulation of policy and the implementation of that policy with respect to the IBM decision.

The Mexican Governmental Apparatus -
the Decision-Making Framework

The Mexican political system is neither democratic nor totalitarian. It is, as are many countries in the Third World, including Latin America, best typified as authoritarian. This general classification merely

indicates that Mexico, to a greater or lesser degree, shares the characteristics of all modern authoritarian regimes: patrimonial leadership, limited pluralism, low mobilization and limited ideologization.[3] Within this general classification, there are great differences among authoritarian regimes with respect to each of the variables mentioned. It is these differences in degree that differentiate one authoritarian regime from another. Although specifying how Mexico differs from other authoritarian regimes will be of interest later, for the moment the concern is with the structure of power that operates within this general authoritarian framework.[4]

The structures of importance for our purpose - analyzing decision-making in the Mexican political system - are the presidency, the bureaucracy, and the legislature.[5] The Mexican presidency is the most powerful office in the Mexican presidential system. The president is the "focus of power, the arbiter between power contenders and the guardian of the principles of the Revolution." [6] As the focus of power, the President is a strong executive who "controls the Congress, the Governors, the courts, and the media." [7] The President

plays a major role in the selection of candidates for elective office - governors, senators, and federal deputies - and has the power to select and remove members of the judiciary.[8] This tends to cement loyalty toward the President and his policies and he can count on the PRI members of Congress to support his legislative initiatives.[9] As for the media, while the degree of control varies with the medium and the administration in question, Daniel Levy and Gabriel Szekely note two factors permitting government control over the printed media: 1) the government's monopoly on newsprint through PIPSA (Producers and Importers of Paper) in which the government holds majority stock and 2) government advertising revenues on which Mexican papers heavily depend.[10] Besides these controls over the media, over selection to office, and over the execution of policy, the President also exercises control over the budget - for the states and localities as well as for the national administration.[11] This central financial control makes the state and local governments dependent on revenues and budget priorities of the central government. In summing up these powers of the Mexican president, John Sloan refers to him as "a dictator for his six-year term who can command almost

anything he wants except his re-election." [12]

While the Mexican President can do any one thing he wants, the reference to "dictator" overstates the case in that there are also some things he must do. He must maintain (or restore) the viability and vitality of the economic system and demonstrate adequate responsiveness to the different segments of the social system - peasants, urban labor, middle class professionals and the private sector - in order to ensure the stability of the political system. To do this, he acts as the real power broker between factions in those cases where there is disagreement among his top bureaucrats over how his policy objectives are best to be achieved or in those cases where different interest groups are competing for the same limited resources. As Kenneth Johnson puts it:

As a nerve center, the president must moderate conflict and dispense a maximum of "streams of satisfaction" in the hope of balancing competing interests so that the revolutionary coalition will not fall apart. [13]

While he may be open to influence from various segments of society, because he is the final arbiter he can decide an issue in ways that advance his own policy agenda. In doing so, he will often justify his

decisions with reference to some principle of the revolution - Mexicanism, social justice, economic growth, public and private ownership, defense of labor rights, etc.[14]

Whatever policy agenda the President brings to or develops in office, the fact that he cannot implement these policies on his own, brings into play the role of the bureaucracy, the second most important structure of power within the Mexican political system. The function of the bureaucracy, however, includes not only the implementation of policy approved by the president, but also the formulation of policy options in those areas where the President has not fully developed his policy objectives. To the extent that size is a measure of importance, the relative importance of the Mexican bureaucracy exceeds that of the bureaucracy in the United States. Whereas the 1975-1976 U.S. Government Manual listed 17 executive offices, boards, and councils, 11 departments, 59 agencies, 6 quasi-official agencies, and 64 other boards, committees and commissions, the Mexican federal bureaucracy consisted at the time of 18 regular ministries and departments, 123 decentralized agencies, 292 public enterprises, 187

official commissions and 160 development trusts.[15] On the importance of the bureaucracy in the minds of Latin American policymakers in general, Sloan argues that most of them believe that "bureaucracy should be stressed over social mobilization in order to promote an orderly process of modernization."[16]

Sloan finds two reasons for the stress on bureaucratic development by Latin American political elites:

1. a low estimate of their citizens' ability to know what is best for them and a high estimate of their own capacity to decide what is best for the nation;
2. their critical view of the domestic bourgeoisie.[17]

In the attempt to accelerate economic development, "the state has tried to perform the role of economic advisor, regulator, planner, and major entrepreneur in the process of development."[18] This has certainly been the case with Mexico. The need to staff these new roles is at least one significant reason for the growth of the Mexican bureaucracy and the importance of the state in the Mexican economy.

In the sense that "the state" or, more properly, state managers are members of the bureaucracy, it is

important to examine the nature and function of bureaucrats within the Mexican political system. Much has been made of the rise of technocracy in the Mexican setting and the question arises as to whether technocrats have taken over the bureaucracy and, if so, whether this implies a rationalization of the policy process, i.e., the furtherance of "state interests" by technocrats to the exclusion of individual sectorial interests presumably protected by *politicos*. The suggestion implies a distinction between technocrats (*tecnicos* or *tecnocratas*) and *politicos* or old-style politicians. At this point a few definitions are in order. A technocrat is a government official with the following characteristics:

The characteristics generally attributed to the *tecnico* are that he has specialized knowledge; he is recruited and advanced in his career through universalistic criteria of evaluation; he is apolitical and considers himself to be above politics; he makes decisions on the basis of rationality and efficiency; he often tends to underestimate the need to consider questions of human relations and politics in his work; and he is increasingly influential in policy-making.[19]

Since we are contrasting this role with that of the political elite (politician - *politico* in the Latin American literature), it is appropriate to also provide

a description of the characteristics that define this type of government official:

The *politico* type of bureaucrat, on the other hand, has a generalist and humanist educational background; achieves a bureaucratic position by manipulating friendships and political ties; is motivated preeminently by party affiliation and loyalty to political personages; makes decisions on the basis of personal advantage and political pay-off; is constantly involved in manuevering human beings to achieve his goals and is gradually being superceded by the *tecnico* in policy-making patterns.[20]

Perhaps the two professions that best typify each group is that of the lawyer in the case of the politician and that of the economist in the case of the *tecnico*. [21] The rise of the economist can be attributed to the expertise this specialty has to offer in complementing the emphasis that developing countries have placed on accelerating economic growth in their efforts to catch up with the developed countries. As O'Donnell points out, "ministers of economy are no longer lawyers, but are professionally trained economists, and their staffs are correspondingly changed." [22]

The importance of the technocrat thus lies with the expertise that he brings to bear to solve the complex

problems of modern society. Grimes and Simmons note this phenomenon with respect to Mexico: "The increasing complexity of the undertaking of the government in Mexico appears to be heightening the importance of the expert and his decision-making role in the bureaucracy." [23] Camp highlights the value of this technical expertise as provided by middle-level technocrats:

High-level political administrators need information and advice that can often be provided only by technical experts. Middle-level *tecnicos* are not directly involved in political decisions; rather, according to a cabinet minister, they work within political limits already established when advice is requested of them, or which are assumed to be understood by the *tecnico* as part of his knowledge of ministry policies. [24]

While this may be the general rule at the middle level position, Grimes and Simmons suggest that "if political control is relaxed, the *tecnicos* arrogate to themselves substantial decision-making power." [25] The higher the position within the governmental bureaucracy *tecnicos* reach, the more this can be expected to be the case. In Mexico, the presidency itself in the last three administrations has arguably been captured by technocrats. [26]

A further way of distinguishing technocrats from the "pure" political elite is to consider their ideology, preferences and biases. An image of the technocrat with regards to these dimensions is perhaps best provided by O'Donnell:

Their training stresses a "technical" problem-solving approach. Emotional issues are nonsense; the ambiguities of bargaining and politics are hindrances to "rational" solutions; and conflict is by definition "dysfunctional." Their underlying "maps" of social reality are similar. That which is "efficient" is good, and efficient outcomes are those that can be straightforwardly measured; the rest is noise that a "rational" decision-maker should strive to eliminate from his decision premises. The texture of social reality is radically (in some cases, one is tempted to say "brutally") simplified. Such simplification may not be denied, but it is seen as an indispensable requisite for being able to manipulate reality in the direction of "efficiency." [27]

An example of this mentality in action is the case, also recounted by O'Donnell, of Brazilian and Argentine "experts" who since the late 1950s have argued that the market "must be cleared of 'marginal' producers by eliminating all restrictions on those firms that are technologically more advanced, more capital-intensive, and financially more powerful." [28] O'Donnell attributes this "economically rational" outlook to a model of reasoning the modernizing technocrats acquired in their

education process abroad or through influence from abroad, an outlook that technocrats seek to apply to their society to rationalize it according to a preconceived paradigm.[29] Insofar as technocrats would impose their view of the world, Apter ascribes to them a certain authoritarian bias:

...even if the scientists represent a steady force in form of a reconciliation system, they will not necessarily be a force for democratic government as we know it. Quite the contrary, the libertarian values of most of the scientific technicians fall far short of a belief in representative institutions, if only because that form would make them subject to mercies of an uninformed electorate and its political representatives.[30]

In the Mexican case, as we shall see, the distinctions drawn above are not so clear cut. Technocrats on both sides of the IBM decision behaved in a fashion that can be considered far from apolitical and politicians (by and large technocrats at the top levels of the bureaucracy) took economically rational considerations into their decision-making. As Grimes and Simmons suggest, a combination of both roles - a *tecnico-politico* - is probably a more accurate description of the actions of technocrats in the bureaucracy when matters of political controversy

emerge. Such a position is defended by Grindle in her treatment of the subject.[31]

The third structural feature in the Mexican political system of interest to us in the exercise of power and influence on the IBM decision is the legislature. Mexico has a bicameral legislature - a Chamber of Deputies and a Senate. The Chamber of Deputies constitutes the lower house and consists of four hundred deputies, three hundred of whom are directly elected and one hundred of whom are apportioned among the parties competing with the Institutional Revolutionary Party (PRI).[32] The Senate consists of sixty-four senators, two from each of the thirty-one states and the Federal District.

The deputies of the Chamber serve a three-year term and the senators serve a six-year term, the latter coterminous with the President of the Republic.[33] Neither can immediately succeed themselves. The legislature in which the IBM case was debated was the Fifty-Second Legislature [1982 - 1985].

Both the Chamber and the Senate have commissions or committees that generally correspond to the ministries

of the federal government as well as some special commissions that serve as points of contact for consultation on matters of legislation initiated in the executive.[34] The Commission of Patrimony and Industrial Development and the Commission of Commerce in the Chamber as well as the Informatics Commission in the Senate would be points of contact with the administration on such matters as the IBM proposal, for example.[35]

In general terms, the functions of the legislature are outlined by Rodolfo de la Garza. They include law-making (although to a minimal extent), elite recruitment, communication between the decisionmakers in government and the public during and after campaigning and as a result of client-initiated contact, and the function of legitimating the system by establishing a congruent relationship between the political culture of the elite and the way the government gains office, holds office and makes policy.[36]

Through its deputies, the PRI is able to control these functions within the Mexican political system. The PRI holds 75 percent of the membership within the Chamber and 100 percent within the Senate.[37] Whereas

the law-making function of the PRI within the legislature is essentially passive (95 percent or slightly less of all proposals the President sends to the Chamber are habitually approved)[38], other functions are more important. The communication function serves as a sounding board for the opinions of opposing parties. The apportionment of seats among opposing parties lends legitimacy to the system in that it provides a "democratic or representative veneer to an authoritarian system." [39] In contrast, the PRI seats in the Chamber serve as a "source of patronage, a means of rewarding loyal service to the regime," [40] thus enforcing party discipline and, consequently, system stability, which flows from the knowledge that in a system of elite rotation, everyone will get his turn in the system. [41]

It is for the latter reason that PRI candidates can be expected to support the executive's policies that are brought up in the Chamber for either debate or legislation.

Economic Development - Industrial Policy

Having set the stage for the exercise of power and

influence in the governmental apparatus of the presidency, the bureaucracy and the legislature, it is incumbent at this point to move to a discussion of economic development policy in the process of setting the policy context for the IBM decision.

The question of economic development policy within a political decision-making framework arises out of concern over how to gain control of the development process, what strategies to promulgate in fostering development, how to finance it, how to integrate foreign capital into the development process and, finally, how to integrate national development into the world economy.[42] This section will briefly sketch Mexico's approaches to these questions since the 1940s with particular emphasis on industrial policy, foreign investment policy, and the role of multinational corporations. The purpose of considering these elements is to understand the role of the state in formulating and implementing the decisions that have shaped Mexico's current mixed economy.

Raymond Vernon, in examining the respective roles of the public and private sectors of the economy, raises the question as to who should be responsible for

development (understood as economic growth).[43] He notes that after two decades of rapid growth that followed Mexico's involvement in the war economy of the early 40s, the government gained control of economic development - not in terms of its share of the gross national product (GNP) but in terms of its control of three scarce resources which were a key to Mexican growth: credits, imports, and public facilities.[44] The objectives of the government's intervention (which had become apparent by the early 60s) were the following:

1. to stimulate the domestic production of consumer goods;
2. to force Mexican producers toward greater use of Mexican materials and machinery;
3. to conserve scarce foreign exchange;
4. to increase government revenues from customs duties;
5. to raise prices on some products and lower them on others in order to force an internal redistribution of income;
6. to discourage foreign investors and encourage domestic ones.[45]

During the period of the 1960s and 70s, the role of the government increased to include not only infrastructure but several other factors in the Mexican economy. The entrepreneurial role of the government in the economy, which can be traced to the nationalization of some railroads under Yves Limantour[46], the finance minister of Porfirio Diaz [1876-1919], took a giant step

with the nationalization of petroleum under Lazaro Cardenas [1934-1940] [47], and evolved in the ensuing three decades into a program of Mexicanization.[48] The process of government intervention in the economy, however, took a dramatic turn with the proliferation of state enterprises under the presidencies of Luis Echeverria Alvarez [1970-1976] and Jose Lopez Portillo [1976-1982]. While previous presidents since Cardenas had on the average created 25 major public enterprises during their terms in office, Echeverria created 108 during his term and by the end of Lopez Portillo's term there were 849 public enterprises, including financial trusts, of which 106 were being liquidated.[49] This process which culminated at the end of the Lopez Portillo administration with the nationalization of the banks,[50] in effect had made of the state "the major banker and entrepreneur in the economy."[51]

The overall strategy that the government adopted in promoting economic development was one of import substitution industrialization (ISI). Bennett and Sharpe divide the strategy into four periods: 1) "natural protection" [1940-1945], 2) infant-industry protectionism [1946-1950], 3) stagnation of ISI

[1950-1958], and 4) extension of ISI to consumer durables and producer goods [1958-1970]. [52] This last stage continued through the seventies. Although some expressed the need for proceeding into a stage of industrialization via export substitution, [53] the Lopez Portillo administration [1976-1982] abandoned such considerations with the discovery of oil [54] and it fell to the de la Madrid administration to seriously confront the issue of export promotion as a necessary adjustment to economic policy in light of the debt crisis. [55]

The ISI strategy involved promoting industrialization via the process of manufacturing in the domestic economy those goods that were currently being imported. This was a process that began of necessity during the depression when Mexico's reduced capacity to import resulted in domestically manufacturing goods that were previously imported. [56] The period of "natural protection" was one in which "war-imposed restrictions on exports to Mexico created a sizeable market for Mexican manufacturers in Mexico and in the United States." [57] Neither of these periods involved a deliberate policy. Conscious protectionist efforts to support the ISI strategy began in earnest

after the War.[58] After the war and until the late fifties, it was justified under the infant industry argument - the necessity of using protective measures such as tariffs and import licenses to shield a fledgling manufacturing sector from the competition of imported goods.[59] By the late fifties, no further increase was evident in the rate of substitution of nondurable goods.[60] Likewise, indicative of stagnation, the rate of substitution of intermediate and capital goods (begun in the early 1950s) had slowed.[61] An emphasis was placed in moving into the second stage of ISI - substituting for intermediate goods. In the period 1958-1969, "the participation of imports in the total supply for this kind of goods decreased by 45 percent." [62] Likewise, during this period, in the area of capital goods, the ratio of imports to total supply on the basis of value added had decreased 28 percent from .69 to .51.[63] In essence, the process of import substitution had reached its upper limit and adjustments were needed to avoid economic stagnation.[64] In order to continue to maintain rates of economic growth which had so far been sustained, the policy choice was to turn to foreign loans to finance not only programs of economic expansion but social programs as well. During

the Echeverria and Lopez Portillo years, the source for these funds came from the readily available credits which had been accumulated in American and European banks as earnings of the oil exporting countries.[65] In his study on the ISI strategy, Villareal concludes that the policy was prolonged beyond its useful life and resulted in "growth without development"[66] and a "permanent and continuous disequilibrium which tended to reinforce dependence on foreign capital." [67]

Mexico's debt crisis of the 80s reflects, in part, its choice of capital for financing its development projects. But other internal as well as external factors are involved as well.[68] From the standpoint of financing development, three options are available: public investment, private domestic investment, and private foreign investment.

The *tecnicos* who began to come into prominence in various ministries of government in the early 1950s preferred having the public sector invest in those areas where

- financial needs were so large that they exceeded the resources of any private group
- projects carried a substantial risk due to the novelty of the technological processes involved
- projects for welfare reasons could not pay out financially.[69]

The advent of planning in the finance ministry, for example, led *tecnicos* to favor investments in the public sector since these proceeded from "reason and study" versus those in the private sector which proceeded by "trial and error,"[70] an orientation which lent credence to the role of the state in a mixed economy. Although the role of foreign investment was recognized[71], there was a preference for licensing agreements over direct investment as a means of introducing foreign capital into Mexico.[72]

Direct foreign investment, however, was recognized as offering benefits in the transfer of technology, particularly in the manufacturing sector.[73] Hence, as with private domestic investment, subsidies and tax incentives were offered in order to channel investment into areas considered important for industrialization in keeping with the ISI policy.[74] Additionally, and in keeping with the Mexicanization policies, incentives that were offered to enterprises that took on Mexican

majority partners were refused to enterprises proposing entry under 100% foreign equity arrangements.[75] Large transnational companies were particularly viewed with suspicion. Nevertheless, foreign investment was encouraged to come to Mexico especially in the area of manufacturing to aid the drive toward industrialization.[76] Partly as a result of this encouragement, foreign investment in manufacturing increased during the 1950s and 60s. Whereas in 1950 foreign investment in manufacturing constituted only 26 percent of total foreign investment, the share of total foreign investment concentrated in manufacturing rose to 35, 56, 69 and 74 percent respectively in the years 1955, 1960, 1965 and 1970.[77] As a percentage of total investment in the economy, however, foreign investment was not as ominous. Whereas foreign investment represented 8.5 percent of GNP in 1961, this percentage had decreased to 7.7 percent in 1975.[78] Even in manufacturing where foreign investment was concentrated, firms with majority foreign ownership represented only 17 percent of total industrial production.[79] This concentration in a dynamic sector, however, raised concerns and the Mexican government (as well as other governments in Latin America) made efforts to curb the

perceived power of multinationals that this involvement in their economies represented.[80] Of particular importance in the Mexican case were the Law to Promote Mexican Investment and Regulate Foreign Investment of 1973 (which required 51 percent Mexican ownership as a general rule for new foreign ventures), the Law on the Transfer of Technology, and the Law on Patents and Trademarks (whose intent was to constrain the use of patents and trademarks and to link foreign trademarks with a Mexican trademark).[81] Essentially, through these and other laws and policies, the Mexican government had found a way to integrate multinationals into the economy to serve its goal of industrialization.

The broader question of how to integrate the Mexican economy into the world economy, however, is one which began to raise its head when the exhaustion of the ISI strategy compounded the financial crisis in which Mexico found itself in the early 1980s. With the exhaustion of ISI[82], a switch to an export promotion strategy had seemed logical even for the 1970s. However, protectionist policies had created conditions that failed to make Mexican manufactured goods competitive

with comparable goods in the world market. Nevertheless, the need to export in order to continue to grow and to earn foreign exchange for debt service requirements became imperative. In order for a strategy of export promotion, and, in particular, for export substitution (exporting goods previously imported but now locally manufactured) to work, some policy recommendations suggested dismantling the protective machinery, devaluing the exchange rate, providing tax subsidies, and other measures to induce exports[83] as well as the stabilization of budget expenditures and trade liberalization.[84] Most of these policies were adopted by the de la Madrid administration as it sought to integrate Mexico into the world economy and to manage the accumulated debt.[85]

All of these factors that we have been discussing - the state's control over economic development policies, the importance and ultimate limitation of import substitution industrialization as the principle strategy in furthering economic growth, the financing of development through a particular mix of internal savings and foreign direct investment and loans, the integration and control of multinational enterprises in Mexico's

development goals and the need to integrate Mexico into the international economy - together with the political factors mentioned above played roles in the political economy of the IBM decision.

While these are important macroeconomic and macropolitical factors, two micropolitical factors need to be considered as well before proceeding to the specifics of the IBM case. These micropolitical factors are the Ministry of Commerce and Industrial Development (SECOFI) and the major political actors that participated in influencing the IBM decision. A brief overview of the ministry reveals the inherent difficulty in formulating a coherent policy that would both encourage foreign investment in a strategic area for development such as microcomputer manufacturing and, at the same time, encourage local producers to develop national self-sufficiency in this industry.

Ministry of Commerce and Industrial Development

In tracing the history of SECOFI, the first instance of a separate ministry combining the functions of industry and commerce was a decree dated April 22, 1883 which created the Ministry of Development,

Colonization, Industry and Commerce.[86] Several reorganizations follow, variously separating and combining the functions of commerce and industrial development with each other as well as with other ministries such as Treasury and the Department of Labor.[87] In 1958 SECOFI was constituted as the Ministry of Industry and Commerce. In 1976, this entity lost its jurisdiction over industry and fishing and simply became the Ministry of Commerce.[88] This Ministry had as its functions

the formulation and implementation of general commercial policy to include the study, planning and determination of tariffs; restrictions on imports and exports; participation in the formulation of general criteria for stimulating foreign trade; establishing pricing policies; directing and stimulating the mechanisms of protection for the consumer; coordinating and directing state action with the purpose of assuring the supply of basic commodities to the population; establishing and upholding the norms of quality control and accurate weights and measures; promoting the development of small rural and urban businesses as well as leading the drive, in coordination with those central dependencies and related agencies of the parastatal sector, in the production of goods and services that are considered fundamental for the stabilization of prices.[89]

With the reorganization of December 29, 1982 at the advent of the de la Madrid sexenio, the following functions from the decommissioned Ministry of Patrimony

and Industrial Development were added:

the promotion of the national industrial plant; the formulation and implementation of general industrial policy; the establishment of industrial policy for various products in consultation with other dependencies; the regulation of industrial production; advising the private sector in the establishment of new industries dedicated to the exportation of national manufactures.[90]

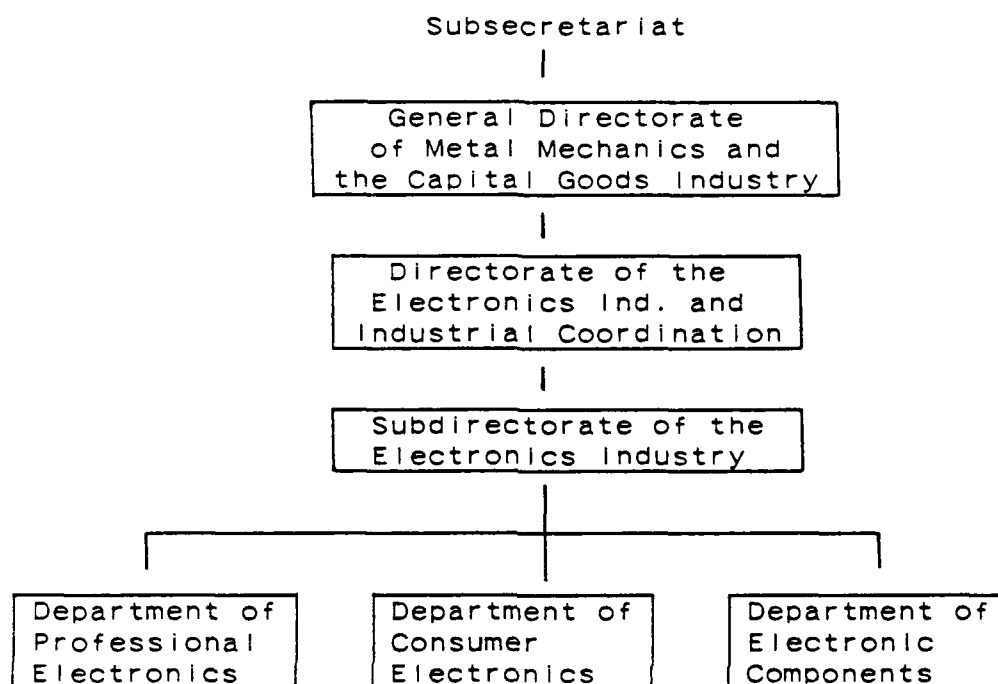
Other functions include

the promotion and application of fiscal incentives established by the Ministry of Treasury as necessary for the promotion of industrial development, foreign and domestic trade and supply; responsibility for the Program of Development of the Border Areas and Free Zones of the country which was previously operated by the Ministry of Programming and Budget, and the development of Instruments of economic policy which, in the matter of basic products, were the responsibility of the Presidency of the Republic.[91]

Aside from the functions gained, SECOFI lost to the Ministry of the Treasury jurisdiction over tariffs of the public sector and, to the Ministry of Planning and Budget and the General Comptroller's office, jurisdiction corresponding to norms over purchases and real estate.[92] Of note is the fact that policies promoting industrial development by offering protection to local industry would not necessarily be favorable to commercial policies promoting exports.[93]

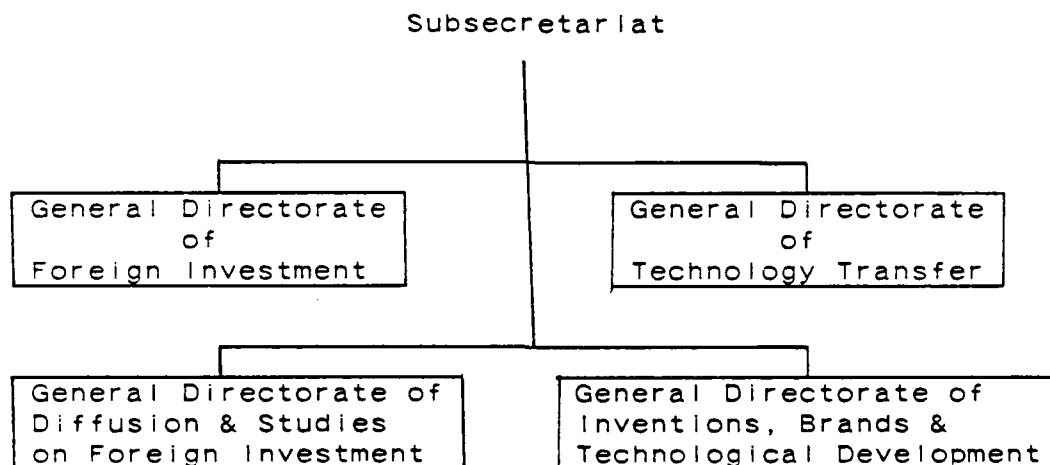
The general functions listed above are assigned to four subsecretariats, an *oficialla mayor* (an administrative office), and an internal comptroller. The four subsecretariats are those of Foreign Trade, Internal Trade, Industrial Promotion, and Foreign Investments Regulation and Technology Transfer (hereafter, simply Foreign Investments)[94] (for the pertinent general directorates below this intermediate managerial level for the Subsecretariats of Industrial Promotion and Foreign Investments, see Figures 1 and 2). President de la Madrid elevated the last subsecretariat mentioned from what had previously been the foreign Investments general directorate. In October 1983, he appointed Adolfo Hegewisch Fernandez, then General Director of Foreign Investments to head the new Subsecretariat with the mandate to attract more foreign investment in priority areas.[95]

With the principal functions of SECOFI noted and the relevant units in the organizational chart sketched, closer attention can now be given to the individual actors in the IBM decision and to the interplay of power and influence patterns among them.[96]



Source: Manual General de la Organización de la Secretaría de Comercio y Fomento Industrial

Figure 1. Subsecretariat of Industrial Promotion
(partial organizational chart)



Source: Manual General de la Organización de la Secretaría de Comercio y Fomento Industrial

Figure 2. Subsecretariat of Foreign Investments and Technology Transfer (partial organizational chart)

Principal Actors

The principal actors can be grouped into three main categories: IBM, IBM's competitors, and bureaucrats pursuing the interests of the state. This division does not necessarily represent a mutually exclusive alignment. In fact, it is in the area of a mutual coincidence of interests where bargaining and compromise are found. The division, however, serves a useful purpose as a point of departure. The interests of other actors that became involved in the power-influence pattern can thus be identified, for purposes of

analyzing the IBM decision, with one of these three categories of interests.

Representing IBM's interests in Mexico were Rodrigo Guerra Botello, President of IBM de Mexico, Manuel Conde Palazuelos, its General Director, and Alejandro del Toro, Division of Sales. Representing the interests of IBM's competitors were the directors of AMFABI (Mexican Association of Manufacturers of Informatics Goods), an association created specifically to counter the IBM proposal and formed from CANIECE (the National Chamber of the Industry of Electronics and Electrical Communications). The officers included Alfredo Amescua, President; Guillermo Robledo, Vice President; and Jorge Sanchez Mejorada, AMFABI's principal organizer who had served as President of CONCAMIN (the National Confederation of Industrial Chambers) and CCE (the Coordinating Council of Entrepreneurs) during the period of private industry's battles with the policies of the Echeverria administration.

Representing the interests of the state were, at the highest levels, President de la Madrid and the members of the National Foreign Investment Commission (NFIC). The Commission is composed of the heads of the

following ministries: Interior; Finance; Programming and Budget; Energy, Mines and Parastatals; Foreign Relations; Labor and Social Provision; and Commerce and Industrial Development.[97] In practice, representatives of these ministers at the general directorate level execute the business of the commission in meetings which are chaired by the Subsecretary for Foreign Investments, who acts as the Executive Secretary of the Commission.[98] In our particular case this was Adolfo Hegewisch.

As the task of preparing recommendations on foreign investment proposals fell on officials at the intermediate levels of the bureaucracy (subsecretariats and general directorates) and the principal mandate for making recommendations to the Commission fell to the Ministry of Commerce and Industrial Development, it is appropriate to mention officials at this level as well. Interpreting the state's interests to lie in the direction of continued protection for national manufacturers were Mauricio de Maria y Campos, Subsecretary for Industrial Promotion; Dr. Jose "Pepe" Warman, Director of the Electronics Industry and Industrial Coordination; and Dr. Ricardo Zermeno,

Subdirector of the Electronics Industry. Interpreting the state's interests to lie in the direction of an outward-looking economic policy which included the encouragement of foreign investment and the promotion of exports were Adolfo Hegewisch and his staff which included Mario Espinoza de los Reyes, General Director for Foreign Investment Study and Diffusion; Jaime Alvarez Soberanis, General Director of Foreign Investment; and Guillermo Funes, General Director of Technology Transfer.

Other actors were also involved in attempts to influence the IBM decision. While the U.S. Department of Commerce and the U.S. Ambassador to Mexico, John Gavin, were not in a position to choose between IBM and US partners of Mexican nationals, such as Apple and Hewlett Packard (members of AMFABI), they did advocate principles of free trade and were against any decree that would legally reserve the microcomputer market for Mexican nationals.[99]

The national press provided a national forum for the debate once information leaked about IBM's 100 percent foreign equity proposal. While positions against IBM were generally vehement and expressed in

terms of national sovereignty, those who expressed support for IBM's position stressed the positive consequences IBM would have in making the internal market more competitive and in generating export revenues in the international market. The newspaper Excelsior was unique in that the opposing views expressed by Edgar Gonzalez Martinez against IBM in the "Los Capitales" column shared equal space with the pro-IBM "Portafolios" column of Jose Perez Stuart.

Another forum for debate was provided by the Chamber of Deputies where AMFABI utilized spokesmen of the leftist political parties to express the nationalist view against the IBM proposal. So what was the debate all about?

The IBM Decision - Proposal, Rejection, Approval

On February 17, 1984, barely a few months after its creation, the Subsecretariat for Foreign Investments issued guidelines encouraging foreign investment in several priority areas for development. One of these was the area of electronic equipment and devices, which included computation equipment, parts and components; magnetic tapes and discs for computation; and household

electronics.[100] The guidelines pointed out that majority foreign investment would be considered in selected areas. Key criteria to be employed to evaluate prospective investments included: technology as a key factor in achieving levels of international competition; promotion of exports; activities needing large investments; and import substitution that contributes to the creation of "priority productive chains." [101]

IBM, which had been looking for an opportunity to expand its production facilities overseas[102], took the opportunity to make a proposal to expand its production facility at El Salto on the outskirts of Guadalajara in order to manufacture microcomputers. IBM's strategy of aligning its interests with those of the Mexican government had already been expressed by Rodrigo Guerra, President of IBM de Mexico, the previous fall: "the most important thing is to produce exports and foreign exchange for Mexico." [103] Thus on March 5, 1984 IBM presented its proposal for Mexico's consideration. In recognition of the fact that the Subsecretariat of Industrial Promotion would eventually be involved in the decision, IBM made its proposal available to its technocrats as well as to those at the Subsecretariat of

Foreign Investments in the hope that they would be able to decrease processing time by meeting any objections to their project early on.[104] While IBM's initial proposal may have been a mere "trial balloon,"[105] the basic elements of a serious proposal that came to represent IBM's position appear in the Appendix, Exhibit 1. The basic elements of this proposal came to be known by Mexico's competitors certainly by early summer of 1984.[106] The first reports in the press and trade journals began to appear during mid-summer, 1984. At first, no specific data about the IBM proposal were mentioned. The June 30 issue of Mexico Update, a publication of the American Chamber of Commerce in Mexico, stated only that "negotiations between IBM de Mexico and the Mexican government are reportedly still underway." [107] The article did acknowledge that IBM's entry into the Mexican microcomputer field hinged on IBM's ability to retain 100 percent ownership.[108] The issue of 100 percent ownership as well as other aspects of IBM's proposal came to be hotly debated in the press.[109] Whereas AMFABI, the association created to oppose IBM's entry, used the press to make known IBM's proposal and argue against its merits,[110] IBM itself launched a media campaign to gather support for its

project.[111]

AMFABI's tactics aimed at delaying, if not defeating, IBM's efforts to enter the Mexican microcomputer market.[112] IBM's tactics included stressing the benefits its projects had in contributing to Mexico's economic growth and technological development. Neither AMFABI's nor IBM's maneuvers were confined to making their points with the press. Both AMFABI and IBM lobbied Mexican government officials in an attempt to exert influence on their decision.[113] The Mexican Chamber of Deputies also became a forum for the debate between the two positions.[114]

The debate in the Chamber of Deputies summarized the positions presented by the two sides. The issues raised by Deputy Ricardo Goveia Autrey of the Socialist Workers Party (PST) representing the AMFABI position reflected concerns over monopoly, changing the rules of the game, protecting market niches, the need, in general, for protectionism and national economic independence, the role of the state in supporting national industry, compliance with the Foreign Investment Law, and the ill consequences IBM entry would have in future negotiations with transnational

corporations. The issues raised by Deputy Miguel Angel Olea Enriquez, a PRI deputy, reflected a different set of concerns. These included a need for flexibility with regards to new technology, efficiency, competitiveness, control of prices, the need to export, the need to substitute imports, the need for the latest technology, the need for the generation of foreign exchange, the degree of national integration, the commercial balance of firms importing inputs for the computer industry, and a concern for investment in research and development. Deputy Olea's arguments, while not explicitly saying so, clearly supported the IBM proposal while asserting that Deputy Goveia's arguments were, in effect, defending other transnationals as well as Mexican industrialists who could not be trusted to reinvest their profits in Mexico.[115]

With the points having been made by both sides, it was up to the Foreign Investment Commission to decide for or against IBM's proposal. It appeared that a decision was forthcoming late in the fall of 1984.[116] However, by early December no definitive decision had been reached. Instead what IBM got was a conditional "maybe" - in effect the decision was made not to decide

for the moment.[117] In the process of coming to a decision, Mexican officials had apparently been pressured by three factors: 1) a press campaign on IBM's behalf indicating that IBM's proposal would be accepted; 2) rumors that IBM would be shutting down current manufacturing operations in Mexico if it was not allowed to manufacture microcomputers; and 3) opposition exerted by Mexican nationals and minority transnationals.[118]

The Rejection

The official response to IBM's proposal finally came on January 17, 1985, more than 10 months after it was made, despite the fact that SECOFI had in August 1984 published general resolutions on foreign investment, the first of which had stated that proposals for foreign investment would be decided within 30 days of presentation.[119] When asked about this after the rejection, Subsecretary Hegewisch responded that the 30-day period was to apply from the time that a proposal is an integrated package. In IBM's case, he said, IBM kept submitting changes to its proposal until it finally decided on what it could offer. He further commented that: "In spite of these changes and the fact that IBM made its points of view publicly known on more than one

occasion, the commission saw fit not to change its criteria." [120] The news of the rejection of IBM's proposal had been previously reported in only a brief statement in Excelsior:

The petition was denied in the terms proposed by the firm since companies that manufacture those products with a majority of national capital, such as Hewlett-Packard and Apple, already exist." [121]

Despite the simple statement from the Foreign Investment Commission, the IBM case had been so politicized that it was inevitable that different interpretations be given to the rejection of the proposal. The American press, in particular, saw it as symbolic of Mexico's continued reticence about foreign investment, at best, and, at worst, its insincerity about its desire to attract foreign capital. The New York Times reported that "The IBM proposal has been looked upon in the foreign business community as a test of the government's stated intention to allow more flexible terms for foreign investment." [122] The Washington Post declared it a victory for the nationalist bureaucratic faction who oppose officials who actively advocate foreign investment. [123] Nevertheless, the doors were not closed to IBM, [124] and everyone seemed to know it. The

Washington Post article quoted sources saying that

IBM would submit a new plan tailored to most existing government regulations but still requesting 100 percent ownership. The government could then contend that IBM had capitulated to Mexico's demands and approve the project.[125]

In the words of Richard Hojel, President of Apple de Mexico, "There is some face-saving going on here." [126]

The Approval

Whether there is any value to this "face-saving theory,[127] it is clear that IBM was willing to make some changes from its original proposal in order to gain approval.[128] However, IBM and the Mexican government agreed to keep the negotiations on changes on a strictly confidential basis - out of the light of the public forum.[129] News of an "agreement in principle" came from abroad in mid-June when President de la Madrid was travelling in Western Europe to gain support for European commitments to invest in Mexico.[130] Actual, formal approval came, as predicted, five weeks later - two weeks after Mexico's mid-term elections and in the midst of growing trade, monetary and fiscal problems.[131] The decision was announced as one of several projects of foreign investment that had been

approved but by this time the IBM case had become a landmark case and it made the headlines as part of the announcement on foreign investment by the National Foreign Investments Commission.[132] With the decision, IBM received permission to start production at its facilities at El Salto and, while there were still to be minor obstacles with regards to implementation, the major obstacles had been cleared.[133]

Conclusion

This chapter reveals that the process of coming to a decision on IBM's proposal for a 100 percent equity investment to manufacture microcomputers in Mexico was a long and complicated one. Four factors that can be drawn upon to explain this decision were discussed: the political structure; the economic development model; the organization principally responsible for processing IBM's proposal - the Ministry of Commerce and Industrial Development (SECOFI); and the various actors - IBM, AMFABI, bureaucrats, federal deputies, and the press among others - that became involved in attempting to influence the final outcome. These factors correspond roughly to the four theoretical frameworks proposed in chapter one as explanatory models - the authoritarian

model, rational policy, organizational process, and politicking.

