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MEXICO: ITS ECONOMIC, POLITICAL AND SOCIAL SITUATION AND ITS IMPLICATIONS FOR THE UNITED STATES

BY

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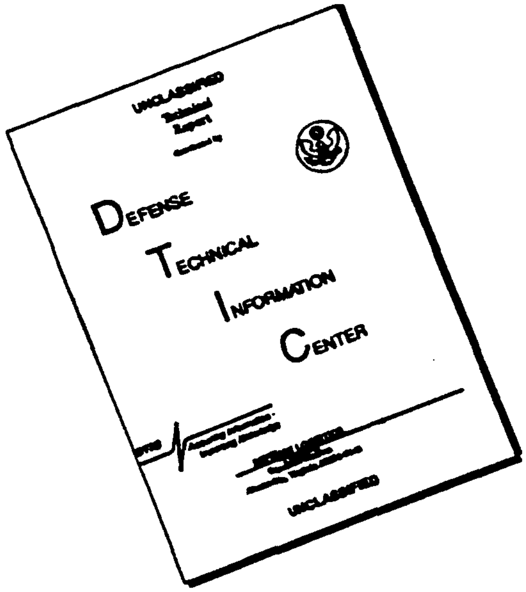

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USAWC MILITARY STUDIES PROGRAM PAPER

MEXICO: ITS ECONOMIC, POLITICAL AND SOCIAL SITUATION AND ITS IMPLICATIONS FOR THE UNITED STATES

AN INDIVIDUAL STUDY PROJECT

by

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ABSTRACT

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INTRODUCTION

More than half the volumes under review attempt to evaluate the policy relationship between Mexico and the United States, in whole or in part. Undergirding this preoccupation is the perception that bilateral relations are entering a new era of amplified tension and increasing conflict. Nearly all the analysts agree that this new era is challenging conventional ways of coping with bilateral relations and raising the stakes of policy failure. It will require new approaches to bilateral management. 1

U.S. relations with Mexico *must* be evaluated. No other country in the hemisphere is as closely linked to the United States as Mexico. Profound structural changes in Mexico, including demographic growth, economic development, and social and institutional transformation, have meant greater interpenetration and complexity in bilateral relations. Mexico's basic importance to the United States has increased, but the United States has been slow to respond to this shift. Considering the economic asymmetry, geographic contiguity, and dissimilar national traditions and interests between the two countries, such changes portend intensified conflict. 2

As structural factors at the global and bilateral level are reshaping the relationship, dissimilar cultural and historical experiences contribute to the difficulties of its management.

Preceptual differences, in particular cont ibute to a wide gap in bilateral communications that is part of the structural problematic, exacerbating the potential for conflict.

The proliferation of bilateral ties and interests is a centrifugal force that diminishes executive capacity to shape policy and amplifies the potential for bilateral confusion and conflict. Apart from simple neglect, this diffusion of policy authority is grounded in the basic decentralization of U.S policy-making and a trend toward dispersion of actual, as opposed to formal, policy authority in Mexico. 3

The sharpest dispute on approaches to managing the relationship is found on the issue of negotiating strategy. As several analysts acknowledge, the habit of delinking issues and approaching them on an ad-hoc basis is deeply grounded in the asymmetries of the U.S.-Mexico relationship and is reinforced by bureaucratic tendencies in policy making in both countries, but mainly those in the United States.

Coupled with these historic structural elements are proliferating nongovernmental or subgovernmental ties transecting the boundary that play an increasingly important role in the expanding bilateral policy arena. Such ties are less amenable to government-to-government negotiation and control. 4

HISTORY

History shows that relations between Mexico and the United States have never been easy. In the past century and a half one finds conflict rather than understanding and cooperation. During the nineteenth century and much of the twentieth, relations occurred within a framework of permanent conflict, with the exception of a short period of cooperation that coincided in Mexico with the French intervention and in the United States with the Civil War. Throughout this long period Mexico has fared badly. The 1836 War, for example, resulted in the loss of Texas with Washington's tacit approval; the U.S.-Mexican War in 1847 entailed the loss of a vast territory that, including Texas, constituted more than half of the original territory of independent Mexico and in 1854 the Treaty of la Mesilla, the Gadsden Purchase, legislated the forced sale of still more territory.

Conflict continued to characterize relations between the two countries during the first four decades of the present century. From the beginning of the Mexican Revolution the United States intervened openly in the internal political affairs of Mexico and, on at least two occasions, militarily as well -in 1914 with the occupation of Veracruz and in 1917 along the northern border through the punitive expedition of General Pershing, sent to punish Francisco Villa for his assault on the town of Columbus, New Mexico. 5

THE FUTURE OF RELATIONS BETWEEN MEXICO AND THE U.S.

