

RESEARCH

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Herman Baca
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Compañero:

In our talk when we had the interview on the 19th, you indicated you were interested in doing some study on U.S. - Mexico relations.

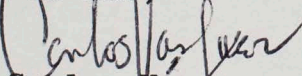
As you know, I am presently working on a book of essays on U.S. -Mexico relations and prospects for the 1980's. It covers: immigration, petroleum; policy trends and what I call the "Chicano connection." In the process alot of material has come into my hands - too much even to comment on. If you like, I can send you a bibliography of the most useful and provocative summaries available for the 20th century.

For now, I am sending you only three pieces which indicate the direction of U.S.- Mexico relations recently from the "official" point of view. The first is a briefing paper from the State Department, the second what I thought to be Presidential Review Memo no. 41 but which I now find is only part of it and also "classified" so cannot be released. The third is a major think tank piece from the Rand Corp. which will be in my book and which indicates the direction the ball game is taking.

Please use these with discretion. I also have a useful collection of current materials on the guest worker program politics which should be the central piece of the immigration issue in the coming 18 months. If you are interested in these give me a call or drop a line.

The interview came out quite good although quite long. We are trying to keep the integrity and flow of thought as we edit it for publication. If you would like the tapes or the pre-edited version, let me know.

Sin mas,


Carlos Vasquez

P.S. We haven't got any feed back from you on how we might make the newspaper better.

Carter Asked to Consider Upgrading Mexico Ties

National Security Council Study Says Neighbor Could Be Viewed as Major Partner, Oil Supplier

BY J. P. SMITH
The Washington Post

WASHINGTON—A National Security Council draft study describes Mexico as "the most promising new source" of oil in the 1980s and suggests the President consider a serious upgrading in that country's priority among U.S. foreign policy interests.

The memorandum, designated as Presidential Review Memorandum 41, says the United States could view Mexico as a world-scale partner and accord it significant concessions on winter export of farm products as well as quotas for legal immigration of workers to the United States. A copy of the draft was obtained Thursday by the Washington Post.

Yet another option outlined in the draft would be for Washington to maintain its traditional view of Mexi-

co as an "emerging power" in the Third World.

Last week, President Carter said the memorandum could serve as the basis for his impending negotiations in February in Mexico City with President Jose Lopez Portillo.

"For the United States, Mexico represents a major new energy source—presently outside OPEC (Organization of Petroleum Exporting Countries), Mexico could fill 30% of U.S. import needs by the mid-1980s, thus enhancing security of supply, and more than compensating for the decline of Venezuelan and Canadian supplies," the draft study says.

More important, however, the outcome of PRM-41 (as the classified study is known within the foreign policy bureaucracy) could shape a new generation of U.S.-Mexican relations.

A draft of the Mexico PRM sets forth these possible results that could come from a redirection of Washington's policy toward Mexico:

—It could provide an alternative to increased dependence on Arab oil, and access to some of what the CIA estimates could be as much as 10 million barrels of Mexican oil production a day by 1990.

—It could result in a sanctioned program for Mexican aliens now immigrating illegally to the United States at the rate of hundreds of thousands a year, a proposal vehemently opposed by many U.S. labor leaders.

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Los Angeles Times ★

STUDY OFFERS MEXICO OPTIONS

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—It could result in lowering tariff and other trade barriers to Mexican exports, such as vegetables and textiles, that are vigorously opposed by politically powerful U.S. business interests.

—And it could result in the creation of a special negotiator for Mexican affairs reporting directly to the President or Secretary of State Cyrus R. Vance, that at the least would touch off regional political jealousies.

At the same time, the United States could do nothing about any of these and, as a draft of the PRM says, "follow general U.S. foreign policy directions without according Mexico special or preferential status."

Carter has yet to make a choice, though senior Administration officials say he has taken a keen personal interest in PRM-41.

Last week, at a White House breakfast meeting with reporters, Carter said, "I consider our relationships with Mexico to be as important as any other that we have, and my relationship with President Lopez Portillo has been very good."

Washington observers are long accustomed to Carter's effusive goodwill and praise about any country or

head of state. What is different about Mexico, however, is that senior Administration officials say in private that by all indications Carter attaches a high priority to Mexico's emerging oil status and to turning around the suspicions and ill will that have marked relations between the two countries over the last 40 years.

Elsewhere in the Administration, the Mexico PRM has been the focus of Cabinet-level haggling, and the bureaucratic territorial battles that mark any potential major foreign policy switch.

Energy Secretary James R. Schlesinger was reproved in a sharply worded letter last Nov. 8 from National Security Council head Zbigniew Brzezinski for trying to ignore the council's PRM process by going directly to the President or negotiating directly with Mexico's national oil company.

And within the State Department, there has been discrete competition between Latin American policymakers who favor an open-handed approach toward Mexico, and the State Department's energy experts who favored a hard-nosed posture until recently on energy negotiations with Mexico.

The Labor and Justice departments, which have an institutional interest in stemming the flow of Mexican illegal aliens into the U.S. labor market, were briefly at odds with a State Department-favored proposal for an official U.S. program to allow Mexicans to immigrate to the United States.

While the details have yet to be worked out, and the final PRM-41 document has not gone to the President, the outlines of the Administration's options were agreed upon at a Cabinet-level meeting last week held in the Situation Room in the basement of the White House's West Wing.

The PRM begins with a statement that Mexico is emerging as "an economic power of strategic value to the United States," adding that Mexico clearly could produce as much oil as Saudi Arabia, the world's leading exporter, does today.

It goes on to say there are four major issues that need to be addressed: energy, trade, migration and relations affecting the communities strung along both sides of the 1,950-mile border between Mexico and the United States.

Among the obstacles to improving

relations between the two countries the PRM notes, is that "important element in both societies regard the other with suspicion and even fear."

These include Mexican fears that the United States will exploit Mexico's resources, especially oil and gas, and U.S. fears that illegal Mexican immigration will swell domestic labor markets as the economy moves toward a recession.

The PRM says that "influence, leverage, and bargaining potential—once overwhelmingly in favor of the United States—are shifting somewhat in Mexico's direction."

As for the goal of Mexican relations, the draft PRM says the United States should press for "a stable, humane, and cooperative Mexico."

It is Mexico's growing oil power, however, that is at the heart of the policy evaluation.

The first priority of Carter's February visit to Mexico will be to unsnarl embarrassing loose ends from natural gas sale, approved by Lopez Portillo, that was killed last year by Schlesinger.

If the United States adopts a posture essentially treating Mexico as "an emerging power," the draft PRM says, U.S. interest in Mexican oil and gas would be seen "in global rather than U.S. security terms," a position that Schlesinger has continued to argue privately.

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PRM - 41
BORDER COOPERATION

1. Current Situation - In their highly interdependent border relationship, the U.S. and Mexico share complex social and economic problems. Sharply contrasting U.S. and Mexican living standards, aggravated by explosive growth rates on the Mexican side, encourage the spillover of Mexican social problems into U.S. border communities. Urban crowding, unemployment, poor income distribution, overburdened social services, pollution problems, pressures on land, water, and natural resources, crime and smuggling have become a pressing agenda for state, local, and Federal authorities on both sides of the border.

2. Situation in 1988: On the U.S. side, even without new immigration legislation, there will be tighter border controls, inhibiting somewhat the legitimate flow of tourism and trade. Recent increases in border patrol strength and the Border Management reorganization proposals are steps in that direction. Mexican border cities will have increased in population by 60 to 100 percent, causing transboundary air and water pollution and crime to remain problems. If U.S. immigration restrictions have been enacted, crowding and social tensions in Mexican border cities will have been further aggravated by the influx of migrants barred from U.S. jobs. Benefits from Mexico's gas and oil earnings can be expected within a few years to contribute to U.S. border tourism and trade earnings and to begin to be applied toward some Mexican Border social problems. US-Mexico agreement on development of underground water resources in the border area should be achieved within ten years.

3. Major Variables Over The Next Ten Years: Major variables over the next ten years are Mexico's own demographic and development strategies, such as the extent of investment of oil revenues in social infrastructure at the border, and the choice of policies to foster more growth in the Mexican interior and slower growth in the border area. Creative U.S. assistance efforts could help Mexico deal with the problems of sanitation, pollution, and crime. Other variables include U.S. willingness to continue acceptance of expansion of in-bond industries and its success in developing innovative modes of transborder economic and manpower cooperation.

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4. Mexican Attitudes: Like the U.S., Mexico has a great stake in maintaining the "openness" of the border, particularly to insure the current relatively free access of its workers to jobs on the U.S. side. Mexico also seeks to keep its border as respectable and prosperous an area as possible, favorably representative of Mexican society. Finally, historically conditioned to see the border as an inviting area for U.S. expansion, Mexico seeks to preserve the border's Mexican character. This consideration puts subtle limits on the extent and nature of bilateral border cooperation.

5. Major Decisions In The Next Twelve Months:

A. Whether and how to proceed in implementing the President's Border Management Reorganization proposals.

B. Whether and how to conduct a study of possible measures to permit the free entry of people and goods along the border.

C. Whether to approve in principle: 1) proposed soft loans to Mexico, through IBWC, for improvement of sewerage treatment; and 2) LEAA grants to U.S. border states and cities for cooperative programs with Mexican border police forces.

6. Issues:

-- To develop effective controls on illegal immigration that will neither impede the free flow of people and goods nor create additional social and public order problems for Mexican border cities.

-- To assist Mexico to deal with "exportable" border problems, such as pollution and crime, and encourage Mexico to slow the high rate of in-migration to its border.

-- To determine what new bilateral mechanisms, if any, should be established to deal with consultation, planning, and joint action on border problems.

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ISSUE PAPER

US-MEXICO BORDER COOPERATION

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BORDER COOPERATION

I. Introduction: The Importance of the Border in US-Mexican Relations

The interdependence of Mexico and the United States and their vast social and economic disparities are most graphically displayed where the two societies join. At the border the two societies are markedly symbiotic, but also in many ways competing -- interdependent but in many ways disparate and divided.