Applying the authoritarian model and our knowledge of the Mexican political system, we could deduce that the President controlled the decision process using his bureaucrats to implement his decision and the legislature to legitimize it. On the other hand, one could apply the rational policy model and deduce that it was the economic development model that drove the final decision. Alternatively, one could argue that it is the bureaucratic organization that processes a given proposal that ultimately determines the disposition of that proposal and, hence, the nature of the organizational process within SECOFI provides the best explanation in this case. Or, one could argue that a decision outcome cannot be determined *a priori* and it is only the interplay of the actors that politick for their own interests that determine the final outcome. Each of these interpretations or some combination thereof has implications for understanding not only the decision-making process but also the nature of the political system that engages in that process. With this in mind, we proceed in the following chapters to

analyze the explanatory value of each of these models with respect to the IBM case.

NOTES

1. I focus in this study on the formulation phase of the decision. While some aspects of implementation are discussed, a full treatment of this aspect is beyond the scope of this study. I draw a distinction here between the Mexican decision to permit IBM to manufacture microcomputers in Mexico under 100 percent foreign equity and the Mexican policy to encourage foreign investment. Hence, while I do not discuss the implementation of IBM's manufacturing plan once it was approved, I do discuss the process of reaching a specific decision on the IBM proposal as the implementation phase of the policy to encourage foreign investment in dynamic sectors of the economy.

2. While it is beyond the scope of this study to treat any of these factors in any great detail, the attempt is made to provide a sufficient sketch of those factors important for understanding the context of the IBM decision.

3. See Juan J. Linz, "Totalitarian and Authoritarian Regimes," in Handbook of Political Science, Vol. 3, eds. Fred I. Greenstein and Nelson W. Polsby (Reading, Mass.: Addison-Wesley, 1975), pp. 271-281 and Linz, "An Authoritarian Regime in Spain," in Mass Politics: Studies in Political Sociology eds. Erik Allardt and Stein Rokkan (New York: The Free Press, 1970), p. 255.

4. I do not question that the structures of power in the Mexican political system are those that follow an authoritarian model where power is centralized and influence is limited. I do, however, question that this structure will impose itself *a priori* in every decision-making process. That is, I question whether there is a deterministic link between overall structure and the policy or decision-making process. I hypothesize, instead, that various decision-making processes will be employed independent of regime-type and that the particular decision process observed will depend on policy area and, in particular, on issue salience within that policy area. The same type of argument is advanced by Lowi who resists the assumption that "there is only one power structure for every

political system." See Theodore J. Lowi, "American Business, Public Policy, Case Studies and Political Theory," World Politics 16, 4 (July 1964), p. 689. See also Alfred Stepan who speaks of exclusionary and inclusionary corporatist policies rather than regimes. According to Stepan, a regime can promote either type of policy. See Alfred F. Stepan, State and Society: Peru in Comparative Perspective (Princeton: Princeton University Press, 1978), pp. 74-81.

5. The court system is not included in our consideration because it was irrelevant in our investigation of the Mexican IBM decision. It is, however, a major element in battles of individual rights among the marginal Indian population or between this segment and the mestizo population in rural areas. See, for example, Eva Hunt and Robert Hunt, "The Role of Courts in Rural Mexico," in Peasants in the Modern World ed. Philip Bock (Albuquerque: University of New Mexico Press, 1969), pp. 109-139. The PRI as the dominant party within the Mexican political system is not treated separately here. However, its role in the Mexican decision is treated in the section on the legislature where PRI legislators did sympathize with the IBM proposal.

6. See Linda B. Hall, "Mexican Presidentialism from Diaz to Echeverria: An Interpretive Essay," The Social Science Journal 17, 1 (January 1980), p. 42.

7. John W. Sloan, "The Mexican Variant of Corporatism," Inter-American Economic Affairs 38, 4 (Spring 1985), p. 11.

8. On the President's power over the judiciary, see L. Vincent Padgett, The Mexican Political System (Boston: Houghton Mifflin, Co., 1966), p. 148. On selecting nominees for elective office, Peter H. Smith notes that from the 1940s to the early 70s, the President personally picked about twenty percent of the deputies. See Peter H. Smith, Labyrinths of Power: Political Recruitment in Twentieth Century Mexico (Princeton University Press, 1978), p. 218. Rafael Luis Harrell is more categorical: "It is absolutely impossible to become a governor of any state in the Republic, a federal deputy or senator, a (cabinet) minister, a subsecretary, *oficial mayor* (a powerful administrative official) in any cabinet ministry, a director or subdirector of any

of the decentralized agencies without the will or acquiescence of the President." Rafael Ruiz Harrell, Exaltacion de Ineptitudes (Mexico, D.F.: Editorial Posada, 1986), pp. 17-18.

9. The executive generates the majority of the legislation and the Chamber approves about 95 percent of all proposals sent to it by the President. See Pablo Gonzalez Casanova, Democracy in Mexico, translated by Danielle Salti (New York: Oxford University Press, 1970), pp. 18-19.

10. Daniel Levy and Gabriel Szekely, Mexico: Paradoxes of Stability and Change (Boulder, Colo.: Westview Press, 1983.), pp. 86-87. Whereas the government can interfere in the freedom of the press through its control of newsprint and advertising revenues, the rule with respect to television is self-censorship. As Levy and Szekely point out, "television news coverage...very rarely covers events that are embarrassing to the government or criticizes government policies." Levy and Szekely, Mexico, p. 88. In general, to the extent that there is little hard and critical news reporting (there are exceptions as Levy and Szekely point out), one might conclude that the government effectively restricts, if it does not outwardly control, the media. For a more detailed discussion on freedom of the media, see Levy and Szekely, Mexico, pp. 86-99.

11. See L. Vincent Padgett, The Mexican Political System, pp. 150-151.

12. John W. Sloan, "The Mexican Variant of Corporatism," p. 11.

13. Kenneth F. Johnson, "Mexico's Authoritarian Presidency," in Presidential Power in Latin American Politics ed. Thomas V. DiBacco (New York: Praeger Publishers, 1977), p. 50. Susan Purcell sees the roots of recent elite dissensus in the training and background of older *tecnicos* versus younger progressive *tecnicos*. See Susan Purcell, "The Future of the Mexican System," in Authoritarianism in Mexico ed. Jose Luis Reyna and Richard S. Weinert (Philadelphia: ISI, 1977), pp. 173-191.

14. See Frank Brandenburg, The Making of Modern Mexico (Englewood Cliffs, N.J.: Prentice-Hall, 1964), pp.

7-18. The emphasis on these themes has not been equal. On the Mexican state's perceived need to promote economic growth with policies favoring the business sector rather than promoting social justice with policies that favor labor and rural sectors, see Roger D. Hansen, The Politics of Mexican Development (Baltimore: John Hopkins University Press, 1971), p. 71-95.

15. See Sloan, "Bureaucracy and Public Policy," Inter-American Economic Affairs 34, 4 (Spring 1981), pp. 23-24. See also Merilee S. Grindle, Bureaucrats, Politicians, and Peasants: A Case Study in Public Policy (Berkeley: University of California Press, 1979) p. 3.

16. Sloan, "Bureaucracy and Public Policy," p 17.

17. *ibid*, pp. 19-20.

18. *ibid.*, p. 21.

19. See Merilee Grindle, "Power, Expertise, and the 'Technico': Suggestions from a Mexican Case Study," The Journal of Politics 39 (May 1977;), p. 402, footnote 8. Grindle is here setting up an ideal type for purposes of analysis. Guillermo O'Donnell, in his description of technocratic roles, distinguishes the technocrat as one engaged in applying modern technology and, when associated with incumbency of political office, constituting a subset of the political elite - an observation which is important to recognize. See Guillermo O'Donnell, Modernization and Bureaucratic Authoritarianism (Institute of International Studies, University of California at Berkeley, 1973), pp. 30-31. David Apter, likewise, recognizes a political role as one of the possible applications of technical expertise. See David E. Apter, The Politics of Modernization (Chicago: The University of Chicago Press, 1965), p. 175.

20. See Grindle, "Power, Expertise, and the 'Technico'," p. 402.

21. Other technical experts that Apter mentions are agronomists, statisticians, marine biologists, psychologists, public administration experts and fiscal and banking specialists. See Apter, *ibid.*, p. 175.

22. O'Donnell, Modernization, pp. 31-32. In the case of Mexico, Latin America Weekly Report, 10 January 1986, "Technocratas versus Politicos," p. 4 points out "economists outnumber lawyers in key positions, for the first time." Hence, not only do they fill advisory positions but are in key decision-making posts. Consequently they can propagate their own values through the system as opposed to simply supplying data for pre-existing preferences of some other policymaker - a significant shift in the situation described by Camp where economists are still not in key roles but fill middle-level positions. See Roderic A. Camp, The Role of Economists in Policy-Making: Comparative Case Study of Mexico and the United States (Tucson, Ariz.: The University of Arizona Press, 1977), p. 51.

23. C.E. Grimes and Charles E.P. Simmons, "Bureaucracy and Political Control in Mexico: Towards An Assessment," Public Administration Review 29 (January-February 1969), p. 75.

24. Roderic A. Camp, "The Middle-Level Technocrat in Mexico," The Journal of Development Areas, Vol. 6 (July 1972) pp. 572-573.

25. Grimes and Simmons, "Bureaucracy and Political Control in Mexico," p. 75.

26. Suffice it here to say that the last three presidents have risen to power based on their technical expertise in the bureaucracy and not through elective office as none of them had held elective office prior to running for office as the hand-picked presidential candidate of their predecessors. See Latin America Weekly Report, "Technocratas versus Politicos," p. 4. Luis Echeverria Alvarez (1970-1976) had been Minister of the Interior; Jose Lopez Portillo (1976-1982) had been Minister of Finance and Miguel de la Madrid Hurtado (1982-) had been Minister of Planning and Budget. While all three were lawyers by profession, they all brought technocrats into their cabinet and de la Madrid, who also holds a Master's Degree in Public Administration from Harvard was known for his reputation as a technocrat and brought the most technocrats into his administration. For more on the biographies of these three Mexican presidents see Roderic A. Camp, Mexican Political Biographies, 1935-1981, 2d edition. (Tucson, Ariz.: The University of Arizona Press, 1982). Carlos

Salinas de Gortari, the PRI's presidential candidate for the 1988-1994 *sexenio* fits this technocratic mold. Like President de la Madrid, he is Harvard-educated and served as the Minister of Planning and Budget. Prior to that post he served as the Director of the government think-tank Institute of Political, Economic and Social Studies (IEPES) but has never held elective office. See Latin American Regional Reports: Mexico and Central America, "Salinas de Gortari wins nomination," 29 October 1987, p. 6.

27. O'Donnell, Modernization, pp. 84-85.

28. *Ibid.*, pp. 68-69.

29. See O'Donnell's discussion on this point in Modernization, esp. pp. 80-89.

30. Apter, The Politics of Modernization, p. 176.

31. See Grindle, "Power, Expertise, and the 'Tecnico'," pp. 419-426. It is a possibility foreseen by Grimes and Simmons, "Bureaucracy and Political Control in Mexico," p. 74: "Perhaps it is dangerous to distinguish between technical and political personnel in the bureaucracy since they both show behaviour patterns which can only be described as political."

32. See Kevin J. Middlebrook, "Political Liberalization in an Authoritarian Regime: The Case of Mexico," in Transitions from Authoritarian Rule ed. Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead (Baltimore: The John Hopkins University Press, 1986), p.135. Beginning with the 1988 elections, the Chamber of Deputies will expand to 500 members, 200 of whom will be selected by proportional representation. The effect will be to expand debate on key issues. See The Economic Intelligence Unit, Quarterly Economic Review of Mexico No. 1 (1986), p. 6. For a more detailed discussion of the role of members of the PRI and of opposition parties within the Chamber of Deputies, see Peter H. Smith, Labyrinths of Power (Princeton, N.J.: Princeton University Press, 1978), pp. 217-240. See also Rudolph O. de la Garza, "The Mexican Chamber of Deputies and the Mexican Political System," (Ph. D. dissertation, University of Arizona, 1972).

33. The same legislation that increased the membership of the Chamber of Deputies also reduced the term that senators will serve from six years to three. See Quarterly Economic Review of Mexico, No. 1 (1986), p. 6.

34. According to the Mexican Constitution, Article 71, not only the President but members of both houses of Congress as well as state legislatures may be sources of legislation. In point of fact, most legislation is initiated by the executive. Smith, op. cit., p. 222.

35. On tasking of the Chamber commissions to consider Deputy Ricardo Goveia Autrey's recommendation that the commissions meet with the Subsecretaries of Commerce, Foreign Investments, and Industrial Promotion to study alternatives to IBM's proposal prior to the meeting of the Foreign Investments Commission, see Diario de los Debates de la Camara de Diputados del Congreso de los Estados Unidos Mexicanos, Legislatura LII, Año III, Tomo III, num. 17, 16 October 1984, p.31. On the functions of the Senate commission, see Senado de la Republica, Centro de Informatica Legislativa: Documentos Basicos, 5 June 1986, pp. 8-13.

36. See David Easton, A Systems Analysis of Political Life (New York: John Wiley and Sons, 1965), pp. 278-310 as cited by de la Garza, "The Mexican Chamber of Deputies," p. 23.

37. For a discussion on political reforms affecting apportionment of the seats among political parties within the Chamber of Deputies, see Middlebrook, "Political Liberalization." For a discussion of the function of the Senate in supporting the legitimacy of the political system and as a training ground for other offices, see Smith, Labyrinths, pp. 225-226.

38. Pablo Gonzalez Casanova, Democracy in Mexico, trans. Danielle Salti (London, Oxford, New York: Oxford University Press, 1970), pp. 18-19.

39. Smith, Labyrinths, p. 239.

40. *ibid.*

41. For a view on the function of the PRI as a means of incorporating the labor, peasant, and popular sectors

within the Mexican political system, see L. Vincent Padgett, The Mexican Political System (Boston: Houghton Mifflin Co., 1966), pp. 87-135.

42. These questions arise whether development is looked upon in the narrow sense of economic growth or in a broader sense which involves the question of distribution of the fruits of growth throughout the population.

43. See Raymond Vernon, The Dilemma of Mexico's Development: The Roles of the Private and Public Sector (Cambridge, Mass.: Harvard University Press, 1963).

44. *ibid.*, p. 23. Vernon points out that the public sector was only responsible for 10 percent of gross national product but that its rationing of these three critical factors of credits, imports and public facilities gave it effective control. For a discussion on Mexico's control of credits through the *Nacional Financiera* see Charles Anderson, "Bankers as Revolutionaries: Politics and Development Banking in Mexico," in The Political Economy of Mexico eds. William P. Glade, Jr. and Charles W. Anderson (Madison, Wisc.: The University of Wisconsin Press, 1963), pp. 103-191 and Calvin P. Blair, "Nacional Financiera: Entrepreneurship in a Mixed Economy," in Public Policy and Private Enterprise in Mexico ed. Raymond Vernon (Cambridge, Mass.: Harvard University Press, 1964), pp. 191-240. For an update, see Douglas C. Bennett and Kenneth Sharpe, "The State as Banker and Entrepreneur," Comparative Politics, 12, 1 (January 1986), pp. 165-189. On Mexico's control of imports between 1940 and 1960, see Rafael Izquierdo, "Protectionism in Mexico," in Vernon, Public Policy and Private Enterprise in Mexico, pp. 241-289. A treatment that extends the employment of this strategy back to the depression years and until 1975 is provided by Rene Villareal, "The Policy of Import-Substituting Industrialization, 1929-1975," in Authoritarianism in Mexico ed. Jose Luis Reyna and Richard S. Weinert (Philadelphia: ISHI, 1977), pp. 67-107. For examples of the government's increasing control of public facilities or infrastructure for industrial development, see Raymond Vernon, Public Policy and Private Enterprise, pp. 19-110. For a perspective that ties the use of these instruments by the government to a distinctive nationalism grounded in the goals of the Mexican Revolution, see William P.

Glade, Jr. "Revolution and Economic Development: A Mexican Reprise," in Glade and Anderson, The Political Economy of Mexico, pp. 3-101.

45. Vernon, The Dilemma of Mexico's Development, p. 24. Vernon notes that these were not all harmonious objectives but that they did change and clash as the situation of the country and the strategy of the government evolved.

46. On nationalization of the railroads, see John H. McNeely, "The Railways of Mexico: A Study of Nationalization," Southwestern Studies 2, 1 (Spring 1964), pp. 16-18.

47. On nationalization of oil as a legal contest between oil unions and foreign oil companies which turned into an issue of national sovereignty versus the economic interests of foreign groups and which became the basis for subsequent nationalization policies, as in the electric industry, see Miguel S. Wionczek, "Electric Power: The Uneasy Partnership," in Vernon, Public Policy, p. 60.

48. Whereas nationalization meant that a particular industry was to pass to government ownership, Mexicanization meant that, increasingly, enterprises in foreign hands were to pass to Mexican majority ownership (51 percent or greater) whether in the private or the public sector. For the initial motivation for the strategy, see Vernon, Dilemma of Mexico's Development, pp. 114-115. For a brief discussion of Mexicanization policies, see Dale Story, Industry, the State and Public Policy (Austin: The University of Texas Press, 1986), pp. 49-53. For a detailed case study of Mexicanization involving the sulphur industry, see Miguel S. Wionczek, 3d ed. El Nacionalismo Mexicano y la Inversion Extranjera (Mexico, D.F.: Siglo Veintiuno Editores, S.A., 1975), pp. 171-305.

49. See Table 2.2 "Income Redistribution Policies Used by Various Governments," in Pedro Aspe and Javier Beristain, "The Evolution of Income Distribution Policies During the Post-Revolutionary Policy in Mexico," in The Political Economy of Income Distribution in Mexico ed. Pedro Aspe and Paul E. Sigmund (New York: Holmes and Meier Publishers, Inc., 1984), p. 26.

50. See Dale Story, Industry, the State and Public Policy, p. 39. On the consequences of the bank nationalization, see Diane Stewart, "Nationalization of the Banking Sector and its Consequences," in Politics in Mexico ed. George Philip (London: Croom Helm, 1985), pp. 137-155.

51. See Bennett and Sharpe, "The State as Banker and Entrepreneur," p. 165.

52. Douglas Bennett and Kenneth Sharpe, Transnational Corporations versus the State: The Political Economy of Mexico's Automobile Industry (Princeton, N.J.: Princeton University Press, 1985), pp. 26-37. Other authors divide the period differently depending on their point of emphasis. Story distinguishes between horizontal ISI from 1930 to 1955 stressing the substitution of nondurable economic goods and vertical ISI after 1955 signalling the switch to an emphasis on the substitution of intermediate and capital goods. See Dale Story, Industry, the State and Public Policy in Mexico (Austin: The University of Texas Press, 1986), pp. 23-28. Villareal, on the other hand, emphasizing a definition of development that includes not only GNP growth but also the policy goals of employment, income redistribution, and external independence, divides the period into 1) the National Project (1929-1939); 2) Economic Growth without Development (1940-1970) and 3) Continuation of ISI and Transition to Stabilized Growth (1970-1975). See Rene Villareal, "The Policy of Import-Substituting Industrialization," pp. 67-107.

53. For the recommendation of such a policy in the mid-seventies, see Villareal, *ibid.*, p. 68. A strong case for a policy of export promotion while maintaining an import substitution policy in such sectors as capital goods and agriculture is provided by Bela Balassa, "Trade Policy in Mexico," World Development 11, 9 (1983), pp. 795-811.

54. Manufacturing exports, for example, shrank from over 35 percent of total exports in 1978 to less than 15 percent in 1982. See Story, Industry, the State and Public Policy, p. 166.

55. In the Lopez Portillo administration, it was not until 1981 with Mexico facing a record balance of payments deficit of \$11.5 billion that measures were

instituted directed at increasing exports of manufactured goods. See Story, Industry, the State and Public Policy, p. 159. In the de la Madrid administration, the need to promote exports became "a task of the highest priority." See "*Primer Informe de Gobierno*," Comercio Exterior 33, 9 (September 1983), p. 790.

56. Bennett and Sharpe, Transnational Corporations versus the State, p. 23.

57. *ibid.*, p. 27.

58. The strategies of protectionism justifying ISI were heavily influenced by the teachings of the Economic Commission for Latin America (ECLA) which Raul Prebisch oriented to help advance development among countries in Latin America. For a basic statement on the ECLA philosophy, see Raul Prebisch, The Economic Development of Latin America and Its Principal Problems (New York: ECLA, 1950).

59. See Bennett and Sharpe, Transnational Corporations versus the State, p. 27.

60. See Rene Villareal, "The Policy of Import-Substituting Industrialization," p. 72.

61. *ibid.*

62. *ibid.*, p. 74.

63. *ibid.* For an explanation of these ratios as an import substitution index, see *ibid.*, p. 106.

64. *ibid.*, p. 74.

65. On the use of debt to finance economic development policies during these administrations, see Robert Newell G. and Luis Rubio F., Mexico's Dilemma: The Political Origins of Crisis (Boulder: Westview Press, 1984), pp. 146-149, 217, and 221. See also Chris C. Carvounis, The Debt Dilemma of Developing Nations (Westport, Conn.: Quorum Books, 1984), chapter 6, "Case 2: Mexico," pp. 100-181. For a popular account on the accumulation of petro dollars and the activities of banks in selling their loans to developing countries, see Anthony Sampson, The Money Lenders (New York: Penguin Books,

1981). See also Carvounis, Debt Dilemma, chapter 3, "The Lenders," pp. 38-61.

66. See Villareal, "The Policy of Import-Substituting Industrialization", pp. 67-68 and 70-74.

67. Ibid., p. 81.

68. For an analysis of the principal external factors contributing to the debt crisis of Mexico as well as other developing countries, see William Cline, International Debt: Systemic Risk and Policy Response (Washington, D.C.: The MIT Press, 1984). Internal factors - government policy choices - contributing to the debt crisis are treated by Chris C. Carvounis, Debt Dilemma, p. 100 and Newell and Rubio, Mexico's Dilemma, 1984.

69. Examples would be, respectively, highways, a fertilization plant, and schools. See Vernon, The Dilemma of Mexico's Development, pp. 145-146.

70. Ibid., p. 147.

71. See particularly Raul Ortiz Mena et. al. El Desarrollo Economico de Mexico y Su Capacidad Para Absorber Capital del Exterior (Mexico, D.F.: Fondo de Cultura Economica, 1953). For a later delineation of the role of foreign investment in contributing to Mexican development, see Mario Ramon Beteta, "Las Inversiones Extranjeras: Factor Complementario del Financiamiento del Desarrollo," Tres Aspectos del Desarrollo Economico en Mexico (Mexico, D.F.: Publicaciones Especializadas, S.A., 1963); Alfredo Navarette R., "The Financing of Economic Development," Mexico's Recent Economic Growth: The Mexican View, translated by Marjorie Urquidí. (Austin: The University of Texas at Austin, 1967), pp. 105-130; and Hugo B. Margain, "Exportaciones Mexicanas y Capital Extranjero," El Mercado de Valores, 31, 18 (3 May 1971), pp. 269-272.

72. Vernon, The Dilemma of Mexico's Development, p. 148.

73. Investment in this sector grew tenfold from only 7 percent in 1940 to 74 percent in 1970. See Richard S. Weinert, "The State and Foreign Capital," in Authoritarianism in Mexico, p. 113.

74. See Vernon, Dilemma, pp. 9-10. On the Law for New and Necessary Industries and Rule XIV of the General Tariff that provided tax exemptions and subsidies on import duties on machinery and equipment, see Villareal, "The Policy of Import-Substituting Industrialization," pp. 73-74.

75. See Story, Industry, the State and Public Policy, p. 51. See also Harry K. Wright, Foreign Enterprise in Mexico: Laws and Policies (Chapel Hill, N.C.: The University of North Carolina Press, 1971), pp. 71-92 as cited in Story, Industry, p. 51.

76. See Weinert, "The State and Foreign Capital," p. 111. For a fuller treatment, see Olga Pellicer de Brody, "El llamado a las inversiones extranjeras, 1953-1958," in Las Empresas Transnacionales en Mexico eds. Bernardo Sepulveda Amor, Olga Pellicer de Brody, and Lorenzo Meyer. (Mexico, D.F.: El Colegio de Mexico, 1974), pp. 75-101. The encouragement by Mexico was at least one reason for multinationals to invest in Mexico. Other factors that multinationals consider in their decision to invest abroad are treated by Yair Aharoni and Stephen Hymer. For Aharoni's contribution, see The Foreign Investment Decision Process (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1966). For Hymer's contribution, see The International Operations of International Firms: A Study of Direct Foreign Investment (Cambridge, Mass.: The MIT Press, 1976).

77. See Weinert, "The State and Foreign Capital," Table 2, p. 114.

78. *Ibid.*, p. 111.

79. *Ibid.*, p. 118.

80. On the challenges posed by multinationals in developing countries, see Raymond Vernon, Sovereignty at Bay (New York: Basic Books, 1971). On efforts to control the power of these multinationals in Mexico through conditions set on foreign investment, see Weinert, "The State and Foreign Capital," pp. 118-126 and Story, Industry, the State and Public Policy, pp. 48-53.

81. Story, Industry, pp. 52-53.

82. Villareal argues that the point of exhaustion had been reached by 1968 when the ratio of imports of capital goods (the last phase of the import substitution strategy) to the total supply of capital goods had declined to .51. Beyond that point, he maintains, a policy of continuing to substitute for the import of capital goods (implying the substitution of capital for labor) has increasing social costs. See Villareal, "The Policy of Import-Substituting Industrialization," p. 74.

83. See Douglas Bennett & Kenneth E. Sharpe, "Transnational Corporations and the Political Economy of Export Promotion: The Case of the Mexican Automobile Industry," Industrial Organization 73, 2 (Spring 1979), p. 179.

84. See Villareal, "The Policy of Import-Substituting Industrialization," p. 68.

85. Following up on emergency measures of the outgoing administration to devalue the exchange rate in February, August and September of 1982, President de la Madrid's administration announced a system for devaluation of the exchange rate soon after taking office. For the announcement by Miguel Mancera and the text of the decree, see El Mercado de Valores 42, 51 (20 December 1982): "Nuevo Sistema de Control de Cambios," pp. 1341-1345 and "Decreto Sobre Control de Cambios," pp. 1346-1354. Acceleration of the rate of devaluation was announced in December 1984 and March and July 1985, the latter including a devaluation in the controlled rate. See Aurora Berdejo Arvisu, "Sube 20 por ciento el Dolar Controlado: Recorte de 150 Mil Millones," Excelsior, 22 July 1985. Also, trade liberalization policies were incrementally implemented after initially reducing imports to help compensate for the current account deficit of \$32.7 billion in 1982. See Inter-American Development Bank, Economic and Social Progress in Latin America, 1985 Report, Table 1.2, p. 22. For reports on reduction of import controls and duties, see Business Latin America, 1984: 18 January; 11 April; 1, 29 August; and 1985: 27 February. On 24 July 1985, Hector Hernandez, Minister of SECOFI, announced the elimination of import permits on 3,604 items of the General Import Tax Tariff (raising to 7,159 or 61.4 percent of the total of imports for 1984 the number of items no longer

requiring import permits) thus significantly accelerating the process of substitution of the import permits with tariffs. See Aurora Berdejo Arvizu, "Eliminacion de Diversos Permisos Para Importar," Excelsior, 25 July 1985. On promoting exports, see "Mexico's Giant Steps in Exports," Business Latin America, 18 May 1983, p. 159. Subsidies on pre-export and export credits managed under the *Fomex* (Promotion of Exports) program financed by the Bank of Mexico were expanded to suppliers of exporters under *Proflex* in 1985. See Business International, "Mexico: New Incentives," 31 March 1986, p. 104. Likewise, efforts to cut expenditures were in keeping with austerity measures imposed by the International Monetary Fund (IMF). See Steven Frazier, "Mexico Pledges Spending Curbs In IMF Accord," Wall Street Journal, 26 March 1985. On 25 July 1985, the government announced a cut in government expenditures of 150 billion pesos along with a reduction in the size of the bureaucracy. The indication that Mexico intended to continue these trends was given by President de la Madrid in his third annual report (*Informe*) to the nation wherein he promised to maintain a realistic exchange rate and to further encourage the growth of nonoil exports. He recalled the cutback in capital and currency expenditures of 40 and 16 percent respectively as a positive measure to reduce the budget deficit. See "Tercer Informe del Presidente Miguel de la Madrid," El Mercado de Valores 45, 35 (2 September 1985), pp. 842-850. For a brief analysis, see "De la Madrid Informe: Mexico Must Stay the Course to Secure Lasting Recovery," Business Latin America, 4 September 1985, pp. 281-282.

86. Secretaria de Comercio y Fomento Industrial, Manual General de Organizacion de la Secretaria de Comercio y Fomento Industrial, p. 6. (Printed in Diario Oficial, 20 October 1986) Actually, SECOFI traces its own roots even further to 1821 as part of the *Secretaria de Estado y Despacho*. See Manual General, p. 5.

87. For a more detailed account, see SECOFI, Manual General, pp. 5-7.

88. SECOFI, Manual General, pp. 6-7.

89. *Ibid.*, p. 7.

90. *ibid.*

91. *ibid.*

92. *ibid.*

93. On the tendency of policies of high protection to discriminate explicitly and implicitly against export activities, see Bela Balassa, "The Process of Industrial Development and Alternative Development Strategies," The Newly Industrializing Countries in the World Economy (New York: Pergamon Press, 1981), p. 5.

94. Prior to a reduction in the bureaucracy which occurred on July 22, 1985 there also existed a Subsecretariat of Industrial and Commercial Planning and a Subsecretariat of Standardization and Supply. These two as well as nine directorates were eliminated in government cutbacks stemming from falling oil prices. See SECOFI, Manual General, p. 7.

95. See William A. Orme, Journal of Commerce, 5 February 1985.

96. The intent is to identify the principal persons involved in negotiating the decision and to specify their role within the decision-making process. No attempt is made to delve into the personal backgrounds of these individuals which may or may not explain their policy preferences. While that would be an interesting exercise in itself, it is beyond the scope of this work.

97. The composition is specified by the Law to Promote Mexican Investment and Regulate Foreign Investment, Article 11. Originally, the Commission included the Ministry of the Presidency which was replaced by that of Programming and Budget and the Ministry of Patrimony which became the Ministry of Energy, Mines, and Parastatals under President de la Madrid.

98. Interview with Cristina Salais Posadas, Subdirector of Foreign Investments, Ministry of Finance, 27 April 1987. As Ms. Salais pointed out, this was not the case with the IBM decision. Due to the political sensitivity of the case, the Ministers themselves met both at the time of rejection and at the time of approval.

99. Interview with Robert Miller and Molly Shields, Commercial Section, US Embassy Mexico, 2 February 1987.

100. Other categories deemed worthy of promotion by the state in terms of economic growth and/or capable of contributing to foreign exchange earnings were non-electrical equipment and machinery; electric machinery and appliances; metal-mechanics; equipment and materials for transportation, the chemical industry, other manufacturing industries; advanced technology services, and the hotel industry. For a more detailed breakdown, see SECOFI, "Guidelines for Foreign Investment and Objectives for Its Promotion," pp. 5-6. For a comment on these targeted areas, see "Little Has Changed is Mexico's Message on Foreign Investment," Business Latin America, 29 February 1984, pp. 65-67. As the title in the article ominously suggested, change in the treatment of foreign investment in Mexico would not be easy.

101. See SECOFI, "Guidelines for Foreign Investment," p. 4. Additional criteria cited as desirable objectives were employment creation and territorial decentralization of the investment.

102. IBM already had four microcomputer plants throughout the world: at Austin, Texas; Boca Raton, Florida; Wangaretta, Australia; and Greenock, Scotland. (New York Times, "I.B.M. Deal on Mexican Plant Seen," 26 October 1984, p. D3.) IBM already manufactured minicomputers (System 34 and later System 36) at its plant at El Salto, Jalisco. In its search to expand production capability in Latin America, IBM found several advantages in the El Salto plant in comparison to other Latin American options. A Mexican plant would be closer to both corporate headquarters and to a plant in Austin that could provide logistic and engineering support. In contrast to Brazil, Mexico did not bar foreign manufacturers of computer equipment. Argentina was not attractive due to strong labor unions and perceived political instability. Colombia imposed unacceptable import restrictions and Bolivia required that all of the production be exported. Mexico, on the other hand, had long enjoyed political stability, had reasonable or workable import restrictions and IBM could expect to market 8 percent of its production domestically. These advantages were explained by Martin

L. Armbrust, IBM External Programs, in a seminar on "Country Risk Analysis," Institute of Latin American Studies, Austin, Texas, 12 February 1986.

103. In fact, it was in late 1983 before the publication of the guidelines encouraging foreign investment that the Mexican government had approached IBM about increasing its investments and exports in Mexico. Letter from Carlos E-avo Aguilera, Director of Communications, IBM de Mexico, to Excelsior, 9 October 1984 (Mimeographed).

104. Interview with Manuel Conde Palazuelos, 11 February 1984. The suggestion that "*Industria*" ought to be a first stop for companies wishing to make a foreign investment proposal seeking majority ownership is made in Business Latin America, "Little Has Changed," 29 February 1984, p. 67.

105. See Julia Christine Vindasius, "Mexico and IBM: A new Look at State-TNC Negotiation and Bargaining Power" (Master's Thesis, MIT, May 1986), p. 62.

106. Dr. Jose Warman's office which had received a copy of the proposal according to Manuel Conde (interview, 11 February 1987) maintained close contact with members of CANIECE, the electronics chamber to which IBM as well as its competitors in the informatics area belonged. There were allegations that the proposal leaked out of Dr. Warman's office to members of CANIECE who would be impacted were IBM's proposal to be approved. (Interviews with two Mexican officials requesting anonymity.) In reporting CANIECE opposition to IBM's proposal, the Washington Post refers to news of the proposal leaking "six months ago." See William A. Orme, Jr. "IBM Expects Mexico To Approve Plant," Washington Post, 27 October 1984. In any case by early June, the President of IBM de Mexico with members of his staff had made a presentation on IBM's proposal to the Board of Directors of CANIECE and members of the Informatics and Parts and Components branches of the chamber. Letter, 28 June 1984 from Sergio Ferragut, Director of the Informatics Branch, to companies represented in that branch inquiring their position on the reservation of the microcomputer market to national firms.

107. Mexico Update, 30 June 1984, p. 10.

108. *ibid.*, p. 11. As a matter of policy IBM has generally insisted on maintaining 100 percent ownership of its operations worldwide. A move by the government of India to share ownership of IBM's operations in that country resulted in IBM's exit from the Indian market rather than give up its 100 percent equity control. See Dennis J. Encarnation and Sushil Vachani, "Foreign Ownership: When Hosts Change Their Rules," Harvard Business Review (September-October, 1985), pp. 153, 158.

109. Whereas details between IBM and the Mexican government had not been ironed out as of 18 July (see Kevin Clark, "New Hewlett-Packard Computer Made in Guadalajara," Mexico City: The News, 18 July 1984, the 6 August issue of Businessweek already contained major elements of the proposal. See "Why an IBM PC Plant is Stalled at the Border," 6 August 1984, p. 27.