In the present decade and in the immediate term Mexico's relations with the United Staes will depend on various and complex factors: the perceptions that different American political sectors have of U.S. priority interests in relation to Mexico; -Mexico's capacity to initiate internal policies that serve the interest of the majority of the nation- Mexico's ability to resist external pressures; and finally, the type and magnitude of future international events

A number of observers of Mexico-United States relations from both sides of the border distinguish between U.S. short-and long-run interests. They assert that both the government in Washington and interested private sectors suffer from myopia, derived from short-term considerations, which impels them to force situations in relations with Mexico that, if realized, would work to the detriment of the true long-run U.S. interest in Mexico: balanced development and political stability.

The future of Mexico-United States relations will also depend in great part on Mexico's capacity to resist external pressures as well as on its capacity to meet its internal needs. Although oil has permitted Mexico to enlarge its margin for international bargaining, it is still vulnerable to external pressures. Petroleum has indeed given Mexico a concrete and effective instrument of international negotiation that, apart from its commercial value, has an aggregate political value of even greater force. 6

In great part Mexico is vulnerable because of the weakness of its balance of payments and its foreign trade. Petroleum has become Mexico's principal export and has come to compensate for the trade deficit which would otherwise be greater. Viewed from another perspective, petroleum permits Mexico to mantain an import capacity to meet the needs of rapid development. On the other hand, and since the level of oil exports has been considered as a potential motive for discord on the United States-Mexico agenda, it follows that the United States will not have to exert any pressure in that regard, for Mexico's own internal needs will lead its government to raise oil production. 7

MEXICO'S EXTERNAL DEBT

The biggest challenge facing the new Mexican administration is to continue making the payments without suppressing imports to the point of disrupting the country's social stability. Stoppage of these payments, if it were to happen, may also create the biggest challenge for U.S. policymakers. Will the U.S. government bail out the affected banks? or will it let these banks -and by extension the U.S. economy- go through a major crisis? The delicacy and enormity of the issue will linger on until the Mexican debt becomes manageable. In the meanwhile, it could be an impediment to greater integration of the two economies, at least for the short run. 8

MEXICAN GOVERNMENT MOVES TO REORGANIZE PUBLIC DEBT

The second swap operation to exchange $2.5 billion in foreign debt for capital has been successfully carried out.

This operation will allow the government to pay off $1.803 billion of the foreign debt. In addition, it will release $417 million in collateral that guaranteed the debt would be paid up. These $417 million will now become part of Mexico's international reserves.

The Finance Secretariat reported that, in view of the high discounts offered by investors who participated in the auction, it was decided to increase the amount auctioned from $ 1.5 billion to $ 2.5 billion.

The government has thus completed its debt-for-equity swap program for a total of $3.5 billion. The first auction involved $ 1 billion. This program is part of the agreement to reorganize the $48 billion public debt with international private banks.

Seventy-two bids were presented in the second auction; 29 of them were accepted. A single discount rate, 52 percent, was applied. The projects that were approved were in the areas of farming, tourism, communications, transportation, and industry. 9

According to the agreement on restructuring the mexican foreign debt, 43 % of the eligible debt and 47 % of the interest are earmarked to be written off, and new loans will be taken out to cover the remaining 10 % of the debt. The net transfer of money out of Mexico was lowered. The economic value of the accrued debt has been reduced by more than $20 billion. This has reduced the amount Mexico owes in relation to what it produces. In terms of economic impact, the amount of the debt decreased from the equivalent of 60 % of the GNP in late 1988 to around 40 % in March 1990. The multiannual nature of the renegotiation of the debt eliminates the uncertainty of periodic negotiations.

In general, the balance of payments has been favorable. To the savings made with debt servicing and increased export revenue, aided in the past quarter by the oil price increase and export volume, were added the largest foreign investment, outside loans, and the repatriation of capital As a result, although $1.374 billion in reserves were used in March 1990 to set up guarantees for the debt renegotiation and the receipt of $1.336 billion in loans by financial authorities from foreign countries, called stopgap loans, the Mexico's international reserves reached $8.415 billion at the end of October 1990. 10

When Carlos Salinas became Mexican president in 1988, inflation hovered at an annual rate of over 50 % and unemployment was soaring. The country staggered under a foreign debt of $81 billion, the second largest in the Third World after Brazil's. 11

FREE TRADE AGREEMENT

Mexican and U.S. workers should unite to keep the free trade agreement from including clauses that affect their interests, even though it is the two governments that will sign this agreement.