Our border relationship is important in several ways. The border can be seen as a microcosm of the overall US-Mexican relationship, wherein often what are or may become national-level issues and conflicts are most intensely and visibly experienced and played out. The border is where we most intimately experience Mexico, and Mexico us. The success of the two countries in conducting a stable and cooperative border relationship is both a barometer of the overall relationship as well as major factor determining its tone.

More than seven million Americans in the 36 U.S. counties abutting the border are factually as well as figuratively close neighbors of Mexico. More than four million Mexicans now live in Mexico's 35 counterpart border municipalities. The capacity of Mexican society to impinge in concrete ways on the daily lives of large number of our citizens is clear. Equally clear is the potential for direct high costs to the U.S. southwest if our border relationship were to deteriorate and Mexican cooperativeness in managing the complexities of border co-existence were to be withdrawn.

Historically, Mexico's proximity has left deep imprints on the society of our southwest: its reserve pool of cheap, disciplined labor has both contributed to economic development in our border states and, increasingly in recent years, begun to exact high socio-economic costs. At present, Mexico's continuing problems of rapid population growth, urban migration, unemployment, and poor income distribution, all present to an extreme degree at the border, are impacting heavily on the U.S., but nowhere more markedly than in U.S. border cities. Together with such benefits as production from twin-plant operations and a large flow of local cross-border commerce, Mexico is exporting its social and economic problems, with the U.S. border communities the principal recipients.

In the economic development region comprising the 36 U.S. counties along the border, unemployment rates, percentages of welfare recipients, incidence of communicable disease, and percentages of the housing stock rated inadequate are all higher than the national average. The percentage of students requiring bilingual education are also higher than national averages, while average public school achievement standards, educational attainment levels and family income are below the national average, and in most cases below that of their respective states. These problems have multiple and complex origins, but the existence of the border is a frequent contributing factor. In the justification presented for designation as a regional planning commission under Title V of the Economic Development Act, which was presented by the governors of the four southwestern states, it states:

" According to most socio-economic indicators, the area which comprises the proposed regional border commission is significantly underdeveloped and lags substantially behind the rest of the nation. Although some enclaves of relatively healthy economic activity exist, they are few and have scarcely any beneficial impact on the region as a whole. Then, too, the proximity of Mexico continues to pose a special set of problems for the area which helps to impede the development. The persistently large influx of illegal aliens, especially, has proven to be a major depressant to the economy."

On Immigration, the Governors' Report Stated:

"Finally, there is the major problem unique to the region -- large scale international migration, both legal and illegal. Undocumented workers, especially, have helped to maintain very low wage levels in agriculture, manufacturing and many service industries."

Ironically the border region, a depressed area for the U.S., is a relatively privileged and rich area of Mexico. Decades of Mexican Government policies conferring special tax incentives, import privileges, and exemptions to foreign investment restrictions have led to a comparatively high level of industrial activity and the country's highest wages. These advantages, together with the employment opportunities in the services sector or in the U.S., have acted as a magnet for internal migration from throughout Mexico,

giving the border cities growth rates among the highest in the Republic. There are mixed effects: large numbers of jobless people from the Mexican interior go north for work and end up in the streets of Mexico's border cities, which are also the depository for those returned nightly from the U.S. by INS.

The sharply contrasting living standards between the U.S. and Mexican sides of the border, now intensified by the explosive growth rates of Mexican border communities, is the condition that underlies and informs most of the current specific bilateral border issues. Rapid urban growth, outstripping Mexico's ability to provide adequate social and community services, is a prime factor in the growth of crime, pollution, public health problems, illegal immigration, and pressures on land and natural resources.

U.S and Mexican Objectives

While parallel in many aspects, U.S. and Mexican objectives in their outlook on the border diverge in some important ways.

The U.S. objective has been to maintain an "open border", permitting the relatively untrammled flow of trade and cultural contacts, consistent with effective control over the illicit transit of people and contraband. The "openness" of the border is of greatest concern to those who actually reside in the border lands. The interdependence of the local economies, the shared interest in tourism, and the close cultural linkages and kinships between Mexican and Mexican-American make relatively free access an imperative to local inhabitants

on both sides. At the same time, the rise of illegal immigration and narcotics traffic and the growing flight of stolen vehicles and other items to Mexico are trends that argue for tightened border controls.

Mexico has, if anything, an even greater stake in the "openness" of the border. Mexico seeks to avoid border restrictions that affect the free flow of tourism. Unstated, but more important to Mexico, is maintaining the current relatively free access of its undocumented workers and daily legal and illegal commuter workers to jobs on the U.S. side. Out of national pride, and for the sake of tourism, Mexico also seeks to keep its border as respectable and prosperous an area as possible, favorably representative of Mexican society. Finally, historically conditioned to see the border as an inviting area for U.S. cultural, economic and even political expansion, Mexico has as major objectives to effectively "occupy" the border and to preserve its Mexican character, and to tie it firmly to Mexico City. This consideration puts certain unseen but effective limits on the extent and nature of bilateral border cooperation.

II. Major Issue Areas in the Border Relationship

A. Border Trade and Tourism; Border Industries

1. Overview

Binational interdependence is particularly pronounced in the areas of border tourism and trade.

"Border transactions" are the major category in Mexico's total tourist earnings, representing in 1978 a projected 1.5 billion of a total of 2.8 billion in tourist revenues. U.S. border cities, particularly the major gateways such as El Paso, Nogales and Laredo, gain important derivative benefits from the pass-through of U.S. and third-country tourists to Mexico as well as from Mexican tourists to the U.S. (Mexico is the largest single source of tourists to the U.S.), and local transborder trade is closely tied to tourism. Mexico's expenditures in the U.S. under "Border Transactions" will total about 1.1 billion in 1978. Until the devaluation of the peso in 1976, purchases by visitors from Mexico represented an increasingly important percentage of the retail volume of U.S. merchants near the border. Many of these businesses suffered initial declines in volume of 40 percent and more following the devaluation, with the impact by some retail outlets as far away as San Antonio. The level of trade has since recovered. Mexican purchases in real terms should regain its 1976 level, after falling five percent last year.

With the exception of the in-bond plants (discussed below) production of consumer goods for domestic use has been slow to develop on the Mexican side. The heavy influx of U.S. goods because of the existence of a free zone, pervasive smuggling and other liberal import privileges has worked against the growth of an effective domestic system for production and distribution of consumer goods, a disadvantage further aggravated by the border zone's relatively high wage costs stemming from the proximity of the U.S. labor market.

"In-bond" industries, which perform the labor-intensive phases of production on foreign, mainly U.S., components and re-export to the U.S. under sections 806 and 807 of the U.S. Tariff Schedule and to other countries now number nearly 500 and employ almost 85 thousand Mexicans along the border.

2. U.S. Interests

Both nationally and at the border, the U.S. has a clear interest in maintaining the two-way flow of tourism. As the effects of the 1976 devaluation continue to fade, and Mexico's own balance of payments begins to benefit from oil and gas earnings, we can expect an increasingly significant Mexican contribution to our tourism earnings. While U.S. tourism to Mexico does represent a balance of payments drain, a far higher percentage of dollars spent in Mexico return in the form of purchases of U.S. goods and services -- and estimated 50 to 60 percent -- than those spent in travel outside of North America.

The U.S. also has an interest in the continuation of Mexico's in-bond industries, though not necessarily at the border itself. While protectionist sectors in the U.S. charge that such industries cause the export of jobs of U.S. workers, they contribute significantly to the viability of the Mexican border economy, and employ workers who otherwise might immigrate illegally. The statistics on the putative net loss of U.S. jobs are inconclusive. There is evidence Mexico's in-bond industries create new jobs at the twin plants on the U.S. side of the border and make possible the continued operation in the U.S. of industries that otherwise might relocate entirely abroad.

3. Mexican Interests

Mexico wants to maximize tourism earnings. To this end Mexico seeks to keep her border area as an inviting area to prospective U.S. and third country tourists. Mexico, however, would like to encourage local Mexican production and distribution of consumer items now purchased in large volume in the U.S. Mexico has a continuing interest in the easy access of her people to the U.S. side, as tourists but even more importantly as workers. Finally, Mexico hopes for further expansion of the "in-bond" industries, but within a general strategy of directing future investment away from the border, where wage and social costs make those industries increasingly less competitive, to underdeveloped areas of the interior.

4. Current Prospects

Both countries are moving to further expand border tourism. Additional ports of entry are in the planning stage. The 1978 tourism agreement calls for joint cultural projects, in part to make the border area more attractive to tourists, particularly to those from third countries. Customs legislation now in Conference Committee, if enacted, would improve Mexico's earnings from border transactions -- as well as benefit U.S. gateway cities -- by raising from \$100 to \$250 the amount of duty free merchandise a returning U.S. resident could bring back from Mexico. An alternative proposal in the Senate would raise the duty free ceiling to \$500.

The Mexicans, as well as U.S. border communities, remain concerned over repeated efforts in the U.S. Congress to bar imports from in-bond industries by amending 806 and 807. At the same time, while in-bond industries on the border resumed rapid growth in 1978, the Mexicans perceive a longer run trend for these industries, because of relatively high wage costs, to lose their competitive edge to in-bond plants in other less developed countries. For this reason, and to discourage over concentration of industry at the border, the Mexican Government since 1972 has extended "in-bond" privileges for the establishment of plants anywhere in the country along with additional customs incentives. If successful, the new policy could aggravate unemployment at the border, at least in the short run. The desired ultimate effect would of course be to ease some of the incentives to migrate from the interior to the border in search of work.