110. Perhaps the most representative voice of the nationalist press articulating support for AMFABI against IBM was Edgar Gonzalez Martinez of Excelsior. See, for example, his "Los Capitales" column of 27 and 29 September and 2, 11, and 18 October. See also Victor Sanchez Banos, "Guerra a la IBM," Ovaciones, 2^a ed., 22 October 1984; Universidad Autonoma Metropolitana, Organo Informativo 9, 2 (22 October 1984), pp. 2 and 12; and "El riesgo que la IBM controle el mercado," La Jornada, 23 October 1984.

111. Although IBM refused to comment on an article by Steve Frazier that appeared in Excelsior on 27 August which spoke of an IBM five-year production run of which 92 percent would be exported, IBM did in the 24 September 1984 issue of Analisis Economico/Business Trends dispel rumors that IBM's proposal was a joint venture as were Apple and Hewlett Packard operations. Later, in a press conference held 8 October, Rodrigo Guerra and Manuel Conde, IBM de Mexico's two top officials, revealed that the major elements of IBM's proposal included large export volumes, the creation of new employment of a high technical level, additional tax payments to the Mexican government and business opportunities for Mexican industries in a position to supply parts and components to IBM but it did not reveal any specific figures as the project was "not yet authorized." See El Financiero, 9 October 1984.

112. Interview with Mario Topete, Director of Institutional Relations, Apple de Mexico, 24 February 1987. The strategy of Apple and Hewlett Packard was to buy enough time to get a foothold in the market before IBM's entry - which was considered likely. Their principal tactic was to argue that IBM was not following the "rules of the game" by requesting 100 percent ownership when they themselves had accepted the government's market reservation in microcomputers to Mexican nationals. Interview with Jorge Martinez Sverdrup, Director of Corporate Development, Hewlett-Packard, 27 February 1987. See also Steve Frazier, "Apple y Hewlett-Packard Contra una Empresa 100% de IBM en Mexico," Excelsior, 27 August 1984.

113. AMFABI sent an open letter to President de la Madrid, SECOFI Minister Hector Hernandez, and Subsecretary for Industry Mauricio de Maria y Campos requesting clarification of the "rules of the game" concerning the market reservation in microcomputers to majority Mexican nationals. The letter appeared in Excelsior, 8 July 1984, p. 33-A. Manuel Conde Palazuelos, Executive Director of IBM de Mexico and Vice-President of COPARMEX, was in constant contact with SECOFI officials. He also lobbied officials of the other ministries in the Intersecretarial National Foreign Investment Commission. Interview with Manuel Conde Palazuelos, 11 February 1987.

114. See Diario de los Debates de la Camara de Diputados, LXII Legislature, 16 October 1984, pp. 29-35.

115. ibid.

116. See Richard J. Meislin, "I.B.M. Deal on Mexico Plant Seen," New York Times, 26 October 1984; William J. Orme, Jr., "IBM Expects Mexico to Approve Plant," Washington Post, 27 October 1984; Steve Frazier, "Mexico to Decide Soon on Whether to Allow Computer Venture 100%-Owned by IBM," Wall Street Journal, 29 October 1984. In November, the tone of some of the articles began to change: "Dificil Aceptar la Demanda de IBM," Excelsior, 10 November 1984; Edith Jimenez, "Hay Que Definir Las Reglas del Juego Para La Industria del Computo: de Maria y Campos," Excelsior, 13 November 1984; and "Little Hope Seen for Mexico's Investment

Plans," Mexico City: The News, 4 December 1984.

117. Carlos Ramirez, El Financiero, 3 December 1984.

118. *ibid.*

119. These "General Resolutions" were originally published in Diario Oficial on 30 August 1984 and appeared in El Mercado de Valores 44, 37 (10 September 1984), pp. 926-929.

120. See Jaime Contreras, "Rechazo la CNIE la Solicitud de la IBM Para Instalar una Planta de Computadoras," Excelsior, 26 January 1985.

121. "Rechazo la Secofin la Solicitud de la IBM Para Fabricar Microcomputadoras," Excelsior, 18 January 1985.

122. Richard J. Meislin, "Mexico Rejects IBM Control for New Plant," New York Times, 19 January 1985.

123. William A. Orme, Jr. "Government Calls Plant A Threat to Mexican Firms," Washington Post, 19 January 1985.

124. Alberto Nolasco, spokesman for SECOFI makes this clear to reporter of El Herald. See "IBM Piensa Crear en Mexico una Planta de Microcomputadoras," El Herald, 22 January 1985.

125. Orme, *ibid.*

126. *ibid.*

127. It is just as plausible to assume that a preliminary "no" was designed by the Commission not out of a position of weakness to prevent embarrassment at giving away too much but out of a position of strength to extract further concessions from IBM in a classic bargaining situation. Under this interpretation, divisions within the government are used by the decision makers to sort out where the state's interests lie and how they can best be achieved without giving up too much.

128. The New York Times quoted IBM president John F. Akers as saying that "the company will not abandon its efforts to construct a personal computer plant in Mexico

despite the rejection of the second project." See David E. Sanger quoted in "Ofrecera IBM Otra Opcion a Mexico: Akers," Excelsior, 6 February 1985.

129. While details of its project were never publicly announced by IBM, Manuel Conde did disclose that the new plan would include increased levels of investment, jobs, exports, and improved technology. See Steve Frazier, "Plan to Expand Plant in Mexico Revised by IBM," Wall Street Journal, 11 March 1985. Frustration with inability to gain access to details of the new plan led Gonzalez Martinez to remark that the new negotiations were shrouded in mystery and began to "smell like duplicity." Edgar Gonzalez Martinez, "Capitales," Excelsior, 16 May 1985.

130. For an account of President de la Madrid's trip, see Aurora Berdejo and Rene Hernandez, "Nuestro Paiz, Opcion Oportuna Para el Inversionista Foraneo," Excelsior, 14 June 1985.

131. See Aurora Berdejo Arvizu, "Sube el Dolar Controlado; Recorte de 150 Mil Millones," Excelsior, 25 July 1985; Angel Ramos Granados, "Fueron Suprimidos 15 Subsecretarias y 50 Direcciones," El Universal, 25 July 1985; and Angel Gomez y Luis Enrique Mercado, "Desde el 5 de Agosto Flotara Bajo un Sistema de Regulacion," El Universal, 25 July 1985.

132. See, for example, "IBM Fabricara Computadoras Personales en Nuestro Pais," Excelsior, 25 July 1985, and Rodolfo Guerrero, "IBM 'Replanteo su Proyecto' y Hara Aqui Microcomputadoras," El Universal, 24 July 1985.

133. Resistance to the project continued from the Electronic Directorate under the charge of Dr. Jose Warman. When it came time to either approve IBM's manufacturing plan or resign, Dr. Warman decided to resign. Interview, Mario Espinoza de Ioy Reyes, 3 March 1987. With the manufacturing plan approved, IBM was cleared to implement its project with PC XT's to start rolling off the assembly line in May 1986. See "Fabricara la IBM en Mexico Durante los Proximos 5 Anos Casi 700 mil Computadoras," Excelsior, 24 January 1986.

CHAPTER 3

THE AUTHORITARIAN MODEL

The authoritarian decision-making model hypothesizes that government autonomy in decision-making is preserved by 1) avoiding a predictable relationship between group demands and decisions; 2) limiting demands; and 3) maintaining secrecy in the origins of the decision.

To conclude that the IBM decision is best explained by the authoritarian model, all the factors of the authoritarian decision-making model must apply to the IBM case. Otherwise, either some other model or some combination of models best explains the case. In this chapter we attempt to show that the authoritarian model only partially explains the IBM case. Only after the initial rejection is there an attempt to limit the demands of IBM and AMFABI on the Mexican political system. The other two aspects - that of a demand-decision gap (unpredictable relationship between what is demanded and what is granted) and decision invisibility are better explained by other models. The

difference between IBM's original proposal and the approved one can be explained, as we shall see, as a result of pressure group politics between competing interest groups. The factor of decision invisibility is attenuated by the tremendous amount of publicity given to the case.

Demand-Decision Gap

In generalizing about an expected erratic relationship between the authoritarian leader's decision and expressed group demands, Purcell reasons that

Many decisions will involve issues that were never raised, while issues that are raised frequently may be ignored because groups lack sufficient resources and capabilities to support their demands. Interest groups may be expected to play a predominantly reactive (rather than initiating) role in the decision-making process, expressing support for the leader's decisions or seeking to modify them in their behalf.[1]

In the IBM case, two interest groups make contrary demands thus complicating a corporatist or patron-client pattern of interactions between the state and society. By a corporatist pattern of relations I mean Philippe C. Schmitter's ideal type which he defines as

a system of interest representation in which constituent units are organized into a number of singular, compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate and representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.[2]

AMFAB members escaped this mold by forming their own association and actively pursuing their interests outside their corporatist chamber CANIECE (The National Chamber of the Electronics and Electrical Communications Industry). IBM simply operated independently of its CANIECE membership in its lobbying and public relations activities.

By a patron-client relationship, I mean a dyadic exchange relationship between individuals which is characterized by unequal status of the participants, reciprocity of benefits, and proximity, i.e., face-to-face encounters. This very personal type of relationship can be extended to the notion of state-societal group relations if one introduces brokers to mediate between the participants and considers the benefits to the clients in terms of material incentives

and rewards and the benefits to the state in terms of some political value, such as loyalty and enhanced legitimacy for the political system.[3]

If AMFABI and IBM escaped the corporatist framework, they seem also to have operated outside a patron-client framework which some authors have found useful to characterize government-societal relationships such as government-labor, government-*campesino*, and government-military.[4] The characteristic of unequal status did not apply to IBM in the sense that IBM was in a position to bargain over the terms of its proposal. However, the elements of reciprocity as well as that of proximity via the face-to-face negotiations were present. In the case of AMFABI, the characteristic of unequal status, which is a factor that can only be measured in relative terms, is more evident. AMFABI's initial stance was that of petitioning for the "rules of the game" to be changed. When it appeared that IBM's proposal would be approved, however, it took a more aggressive stance employing the aid of leftist parties in the Chamber of Deputies and voicing its interests in the press. While AMFABI officials enjoyed face-to-face contact with officials from the Subsecretariat of

Industrial Promotion, the terms of reciprocity - a protected market in return for contributing their capital to the advancement of the Mexican electronics industry - was threatened by the IBM proposal. Hence, they also sought to mount pressure on the government in typical "pressure politics" fashion rather than operate in a purely petitionary mode.

The normal dyadic relationships that a corporatist government tries to maintain with the different segments of society by which it tries to structure them in homogeneous groups in order to control them is not easily achieved with the private sector.[5] In Mexico, the private sector is composed not only of indigenous groups in different productive sectors of the economy but also of transnationals who have concentrated their operations since the postwar period in the manufacturing sector.[6] Even among the indigenous group, the private sector is certainly not homogeneous. The interest of the commercial sector and the industrial sector, and, even within the industrial sector, the interests of small and large industrialists do not necessarily coincide.[7]

Even within the same industrial subsector of the

electronics industry represented by CANIECE (National Chamber of Electronics and Electrical Communications Industry), a member of the larger CONCAMIN (Confederation of the Chambers of Industry), differences among the members arose in the IBM case. The members of this group included in 1984 115 companies in the computer sector, 22 of which were involved in computer manufacturing.[8] These included not only Mexican companies but also foreign transnationals such as Apple, Hewlett-Packard, Burroughs, Honeywell, Sperry and IBM. Whereas Apple and Hewlett-Packard early-on decided to harmonize their microcomputer manufacturing operations in Mexico with the 1981 Computer Development Plan[9], IBM, true to its policy of 100 percent equity ownership and prompted by the February 1984 policy guidelines encouraging foreign ownership (including majority ownership) in the computation area, decided to strive for a 100 percent-owned microcomputer production capacity in Mexico.

When other members of CANIECE heard of IBM's project they were concerned for their future prospects in the microcomputer market. Hence, under the leadership of Jorge Sanchez Mejorada,[10] they organized

a private association which could represent their interests and exclude IBM, a measure they could not take under CANIECE since, by law, all companies in the electronics industry doing business in Mexico must belong to the CANIECE chamber.

IBM, it is clear, took a strong initiative as a private interest group to submit a proposal that would permit it a 100 percent-owned manufacturing operation in microcomputers - a proposal considered out of bounds, not by law, but by practice under the 1981 Computer Plan. The action of the group of Mexican and minority-interest foreign firms that opposed this project can be understood as "reactive" in the sense that their actions were a response triggered by IBM's proposal. However, the formation of AMFABI represented their intention to take initiatives to protect their interests. This group had both the resources and capabilities to raise several issues that were of importance to them as a group.

In terms of resources, AMFABI represented 36 firms with majority Mexican capital, among them Apple de Mexico and Hewlett-Packard de Mexico.[11] They drew their legitimacy from the 1981 Development Program for

the Manufacture of Electronic Systems, Its Principal Modules and Peripheral Equipment (hereinafter the Computer Plan). This plan had as its objectives the creation of a competitive and efficient industry capable of substituting imports, developing technology and generating exports with the end result of establishing self-sufficiency and promoting horizontal integration in the electronics industry.

AMFABI boasted that in the two-year period since the take-off of this program, its members had invested 3.5 billion pesos and projected an additional 4.2 billion for the period 1985-1989. It claimed a production volume of 27,000 computers annually and projected a capacity of producing 400,000 microcomputers and 423,000 pieces of peripheral equipment by 1989, figures sufficient to generate a growing volume of exports as well as satisfy the national demand. These figures reflected a growth in exports from a contribution of \$7.5 million in 1984 to a cumulative \$565 million for the period 1984-1989. The group claimed also to have created 1200 direct jobs and 2400 indirect jobs in the industry with an additional 1400 and 2800 respectively projected by 1989.[12]

The issue of central importance to AMFABI was that of the market reservation for majority national firms. To AMFABI, the proposal for a 100 percent investment by a firm with the reputation for market dominance that IBM had established represented a tremendous threat to their ability to compete in the microcomputer field. It was for this reason that AMFABI and individual prominent members argued that the rules of the game needed to be established and enforced. The August 6th issue of Analisis Economico/Business Trends reported that CANIECE and AMFABI printed advertisements in the press during the previous week asking for an update by the appropriate authorities for sectoral development plans specifically those referring to the computer industry.[13] Richard Hojel, Chairman of Apple de Mexico, one of the more prominent AMFABI members, in alluding to the Mexican policy which reserved microcomputer production to Mexican-majority firms remarked that "We don't mind any manufacturers coming to Mexico under the same conditions as everyone else." [14] In the Fall when it appeared that IBM's proposal might be approved, Manuel Diaz, general manager of Hewlett-Packard in Mexico, indicating acceptance of a minority share due to the existing rules of the game,

said "If the government had said a 100 percent partnership was possible, we probably would have come in under 100 percent." [15] In effect, the central issue among the participants in the computer industry had become a battle for the Mexican market [16] and survival in this market long enough to establish an export base to the extent required by the Mexican government in order to offset the importation of component parts. [17]

To protect their market share AMFABI raised the issue of firming up the rules of the game not only in the press but also with the legislature and the ministers who sat on the National Foreign Investment Commission. After meeting with Humberto Lugo Gil, President of the Grand Commission of the Chamber of Deputies, Alfredo Amescua, President of AMFABI, addressed a follow-up letter to him with copies forwarded to each of the Secretaries who sat on the Foreign Investments Commission. Amescua's letter argues that AMFABI will accept any foreign firm in the informatics field that is willing to coinvest with Mexican companies but rejects the IBM proposal on the grounds that 1) it violates the requirements of the Computer Plan; 2) it violates the Law on Foreign

Investments in that it would, contrary to article 13, displace national firms; and 3) acceptance of the IBM proposal would create a situation of unequal and disloyal competition since the financial resources and commercial infrastructure of a young, growing firm with Mexican capital are not comparable to that of the subsidiary of a dominant multinational such as IBM.[18]

If AMFABI felt comfortable in using the mass media as well as directly raising issues that concerned them with the legislature and the bureaucracy, then IBM felt no less restrained. In fact, reports on behalf of IBM in the American press probably did more to insure postponement and eventual rejection of their initial proposal than the pressures exerted by AMFABI and nationalist elements in the Mexican press.[19] Particularly annoying to influential technocrats in SECOFI were IBM's bargaining tactics which at one point allegedly included a threat to offer the proposed investment to Argentina.[20]

Nevertheless, with respect to the relationship between expressed group demands and the decision rendered, IBM got essentially what it had asked for - permission to start up a microcomputer production line

at its plant in El Salto by means of a 100 percent equity investment. Although IBM did have to make concessions to the Mexican government, the concessions were not substantial. In fact, some of these were more cosmetic than real. The major changes included technology transfer concerns - the development of a horizontal industry of fundamentally Mexican suppliers (\$20 million); a research and development center (\$11.5 million); investment in research and development (\$35 million); and training programs through universities and firms (\$2.5 million) plus a variety of other items which boosted IBM's initial investment of \$6.6 million to a total of \$91.1 million. (See Appendix, Exhibits 1 and 2 for a comparison of the original and approved proposals). Although there appears to be a substantial increase in investment, the reality is that costs of programs that IBM had planned for but had not included in its proposal were now included. This was true of a supplier network, a network for distribution as well as an international sales office for the distribution of local supplies worldwide. The major items that were new were the research and development center and an increase in its investment in research.[21]

While IBM essentially got what it demanded, AMFABI members did not. The Computer Plan and subsequent revisions were never officially published. However, the Plan did continue to be applied with respect to items other than capitalization structure. Specifically, local content requirements, contributions to technology, and balance of payments requirements were maintained in force. Additionally, by opposing IBM's entry, AMFABI had bought time for its members to establish themselves in the market.[22]

Demand Limitation

A second major characteristic of the authoritarian decision-making model is the effort to limit the number of demands made upon the authoritarian leader so as to preserve decision-making autonomy. In the IBM case, it is important to note two stages with respect to this characteristic. In the first stage (i.e., before the government's rejection of the IBM proposal), there was no effort to limit the demands made by either AMFABI or IBM upon either the decision-making system or sources of influence. In the second stage, the lessening of demand-making and the removal of the issue from the public spotlight made it obvious that the government

preferred to limit demands to official channels where it could maintain control.

In the first stage, AMFABI made public demands for publication of "the rules of the game" - namely, the 1981 Computer Plan or some acceptable version thereof. AMFABI had printed in the press an open letter addressed to President Miguel de la Madrid, Secretary of SECOFI Hector Hernandez, and SECOFI Subsecretary of Industrial Development, Mauricio de Maria y Campos. Their request was that the Computer Plan be published in the Diario Oficial (Official Gazette) and that no authorization be given in the future to projects that did not comply with that program.[23] In mid-October Deputy Ricardo Goveia Autrey of the Socialist Worker's Party (PST), speaking on behalf of the Popular Socialist Party (PPS) and the Unified Socialist Party of Mexico (PSUM), addressed the Chamber of Deputies in open session and requested that the promotion program which the Computer Plan directed be strengthened and that IBM's project be rejected due to adverse consequences it would have for the national electronics industry.[24] The following week AMFABI officials met with Deputy Goveia and Humberto Lugo Gil, leader of the Chamber of Deputies to press their

demands.[25] AMFABI followed this up with a letter to the leader of the Chamber with copies to each of the members of the Foreign Investment Commission.[26]

IBM itself led an elaborate campaign to get its project approved. It presented its proposal both to the Subsecretariat of Foreign Investments Regulation and Technology Transfer, which was responsible for studying the proposal and submitting a recommendation to the Foreign Investment Commission, and to the Subsecretariat of Industrial Promotion.[27] The former was responsible for studying the proposal and submitting a recommendation to the representatives of the Ministers constituting the membership of the Foreign Investment Commission. The latter was responsible for approving a manufacturing plan subsequent to approval by the NFIC for the manufacture of a new line of products that IBM proposed. The reason for the simultaneous submission was the knowledge that Industrial Development might have some reservations about the removal of the market reservation in microcomputers and IBM's desire to overcome these objections early.[28] When it became apparent that Industrial Promotion was not impressed with the benefits IBM offered to the country in return

for a 100 percent IBM-capitalized entry into the microcomputer market in Mexico, IBM developed a multiple strategy to press its demands for approval of its project.

IBM's strategy involved lobbying all of the members of the NFIC and even President de la Madrid himself, convincing members of CANIECE that IBM's proposal carried benefits for them, and influencing public opinion through a public relations campaign.

Realizing that the decisionmakers were the members of the National Foreign Investments Commission, Manuel Conde Palazuelos, executive director of IBM de Mexico, personally lobbied the office of some thirty officials at the subsecretariat level. He also met with Miguel Mancera, director of the Bank of Mexico and, as such, an informal member of the so-called "economic cabinet," and with Emilio Gamboa Patron, President de la Madrid's personal secretary.[29]

In a meeting in June 1984 with the CANIECE board of directors as well as with the councils of two CANIECE branches - Informatics, and Parts and Components - IBM de Mexico President Rodrigo Guerra made a presentation

on the major characteristics of its proposed investment project in Mexico outlining the benefits it would have, especially for those firms in a position to supply parts and components to IBM's manufacturing project.[30] Since eighty percent of the companies in the computer field were in the parts and components sector, IBM's hope was that it could dilute AMFABI's opposition to its project. In a press conference of 8 October, Rodrigo Guerra and Manuel Conde, who besides being executive director of IBM was also Vice President of COPARMEX, Mexico's employer's association, again emphasized that eighty percent of the national firms in the electronics field would benefit by IBM's plans to expand its operations in Mexico.[31]

While IBM de Mexico President Rodrigo Guerra related that IBM would be willing to integrate local components so that they would represent twenty-three percent of the total product, later reports in the press indicated that such a low rate of local content could be a sticking point in any agreement.[32] Despite the opposition from AMFABI members and some Mexican officials, IBM, according to the Washington Post and New York Times apparently expected a favorable decision in

the Fall which would allow it some exemptions from the local content rules.[33] The reports of both of these newspapers, which appeared upbeat about IBM's prospects for approval, were later interpreted by some as a form of pressure being applied on Mexican officials to decide in IBM's favor.[34]

Besides the use of the media, IBM's public relations were designed to engender public support for IBM in general and its latest project in particular. It included presentations to the public and to various industrial and business chambers. Additionally, computers were donated to the UNAM (Mexico's National Autonomous University), UAM (Metropolitan Autonomous University), IPN (National Polytechnic Institute), ITAM (Autonomous Institute of Technology of Mexico), ITESM (Monterrey Institute of Technology and Higher Studies), and others.[35] Also a part of IBM's publicity campaign were its sponsorship of art exhibitions and television programs.[36] The campaign was an expensive one in comparison to what IBM had been accustomed to spending for public relations in Mexico.[37]

None of the efforts by AMFABI or by IBM to gain access to decisionmakers and press their demands

directly or influence them indirectly in public forums were prohibited, restricted or limited prior to the official rejection in January 1985. It was clear, however, that the public efforts to influence the decision did not sit well with Mexican officials and, indeed, hampered the making of a decision that would be favorable to IBM. With opposition both from some Mexican officials within SECOFI and from US as well as national computer makers, Steve Frazier quoted government officials as saying

The government, however, hasn't made a final decision on the project, largely because of the political repercussions of such a venture.[38]

In fact, a non-decision was made in the Fall and a formal decision was not made until January 17, 1985 when the NFIC unanimously rejected IBM's proposal. The rejection served to close public debate on the subject and to re-open negotiations with IBM on a more discrete basis. Officials made it clear that the doors were not closed to IBM.[39] After reactions to the rejection had died down in the press, little about new elements in the proposal was available to them. For its part, IBM never publicly announced the details of its proposal.[40]

Leaks that had been previously blamed on disgruntled officials within SECOFI were apparently stopped. Edgar Gonzalez Martinez of Excelsior reported that the middle levels of bureaucracy had been skipped in the handling of IBM's changed proposal to the extent that before leaving for a trip to Washington for the signing of a bilateral trade agreement, Hector Hernandez, Minister of SECOFI, personally received IBM's new proposal and shared the document with no one.[41] Lacking any details to share with the public, Gonzalez concluded that the new negotiations were wrapped in mystery and began to "smell like duplicity." [42] When news did leak of elements of IBM's proposal, it had the marks of coming from the Foreign Investments office, and not from Industrial Promotion. New elements mentioned were a commitment by IBM to increase its incorporation of local content to 80 percent of its product and to introduce new technology within six months of its appearance in the United States. The fact that these bits of information were accompanied by statements, such as "Mexico is definitely interested in foreign investment," "the law on that matter is sufficiently flexible to permit even firms with 100 percent ownership," and by the provision of a list of nine companies that had

recently been granted 100 percent foreign-owned operations in Mexico, all suggest that the information source was the Foreign Investments Regulation Subsecretariat.[43]

By the time news of the approval was pre-announced in mid-June and officially confirmed on 23 July 1984, the public debate that had forced a postponement and subsequent rejection to IBM's proposal had been absent. IBM had given up its publicity campaign. AMFABI members also had cut back on public demand-making. Frustrated, however, over lack of response to a letter the association had addressed on 10 July 1984 to SECOFI Minister Hector Hernandez with copies to Senator Jose Antonio Padilla Segura, Chairman of the Senate's Commission on Informatics Policy, to Silvestre Fernandez, President of CONCAMIN and to Antonio Castro, President of CANIECE, AMFABI published the letter in Excelsior on 9 August 1985. The letter had expressed concern over reports that IBM's project had been approved effectively eliminating the market reservation under which they had been operating. But, apparently, by the time Hector Hernandez received the letter, it was too late to make any difference - the decision had

already been made.[44]

Hence, while the government had placed no limits on the making of demands prior to the rejection of IBM's proposal, after the rejection public demand-making dramatically dropped suggesting that at least an informal agreement had been reached between the government and the competing parties on an appropriate forum to handle such demands.

Decision Invisibility

As its final determining characteristic, the authoritarian decision-making model asserts that

Patrimonial leadership will make it difficult to trace the origins of a decision: The leader, as head of a set of patrimonial staff arrangements, will be able to require his immediate subordinates to forward all ideas for decisions to him and to refrain from taking credit for such ideas.[45]

In contrast, the legal rulership of a democratic regime is predicted to

limit the prerogatives of the democratic decisionmakers whose behavior must conform to legal rules. It will also make the decision making process more complicated and of longer duration; the autonomous groups will, therefore have numerous opportunities to form horizontal alliances among themselves and to initiate demands that reflect class interests.[46]

On close examination it appears that the latter more accurately describes the IBM case than does the former. AMFABI members formed an alliance with national computer manufacturers and with leftist nationalist parties to make their case against IBM. The prerogatives of the National Foreign Investment Commission would certainly seem to have been limited, if not by laws then certainly by the rules of the Computer Plan which had been applied to other computer manufacturers as though they had the force of law. They were limited not only by the rules themselves but by interest group activity on the part of AMFABI members who insisted that these rules be officially promulgated and that they continue to be implemented. These limitations did complicate and lengthen the decision making process such that a postponement and rejection of IBM's proposal was necessary before an approval to IBM could be given that was politically acceptable.[47]

Nor was it difficult to trace the origins of the final decision when it came. Although the prerogative of deciding on such cases fell to the Foreign Investment Commission, the President himself was intimately involved in the final stages of the decision. The

policy of promoting foreign investment actively and selectively was his[48]. He had personally assigned Adolfo Hegewisch to the post of Foreign Investments Regulation and Technology Transfer for this purpose. All of the ministers on the Foreign Investment Commission reported to the President. And he had been lobbied both by IBM President Akers in July of 1984 as well as by Manuel Conde Palazuelos through Emilio Gamboa, his personal secretary. When he had travelled to Europe to personally encourage increases in foreign investment to Mexico, oil prices had begun to fall and promised to fall further. When Hegewisch released the news from Belgium that an "agreement in principle" had been reached with IBM, there was no doubt that it carried presidential approval:

It is anticipated that the agreement will be signed in a little more than a month after the President's return.[49]

While the Foreign Investment Commission approved several projects of foreign investment announced on 24 July 1985, officials in SECOFI as well as in private industry made it clear that the decision regarding IBM had been made at the level of Minister Hector Hernandez and President de la Madrid.[50] While there was division

among the middle and lower tiers of officials and an inability to decide even at the cabinet level of the members of the NFIC, who in the Fall had postponed the decision, it was no secret that the final approval of IBM's project was fully sanctioned by the President.

Conclusion

The process by which the decision was reached on the IBM case had some elements of an authoritarian decision-making model with regards, particularly, to the limitation of demands after the rejection. However, elements of politicking and rational policy are evident as well. It is clear that AMFABI and IBM acted as interest groups to raise issues and to exert pressure to have their demands accepted. While AMFABI was unsuccessful in getting the Computer Plan published which would have continued to guarantee them a protected market reservation, IBM was successful in getting substantially what it had demanded - the right to manufacture microcomputers in Mexico under a 100 percent equity arrangement. The final decision to approve IBM's proposal is one which can be traced to the President himself. Even though he did not make a public pronouncement on the matter, it was certainly consistent

with his announced policies.

Hence the IBM case cannot be fully explained by the authoritarian decision-making model. Even if the IBM decision had been made in accordance with the authoritarian decision-making model (demand-decision gap, limitation of demands, and decision invisibility) certain questions about the decision-making process would still remain unresolved. Why, for instance, was it desirable to open up to foreign investments in the first place? What was the actual process by which IBM's proposal was handled within the decision-making bureaucracy that would make the opening to foreign investment possible and workable? And what was the process by which the decision to allow IBM a 100 percent stake in microcomputer manufacturing in Mexico made acceptable? These are questions treated in the following chapters. In the next chapter I discuss the IBM position from a rational policy perspective to determine why it was desirable for Mexico to encourage foreign investment in industrial sectors including computers and seek to gauge to what extent this model can explain the final decision.

NOTES

1. Susan Kaufman Purcell, "Decision-Making in an Authoritarian Regime: Theoretical Implications From a Mexican Case Study," World Politics 26, 1 (October 1973), p. 37.

2. Philippe C. Schmitter, "Still the Century of Corporatism?" Review of Politics 36, 1 (January 1974), pp. 93-94. For other perspectives on corporatism in the same volume, see Howard J. Wiarda, "Corporatism in the Iberic-Latin World: Persistent Strains and New Variations," pp. 3-33 and Ronald C. Newton, "Natural Corporatism and the Passing of Populism in Latin America," pp. 34-51. For a view of corporatism as linked to different patterns of authoritarianism, see James M. Malloy, "Authoritarianism and Corporatism in Latin America: The Modal Pattern," in Authoritarianism and Corporatism in Latin America ed. James M. Malloy (Pittsburgh: University of Pittsburgh Press, 1977), pp. 3-19.

3. See Henry A. Dietz, "Bureaucratic Demand-Making and Clientelistic Participation in Peru," in Authoritarianism and Corporatism in Latin America ed. James M. Malloy (Authoritarianism and Corporatism in Latin America), p. 441. In the political context with which we are concerned the definition of Rene Lemarchand and Keith Legg is also useful. They define political clientelism as "a more or less personalised, affective and reciprocal relationship between actors, or sets of actors, commanding unequal resources and involving mutually beneficial transactions that have political ramifications beyond the immediate sphere of dyadic relationships." Rene Lemarchand and Keith Legg, "Political Clientelism and Development: A Preliminary Analysis," Corporative Politics 4 (January 1972), pp. 151-152. For an excellent statement which discusses the limitations as well as the applicability of political clientelism, see Rene Lemarchand, "Comparative Political Clientelism: Structure, Process and Optic," in Political Clientelism, Patronage and Development ed. S.N. Eisenstadt and Rene Lemarchand (Beverly Hills and London: Sage Publications, 1981), pp. 7-32. For an example of the application of the concept of political

clientelism to the Mexican political system, see Susan K. Purcell, "Clientelism, Corporatism and Political Stability," in Eisenstadt and Lemarchand, Political Clientelism, pp. 191-216.

4. In the profit sharing decision, labor, though not originally unified, was seen as primarily taking a client approach - not in a position to make demands but gratefully accepting whatever benefits were granted by the government. In this case, the government was seen as unified. See S.K. Purcell, The Mexican Profit Sharing Decision (Berkeley, University of California Press, 1975). For similar patron-client treatments - on the *campesinos*, see Merilee S. Grindle, Bureaucrats, Politicians and Peasants in Mexico (Berkeley, University of California Press, 1977); on the military, see Michael J. Dziedzic, "The Essence of Decision-Making in a Hegemonic Regime: The Case of Mexico's Acquisition of A Supersonic Fighter" (Ph.D. Dissertation, The University of Texas at Austin, 1986); and on students, doctors and railway workers, see Evelyn P. Stevens, Protest and Response in Mexico (Cambridge, Mass.: The MIT Press, 1974). Stevens, however, allows for the possibility that, on the part of the state, elite consensus may not be a given but may actually reflect a "complex but invisible process of policy-making in which the president has figured as an important, but by no means omnipotent actor." Stevens, Protest and Response, pp. 95-96.

5. That it was so with respect to the profit-sharing decision is explained by the fact that profit sharing was seen as a redistributive issue that would affect all of the business sector. Purcell, "Decision-Making in an Authoritarian Regime," p. 45. Nevertheless, the private sector did not lose equally as capital-intensive firms had only to distribute 2.8 percent of their profits whereas labor-intensive firms were liable for 12.6 percent. Purcell, "Decision-Making," p. 46.

6. Between 1940 and 1945 alone foreign investment in manufacturing tripled to nearly \$100 million stimulated by the import substitution industrialization policy. Richard S. Newfarmer and Willard F. Mueller, Multinational Corporations in Brazil and Mexico: Structural Sources of Economic and Non-Economic Power (Washington, D.C.: U.S. Government Printing Office, August, 1975). On the concentration of multinationals in

the manufacturing sector after World War II, see also Fernando Fajnzylber and Trinidad Martinez Tarrago, Las Empresas Transnacionales: Expansion a Nivel Mundial y Proyeccion en la Industria Mexicana (Mexico: Fondo de Cultura Economica, 1976), pp. 149-169.

7. In the GATT decision, Story found the small industrialists represented by CANACINTRA strongly opposed to GATT accession, whereas large industrialists within the Monterrey Group and COPARMEX as well as ANIERM, an association representing a commercial group, were for it. Other organizations representing business interests, such as CCE, CONCAMIN, and CONCANACO were neutral. See Dale Story, "Trade Politics in the Third World: A Case Study of the Mexican GATT Decision" International Organization 36, 4 (Autumn 1982), Table 2, p. 791.

8. See Jose Perez Stuart, "Portafolios," Excelsior, 5 October 1984. Evidence that the computer sector is a growing field even in harsh economic times is that by 1987, there were 151 companies listed under CANIECE membership in this sector, an increase of 31 percent over a three year period. See CANIECE, Directorio general de la Industria Electronica y de comunicaciones Electricas, 1987.

9. Apple entered into a 49 percent majority Mexican joint venture with Consorcio Industrial Electronico and Richard C. Hojel's IEP Hojel on 16 February 1984, the same day SECOFI announced its new guidelines allowing majority ownership in such areas as computers. See Comercio Exterior, "Sector Industrial," 34, 3 (March 1984), p. 233 and Businessweek, "What Made Apple Seek Safety in Numbers," 12 March 1984, p. 42. Hewlett-Packard opened its plant for the HP-150 in April 1984 with a modest planned initial run of 1500 machines and Apple opened its plant for Apple IIes in September 1984 with a plan to manufacture 10,000 of them, one third for export. See William A. Orme, Jr., "IBM Expects Mexico to Approve Plant," Washington Post, 27 October 1984.

10. Interview with Francisco Calderon, President of CCE, 6 February 1987.

11. AMFABI, Comunicado de Prensa, 15 October 1984.

12. *ibid.*

13. Analisis Economico, "Electronica," 6 August 1984, p. 6. The request, in effect, petitioned that the government now publish the Computer Plan which had been developed in 1981 but had never been granted legal standing through publication in the Diario Oficial as had sectoral development programs in other industries such as decrees in the automotive and pharmaceuticals industries. For the Pharmaceuticals Decree, see "Fomento y Regulacion de la Industria Farmaceutica," El Mercado de Valores 44, 10 (March 1984), pp. 238-241. For the automotive decree, see "Decreto para la racionalizacion de la industria automotriz," Diario Oficial, 15 September 1983 as cited by Bennett and Sharpe, Transnational Corporations versus the State (Princeton, N.J.: Princeton University Press, 1985), p. 273.

14. Businessweek, "Why An IBM Plant Is Stalled at the Border," 6 August 1984, p. 27. See also William A. Orme, Jr., "IBM Expects Mexico to Approve Plant," Washington Post, 27 October 1984. John Roach of Tandy who was at the time negotiating a joint venture in Mexico expressed similar sentiments: "We certainly feel like the rules should be the same for everyone." See Steve Frazier, "Mexican Plant to Decide Soon on Whether to Allow Computer Venture 100% Owned by IBM," Wall Street Journal, 26 October 1984.

15. William A. Orme, Jr. "IBM Expects Mexico to Approve Plant," p. G-2.

16. See Steve Frazier, "Apple y Hewlett-Packard Contra Una Empresa 100% de IBM en Mexico," Excelsior, 27 August 1984. See also "Mexico, Escenario de la Guerra Industrial Internacional," El Financiero, 8 November 1984. In commenting later on the IBM rejection, David Sanger characterized it as a "Mexican Imbroglia" which was at one level "a function of the computer wars going on in the United States." See David Sanger, "Surprisingly Mexico rejects IBM, embraces McDonald's," Houston Chronicle, 11 February 1985, Section 2, p. 3.