In Mexico the working sector is already telling the government to keep a free trade agreement with the United States from causing businesses to close and the mass dismissals of workers.

A poll to measure the support for the Free Trade Agreement was conducted within the metropolitan area of Mexico City, and in 25 cities and towns in 22 states of Mexico. The states, cities, and locations were selected at random. The persons interviewed were citizens passing by in the street at points selected randomly on a map.

Of the persons interviewed, 59.4 percent said they would favor an ALC (Free Trade Agreement) eliminating tariffs and trade barriers between Mexico and the United States Conversely, only 19.3 percent said they would oppose such an agreement.

The persons polled think that Mexican products in general (41.5 percent), or at least some of them (36.1 percent) can compete with U.S. products. 12

THE INTERNATIONAL TRADE REGIME

The trade relationships that have existed between Mexico and the United States have been shaped by one overriding fact, namely, the commitment of the United States to a global trading system that it had been largely instrumental in creating and sustaining. The United States had come out of World War II as the undisputed leader of the non-communist world.

The General Agreement on Tariffs and Trade (GATT), which evolved from the original U.S. proposals, incorporated substantial modifications that the U.S. government felt it could accede to in the interest of gaining acceptance for its general principles.

From the time when the GATT was negotiated in 1948, those principles came to represent the norms of the international trading regime. Although Mexico steadfastly refused to join the GATT, its trade relations with the United States and other countries have been affected by the GATT regime, and finally in 1986 it joined this organization as a member. 13

The advanced industrialized countries went even further in their different treatment of imports emanating from the developing countries. For instance, by 1968 the United Nations Conference on

Trade and development (UNCTAD) succeeded in persuading the advanced countries to extend a variety of tariff preferences to products originating in the developing countries.

By the early 1970s, however, the signs of a new phase began to appear. An ambitious group of trade negotiations, the so-called MTN, conducted under the aegis of the GATT, was completed in Geneva in 1979. These produced yet another round of tariff reductions on the part of the advanced developed countries, to be applied to the products exported from all GATT countries, as well as from Mexico. 14

The general principle of unconditional most-favored-nation treatment, from which the developing countries have heretofore benefited, has lost most of its force as a norm in world trade relationships. In the future, deviations from that principle by the Advanced Industrializing Countries, including the United States, will tend to be more overt and more explicit. If that prognosis proves sound, nations unprepared to make trade commitments that are regarded as "reciprocal" will find themselves excluded from the benefits that other nations are receiving. For the United States-Mexico relationship this will present an especially difficult problem. If Mexican leaders feel that any reciprocal trade agreement with the United States would be politically unacceptable at home, a painful impasse in U.S-Mexican trade relations could develop. 15

The possibility of a preferential trade arrangement between the United States and Mexico should not be ruled out. In the event of U.S participation in a preferential arrangement with other advanced countries and Mexican participation in a similar Latin American plan, both countries would probably seek some means for developing mutual, suplementary preferential schemes

The negotiations for the signing of the agreement may not begin before early 1991, out of respect for the legislative systems in both countries, according to the Mexican Commerce and Industrial Development Secretary in a response to U.S. Comerce Secretary Robert Mosbacher' statement that the Persian Gulf crisis has made the signing of a bilateral free trade agreement a priority matter for Washington.

However, Mexican Commerce Secretariat advisers pointed out that the energy crisis caused by the conflict in the Middle East represents for Mexico, an important oil exporter, the strengthening of its negotiation position regarding the future signing of a free trade agreement with the United States.

As for the oil industry, sources from the Mexican energy sector said that as a result of the situation in the Persian Gulf, Mexico has received since the beginning of the crisis in that region, aproximately $315 million more than the amount originally stipulated in the August budget.

The sources pointed out that the extra income, resulting from the increase in the price of Mexican oil to a median of $22.85 per barrel, will be used to increase the capacity of oil production in this country, which currently amounts to 2.3 million barrels per day.

Top Mexican Government officials had previously warned against excessive optimism regarding a stable and lasting increase in income resulting from oil exports, and they ruled out any increase in public expenditures along with the current increase in oil prices. 16

The question, whether exchanges between Mexico and the United States will increase, is too complex for casual analysis. The visible factors are hauling and pulling in different directions. The oil trade is itself being affected by a number of powerful factors. Whether or not Mexico and the United States find it expedie to enter into some sort of bilateral trade agreement, the flow of non-oil trade between them is likely to continue to be of the utmost importance to Mexico.17

The possibility that Mexico and the United States may each have a diminished position in the trade of the other is enhanced by the changing character of their comparative advantage. The nature of the United States' shift in competitivness is already clear in industrial trade; she must share her once dominant position with Europe, Japan, and others. Mexico's familiarity with alternative sources of capital goods already well advanced, will presumably advance further. The Mexican subsidiaries of U.S.-based multinational enterprices, too, will contribute to the trend, as their original U.S.-sourcing bias weakens over the course of time.