5. Options and Considerations

-- For Mexico: Devaluation: Until it develops alternate job opportunities, Mexico has little choice but to continue encouraging tourism and services as mainstays of the border's economic life. Both of these sectors are unusually sensitive to the exchange rate. With the effects of the 1976 devaluation wearing off (and the peso now appreciating slightly against the dollar), inner circles of the Mexican Government have reportedly considered another devaluation, but have taken no decision as yet because of the domestic political costs of such a move. If Mexico opts for devaluation, it would further improve its border transactions balance at the expense of the U.S. side. U.S. tourism and purchases would increase.

Middle class Mexican tourism and purchases on the U.S. side would probably decline further. More significantly, the amended exchange rate would make it still more attractive for Mexicans to work illegally on the U.S. side. Devaluation would increase the competitiveness of the border in-bound industries, but at the same time encourage to some degree the flight of Mexican capital to the U.S.

-- For the U.S: The Trade-off between local trade and tourism and border controls: It must be assumed that, on the U.S. side, even without new immigration legislation, there will be a trend toward tighter screening of border crossers. Recent increases in border patrol strength and the President's Border Management reorganization proposals are steps in that direction. Tighter enforcement will have to be conducted carefully if it is not to inhibit the legitimate Mexican tourist or shopper. Some depressing effect on the volume of Mexican purchases would probably result in any event in view of the large number of Mexican border crossers who would be found excludable under careful monitoring and a rigorous application of the immigration laws.

B. Law Enforcement, Crime and Public Order

1. Overview

As urban populations have grown on both sides and legal and illegal movement have increased, U.S. agencies face an increasingly complex task of improving border control while maintaining a relatively open border and Mexican cooperation.

2. U.S. Interests

Our interest lies in fostering the easy access of people and goods across the border consistent with our laws; in reducing smuggling and other offenses prevalent in the border area; and in achieving maximum cooperation from Mexico in law enforcement in the border area.

3. Mexican Interests

Mexico seeks to foster unhindered access of people and goods across the border, to control crime in the border area; and to avoid massive, unilateral U.S. enforcement actions along the border.

4. Background and Current Status

The heavily traversed 2000-mile border presents an array of law enforcement problems, most serious of which are: 1) alien smuggling -- a large proportion of an estimated 18,000 alien smuggling operations in the U.S. have sources in Mexico; and 2) narcotics smuggling -- approximately 60% of the heroin in the U.S. originated in Mexico, and a significant percentage of the U.S. marijuana supply comes from there as well (see separate paper on narcotics); 3) the flight of stolen property, most notably, some 10,000 automobiles, conservatively estimated, which annually are taken from the U.S. into Mexico. In addition, as a result of the heavy flow of Mexican migration to the border area, there are serious local crime problems in urban areas on both sides of the border, with steady increases in the rate of robberies, homicides, burglaries, and

juvenile shoplifting. The tendency in U.S. border cities increasingly is to attribute rising crime to illegal aliens and to demand federal action, or in several cases local initiatives, including vigilante action, to police the border.

Although the U.S. and Mexican administrations disagree over measures to deal with large-scale, illegal Mexican migration into the U.S., officials from both countries have recently stepped-up joint efforts to investigate and prosecute those who make business of smuggling aliens, whether from Mexico or from third countries via Mexico, into the U.S. Proposals now under consideration include joint targeting of suspected alien smugglers, close cooperation in investigations and prosecutions, and joint training of personnel for anti-smuggling activities. At this stage, it is premature to say how these joint anti-smuggling efforts are apt to develop until the larger issue of illegal migration is addressed.

The return of identifiable stolen property is generally handled by respective U.S. and Mexican law enforcement agencies at the local level. Success or failure in this respect seems to vary with the relations established between local authorities. Not infrequently, it is reported, "mordidas" (bribes) are required to smooth the release of stolen goods. In the special case of stolen automobiles, a treaty governs their return, but procedural obstacles cause it to be resorted to infrequently -- especially in relation to the size of the problem. The present Mexican Attorney's office has acted administratively to return vehicles in custody

which have not been involved in crimes in Mexico; but the largest number of stolen cars end up in various Mexican hands, including at times those of local police, and U.S. insurance companies pay the rightful owners for their loss. In recent years, vehicle theft/cross-border transfer has extended to light aircraft, tractors and farm equipment, bulldozers, graders, and even semi-tractor trailers.

5. Recent Trends and Prospects

In the last several years, there have been a number of noteworthy accomplishments in the area of law enforcement cooperation. An exchange of Sanctions Treaty has led to a reduction by one-half in the number of convicted U.S. prisoners in Mexican jails. The U.S. and Mexico have also signed a revised Extradition Treaty, updating an earlier one concluded in 1899.

On September 30, 1976, an agreement was signed by the United States and Mexico, providing for mutual assistance between the customs administrations of the two countries. The signatory nations have agreed that their Customs Services shall assist one another, upon request, in the prevention, investigation and repression of customs offenses, and also, by providing information for the assessment of customs duties and other taxes and for enforcement controls. The assistance to be rendered by each administration includes, but is not limited to, providing information on significant actions which infringe, or may infringe, on the customs laws of the other country; conducting surveillances of persons, goods and conveyances;

serving or furnishing documents, certifications, and certain decisions and rulings of customs authorities; and carrying out investigations or inquiries relative to these matters.

INS has in the past two years placed heavy emphasis on seizing alien smugglers, with more than 14,400 of them arrested so far this year, an increase of 30 percent over total 1977 figures. Some 160,000 aliens were seized with these smugglers, most of them along the US-Mexico border. Chula Vista and El Paso rank one-two as leading alien-smuggling locations in the U.S. INS is also seeking statutory authority now lacking to impound vehicles used in alien smuggling. Court requirements that all illegal aliens taken with an arrested smuggler be held as material witnesses for prosecution have been burdensome and expensive, particularly if there is trial delay; overburdened court dockets are a systemic problem. Long range prospects for resolving this smuggling problem ultimately rest on a number of important variables: the state of the Mexican economy, the shape of U.S. immigration legislation changes, and the degree of cooperation of the two governments in the future.

While comprehensive crime statistics for the border area are not available, particularly on the Mexican side, the consensus of informed opinion among law enforcement officials is that there have been increases in nearly all categories of crime in recent years, and that the rate of increase in border cities is higher than the national average. Incidents of attacks on illegal aliens in the act of crossing the border or on U.S. border law enforcement officers have increased. Mexican police in Baja California attribute the high rates of

robberies and homicides in Tijuana and Mexicali to the large influx of poor and unemployed who come to the border from Mexico's interior. Similarly, complaints have multiplied on the U.S. side over increases in the number of robberies, burglaries, and juvenile shoplifting.

Tighter U.S. border controls, particularly if combined with legislation to deny jobs in the U.S. to illegal aliens, raises the prospect of even more serious social and public order problems in Mexican border cities -- these restrictions would impede the flow northward of transients in those cities while stimulating a reverse flow to them of Mexicans unable to work in the U.S. Those cities could experience further rapid growth of their floating populations and a heightened level of frustration among them. Given present and likely future conditions in the border area, we must expect continued high levels of crime.

6. U.S. Approach

Apart from illegal cross-border migration from Mexico to the U.S., which is more accurately viewed as a massive socio-economic phenomenon than as a law enforcement problem, these law enforcement issues are not likely in themselves seriously to affect the course of US-Mexico relations. However, the perception in U.S. border cities of rising crime of Mexican origin can harm the climate of border relations and requires a federal response.

Federal Government attention by both sides will be necessary in order to reduce the harmful effects of these problems on the major fabric of our relations. For the U.S., the immediate challenge is to develop new modes for inducing greater cooperation and competence among Mexican border law enforcement agencies, particularly at the state and local levels where corruption and inadequate resources are crippling. Such assistance to Mexican law enforcement agencies must be tailored to take into account Mexican sensitivities over the appearance of U.S. tutelage.

C. Environmental and Conservation Problems

1. Overview

Air and water pollution, much of it originating in Mexico, and pressures on land and other resources, have readily felt effects on the quality of life in U.S. border cities, which usually occupy the same air basins and drainage areas with their Mexican counterparts.

2. U.S. Interests

We have an interest in continuing and improving cooperation in the area of environment, conservation, and natural resources. By assisting Mexico to monitor and combat air and water pollution, we can help diminish impacts on our own border. By working with Mexico to upgrade the housing, health, and sanitary conditions in Mexican border communities, by cooperating with Mexican family planning programs, and

by sharing our expertise in tackling the problems of arid lands, we can help improve the quality of life in Mexico. This, in turn could contribute to increased economic and agricultural growth and more job opportunities, thus improving social and economic stability and lessening the pressures for migration northward."

3. Mexican Interests

Mexico in general shares our interest in combatting pollution and other threats to the quality of life, as desirable ends in themselves and as a means of keeping conditions in its border zone favorably representative of Mexican society and conducive to tourism. Mexico, however, because of the high cost, can not be expected to try to meet U.S. air pollution standards in its border area. Mexico also tends to play down pollution control priorities when they are seen as impeding economic development.

4. Background and Current Status

Transboundary air pollution moves to and from both countries as a result of industrial and automobile emissions, unpaved streets, open-air burning and the seasonal wind directions, with especially noticeable effects in the El Paso and San Diego areas. At the same time, industrial emissions from El Paso have had impacts on Ciudad Juarez, where, for example, the levels of lead in the blood of children have risen. Cooperation in dealing with these pollutants is expected to increase as a result of the signing in June 1978 of a joint.

Memorandum of Understanding by the U.S. Environmental Protection Agency and the Mexican Sub-Secretariat of Environmental Protection.

Transboundary water pollution is an especially serious problem for communities across the border from Mexicali, Nogales, Nuevo Laredo, and, potentially Tijuana. Insufficiently treated or untreated sewage constitutes the major source of water pollution, exacerbated by population pressure and urban growth. Ancient, inefficient, or inadequate equipment is unable to process the amount of waste generated. Financial stringencies and the division of jurisdiction between the federal and state governments create additional problems. The International Boundary and Water Commission (IBWC), discussed at greater length in the paper on "Water Resources", primarily deals with these issues.