17. The Computer Plan, in fact, demanded that any company subscribing in the program to take advantage of the incentives it offered maintain, in exchange, a commercial balance in the ratio of exports to imports of 25, 35, 45, and 70 percent in years 2 through 5

respectively of subscription in the program. SECOFI, "Development Program of Electronic Computer Systems, Their Main Modules and Peripheral Equipment," August 1981, internal document, p. 32.

18. AMFABI letter to C. Dip. Lic. Humberto Lugo Gil, 30 October 1984.

19. Carlos Ramirez, "IBM Tiene Puertas Abiertas Pero Debe Modificar Su Proyecto," El Financiero, 3 December 1984.

20. Ibid. See also William A. Orme, Jr., "IBM Expects Mexico to Approve Plant," p. G-2.

21. Interviews with officials in the industry and government officials, who requested anonymity. For doubts expressed in the press about any substantial concessions in the new proposal, see Edgar Gonzalez Martinez, "Los Capitales," Excelsior, 6 May 1985.

22. Interview with Mario Topete, Director of Institutional Relations, Apple de Mexico, and Jorge Martinez Sverdrup, Director of Corporate Development, Hewlett-Packard de Mexico, 24 and 27 February, 1987 respectively.

23. See Excelsior, Open Letter to C. Lic. Miguel de la Madrid Hurtado, C. Lic. Hector Hernandez Cervantes, and C. Lic. Mauricio de Maria y Campos, 8 July 1984, p. 33-A.

24. Diario de los Debates de la Camara de Diputados del Congreso de los Estados Unidos Mexicanos, Legislatura LII, Ano III, Tomo III, Num. 17, 16 October 1984, pp. 29-35.

25. "De Instalarse Aqui Desquiciaria a la Industria Nacional," Ovaciones 2a. ed., 22 October 1984.

26. Letter to C. Dip. Lic. Humberto Lugo Gil, 30 October 1984.

27. Interview with Manuel Conde Palazuelos, 11 February 1987.

28. Ibid.

29. ibid. Interviews with several representatives at the working level of the Foreign Investment Commission confirmed this lobbying activity as well as their efforts to gain more information with which to be able to analyze the consequences and, hence, the merits of the IBM case.

30. Cover Letter of Survey on Market Reservation conducted by Sergio Ferragut, head of CANIECE Informatics Section, 20 June 1984.

31. See Hugo Jimenez, "Industria Nacional de Computo," El Sol de Mexico, 9 October 1984.

32. The Wall Street Journal quoted "a Mexican official" as saying that IBM's original proposal had been rejected thus far "because the proposed plant would have used relatively few Mexican parts and done little to advance Mexico's computer industry," and "sources" as saying that "IBM revised its proposal agreeing to use 65% local parts initially and to increase the amount eventually to 95%." See Steve Frazier, "Mexico Plans to Decide Soon," Wall Street Journal, 29 October 1984. The Mexican Computer Plan demanded a schedule of incorporation of Mexican components of 35% of the total parts of the finished product within the first year and 45% within the third year of operation. See Table 4, "Local Content Requirements," in chapter 4.

33. See William A. Orme, Jr. "IBM Expects Mexico to Approve Plant," Washington Post, 27 October 1984. The New York Times reported that a tentative agreement had been reached with the Mexican government on IBM's proposal, although it reported that IBM officials "could not confirm that an agreement had been reached." See Richard Meislin, "IBM Deal on Mexican Plant Seen," New York Times, 26 October 1984.

34. See Edgar Gonzalez Martinez, "Los Capitales," Excelsior, 22 November 1984.

35. Interview with Mario Esteva Maraboto, 25 February, 1987. Mr. Esteva, formerly with IBM, had been responsible for negotiating approval for manufacture of IBM's system 34 minicomputer in Mexico in 1982.

36. For general references to IBM's publicity campaign, see David Gardner, Financial Times (London),

"Mexico likely soon to give IBM new computer go ahead," 26 October 1984. For reference to the sponsorship of an exposition of works of Diego Rivera, see Gerardo Ochoa Sandy, "La Incertidumbre de una Decision," Computerworld/Mexico, January 1985, p. 5. On IBM's sponsorship of television programs and other cultural activities, see also Adrian Martinez, "Debugeando," Computerworld/Mexico, 14 February 1985, p. 3.

37. Although no figures were made available to me by IBM, Mario Esteva estimated that IBM spent more in its two-year campaign to establish a microcomputer line in Mexico than it had spent on public relations in Mexico in the past twenty years. Interview with Mario Esteva, 25 February 1987. An official still with IBM would only comment that the campaign had been too expensive and that IBM would follow a different strategy if it had it to do over again.

38. Stever Frazier, "Mexico Plans to Decide soon On Whether to Allow Computer Venture 100%-owned by IBM," Wall Street Journal, 29 October 1984.

39. Alfredo Nolasco, spokesman for SECOFI, made this clear in a press interview. See "IBM Piensa Crear en Mexico una Planta de Microcomputadoras," El Herald, 22 January 1985.

40. See Steve Frazier, "Plan to Expand Plant in Mexico Revised by IBM," Wall Street Journal, 11 March 1985.

41. See Edgar Gonzalez Martinez, "Los Capitaes," Excelsior, 6 May 1985.

42. Edgar Gonzalex Martinez, "Los Capitaes," Excelsior, 16 May 1985.

43. See Yuri Serbolov, "Ahora Propone IBM Emplear 80% de Integracion Nacional en la Fabricacion de Microcomputadoras," El Financiero, 23 May 1985.

44. AMFABI letter appears in Excelsior, 9 August 1985, p. 11-A.

45. Susan Kaufman Purcell, "Decision-Making in an Authoritarian Regime," p. 38.

46. Ibid.

47. The opponents of IBM in fact termed the rejection a "face-saving" gesture by the government creating a situation whereby, by making changes in its proposal IBM would be seen as conceding to government demands. Interview with Mario Esteve, 25 February 1987. Richard Hojel of Apple de Mexico had also characterized the rejection as a face-saving gesture. See William A. Orme, Jr. "Government Calls Plant a Threat to Mexican Firms," Washington Post, 19 January 1985, pp. C-1, C-2.

48. This is further discussed in chapter 4.

49. See Raymundo Riva Palacio, "Entrara la IBM al Mercado Mexicano de las Microcomputadoras," Excelsior, 16 June 1985. See also William A. Orme, Jr. "Approval Expected for IBM Mexican Plant," Journal of Commerce, 19 June 1985.

50. Individuals both in the government and the private sector who requested anonymity pointed this out during interviews. One Mexican official characterized the decision in terms of a "dedazo" - an instruction authoritatively given with a finger indicating there is no alternative but to comply - referring to President de la Madrid's giving instructions through Hector Hernandez to the Foreign Investment Commission that the IBM project be included among those approved.

CHAPTER 4

THE RATIONAL POLICY PERSPECTIVE

If the authoritarian decision-making model is insufficient for explaining the IBM case, how does the rational policy model fare? The rational policy model predicts that a unitary actor arrives at a decision in accordance with

1. a variety of values and objectives;
2. perceived alternative courses of action;
3. estimates of various sets of consequences; and
4. a net valuation of each set of consequences.[1]

This chapter explores to what extent these factors come into play in the IBM case and, consequently, to what extent they help explain the decision-making process used. In examining the values and objectives of the de la Madrid administration, I consider the policies adopted against the backdrop of Mexico's past economic development model reviewed in chapter two and its implications for industrial and foreign investment policy. In examining the alternative courses of action, the focus is on the nationalist and neo-liberal projects as available options. In examining the estimates of

various sets of consequences, I move into the IBM case and explore the estimates for Mexican development within the computer industry provided by the AMFABI and IBM options. Finally, in examining the net valuation of each of these consequences, I look at what analyses were generated within the sectors of SECOFI representing both sides.

Values and Objectives

As the rational policy model assumes a unitary actor, it is appropriate to explore the values and objectives of the Mexican president, Miguel de la Madrid Hurtado, "the embodiment of the Mexican government," [2] as the unitary actor upon whom we can focus our attention for the purposes of developing this model to explain the IBM case.

The primary charge of any incumbent of the Mexican presidency since the Cardenas years has been to maintain the stability of the political system.[3] The formula for doing so has been the promulgation of policies to encourage and sustain rapid economic growth.[4] The administration that de la Madrid inherited was in general economic crisis jeopardizing this formula, which

had worked well in the past. With a total external debt of \$95 billion, de la Madrid's first priority on coming to office was an immediate reordering of the economy with a short term objective of coping with the financial crisis and surmounting it as quickly and equitably as possible. The long term objective was to reestablish the future development of the country on a more solid economic basis. Among the values he had expressed during his campaign to tie his candidacy and presidency to the Mexican revolution and the constitution were the following:

1. Nationalism - i.e., political, economic, and cultural independence
2. Mixed economy
3. Economic liberties
4. State guidance of the economy
5. Internationalism
6. Popular participation[5]

These values reflect basic elements of what Brandenburg called the "Revolutionary Creed" or "fundamental objectives guiding Mexico under Revolutionary leadership." Brandenburg's interpretation of these objectives is that

state intervention is indispensable to economic growth; that social, political, and economic integration on a national scale are intrinsically good; and that international stature is gained and held by adherence to recognized principles of diplomatic

conduct.[6]

The importance of noting the expressed values of the ruling elite is suggested by Joseph Spengler whose thesis is that

the state of a people's politico-economic development together with its rate and direction, depends largely upon what is in the minds of the elites.[7]

On the other hand, as the gap between rhetoric and performance has often been great,[8] the measure to which the IBM decision represented the policy pronouncements on industrial, technology and foreign investment policy will be examined. But first, we need to flesh out the policy pronouncements of President de la Madrid which reveal his values and objectives in these areas.

Whereas the expressed values set forth the goals that are desirable to achieve or at least strive for, the objectives are those intermediate targets that constitute a strategy by which those goals are to be achieved. In the area of economic policy, those expressed by de la Madrid which are relevant to our study are the following:

1. Democratic planning
2. Reorientation of the productive plant
3. Independence and widening external economic relations
4. Foreign investment regulation
5. Financing development.[9]

The objective sought through democratic planning is

to respond to the demands and aspirations of the majority, harmonizing the interests of the State, the workers and national entrepreneurs with the end of accelerating social change.[10]

That of reorienting the productive plant has as its purpose the

strengthening of the production of basic goods - and especially the internal production of capital goods - as a requisite to reach high rates of growth with an accompanying generation of employment.[11]

The objective of fostering independence and external economic relations has as its purpose

the stimulation of modernization and the efficiency of the productive plant, the stimulus to non-petroleum products, the rationalization of imports and the gradual elimination of excessive protectionism, reduction of the external deficit, the strengthening of financial independence, and the reduction of the national debt as a proportion of gross national product.[12]

With respect to foreign investment, the objective is to

subject it to established legislation and direct it toward projects of social priority. We will not allow its acceptance to provoke a substitution for national enterprises already established and will demand that their exports at least equal the quantity of profits remitted abroad.[13]

Finally, with respect to the financing of development, the objective was to

advance the strategy of new forms of financing development by means of strengthening internal savings and the reduction of dependence on external savings.[14]

With these stated values and objectives, we turn to the task of seeing how they may have informed, infused and directed the actual policies that were adapted from among the perceived alternative courses of action. In doing so, we realize that they are a continuation and an extension of previous policies which likewise purported to be a product of Mexico's revolution and resultant constitution. It is in that light that we also look at pertinent existing policies, primarily the Law on Foreign Investment and the development program for the electronics industry.

Alternative Courses of Action

The two most obvious options facing Mexico in the search for a sense of direction at the start of a new *sexenio* which would lead out of economic crisis and rekindle the Mexican "miracle" were the continued inward development policies via import substitution and a more outward development model via export promotion policies. In the case of Mexico these became popularized as the "nationalist" project and the "neo-liberal" project. These options were best articulated in 1981 by Rolando Cordera, economics professor at UNAM, and Carlos Tello, also an economics professor at UNAM who had held posts in the government bureaucracy including Secretary of Programming and Budget under President Lopez Portillo until 1977 and as head of the Bank of Mexico from September to December, 1982.[15] Levy and Szekely consider these options as an either-or proposition and include in their analysis of Mexico's development options a Marxist model and what they call "the regime's model" - basically a continuation of the PRI's rapid growth formula of the previous forty years expressed as options for the 1980s in the Industrial Plan and the Global Development Plan,

1980-1982.[16]

The Marxist model did not have much support. The thrust of this model is toward a revolutionary transformation of society. In economic terms this entails socialization of the means of production. Consequently, it opposes the regime's efforts at reprivitization of the economy. Its position on other economic policies have already been staked out by the nationalist left: In favor of nationalizations, fiscal reform, a more limited role for foreign investment, expropriation of large landholdings, and unemployment benefits for those who cannot find jobs. Politically, the Marxist left emphasizes autonomy from the state. A political regime under the Marxist left would not include the PRI. Whereas the working class would be in alliance with the state under the nationalist left vision, under the Marxist vision the working class would pursue its interests independently. The Marxist left claims to foster the democratization and independence of labor unions, the independent organization of peasants, and freedom of dissent. It claims to support democratization in the political process and would grant more power to the Chamber of Deputies, where it

participates, and less to the President. There are many reasons, however, why this model lacks broad support - the political, economic and social cost of a revolution; lack of belief in Marxist commitments to democracy; and, simply, lack of support for Marxist doctrine when other viable, less radical alternatives exist.[17]

On the other hand the Global Development Plan, which called for a promotion of exports, was the work of the Secretariat of Planning and Budget headed by de la Madrid. Hence it stood a better chance of being incorporated into Mexico's (the regime's) development model under de la Madrid's own administration. The Industrial Plan, which called for an expansion of industry to satisfy domestic demand, had been elaborated under Jose Andres Oteyza, Secretary of Natural Resources and Industrial Development (SEPAFIN). It expressed a more nationalist perspective.[18]

The nationalist project as defined by Cordera and Tello had perspectives with regards to industrial, foreign investment and technology policy that differed substantially from the neoliberal project. The nationalist project's industrial policies would seek an expansion of industry under state control that would

review protectionist policies within a framework of more refined industrial planning while aiming to achieve autonomous development in alliance with selected members of the entrepreneurial camp. With respect to foreign capital, the nationalist project, unlike the neoliberal project, does not

exclude foreign capital, but seeks to subject it to its own program and to achieve a tighter integration of the national economy and under a different scheme of priorities.[19]

With respect to technology, the industrial project recognizes the need for advanced technology for modernization and growth:

industries such as energy, petrochemicals, steel and fertilizers will have to continue to grow using advanced technologies that are intensive in the use of capital per unit of production.[20]

In sum, the nationalist project calls for an expressed policy of vertical integration of industry, of determining the role and degree of participation of foreign capital and of attentiveness to matters relating to higher education, science and technology.[21]

Both the neo-liberal project and the nationalist project sought increased growth through the expansion of

Industry. However, whereas the nationalist project sought autonomous development, the neo-liberal project sought Mexico's integration into the world economy through industrial specialization and industrial complementarity. Hence, the neo-liberal project would emphasize horizontal rather than vertical integration. The government would decrease its role in the economy. The resultant deregulation would favor large entrepreneurs rather than workers and small and medium industrialists who were protected from external competition by government regulatory policies. In fostering a trade policy that would decrease protectionism and promote exports, entry into the General Agreement on Tariffs and Trade (GATT) would be a logical step. While not specifically elaborating a policy on foreign investment, the neoliberal policy would seem to look favorably upon its role since it favored local investors who associated with foreign capital. While a technology policy was also not specifically addressed in Cordera and Tello's formulation, it could be deduced from arguments on industrial specialization and industrial complementarity that areas for technological development were to be carefully chosen while employing technology widely

available for modernization and growth in other sectors, as in the nationalist model.[22]

A basic outline of the differences between the two models with respect to industrial policy appears in Table 3. As Cordera and Tello realized, neither of these projects had the prospect of being fully realized:

The politico-economic combination that results - and the weight that each project assumes - in the social reality of tomorrow will be products of the struggle among classes, of the forms and propensities that state activity takes on, and of the degree of organization and persistence demonstrated by the social forces promoting them.[23]

Table 3

Contrasts Between Nationalist and Neo-Liberal Projects

	<u>Nationalist</u>	<u>Neo-Liberal</u>
Development Goals	autonomy	Integration
Industrial Strategy	satisfy local demand	promote exports
Government's Role	regulation	deregulation
Groups Favored	small and medium entrepreneurs	large entrepreneurs

Source: Adapted from Rolando Cordera and Carlos Tello, Disputa por la Nación (Mexico, D.F.: Siglo Veintiuno Editores, S.A., 1981).

As it turned out, the policies adopted by the de la Madrid administration followed neither the nationalist nor the neoliberal model entirely but incorporated elements of both. In the interests of insuring stability the administration attempted to steer the middle course in keeping with Levy and Szekely's "regime model." While de la Madrid couched his campaign in the rhetoric of the "nationalist" project, in reality his administration began to steer industrial policy, out of necessity, in the neoliberal direction. The attempt to steer a middle course in the search for a consensus is evident in the Immediate Program for the Reordering of the Economy (PIRE, *Programa Inmediato de Reordenacion Economica*) declared upon assuming office on 1 December 1982 and expanded in a message to Congress on 7 December. This middle course persists in the National Development Plan, 1983-1988 (PND, *Programa Nacional de Desarrollo*, May 1983), the Foreign Investment Guidelines (17 February 1984); the National Program for Industrial Promotion and Foreign Trade (PRONAFICE, *Programa Nacional de Fomento Industrial y Comercio Exterior*, 31 July 1984); and the National Program for Technology and Science, 1984-1988 (PRONDETYC, *Programa Nacional de Desarrollo Tecnologico y Cientifico*, 22 August 1984).[24]

PIRE

The "nationalist" elements in the PIRE included the protection of employment, the channelling of credit to national development priorities and the strengthening of the principle of the guidance of the state (*rectoria del estado*) in the mixed economy. Neoliberal elements were also present in the interest to regularize the exchange rate under the monetary authority of the State. While PIRE's immediate concerns were the increase in internal savings, the reduction of inflation, and the stabilization of the foreign exchange market, concerns for protecting the productive plant required an emphasis on modernizing it in accordance with criteria for increased productivity that would avoid waste and incorporate technological change while maintaining "national" priorities, whose definition, now included strengthening the internal market and making it competitive with world trade markets.

PND

Like PIRE, the PND included elements of both projects in setting the guidelines for structural change that were to constitute Mexico's response, at least during the de

la Madrid administration, to the challenges posed by Mexico's present economic conditions and the need to integrate into the world economy. Responding to Mexico's present economic conditions required a nationalistic (inward-looking) approach but integrating Mexico into the world economy in order to best meet the internal challenges required a neo-liberal (outward-looking) approach. Based on a diagnosis of structural deficiencies in the industrial plant and a strategy of development that failed to sufficiently consider the economic link to the world economy,[25] the plan proposes a more efficient link with the world economy, particularly in the areas of trade, external finance, foreign investment, and technology transfer.[26]

The general guidelines of strategy for the sectoral policy relating to industrial development and foreign trade expresses the goal of vertical integration of the nationalist project and the goal of the neoliberal project to expand exports. The objective is

developing an internal market which will impel an industrial sector that will be inwardly integrated and outwardly competitive. Consolidation of this ample market is an essential condition for effective integration of the productive apparatus, an

advance in productivity, and the realization of an export capacity, which proceeds from economies of scale.[27]

Technology is seen as a key element in achieving this strategy:

The effort to adapt and develop technology allows an increase in productivity and an opening of new options for substituting imports of intermediate and capital goods and of increasing non-petroleum exports.[28]

The contribution of foreign investment is also recognized in this regard:

In the process of expansion, diversification and modernization of the national productive plant, resources from abroad - technological, administrative and financial - shall be utilized in a complementary manner and shall be oriented in accordance with the priorities of the strategy of development in order to maximize their contribution. When convenient, these resources shall be obtained separately...when it is more beneficial to obtain these resources in a combined form, direct foreign investment shall be utilized.[29]

As foreign investment has been a particularly thorny issue in Mexico since the days of the revolution when foreign investment dominated the economy,[30] the guidelines specify that policy with regards to foreign investment ought to

- assure that foreign capital does not acquire efficient firms already established or dominate priority branches of industry

- establish formulas that orient the contribution of foreign investment to the balance of payments and to elevate national technological development
- modify the passive and regulative attitude on entry and adopt an active strategy in those branches that efficiently substitute imports and generate exports with advanced technologies in compliance with previous indications.[31]

In so doing, the PND insures that foreign investment policy continues to protect domestic investment and regulate foreign investment while now also becoming promotional in selected areas. Additionally, an important link is established between foreign investment, technology and competitiveness in exports.

Selected areas in which foreign investment is welcome include the high technology areas of electronics, microcomputers and semiconductors.[32] The objective of targeting the electronics industry as a priority industry was twofold:

on the one hand, the development, in close linkage, of the scientific infrastructure and the necessary productive base; on the other, the promotion of lines of production in priority areas where levels of efficiency are attainable through the size of the market and where the cost of entry in terms of research and development make it feasible.[33]

That foreign investment is to serve a complementary, cooperative function in this area is evident in

expressed policy:

the importance of inputs will be favored over imports of finished products and a better utilization of foreign technology will be sought promoting programs of co-investment with foreign capital launching cooperative schemes in the area of design, production and marketing.[34]

Foreign Investment Guidelines

The intent expressed in the PND to promote foreign investment materialized in the new administration's first year in office through the creation of the Subsecretariat of Foreign Investment Regulation and Technology Transfer within SECOFI on 10 October 1983.[35] Adolfo Hegewisch, a close associate of President de la Madrid tapped to head the new office, expressed his mandate on foreign investment in the following terms: "We need about a billion dollars a year. And I am convinced that we can get it." [36] While this statement foreshadowed the promotional aspects under which the majority foreign investment would be allowed, the traditional objectives of protecting national industry and regulating foreign investment were not to be abandoned as the title itself of the Subsecretariat suggests. Hence, SECOFI's "Guidelines on Foreign Investment and Objectives for Their Promotion"

published on 17 February 1984 state that the policy of encouraging foreign investment is to be not only active and systematic, but also selective based on criteria which, aside from the positive contribution to national development that it stipulates, voices the concern that foreign investment must not have the adverse effect of displacing domestic investment.[37] The belief that investments that meet certain criteria will not displace national investment is also expressed. These criteria are that the investment

1. generate a positive foreign exchange balance;
2. be capable of incorporating and adapting proper technologies;
3. contribute to national scientific and technological development; and
4. involve a high investment per man employed.[38]

Among the priority industrial areas identified as susceptible of receiving majority direct foreign investment subject to consideration by the National Commission on Foreign Investment were electronic equipment and devices to include computation equipment, parts, and components and assorted electronic materials, parts, and components.[39] Hence, while maintaining a national perspective, it was evident that Mexico was modifying its policies so as to incorporate Mexico more competitively into the world economy.

PRONAFICE

PRONAFICE in fact made it explicit that the nationalist project emphasis on import substitution is not exclusive of the neoliberal emphasis on the promotion of exports:

The traditional strategy of industrialization establishes two exclusive options for growth: through the substitution of imports or through the promotion of exports. In the Mexican case, these alternatives do not provide a viable strategy...The strategy of structural change combines the necessity of strengthening the internal market and increasing the integration and efficiency of the national plant in order to confront a world economy that is in constant change.[40]

The principal pivots of industrialization were then to be an indigenous sector, which accounts for two thirds of production and employment; an export sector to finance imports; and a third sector which continues the selective substitution of imports but at a slower pace than previously followed.[41] In effect, the need to export receives a higher priority than the import substitution process without abandoning the ISI model altogether. Rather, the protectionism which accompanied the ISI model is to be rationalized so as to make industry more competitive in world markets:

The policy of protection rejects as much a wide open liberalization of trade as it does the excessive protectionism of national industry. The objective is to rationalize protectionism so as to modernize the productive plant and increase competitiveness at the international level.[42]

Besides policies of protection, policies of promotion and regulation are addressed as well. The program identifies four policy areas considered most important in promoting the strategy of structural change in industry and foreign trade: finance, the industrial sector of state enterprises, the development of technology, and industrial location strategies.[43] The policies of regulation that are emphasized are two: first, one that regulates prices so as to protect purchasing power, promote the production of basic goods, and generate adequate profits; and, secondly, one that effectively regulates yet promotes foreign investment in a way to benefit the national economy.[44]

As is now clear, the pattern of combining elements from both the nationalist and the neo-liberal projects is an attempt to forge a consensus which may be more rhetorical than decisive.[45]

PRONDETYC

This is no different than the case of the National Program for Technology and Science. This program was announced on August 22, 1983 by the Secretary of Public Education, Jesus Reyes Heróles.[46] The program establishes as its general objectives the generation of scientific and technological solutions to economic and social problems and the reduction of external technical dependence.[47] It designates the electronics industry as one of eleven national priority areas for a research and development effort.[48] The focus on the electronics industry is on the design of technologies for the manufacture of materials and components and the national production of certain raw materials, equipment and computer programs.[49] The program clearly favors national firms in the instrumentation of policy:

Credit and fiscal preferences will be given to investments in productive plants based on technology of national origin and to firms that design or establish explicit programs to administer and develop their own technology.[50]

On the other hand, the necessity of accommodating contributions of foreign investment and technology transfer are acknowledged:

The regulations on foreign investment and the importation and transfer of technology will be adjusted to the conditions and policies of national industrial development in order to increase the potential for technological self-sufficiency.[51]

These policies while recognizing the contribution of foreign investment, especially with regard to areas of high technology and, through this introduction of technology, to the competitiveness of exports, nevertheless had to confront established practices arising from the existence of the Foreign Investment Law of 1973 and the 1981 *Programa de Fomento* (Development Program - the Computer Plan) for the electronics industry.

Foreign Investment Law

The Foreign Investment Law of 1973 intended not only to promote Mexican investment but to regulate foreign investment and thereby seek control of the activities of multinationals in the Mexican economy.[52] The initiative introducing the law sent to Congress by President Echeverria on 26 December 1972 makes clear the desire to subordinate foreign capital to the needs of the nation's development.[53] Hence, it limits the participation of foreign investment, in areas where it

is at all permitted, to a maximum participation of 49 percent. However, it deliberately includes a provision to modify this percentage where it may be in the nation's economic interest. The determination of what shall be in the nation's economic interest is to be made by the National Commission on Foreign Investment created by the law.[54] Among the criteria and investment characteristics that the laws established to guide the Commission in its deliberations, the following became issues of controversy over IBM's investment proposal:

- that it should not displace national business enterprises that are operating satisfactorily, and that it should not enter fields that are adequately covered by such enterprises;
- its positive effects on the balance of payments and, especially, on the increase of Mexican exports;
- its effect on employment, taking into account job opportunities and wages paid;
- the employment and training of Mexican technical and management personnel;
- the incorporation of domestic inputs and components in the manufacture of products;
- that it should not enjoy a monopolistic position in the domestic market;
- the capital structure of the branch of economic activity involved;
- its technological contribution and its assistance in the country's technological research and development; and
- its effect on price levels and quality of production;[55]

In addition to these considerations, a *Programa de Fomento* (development program) existed further detailing

the rules of foreign investment in the area of computation where IBM wanted to expand its operations.

Programa de Fomento

The "Development Program for the Manufacturing of Electronic Computer Systems, Their Main Modules and Peripheral Equipment" was a sectoral program for the budding electronics industry elaborated under the auspices of the National Industrial Plan as part of the general planning activity in the Lopez Portillo administration. The program fell within the jurisdiction of Dr. Ernesto Marcos, then General Director of Industries, who elaborated it for his superior, Dr. Natan Warman, Subsecretary of Industrial Development within the Ministry of Patrimony and Industrial Development (SEPAFIN). In the face of growing demand in Mexico for electronic computer systems, the purpose of the program was to

produce locally electronic computer systems, their main modules and peripheral equipment in such a way as to increase the internal level of self determination in a field of basic importance for development.[56]

In return for numerous types of fiscal incentives to industries that registered under the program, the

government required commitments on the part of industry with respect to location; the generation of jobs; capital structure; technology transfer and royalties; standards of quality control; production, productivity and prices; incorporation of local content; foreign currency budget; and special requirements for export toll manufacturers.[57] It classified electronic computer systems into microcomputers, minicomputers, macrocomputers and peripheral equipment. While majority foreign investment was allowed in the manufacture of minicomputers and macrocomputers, it restricted foreign investment to a minority position in micros and peripherals.[58]

For the manufacture of microcomputers, special commitments are required from those companies that register in the Program in the areas of incorporation of local content, foreign currency budget and contribution to technological development. In accordance with a formula for calculating the degree of national content incorporation (*grado de integracion nacional*, GIN), the following percentages of incorporation of Mexican made production, based on prorated parts costs,[59] had to be complied with:

Table 4
Local Content Requirements

	1st Year	2nd Year	3rd Year
Recommended GIN	45%	50%	60%
Minimum GIN	35%	40%	45%

Source: SECOFI, "Development Program for the Manufacture of Electronic Computer Systems, Their Main Modules and Peripheral Equipment," internal document, p. 31.

The foreign currency budget requirement was intended to compensate the value of imports with export-import ratios of 25, 35, 45 and 70 percent respectively from year two to year five in the program.[60]

To satisfy the contribution to technological development, companies

must invest in R & D at least six percent of the value of the company's total sales. However, the increase of imports resulting from the difference between the degree of incorporation of national production recommended and reached must be compensated for with an additional expenditure on R & D of one percent of the value of the company's total sales for each five percent of the above indicated difference.[61]

Hence, the new policies of President de la Madrid, while vocalizing a strong nationalist ideology, tended out of necessity toward opening up the economy so as to

make it competitive on an international basis. These policies were, in the case of the computer industry, constrained by the Foreign Investment Law and the Computer Plan *de facto* governing that industry. The new policy statements were broad enough to be interpreted for or against IBM's proposal. If a rational policy model were in effect, we would expect that estimates of various sets of consequences would be made and a valuation of these against existing criteria would determine the approval or rejection of the project.

Estimates of Consequences

To be able to evaluate the consequences on Mexico's computer industry of accepting or rejecting the IBM proposal we need to examine the existing condition of the Mexican computer industry in 1984. There are three areas of importance with respect to the status of Mexico's computer industry and IBM's proposal to enter the market as a local producer. These are 1) the growth in demand for electronics products in Mexico, 2) Mexico's consequent trade deficit in this area, and 3) the overall market shares in the computer industry in Mexico.

In 1984 the total market demand for the computer industry (computer systems and peripherals) was \$373 million.[62] This represented a 15.6 percent increase over sales in 1983.[63] The microcomputer share of this market, however, grew at a rate of 24.8 percent during this time period, a slight gain from the 20.2 percent gain in 1982,[64] the year of the Mexican debt crisis.[65] The projection from 1985 to 1988, however, was for a growth rate of 32.5 percent per year.[66]

The bulk of the fast-growing increase in demand for computation in Mexico prior to 1983 had been filled by imports. Table 5 shows both the increase in demand and the trade deficit for the computer industry between 1979 and 1984. In 1979 the trade deficit in the entire electronics industry was \$810.7 million which rose to \$1.2 billion in 1980.[67] For the computer industry alone, the deficit was \$126.1 million in 1979 and \$232.1 million in 1980 (see Table 5). In 1981 the Mexican government decided to reduce its dependence on imports in this area and offered incentives to Mexican and minority foreign companies to manufacture in Mexico thus seeking to improve its balance of payments and establish a capital goods industry that would pave the way for the

growth of electronics firms.[68] As a result, imports of microcomputers to Mexico dropped between 1981 and 1983. In fact, exports in the computation area started to increase in 1983 (See Table 5 for 1983 and 1984 exports).

Table 5

Trade Balance for Computation Equipment, 1979-1984
(Thousands of US dollars)

	Imports	Exports	Deficit
1979	\$127,840	\$1,659	\$126,181
1980	239,529	7,400	232,129
1981	256,341	3,898	252,443
1982	157,538	2,795	154,743
1983	98,218	16,162	82,056
1984	156,285	50,571	105,534

Source: Data from CANIECE, *Informe Anual de Actividades*, 1985. Data reproduced in "La Industria Electronica de Comunicaciones Electricas en Mexico," El Mercado de Valores 46, 38 (22 September 1986) pp. 904-907.

Table 6
1985 Market Share in Value
(Thousands of dollars)

	Low-end	Single-user	Multi-user
Altos	\$350	\$ 0	\$2,900
Apple	0	20,520	0
Croxico	0	3,570	2,800
Denki	0	13,485	0
Hewlett P.	0	7,735	0
Mexel	0	1,925	2,725
Micron	0	1,845	0
Printaform	0	10,220	0
Sigma	4,200	0	0
Other	0	0	0
Total	4,550	59,300	6,500

Source: Data from Infotext in Tim Berry, The Personal Computer Industry in Mexico (Palo Alto, Ca.: Infotext, 1985), Table 15, p. 59.

The market share by value for those manufacturing microcomputers in Mexico as of June 1985 is depicted in Table 6. The market was fairly fragmented with Apple, Denki, Printaform and Hewlett-Packard holding the leading total shares - 29, 19, 15, and 11 percent of the market respectively. The fear of these companies was that IBM, heretofore barred by the market reserve for Mexican majority firms, would upset the applecart and extend its 45 percent share of the Mexican mainframe market (which included minis and macrocomputers) to micros as well.[69]

Certain officials within the Mexican government as

well feared that allowing entry to IBM under a 100 percent equity arrangement would displace national makers which was patently against the intent of the Mexican Foreign Investment Law.

Hence, the consequences that AMFABI predicted would follow approval of IBM were the displacement of national companies based on inability to compete with the giant transnational IBM in a future market whose growth they estimated more pessimistically than did IBM.[70] Furthermore, they argued that they could themselves supply the growing national market and begin to export.

Table 7 shows AMFABI's estimates of their capabilities versus those of IBM projected to 1989.

Table 7

Economic Summary - IBM vs AMFABI
(monetary unit is millions of dollars)
(production in units)

	IBM Project	AMFABI
Volume of Production	662,000	386,000
Installed Capacity	-	641,000
Exports	\$528	\$558
Net Foreign Exchange		
Balance	\$103	(\$29) *
Direct Jobs	80	2600
Indirect Jobs	819	5000
Investment	\$6.6	\$38.6

* parenthesis stands for deficit

Source: AMFABI, "La Industria Mexicana de Informatica." [71]

IBM's response was that the majority of its production would be for export and hence would not displace national firms. Additionally, by AMFABI's own figures, IBM would make a positive contribution to the trade balance, whereas AMFABI, which did not expect to show a positive trade balance until 1988, showed an overall deficit for the five year period of \$29 million. Furthermore, IBM claimed that it could make further contributions by providing the latest technology, lowering prices, and boosting the growth of the local parts and components suppliers by incorporating their inputs into a larger volume of

production than AMFABI could generate.

Net Valuation

The Mexican government had to weigh the consequences projected by each side in relation to its own criteria if it were to make a rational decision. The mechanism for such an evaluation existed within the National Foreign Investment Commission. The criteria against which to judge had been laid out in previous policy pronouncements beginning with the National Development Plan, the Foreign Investment Guidelines, the recent Industrial Plan and the Program for Technological and Scientific Development. However, these policies which affirmed the place of foreign investment as a vehicle for new technology and an aid to industrial plant modernization, competitive products, and export growth were in conflict with criteria that supported a market reserve boosted by protectionist policies for majority Mexican companies in the field of microcomputer manufacturing. These criteria, while not having official legal status, were nevertheless applied. They were backed up by the Foreign Investment Law which forbade any foreign investment that would displace Mexican industry and would approve 100 percent foreign

investment ventures only when they could contribute "exceptional benefits" to the country.