The developments in agriculture on both sides of the border could likewise alter substantially the patterns of inte..ational trade. A potential factor for increasing trade between the United States and Mexico is the export from Mexico of energy-intensive, intermediate products, from crude oil and petrochemicals to aluminum ingots.

Although such a possibility is quite real, the uncertainties it faces are considerable. Accordingly, that possibility may not prove strong enough to offset the factors tending to reduce the trade links between the two countries. 18

The United States-Mexico relationship, however, could easily develop a special twist of its own. For various reasons that have been thoroughly developed in the literature, crude oil producers and metal fabricators see considerable advantage in integrating downstream toward their markets. 19

The Mexican Foreign Secretary explained before the Senate that fuel products are not included in the agreement. He added that the FTA is "only a means, but not the end to attaining national development. 20

MEXICAN POLITICS

The ruling political party in Mexico today is the PRI, (Institutional Revolutionary Party) and it serves two main functions: it is an umbrella organization for organizing political elites and an electoral machine that puts them in office. As an umbrella organization its overriding goal has been the formation and preservation of elite consensus that is a basic condition for the regime's stability.

In Mexico the achievement of elite consensus proved especially difficult. For over a century after independence, liberal and conservative elites fought battles whose costs included the loss of almost half of the nation's territory to the United States and the imposition of an emperor by a European power. A massive revolution was required to create the conditions necessary for elite consensus The turmoil led to the emergence of an elite initially united by the revolutionary experience itself and subsequently by a vague commitment to an ideology formed by diverse themes. 21 The key themes of this consensus -liberal, socialist and nationalist principles- were recorded in the 1917 constitution. The revolution strove to create a strong state capable of promoting modernization while at the same time ameliorating the worst effects of economic exploitation and foreign domination.

THE EVOLUTION OF THE PRI

Stable sucession of political power, a problem endemic to many systems throughout history, has been especially difficult in Spanish America in the period following independence. It is important to remember therefore, that the PRI was created and reshaped over time by powerful revolutionary leaders as an instrument to support a strong and stable state. Prior to the creation of the National Revolutionary Party (PNR) in 1929, Mexico's experience in this respect had been typical: Virtually no orderly transfer of power took place during the century following independence in 1821. The goal, therefore, was to construct an inclusive system to encompass all significant political forces, leaving no place for a legitimate opposition or "counter-elite" that might take power through competitive elections.

Formation of the official party began as a top-down effort. Over time the party became increasingly subject to presidential control exercised in a more institutionalized, that is, predictable fashion, and each subsequent president bent the party to his own conception of the national project.

Keeping in mind that each stage in the formation of the party has its roots in the preceding stages, we might periodize the PRI's history as follows: 22

- 1929-38: National Revolutionary Party (PNR) created by Plutarco Elias Calles, primarily to resolve a succession crisis, and used through the maximato (period of rule by Calles as the "maximun chief" of the revolution) period (1929-34) as an instrument of Calles' personal power.
- 1938-46: Party of the Mexican Revolution (PRM) created by Lazaro Cardenas as a means of incorporating groups, such as labor and farmers,that had been organized and mobilized by reform policies implemented earlier in his presidency.
- 1946-71: Institutional Revolutionary Party (PRI), a joint action by Presidents Manuel Avila Camacho (1940-46) and Miguel Aleman (1946-52) to restructure the party to remove the army and subordinate the farm and labor organizations to a government-business aliance. This brought about rapid growth during the period of "stabilizing development" (1954-71). Party structures and practices were essentially fixed by 1950, following the failure of the effort in 1946 to weaken the peasant and labor sectors.
- 1971-present: Increasing strains between groups that support a

policy of economic development, exacerbating tensions within the PRI and between the party and the government. This has been accompanied by the growing importance of the government bureaucracy and the ascendancy of technocrats (tecnicos) over the party politicians (politicos) and the failure of successive efforts at party reform.

The creation of the PRI in 1946 symbolized the consolidation of the party as an institution. It also marked the effort to limit the sectors to social and economic functions and to go back to the pre-1938 system under which nominations to public office were made by territorial organizations. 23

THE SALINAS REFORM AGENDA.