Arid Lands Management - The US-Mexico border lands are part of one of the largest semi-arid and arid regions of the world. Population and Economic development pressures, in the face of poor land and water managerial practices, are resulting in serious reductions in food production, deterioration of rangelands, loss of surface and ground water, extensive soil erosion, forfeiture of sites for human settlement ... and exacerbation of south-to-north transboundary migration as job opportunities disappear. Growing concern has been expressed independently by both countries in recent years; and the 1977 UN Conference on Desertification has increased the level of awareness to the point where Mexico is developing a National Plan to Combat Desertification, and a U.S. inter-agency task force is reviewing our domestic situation. The

U.S. and Mexico have cooperated on arid lands problems in the past, and a number of bilateral agreements exist under which additional joint activities could be launched. To date, however, cooperation has been largely of a scientific nature, quite disaggregated, and seriously underfunded by both parties. "

5. Options

Desertification - Based on recent assessments of desertification, a number of areas for expanded cooperation exist which would appear to offer the U.S. significant economic, social and political benefits of both a direct and indirect nature. Examples include: establishment of a regional desertification warning and monitoring system; economic use of native and lands vegetation; new approaches to conserving soil, water and rangelands, and use of saline water and urban waste waters for irrigation. A US-Mexico meeting to discuss expanded cooperation on desertification problems is tentatively scheduled for late 1978. This forum could be used to surface specific U.S. proposals.

Urban Planning and Development - At the invitation of the Mexican Secretariat of Human Settlements and Public Works, an HUD delegation visited Mexico August 3-4, 1978, to discuss possible cooperation between

the two ministries, primarily along the border. The Mexicans presented their national plan for urban development, especially as it relates to the border cities. Among top targets for development are Mexicali and Matamoros, while growth would be controlled in Tijuana and Ciudad Juarez. In general, the Mexicans are interested in exchanging information with HUD on urban planning and projects along the border and on urban disaster prevention and management, as well as exchanging information on national urban policy. HUD is now drafting a Memorandum of Understanding which could be negotiated as the basis for bilateral cooperation.

Other options for cooperation on air and water pollution are discussed below.

D. Water Resources

1. Overview

As demands for more and better water increase, the two Governments must coordinate their

further utilization and improvement of border water resources. Essentially all surface water resources in this semi-arid area along the border are now being used, and the two countries are searching for means to expand their sources of water and improve their quality. Mexico's pumping from common underground water basins is already causing or threatening a loss of U.S. water. At a number of points Mexico is polluting or likely to pollute waters in or crossing into the United States. Over the waters of three streams crossing the Arizona boundary the respective rights of the two countries have not been determined. These matters are before the International Boundary and Water Commission (IBWC), an international body charged by treaty and law with responsibility for boundary and water problems.

2. U.S. Interests

We must preserve the present effective cooperation in dealing with border water resources, particularly through the IBWC, so that these scarce waters do not again become a major problem in US-Mexican relations. This entails the delivery to Mexico of its equitable portions of Colorado River and Rio Grande waters as allocated by treaty. It also requires settlement of respective rights to underground waters as well as rights to surface waters not yet allocated. The two governments must also find means to eliminate pollution of border waters that endangers public health and other environmental values.

3. Mexican Interests

Mexico will want to protect its existing access to underground and surface waters, and will probably try to establish a right to increase those uses -- to the extent that it can without incurring U.S. retaliation or counter-measures. It will want time to meet its obligations in respect to pollution within budgetary constraints and public policies favoring other priorities. On the other hand, Mexico has consistently dealt constructively with border water problems, acknowledging its obligations and accepting accommodation of interests.

4. Background and Current Status

Since 1944, with the conclusion of the so-called Water Treaty, relations with Mexico regarding border water resources have been generally excellent. That treaty allocated the waters of the two major rivers, the Rio Grande and Colorado River; provided for dams to conserve waters and for other flood control works; and authorized the IBWC to execute it. The Water Treaty also charged the two Governments to give preferential attention to border sanitation problems. The only exception to this harmonious regime was the problem caused by the high salinity of the Colorado River water delivered to Mexico in the 1960s under the Water Treaty. That problem was settled in 1973. During this same period, however, two major problems appeared: water pollution (dealt with only broadly in the Water Treaty) and utilization of underground waters (which the Water Treaty did not deal with at all).

We need to conclude one or more treaties to limit Mexico in establishing any right to draw on the U.S. part of common underground basins. Both the U.S. and Mexican Sections of the Commission are intensively investigating and compiling information regarding the basins to develop a common fund of knowledge as a basis for discussion. A treaty allocating the waters of the three international streams not yet covered by agreements, the San Pedro and Santa Cruz Rivers and Whitewater Draw, could prevent future contention about them. An executive agreement is needed to eliminate as rapidly as practicable Mexican pollution of international waters that threatens public health and utilization of water in the United States. Meanwhile, the two governments must continue through the IBWC their joint management of boundary and water projects, and comply scrupulously with other existing obligations (such as the salinity agreement), both to preserve the international arrangements already made and to provide a suitable climate for the resolution of the remaining problems.

5. Recent Trends and Prospects

The U.S. Section of the Commission has been consulting closely with the four Border States and other Federal agencies about these matters, attempting to define the position of the United States in each case, and draft agreements that would be acceptable to Mexico -- while protecting U.S. interests.

Although the Mexican Commissioner has accepted, in principle, consideration of a broad general agreement on pollution, he may find our proposal too comprehensive and demanding. He has indicated a desire to try to conclude

underground water treaties, but we have not yet explored the restraints on Mexican pumping that his Government would accept. After some delay, the Arizona State authorities have expressed renewed interest in the conclusion of a treaty to allocate the waters of the Arizona boundary streams. The U.S. Section is updating its reports on these streams in preparation for further consultation with them and with the Mexican Commissioner.

6. Major U.S. and Mexican Options

If the United States is to save its valuable underground waters for itself, it must either be prepared to use them or persuade Mexico not to use them. Mexico would not agree to reduce existing pumping. Alternatively, we are reluctant to start protective pumping. There seems to be no practical alternative to our trying to persuade Mexico to agree not to increase its pumping to a point where it would draw further on U.S. waters.

The United States must either obtain Mexican cooperation in the removal of water pollutants or attempt itself to remove them in the United States. The latter would be impracticable or difficult and costly. If Mexico will not accept the terms we propose, even a more limited agreement could be helpful. Options for specific projects would vary from one community to another, either international or exclusively domestic, with possibly some U.S. financing.

The options for the unallocated streams on the Arizona boundary are not yet discernible.

III. Alternative General Strategies Toward The Border

A. Improving on the existing approach

The U.S. can follow the course of continuing and improving on the traditional approach to the border: A basic objective would remain to preserve the border as a tight jurisdictional limit, policing the flow of goods and people, while maximizing and facilitating the licit flow. This approach would continue to rely on effective border enforcement as the principal means of screening out harmful spillover of Mexico's social and economic problems, hopefully without seriously limiting the volume of desirable binational contacts. While working unilaterally toward more effective border enforcement, the U.S., under this strategy, should engage Mexico even more closely in cooperative solutions to the social and economic spillover problems. We should emphasize:

- the creation of new bilateral mechanisms for consultation, planning and action on border problems;
- assistance to Mexico, in a form consistent with Mexico's own internal political constraints, to deal promptly with her "exportable" border area problems, such as pollution and crime.
- encouragement to Mexico to follow development policies that slow the high rate of in-migration and urban growth in its border areas.

In seeking to encourage Mexico to slow down growth rates at the border, we should recognize that, while our leverage is limited, the Mexicans themselves want to move in this direction. We should consider fiscal and tariff incentives to support this trend. One approach might be the provision of further trade incentives to in-bond plants in Mexico's interior, such as by raising or waiving altogether the competitive need ceiling under GSP for those plants that are more than 200 miles from the border. This would require amending present legislation, and would likely be difficult to accomplish.

In view of Mexico's resistance to joint programs that suggest direct government-to-government assistance or a tutelary relationship, our cooperative efforts to alleviate spill-over border problems, where possible, should be channeled through state and local governments or local specialized institutions to their Mexican counterpart entities. Possible programs would be:

- Law Enforcement Assistance Administration grants to U.S. state and local police for training and equipping their Mexican counterparts. Similar types of training and assistance are being conducted on a limited scale by some southwest jurisdictions, largely at their own expense.

- Funding to expand the ability of Customs and Immigration to train and provide other incentives for cooperation to their Mexican counterparts.

- Grants or concessional loans, to be channeled through the IBWC or through States and Municipalities, to assist Mexican jurisdictions to finance sewerage treatment plants or other sanitation facilities where such facilities are inadequate and the U.S. side is adversely affected.

- Direct grants to cities and states for joint programs with their Mexican counterparts for control of communicable diseases, public nuisances, insect pests and rodents.

In seeking ways to help Mexico discourage rapid in-migration, we must be fully mindful that the biggest magnet pulling Mexicans to the border is the U.S. economy itself. Reduction of that pull factor in the short run would call for greater obstacles to illegal immigration. Possibly another important pull factor may be access by ineligible Mexicans to social and community services on the U.S. side, such as food stamps, public schools, and medical rehabilitation and other services; tighter controls over access to services would then be required. In the absence of new immigration legislation, more rigorous use of existing laws and regulations on labor standards and taxes would deny employers some of the advantages of using illegal alien labor.