AMFABI's argument was that approval of the IBM proposal would displace Mexican nationals and that the development program for the computer industry should be vested with legal status so that the "rules of the game" would be fixed thus effectively protecting majority Mexican national companies. This view had strong support within the Subsecretariat of Industrial Promotion. The reservations of these officials prevented an early approval of the project favored by officials from the Foreign Investments Regulation Subsecretariat.[72] A sectoral development program elaborated by the Directorate of Electronics as an application of PRONAFICE to the electronics industry was basically a reformulation of the 1981 Computer Plan and was designed to substantiate refusal of IBM entry - at least under a 100 percent equity arrangement.[73] Studies or inquiries were conducted by the various members of the National Foreign Investment Commission to weigh the consequences of IBM entry.[74] Officials within SECOFI continued to hold the view that a budding national industry could be displaced by IBM's entry and

disseminated their views *ex post facto*. [75] On the opposite side, the results of a study by the Subsecretariat of Foreign Investments Regulation were released to the press in January 1985 immediately prior to the rejection. [76] The study cited nine problems with the structure of the computer industry at the time and recommended that IBM's proposal be accepted. The nine problems cited were

1. low productivity - only a few thousand units (5,000/ year at current levels) had been produced since inception of the 30-month old program based on the 1981 Computer Plan;
2. excessively high prices in comparison with the country of origin; [77]
3. introduction of technology that is already becoming obsolete abroad;
4. weak contribution to development of the market due to high prices;
5. lack of technology transfer - since imported goods are simply assembled here;
6. poor quality control - in 30 to 40 percent of the cases machines fail at the moment of installation;
7. low supply - 5000 units/year - versus a demand of 15 to 20,000 units/year creates a vacuum for contraband along a porous U.S.-Mexico border;
8. poor and, in certain cases, nonexistent maintenance due to the disappearance of suppliers or distributors, a situation brought about by a superficial and excessively lax selection of distributors; and
9. inability of firms to comply with their commitments to achieve integration of Mexican parts. [78]

Despite the contention of the Foreign Investments Regulation Subsecretariat that IBM entry would

contribute to the solution of these problems, the IBM project was rejected the following day "as it was proposed." [79] What that meant was that the proposal was still open to consideration if IBM were to meet 15 additional requirements. Among them were the following:

- the level of exports in 1989 should be between 10-25 percent of world demand for IBM microcomputers
- commitment to develop in Mexico the technology for the IBM model AT
- IBM not to export to Mexico microcomputers from any of its plants worldwide
- IBM participation in the national market to be limited to 25 percent with a minimum of ninety percent of its production for export [80]

None of these four requirements was acceptable to IBM. Nor was the proposal by Industrial Promotion officials that IBM build a semiconductor plant. [81] IBM did agree to the other requirements, some of which were in the original proposal. But acceptance on the government's part did not come until Mexico had fallen on further economic hard times. In the process of signing an accord with the International Monetary Fund (IMF) to renegotiate \$48 billion of Mexico's foreign debt, Mexico agreed with the IMF to budget cuts, faster devaluation of the peso and an increase in interest rates in an effort to stem capital flight. [82] The measure was necessary due to falling oil prices and continued high

inflation.[83] In addition to these measures, Mexico was liberalizing its trade policy substituting tariffs for import permits thus rationalizing its move to boost exports in the international economy. The need to export was paramount as Mexico's trade surplus for the first three months of 1985 had narrowed to \$2.3 billion, 42 percent below the surplus accumulated for that period the year before.[84] By June oil exports were only half of Mexico's targeted 1.5 million barrels daily. At a price of \$20 a barrel Mexico stood to lose \$4 billion in exports in the following year, or 28 percent of its \$14 billion in earnings during 1984.[85]

In the area of attracting foreign investment, Mexico was experiencing difficulties as well. Whereas Mexico had been expecting foreign investment of \$1 billion a year, in 1984 it received only \$391 million. Although \$931 million of new investment was authorized in 1984, only \$60 million of that was actually spent that year.[86] Abroad, there was considerable skepticism over Mexico's policy to attract new foreign investment in areas of high technology given Mexico's earlier rejection of the IBM proposal.[87] Under the circumstances, the IBM project had become a landmark

case. The Mexican government understood this in President de la Madrid's trip to Europe in June to boost foreign investment. In a host of policy measures that the Mexican government announced five weeks after his return from Europe and two weeks after the mid-term elections, acceptance of the IBM project was one of them. As with the other policy measures - cuts in the government bureaucracy, elimination of the "free" peso rate, a subsequent controlled devaluation, and further liberalization of trade policy through the reduction of import permits,[88] the Mexican government had "no choice" but to accept IBM's proposal. In the area of exports where IBM was to make a major contribution, Finance Minister Jesus Silva Herzog announced:

Mexico does not have an option but to become an exporter now that it confronts a sharp contraction in its income for foreign exchange and it is not reasonable to think that these revenues will increase given the prices of traditional exports; nor does the possibility exist of returning to foreign borrowing as was prevalent in the last two decades.[89]

Conclusion

Insofar as the situation of "no choice," or no viable alternative, equates to rational policy, then the Mexican decision can be said to be a case of rational

policy in the narrow sense of the term. In the broader sense, however, such an explanation is not fully satisfactory. The criteria on which to base a rational decision (one that weighs all the possible alternatives and evaluates the consequences of each) were either too broad as in the case of the broader development plans or were conflictual as in the case of the foreign investment guidelines and the Computer Plan. The change from an import substitution development model embodied in the Computer Plan to an export promotion model assumed in the Foreign Investment Guidelines was not conflict-free. The rational policy model is a necessary element in explaining the final decision taken concerning IBM. But, given the delay and the reasons that caused the delay in implementing policy guidelines, the rational policy model alone is insufficient for explaining the complexities of the IBM decision.

Were a rational policy model sufficient for explaining the final decision taken, not only would the criteria have been clear and agreed upon and alternative consequences and net valuations examined in light of these criteria, but also there would not have been a delay of ten months in reaching a negative verdict nor

an additional six months in reversing that decision. To explain the process of resolving the conflicting criteria and the lengthy delay in arriving at a final decision within and outside the bureaucracy, it is necessary to look at both organizational process and politicking in the following two chapters.

NOTES

1. See Graham T. Allison, "Conceptual Models and the Cuban Missile Crisis," The American Political Science Review, 63, 3 (September 1969), pp. 691-698.

2. For a view of the president as the embodiment of the "Permanent Revolution," see Frank Tannenbaum, "Introduction" to Frank Brandenburg, The Making of Modern Mexico (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1964), p. viii.

3. For the role of the president in preserving the overall stability of the political system while controlling renovating change in recent administrations, see Daniel Levy and Gabriel Szekely, Mexico: Paradoxes of Stability and Change (Boulder, Colo.: Westview Press, 1983), pp. 105-113.

4. On the relationship between political stability and rapid economic growth, see Roger D. Hansen, The Politics of Mexican Development (Baltimore and London: The John Hopkins University Press, 1974); Raymond D. Vernon, The Dilemma of Mexico's Development (Cambridge, Mass.: Harvard University Press, 1963); and, for a shorter but insightful treatment, William Glade, "Mexico: Party-Led Development," in Politics, Policies, and Economic Development in Latin America, ed. Robert Wesson (Hoover Institution Press, 1984), pp. 94-123. On statements about the responsibility the state must bear when the economy (over which it has tutelary control) falters, see Roberto Newell G. and Luis Rubio F., Mexico's Dilemma: The Political Origins of Economic Crisis (Boulder, Colo.: Westview Press, 1984) and Levy and Szekely, Mexico, pp. 1-9. For an emphasis on industrial development as the engine of growth, see Rene Villareal, "The Policy of Import-Substituting Industrialization, 1929-1975," in Authoritarianism in Mexico eds. Jose Luis Reyna and Richard S. Weinert (Philadelphia: ISHI, 1977), pp. 67-107; and Dale Story, Industry, the State and Public Policy in Mexico (Austin: The University of Texas Press, 1986), chapter 2, "The Pattern of Industrial Growth," pp. 15-31.

5. See Miguel de la Madrid Hurtado, Plan Basico.

1982-1988 y Plataforma Electoral (Mexico, D.F.: Partido Revolucionario Institucional, IEPES, 1981), pp. 10-25.

6. Brandenburg, The Making of Modern Mexico, p. 8.

7. Joseph J. Spengler, "Theory, Ideology, Non-Economic Values, and Politico-Economic Development," in Tradition, Values and Socioeconomic Development eds. Ralph Braibanti and Joseph J. Spengler (Durham, N.C.: Duke University Press, 1961), pp. 4-5 as cited in Hansen, The Politics of Mexican Development, pp. 8-9.

8. On the gap between the social goals of the revolution and the allocation of resources toward their fulfillment, see Hansen, The Politics of Mexican Development, p. 8.

9. de la Madrid, Plan Basico, pp. 34-37.

10. *ibid.*, p. 35.

11. *ibid.* Production and stimulants thereto receive a high amount of emphasis in President de la Madrid's industrial policies. With respect to President de la Madrid's industrial plan, discussed below, Blair interprets this emphasis as an overemphasis on a Mexican version of "supply side" economics. See Calvin P. Blair, "Mexico's National Program for Industrial Promotion and Foreign Trade, 1984-88," The Mexican Forum 5, 3 (July 1985), p. 5.

12. de la Madrid, Plan Basico, p. 36.

13. *ibid.*

14. *ibid.*, pp. 36-37.

15. See Rolando Cordera and Carlos Tello, Mexico: La Disputa por La Nacion (Mexico, D.F.: Siglo Veintiuno Editores, S.A., 1981). For excerpts from this work in English, see Rolando Cordera and Carlos Tello, "Prospects and Options for Mexican Society," in US-Mexico Relations: Economic and Social Aspects (Stanford: Stanford University Press, 1983), pp. 47-81.

16. For a discussion of these plans, see Levy and Szekely, Mexico, chapter 8, "The Development Model in the 80s," pp. 243-258. Cordera and Tello do discuss two

plans besides the nationalist and neo-liberal projects. These are a worker's project and an entrepreneurial project but the authors dismiss them both on the grounds of incompleteness in the first instance and tending towards external dependence and marginalization of wide sectors of the population in the second. See Cordera and Tello, Mexico: La Disputa por La Nacion, pp. 64-77.

17. Levy and Szekely, Mexico, pp. 255-257.

18. Both were premised on higher rates of growth and capital formation and both were approved and signed by President Lopez Portillo. For a more indepth comparison of the two plans, see Levy and Szekely, Mexico, pp. 244-250. It is the judgement of Levy and Szekely that any "regime model" could succeed if it took the business community's vision into account. Levy and Szekely, *ibid.*, p. 250.

19. Cordera and Tello, "Prospects and Options for Mexican Society," p. 66.

20. *ibid.*, p. 69.

21. For a more detailed discussion of the nationalist project which, besides dealing with industrial, foreign investment, and technology, deals with the policies impacting on the rural sector, energy, and the financing of development, see Cordera and Tello, "Prospects and Options for Mexican Society," pp. 61-81.

22. For a more detailed discussion of the policies of the neoliberal project, see Carlos and Tello, "Prospects and Options," pp. 52-61.

23. Cordera and Tello, *ibid.*, p. 52.

24. The principles to guide the *Programa Inmediato de Reordenacion Economica* (PIRE) appear in "Criterios generales de politica para 1983," Comercio Exterior 32, 12 (December 1982), pp. 1286-1296. The text of the *Programa Nacional de Desarrollo* (PND) appears as a supplement to El Mercado de Valores 43, 24 (13 June 1983). The Foreign Investment Guidelines appear as "Guidelines for Foreign Investment and Its Promotional Objectives," Foreign Investment: Legal Framework and Its Implications (Mexico, D.F.: National Commission of Foreign Investment, 1986), pp. 13-22. The *Programa*

Nacional de Fomento Industrial y Comercio Exterior (PRONAFICE) was printed as a supplement to El Mercado de Valores (24 September 1984). For brief but insightful reviews of PRONAFICE, see Calvin P. Blair, "Mexico's National Program for Industrial Promotion and Trade, 1984-88," and Sidney Weintraub, "Reflections on Mexico's Industrial Policy," both in The Mexican Forum 5, 3 (July 1985), pp. 1-6 and 6-9 respectively. For a more detailed review, see Rene Villareal Arrambide, "The New Industrialization Strategy in Mexico for the Eighties," in Industrial Strategy and Planning in Mexico and the U.S. ed. Sidney Weintraub (Boulder, Colo.: Westview Press, 1986), pp. 47-59. Rene Villareal served as principal co-ordinating editor for the Plan as Subsecretary for Industrial and Trade Planning within SECOFI. Interview, 7 April 1987. A summary of the *Programa Nacional de Desarrollo Tecnológico y Científico* (PRONDETYC) appears in El Mercado de Valores 44, 37 (10 September 1984), pp. 920-925.

President de la Madrid's proliferation of plans to deal with problems of economic growth and development have their precursors not only in the previous administration in which he served as Secretary of Programming and Budget, but in the history of Mexican planning back to 1930. His planning law of 6 January 1983 replaced the planning law of 1930 and his Immediate Program for the Reordering of the Economy followed Lopez Mateos' Plan for Immediate Action for 1962-1964 which was a response to economic crisis as much as it was an accommodation to the exigencies of the Alliance for Progress. The emphasis on democratic planning and popular consultation to serve as a basis for the plan of government of the party candidate is also a throwback to the administration of Lopez Mateos in preparation for the eventual candidacy of his successor, Diaz Ordaz. For a discussion of both the law on planning and the Lopez Mateos plan as well as an extended treatment on the nature of Mexican planning, see Robert Jones Shafer, Mutual Adjustment Planning (Syracuse, N.Y.: Syracuse University Press, 1966).

25. See *Programa Nacional de Desarrollo*, El Mercado de Valores 43, 24 (13 June 1983) Supplement, pp. 153-154.

26. *ibid.*, p. 94.

27. *ibid.*, p. 155.

28. *ibid.*

29. *ibid.*, p. 96. The plan goes on to elaborate on the sufficiency of the present legislation on foreign investment and specifies the criteria which shall be followed so that the policy with respect to foreign investment ceases to be merely a defensive one and becomes an active and systematic one, thus foreshadowing the foreign investment guidelines which would seek to promote an increase in direct foreign investment. *ibid.*, p. 97.

30. See Jose Luis Cecena, Mexico en La Orbita Imperial 3d. ed. (Mexico, D.F.: Ediciones "El Caballito," 1974), pp. 54-61.

31. Programa Nacional de Desarrollo, El Mercado de Valores 43, 24 (13 June 1983) Supplement, p. 159.

32. These were seen as areas that would impel the development of a scientific infrastructure as well as a productive base and hence contribute to vertical integration in this growing and strategic industry. Programa Nacional de Desarrollo, p. 161.

33. *ibid.*

34. *ibid.*

35. Comercio Exterior 33, 11 (November 1983), p. 1002.

36. William A. Orme, Jr., "Mexico Defends Controversial Foreign Investment Laws," Journal of Commerce, 5 February 1985.

37. Secretaria de Comercio y Fomento Industrial, "Guidelines for Foreign Investment and Objectives for its Promotion," (Foreign Investment National Commission, 1984), pp. 4-5.

38. *ibid.* Additional criteria to be considered as positive factors are the contribution to the creation of employment and territorial decentralization of economic growth (p. 4). These criteria are not necessarily given equal weight given the particular investment peculiarities - e.g., highly capital-intensive or

involving an expansion of a plant already established in an area of industrial concentration.

39. Other areas specified were non-electric equipment and machinery, electric machinery and appliances, high technology areas of metal-mechanics, equipment and material for transportation, certain areas of the chemical industry, precision equipment of other manufacturing industries, advanced technology services such as biotechnology and services associated with the construction and operation of hotels. All were chosen with the intent of modernizing the productive plant and making it more efficient and competitive in terms of exports of goods and services (including tourism). *Ibid.*, pp. 5-6.

40. Poder Ejecutivo Federal, *Programa Nacional de Fomento Industrial y Comercio Exterior*, 1984-88, p. 21.

41. *Ibid.*

42. *Ibid.*, p. 24.

43. *Ibid.*

44. *Ibid.*, p. 25.

45. In his review of PRONAFICE, Weintraub concludes that "The new industrial program has the merit of being a consensual document, but it has the defect of not being as bold a proposal as is called for by the times." Sidney Weintraub, "Reflections on Mexico's Industrial Policy," p. 9.

46. References to this document are to the summary that appeared in El Mercado de Valores 44, 37 (10 September 1984), pp. 920-925. See also *Consejo Nacional de Ciencia y Tecnologia, Serie Documentos Mexico*, 1985. A decree accepting PRONDETYC as law appeared in *Diario Oficial*, 26 November 1984. A further "Law to Coordinate and Promote Scientific and Technological Development" appeared in *Diario Oficial*, 21 January 1985. Basically, the latter centralizes decision-making over science and technology policy in the federal bureaucracy. The Secretary of Programming and Budget is to preside over a newly created Commission for the Planning of Technology and Science. The members of the commission include 10 other cabinet members as well as the Secretary General

of CONACYT, the Rector of UNAM, and the General Director of the *Instituto Politécnico Nacional*. The role of CONACYT, which was to be pivotal under PRONDETYC, becomes an advisory function to that of Programming and Budget under the new law. On this point and for a general critique of PRONDETYC, see Joseph Hodara, "Reflexiones sobre el Programa Nacional de Desarrollo Tecnológico y Científico, 1984-1988," Comercio Exterior 35, 5 (May 1985), pp. 452-456. For a critique on the planning that preceded and served as a basis for that of the de la Madrid administration in the area of science and technology policy, see Dilmus D. James, "La planeación reciente de la ciencia y la tecnología en México," Comercio Exterior 31, 5 (May 1981), p. 491-501. An excellent critical analysis that raises serious questions about the possibility of long range planning required for scientific and technological development due to the restrictions of Mexico's sexennial political cycle, see Miguel S. Wloneczek, "On the Viability of A Policy for Science and Technology in Mexico," Latin American Research Review 16, 1 (1981), pp. 57-78. For a more optimistic view that sees "today's declaration of intent" as "tomorrow's operational policy," see Blair, "Mexico's National Program for Industrial Development and Foreign Trade, 1984-88," p. 6.

47. *Programa Nacional de Desarrollo Tecnológico y Científico*, p. 920.

48. Other priority areas for research are national resources, social conditions, and national heritage (*patrimonio nacional*); nutrition and health; renewable resources; non-renewable resources; agroindustry; chemical-pharmaceutical technology; petrochemicals; metallurgy; construction; and "research on excellence" in other areas. *Ibid.*, pp. 923-924.

49. *Ibid.*, p. 924.

50. *Ibid.*, p. 925.

51. *Ibid.*

52. The classic on the perceived threat of multinationals to national sovereignty is Raymond Vernon, Sovereignty at Bay (New York: Basic Books,

1971). See also Theodore Moran, Copper in Chile (Princeton: Princeton University Press, 1977). For a detailed study outlining steps countries can take in protecting their interests vis-a-vis multinationals, see Francois J. Lombard, The Foreign Investment Screening Process in LDCs: The Case of Colombia (Boulder: Westview Press, 1979). For an excellent review article on the relationships between multinational corporations and developing countries, see H. Jeffrey Leonard, "Multinational Corporations and Politics in Developing Countries," World Politics 33, 3 (April 1980), pp. 454-483.

53. Luis Echeverria Alvarez, "Iniciativa de Ley sobre Inversiones Extranjeras," Comercio Exterior 23, 1 (January 1973) pp. 16-25.

54. The "Law to Promote Mexican Investment and Regulate Foreign Investment" was published in *Diario Oficial* on 9 March 1973. The National Foreign Investment Commission originally included the Ministries of the Interior (*Gobernacion*); Foreign Affairs; Finance and Public Credit; National Resources; Industry and Commerce; Labor and Social Welfare; and the Presidency. The Ministry of the Presidency was replaced on the Commission by the Ministry of Programming and Budget in Lopez Portillo's administration. The Ministry of Energy, Mines and Parastatals (SEMIP) replaced the Ministry of National Resources during the reorganization of the de la Madrid administration. See National Foreign Investment Commission, Foreign Investment: Legal Framework and Its Application (Mexico, 1986), pp. 31, 44, and 45. Subsequent references are from this copy.

55. A full list of these criteria and investment characteristics from Article 13 of the Law appears in the Appendix, Exhibit 3.

56. "Development Program for the Manufacturing of Electronic Computer Systems, Their Main Modules and Peripheral Equipment," SECOFI internal document (hereinafter called "the Computer Plan"), p. 4. The Development Program (*Programa de Fomento*) never attained the status of a decree although it was applied as though it had such status. It became variously known as "The Computer Decree," "the Warman Plan," and, in context, *e/ programa de fomento*. For reference to it as a decree, see Mark P. Jacobsen, "Mexico's Computer Decree: The

Problem of Performance Requirements and a U.S. Response," Law and Policy in International Business 14 (1983), pp. 1159-1195.

57. The Computer Plan, pp. 9-29.

58. *ibid.*, pp. 19-20.

59. "The Integral Development Program for the Electronics Industry," SECOFI internal document, proposed that this formula be replaced with an obligatory parts integration list, with exceptions made only when justified by the competitiveness of the final product (p. 14).

60. The Computer Plan, p. 32.

61. *ibid.*, pp. 32-33. As with the local content requirement, the precise requirement is calculated by a formula that yields a "T" factor (a research and development or technological contribution index). Inputs considered in decreasing level of importance are: development of new systems; development of programs; development of machinery and equipment for testing, to raise productivity, or to improve product technology; adaptation of purchased systems; training of human resources; and provisioning of scientific and technical information. Appendix C to the Computer Plan, pp. 5-7.

62. Jose Martinez, "Computer Industry Sector Analysis," edited by Mollie Shields, Commercial Section, U.S. Embassy Mexico, September 1985, p. 87.

63. *ibid.*, pp. 87, 93.

64. *ibid.*, p. 87.

65. Although 20.2 percent represents a healthy growth rate during conditions of market contraction in Mexico, in the period 1977-1981 the demand for computers in Mexico had grown at a rate of 35 percent. Businessweek (17 May 1982), p. 45. Clearly, this was one of the most dynamic sectors of the electronics industry, an industry which exhibited growth rates of 11.9 percent between 1970-1976, 7.2 percent between 1977-1981, and a 6.75 percent decline in the period 1982-1984. Antonio C. Martin del Campo, "The Electronic and Information Services Industry in Mexico: Evolution and Policy

Options," Paper presented for the Conference on Industrial Organization, Trade and Investment in North America: Canada, Mexico and the U.S. (Merida, Mexico, December 16-18, 1985), Table 5, p. 51.

66. Martinez, "Computer Industry Sector Analysis," p. 87.

67. Table 9 in Jose Warman, "Marcos de referencia y opciones de politica para el desarrollo de la industria electronica en Mexico," Comercio Exterior 34, 1 (January 1984), p. 72. The balances in millions of pesos were converted to dollars (U.S.) using the average rate of exchange for 1979 and 1980 from International Financial Statistics (Washington, D.C.: International Monetary Fund), June 1981.

68. See Lawrence Rout, "Mexico Limits U.S. Makers of Computers," Wall Street Journal 29 January 1982, pp. 31 and 48.

69. Business Week, "Mexico: US Computer Makers Rush To Set Up Plants," 17 May 1982, p. 45. Besides holding 45 percent of the mainframe market, IBM had by Spring 1985 also captured 30 percent of the minicomputer market. See Alejandro Junko, "Computer-Hungry Mexicans and Power-Hungry Bureaucrats," Wall Street Journal, 22 March 1985.

70. AMFABI estimated annual growth rate in the microcomputer market of 20,000 units per year. With IBM proposing to sell nearly 10,000 units per year in Mexico, that would potentially leave only 50 percent of the market for them. IBM, on the other hand, estimated a potential market for the five-year period 1985-1989 of 300,000 units or a growth rate in this area of 60,000 units per year. (This figure comes from Annex 2, "Resumen del Proyecto IBM para la Fabricacion en Mexico de Microcomputadoras IBM(IBM-PC)" of a survey conducted by Sergio Ferragut, head of the Informatics section of CANIECE, on attitudes toward the market reserve in microcomputers.) Hence, IBM could argue that their share of the market would be no more than 16 percent of the market and hence not pose a threat to the survival of existing firms. An independent study published in July 1985, in fact projected a compound average growth rate of 49 percent for the industry from 1985 through 1990. For the period 1985-1989 this averaged to 78,360

single user systems per year. See Tim Berry, The Personal Computer Industry in Mexico (Palo Alto, Ca.: Infotext) Table 11, p. 51. Manuel Conde, general director of IBM de Mexico, had remarked as early as 1982: "If people study the rules carefully, it is clear that there are great opportunities - for small companies, large companies, everybody." Rout, "Mexico Limits U.S. Makers of Computers," p. 48.

71. Data submitted with letter of 30 October 1984 to Humberto Lugo Gil, President of the Grand Commission of the Chamber of Deputies and to the members of the Foreign Investment Commission.

72. Interview with Mario Espinoza de los Reyes, 3 March 1987. Because of differences on the project Espinoza said that at the first working level meeting of the NFIC, the decision was made to further study the project until a clear consensus could be arrived at.

73. This was the Integrated Plan for the Development of the Computer Industry (*Programa Integral para el Desarrollo de la Industria Electronica*, PIDIE), SECOFI internal document.

74. Interview with Cristina Salas Posadas, Subdirector Of Foreign Investments, Ministry of Finance, 27 April 1987.

75. See Antonio C. Martin del Campo, "The Electronic and Informatics Services Industry in Mexico: Evolution and Policy Options," p. 30. See also Ricardo Zermeno, "El Desarrollo y la Difusion de Tecnologias Clave: Oportunidades y Retos para Mexico," Paper delivered at the Seminar on Coordinating High Technology Policies for Industrial Reconversion, Institute of Latin American Studies, the University of Texas at Austin, 27-28 April 1986, p. 14.

76. Details of the report were revealed by Carlos Ramirez in "IBM, Simpatia Por su Proyecto y Diagnostico de Decomposicion," El Financiero, 16 January 1985.

77. In 1985 units were selling at 1.15 to 1.3 times U.S. list prices which was an improvement compared to 2-3 times U.S. prices as recently as 1983-1984. Tim Berry, The Personal Computer Industry in Mexico, Executive Summary, p. 3.

78. Ramirez, "IBM, Simpatia Por su Proyecto," El Financiero, 16 January 1985.

79. Reasons cited for the rejection were that Mexican companies which manufactured microcomputers in Mexico already existed, national investment must not be displaced, and IBM's proposal did not offer an exceptional benefit to warrant considering an exception to the 100 percent market reserve to Mexican nationals in this area. See William A. Orme, Jr. "Government Calls Plant a Threat to Mexican Firms," Washington Post 19 January 1985, pp. C-1, C-2.

80. See Ramirez, "IBM, Simpatia Por su Proyecto," El Financiero, 16 January 1985. A fuller treatment of Hegewisch's requirements is provided in chapter six in a discussion on the bargaining process.

81. That would have involved a \$500 million investment. Interview with Alejandro del Toro, Sales Division, IBM de Mexico, 5 March 1987.

82. Steve Frazier, "Mexico Pledges Spending Curbs in IMF Accord," Wall Street Journal, 26 March 1985, p. 35.

83. In addition to lower oil prices, the volume of oil exports also dropped 13 percent in January 1985 as Mexico attempted to resist price cuts. See Frazier, "Mexican Peso to be Devalued More Quickly," Wall Street Journal, 7 March 1985. The effect of a \$1 drop in the price of oil was a \$550 million loss in export revenues. See Richard J. Meislin, "Mexico Encounters Problems of Growth," 10 June 1985. Exacerbating the problems of a further anticipated drop in the price of oil was the dependence of Mexico's budget on oil revenues. Besides accounting for 70 percent of export revenues, in 1985 oil also accounted for 44 percent of the Treasury's receipts. Quarterly Economic Review of Mexico, 1985 Supplement (London: The Economist Publications Ltd., 1985), p. 9. See also Steve Frazier and Mary Williams Walsh, "Dropping Oil Prices Harm Mexico's Chances of Handling Its \$95 Million Debt Burden," Wall Street Journal, 12 July 1985. Inflation which ran 100 percent in 1981 was reduced to 60 percent by 1984 but was holding steady at that level during 1985. Richard J. Meislin, "Mexico Tightens Austerity," New York Times 11 February 1985, p. D4.

84. The Economist, "Mexico fails to pass politics, philosophy and economics," 18 May 1985.

85. Frazier and Walsh, "Dropping Oil Prices," Wall Street Journal, 12 July 1985.

86. Frazier, "Mexico Peso to be Devalued More Quickly," 7 March 1985.

87. See Richard J. Melslin, "Mexico Rejects I.B.M. Control For New Plant," New York Times 19 January 1985, p. 1. See also T. Elaine Carey, "Mexico to foreign investors: 'si' and 'no,'" Christian Science Monitor 7 March 1985. The effect was a feeling of inconsistency on policy application and hence considerable uncertainty as to what Mexico would or would not approve.

88. Aurora Berdejo Arvizu, "Sube 20% el Dolar Controlado; Recorte de 150 mil Millones," Excelsior, 25 July 1985, pp. 1 and ff.

89. Ibid., p. 10-A.

CHAPTER 5

ORGANIZATIONAL PROCESS

The purpose of this chapter is to explore whether the organizational process model does a better job of explaining the IBM decision than do the authoritarian or rational actor models. If so, we can expect to find power dispersed among certain bureaucratic organizations[1] with influence on the final outcome limited to bureaucrats.[2] This would lend support to the ascendant bureaucracy thesis[3] and would diminish the authoritarian decision-making model while not necessarily supporting an interest group approach whereby the private sector exercises power to gain concessions from the government.

To test whether the organizational process model is at play in the Mexican IBM decision we need to look for the following features predicted by the model:

1. the handling of a proposal requiring a decision would be determined by organizational *routine* not by the direction of government leaders;
2. flexibility to deal with conflict would be limited and any change to the original proposal would be of an incremental nature;
3. a favorable decision to a proposal would be

contingent on the administration's ability to mesh the proposal with one of its predetermined goals.[4]

In applying this model to the Mexican IBM decision I will focus on the manner in which the Ministry of Commerce and Industrial Development (SECOFI) handles proposals for majority foreign investment which require involvement of the National Foreign Investment Commission. Secondly, I will look at the manner in which this intersecretarial commission handled conflict with respect to IBM's proposal. Finally, I will focus on the commission's attempt to mesh IBM's proposal with pre-determined goals.

The Foreign Investment Screening Process[5]

In any large organization, routines serve the purpose of standardizing responses to demands for that organization's action. In the case of the National Foreign Investment Commission, the foreign investment decision-making body within the Mexican bureaucracy, decisions on foreign investment are routinely made at the level of general director. That is the working level at which the Ministers of the Interior (SG), Foreign Relations (SRE), Labor and Social Welfare (STPS), Commerce and Industrial Development (SECOFI),

Finance (SHCP), Programming and Budget (SPP), and Energy, Mines and Parastatals (SEMIP) are represented within the National Foreign Investment Commission (NFIC). At this level the Commission is chaired by the Subsecretary of Foreign Investments Regulation and Technology Transfer from the Ministry of Commerce and Industrial Development. In addition to these members, SECOFI may have present the General Directors of Foreign Investment; Technology Transfer; Studies and Diffusion; and the Subsecretary of Industrial Promotion to answer any questions that other members of the Commission may have on technical matters.

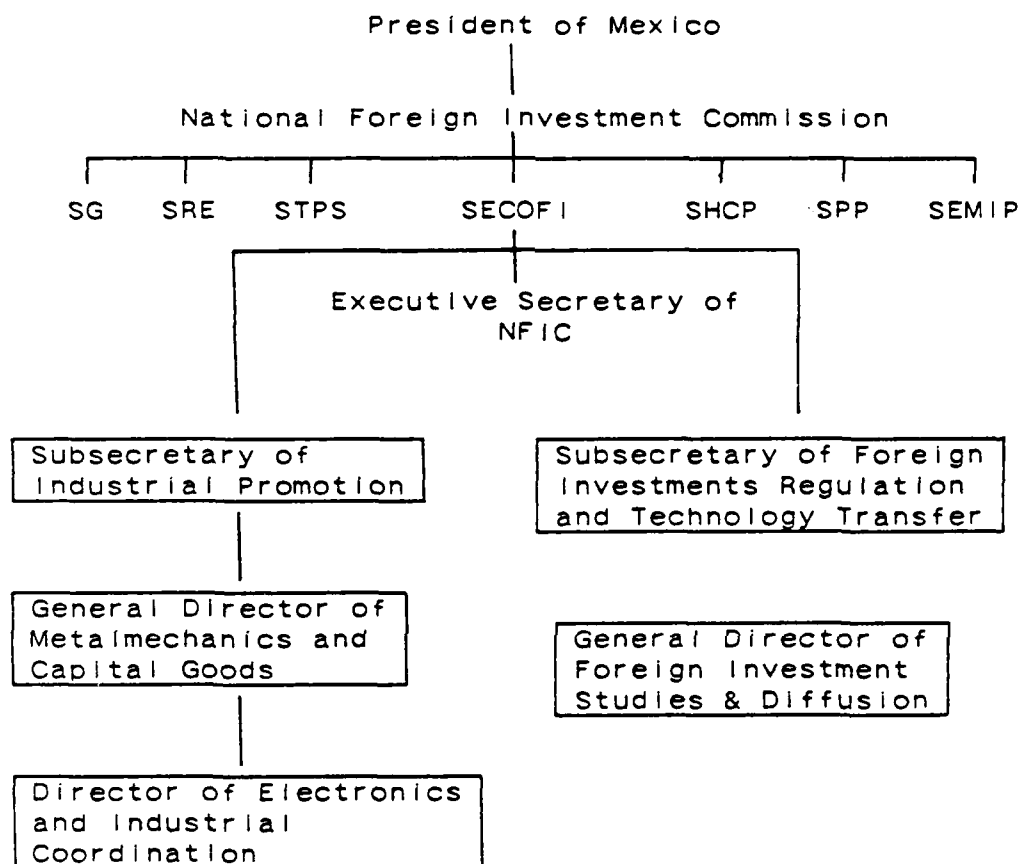
Operatively, a proposal for foreign investment would go to the General Directorate of Foreign Investment. A recommendation on the proposal would then be prepared by the General Directorate on Studies and Diffusion with inputs as necessary from the General Directorate of Technology Transfer and, at the time of the IBM decision, from the Subsecretariat of Industrial Promotion. This recommendation is then formally presented to the working level of the Commission which meets monthly or bi-monthly, depending on the number of investment proposals submitted. Before the members

meet, a copy of the report is circulated so that the members may consult with their respective superiors as necessary so as to formulate a position on a particular case. Each Ministry is careful to see that, aside from the general criteria stipulated by law, its own interests are not jeopardized. Each member in turn then voices his Ministry's approval or reservations about the individual proposals.[6]

In the IBM case, the recommendation that was circulated expressed both recommendations for approval from the Foreign Investments branch as well as reservations voiced by the Industrial Promotion branch of SECOFI. Hence, the proposal met with neither total rejection nor total approval. In such a situation, the working level had to defer to their superiors and, thus, governmental leaders at the ministerial level did get involved.[7] As Kissinger points out, senior decision makers get involved only when there is unresolved conflict at lower levels:

decisions do not get made until they appear as an administrative issue. One cannot convince a high level official that he has a problem until it appears unambiguously in the form of an administrative conflict.[8]

Conflict was certainly present within the Ministry of



Note: The Subsecretary of Foreign Investments Regulation and Technology Transfer serves as the Executive Secretary of the NFIC.

Source: Compiled from Foreign Investment: Legal Framework and Its Application (Mexico: National Commission of Foreign Investment, 1986), Article 11, pp. 31, 32 and 45 and from Secretaría de Comercio y Fomento Industrial, Manual General de Organización de la Secretaría de Comercio y Fomento Industrial, 20 October 1986, pp. 31 and 47.

Figure 3. National Foreign Investment Commission
(partial organizational chart)

Commerce and Industrial Development between the Subsecretariat of Industrial Development and the newly created Subsecretariat of Foreign Investments Regulation and Technology Transfer.[9] Figure 3 shows the organizational chart that locates the two subsecretariats.

March and Simon define conflict in organizations as

a breakdown in the standard mechanisms of decision-making so that an individual or group experiences difficulty in selecting an alternative action.[10]

This was the case with the IBM proposal and the reason why the case was deferred from the working level to the ministerial level of the National Foreign Investment Commission.[11] Even at the ministerial level there was difficulty in approving the proposal due to the opposition encountered both within SECOFI and from AMFABI, who worried about the possible negative consequences of granting approval. As Lombard points out

Most country officials are cautious not to approve a project which would have a negative effect on the country and hence on their own administrative careers.[12]

It is precisely to gauge the benefits to the country of a specific foreign investment proposal as well as to be able to exercise some bargaining power that each

proposal is evaluated *ad hoc* by the National Foreign Investment Commission whether at the working or the ministerial level. This discretionary power is granted to the Commission by Article 5 of the Foreign Investment Law:

In cases where legal provisions or regulation do not specify a given percentage, foreign investment may hold up to 49 percent of the capital of business enterprises provided it is not empowered, by any title, to control the management of the business enterprise.

The National Commission of Foreign Investment may decide on the increase or reduction of the percentage to which the preceding paragraph refers when it judges this to be in the interest of the country's economy, and it may establish the conditions under which foreign investment will be accepted in specific cases.[13]

The utilization of this provision since enactment of the law has been sparse. Between 1973 and 1978 only nineteen projects involving majority foreign capital were approved. In 1979 and 1980 twenty-five were approved but only seven of these involved 100 percent foreign capital.[14]

Perhaps the most controversial aspect of Article 5 cited above is the following stipulation:

When laws or regulations exist for a given activity, foreign investment shall

comply with the percentage and conditions specified in such laws or regulations.[15]

AMFABI used this provision to argue that IBM wanted to change the "rules of the game." AMFABI also argued that the Computer Plan which specified 51 percent Mexican majority ownership in the field of microcomputers needed to be enacted into law thus leaving no doubt as to what the "rules of the game" were to be. The Computer Plan was the product of the Subsecretariat of Industrial Promotion. These officials were not disposed to jeopardize the budding electronics industry they had fostered in favor of IBM with a demonstrated capability for market dominance - at least in minicomputers and mainframes. Hence in the IBM case, it was not a question of a routine application of policy to a demand for action because conflicting criteria or policies could be found to support both an approval and a rejection. Rather, Kissinger's remarks on the efficacy of policy such as a "Vietnam policy" vis-a-vis the specific programs of competing agencies are more apropos:

There is no such thing as a Vietnam policy; there is a series of programs of individual agencies concerned with Vietnam. The programs are reconciled or not, as the case may be, if there is conflict between the operating agencies.[16]

How then did the National Foreign Investment Commission resolve the conflict within SECOFI so as to arrive at an acceptable decision?