The nomination of Carlos Salinas de Gortari in October 1987 as the PRI's presidential candidate precipitated the first significant split in the party since 1952. Opposing the government's economic policies and undemocratic practices, the Democratic Current had emerged within the PRI in mid-1986 to tilt the presidential succession in a neo-populist direction.

Salinas entered the campaign as the candidate of a divided party in a country that had endured six years of economic austerity. For our interest, Salinas approached the question of democracy in the orthodox PRI tradition. The following are its central tenets:

- Mexico's history is one of a difficult and incomplete struggle to create democratic values and practices.
- A strong state, not separate from civil society but an extension

of it, is needed to manage change, especially given the nation's history of instability and foreign intervention

- Democracy will take a form suited to the Mexican reality, but it stresses legality, individual freedom and equality, and -to be effective- must include substantive considerations of equality
- The party should respect the vote and recognize opposition victories when these occur. 24

TRADE.

Mexico is trying to establish free trade with the United States. It already has intensive commercial relations with the U.S., which in the absence of specific guidelines tends to grow in a disorderly and unbalanced way.

Mexico seeks an interaction with the United States that recognizes the importance of bilateral relations for the two countries, stressing dialogue, respect, and reciprocity. It has emphasized balance in commercial and financial relations and better cooperation in the war on crime and drug trafficking that is respectful of sovereignity, national rights, and good faith. It has demanded fair and humane treatment for undocumented aliens, and has established a program for Mexican communities abroad.

Mexican President, Carlos Salinas visited Washington in June 1990, and on that occasion he discused with President George Bush topics on the bilateral agenda, in particular commerce. Mexico began talks to find means to allow a vigorous development of its economic relations for the benefit of both countries. The national consultation forum, organized by the Senate on the topic of Mexico's commercial relations, concluded that it was advisable to have a free trade agreement with the United States It demanded reciprocity for Mexico's unilateral commercial opening, elimination of tariff and nontariff barriers, awareness of different levels of development, elimination of unilateral measures and subjective interpretations, and objetive mechanisms to settle differences. 25

As is quite normal, Mexico, the United States, and the world have placed great expectations on these countries eventually signing a free-trade agreement. Mexico wants this treaty to create jobs on both sides of the border, to create a secure climate for investment, to represent reciprocity and provide incentives for its exports, and it wants it to increase the competitiveness of both economies. The economic measures that the Mexican people decided to adopt in response to their domestic needs will be strengthened by foreign investment, open trade, and just and objetive ways to solve conflicts. 26

Mexico is going to take advantage of the new conditions and coincidences in order to become stronger in response to the intense international competition for markets. It wants to imbue its negotiations with its societies' impetus for open and reciprocal trade and investment.

DRUGS.

Mexico acknoledges that the military operations against drug trafficking are important to the nation's security and its institutional life. The Air Force, the Navy, and especially the Army have destroyed plants, confiscated drugs, and closed clandestine landing strips Phase two of the detection and control system is under way, with the use of new Mexican radar that will detect airplanes carrying drugs that are attempting to enter the country and use it as a way to continue into the United States. The Armed Forces contribute their experience and capabilities toward fulfilling their high-level mission, and when circumstances demand it, they offer their lives as well. The bravery and the loyalty of Mexico's soldiers and sailors are exemplary.

During the present administration the Judicial Police and the Armed Forces have destroyed drug plantations in more than 6,000 hectares and have arrested more than 18,000 persons accused of acting against the people's health, and captured weapons, ships, and vehicles used to commit this type of crime.

In 1990 Mexico seized more than 45 tons of heroin and cocaine, the equivalent of 800 million doses. The market value of the drugs seized during the Salinas Administration is $120 billion.

President Salinas said: "We cannot renounce our commitment to getting rid of drug trafficking. We firmily uphold our position that in Mexican territory, only the Mexicans will fight this evil. We have safeguarded the legal commitments that protect international procedures on the execution of justice, legal cooperation, and the recovery of **assets**."

"My government will continue to fight drug trafficking, but this is not enough. The participation of society as a whole is necesary for the struggle to succeed." 27

International cooperation is vital and is attained by increasing the channels of information and through trust. This cooperation will enable Mexico and the United States to increase the efficiency of the struggle against drugs in both countries.