B. Alternative: Toward a More Open Border

Alternatively, the U.S. could begin to accept the heavy flow of people and goods along our frontier as a phenomenon no longer fully manageable under classic law enforcement concepts and begin steps to accommodate to it. While there are a number of partial measures that could ease border movement and the task of border enforcement, the most comprehensive would be the creation of some form of free trade and immigration zone on the U.S. side ten to twenty-five miles in depth in which people of both nationalities and all non-controlled substances (weapons, narcotics and the like would still be carefully controlled) of either country's origin would circulate duty free. The border, for customs and immigration purposes, would become the periphery of this zone and ports of departure within it. This approach could have the following advantages:

- Legitimize, in effect, an important percentage of immigration that now is at least technically illegal.
- Give the labor - intensive agriculture of the U.S. side full access to its customary source of low-cost manpower.
- stimulate U.S. investment in labor-intensive industries in that area to take advantage of the large pool of low-cost disciplined labor and permit those industries to compete more effectively internationally.

-- Recognize and accept the cultural and linguistic homogeneity of most of the border zone, easing the natural flow of cultural and family contacts between the Hispanic communities now separated by the border.

-- Further promote local tourism, particularly from Mexico to the U.S.

-- Ease the administrative burden on Customs and Immigration, now heavily committed to monitoring a large volume of purely local traffic, (but at the same time it would cause added expense for developing new checkpoints and other border installations).

Full analysis of the drawbacks of this proposal are beyond the scope of this paper. It would at least raise the prospect of massive in-migration and urban growth on the U.S. side as is now experienced on the Mexican side, with attendant growth in the burdens on social and community services. It would also raise complex constitutional, legal and policy questions about such matters as nationality, labor standards, application of taxes and tariffs, and the free zone's trade relationship with the rest of the U.S. Local community reaction and the possibility of polarization between Hispanic and non-Hispanic communities on the U.S. side of the border would have to be weighed. The likely attractiveness of this zone to Mexicans would make it work against Mexico's efforts to preserve the cultural identity of its border area and slow the flow of in-migration. Thorough further refinement and study of the variations of this approach would be necessary.

IV. Cooperative Management of the Border Relationship

Since the demise of the Commission for Border Area Development and Friendship (CODAF), there has been no central bilateral mechanism at the federal level to oversee the total US-Mexican border relationship (the International Boundary and Water Commission is limited by its treaty mandate to the specialized questions of border preservation and demarcation and the management of international water resources). The current conduct of relations at the border, or about the border, can now be described as diverse and pluralistic. Federal agencies with specific border enforcement functions, such as Customs, immigration, agriculture, work closely with counterparts on the Mexican side. Much of the relationship is carried on, not ineffectively, by the border states and major border municipalities, who by now have developed effective informal modes of cooperation on shared problems. Other areas of cooperation are in the hands of multi-agency bilateral ad hoc groups, involving Federal, state and local participants, such as the Southwest Conference on Crime and the Border, which meets twice yearly, and the US-Mexican Border health association.

Both countries have established special agencies to oversee the development of their respective border areas. In the U.S., the Southwest Border Regional Commission (SWBRC) was created in 1976 for this purpose under Title V of the Public Works and Economic Development Act of 1965. It operates under the collegial directions of the four Southwestern state governors and a federal co-chairman.

Since 1971 Mexico has had an "Inter-Ministerial Commission on the problems of the Northern Border and Free Zones and Perimeters". There is no formal linkage between the two entities, though informal talks have been held on the possibilities of cooperative efforts.

In May, 1977, Secretary Vance and Foreign Secretary Roel agreed to create under the Social Working Group of the Consultative Mechanism a Border sub-group. Appropriate terms of reference and possible agenda items are now being worked out in discussions with the Mexicans and the first formal meeting is planned for October. The border sub-group, like other working groups of the Consultative Mechanism, will include representatives of all federal agencies having border interests and, if Mexico agrees, representatives of the border states. While terms of reference are still under discussion, we see the border sub-group most useful as a mechanism for the exchange of ideas that could identify actual or potential border problems and stimulate the responsible agencies to develop solutions. In addition, it would have the lead responsibility in implementing the border aspects of the recent bilateral agreements on tourism and cultural cooperation.

Options

With the increasing complexity of border problems, it has been argued among state and local governments in the southwest, and by some Mexican-American and academic groups that border relations require greater coordination

and concern at the federal level. Since this is a recurrent theme, a review is in order of the optional approaches Mexico and the U.S. might take to the management of their border relationship and the political and administrative considerations bearing on each.

Approach No. 1 --"Laissez Faire:" This is essentially the current approach. Where possible, the identification and resolution of border problems is left to the state and local governments or the federal agencies most concerned, working with their transborder counterparts. Loose, informal coordination is provided by the Department of State and the Mexican Secretariat of External Relations, which involve themselves as necessary in border problems that have national impact or unusual complexity or political sensitivity. The value of this approach is that it allows for rapid response by those best informed and with most at stake. Participation and local initiative encourage concern and creativity. The drawbacks are several. The solutions of common border-wide problems are localized and atomized. Overlapping and duplication occur and a comprehensive developmental approach, involving the concentration of federal and local resources, becomes more difficult. States and localities are more likely to undertake actions that run counter to national objectives. A special difficulty here is the Mexican federal government's unwillingness to permit its state and local representatives the same degree of autonomy ours enjoy, impeding progress on some local problems.

Approach No. 2 -- "Laissez Faire" with loose Federal coordination: - This approach will be in effect with the creation of the border sub-group. It may bring about greater coherence on general border policy and bring about a clearer sense of priorities. But it will have limited staff capacity to monitor border events to assure follow-up and avoid duplication or inconsistencies in the solution of local problems. Since the Federal Co-Chairman of the Southwest Border Regional Commission will also be U.S. Co-Chairman of the sub-group, good coordination within the U.S. Federal Government and with the states will be possible.

Approach No. 3 -- Formal linkage of Mexican and U.S. border development entities: - A close and formal linkage between SWBRC and the Mexican inter-ministerial commission would permit close coordination, particularly on development matters, and close and thorough coordination with the range of federal state and local agencies with border interests. It would put responsibility in the hands of agencies with a presence on the border itself rather than in Washington. It would not require legislation, though an agreement with Mexico would be needed. The disadvantages are that this approach would tend to treat border problems more in a domestic rather than foreign relations context. For this reason the Mexican Government would probably be reluctant to approve it all or, if it did, to give it real autonomy of action in dealing with the U.S. counterpart. Effective authority would probably remain with the Mexican Secretariat of External Relations.

Approach No. 4: A Special Joint Border Commission: - This approach would involve the creation of a new, funded organization, with staff and with appointed Mexican and U.S. Co-Chairmen. Alternatively, it could begin by broadening the IBWC's mandate to cover the full range of border concerns, if necessary adding specialized staff. Either course would require legislation and special agreements with Mexico. As the existence of CODAF showed, this approach would permit the closest bilateral coordination, dynamism and a sense of overall direction in the border relationship, and would serve as an effective advocacy for the border viewpoint with the bureaucracy, Congress and state and local interests. As for the disadvantages, it would require legislation, a budget of its own, and special agreements with Mexico. The joint commission would tend to preempt some of the incentives for state and local initiative, and it could become a semi-autonomous bureaucratic advocacy working against the Department's efforts to coordinate border relations as part of the total relationship with Mexico. The Mexicans have shown no overriding enthusiasm for the recreation of CODAF in whatever form and in this case also might resist the necessary delegation of authority.

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DRIFT TOWARD FAILURE?

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PREFACE

This "think-piece" provides part of the written component of a research project on U.S.-Mexico relations that was contracted to The Rand Corporation by the Department of State.

The piece is intended to contribute to bi-national dialogue on the future of U.S.-Mexico interdependence. The piece discusses perspectives found among policy-oriented elites in Mexico as well as in the United States.

The piece examines factors affecting the ways in which the U.S. government may cooperate with Mexico to manage the complex issues confronting the two nations. The piece does not aim to provide substantive recommendations for resolving specific issues.

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I. DRIFT AND DISORGANIZATION IN U.S.-MEXICO RELATIONS

The improvement of U.S.-Mexico relations deserves to be a high-priority objective on the national agenda. The United States can no longer afford to take settled relations with Mexico for granted. U.S.-Mexico relations are neither bad nor lacking in political goodwill, but they have deteriorated in recent years. At the same time, changing domestic situations in both nations have given rise to important new interests and incentives for building improved relations.

Developments since the late 1960s have jarred customary views of Mexico and U.S.-Mexico relations. We are accustomed to dealing with a relatively passive Mexico. . . a Mexico that has little we need. . . a Mexico that lacks bargaining leverage with the United States. . . a Mexico that cooperates in a "special relationship" with the United States. . . and a Mexico that can normally be neglected. We are also accustomed to dealing with a politically and economically stable Mexico . . . a Mexico where the myth of revolutionary legitimacy is strong. . . a Mexico that has great institutional continuity. . . a Mexico ruled by a highly cohesive and durable elite known as the "revolutionary family" . . . a Mexico with great capacity for coopting dissidents and managing domestic conflicts. . . a Mexico that is one of the very few quasi-democracies left in the Western Hemisphere. . . and a Mexico that is making steady economic progress through the success of the Mexican Revolution.

New uncertainties emerged in virtually all these areas by the mid 1970s. The "special relationship" has lost favor in Mexico as an overall principle for guiding U.S.-Mexico relations. The discoveries of major petroleum and gas reserves have given Mexico a new strategic significance to the United States, but other issues are not inviting. In particular, the immigration of undocumented Mexican workers, and the clandestine influx of heroin, have aggravated serious socio-economic problems in the United States. Meanwhile, political divisions, financial disarray, and demographic pressures in Mexico have strained the stability of its post-revolutionary institutions. Suffering from untenable deficits in

the balance of payments and trade, Mexico has required exceptional loans from U.S. and international banking agencies.