Incrementalism

The organizational process model suggests that flexibility would be limited and any changes in the proposal would be incremental. The difficult task was to arrive at a consensus. Although technically the Commission at either the working level or the ministerial level could utilize the mechanism of majority vote to decide a case, it was not accustomed to do so.[17] The two other mechanisms for arriving at a decision in committee are the application of a unanimity rules or a dictatorial rule.[18] The NFIC was accustomed to applying a unanimity rule; failing that, a decision on a proposal would be delayed pending further study[19] or a proposal would simply be denied unanimously. As March and Simon suggest, it is not unusual for task-oriented organizations to seek consensus.[20]

The chief obstacle to achieving unanimity in favor of approval came within SECOFI itself from the Subsecretariat of Industrial Promotion. Whereas the

Minister of Labor was initially against the proposal due to the small number of jobs projected - 80 - his was not a strong opposition given that a large number of jobs could not be expected to be part of a proposal that was capital-intensive in nature. Nevertheless, the Ministry of Labor's opposition was calculated to gain some concessions from IBM.[21] Likewise, SEMIP had an affinity with SECOFI's Industrial Promotions branch in promoting national industrial development.[22] None of the other ministries had any strong opposition to IBM's proposal but neither were they willing to voice their support in the face of indecision on the part of SECOFI and reservations by STPS and SEMIP.[23]

The Commission's inability to decide had four elements - institutional, technical, economic, and political.[24] Institutionally, the Commission had to adjust to the elevation of the General Directorate of Foreign Investments to the level of a Subsecretariat. The upgrading of the position signified a change in President de la Madrid's intent to open up foreign investment in priority areas concretizing his policy of actively promoting foreign investment while not ceasing to regulate it in accordance with existing laws and

programs. To what extent this shift would affect Mexicanization policy in the area of microcomputers was an adjustment that would come about only incrementally in interaction with Industrial Promotion.

In the technical dimension, the final decision was delayed awaiting the elaboration of the Industrial Development Program (PRONAFICE), the acceptance of the Integral Development Program for the Development of the Electronics Industry (PIDIE) as the definitive rules of the game, the preparation and publication of the General Resolutions on Foreign Investment, and further study of the proposal. PRONAFICE was published in July 1984 and while it recognized the importance of foreign investment for technology transfer, plant modernization, and export promotion as well as the need for rationalizing protectionism, it also postulated the importance of a nationally developed electronics industry. Hence, it was no tie-breaker. The General Resolutions of Foreign Investment were intended to streamline the process by which foreign investment proposals were to be reviewed. These were published also at the end of July 1984. However, the streamlined procedures were not applied in the IBM case.[25] PIDIE, like its predecessor, the

Computer Plan, was never published. Studies were accomplished by both sides, those favoring a national electronics industry concluding that IBM admittance would be harmful to a budding electronics industry.[26] A study by the Foreign Investments branch pointed out the inefficiencies of the current industry and the contributions the IBM proposal offered in terms of exporting, balance of payments, and leading technology.[27] The conclusion of these studies was that the claims that IBM would take over the Mexican microcomputer market were exaggerated.[28]

From an economic point of view, a delay in approving the IBM proposal is explained by the fact that in 1983 Mexico had built up a surplus in its current account balance. In 1984 the current account balance was still positive but diminishing.[29] This was accompanied by a 39 percent drop in the demand for computation equipment in 1982 and 1983 which had not yet recovered 1981 levels in 1984.[30] Hence, by the end of 1984, there was not a pressing need to endorse the contributions that IBM's relatively small \$6.6 million direct investment would offer. In 1985, on the other hand, the drop in oil prices, pressures to live up to

agreements with the IMF, the need to support non-petroleum products and the prospects that IBM's investment along with those of other companies offered Mexico in this regard, help to explain, from the economic point of view, Mexico's eventual acceptance of the IBM proposal.[31]

In the meantime, besides the institutional, technical and economic factors, political pressures also contributed to the delay in the IBM decision. Pressures from AMFABI in its open letters to the Minister of Commerce and Industrial Development and to the President as well as its lobbying in the Chamber of Deputies and declarations to the press raised the political stakes of approving the IBM proposal. On the other side, pressures from IBM were resented and resisted by officials within the Industrial Promotions Subsecretariat. While there was some intervention on the part of the U.S. Embassy, this mainly involved resistance to the publishing of PIDIE rather than active lobbying for IBM.[32]

Due to all of these factors, consideration of IBM's proposal was prolonged. In the absence of any substantial change in IBM's proposal even of an

incremental nature, flexibility of the NFIC to deal with conflict was limited and on January 17, 1985 IBM's proposal was officially rejected. However, it was made clear that the proposal should be resubmitted for reconsideration with provisions that would make it attractive for the Mexican government to accept.

Means-Ends Analysis

Resubmission under these terms assumed, of course that the Mexican government had a unified set of goals that at least those involved in the decision-making body, the National Foreign Investment Commission, shared. Under this assumption, the problem would be simply to mesh elements of IBM's proposal with predetermined government goals. This approach differs from the rational policy approach in that the means need only satisfy governmental goals not optimize them. Basically, this is a problem-solving approach. However, such an approach is only one of four possible reactions to organizational conflict. March and Simon list three other possible reactions - persuasion, bargaining and "politics." [33]

In the problem-solving approach, objectives are

shared and the problem is to identify a solution that satisfies the shared criteria. Whereas all of the members of the Commission shared the goal of resurrecting Mexico's faltering economy, there was disagreement as to the best means to achieve that. Within SECOFI, the Industrial Promotion officials believed that the promotion of a national industry that was protected by a market reserve in the area of microcomputers was the best way to contribute to the achievement of national self-sufficiency in an industry that was considered a leading sector for industrial growth. Foreign Investment officials, on the other hand, were convinced that protectionist policies had failed in the past to produce industries that were competitive in the international market and what the nation needed at the moment was to export non-petroleum products. In the microcomputer industry, foreign investors that could introduce the latest technology would help to modernize the industrial plant, make it more competitive internationally, and would be in the best position to contribute to Mexico's export effort by using their already established export channels.[34] Hence, with viewpoints as divergent as that on the objectives by which to arrive at a common goal, the

problem-solving approach does not explain the reaction that the Foreign Investments Commission adopted to the conflict over the IBM case.

In the persuasion approach, individual goals may differ within an organization but goals may not be taken as fixed. However, as March and Simon point out, "at some level objectives are shared and disagreement over subgoals can be mediated by reference to a common goal." [35] This approach differs from the problem-solving approach. Whereas in the problem-solving approach, it becomes incumbent upon the different agency heads and their staff to arrive at a mutual solution, in the persuasion approach it becomes the role of the President as leader and mediator to get the dissenting groups to adopt a common objective in pursuit of a common goal. [36] There is no evidence that President de la Madrid acted in this fashion during the deliberation of the IBM case. [37]

Unlike the persuasion approach, the bargaining approach takes disagreement over goals as fixed and agreement is sought without persuasion. [38] Whereas the persuasion approach assumes a paternal structure, the bargaining approach recognizes a fraternal structure of

co-equals. Signs of a bargaining approach are conflicts of interest and falsification of position. The conflicts of interest are clearly evident in this case as has already been pointed out. One official from Industrial Promotion accused officials from Foreign Investments of falsifying their position and, in fact, of criticizing the Computer Plan without even having read the document.[39] While the disagreement that this approach requires was present, there was no movement toward agreement based on a give-and-take relationship between government officials in this case.

That leaves only the "politics" approach as the process for achieving resolution of conflict within the organization. This approach assumes a situation similar to that of bargaining - an intergroup conflict of interest - but the arena of conflict is not taken as fixed by the participants.[40] Rather, an expansion of the conflict results in an attempt to form allies to strengthen one's position and influence the final outcome in one's favor.[41] This did occur in the IBM case. From the moment that members of Industrial Promotion obtained copies of IBM's proposal, leaks of the proposal occurred to members of CANIECE who would be

affected by it.[42] These members then went on to form AMFABI to oppose IBM's approval under 100 percent foreign equity. Hence, members of Industrial Development utilized their links with CANIECE that led to the creation of an opposition force. This force, AMFABI, itself attempted to forge links with leftist parties within the Chamber of Deputies to gather strength in opposing IBM's proposal.

Conclusion

Though the organizational process was an essential element in understanding the evolution of the IBM decision, it alone does not explain the course or nature of the final outcome. The IBM case was certainly not a routine demand handled by the government bureaucracy through one of its standard operating procedures. The National Foreign Investment Commission did find its flexibility to deal with conflict limited. While changes were made to the proposal, this was done in one wholesale revision rather than by small incremental steps. A means-ends analysis whereby a problem-solving approach would mesh elements of the proposal to predetermined goals was not utilized since there was disagreement over common goals. Rather, there was

resort to a "politics" approach whereby expansion of the conflict to outside participants was utilized to gain allies. It is this approach which we turn to in the next chapter for an explanation of the IBM decision.

NOTES

1. With Michels we would expect that organization means oligarchy. See Robert Michels, "The Iron Law of Oligarchy" excerpt from Political Parties in Comparative Politics: Notes and Readings 4th ed. Edited by Roy C. Macridis and Bernard E. Brown (Homewood, Ill.: The Dorsey Press, 1972), pp. 213-220. In the area of industrial policy, we might also expect to see a structure similar to that employed by large corporations for arriving at policy decisions for the firm - a board of directors headed by a chief executive officer. As for the process, or mechanism by which decisions are arrived at, we would expect either a process of bargaining, compromise, and mutual adjustment suggested by Charles E. Lindblom, The Intelligence of Democracy: Decision Making Through Mutual Adjustment (N.Y.: The Free Press, 1965) or a mechanism that imposes a decision when compromise or consensus is lacking as in a bureaucratic-authoritarian regime. For a discussion of the bureaucratic-authoritarian regime, see Guillermo O'Donnell, Modernization and Bureaucratic Authoritarianism: Studies in South American Politics (Berkeley: Institute of International Studies, University of California, 1973). For an application of this model to the current Mexican political system, see Mentor Martinez Tijerina, Administration et regime politique au Mexique: La participation des fonctionnaires a la politique dans un regime autoritaire (Ph.D. dissertation, University of Paris, February 1986). For a comparative perspective that sees all bureaucracy that is unrestrained by democratic processes as authoritarian, see Lawrence S. Graham, "Public Policy and Administration in Comparative Perspective," in New Directions in Comparative Politics ed. Howard J. Wiarda (Boulder: Westview Press, 1985), pp. 169-199.

2. The question of relative independence of the bureaucracy from presidential authority is raised by Rose J. Spalding, "State Power and Its Limits: Corporatism in Mexico," Comparative Political Studies 14, 2 (1981), pp. 139-161.

3. The thesis is addressed by Carolyn Needleman and Martin Needleman, "Who Rules Mexico?" Journal of

Politics 31, 4 (November 1969), pp. 1011-1034. On the role of technocrats and the question of an ascendant bureaucracy in the Mexican political system, see also Roderic Al Camp, "The Middle-Level Technocrat in Mexico," The Journal of Developing Areas 6 (July 1972), pp. 571-582; Merilee S. Grindle, "Power, Expertise, and the 'Tecnico': Suggestions from a Mexican Case Study," The Journal of Politics 39 (May 1972), pp. 399-427; and Roderic A. Camp, "The Political Technocrat in Mexico and the Survival of the Political System," Latin American Research Review 32, 1 (January 1985), pp. 97-118.

4. Graham T. Allison, "Conceptual Models and the Cuban Missile Crisis," The American Political Science Review 63 (September 1969), pp. 702-703.

5. An excellent study of the foreign investment screening process as applied to the Colombian case is that of Francis J. Lombard, The Foreign Investment Screening Process in LDCs: The Case of Colombia, 1967-1975 (Boulder: Westview Press, 1979). Lombard examines the historical, political and economic factors as well as the impact of external influence. Chapter 6, "The Implementing of the Foreign Investment Rules," best parallels the efforts in this chapter to determine the organizational process and its efficiency in arriving at a decision on IBM's proposal.

6. Interview with Cristina Salas Posadas, 27 April 1987.

7. Interview with Mario Espinoza de los Reyes, 3 March 1987.

8. Henry Kissinger, "Bureaucracy and Policymaking: The Effects of Insiders and Outsiders on the Policy Process," in Readings in American Foreign Policy eds. Morton H. Halperin and Arnold Kantner (Boston: Little, Brown and Co., 1973), p. 87.

9. In a sense, conflict was inevitable given the inconsistent mandates of each. The mandate of the Industrial Promotion Subsecretariat had historically been to promote national industrial development which traditionally involved the protection of national firms under the ISI development model. The mandate assigned to the newly created Subsecretariat of Foreign Investments Regulation and Technology Transfer was to

promote and attract foreign investment. That involved a willingness to accept majority foreign investment in areas considered strategic for Mexican resumption of economic growth - an essential imperative to recover from the debt-related economic crisis. Despite the fact that "regulation" appeared in the title of the new subsecretariat, it came to be criticized for being an agent of promotion rather than regulation of foreign investment. See Jose Luis Camacho, "Broadening IBM's Field of Action will Affect Our National Sovereignty," El Dia, 23 October 1984, translation from IBM's Americas/Far East Press Review, 31 October 1984.

10. James G. March and Herbert A. Simon, Organizations (N.Y.: John Wiley and Sons, Inc. 1958), p. 112.

11. Interview with Cristina Salas Posadas, 27 April 1987 reaffirmed interview with another official on the same subject.

12. Lombard, The Foreign Investment Screening Process, p. 197. Even those ministers who were for the project (or who at least did not oppose it) did not strongly support it as they saw no political gain in doing so. Interview with Manuel Escalante, Governmental Relations, IBM de Mexico, 9 February 1987.

13. "Law to Promote Mexican Investment and to Regulate Foreign Investment, " in Foreign Investment: Legal Framework and Its Application (National Commission on Foreign Investment, Mexico, 1986), p. 28. Subsequent citations of this Law are from this source. Article 12, Section IV further empowers the NFIC to "decide on the participation of foreign investment existing in Mexico in new fields of economic activity or in new production lines," *ibid.*, p. 33. Likewise, section II of Article 12 empowers the Commission "to decide on percentages and conditions in which foreign investment shall be accepted in specific cases where, because of exceptional circumstances, special treatment is called for." *ibid.*, p. 32. General Resolution 13 is one of 15 addenda published whose purpose is to clarify the provisions of the Law on Foreign Investments and streamline its application. General Resolution 13 further delineates the definitions of new fields of economic activity and new product lines. *ibid.*, pp. 112-117.

14. Business International Corporation, IL & T Mexico,

May 1984, p. 8.

15. "Law to Promote Mexican Investment," p. 28.

16. Kissinger, "Bureaucracy and Policymaking," p. 87.

17. Interview with government official who requested anonymity. Also interview with Jose Perez Lizaur, General Director of Employment, STPS, 10 February 1987.

18. See March and Simon, Organizations, p. 118.

19. March and Simon postulate that if no alternative is clearly better than the others or if the best alternative is not "good enough," there will be delay. March and Simon, Organizations, p. 113.

20. March and Simon, *ibid.*, p. 118. In the IBM case, the ministers convoked to decide the case were uncomfortable with the fact that there were cons as well as pros offered in the case. In late Fall 1984, they decided therefore that further study was necessary. Interview with Mario Espinoza de los Reyes, 3 March 1987.

21. This position in fact changed when IBM agreed to provide more jobs - 240 direct and 1460 indirect versus 80 and 819 respectively in the original proposal. Another factor encouraging the Ministry of Labor to change its position was the increase in the local content incorporation from a schedule of 35 percent in the first and 50 percent in subsequent years to a schedule of 35-65-72-82 percent in four years. Interview with Jose Perez Lizaur, 10 February 1987.

22. Interview with Manuel Escalante, IBM Governmental Relations, 9 February 1987.

23. *ibid.* The same was true in the case of the GATT decision. Those who opposed GATT entry were vociferous in their opposition but those who favored it were silent. See Dale Story, "Trade Politics in the Third World: A Case Study of the Mexican GATT Decision." International Organization 36, 4 (Autumn 1972), pp. 790-791.

24. Interview with Juan Manuel Ugarte Chavez, Legal Coordinator for the Subsecretary of Industrial

Promotion, 20 April 1987.

25. Ironically General Resolution No. 1 designed to streamline the foreign investment screening process, stipulated that a decision on a proposal had to be rendered within 30 working days beginning on the day a file was completed. See Foreign Investment: Legal Framework and Its Application, pp. 81-82.

26. Discussed In Chapter 4.

27. Discussed In Chapter 4.

28. Interview with Jose Perez Lizaur, General Director of Employment, STPS, 10 February 1987. Dr. Jose Warman, architect of the PIDIE, himself acknowledged that IBM would have a difficult time penetrating the market because IBM's prices were higher than those offered by national firms such as Printaform.

29. In 1983 Mexico's current account surplus was \$5.546 billion. In 1984 this surplus had decreased to \$3.963 billion. Interamerican Development Bank, Economic and Social Progress In Latin America, 1985 Report, p. 306.

30. Using Imports as an Index of demand, there was a drop in demand for professional computation equipment from \$256.3 million in 1981 to \$157.5 million in 1982 and \$98.2 million in 1983. While imports of this equipment were back up to 1982 levels in 1984, this was still 39 percent below that of 1981. See CANIECE data in Table 5, chapter 4, above.

31. Views on whether economic considerations were the predominant determining factor are split even within the same Foreign Investments branch. Eduardo Caro Bueno credits the approval to economic factors as does Ricardo Zermeno from the Directorate for the Electronics Industry. Interviewed 3 March and 24 February, 1987 respectively. Gerardo Gustavo Gomez Bustos, on the other hand, credits the final decision to political factors since the IBM proposal by itself would not solve Mexico's economic problems. He interprets the decision as a signal that Mexico was indeed serious about attracting foreign investment. Interview, 3 April 1987. A fuller explanation would accept both factors as integral to the final decision.

32. Concern for publication of PIDIE arose from the negative effects on U.S. firms from the Pharmaceuticals Decree of 22 February 1984. The decree stipulated requirements on generic labeling of drug products, treatment of raw materials producers, and pricing policies that generally lessened protections accorded drug inventors and favored local drug companies. A copy of the original decree is available in "Fomento y Regulacion de la Industria Farmaceutica," El Mercado de Valores 44, 10 (5 March 1984), pp. 238-241. For a report on the softening of these provisions in response to negotiations with pharmaceutical manufacturers, see "Mexican Drug Firms Win Major Concessions On Pharmaceutical Decree," Business Latin America 3 April 1985, pp. 105 & ff. In an effort to head off the same type of decree in the electronics industry, the U.S. Embassy Commercial section opposed its publication, not as an effort to support IBM *per se* but any company wishing to do business with Mexico in the area of computation and electronics. Commercial Attache Robert Miller explained that the Embassy was willing to help whichever company asked for assistance. Interview, 2 February 1987.

33. March and Simon, Organizations, p. 129.

34. Whereas the speeches of Mauricio de Maria y Campos were filled with references to developing a national self-sufficiency so that Mexico could achieve independent status in the twenty-first century, those of Adolfo Hegewisch were filled with references to foreign investment as one of the motor forces of reindustrialization, as a vehicle to access new technology, finance research, and permit the substitution of imports. On Maria y Campos, see especially the opening remarks to CANIECE on inauguration of the Sixth Exposition of the Mexican Electronics Industry, Electronic-Expo 85, reproduced in Contacto 6 (February 1985), pp. 5-9. On Hegewisch, see especially "Esperamos Un Ano Muy Activo en el Flujo de Capital Extranjero Hacia Mexico: Hegewisch," *Ibid.*, pp. 14-15.

35. March and Simon, Organizations, p. 129.

36. Richard Neustadt in Presidential Power (New York: Wiley, 1980) identifies this as the primary function of

the president within the American political system.

37. Such a posture would imply a sharing of power of the president with his cabinet and even a diminishment of presidential power should persuasion fail. Mario Espinoza pointed out that President de la Madrid had adopted a style of governing that gave his cabinet considerable latitude in resolving conflict amongst them. He would rarely intervene but would let them hash out the terms of consensus. Interview, 3 March 1987.

38. March and Simon, Organizations, p. 129.

39. Interview with official who requested anonymity.

40. March and Simon, Organizations, p. 130.

41. See Allison, "Conceptual Models and the Cuban Missile Crisis," The American Political Science Review 63 (September 1969), p. 711.

42. Interview with Mario Espinoza de los Reyes, General Director of Foreign Investment Studies and Diffusion, 3 March 1987. In October when it appeared that the Executive Director of the Foreign Investment Commission would recommend approval of the project to the Foreign Investment Commission, Industrial Promotion officials again filtered information to AMFABI and the press to raise the political stakes against such an approval. Interview with Mario Esteva Maraboto, ex-IBM official, 24 February 1987.

CHAPTER 6

POLITICKING

In discussing the Mexican IBM decision from the perspective of different decision-making models - authoritarian, rational policy, organizational process - it has been impossible to leave out political considerations. By political we mean those involving the haul and pull in different directions by groups on opposite sides of an issue. The "political" is the dimension which Harold Lasswell defines as "who gets what, when, how." [1] It is this dimension to which we turn in this chapter to seek to improve our understanding of the Mexican decision-making process through our focus on the IBM case. I chose the term "politicking" rather than "bureaucratic politics" in order to separate analytically organizational processes that take place within bureaucracies from the cross-cutting patterns of power and influence that are exercised by both a rational actor (the president in a presidential system) and interest groups as well as "the leaders that sit atop bureaucracies." Hence, this gives

us a broader perspective of the political process and avoids some of the limitations of a "bureaucratic politics" perspective.[2]

The primacy of politics is recognized at different levels of generalization. Speaking of development objectives, Richard Lombardi asserts the following:

Politics as an art does not assume that man as a social animal can be reduced to a set of scientific laws that are at once necessary, universal and unchanging. Politics assumes value judgement at the heart of all political order. In this manner, the world, instead of being determined, is chosen.[3]

Although not dealing with foreign direct investment but, as does Lombardi, with the international debt crisis, Wionczek makes the following observation:

Contrary to the established wisdom, neither the international financial agencies, the international banking community, government officials of the borrowing countries, nor even the private borrowers are dispassionate angels. All have their ideologies, political and economic objectives, and bureaucratic interests, among others, which more often than not are in conflict with those of the other actors, independent of whether the actual transactions are of a multilateral or bilateral nature. Under these conditions, crisis gestation, indebtedness accumulation, and external adjustment processes cannot be reduced to models, equations, targets and statistical series manipulations. The international financial relations have always been, are now, and shall be exercises in power and politics.[4]

On the role of politics in setting the direction which organizational process is to follow, Cordera and Tello note the following:

good and efficient public administration forms part of any government program oriented toward confronting the problem of development. But politics as the science of the state and the art of resolving and channelling social conflicts, is the factor that must define the grand directions and mark out basic patterns for the administration to follow.[5]

Finally, more directly related to the present study is the explicit recognition given by de la Madrid's Minister of Programming and Budget (and PRI's presidential candidate) to the primacy of the political in planning and decision-making:

The system of national planning inaugurated is not simply a process of making decisions, selecting alternatives and assigning resources; the planning and popular participation which supports it, in the measure in which it transforms social reality, has an essentially political character.[6]

If the IBM decision can best be explained by the politicking model, we would expect the following features to be present in the decision-making process:

1. individual players favor a decision that is in accord with their priorities and "the face of the issues" they see;
2. individual players attempt to build coalitions to

- convince others that what needs to be done is what they propose be done; and
3. the decision outcome is different from what any player proposed.[7]

I will proceed by focusing first on the principal actors, their policy preferences and the issues that they raised. Secondly, I will examine the alliances they formed and their attempts to influence the decision via these alliances. Finally, I will look at the effect of bargaining and the exercise of power on the final outcome vis-a-vis the original proposal.

Actors, Preferences and Issues

In broad terms, the political process may be described as an attempt by at least one group of committed actors to sway the uncommitted in attempts to persuade the decisionmaker(s) to decide in their favor on a particular issue.[8] Of interest, then, is identifying who the committed are, what they are committed to, and by what mechanisms they attempt to sway the uncommitted to their side.

In the IBM case, the two groups of committed actors were those who favored IBM's entrance into the microcomputer market and those who were opposed. The major protagonists were, of course, IBM in the first

group and AMFABI in the second. The first group included officials within the Foreign Investments Regulation and Technology Transfer Subsecretariat of SECOFI. Prominent among these was Adolfo Hegewisch Fernandez, the Subsecretary. The U.S. Departments of Commerce and State were sympathetic to IBM's proposal. Sympathetic also (although commitment levels varied) were representatives of private industry associations whose interests lie with the export sector as well as with a more open role for foreign investment and less government intervention in the economy. Representative of export interests is the National Association of Importers and Exporters of the Mexican Republic (*Asociacion Nacional de Importadores y Exportadores de la Republica Mexicana*, ANIERM). Representative of less government intervention in the economy is The Confederation of Employers of the Mexican Republic (*Confederacion Patronal de la Republica Mexicana*, COPARMEX). The views on greater latitude for the private sector and on the benefits to the Mexican economy of an export-led strategy of growth were most prominently represented in the press by Jose Perez Stuart, author of the "Portafolios" column in Excelsior.

Those who sided with AMFABI's opposition to IBM's entry into the Mexican microcomputer market under 100 percent foreign ownership were officials within the Industrial Promotion Subsecretariat of SECOFI. Prominent among these were Mauricio de Maria y Campos, the Subsecretary, Dr. Jose Warman, Director of the Electronics Industry, and Dr. Ricardo Zermeno, Subdirector and subsequent Director of the Electronics Industry. Sympathetic with them were members of leftist political parties and the newspaper columnist who wrote the "Los Capitales" column for Excelsior, Edgar Gonzalez Martinez.

The uncommitted were members of the National Foreign Investment Commission at both the working level and, particularly, at the ministerial level.

The priorities of those committed against IBM's entry involved, explicitly or implicitly, furthering the "Nationalist Project." With respect to the microcomputer industry, the objective was to attain national self-sufficiency in this sector considered a strategic leading industry. The importance of the industry in contributing to Mexico's economic growth was recognized by both Dr. Warman and Dr. Zermeno. Dr. Warman noted

that growth in the electronics industry had been at a rate of 17 percent from 1975 to 1985; that the electronics industry acted not as a final consumption good but as a capital good, i.e. as an input for production; and, that employment in the U.S. electronics industry had grown at an annual rate of 15 percent from 1981 to 1985.[9] He also noted the incorporation of thousands of electronics products in industry and credited the utility and ubiquity of those products for the newly earned reputation of the electronics industry as "the oil in the gears of industry." [10] Dr. Zermeno, likewise, selected electronics among the three leading technologies - electronics, biotechnology and special materials - as the key technology of importance for Mexico at the current time.[11] Both believed in developing national self-sufficiency in the electronics industry and in an active role for the state in promoting it and both expressed bitterness at U.S. officials for supporting policies that benefitted IBM, such as opposing the publication of PIDIE.[12] On the topic of self-sufficiency in the electronics industry, the Subsecretary of Industrial Promotion, Mauricio de Maria y Campos, had this to say:

the government is interested in developing national entrepreneurship as the best option for achieving industrial and technological self-sufficiency in the electronics industry which is a strategic sector of the economy. What we want, and we have said it before, is not only an electronics industry in Mexico but of Mexico. We want to arrive in the twenty-first Century as actors not as mere spectators of industrial development and we have faith in the capacity of Mexican entrepreneurs to achieve it, let that be clear." [13]

In contrast, the priorities of those government officials within the Foreign Investments Subsecretariat committed in favor of IBM's entry aligned more closely with the tenets of the neo-liberal project. The relevance of the electronics industry to national development lay more in the capacity to generate exports and to contribute to the modernization and competitiveness of national industry on an international scale than simply on its ability to develop a self-sufficient capacity to supply the national market with advanced-technology electronic products. Their perspective clearly envisioned more of an export-oriented model of development than that of an import substitution model, although this was a matter of degree. Hence, the role of foreign investment was not only to save foreign exchange by supporting the local

manufacture of previously imported products, but to contribute to the process of modernization, efficiency, competitiveness, and, consequently, export potential that Mexico desperately needed to meet its debt service obligations as well as to establish a more balanced basis for renewed economic growth. Hegewisch makes a clear linkage between foreign investment and export capability in his opening remarks at a seminar on "Guidelines on Policies on the Transfer of Technology" delivered before the Mexican Foreign Trade Institute (IMCE):

We have to approach foreign investment not just as capital flows, but as coming to create an important export plant to rationally and efficiently substitute imports in addition to contributing to an actual transfer of technology.[14]

From these opposing perspectives, the perceptions of the two sets of government officials as to how best to structure policy likely to involve foreign investment in the electronics industry also differed. Whereas the officials from Foreign Investment believed that attracting foreign investment in the electronics sector was a good way to begin the industrial reconversion process in the electronics industry and to make it more competitive in export markets, the officials from

Industrial Promotion emphasized local content requirements to foster vertical integration. While the latter believed in providing protection and fiscal incentives to give an impetus to local entrepreneurs, the former believed that protection had to be rationalized in view of past inefficiencies of protectionist policies.[15] In effect, there was a certain lack of confidence in national entrepreneurs and the mandate to increase foreign investment was, in part, to replace from another source funds that had left the country through capital flight.[16]

These differences over priorities and perceptions affected the different "faces of the issue" that each set of officials saw. With regard to decisionmaking in general in which there is more than one participant, Halperin and Kantner point out that

The individuals involved in decisionmaking do not see the problem in the same way, nor do they have the same interests. Each participant, because of his background and his particular role in the government, has access to different information and has different concerns. Each sees a different face of the issue.[17]

This was true in the IBM case with respect to the issues of defining the rules of the game, foreign/monopoly

displacement of national industry, protectionism, and national self-sufficiency. For the Industrial Promotion officials as well as the leaders of AMFABI the rules of the game needed to be defined. For both defining the rules meant that the market reserve for microcomputers for Mexican majority nationals (51 percent or greater of investment capital) had to be respected. In fact AMFABI and Industrial Promotion officials were in favor of publishing the Computer Plan, or an update thereof, in decree form.[18] To the officials of Foreign Investments, as to IBM, the rules were clear: first, the Foreign Investments Law allowed majority foreign investment in areas of strategic importance to the national interest, and second, the Foreign Investment Guidelines published in February 1984 identified the area of computation (without excluding microcomputers) as one of those areas.[19]

On the issue of foreign monopoly, the officials of Industrial Promotion were sympathetic to AMFABI's arguments that allowing IBM's entry into the microcomputer market would displace national companies. This claim was based on IBM's reputation for dominance in the mainframe and minicomputer markets. In the U.S.

as of July 1985, IBM's share of large systems (mainframes) was 72 percent while it held 31 percent of medium systems, 23 percent of small systems and 29 percent of the personal computer market.[20] In Mexico, the respective shares in March 1985 were 45 percent of the mainframe and 30 percent of the minicomputer market.[21] The projection of IBM dominance in the microcomputer market was based on IBM's market experience in the U.S. where IBM had increased its share of the personal computer (PC) market from 19 percent in 1982 to 35 percent in 1984 at the expense of Apple, Tandy and Hewlett-Packard (see Table 8). In Latin America, Apple had been the dominant maker, holding 70 percent of the market in 1983.[22] In Mexico, its market share had decreased from 70 percent in 1981 to 40 percent in 1983 with the introduction of competing brands.[23] Hence, despite claims that the only objection to IBM was that it did not want to play "by the same rules as everyone else" as Richard Hojel of Apple complained, the underlying issue was a battle for the market - a battle into which Mexican government officials were drawn.

Table 8
PC Market Shares - U.S.

	1982	1984
IBM	19%	35%
Apple	25%	17%
Tandy	13%	*
Hewlett-Packard	5%	*

* Not Reported

Source: El Financiero, "IBM Invertira 56 mil mdp en 5 anos para mantener el liderazgo mundial," 19 January 1985, p. 15.

On the issue of the displacement of national firms due to projected market dominance by IBM, officials from the Foreign Investments subsecretariat tended to support IBM's view that AMFABI's claims were exaggerated.[24] Manuel Conde of IBM had long claimed that there was room enough for everyone.[25] Besides, as Foreign Investment officials pointed out, IBM's project was essentially an export oriented proposal with 92% of production destined for exports to Latin America and North America. With an estimated production-run of 663,000 units, this left 51,000 units or 10,200 units per year to compete in the Mexican market which was variously estimated to demand between 20,000 to 60,000 units per year (with some

estimates ranging from as low as 8,000 to as high as 100,000 units per year).[26] Hegewisch, in a report made available to El Financiero, complained that the Mexican nationals were not meeting the demand of the market. Whereas the demand was estimated as at least 8,000 units per year, local producers were only manufacturing 5000 units per year (as of end 1984).[27] It was estimated that the gap was partially being filled by contraband at the rate of 50 percent of the units installed.[28] On the other hand, the excess of demand over supply benefitted the protected producers in the form of higher prices. Berry notes that in 1985 "Mexican assemblers sold units at prices 1.15 to 1.3 times U.S. list prices, compared to 2-3 times U.S. prices as early as 1983-1984." [29]

On the issue of protectionism versus competitiveness, whereas the Industrial Promotion officials were partial to continuing the protectionist policies embedded in the Computer Plan under which the local microcomputer industry had been constituted,[30] the 1985 report from Hegewisch's office criticized the effects of these policies not only for high prices and low productivity but also for obsolete technology,

problems of quality control, inconsistent maintenance, and failure to achieve national integration goals - a keystone of the program.[31]

Finally, self-sufficiency was a goal highly touted by the Industrial Promotion officials, while officials from Foreign Investment were more receptive to comparative advantage arguments that focused on market niches, complementarity and integration into the world economy.[32] Both sides of the issue were perhaps best expressed in a debate in the Chamber of Deputies. Deputy Ricardo Goveia Autrey of the Socialist Worker's Party (PST) argued against IBM entry by noting that the National Development Program, 1983-1988 had singled out the electronics industry as one of leading technology which should be supported due to the technological base it could provide for strengthening national economic independence.[33] In response, Deputy Miguel Angel Olea Enriquez of the PRI cautioned against risks from choosing either of two extremes. On the one hand, following the Brazilian model which seeks an autonomous electronic and computer industry nationally integrated with a nationally developed technological base would run the risk of consolidating an obsolete and inefficient

technology in a strategic industry. On the other hand, following a model which favors consolidation of a modern and efficient industry with ample capacity to respond to technological change but which would be controlled from abroad with monopolistic characteristics would make Mexico highly vulnerable and dependent on developments abroad. A middle course, Deputy Olea argued, would comply with both the National Development Plan and the Computer Plan. In the goals of consolidating an industry that would be competitive and efficient and incorporate elements of national integration. But he criticized the national industrialists in the electronics industry for selling at prices 50 percent above the market, for not providing the latest technology and, most pointedly with regard to the sovereignty issue, questioned whether those who merely assembled components imported 100 percent from abroad could truly be called "national" manufacturers.[34]

Alliances

Two generalizations can be made with respect to the establishment of political alliances. First, the more controversial the issue, the greater the number of players that will eventually get involved. Secondly,

the greater the number of players the more likely it is that coalitions will form.

As there were basically two sides of the issue - those for and those against IBM entry - two basic alliances developed. Those opposing IBM's entry formed both "natural" or functional alliances and unexpected or "political" ones - the type that exemplify the saying that "politics makes strange bedfellows." A group of private sector industrialists in the electronics industry, particularly in the informatics sector dedicated to the manufacture or assembly of computers and peripheral equipment, found a natural alliance among themselves within their formal industrial chamber, the National Chamber of the Electronics and Electrical Communications Industry (CANIECE). Because this Chamber included IBM as an obligatory member and could only speak on matters of common interest to all members, those opposed to IBM's entry in the microcomputer field formed their own private association, the Mexican Manufacturers of Information Goods (AMFABI).[35] This consisted of thirty-six companies of majority Mexican capital who felt their interests threatened by the IBM proposal.[36] They found a natural ally among the

officials of Industrial Promotion who had been responsible for the fostering of their industry.[37] Such a relationship between an industrial chamber, or a private association which springs from it, is not uncommon as revealed by Robert Scott:

Though they are not part of the party organization, the *camaras* have friends in court in the form of political and functional organization leaders who are silent (and sometimes not so silent) partners in private enterprise.[38]

While this represented a natural alliance, an unexpected one - for industrialists, generally considered as a conservative group - was formed with spokesmen for leftist parties, such as Deputy Ricardo Goveia Autrey of PST, who argued AMFABI's case before the Chamber of Deputies. Also arguing AMFABI's case in public were leftist members of the press such as Edgar Gonzalez Martinez whose "Los Capitales" column in Excelsior frequently attacked IBM and its project. Charges that IBM threatened de la Madrid's government, was trying to achieve advantages through blackmail, and would crush the Mexican electronics industry were standard fare in the "Los Capitales" column.[39]

On the other side stood IBM which attempted, if not

to form coalitions, at least to influence the decision-making bureaucracy and public opinion in its favor. Tactics for IBM's strategy included lobbying of government bureaucrats, presentations to local providers of parts and components, a public relations campaign, its own use of the press to influence public opinion, and a natural support for the objectives of the Foreign Investment officials.