The war against drugs, however, must strictly adhere to respect for human rights and must never be used as an excuse to violate these rights. In Mexico's relations with other countries, it must uphold its firm position in this total war against drugs, but maintain full respect for the sovereignty of other nations. Each of the countries that is afflicted with any of the links in the drug traffickers' criminal chain -actual drug production, the gunrunning that protects the traffickers, the money laundering that conceals them, the acquisition of chemical products to produce drugs, and the distribution and deadly use of drugs- must make an active effort to defend itself. No country is exempt from this evil and none suffers more than another. The cost for Mexico is measured in lives lost in this war against drugs and the orphans it has left. Other countries have lost the souls of its youth as it has become addicted to drugs. 28

MIGRATION.

The migration of mexican workers into the United States, be it temporary or permanent, legal or ilegal, has been a source of irritation between the two countries, and for good reasons. The immigration and naturalization service estimates that there are 6 million Mexican nationals living in the United States illegally. Other sources put the figure much higher, in fact more than twice that added to these figures are millions more who live and work in the United States under different bilateral or other arrangements: permanent residents, foreign scholars, temporary migrant workers, etc.

Not surprisingly, however, the controversy is focused almost exclusively on the first group and is generally centered on a seemingly simple question: do illegal immigrants contribute to the U.S. employment, or do they take jobs away from american workers?

The general consensus among the students of the field is that the migration of Mexican workers to the United States is negatively correlated to economic conditions in Mexico. In other words, adverse economic conditions in Mexico make even the posibility of underground employment in the United States that much more attractive to the unemployed -and probably "unemployable"- Mexican youth. So long as economic conditions remain as divergent as they presently are the dream of "high" earning will be sufficient to attract thousands of Mexican workers to the United States. 29

Trade policy is closely linked also to migration pressures. Measures designed to protect the U.S. market from imports of labor-intensive goods and services will exacerbate slack conditions in the Mexican labor market, leading to increased pressures for migration abroad as job opportunities become relatively more attractive in protected industries north of the border. Offsetting the competition between jobs in the export sector and jobs through migration, exchange policy designed to favor exports may have a complementary effect on migration since devaluation of the peso makes both peso exports and dollar earnings more attractive

Estimates of Mexican migration indicate a steady increase in the number of Mexican workers who have joined the U.S. labor pool as temporary or permanent workers. Projections of the demand for labor in Mexico indicate that a 6.6 percent sustained growth of GNP by the year 2000 would be able to absorb the new workers coming into the job market up to that time but would not be sufficient to mop up underemployment including a number equal to those now employed abroad, which together amounts to around 10 million workers. 30 In short, an optimistic 6.6 percent average rate of growth for the next years will not tighten the labor market sufficiently for real wages of unskilled labor to begin to approach the U.S. level. And if GNP were to grow at only 6 percent annually, the labor surplus over and above underemployment and the number now employed in the United States would amount to from 3.3 to 4.3 million workers, or as high as 10 percent of the work force in the year 2000. 31

It seems essential that a conscious emigration policy be formulated to complement Mexico's domestic employment and income distribution strategies, if real wages are to rise significantly at home and if labor-income convergence between Mexico and the United States is to occur gradually. Exports, however free to adjust along the lines of Mexico's comparative advantage, will not generate the same job-creating capacity as migration, at least not untill well into the next century. Nevertheless, migration does represent a cost to Mexico in terms of the education, training, and skill formation of those workers who migrate abroad. 32

Although there are complaints that illegal aliens are taking jobs away from americans, thereby increasing unemployment in the United States, many U.S. businesses, both industrial and agricultural, say they desperately need these workers. Along the border, the measure is highly controversial. Tens of thousands of Mexicans are used on construction projects and to harvest crops. In a recent study, the Urban Institute has found that illegal aliens fuel the economy and do not deprive others of jobs. It has also determined that the presence of Mexican workers has led to higher profits for business and lower prices to consumers "If I had to pay Anglo wages to harvest my crops," says a grower near Vinton, Texas "I'd go belly up. You would pay beef-filet prices for your salad." 33

Illegal aliens, because they are fleeing poverty, are willing to accept much less pay.Also, most of the jobes that illegals are getting are jobs that otherwise would go undone. In other words, this kind of employee is difficult to find in the United States, and employers would have to pay U.S. laborers the minimum required by the law.