While this complex bundle of issues is increasingly referred to as "the Mexican problem," its significance transcends U.S.-Mexico relations. As George Ball concludes in his Diplomacy for a Crowded World, "The problems one can predict between the United States and Mexico foreshadow those we will face with many other countries. They are problems for which we are not prepared--psychologically, intellectually, emotionally, or in terms of concrete plans and programs."* Indeed, three bilateral issues--energy, migration, and drugs--rank very high on the U.S. agenda of global problems that require presidential attention.

Reflecting a growing uneasiness about the future of bilateral relations, President Jimmy Carter and President Jose Lopez Portillo agreed in March 1977 to coordinate policies on major issues and to fashion new mechanisms for managing interdependence. Presidential commitment will prove essential if new measures are to take effect. As an initial step, the careful cultivation of a new sense of high level trust and direction, including collaborative discussion of problem issues, should prove more useful than fast-paced (and inherently unilateral) U.S. efforts to resolve those issues. It remains to be seen, however, whether Mexico-related issues can compete with the major policy concerns confronting the U.S. government at home and abroad.

At the very least, emerging public discussions about bilateral problems will lead increasingly and inevitably to new discussions of controversial domestic conditions in both countries, in particular arousing sensitive public reactions within Mexico and in the U.S. Southwest. For example, an election-timed letter to President Gerald Ford, signed by 76 U.S. Congressmen in 1976, erroneously warned that Mexico was heading toward communism behind a "cactus curtain." That unfortunate letter, and the caustic Mexican reaction, indicated that the potential for public misunderstandings has grown on both sides, and that bilateral issues and domestic controversies easily intermingle.

* George W. Ball, Diplomacy for a Crowded World, Little, Brown and Company, 1976, p. 250.

The purpose of this paper is to contribute to bi-national dialogue regarding the management of future U.S.-Mexico interdependence. While the specific issues alone suggest a problematic future for U.S.-Mexican relations, equally serious are the lack of a central policy concept and of an organizational interface that can motivate dialogue and provide overall direction in bilateral relations.

While recognizing the importance of private sector interests, this paper focuses on government-to-government relations according to the following areas of concern:

- o The complexity of the major bilateral issues is described in Section II. While most have proven quite resistant of resolution, linkages between some issues raise the possibility of trade-offs. However, differing priorities and domestic linkages have created obstacles to a willingness to resolve the issues in both countries.
- o The evolving nature of the "special relationship" is discussed in Section III. This central principle in U.S.-Mexico relations may need revision if it is to provide a sense of direction to policymaking encounters within and between the two governments. Whether Mexico is and should be considered "special" by the U.S. Government involves sensitive issues for U.S. multilateral policies.
- o The structure of the organizational interface between the two governments is treated in Section IV. The ways in which the two governments are organized for dealing with each other affects the treatment accorded to specific issues. The prevailing compartmentalization of the issues in both countries, and Mexico's weak representational and lobbying presence in the United States, have tended to hinder the prospects for negotiations and bargaining.

- o Perspectives on dependency, leverage, and bargaining are the concern of Section V. Common mythologies of great U.S. leverage and of negligible Mexican influence have served to restrain dialogue, and even to create preferences for preserving the status quo and for avoiding bargaining over issues resolution.

In our final thoughts, we move from a present sense of drift and disorganization, to a prophecy of failure in the management of future U.S.-Mexico relations. Interdependence between the United States and Mexico is acute and growing. Yet neither government seems prepared to establish ways for managing this interdependence. Numerous ideas have been floated regarding policy measures that might strengthen interdependence. These ideas range in scale from narrowly selective tariff adjustments to co-sponsored border development programs. However, the prevailing tendencies in bilateral relations continue to result in isolated piecemeal efforts at issue resolution, often undertaken without significant consultations, frequently without much effect, and sometimes with unintended consequences that further strain relations. Doubt is widespread in both countries that either government can surmount the policymaking constraints which we identify below.

II. BILATERAL ISSUES AND LINKAGES

Few economies and societies are so tangled together as those of the United States and Mexico. Of the major bilateral issues--illegal immigration, U.S. access to Mexican oil and gas, trade protectionism--not one has a simple solution. Some issues, especially migration and drugs, are serious for the United States but Mexico may well prefer the status quo to possible solutions. Most issues have controversial aspects. A few seem intractable. Many interact with each other. Some issues link to major domestic U.S. interests and policies, as well as to domestic factors of potential political and economic instability in Mexico, which in itself has become an issue in recent years. Trends in virtually all issue areas reveal that Mexico's great dependency on the United States will probably increase.*

FINANCIAL STAKES: INVESTMENTS AND CREDITS

The United States has an enormous capital investment in Mexico, affecting private and public sector relations in both countries. The book value of U.S. direct investment approximated \$3.2 billion at the end of 1975, representing some 80 percent of the \$4 billion estimated as total foreign direct investment. About 75 percent of the U.S. investment was in the manufacturing sector. During the past decade, U.S. and multinational corporations purchased numerous Mexican businesses, and concentrated in the fastest-growing, most profitable sectors of Mexico's economy--a fact that has aroused some resentment among Mexicans.

* Sources regularly consulted regarding most issues include: Comercio Exterior de Mexico, a monthly publication of the Banco Nacional de Comercio Exterior, S.A.; Review of the Economic Situation of Mexico, a monthly publication of the Banco Nacional de Mexico, S.A.; and the Quarterly Economic Review of Mexico, published by The Economist Intelligence Unit Ltd., London.

An earlier and still informative discussion of a range of bilateral issues is Lyle C. Brown and James W. Wilkie, "Recent United States-Mexican Relations: Problems Old and New," in John Braeman, et al. (eds.), Twentieth-Century American Foreign Policy, Ohio State University Press, 1971, pp. 378-419.

While Mexico needs foreign investment to create jobs and exports, the government has advanced numerous laws to restrict and guide its impact, while also seeking to stimulate domestic private investment.* Foreign investment is not permitted in basic industries including petroleum, basic petrochemicals, gas distribution, nuclear energy, electric power, railroads, telecommunications, most transportation, and forestry. State enterprises control these areas (although some are heavily indebted to foreign banks). In many other areas, the law requires "Mexicanization," that is, Mexicans must hold 51 percent equity interest. Recent laws specify cost-benefit criteria for evaluating the merits of a proposed foreign investment, and require increased domestic benefits from technology transfers. In general, the intent is to protect domestic industries, strengthen domestic participation in joint ventures, and halt "denationalization" of the business economy.

Implementation of these laws has proven quite pragmatic. Yet their initial appearance created widespread uncertainty among foreign businessmen, while in general the policies of the Echeverria administration also lost the confidence of domestic businessmen. The ensuing withdrawal of investments and capital flight contributed significantly to the peso devaluation/flotation in late 1976. Since the change of administrations, Mexico's private sector has promised to support the new president's plans. But President Lopez Portillo has received greater confidence and support from U.S. and other foreign investors, who have rescued Mexico's economy from its greatest monetary crisis in decades.

The economic crisis confirmed that the United States had enormous financial as well as capital stakes in Mexico. Indeed the United States has recently provided greater support to Mexico's monetary system than to any other developing country. At the time of the peso devaluation, the total foreign debt of Mexico's public sector approximated \$20 billion

* The regime of former President Luis Echeverria, noted for its nationalistic bent, promulgated important new codifications, consisting of the Law to Promote National Investment and Regulate Foreign Investment, the Law on the Transfer of Technology, and a Law on Patents and Trademarks. These created a set of new institutions, notably the National Commission on Foreign Investment, the National Registry of Foreign Investments, and the National Registry of Technology Transfer.

(with the private sector debt summing another \$7-8 billion). U.S. commercial banks held more than \$10 billion of this debt, while the U.S. Export-Import Bank, the World Bank, the Inter-American Development Bank, and other U.S.-supported institutions accounted for additional billions of exposure. Apart from the foreign debt, the current account deficit in Mexico's balance-of-payments for 1975 rose dramatically to \$4.2 billion, most of it with the United States. This deteriorating situation owed largely to a trade deficit, a tourism decline, and to a great increase in borrowing and spending by the Echeverria administration to expand the public sector's role in Mexico's economy.

While an estimated \$2-4 billion left Mexico during a near-panic in 1976, U.S. and foreign financial institutions committed large credits to avert a continuing crisis after the peso devaluation. Initial steps included drawing rights for \$1.2 billion from the International Monetary Fund (IMF), and a Eurocredit loan of \$800 million from a consortium of 64 banks, including U.S. banks. In addition, the U.S. Treasury and Federal Reserve offered \$600 million in short-term drawings to the Bank of Mexico. Although this stabilization effort rescued Mexico's economy during 1976-1977, its longer-term financial stability will require additional billions from international and domestic sources.

The IMF agreement, by requiring Mexico to abide by an austere stabilization program for three years, has restricted the economic and political flexibility of the Mexican government. However, following an appeal to the U.S. government, the Mexican government did gain exemption of the state oil company, Petroleos Mexicanos (Pemex), from the limitations on public sector borrowing. This frees Pemex to seek large credits for petroleum development. President Lopez Portillo meanwhile warned about a potential "South Americanization" of Mexico's politics if the United States should prove unresponsive to Mexico's economic needs. Indeed, concern had spread that the original IMF requirements might seriously strain political cohesion among Mexico's governing elites.*

* Cabinet changes in Mexico in December 1977, eliminating two top economic advisers, reflected internal controversies regarding IMF constraints on government budgetary policies.

PETROLEUM

U.S. interests in Mexico's oil and gas reserves have strategic significance, and may provide Mexico with some bargaining leverage. With the development of new on-shore and off-shore oil fields, the present cautious estimate of nearly 20 billion barrels of proven hydrocarbon reserves (including oil and mixed gas) may soon rise to 30 billion barrels, and possibly to the 60 billion figure frequently cited in foreign reports. Pemex has compared fields in Tabasco-Chiapas and the Gulf of Campeche to the Alaskan and North Sea finds respectively.