The lobbying of government officials was handled primarily by Manuel Conde Palazuelos, Executive Director of IBM de Mexico and Vice-President of COPARMEX, who was in constant contact with officials of SECOFI. He also lobbied officials of other ministries. As the nephew of Jesus Silva Herzog, Minister of Finance, he was able to get access to high officials. For example, he personally presented IBM's case to Miguel Mancera of the Bank of Mexico and to Emilio Gamboa Patron, President de la Madrid's personal secretary.[40]

An attempt to gain the support of local providers took the form of a presentation to CANIECE in early June, 1984. These companies could see the potential benefits of IBM's entry for their business since the large amount of production (663,000 units in 5 years) would mean

demands for their parts and components as required by the local contents provision of Industrial Promotion's operative plan for the microcomputer sector. Nevertheless, they were unwilling to publicly support IBM against AMFABI members for whom they also supplied parts and components.[41]

The public relations campaign was apparently expensive.[42] It included the sponsorship of cultural activities such as art exhibits and television programs[43] as well as support for computer programs in several Mexican Institutions of higher learning, such as UNAM, the National Polytechnical Institute (IPN), and the Monterrey Institute of Technology and Higher Education (ITESM).[44]

IBM utilized the press to present its case to the public as well as to defend itself against attacks from its opponents. In late 1983, IBM de Mexico President Rodrigo Guerra tried to align IBM with the expressed goals of the Mexican government, particularly those coincident with the newly formed Subsecretariat for Foreign Investments and Technology Transfer. In linking IBM's contribution to Mexico's development goals he pointed out that "the most important thing is to produce

exports and foreign exchange for Mexico." [45] While initially keeping details of its proposal from the press, these were known to government officials and to AMFABI, who had been briefed on the proposal in early June 1984. However, in response to rumors that IBM's proposal would be a joint venture, the company responded that its proposal was one that entailed 100 percent foreign ownership as allowed under the Foreign Investment Guidelines and the recently published Industrial Plan (PRONAFICE) for projects of "great importance in the development of the industry and of exports." [46] In a press conference held on 8 October 1984, Rodrigo Guerra and Manuel Conde, the two top IBM de Mexico officials, further revealed that the major elements of its proposal included large export volumes, the creation of new employment of a high technological level, additional tax payments to the Mexican government and business opportunities for Mexican industries in a position to supply parts and components to IBM, but they did not reveal any specific figures as "the project was not yet authorized." [47] Further, in defense against attacks which had appeared in Excelsior's "Los Capatales" columns, IBM issued an open letter, printed by Excelsior, which denied its attempts to pressure the

Mexican government, denied that its entry would create a monopoly in the Mexican microcomputer market any more than it had in the U.S. market and, on the contrary, claimed that IBM's participation in the market would prove a boon to the majority of AMFABI members.[48] Finally, as AMFABI had a natural ally in columnist Edgar Gonzalez Martinez, so IBM had a natural ally in Jose Perez Stuart, also of Excelsior. Perez Stuart criticized the local industry for manufacturing overpriced computers of poor quality and obsolescent technology and for failing to generate the quantity of exports required of them in the Computer Plan while, at the same time, suggesting the benefits of IBM for Mexico in terms of high export volume, leading technology, and competitiveness for the local industry.[49]

Whereas the pros and cons argued in the local press may have cancelled each other out in the minds of Mexican officials, remarks in the U.S. press on IBM's proposal worked against IBM's interests. The reports coming out of the New York Times, the Wall Street Journal, and the Washington Post which were echoed by Excelsior, Mexico City: The News, and El Heraldo in Mexico City from 26 October to 29 November indicated

that Mexico was on the verge of making a decision on the IBM case. The majority of the earlier reports hinted at a favorable decision citing that agreements in principle had already been reached with IBM.[50] This angered Mexican officials[51] who indicated that no decision had yet been reached[52] and who interpreted these press reports as pressure from IBM on the Foreign Investment Commission to vote favorably on their project.[53]

Hence, due to pressures from AMFABI, the nationalist press, the opposition from Industrial Promotion officials and reaction to perceived pressures from IBM via the U.S. press, the decision on IBM was postponed in late November of 1984 and rejected on 17 January 1985.[54]

Bargaining, Decision-Making Power, and Final Outcome

Prior to an official decision, IBM and AMFABI had each committed themselves to try to implement their own agenda and they sought coalitions to press for their preferred outcome. Up until the initial rejection, the bargaining process had apparently yielded little compromise between IBM and those government officials opposed to its proposal. IBM's rejected proposal was

essentially similar to its original proposal.[55] It was only after the official rejection that IBM began to make important changes. One element IBM was determined to retain was 100 percent equity. It was prepared to make concessions but not on the order of the \$500 million semiconductor plant which was what Industrial Promotion officials were pressing for.[57] The terms the Mexican government wanted (as articulated by Adolfo Hegewisch in El Financiero on 16 January, the day before the rejection) were the following:

1. a commercial surplus, and a minimum ratio of 2 to 1 exports to imports;
2. a level of exports in 1989 between 10-25 percent of the world demand for microcomputers;
3. in the transfer of technology, an emphasis on scholarships and the creation of an international office of sales for electronic components;
4. marketing in Mexico solely through Mexican distributors;
5. a program for the development of suppliers to avoid current problems in this area - therefore requests that IBM make a \$20 million investment in four years;
6. prices within 10-15 percent of U.S. prices;
7. a commitment to develop in Mexico the technology for the PC-AT six months after its introduction in the U.S.;
8. an agreement that IBM would not export to Mexico microcomputers from any of its plants worldwide;
9. an agreement that IBM would, in the short term, maintain an industrial plant of microcomputers in Mexico as an exporter to markets in Asia and the American continent, excluding the U.S.;
10. distributors who were not exclusively those of IBM;
11. an agreement not to manufacture microcomputers with a memory capacity of less than 100 kilobytes;

12. an agreement that IBM should reach at least the following levels of national integration in its first four years of operation: 51, 65, 72 and 85 percent;
13. an agreement to limit its participation to a 25 percent share of the local market - dedicating a minimum of 90 percent of its production to export.[58]

With the assurance that the rejection was only temporary - "on the terms in which it was proposed" - IBM indicated its willingness to negotiate by announcing that it would submit a new proposal. At this point, the highest levels - those with decision-making power - became ostensibly involved. IBM President John F. Akers referred to the refusal as "partly economic and partly political" but promised that IBM would present new proposals that would be "more attractive on their own terms." [59] On the Mexican side, clearly, President de la Madrid became personally involved. Edgar Gonzalez Martinez reported:

The transnational company managed successfully to bypass the middle and even the highest technical and political levels of decision of the government; this time, it seems, the responsibility will fall only on the head of SECOFI, Hector Hernandez Cervantes, but with the approval or refusal of the President, Miguel de la Madrid... [60]

Gonzalez Martinez further reported that Hernandez received and closely protected IBM's revised project

lest any leak lead to indiscretions that could jeopardize an upcoming trade agreement with the United States.[61] The suggestion that the middle and highest technical and political levels - involving the Foreign Investment Commission - had been bypassed is supported by the fact that the announcement in principle to approve IBM's revised proposal came while Secretary Hernandez and Subsecretary Hegewisch were travelling with the President in Western Europe to encourage European investors to invest in Mexico. Indicating that only a few details remained, officials announced that

It is anticipated that the agreement will be signed in a little more than a month after the President's return.[62]

The report turned out to be accurate, as the agreement was announced on 24 July 1985.[63]

As would have been expected in the bargaining process postulated in the politicking model, the final outcome was different from that which any player had proposed. The government did allow IBM its 100 percent equity in accordance with provisions in the Foreign Investment Guidelines. It did not get a commitment from IBM to program a level of exports from Mexico at between 10-25 percent of world demand for IBM microcomputers.

Nor did IBM commit itself to develop in Mexico technology for the PC-AT. Nor did it agree not to export to Mexico microcomputers from its other worldwide plants.[64] On the other hand, IBM did agree to the other recommendations of the Mexican government to improve the acceptability of its project. Although some of them were already part of IBM's original proposal (scholarships, an international sales office, and Mexican distributors, e.g.), others were new. Significant among these were: in lieu of a semiconductor plant a semiconductor technology center; an increase in the number of jobs; and an increase in the amount of investment for the project. The semiconductor center was to be dedicated, IBM de Mexico President Rodrigo Guerra announced, to the

design, assembly, testing and certification of chips as well as other electronic components which would be appropriate to local specifications and designs for industry, the universities and the government.[65]

Hence, it was to serve as the foundation for developing skills and an infrastructure for the initiation of self-sufficiency of the Mexican electronics industry in this field.[66] Although the increase in the number of jobs was not significant quantitatively (from 80 to 240

direct and 880 to 1460 indirect), it was, at least, symbolic of IBM's desire to satisfy the objection to its original project in this area. Likewise, on the amount of investment, while the increase from \$6.6 million to \$91.1 million in part represented the inclusion of items contemplated but not previously tabulated in the original proposal, it also reflected some additional expenditures. It satisfied the Mexican government's requirement that a project requesting 100 percent investment make a "significant contribution" to the nation's development.

Conclusion

All the elements of a politicking process - including not only bureaucratic infighting but interest group pressures as well - are evident in this case. Individual players within the bureaucracy as well as IBM and AMFABI, the two protagonists, favored and attempted to influence a decision in accordance with their priorities, perceptions and "the face of the issues" they had in sight. They succeeded in building coalitions to convince others that what was needed and what they proposed was one and the same. AMFABI formed a coalition with members of the Industrial Promotion

bureaucracy and with leftist members of the press. IBM attempted to form a coalition with suppliers of parts and components but failed. It did, however, have a natural ally in the Foreign Investments bureaucracy and support among rightist elements in the press while it attempted to sway public opinion and intensely lobbied members of the Foreign Investments Commission. Finally, the fact that a bargaining process was in play is evident in that the final outcome (approved project) was different from that which any player had proposed.

What this decision model, however, does not make clear is what determined the final bargaining positions. The rational policy model, which focuses on objectives, is better suited to answer that question. Nor does the politicking model explain why the locus for decision-making shifted from the lower levels of the bureaucracy to the higher levels and, indeed, to the level of presidential involvement. This is better explained by organizational process in conjunction with the authoritarian model. To determine how these models complement one another, how they reveal the distribution of power and influence at various stages of the decision-making process, and how they provide a better

explanation of Mexican decision-making and, hence, a view of the inner functioning of the Mexican political system, I will take up a synthesis of this model in chapter seven.

NOTES

1. Harold Laswell, Politics: Who Gets What, When, How (Cleveland and New York: Meridian Books, World Publishing Co., 1958).

2. For a concise elaboration of the bureaucratic politics perspective, see Graham T. Allison and Morton Halperin, "A Paradigm and Some Policy Implications," in Theory and Policy in International Relations eds. Raymond Tanter and Richard H. Ullman (Princeton, N.J.: Princeton University Press, 1972), pp. 40-79. For application of this paradigm to issues involving Latin America, see Ernest R. May, "The Bureaucratic Politics Approach: U.S. - Argentina Relations, 1942-1947," in Latin America and the U.S.: the Changing Political Realities eds. Julio Cotler and Richard R. Fagen (Stanford: Stanford University Press, 1974), pp. 128-163 and Abraham F. Lowenthal, "'Liberal,' 'Radical,' and 'Bureaucratic' Perspectives of U.S. Latin American Policy: The Alliance in Retrospect," in Cotler and Fagen, Latin America and the U.S., pp. 212-235. While the bureaucratic politics model attempted to improve on a purely "rational actor" model by incorporating additional considerations it nevertheless became subject to criticism for overemphasizing the role of the bureaucracy and minimizing that of a rational actor. See, for example, Stephen D. Krasner, "Are Bureaucracies Important?" Foreign Policy 7 (1972), pp. 159-179; and Robert J. Art, "Bureaucratic Politics and American Foreign Policy: A Critique," Policy Sciences 4 (1973), pp. 467-490. For a critique that attempts to achieve a synthesis incorporating presidential and local inputs with bureaucratic influence, see Jerel A. Rosati, "Developing a Systematic Decision-Making Framework: Bureaucratic Politics in Perspective," World Politics 33, 2 (January 1981), pp. 234-252.

3. Richard W. Lombardi, Rethinking the Logic of Development (New York: Praeger Publishers, 1985), p. 16.

4. Miguel S. Wionczek, ed. Politics and Economics of External Debt Crisis: The Latin American Experience (Boulder: Westview Press, 1985), p. xiii.

5. Rolando Cordera and Carlos Tello, "Prospects and Options for Mexican Society," in U.S. - Mexican Relations: Economic and Social Aspects (Stanford: Stanford University Press, 1983), p. 73.

6. Carlos Salinas de Gortari, "Se Inician Trabajos del Plan Nacional de Desarrollo," El Mercado de Valores 43, 7 (14 February 1983), p. 161.

7. See Allison, "Conceptual Models and the Cuban Missile Crisis," The American Political Science Review 63 (September 1969), p. 711.

8. As Hayes shows, there is no need to have more than one committed group to have a political process. Those who may be on the other side of the issue may not be organized and/or may not articulate their position on the issue. See Michael T. Hayes, "The Semi-Sovereign Pressure Groups: A Critique of Current Theory and an Alternative Typology," Journal of Politics 40, 1 (February 1978), p. 140.

9. Jose Warman, "Variaciones sobre un gallo enano" in Mexico Manana ed. Hector Aguilar Camin et al. (Mexico, D.F.: Centro de Investigacion Cultural y Cientifico, A.C., 1986).

10. Jose Warman, "Marcos de referencia y opciones de politica para el desarrollo de la industria electronica en Mexico," Comercio Exterior 34, 1 (January 1984), pp. 67-68.

11. Ricardo Zermeno-Gonzalez, "El Desarrollo y La Difusion de Tecnologias Clave, Oportunidades y Retos para Mexico." Paper presented at the Seminar on Consolidating High Technology Policies for Industrial Reconversion, Institute of Latin American Studies, Austin, Texas, 27-28 April, 1986, p. 8.

12. On the argument for national self-sufficiency on electronics, see Warman, "Marcos de referencia," pp. 74 and 76 and Zermeno-Gonzalez, "El Desarrollo de Tecnologias," p. 14. Dr. Zermeno-Gonzalez more explicitly recognized the limitations in achieving this goal due to the difficulties in funding the research and investigation required (p. 8) and focused more on the viability of participating in the growth of key

technologies in a "more autonomous manner" (p. 14). On an active role for the state in promoting the electronics industry, see Warman, "Marcos de referencia," pp. 75-76 and Zermeno, "Situacion actual de la industria electronica en Mexico: necesidades de desarrollo y reconversion," working paper, October 1986, pp. 4-5. On the role of the state, Dr. Warman goes so far as to suggest that the government participate directly as an entrepreneur within the scheme of Mexico's mixed economy - a suggestion that goes contrary to the government's efforts at reprivatization given the economic crisis and the budget difficulties it was experiencing. Dr. Zermeno and Dr. Warman both expressed to me their bitterness about the role of U.S. officials. Dr. Zermeno blamed U.S. Embassy officials for objecting to the publication of PIDIE (The Integral Program for the Development of the Electronics Industry). Dr. Warman blamed the pressure of the U.S. State Department on President de la Madrid for the decision to approve IBM's proposal. The interviews occurred on February 24, 1987 with Dr. Zermeno and on March 2, 1987 with Dr. Warman.

13. Mauricio de Maria y Campos, speech delivered as part of opening remarks on Inauguration of Expo-Electronica 85, 8-12 February 1985 reproduced in Contacto 1, 6 (February 1985), p. 6. This came three weeks after rejection of IBM's proposal. The rejection, de Maria y Campos explained, was based on the premise that approving IBM's proposal would have given IBM special treatment for a project essentially similar to that of other transnationals that had accepted minority participation. Furthermore, approval under the terms proposed would have allowed IBM to use relatively more imported than local components resulting in a negative commercial balance. *Ibid.*, p. 7.

14. "There is No Inconvenience in Accepting Foreign Investment in the Parastate Companies the Government Will Sell: The Ministry of Commerce," El Universal 8 February 1985, translation from IBM's Americas/Far East Press Review, 20 February 1985.

15. The preferred means to develop the microcomputer industry are included in the Computer Plan discussed in chapter 4. For the preferences shared by the Foreign Investment officials with respect to the contribution of foreign investment to the expansion and diversification

of the productive plant, see "Guidelines for Foreign Investment and Objectives for Its Promotion," also discussed in chapter 4. For inefficiencies of the national computer industry, see Carlos Ramirez, "IBM, Simpatia por su proyecto y diagnostico de decomposicion," El Financiero, 16 January 1985, p. 14.

16. Capital flight as reflected in the errors and omissions entry in Mexico's balance of payments accounts registered at \$8.6, \$7.5, and \$2.5 billion from 1981 to 1983 respectively. International Monetary Fund, International Financial Statistics, January 1985, pp. 326-327. In 1984 capital flight had slowed to \$1 billion. Journal of Commerce, "1985 Will Be Critical to Mexican Recovery," 23 January 1985, p. 23B. The article quoted one economist as noting that "The real problem now is not capital flight but the fact that none of the money that fled is coming back. That level of confidence has not been reached." Foreign investors also had lost confidence in the Mexican economy as new direct investment flows that averaged \$1.93 billion from 1979 to 1982 dropped to \$459 million in 1983. International Monetary Fund, International Financial Statistics, April 1986, p. 340. Hence the \$1 billion a year target for 1984-1990 of the Foreign Investments Subsecretariat was a modest figure in comparison to direct foreign investment levels prior to Mexico's economic crisis.

17. Martin H. Halperin and Arnold Kantner, "The Bureaucratic Perspective: A Preliminary Framework," in Readings in American Foreign Policy eds. Morton H. Halperin and Arnold Kantner (Boston: Little, Brown and Company, 1973), p. 6.

18. On AMFABI's petition to SECOFI to publish the sectoral plan for the computer industry, see Analisis Economico/Business Trends, 6 August 1984, p. 6. The Chairman of Apple de Mexico objected not to IBM's entry but to its refusal to play by "the same rules as everyone else" meaning minority equity investment. See William A. Orme, Jr., "IBM Expects Mexico to Approve Plant," Washington Post, 27 October 1984. See also pronouncement by Mauricio de Maria y Campos on the need to define the rules of the game since the computer industry is not specifically covered by the Law on Foreign Investment. Excelsior, "Hay que definir las reglas de juego para la industria del computo: De Maria

y Campos," 13 November 1984.

19. For pronouncements by Hegewisch that the rules were sufficient and that the Law on Foreign Investment did not need to be changed, see William A. Orme, Jr., "Mexico Defends Controversial Foreign Investment Laws," Journal of Commerce, 5 February 1985. When questioned on the need to change the law, Hegewisch's response was rather strong: "There can be no exceptions to the law. When it is alledged that the law is flexible, that is incorrect. The law is the law, and it doesn't permit flexibility." This was perhaps stating the argument more strongly than President de la Madrid whose own view was that the legislation on foreign investment was adequate "with minor modifications" to orient the "technological, administrative and financial" contributions of foreign investment to further the priorities of development. See Plan Nacional de Desarrollo, 1983-1988 in supplement to El Mercado de Valores 43, 24 (13 June 1983), p. 97. The same views were echoed by the Minister of SECOFI, Hector Hernandez, upon the signing of agreements with British foreign investors: "The new investments will be made within the framework of the Law on Foreign Investments in force in Mexico which law will not be modified. The corresponding law has demonstrated in its ten to twelve years of existence that far from being an obstacle to the increase in capital flows, it has been an inducement for this increase." See El Financiero, "Empresarios Mexicanos y Britanicos Firman 10 Convenios por 35 Mil mdp," 14 June 1985, p. 5.

20. From chart in William M. Bulkeley and Bob Davis, "Taking on Goliath: Competing With IBM in a Slow Year Takes More Than Ingenuity," Wall Street Journal 29 July 1985, p. 1.

21. Wall Street Journal, "Computer-Hungry Mexicans and Power-Hungry Bureaucrats," 22 March 1985.

22. Business Week, "Why Apple Wants a Mexican Branch," 13 June 1983, p. 51.

23. Business Week, "What Makes Apple Seek Safety in Numbers," 12 March 1984, p. 42.

24. AMFABI used the argument about market dominance by a foreign monopoly, IBM, to make a political point. The

argument about a change in the rules of the games was more valid in that the market reserve for majority Mexican firms, while not legally sanctioned, was operative as though it were. Both Hewlett-Packard and Apple used this argument as a strategy to buy time in order to get or expand a share of the market before IBM arrived. Interview with Jorge Martinez, Director of Corporate Development, Hewlett-Packard de Mexico, 27 February 1987.

25. See Laurence Rout, "Mexico Limits U.S. Makers of Computers," Wall Street Journal, 29 January 1982, p. 48.

26. The rate of 8,000 to 20,000 units was reported by David Gardner, "Surprisingly, Mexico rejects IBM, embraces McDonald's," Houston Chronicle, 11 February 1985 (sect. 2, p. 3). A 14,000 unit forecast for 1985 and 20,000 for 1986 reported by William A. Orme, Jr. in "IBM Expects Mexico to Approve Plant," Washington Post, 27 October 1987 coincides with the government report made available to El Financiero by Hegewisch's office. That report estimated the market at 15,000 to 20,000 units per year. See Carlos Ramirez, "IBM, Simpatia por su Proyecto y Diagnostico de Decomposicion," El Financiero, 16 January 1985, p. 14. AMFABI itself estimated a market demand of 15,000 to 20,000 microcomputers per year in the short term. (Interview with Guillermo Robledo, ex-Vice President of AMFABI, 23 February 1987.) But this was a demand that AMFABI members, notwithstanding the El Financiero report, fully expected to satisfy themselves as their production projections for 1984 were 14,000 units rapidly increasing to 45,000 units for 1985 and increasing at increments of 16,000 units per year thereafter through 1989, for a total of 385,000 units produced in the 5-year period 1985-1989. (Attachment to Letter to Humberto Lugo Gil, President of the Grand Commission of the Chamber of Deputies, 30 October 1984.) These volumes of production were intended not simply to satisfy the local market but for export thus justifying the protection offered to AMFABI members who claimed the ability - without IBM's assistance - to contribute to Mexico's export needs. There were, however, projections for market demand higher than those AMFABI was using. Alan Robinson reported an estimate of a demand for 300,000 micros and minis for the five-year period in question. (See The San Diego Union, "Mexico is expected

to accept new IBM proposal," 28 January 1985.) If we assume that the ratio of micros to minis of 2 to 1 installed in Mexico in 1984 would continue to hold through 1989 that would mean 200,000 microcomputers or 40,000 per year - double the AMFABI and government estimates. An even higher projection for microcomputers alone estimated the demand to be between 300,000 to 500,000 units for the 1985-1989 period. This higher demand was based on "1) the technological revolution which makes it possible to offer these products at even lower prices to many organizations and persons and 2) the need Mexico has to use a productive, efficient tool for handling information at fair prices." (Jose Perez Stuart, "Portafolios," Excelsior, 15 February 1984.) These latter figures which amounted to 60,000 to 100,000 units per year were extremely high but they certainly supported the position that AMFABI's production was insufficient and that IBM's entry with its limitation of 10,200 units per year for local consumption would not displace the national market. A private forecast by an industry analyst projected a total 5-year demand for single-user systems at 391,800 or an average of 78,360 units per year thus corroborating the more optimistic estimates. See Tim Berry, The Personal Computer Industry in Mexico (Palo Alto, Ca.: Infotext, July 1985), Table 11, p. 51.

27. This, of course, was below AMFABI's estimated production for the end of 1984 of 14,000 units noted above. See Ramirez, "IBM, Simpatia por su Proyecto," p. 14.

28. See Wall Street Journal, "Computer-Hungry Mexicans," 22 March 1985.

29. Tim Berry, Personal Computer Industry in Mexico, Executive Summary, p. 3.

30. Aside from barring majority foreign investment in this field thereby protecting national and majority national firms from competition, the plan encouraged assembly in Mexico by establishing the goal of provisioning 70 percent of the demand for computer systems from national suppliers within 5 years. In the microcomputer industry, the plan required companies to integrate 45 percent of their components from national sources (while recommending a 60 percent level of integration) by the third year of this operation and

requiring also that, by the fifth year, companies export at least 70 percent of the value of imported inputs for their manufacturing operations. See "Development Program for the Manufacturing of Electronic Computer Systems, Their Main Modules and Peripheral Equipment," SECOFI internal document, 25 August 1981, pp. 7, 31, & 32. Additionally, a 30 percent tariff was applied to imported microcomputer systems as well as a 15 percent tariff on auxiliary equipment and parts. See Mexico Update, 30 June 1984, p. 11.

31. The report complained that the technology being assembled in Mexico (such as the Apple II) was becoming obsolete abroad, that 30 to 40 percent of the machines failed at the moment of installation, and that maintenance was even non-existent in some cases or had ceased to be available due to the disappearance of the supplier or distributor, and that the importing of essential parts, at times through third parties of local origin, only nominally increased the value of "nationally integrated components" but made no real local contribution. See Ramirez, "IBM, Simpatia por su Proyecto," p. 14.

32. Mr. Hegewisch denied that foreign investment bled the country or deprived it of its national sovereignty. In an interview with the press in October, 1984 he pointed out that, far from displacing national industry, it provided capital to help support the productive plant and generate employment as well as provide a transfer of technology. See Victor Gonzalez, "Foreign Investment is Neither Humiliating Nor Frightening: Hegewisch," El Universal, 22 October 1984, translation from IBM's Americas/Far East Press Review, 31 October 1984.

33. Diario de los Debates de la Camara de Diputados del Congreso de los Estados Unidos de Mexico Legislatura LII, Ano III, Tomo III, Num. 17 (16 October 1984), p. 30-31.

34. Ibid, pp. 31-32. In fact, Deputy Olea was critical of the loyalty of industrialists who in the past had taken their money out of the country claiming that "money has no country."

35. According to Jorge Sanchez Mejorada, AMFABI's principal organizer, the purpose of the association was not only to defeat IBM's project but to organize the

members in a common effort to provide mutual support in development of their industry. Sanchez Mejorada had been president of CONCAMIN and CCE during the time period that private industry battled the policies of President Echeverria. It was, in fact out of these battles of private industry with Echeverria's policies that CCE, the Coordinating Council of Entrepreneurs, was founded as an umbrella organization to represent the interests of both CONCAMIN, the industrial confederation, and CONCANACO, the confederation for commercial interests. See Dale Story, Industry, the State and Public Enterprise in Mexico (Austin: University of Texas Press, 1986), pp. 90-91. Though he was a major force in organizing AMFABI, he did not want to become its president. Interview with Jorge Sanchez Mejorada, 10 February 1987. The information that CANIECE itself could not and would not speak against IBM was provided to me by Jorge Luis Marquez, President of CANIECE in 1987 and Vice-President during the time of the IBM debate. Interview, 13 February 1987. For a discussion of the interface between the chambers of industry and commerce within the Mexican political system, see Dale Story, "Entrepreneurs and the State in Mexico: Examining the Authoritarian Thesis," Technical Paper Series No. 30, The Institute of Latin American Studies, (Austin: University of Texas Press, 1980).

36. One of the first casualties of this felt threat was Sergio Ferragut, head of the Informatics section within CANIECE, who argued that IBM's entry would be beneficial to the development of the computer industry within Mexico. Pressures from the AMFABI group forced him to resign his position within the Chamber. In his letter of resignation, Ferragut pointed out that his vision for a competitive Informatics industry ran counter to the protectionist tendencies among some industrialists, including firms associated with the Chamber. Letter of Resignation, 11 July 1984. Reference to Ferragut's resignation appears in Steve Frazier, "Mexico Lures Personal-Computer Makers, But IBM Tries to Change Rules of the Game," Wall Street Journal, 21 August 1984, p. 33 which quotes Mr. Ferragut: "If we don't have the latest technology in personal computers, we won't be competing in the world market and we will be obsolete and out of date in the end."

37. In fact, officials in the Foreign Investments branch of SECOFI as well as officials with IBM charged

that leaks of the IBM proposal to members of CANIECE who later formed the AMFABI group came from these officials. On the use of leaks as a way of expanding the number of participants and alerting them to an ongoing decision that would affect them, see Halperin and Kantner, "The Bureaucratic Perspective," p. 20.

38. Robert Scott, Mexican Government in Transition rev. ed. (Urbana, Ill.: University of Illinois Press, 1964), p. 24.

39. See, for example, "Los Capitales" columns of 27 and 29 September 1984. Attacks on IBM's tactics in seeking support for its project appear on 2, 11, and 18 October. Charges of mounting international pressure, manipulating information, threatening to control the wealth of the nation as well as Mexican national security appear on 1 and 15 November. Some of these charges were corroborated by other reports - such as the threat to choose Argentina instead of Mexico for IBM's microcomputer plant (see Businessweek 6 August 1984, p. 27). On the other hand, predictions that the Mexican electronics industry would be crushed and that IBM would gain control of the nation's wealth exaggerated the consequences of approving IBM's project. Besides the "Los Capitales" column in Excelsior, other sources in the media also opposed IBM's entry. See, for example, Victor Sanchez Banos, "Guerra a la IBM," Ovaciones 2a ed., 22 October 1984, pp. A1 and A8.; Universidad Autonoma Metropolitana (UAM), Organo Informativo 9, 2 (22 October 1984), pp. 2 & 12; and La Jornada, "El riesgo que la IBM controle el mercado," 23 October 1984, p. 6.

40. Interview with Manuel Conde Palazuelos, 11 February 1987.

41. Interview with Sergio Ferragut, former head of Informatics section of CANIECE and President of Cullinet Software, 17 February 1987.

42. While unable to obtain figures on expenses, Mario Esteva, who had been project officer for the approval of IBM's system 34 minicomputer, estimated that "IBM spent more on the microcomputer publicity campaign than it had spent on public relations in Mexico in the past twenty years." Interview with Mario Esteva Maraboto, 25

February 1987.

43. For references to these activities, see David Gardner, "Mexico soon to give IBM new computer go-ahead," Financial Times (London), 26 October 1986. See also Adrian Martinez, "Debugueando," Computerworld/Mexico, 14 February 1985, p. 3.

44. Interviews with Alejandro del Toro, IBM de Mexico Sales Division, 5 March 1987 and with Mario Esteva Maraboto, 25 February 1987.

45. Business Week, "U.S. Computer Makers Are Feeling at Home," 14 November 1983, p. 64.

46. See Business Trends/Analysis Economico, "IBM Stops the Rumors," 24 September 1984, translation from IBM's Americas/Far East Press Review, 30 October 1984.

47. El Financiero, "IBM Intends to Obtain Authorization To Apply A Project With a 100% Foreign Investment," 9 October 1984, translation from IBM's Americas/Far East Press Review, 16 October 1984.

48. Letter to Sr. Regino Diaz Redondo, Director General, Periodico Excelsior, printed in Excelsior, 9 October 1984.

49. See "Portafolios" columns in Financial Section of Excelsior for 5, 9, 11, and 16 October 1984; 1, 12, 13 November and 3 December.

50. Richard J. Meislin quoting sources in government, banking and business reported that a tentative agreement had been reached and that a final decision was expected in November. See Richard J. Meislin, "IBM Deal on Mexico Plant Seen: Big Computer Maker Would Keep Control," New York Times 26 October 1984. An abbreviated version of this article appeared in Excelsior, "Arregla IBM Ser Socio Principal de Una Planta en Mexico," 27 October 1984 and in Mexico City: The News, "IBM Reaches Terms To Open Facility in Mexico City," 26 October 1984. Steve Frazier, relying on government officials, also reported that IBM had reached "an agreement in principle" on many details of the project, including 100 percent ownership. He quotes one official as saying that: "The government hasn't made a final decision on the project largely because of the political repercussion of such a

venture." Another official he quotes said that the government "had reached a point where we have to have a final decision. But there are many powerful interests involved. I'm afraid it's going to be a 100% political decision." See Steve Frazier, "Mexico Plans to Decide Soon on Whether To Allow Computer Venture 100% Owned By IBM," Wall Street Journal, 29 October 1984, p. 32. William A. Orme, Jr. cited diplomats and industry sources to the effect that "despite the opposition of rivals and some Mexican officials, International Business Machines expects to win government authorization to set up a new subsidiary to build personal computers." See William A. Orme, Jr., "IBM Expects Mexico To Approve Plant," Washington Post, 27 October 1984. The article refers to IBM investment as part of funds which are "crucial to the economic plan it [Mexico] presented to foreign bankers last August." A subsequent Washington Post article that appeared on 30 October repeats the assertion that investment from abroad (such as that proposed by IBM) offered Mexico crucial help in carrying its foreign debt: "each dollar of investment coming into the country is one dollar less than that has to be sweated out of exports." See "Mexico and IBM," Washington Post editorial, 30 October 1984. Segments of the editorial appeared in El Herald, "Puede Ser Una 'Ayuda Crucial' la Inversion Extranjera Para LA," 31 October 1984 and in Excelsior "Mexico Debe Aceptar los Proyectos de IBM: Washington Post," 31 October 1984.

51. On annoyance with IBM's bargaining tactics including an alledged threat to offer the proposed investment to Argentina instead, see William A. Orme, Jr. "IBM Expects Mexico to Approve Plant," 27 October 1984. Carlos Bravo, IBM de Mexico's Public Relations manager, had denied the charge leveled in the 27 September issue of "Los Capatales" that IBM was considering closing its typewriter and minicomputer plant at El Salto if its current proposal were to be denied. See IBM letter in Excelsior, 9 October 1984. IBM had, in fact, considered Argentina as a possible site for a microcomputer plant but had rejected that option due to a risky investment climate associated with political instability. Mexico, on the other hand, besides political stability, offered the advantages of an existing plant, proximity to the United States plant in Austin which controlled parts and provided engineering support for the Guadalajara plant, an

opportunity to expand on an existing program of vendor development, and an opportunity to stay viable in the low end of IBM's computer line through exports to Latin America, Canada, and Australia as well as sales in Mexico. Seminar on Country Risk Analysis, University of Texas at Austin, 12 February 1986 addressed by L. Martin Armbrust, IBM Director of External Programs.

52. In response to reports that IBM had reached a tentative agreement, Alfredo Nolasco, spokesman for SECOFI, responded that "No decision has yet been taken on the IBM proposal but a decision is expected to be taken by the National Commission on Foreign Investment next month." See Isaac A. Levi, "Mexico on IBM," Reporter Dispatch, 30 October 1984 in IBM's Americas/Far East Press Report, 31 October 1984. IBM spokesman Salvador Segura acknowledged as much: "We absolutely have not received word of any official discussion by the government. We absolutely know nothing about it. We are waiting on the government's decision." Levi, *ibid*. The commotion attracted the attention of the Department of State's Michael Armacost who cabled a message to the economic and commercial sections of the U.S. Embassy in Mexico referring to an imminent decision and stated: "We have spoken with IBM's New York press office as well as with the Latin American division who indicated that the GOM [Government of Mexico] has not yet made a decision." Unclassified Department of State message, 3 November 1984.

53. In summarizing the articles from the American press on an imminent and likely favorable decision, Edgar Gonzalez Martinez dismissed them as nothing more than "pressures which a transnational resorts to when it has failed to convince the authorities of the advantages of its proposal." Edgar Gonzalez Martinez, "Los Capitaes," Excelsior 1 November 1984, Financial Section, pp. 2 & 4.

54. There are several indications that a reaction within the government had developed to reports in the press about an imminent and favorable IBM decision. A formula for delay was becoming apparent: government spokesmen announced that "the plan is being studied" and "government officials have asked for additional information." See Levi, "Mexico on IBM," Reporter Dispatch 30 October 1984. Doubts about authorizing the proposal were reported. See Excelsior, "Dificil Aceptar

La Demanda de IBM," 10 November 1984, p. 1. De Maria y Campos again raised the need to "define the rules of the game" - which was AMFABI's rallying cry against IBM's project. See Excelsior, "Hay Que Definir Las Reglas Del Juego Para La Industria del Computo: De Maria y Campos," 13 November 1984, pp. 5A & 13A. And Edgar Gonzalez Martinez noted that Mexico already produced what IBM was expected to bring so that, if the IBM project were approved, the authorities would be violating article 13 of the Foreign Investment Law, Sections I through V, VIII and IX (see Appendix, Exhibit 3). He interpreted the decision, therefore, as a test of strength between the multinational and the government authorities and indicated that it was possible the authorities would make a decision the following week. See "Los Capitales," Excelsior 22 November 1984. Evidence points to a meeting on 27 November in which government officials apparently decided to postpone a decision. A New York Times article on 29 November refers to an "erroneous" Reuter's report that Mexico had rejected IBM's request on Tuesday (27 November). The article quotes top government officials that IBM's request would be approved on the condition that IBM use 50 percent Mexican-made components. IBM's original proposal offered only 35 percent in the first year of operation as called for in the Mexican Computer Plan. The newspaper reported that a decision would be "announced" next week. See New York Times, "Mexico Favors IBM Plant," 29 November 1984. The following week, on 3 December El Financiero referenced official government sources that the National Commission on Foreign Investment had already met and had "refused to treat the IBM case in particular in order not to set the precedent of negotiating case by case." In effect, this was a postponement of the decision. Apparently, the board sought greater benefits from IBM (such as increasing the amount of local content it was willing to include in its production) in order to justify to the opposition the approval of 100 percent investment. Without mentioning IBM by name, Adolfo Hegewisch told the press that "if foreign companies want to play a role in this country, they have to take into account Mexico's ideology and our approach on foreign investment...These companies must understand that investment needs to fit into development plans because even if nationalism does not justify inefficiencies neither is this country ready to sacrifice its legitimate interests on a wing and a prayer." See Mexico City: The News, "Little Hope Seen

for IBM's Investment Plans," 4 December 1984. Apparently, no changes were forthcoming from IBM and on 17 January 1985, the National Foreign Investment Commission officially rejected IBM's proposal.

55. Interview with Molly Shields, Assistant Commercial Attache, US Embassy Mexico, 29 July 1986. See also William A. Orme, Jr. "Government Calls Plant a Threat to Mexican Firms," Washington Post, 19 January 1985, p. C-2.