There is also some evidence that immigrants do not just take jobs; they also create them. Illegal aliens are good at lubricating an economy because they supposedly stay off welfare and slip into all sort of economic nooks and crannies, sometimes taking two or three part-time jobs. However, there is still a big controversy about how good or bad Mexican labor is for the United States. Nevertheless, the cry of "worker shortage" in the seasonal agricultural worker area grew so strong that in June 1987 the policy on documentation changed and starting letting agricultural workers cross the border based on their word that they had worked in U.S. agriculture before. 34

Nearly 1.4 million illegals met the May 4, 1988 deadline for applying for amnesty under a U.S. Immigration and Naturalization Service policy. It was estimated that more than half the applications were in California; and that, nation wide, about 71 percent of the aliens had entered the U.S. from Mexico. 35

The foreign-born population living in the United States from Mexico is as follow: Los Angeles, 41.9%; Houston, 42.4%; Dallas, 40.0%; San Diego, 36.9%; Phoenix, 31.9% and San Antonio, 64.9%. 36

In the meantime, there is a legal and moral duty to attain respect for the human and labor rights of these immigrants and their families who, with their work, are undoubtedly contributing in a positive manner to the development of the U.S. economy. Any violations against their moral and physical well-being on either side of the border are an affront to the values in which both nations believe and a source of concern for all men of goodwill.

Respect for all individuals is part of the Mexican heritage and a deep conviction shared by all Mexicans. May this always be the way here and there for those who want to work and live in a more dignified manner. 37

HEALTH

The Mexican portion of the hispanic population of the United States is increasing. In 1987, it was estimated that 11.8 million residents in the United States were of Mexican origin. Current estimates of the population of Mexico aproximate 88 million, and projections for 2010 range from 113 to 123 million, depending on assumptions affecting the growth rate.

A correlate of the rapid population growth in Mexico, and of the Mexican-origin population in the United States, has been increased recognition of the importance of the border between the United States and Mexico. Its rapid growth and changing economic characteristics, as well as its role as a staging area for new migrants to the United States, give the border an importance beyond the numbers of persons who live there at any one time. 38

A number of border residents live in "colonias" or unincorporated settlements on both sides of the border. These comunities often lack septic tanks, sewers, or running water, and outdoor privies are commonly located near water wells, making most of the water unfit for consumption. On the U.S. side, most of these "colonias" are on the Texas border, where zoning and land use restrictions outside incorporated areas are far less restrictive than those in Arizona and California, and where the water table is more accessible.

Communicable diseases are a significant threat to the health of these populations, and differing approaches to immunization and treatment on both sides of the border need to be rectified. Drug resistant tuberculosis remains a problem on the Mexican side of the border, and it is vital that screening and treatment remain available to all persons on both sides of the border. Another health problem on the Mexican-U.S. border is dengue fever.

With regard to sanitation and water supply, the cities on the Mexican side have had to cope with particularly rapid growth. In Ciudad Juarez, for example, in 1981, roughly 67% of the 650,000 residents had private water taps inside of their house, 23% had private outside taps, 5% depended on a communal tap, and 5% used water in street barrels delivered by city trucks. 39

Another concern is the air pollution that affects many persons on both sides of the border. Air pollution in El Paso-Juarez has been a continuing problem because of the carbon monoxide, due largely to the much older vehicular fleet in Juarez, the lack of emission controls, and the poor quality of gasoline used.

On the U.S. side of the border, the medical care system has many of the characteristics of the Mexican system as a whole, with the exception that in most of the cities and several of the states the entitlements are seriously limited.

On the other hand, although in theory Mexico has a national health system, there are many gaps in access similar to those in the United States. Persons with a high income have access to private facilities. The broad middle class, which includes government workers, employees of large firms, members of unions, and residents of certain communal agricultural communities, generally have access to the Social Security (Instituto Mexicano del Seguro Social) or Government Employee (Instituto de Seguridad y Servicios Sociales para los Trabajadores del Estado) clinics and hospitals.

Many of the problems on the border could be solved unilateraly if both countries set themselves to the task of improving the environment, providing access to basic health care, and strengthening public health activities. A barrier to this approach is that, for both countries, such initiatives are constrained by an unwillingness or inability to make changes in their nations as a whole. 40

CONCLUSIONS

The future of Mexico-United States relations will depend in great measure on Mexico's capacity to reduce its vulnerability to numerous pressures, which in turn will depend on the determination of the domestic majority to carry out the necessary, implemental reforms. The future of those relations will depend also on the perceptions of U.S. sectors involved in the defining of the national interest in relation to Mexico, since on this in turn will depend whether or not the United States exerts pressures on Mexico. In the event that very short-run perceptions prevail -perceptions that accord priority to matters such as oil and migration- there will certainly be diverse pressures that will muddy the relations between the two countries. The outcome will be different if long-term perceptions prevail, based on what some call the U.S. traditional objectives in regard to Mexico, i.e., assisting with the balanced development and political stability of the country.