Pemex plans to double both crude production and refining capacity and to triple its petrochemical output during the current presidential sexenio, 1977-82. Accordingly, petroleum production will rise from 1.1 million barrels daily at present, to 2.2 million barrels daily by 1982. Exports, mostly in crude form, will increase from 200 thousand barrels daily at present, to 1.1 million barrels daily by 1982. The United States and Israel buy most current exports. While Pemex production already exceeds its schedule, the Central Intelligence Agency recently released an estimate that Mexico could produce 2.2 million barrels daily by 1980, and possibly double that figure by 1985. Other recent appraisals show similar optimism.

According to Pemex projections, Mexico stands to earn more than \$20 billion from exports during the sexenio. Revenues close to \$1 billion in 1977 may rise to \$6-8 billion annually by 1982. Meanwhile, petroleum development will require some \$15 billion in investments, including \$5 billion for equipment imports.* The Pemex program may generate about 50,000 new jobs, and at least 100,000 more in areas indirectly related to petroleum production.

The expansion program will require foreign financial and technological support. To raise the \$15 billion for investments, Mexico aims to mix domestic with foreign capital on a one-for-one basis. Mexico

* These publicized dollar figures should be regarded as rough conversions from estimates in pesos. For example, Pemex currently estimates its investment program at 310 billion pesos. The total Pemex budget will amount to some 900 billion pesos. The estimate for export earnings runs about 450 billion pesos.

will not accept foreign financing that is conditioned on direct participation in the state oil industry. Nonetheless, Pemex has a long history of obtaining credits from U.S. and European financial agencies. Recent measures include loans negotiated in the Eurodollar market and with the U.S. Import-Export Bank, as well as the sale of "petrobonds" secured by the Mexican government.

While Pemex is deservedly proud of its technological achievements at near self-reliance, it remains partially dependent on U.S. and other foreign companies for specialized equipment and services that all oil companies require to some degree from outside contractors. Mexico's petroleum development will surely require large purchases of equipment and services from U.S. suppliers. Foreign consulting service contracts are arranged through the Mexican Petroleum Institute. Private foreign investment, to a level of 40 percent participation, may enter the secondary petrochemical industry sectors through the Institute.*

By declining for the present to join the Organization of Petroleum Exporting Countries (OPEC), Mexico expects to preserve its freedom of action, to acquire some bargaining power, and to avoid possible sanctions under the U.S. Trade Law of 1974, while still obtaining high prices for its oil exports. Mexico is discussing oil sales in exchange for foreign products and technical cooperation with Brazil, Canada, France, and the Soviet Union. Mexican officials have objected publicly to signs of U.S. pressures for special petroleum access.

Mexico's petroleum policy is a politically delicate issue. Mexican nationalism is symbolized by the 1938 expropriation of foreign oil companies, and by the sanctity of Pemex as the nation's sole producer and supplier. The prospect of large-scale petroleum development has excited public concern that voluminous exports will increase Mexico's dependency on the United States, and possibly jeopardize Mexico's sovereignty and security. Conservationists in Mexico advocate dedicating the oil mainly to the manufacture of fertilizers, plastics, and other petrochemicals

* Pemex also exports technology abroad, including for two petrochemical plants to be constructed in the United States.

that meet growing domestic needs, while preserving the reserves for future generations.

NATURAL GAS

Pemex has discovered major gas deposits in Tabasco-Chiapas and in several northern states, including Baja California. The Tabasco-Chiapas oil fields alone may contain 20 trillion cubic feet of mixed gas, compared to the 26 trillion cubic feet estimated for Prudhoe Bay, Alaska. Pemex plans to produce 3.6 billion cubic feet of natural gas per day by 1982.

Pemex and six U.S. inter-state pipeline companies are negotiating an agreement to construct a 750-mile pipeline from the Tabasco-Chiapas fields to the Reynosa-McAllen border area. The pipeline would be built during 1978-79 at a cost over \$1.5 billion, financed by Pemex and foreign sources, and providing employment for thousands of Mexican workers. Initial exports of one billion cubic feet per day would rise to two billion cubic feet per day by 1980-81. Mexico seeks to charge prices substantially higher than for U.S. regulated gas, thereby arousing objections in the U.S. Congress that have slowed the final negotiation of U.S. loans.

Whereas oil constitutes a national problem for the United States, gas represents more of a problem for specific states. The Mexican gas would be distributed over various U.S. pipelines, with some 175-300 million cubic feet daily going to California. Governor Jerry Brown and President Lopez met in April 1977 in Baja California to discuss future gas acquisitions that could ease California's looming shortages. During February 1977 President Lopez agreed with President Carter to supply gas on an emergency basis for 60 days to ease winter shortages in the northeastern states.

Mexico wants its gas sales to result in U.S. purchases of other products. However, critics in Mexico protest that the pipeline will increase dependency on the United States.

GENERAL TRADE AND PROTECTIONISM

While Mexico's economic growth depends greatly on U.S. economic conditions and on bilateral trade, the two countries conduct their trade without benefit of a general treaty or agreement. The last formal instrument, the Reciprocal Trade Agreement of 1942, expired by mutual consent in 1950, largely because of Mexico's concern to protect its import substitution policies and maintain its freedom of action. For similar reasons Mexico also declined in 1947 to join the General Agreement on Tariffs and Trade (GATT), but it has recently become interested in the Multilateral Trade Negotiations (MTN) relating to GATT. While the United States has extended "most favored nation" status to Mexico through informal understandings, the trade interplay has stayed highly complex, focusing mainly on specific items and restrictions.

Each country has sought increased access to the other's markets for agricultural and manufactured goods. Mexico, through accounting for only some 3 percent of U.S. imports and 5 percent of U.S. exports, has nonetheless constituted our fourth leading trade partner. The United States is Mexico's leading trade partner, accounting for some 60 to 70 percent of imports and exports in recent years. For example, figures for 1973-1976 show that Mexico's annual imports from the United States ranged \$3-5 billion, while U.S. imports in turn ranged \$2-3.5 billion. Mexico's main exports have consisted typically of cotton, coffee, sugar, tomatoes, cattle, shrimp, fluorspar, zinc, and various electronic and electrical goods. U.S. exports have consisted largely of capital goods (equipment and machinery), and increasingly of grain foodstuffs. Imports by Mexico's public sector have grown faster than for its private sector. Mexico restricts the importation of luxury and consumer goods.*

Mexico has historically incurred a trade deficit with the United States, which was largely offset by tourism and border commerce until 1975. Mexico's shift in policy emphasis from import substitution to export diversification helped encourage export growth in the early 1970s.

* These import restrictions in turn motivate significant smuggling operations.

However, this growth faltered as a result of industrial recessions in the United States and abroad, the decline in world commodity prices, financial and political difficulties in Mexico, as well as a downturn in foreign investment and tourism. While Mexico's public sector in particular continued to increase its imports, the trade deficit enlarged to an alarming \$3.6 billion in 1975, of which some \$2 billion was with the United States.

Restrictive measures were adopted in the mid 1970s by both Mexico and the United States to protect their respective employment and balance-of-payments situations. Both countries have recently sought to simplify their tariff, quota, and licensing systems--but while barriers have gone down in some product areas, others have gone up. On balance, Mexico has benefitted from the U.S. Trade Act of 1974 and the Generalized System of Preferences (GSP), although its competitive-need ceiling restricts the volume of certain exports.

Protectionism has been the source of most complaints. The principal U.S. trade problems have concerned Mexico's import licensing requirements, which apply to over 60 percent of all import categories in its tariff code, and Mexico's refusals to allow U.S. access to local markets for some items that Mexico exports on a competitive basis to U.S. markets. Other complaints have focused on Mexico's official pricing policies, on inordinate "red tape" delays, on defaulting of some negotiated contracts, and on the "dumping" of certain items, most recently sulfur, copper, and cement. Mexico has defended its protective licensing policies, and rejected reciprocal market access, for purposes of maintaining local employment, even though the inefficiencies and costliness are recognized.

Mexico has protested principally about the lack of long range, unimpeded access to U.S. markets, without threat of sudden marketing order restrictions that have especially affected Mexico's exports of winter vegetables, as well as beef, textiles, and shoes. Tomatoes, a significant earner of foreign exchange, have been a sensitive item affecting U.S. growers in Florida and Southern California.* Mexico has

* See Thomas G. Sanders, The Modern Agricultural Sector of Sinaloa and Mexico's Population Growth, Fieldstaff Reports, North American Series, Vol. III, No. 1, 1975. Sanders has produced a wide range of useful and informative Fieldstaff Reports from Mexico.

complained about U.S. applications of voluntary quota reductions without sufficient prior negotiation, and about U.S. non-tariff barriers, including health and safety regulations, that discriminate against agricultural items in particular. Mexico has also objected to the United States as representing a middleman in triangular trade with countries like Canada and Japan.

Regarding current developments, President Lopez has placed U.S. trade concessions at the top of his negotiating agenda, mentioning agricultural products in particular. The special bilateral trade agreement signed in December 1977 represents a significant step that will open U.S. markets to \$63 million in Mexican products, and Mexican markets to \$36 million in U.S. goods. During the negotiations, handled within the MTN framework in Geneva, Mexico proved willing to make concessions concerning its import-licensing system, and became the first developing country to reach a bilateral agreement with the United States within a multilateral framework.

While the foregoing agreement mainly concerned tropical products, Mexico aims to increase its manufactured exports as well. The peso devaluation should increase Mexico's comparative advantage. However, results are mixed so far, and it is not clear that increased export opportunities will lead to new production and employment. One problem is that Mexican businessmen expect higher profits than their American counterparts, and are not particularly efficient and competitive in many product areas.

In the past few months, Mexico's trade deficit has diminished, and future prospects seem excellent for large exports of petroleum, gas, and eventually of phosphates. However, Mexico's population growth and agricultural disorganization are expected to lead to growing importation of basic foodstuffs, while U.S. business protectionism may impede increased Mexican exports of agricultural and manufactured products.