56. Estimate is from Alejandro del Toro, IBM de Mexico Sales Division, interview on 5 March 1987.

57. Dr. Jose Warman had earlier noted the semiconductor sector of the industry as the fastest growing with a 22 percent rate of growth in the U.S. between 1979-1981 and a projected rate of growth of 20 percent for the period 1981-1984. See Warman, "Marcos de referencia," p. 70. The suggestion that a semiconductor plant would be the type of concession that would warrant accepting 100 percent foreign equity was expressed by de Maria y Campos: "The Mexican government is disposed to accept IBM's project with majority capital if it makes a special contribution to the country, such as the manufacturing of active strategic components, such as semiconductors in a plant which could spread high technology on an international scale." Opening remarks at Expo-Electronica, 8-12 February 1985 reported in Contacto 1, 6 (February 1985), p. 7. Edgar Gonzalez Martinez had picked up on this in his support of the AMFABI - Industrial Promotion coalition. As the government was approaching final approval on the decision, he revealed that none of IBM's changes were substantial "as would be, for example, a chip factory." Edgar Gonzalez Martinez, "Los Capitales," Excelsior, 6 May 1985.

58. See Carlos Ramirez, "IBM, Simpatia Por Su Proyecto y Diagnostico de Decomposicion," 16 January 1985, p. 14. Two terms not mentioned were an increase in the level of investment and an increase in the number of jobs to be provided. The low levels of direct investment and employment had previously been mentioned as too low to justify the granting of a 100 percent foreign equity investment. See William A. Orme, Jr., "Government Calls Plant a Threat," p. C-2.

59. David E. Sanger of the New York Times, "Ofreceria IBM Otra Opcion a Mexico: Akers," Excelsior, 6 February 1985, p. 5.

60. Edgar Gonzalez Martinez, "Los Capitales," 6 May 1985, translation from IBM's Americas/Far East Press Review, 17 May 1985.

61. *ibid.*

62. Raymundo Riva Palacio from Antwerp, Belgium, "Entrara la IBM al Mercado Mexicano de las Microcomputadoras," Excelsior, 16 June 1985.

63. For reports of the approval, see Rodolfo Guerrero, "IBM 'replanteo su proyecto' y hara aqui microcomputadoras," El Universal, 24 July 1985, pp. 1 and 11; Excelsior, "IBM Fabricara Computadoras Personales en Nuestro Pais," 25 July 1985, pp. 1F and 3F and Jose Perez Stuart, "Portafolios," 25 July 1985, pp. 1F and 5F; Richard J. Meislin, "Mexico, in Reversal, to Let I.B.M. Build and Own a Computer Plant," New York Times 24 July 1985; and the Wall Street Journal, "IBM Is Cleared by Mexico to Build 100%-Owned Unit," 24 July 1985, p. 10.

64. Interview with Alejandro del Toro, 5 March 1987.

65. Rodolfo Guerrero, "El Ingreso de IBM a Mexico generara divisas, empleos y desarrollo: M. Kun," El Universal, Seccion Mundo Financiero, p. 3.

66. *ibid.*

CHAPTER 7

CONCLUSION

None of the decision models tested was able to explain completely the government's decision to invite foreign investment in the electronics area, subsequently reject IBM'S proposal in this area, and six months later, reverse that decision and approve the IBM project. In this chapter, I review each model focusing on the deficiencies of each and explore how a synthesized model can fill the gaps. From this new model, I draw conclusions about the Mexican decision-making process (at least for the industrial policy area) and the distribution of power and influence, and I examine the implications for understanding the Mexican political system with regard to the role of bureaucrats and the economic elite as well as the implications for the role of government-TNC relations and the general role of TNCs in a nation's development.

A Review of the Decision-Making Models

The authoritarian decision-making model assumes that power is centralized in the authoritarian decisionmaker and that influence is limited through restrictions on demand-making. This model postulates a gap between a given demand and the final decision, the need to maintain decision-making autonomy through demand limitation, and a decision invisibility making it difficult to trace the origins of a decision. The findings of this study reveal that this model does not adequately explain the IBM case. First, while there is a difference between what is initially proposed and what is ultimately approved, the difference is better explained by the bargaining process postulated in the politicking model where the two sides - IBM and the Mexican government - make mutual adjustments as to what each is willing to give and at what price. While the Mexican government was willing to concede 100 percent foreign equity in a field previously limited to 51 percent, the government also required other concessions from IBM who was forthcoming on some but not all recommendations. The authoritarian model would leave entirely in the hands of the governmental decisionmaker

what benefits it would bestow on a client whose demands are better interpreted as petitions.[1] Second, decision-making autonomy through demand limitation is not consistently present in this case. No limitations are placed on either IBM or AMFABI in lobbying government bureaucrats or the Chamber of Deputies or in their use of the press to influence the decision-making process. Third, while it may be difficult to trace the originators of the decision, the evidence suggests that the decision to reject was unanimous as was the decision to approve and that the President was intimately involved in the final decision. In short, the decision-making process in the IBM case involved more than one autonomous actor; rather, a politicking process among the two antagonists and their allies took place.

The rational policy model assumes that power is centralized around a rational actor but that influence is diffuse. This model postulates that a decisionmaker arrives at a decision in accordance with various values and objectives, perceived alternative courses of action, estimates of various sets of consequences and a net evaluation of each set of consequences. Although the rational policy perspective (like the authoritarian

model) assumes one authoritative decisionmaker, it differs from the authoritarian model in that there are no attempts to limit influence in the search for alternatives, or assessments, or evaluations of possible consequences. The value of the model is that it explains the government's invitation to foreign investment in conjunction with its policy objectives of reigniting Mexico's economic growth. The model is not equipped, however, to explain those phases of decision-making in which more than one decisionmaker is involved. In the deliberation phase of the IBM case, decisionmakers within the National Foreign Investment Commission were unable to arrive at a consensus even though they all shared the objective of reigniting Mexico's economic growth. In November 1984 they did not decide to reject IBM's proposal in favor of a self-sufficient electronics industry with the protectionist policies which that implied. Nor did they decide to approve IBM's proposal which would have entailed dismantling the market reservation favoring majority-Mexican microcomputer companies. Instead, they decided not to decide. As would be expected by the rational policy model, assessments were made to determine the best alternative. The AMFABI position

argued that IBM entry would destroy the budding national informatics industry. The IBM position countered that IBM's entry would prove beneficial to the parts and components sector of the industry. A net evaluation held that AMFABI's position was exaggerated. Nevertheless, contrary to what a rational policy model would predict, political considerations outweighed economic factors and the IBM proposal was rejected in January 1985. Hence, in order to correct this model of decision-making, it is necessary to resort to the organizational process model, where more than one decisionmaker is involved and wherein political as well as economic considerations are made, as well as to the politicking model, which explains, as the rational policy model fails to do, what happens when values and objectives are not shared and the number of participants involved in influencing the decision-making process expands.

The organizational process model assumes that power is dispersed within a small number of key organizations and influence is limited through controlled access to those organizations. This model postulates that proposals are handled by organizational routine,

flexibility is limited in the case of conflict, and proposal acceptance is contingent on its ability to mesh with a predetermined goal. In the IBM case applying the organizational model does show how flexibility in arriving at a solution was limited in the face of a lack of consensus and how, ultimately, the decision approving IBM's proposal was meshed to the predetermined goal of attracting foreign capital in priority areas. However, the process was not one of routine application of procedures, since governmental leaders did get involved contrary to what an organizational process model would predict.

The politicking model assumes that power is dispersed among diverse political actors and interest groups and that the ability to influence decisionmakers is diffuse. It postulates that individual players would favor a decision that is in accord with the priorities, perspectives and "faces of the issue" visible to them; coalitions would appear; and the final outcome would differ from any individual proposal. The politicking model does have the advantage that all the elements predicted in the model are present in the IBM case. As predicted, the final outcome is different from the

expectations of any one player. Also, a prominent feature of the IBM case was the fact that individuals favored and supported a decision in accord with their priorities, perceptions and "faces of the issue" they saw fit to recognize. Additionally, coalitions both in favor of AMFABI and in favor of IBM existed. However, while all elements of this model are present in the IBM case, the model does not address all the relevant questions. This model focuses on the middle stage of decision-making where the struggle occurs, but it ignores the beginning of the decision-making process and fails to explain the resolution reached at the end. It ignores how the problem arose in the first place - a question which is better handled by the rational policy model which speaks of the economic growth objectives sought on the part of the de la Madrid administration and the desire to partake of a growing microcomputer market on the part of IBM. The politicking model also ignores the end of the decision-making process, for problem resolution does not occur by a politicking process but by authoritative decision-making and according to rational policy criteria - economic factors which, in this case, left the ultimate decisionmaker no rational choice but to accept IBM's proposal as part of

a package of policies to improve Mexico's economic situation.

How then do we reconcile these decision-making models and answer the question of whether the authoritarian thesis holds in the area of industrial policy? It is clear from studying the IBM case that a pure application of the authoritarian thesis as proposed by Susan Kaufman Purcell is inadequate to explain the decision-making process in this area of industrial policy. On the other hand, a politicking or interest group approach as proposed by Dale Story which would indicate that private interest groups have an independent power to sway governmental decision-making is also less than completely satisfactory. However, a model which synthesizes elements of both of these elitist and pluralist models and their variants of rational policy and organizational process can provide a more satisfactory explanation. Such a model as proposed in chapter one (Table 2) visualizes six possible stages for a decision-making process in the area of industrial policy within the Mexican political system.

This model stipulates that a demand seeking decisional resolution can pass through a variety of

stages exiting at the earliest level at which an acceptable solution is found. In this model the decision-making process is defined as the process by which a demand for action is translated into a plan for action. Three minimum requirements must be satisfied. The demand must satisfy a policy objective, it must be possible to implement, and it must be made acceptable to all parties with an interest in the decision outcome. In short, what is proposed must be desirable, possible, and acceptable. Normally, a policy process that establishes what the desirable objectives are predates the demand-making process. The first stage that engages the decision-making process is that of the *demand for action* wherein a proposal or demand is presented to a bureaucratic organization for resolution. This engages the organizational process where the first question is to determine whether the demand is a matter which can be routinely handled, without the intervention of governmental leaders. If the demand for action is not a routine matter then the demand is stymied within the organization and is either abandoned or will need to be resubmitted with appropriate changes. A favorable decision within the organizational process would require that the proposal meet one of the organization's

predetermined goals. But a consideration of goals involves the rational policy process. In the case of a non-routine request, disposition of a demand, if the demand-makers refuse to abandon their demand, enters a second stage - that involving those decisionmaker(s) responsible for rational policy.

The question of importance at this stage is whether the demand/proposal supports major goals in a new way. If not, the demand would be rejected. If, on the other hand, the demand/proposal does advance major goals then it represents a *demand for policy* (or policy adjustment) and new criteria will be formulated to justify approval of the demand. In this case, the demand along with the new criteria will be returned to the bureaucracy for further processing. Should the new criteria find acceptance within the bureaucracy in this third stage, then the demand will be processed and a plan for action will be approved for implementation. On the other hand, if the new criteria meet with resistance within the bureaucracy, that constitutes a *demand for bargaining* before a plan for action can be approved and implemented. It is in this fourth stage that resort is made to the politicking process to sway the position of

the concerned bureaucratic decisionmakers to accept the viewpoint of one or the other of the politicking groups. If an acceptable compromise is reached, once again the demand is returned to the appropriate bureaucratic organization and the agreed upon plan of action is implemented. On the other hand, if no acceptable compromise is found then the process enters a fifth stage, one in which *resolution* is sought through one of several resolution mechanisms depending on the organization or the political system in question. These mechanisms are majority vote, unanimity rule, or "dictatorial" rule. If resolution is reached in this stage by employing one of these mechanisms, then at this point it is referred back to the bureaucratic organization for processing. If not, further politicking results. In this sixth stage, the process enters a *conflict management* phase where a compromise is reached through bargaining, in which case the matter is deferred to the bureaucratic organization for implementation or the process breaks down and may initiate a process of resolution through on-going political conflict.

As is evident, the greater the disagreement the

more complex the process and the longer the time for decision formulation and implementation. The formulation phase can be conceptualized as the specification of the decisionmaker's policy objectives. It involves the translation of a demand for action that tests a given policy into a plan for action designed to implement it. The implementation phase can be conceptualized as the operationalization of a plan for action. To the extent that there are objections to the plan for action this phase involves a movement from resistance to eventual acceptance. In this process, bargaining can yield an early compromise or, in the absence of compromise, resolution can be imposed by an authoritative decisionmaker operating within an authoritarian decision-making model or within a "rational actor as administrator model." In the absence of such a mechanism, on-going political conflict can result.

The IBM decision can be satisfactorily explained by this model. Since IBM's demand was not a routine demand (given the request for 100 percent foreign equity in a field limited to 49 percent) and since there was lack of agreement within SECOFI, the ministry of primary

jurisdiction, the decision was not handled at the working level of the National Foreign Investment Commission. It required the attention of the Ministers who were the primary members of the Commission, members considered as governmental leaders in the Mexican political system. They, however, could not justify approving IBM's proposal as the policy objectives by which they were to judge were seemingly contradictory. On the one hand, the National Development Plan (PND) called for a national technology base considered necessary for technological independence.[2] On the other hand, the same document recognized that the policy of restricting foreign investment in Mexican enterprises could be waived

In exceptional cases which correspond to a significant contribution in technology, commercial balance or strengthening of internal integration through a process of subcontracting.[3]

Additionally, the Foreign Investment Guidelines specifically designated the computation area as an area where majority foreign investment would be accepted. Hence, both the absence of clear criteria indicating that IBM's proposal met major development goals and the presence of political pressures to define the rules of

the game led the NFIC to postpone a decision in November 1984 and to reject IBM's proposal in January 1985. In the meantime, new criteria in the form of recommendations to IBM to improve its proposal were formulated. By reformulating a new proposal with these criteria in mind, IBM constituted an exceptional case that promised a significant contribution. However, these new criteria were still not acceptable to Industrial Promotion officials who after the rejection continued to press for a self-sufficient vertically integrated electronics industry.[4] In such a situation, resolution was achieved by resorting to one authoritative decisionmaker, the President of the Republic.

The IBM case became a landmark case of Mexico's willingness to welcome foreign investment. In Mexico's deteriorating economy - due to the fall of oil prices - the rational choice was to approve IBM's investment. Hence, rational policy factors were clearly present in the President's decision to intervene. The fact that he did so in an environment where further attempts to limit demands on his decision-making autonomy and to hide the origins of the decision by utilizing the unanimous

approval of the NFIC to formalize the decision are reminiscent of the authoritarian decision-making model. The President had the power to impose a solution and he did so. The case was then deferred to the organizational process to implement.[5] Hence the IBM case was complex enough to reach Level 5 of 6 possible stages. Conceptually, a demand for action can be so controversial and conflict-producing as to advance to Level 6 where, in the absence of compromise, the legitimacy of a political system itself can be questioned and the breakdown of the decision-making process can produce unmediated interest group conflict.[6]

The Mexican Political System

Postulating such a decision-making model allows us not only to improve on previous models, but also allows us to observe the distribution of power and influence at each stage of the decision-making process and to draw therefrom some conclusions about the Mexican political system.

The major conclusion with respect to the political system is that, at least in the area of industrial

policy, it is not as authoritarian as commonly believed. In contrast to the area of business-labor relations studied by Purcell, peasant affairs studied by Grindle and civil-military relations studied by Dziedzic where power was found to be centralized and influence limited, in the industrial area power is still ultimately centralized but the distribution of influence is much more diffuse. While the President is the final arbiter,[7] and power is centralized in his office, much needs to be said about the distribution of influence before we get to the stage of presidential determination. The Mexican political system, at least in the area of industrial policy, is open to influence at several stages. First, in the important phase of policy formulation, the political system is open to discussion and consultation at various levels. The National Industrial Plan (PRONAFICE), for example, while under the general editorship of the Subsecretary for Planning in the Ministry of Commerce and Industrial Development, was the product of numerous consultations and discussions with groups within various sectors of the bureaucracy as well as with groups in private industry who would be impacted by the Plan. It was, in fact, a product of the process of "democratic planning,"

a campaign plank that the President implemented with the Planning Law of 1983.[8]

Second, in the stage of policy implementation, there is considerable distribution of influence horizontally as well as vertically. In an intersecretarial group, such as the National Foreign Investment Commission, discussion about the effects of the IBM case took place at the working level with members from other ministries as well as internally within the respective ministries. Consultation outside the bureaucracy with members of private industry is also typical and occurred in the IBM case with both IBM and AMFABI.

As in any bureaucracy, the Mexican one is hierarchical. Conflicts that cannot be resolved at the working level are elevated to a higher level. The decision-making mechanism at both the working and ministerial levels tends to be consensual. To the extent that differences of opinion or outlook exist within this bureaucracy, it is a system of checks and balances. However, when those differences are unresolved in a consensual manner at the highest levels, then the President intervenes acting as would the chief

executive officer of a board of directors and his decision is final. Although there is a concentration of power in the presidency, there is a distribution of influence among powerful actors such as the private sector which includes both domestic and foreign industrialists. What was so difficult about the IBM decision was that Mexico's perceived interests, both in the short term economic conditions of falling oil prices and in the long term need to promote exports, were more in line with the large export capability of the transnational IBM than with the smaller Mexican-majority firms.[9]

While there was a distribution of influence in the process of coming to a decision in this case, at the final moment the IBM case does expose the authoritarian aspects of the Mexican political system. In wishing to protect the ultimate decision-making power of the President behind a formal unanimous decision of the NFIC, the Mexican system displays that aspect of the authoritarian decision-making model that would conceal the origins of a decision to preserve the decisionmaker's decision-making autonomy. The Mexican political system certainly cannot be considered a

participatory democracy because neither is there a system to contest the power-holding positions, which are essentially appointive, nor is the system of checks and balances in the bureaucracy independent of presidential power as would be a system based on an independent legislature and judiciary. On the other hand, neither is the system a repressive authoritarian regime. It is a presidential system with the president as primary decisionmaker and a centralized bureaucracy whose heads consult with one another and with powerful members and groups in society in order to maintain system equilibrium and who respect the decision of the President as the ultimate arbiter in those issues over which they cannot reach a consensual decision.

While this may provide a process-based description of the way the Mexican political system operates, a more structurally-based one for comparative purposes can be given in terms of Linz' categories of authoritarian regimes. The difficulty in pinning down the Mexican case (or any other) via these categories derives from the fact that authoritarian regimes are "likely to be complex systems characterized by heterogeneity of models in uneasy coexistence." [10] This is certainly true of

Mexico. The Mexican political system today can be viewed as a modernizing, liberalizing, bureaucratic, authoritarian regime. These qualifiers are not exhaustive but indicate only the more prominent features of the Mexican regime. To truly separate Mexico from other current or past authoritarian regimes one has to take into consideration the imprint that major historical events have left on the evolving regime in each phase of its development, installation, and institutionalization.[11] Hence, one would have to recognize the relative importance that the additional descriptors of "post-revolutionary," "one-party dominant," "mobilizational," "inclusionary," and "statist-organic" contribute to delimiting the Mexican regime. The "post-revolutionary" label recognizes that the roots of the present regime belong to an internecline revolutionary struggle for power, social change, and independence from foreign capital.[12] The significance of this experience is that it challenges the elites to maintain regime stability via a continuing process of elite circulation,[13] to provide programs of social welfare,[14] and to weigh carefully the participation of foreign capital in the economy.[15] The "one-party dominant" label recognizes the continuing, although

increasingly challenged, dominance of the Institutional Revolutionary Party (PRI). President Lazaro Cardenas [1934-1940] used this party to consolidate support for his regime through the incorporation of broad segments of the population - labor, *campesinos*, the popular sector (middle-class professionals), and the military (although this group was dropped in 1942). Hence it is an "inclusionary" regime. The "mobilizational" label applies only in the sense that subsequent presidential candidates have used the PRI to "get out the vote" at election time in order to provide a broad base of support and, hence, legitimacy for their administrations. The organization of those sectors for the purpose of channeling and thereby limiting interest representation under government control reveals the "organic" (corporatist) characteristics of the regime. The "statist" element is evident in the state's direction of and participation in the economy which can be traced to the nationalization of oil and the railroads and gradually evolved into an entrepreneurial role for a state determined to bring about rapid, modernizing, economic growth.

Notwithstanding the importance of those factors

which arose during the development and installation of the present regime, the salient "institutionalizing" factors at the present time are the "modernizing," "liberalizing," "bureaucratic" features of the regime. The "modernizing" label represents the regime's efforts to move the Mexican economy in a direction that it believes will make it more efficient, productive, and competitive in the world economy. The "liberalizing" element is evident in the regime's political reforms aimed at adapting to, while seeking to control, pressures for a greater degree of political participation. Expanding the number of seats in the Chamber of Deputies and creating a representative body for the federal district are evidence of this trend. To the extent that control over selection to these posts remains with the regime and not with the people, these reforms represent only an expansion of participation, not a move towards democratization. Finally, the "bureaucratic" descriptor recognizes the increasingly technocratic background of the governing elite - the President and the national bureaucracy - who bring to bear their managerial, technological and planning skills on their attempts to manage Mexico's current economic difficulties while maintaining its political stability.

Distribution of Power and Influence

The fact that the regime is "bureaucratic authoritarian" (but not in a repressive sense as was the case of Brazil under military rule) assumes a centralization of power. The fact that it is also "liberalizing" and "modernizing" assumes a widening distribution of influence. From the point of view of decision-making, power in the Mexican system is ultimately centralized in the President with, however, a wide distribution of influence. In this view the President is best seen not as omnipotent where influence outside a close circle of advisors is limited, but as an administrator. As such, he is neither stalemated by the interest groups in society nor does he surrender decision-making power to an ascendant bureaucracy when matters of critical importance arise.

Although the "President as Administrator" is the predominant structure in the decision-making process, this is not to deny that in a complex decision, other processes are at work. As the IBM case reveals, politicking does take place. However, determination over a given question is not made according to which

interest group can muster the greatest political pressure or the largest numbers of votes in a committee or legislature. Power is not dispersed to these groups. While political pressures are taken into account as one of a varying number of influences, decisions are made with an eye to independent state interests, thus softening support for the thesis of a low level of state autonomy.[16]

In addition to politicking, the organizational process model is also important in the decision-making process. In routine matters, the bureaucracy exercises decision-making power and influence is usually limited to within bureaucratic structures. Even in matters that are not routine, the bureaucracy at a higher level is still given the opportunity to respond to a demand seeking resolution. However, in a conflictual case such as that of IBM the bureaucracy cannot or will not limit the exercise of influence to within its boundaries nor is power to resolve such a conflict exercised autonomously in an intersecretarial group such as the Foreign Investment Commission, which weakens the ascendant bureaucracy thesis.

Whereas there are certain authoritarian features in

the Mexican decision-making process such as the attempt to limit influence as seen in the post-rejection phase of the IBM decision and the attempt to disguise the origin of the decision, there was no such attempt at the beginning of the decision-making process and hence an omnipotent president thesis is not supported by this case.

The different stages of the decision-making process do, however, show different distributions of power and influence. In the first phase, power is centralized in the Foreign Investments bureaucracy and influence is limited to those bureaucrats with knowledge of the IBM proposal. This does not last long, however, as some bureaucrats expand the circle of influence outside the bureaucracy engaging a politicking model which postulates a distribution of power as well as influence. However, interest groups do not have the power to decide in their own case. When politicking has run its course, a decision based on some rational policy has to be made. Here power is again centralized with the organization which still has jurisdiction over the case. And influence is once again limited to working within official channels. A rejection based on the

rationale that organizational objectives are not met by the IBM proposal is, in effect, a continuation of the politicking model via bargaining between one interest group and the governmental decisionmaker. A reversal of the rejection comes about when a compromise is achieved which involves the rational actor applying rational policy criteria to a somewhat revised proposal. At this final stage, power is certainly centralized as would be the case with the authoritarian model, but by this stage there has been a wide distribution of influence - involving not only the bureaucracy but also the interest groups and their allies in the legislature, the press, and a foreign government - a wider distribution of influence than one would expect in the authoritarian model. In short, the exercise of power and the distribution of influence varies at different stages of the policy process but, in the final analysis, the predominant mode of actually arriving at a decision of critical importance is that of the President as Administrator. This supports the thesis that interest groups such as private enterprise in the area of industrial policy can exercise direct influence on the political system and are not solely at the mercy of a benevolent patron-client relationship.

Implications for Technocrats

The role of technocrats is extremely important in terms of two critical functions - formulating policy options and maintaining a system of checks and balances. Because of their technical background, technocrats are capable of influencing policy by formulation of options or plans for their superiors' consideration. These plans, such as the Computer Plan and the Foreign Policy Guidelines, may conflict in seeking different objectives of an overall plan which may contain internal contradictions or may represent past policies as opposed to policies designed to meet the exigencies of a current situation. It is through the selection among different options at the higher levels of the bureaucracy that the Mexican political system maintains its equilibrium balancing off opposing positions and opting for incremental changes that, by meeting currently identified requirements, keep the system viable. At the middle levels of the bureaucracy, this process represents a competitive struggle among technocrats to meet the needs of Mexican society as they interpret it, prove their worth to their superiors and, if their vision of society's needs proves correct, earn

a promotion within the hierarchy within the next administration. Hence, the secret to upward mobility becomes the ability to provide an improvement that will respond to an identified need and thereby to system equilibrium. This does not mean that technocrats are taking over the political system, for the task of choosing among alternative options at the higher levels of the bureaucracy remains a political task, even if those decisions are being made by individuals who themselves have technical backgrounds. While the bureaucratic task is that of providing viable policy options, the political task is that of arbitrating among conflicting interests in settling on a given option, and having settled on that option, making it acceptable.

Implications for the Efficacy of the Economic Elite

The private industry entrepreneurs, while possessing the means to exert influence on the political system in the areas that affect their interests, are not as independent or powerful as an interest group approach would suggest. They can influence the political system insofar as they align themselves with government goals for there is no doubt that the government, through control of fiscal incentives, credit, and commercial

policies, maintains a strong position as rector of the economy. If the government, however, can achieve its goals more efficiently in specific areas through the fostering of foreign investment, it will do so. In the IBM case, the support that government had provided local industry via protectionist policies eroded with the necessity for change to promote a larger volume of competitive exports.

Implications for the Role of TNC-Government Relations

Transnational corporations in a high technology sector have a bargaining advantage insofar as developing countries need alternative sources of capital to finance economic growth and leading edge, efficient technology to modernize the development process and provide a basis for competitive exports. However, a transnational corporation needs to weigh the costs of insisting on its own terms versus adjusting to meet expressed governmental goals and objectives. By insisting on its own terms, IBM had to wait 16 months to get approval for its proposal while other manufacturers were establishing their products on the market. On the other hand, a transnational can contribute to development objectives insofar as it engages in a real transfer of technology.

assists in its assimilation, provides a positive commercial balance, and provides a basis for the generation of direct and indirect employment. The IBM project promised to do all of these.

Limitations and Questions for Further Research

Because this study focused on decision-making in one policy area - that of industrial policy, and specifically in its accommodation of foreign investment - the findings may not be generalizable to other policy areas and perhaps not even to all areas of industrial policy. Further studies would help to clarify whether this interpretation of the Mexican decision-making process is valid or whether it is simply the result of an atypical case. Particularly useful would be studies that examine the inner workings of the bureaucracies at different levels. There are too few studies in this area given the central importance of the bureaucracy. Questions of importance would include how decision-making bodies that are not intersectorial operate within a given ministry? At a higher level, how do cabinet ministers interact with the President and with each other when there is a conflict about the best means to achieve a policy objective? Are the decisions

always consensual as the IBM study suggests? Or are there sometimes split votes where the majority or the President rules?

Of interest also are changes within the Mexican political system toward democratic processes. Was the institution of democratic planning by the de la Madrid administration simply an experiment or does it indicate a lasting change in the direction of interest aggregation at lower levels? Will inputs now be seriously sought and considered in the formulation phase of policy or will such inputs attempt to impose themselves only at the moment of implementation?

In view of our findings from studying the IBM case, it seems clear that any attempt to understand the Mexican decision-making process must start with statements of rational policy in the policy area of interest. What are the values and objectives of the rational actor - the President? What does he find desirable? But this is only a starting point, for to the extent that values and objectives in a given area remain undefined or are in the process of change due to a changing environment, the role of organizational process within the bureaucracy becomes important. Hence

it becomes important to know what the bureaucracy defines as within the realm of the possible. To the extent that values and objectives among middle level bureaucrats differ, there is the likelihood that a politicking process on a controversial issue will arise outside the bureaucracy. In such a case adjustments can be expected which are not foreseen by any party. These may be interpreted as attempts to determine what is acceptable. To the extent that adjustments are resisted by any group, it is likely that the President himself will intervene in resolving deadlocked issues he himself considers important. As such the decision-making process can be defined as a matter of translating a demand for action into a plan for action that is desirable according to policy objectives, possible to implement through organizational process, and ultimately acceptable to political interest groups. In the Mexican case, the ultimate decision is made by the President.

NOTES

1. For the varying modes that bureaucratic demand-making can have, see James Davis, "Citizen Participation in a Bureaucratic Society: Some Questions and Skeptical Notes," in Neighborhood Control in the 1970s: Politics, Administration, and Citizen Participation ed. George Frederickson (New York: Chandler, 1973), pp. 59-72 as cited in Henry A. Dietz, "Bureaucratic Demand-Making and Clientelistic Participation in Peru," in Authoritarianism and Corporatism in Latin America ed. James M. Malloy (Pittsburgh: University of Pittsburgh Press, 1977), pp. 413-458.

2. Plan Nacional de Desarrollo, supplement to El Mercado de Valores 43, 24 (13 June 1983), p. 155.

3. *Ibid.*, p. 97.

4. See Opening Remarks of Mauricio de Maria y Campos to CANIECE at Expo-Electronica, 8 February 1985 as reported in Contacto 1, 6 (February 1985), p. 6.

5. While it is not the purpose of this study to go beyond this stage into final implementation of IBM's approved "plan for action," it is significant to note that opposition within the Industrial Promotion branch of SECOFI remained. In fact, faced with signing off on IBM's manufacturing plan, Dr. Jose Warman decided instead to resign. Interview with Mario Topete of Apple de Mexico, 24 February 1987.

6. See, for example Philippe C. Schmitter, Interest Conflict and Political Change in Brazil (Stanford, Ca.: Stanford University Press, 1971); Peter G. Snow, "Argentina: Politics in a Conflict Society," in Latin American Politics and Development, 2d ed. Edited by Howard J. Wiarda and Harvey F. Kline (Boulder and London: Westview Press, 1985); and Kalman H. Silvert, The Conflict Society: Reaction and Revolution in Latin America (New Orleans, La.: The Hauser Press, 1961).

7. See Linda B. Hall, "Mexican Presidentialism From Diaz to Echeverria: An Interpretive Essay," The Social

Science Journal 17, 1 (January 1980), pp. 41-52.

8. According to Business Latin America "The private sector fought for a say in the current plan and apparently many of its recommendations were incorporated into the final document." See "Mexico's Industrial Plan: Can This One Make It Better Than the Last?" 8 August 1984, p. 251. The editors of PRONAFICE integrated inputs from various sectors of industry as a result of meetings scheduled with interested groups over a six month period from all over the country. Interview with Rene Villareal, chief editor of PRONAFICE, 7 April 1987. Manuel Conde Palazuelos said that IBM was among those companies that expressed its viewpoint on the contents of the plan with respect to the high technology sector. Interview, 11 February 1987.

9. This would indicate a shift in what Peter H. Smith sees as a tripartite ruling coalition of state, private sector and foreign sector from the private to the foreign sector axis of the coalition. See Peter H. Smith, Mexico: Neighbor In Transition (New York: Foreign Policy Association Headline Series No. 267, January - February, 1984), Chapter 3, "The Political System," p. 37.

10. Juan J. Linz, "Totalitarian and Authoritarian Regimes," in Handbook of Political Science, Vol. 3, Macropolitical Theory, eds. Fred I. Greenstein and Nelson W. Polsby (Reading, Mass.: Addison-Wesley, 1975), p. 283. The complexity of authoritarian regimes is one reason Linz does not provide a classification according to his typologies. See Linz, "Totalitarian and Authoritarian Regimes," pp. 350-353.

11. *ibid.*, p. 283.

12. While Linz uses the term "post-independence" for describing the roots of many modern authoritarian regimes (reflecting, particularly, the experience of post-colonial African countries), the more appropriate term in the case of Mexico is "post-revolutionary." While the interpretations of the Mexican revolution vary from a socialist to a nationalist to a "bourgeois" revolution - or simply to a "great rebellion" - the point here is simply to note that this national experience involved movements and events which had an impact on modern Mexico's development. For an

interesting discussion of various interpretations of the Mexican revolution, see Alan Knight, "The Mexican Revolution: Bourgeois? Nationalist? Or Just a 'Great Rebellion'?" Bulletin of Latin American Research 4, 2 (1985), pp. 1-37.

13. On the post-revolutionary character of elite mobility in Mexico, see Peter H. Smith, Labyrinths of Power: Political Recruitment in Twentieth Century Mexico (Princeton: Princeton University Press, 1979), chapter 6, "Continuity and Turnover," pp. 159-187.

14. Admittedly the de la Madrid administration's institution of austerity measures put a damper on these programs. The failure to control double and triple-digit inflation, however, indicates an attempt by the regime to deal with one of the factors contributing to that inflation - social pressures for both higher wages and higher prices.

15. The fact that the "Foreign Investment Guidelines" published by SECOFI in February 1984 specified "priority" areas for foreign investment and that, in the IBM case, there was resistance to a project even in one of these approved areas indicates the caution with which the regime approaches this sensitive area.

16. For the application of this thesis to Mexico, see Nora Louise Hamilton, "Mexico: The Limits of State Autonomy," Latin American Perspectives 2, 2 (1975), pp. 81-108.

APPENDIX

Exhibit 1 IBM Proposal - Disapproved (Affecting Period 1985-1989)

Financial Data: (millions of dollars)

6.6	IBM's investment capital
71.0	import substitution savings
12.0	contribution to research
100.0	additional tax revenues
528.0	export volume
157.0	trade balance
137.0	net foreign currency contribution

Employment and Production Data:

80	number of jobs to be generated annually
819	number of indirect jobs annually
663,000	projected units of production
51,000	estimated units of national consumption
612,000	units to be exported (92% of production)

Related Data:

35-50-50-50%	national integration rate over four year period
10-15%	maximum surcharge over U.S. prices
6 months	maximum lag time for introduction of new products

Sources: James Cooper, "IBM's Investment Project: MAYBE...MAYBE...MAYBE," A/FE Press Review, 30 November 1984. SECOFI, unpublished data.

Exhibit 2
IBM Changes - Approved

+ capital	\$91.1 mn. over 5 years to include original \$6.6 mn. in fixed assets
+ research	- IBM to create an Institute of Micro-computer Research in collaboration with the Federal Commission of Electricity to assemble, test and certify chips and other electronic components - 6 % of sales to be dedicated to R & D
+ supplier development	development of a horizontal industry of fundamentally Mexican suppliers
+ distribution	distribution of production for local consumption to be handled by non-exclusive distributors on the condition that they have 100% national capital and not be linked with each other
+ training	to establish training programs through universities and firms selected on a competitive basis
+ software	establish an international distribution center to produce and distribute IBM software throughout Latin America
+ technology	packing system for multiple coated cards
+ local content	51% initially to be increased over time to 82% by fourth year
+ employment	240 direct jobs to be generated through expansion of existing plant to increase to 1000 and 1460 indirect jobs

Sources: Richard J. Meislin, "Mexico In Reversal, to Let IBM Build and Own a Computer Plant," New York Times, 24 July 1985; Exce/s/or 16 August 1985; "Mexico Update," American Chamber of Commerce in Mexico City, Vol. 111, No. 20, August 1, 1985, pp. 5 and 9. SECOFI, unpublished data.

Exhibit 3
Mexican Foreign Investment Law
Article 13

ARTICLE 13. - In order to determine the advisability of authorizing foreign investment and to establish the percentages and conditions by which it shall be governed, the Commission shall take into account the following criteria and characteristics of the investment:

I. - That it should be complimentary to national investment;

II. - That it should not displace national business enterprises that are operating satisfactorily, and that it should not enter fields that are adequately covered by such enterprises;

III. - Its positive effects on the balance of payments and, especially, on the increase of Mexican exports;

IV. - Its effect on employment, taking into account job opportunities created and wages paid;

V. - The employment and training of Mexican technical and management personnel;

VI. - The incorporation of domestic inputs and components in the manufacture of its products;

VII. - The extent to which it finances its operations with resources from abroad;

VIII. - The diversification of sources of investment and the need to foster Latin American regional and subregional integration;

IX. - Its contribution to the development of relatively less economically developed zones or regions;

X. - That it should not enjoy a monopolistic position in the domestic market;

XI. - The capital structure of the branch of economic activity involved;

XII. - Its technological contribution and its assistance in the country's technological research and development;

XIII. - Its effect on price levels and quality of production;

XIV. - That it should respect the country's social and cultural values;

XV. - The importance of the activity in question in the context of the country's economy;

XVI. - The extent to which the foreign investor is identified with the country's interest and his connection with foreign centers of economic decision; and

XVII. - In general, the extent to which it complies with, and contributes to the achievement of national development policy objectives.

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VITA

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PII Redacted

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This dissertation was typed by the author.