From the political viewpoint, the overall pattern of trade and investment relations between Mexico and the United States is not reassuring. From years of habit, Mexico and the United States have grown accustomed to their asymmetrical trade relations. On both sides of the border, import restrictions by Mexico have been seen as normal, an indisputable prerogative of a developing country. At the same time, import restrictions by the United States have been seen as exceptional, providing a basis for protest and objection on the part of Mexico. Mexico is bound to regard a change in those norms, such as a movement toward bilateral bargaining, as threatening.

One development that could ease the tensions is the possibility that Mexico may reduce its dependence on the U.S. market in non-oil-trade. In energy-intensive products, however, the medium term prospect is one of frustration on the part of exporters due to transitional problems of excesive competition. And in the international trade in oil and gas itself, the possibility of sharp irregularities in world supplies suggests the threat of a roller-coaster quality in U.S. demands, which would inevitably generate tensions at every stage in the process. 41

The relations between Mexico and the United States have acquired a new dimension as a result of Mexico's oil. As the Mexican economy takes on ever greater importance as a counterpart of the U.S. economy, and as trade, investment, and technological cooperation between the two countries broadens, these bilateral relations will grow progressively more intense and frictions may arise, above all in regard to specific policies of industrial and trade promotion that Mexico will implement on the basis of oil. If the spirit of understanding and mutual respect in handling the negotiations persists, however, that frictions will be overcome, for there is no fundamental conflict of interests between the two countries. Not only will the United States continue to be very important for Mexico, but it will benefit in the future to the extent that Mexico succeeds in furthering its own process of social and economic development.

The resultant interdependency -or "invisible integration"- has had many advantages and some disadvantages for both sides. Both countries have benefited from this gradual integration, even though the process may not have been equal, some say fair, in its benefits to the two sides. For Mexico, a developing nation with many economic problems and a proud heritage, the dichotomy is how to benefit from its proximity to the United States without changing the relationship from interdependency to Mexico's dependency on the United States.

Mexican people see a strong presidency working to modernize the economy while at the same time pursuing a moderate reform agenda.

Today Mexico's strength and sovereignty do not end at its borders; they must also be felt outside the territory, in the framework of independence and globalization.

For centuries Mexico has preserved the oldest traditions and absorbed the newest currents. The streaks of identity and the sense of belonging within that culture still live with unique vitality inside each Mexican. They give Mexico security and confidence to go beyond its borders and enter into the world.

In economic terms, Mexico needs clear and permanent rules and conditions for sustained growth so that every Mexican can work in the profession or enterprise that best suits his welfare, as well as that of his family, always promoting the general interest that serves everyone's interest.

It should be clearly understood that illegal immigrants from Mexico, are causing, without doubt, some political, economic, and cultural problems in the United States. However, the United States needs the labor because of several reasons: first of all, illegal labor is cheaper. Second, illegal labor is used in harvest and construction jobs, as well as maids, cleaning, gardeners, and car-washers's jobs, because this kind of employee is scarce in the United States. Therefore, illegals are performing tasks that would otherwise remain undone. Third, it has been found that illegals do not hurt the U.S. economy; on the contrary, they contribute to its economy because they create jobs.

Mexico is reaffirming its humanitarian principles modifying an age-old Mexican political tradition to conform to the modern international situation. Special mention is the Paisano program, which was established to guarantee dignified treatment for Mexican migrant workers upon their return.

The same political will expressed by the United States and Mexico in combating drug trafficking has also been expressed in the defense of the ecological system and the preservation of the environment.

Changes are taking place outside Mexico and the United States, and Mexico wants to become a modern country, and thus it fully commits itself to this new international realities Mexico sees these new trends not as a threat to its sovereignty, but as opportunities to make its national project more viable. It is with this goal in mind that Mexico is ready to boost with deeds the Mexico-United States relations. Mexico and the United States intensely engage in trade in many ways. Today it has found the ways to carry out this trade in an orderly manner, with greater fairness, and with greater advantage for both countries.

Mexico wants to take advantage of these new conditions and coincidences with United States in order to become stronger in response to the intense international competition for markets. It wants to imbue the negotiations with its societies' impetus for open and reciprocal trade and investment. Mexico wants to raise its cultural levels, each within the other, to strengthen each other's respect and dignity. There is a common struggle in their respective societies in favor of health and education and against the enemies of drug trafficking, poverty, and environmental deterioration. It wants to ensure peace and harmony on the continent and throughout the world, based upon the solid foundation of international law.

These long term integrative forces hopefully will override some of the past short term policies based on mistrust and a perception of unequalness, and the future seems much better in regard to the friendship between the two countries.

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