THE IN-BOND INDUSTRIES

Chronic high unemployment in northern Mexico, intensified by the 1964 termination of the U.S. bracero agreement, stimulated the Mexican government in 1965 to initiate the Border Industrialization Program (BIP).^{*} U.S. and Mexican officials hoped the program would alleviate the growing potential for social unrest in northern Mexico.

Mexico passed new laws in 1965 to attract U.S. investments in manufacturing for the U.S. market. These laws allowed the duty-free entry of foreign materials and components for use by assembly plants (maquiladoras) located within a zone two-kilometers deep along the border, provided that their total output was exported. In 1972, Mexico modified the laws to allow the in-bond plants to locate anywhere in Mexico's interior, where unemployment was often higher and wages lower than along the border. The new laws also provided for some in-bond production to be sold inside Mexico. The program exempts the plants from the new foreign investment law, which requires 51 percent Mexican equity in foreign-invested enterprises.

The Mexican program depends on U.S. import policies that grant U.S. plants access to special items 807.00 and 806.30 of the U.S. Tariff Schedule. Item 807.00 enables U.S. components and materials to be assembled abroad (in any country) and return as duty-free products to the United States—with import taxes levied only on the value added from the non-U.S. portions of the assembly operations, including non-U.S. components. These tariff items have permitted hundreds of U.S. businesses to remain cost competitive by moving their labor-intensive assembly operations to low-wage locations abroad. For many U.S. businesses, pressured by rising wages and inflation-recession at home, the only alternative was to close shop.

Though not among the first countries to take advantage of the U.S. tariff items, Mexico became the major beneficiary by the mid 1970s. The number of plants in Mexico grew to a peak of 586 in 1974. Then

^{*}The standard U.S. work is Donald W. Baerresen, The Border Industrialization Program of Mexico, D. C. Heath Company, 1971. Some critical but interesting material appears in "Hit and Run: U.S. Runaway Shops on the Mexican Border," NACLA's Latin American and Empire Report, July-August 1975.

rising wages in Mexico, combined with further inflation-recession in the United States, drove numerous plants to reduce their operations. More than a hundred closed shop entirely, some moving to countries where wages were lower and better regulated. However, by late 1977 Mexico's in-bond program began to revive, in response to the peso devaluation, the moderation of local wage-hike demands, and the U.S. economic recovery.

Illustrating the program's dimensions, figures for 1975 estimated the total number of plants at 447, with only 22 located in Mexico's interior. U.S.-owned subsidiaries of major U.S. corporations accounted for about 90 percent of the plants. Most of these engaged in electronic assembly, apparel industry, and food processing. Many operated a twin-plant system, with a plant on each side of the border. In 1975 the total value of U.S. imports from Mexico under the special tariff items amounted to slightly over one billion dollars, representing about 30 percent of total U.S. imports from Mexico. The dutiable value added was \$468 million, or 46 percent of the total in 1975--rising to \$520 million in 1976. Figures for 1977 still show 447 in-bond plants, now including 43 in Mexico's interior; and direct employment numbers about 76 thousand.

The in-bond program stirs ambivalent reactions in Mexico. Critics contend that the maquiladora system increases dependency on the United States and mainly benefits U.S. businessmen, while also strengthening powerful political conservatives in northern Mexico. Moreover, the critics assert, the system has not produced spin-off industries in Mexico, nor otherwise advanced its technological development and alleviated unemployment. In fact, the maquiladora system has encouraged migration northward. Unemployment remains chronic among young males and heads of household, while 90 percent of the plant employees are women, mainly single in the 16-24 years age bracket. Nonetheless, expansion of the maquiladoras represents a very significant alternative available to the Mexican government for creating new jobs.

Within the United States, organized labor has demanded elimination of item 807.00, contending that the In-Bond Industry Programs damage the U.S. economy by exporting U.S. jobs to foreign countries and exposing

U.S. workers to low-wage competition.* However, their opposition seems directed mainly against the in-bond establishments in Western Europe, the Far East, and the Caribbean Basin, since salaries and wages paid there fail to enter the United States. Those paid in northern Mexico largely return to the United States through border transactions and imports.

THE BORDERLANDS

The borderlands comprise a special zone with its own special problems. Here two distinct cultures and disparate economies make contact in a semi-arid land some two thousand miles long, a couple hundred miles wide, including parts of four U.S. and six Mexican states, and populated by some six million citizens from both countries. At times the borderlands seem far from the heartlands of either nation. The U.S. side has a strong Chicano sub-culture, while the Mexicans often consider their nortefios a special breed. The U.S. side contains what some label the "poverty belt" of the American Southwest, yet Mexicans tend to see the border as a land of hopeful opportunities.** Washington and Mexico City each field numerous agencies to regulate border activities, yet neither federal capitol has much effective control.

* Donald W. Baerresen, "Unemployment and Mexico's Border Industrialization Program," Inter-American Economic Affairs, Autumn 1975, pp. 79-90, stipulates that elimination of item 807.00 would severely harm Mexico's program and stimulate U.S. investors to transfer assembly operations to other foreign countries--without necessarily increasing U.S. employment. However, a calculated increase in U.S. import duty rates, combined with retention of item 807.00, would stimulate U.S. investors to shift overseas assembly operations into Mexico, and would benefit employment in both the United States and Mexico--while still leading to a decline in the total value of U.S. imports under item 807.00

** The U.S. Bureau of Census classifies nearly 30 percent of the Mexican-American population located in the region as living below the poverty level. Regarding the adverse effects of the Southwest rural economy on Chicanos, and the related impact of undocumented workers, see Vernon M. Briggs, Chicanos and Rural Poverty, The Johns Hopkins University Press, 1973; and Briggs, "The Mexico-United States Border: Public Policy and Chicano Economic Welfare," monograph, University of Texas at Austin, 1974.

Border issues involve far more than illegal immigration. Citizens of both nations direct crime and violence at citizens of both nations. Officials of both governments, charged with border control operations, sometimes mistreat citizens of both nations. Juvenile delinquency, pollution, flood control, and disaster relief concern officials on both sides. While U.S. border cities seek to attract Mexican shoppers, Mexico counts on tourist transactions and border industrialization to create thousands of jobs and help balance Mexico's trade deficit with the United States.

The borderlands are reknowned for their clandestine trade in "undocumented alien goods," roughly valued in the billions of dollars. The smuggling of weapons and contraband consumer goods (appliances, televisions, automobiles, cigarettes) into Mexico may have entailed a currency outflow of some \$500 million to \$1 billion in 1976--up from an estimated \$250 million in 1970. However, as discussed above, narcotics trafficking may return double the amount into Mexico.* Adding to this the estimated \$1-3 billion in remittances from undocumented workers we see that the unofficial balance of clandestine payments runs significantly in Mexico's favor--though it escapes becoming direct government revenue.

The federal governments have attempted to organize special programs for border development, though without much success in recent decades.** Mexico's President Adolfo Lopez Mateos initiated a Programa Nacional Fronterizo in 1961 that engaged in some beautification projects for a few years. Bilateral cooperation in the Border Industrialization Program (BIP), begun in 1965, proved vastly more effective. Presidents Lyndon Johnson and Gustavo Diaz Ordaz also founded the U.S.-Mexican Commission for Border Development and Friendship (CODAF) in 1966; it raised high hopes until its termination in 1970.

* Both U.S. and Mexican officials in the field along the border see some contradiction between Mexico's anti-drug cooperation with the United States, and the lack of similar U.S. cooperation to halt contraband flowing into Mexico.

** Meanwhile, state and municipal organizations joining both sides of the border--including the Commission of the Californias, the Arizona-Mexico Commission, the Good Neighbor Commission of Texas, and the bi-national Border Cities Association--have served as useful communications networks outside the federal framework.

Since then, the two governments have not joined to organize a new bilateral development program along the border. The Mexican government has shown increasing concern about its apparent lack of central control over the border economy, which seems increasingly integrated with the U.S. economy. The creation of customs-free zones in the northern states signified recognition by Mexico City that it could not effectively regulate border commerce and contraband smuggling. On the positive side, the new governor of Baja California, Governor Roberto de la Madrid, considers his state to be Mexico's "most important outpost" along the 2000-mile border, and wants Baja to represent a model of good relations with the United States. In particular, he seeks U.S. cooperation to develop fishing, agriculture, tourism, and assembly plants, and thereby to alleviate unemployment along the California border.* A close personal friend of President Lopez Portillo, Governor de la Madrid could play a very influential role in shaping U.S.-Mexico relations at their territorial contact point, the border.

Meanwhile, in the United States, recent Title V legislation, falling under the responsibility of the Department of Commerce, has entailed creation of the Southwest Economic Development Region as a kind of "Appalachia program" for the four U.S. border states. In addition, the Carter administration has proposed the establishment of a border management agency that would absorb the fragmented, poorly coordinated operations of the Bureau of Customs, the Immigration and Naturalization Service (INS) and possibly the Coast Guard. Government officials have begun to recognize that law enforcement perspectives alone will prove inadequate to deal with the social and cultural complexities of the borderlands, which represent both the melting pot and the boiling pot of U.S.-Mexico relations.

* See Frank del Olmo, "The Border: A Promising Sexenio," Nuestro, December 1977, pp. 54-55.

TOURISM

Tourism represents Mexico's second largest industry and a leading source of foreign exchange, next only to petroleum. During the early 1970s, tourism grossed Mexico about \$2 billion annually and employed some 350-450 thousand individuals. In good years, three to four million tourists a year visit Mexico's interior for several days, 87 percent of them from the United States. Millions more visit border cities on brief excursions and business transactions.

Mexicans own most of the tourist industry, and the Mexican government itself is making large investments to develop new sites and facilities. Mexico is counting on tourism to remain a leading source of income and foreign exchange to help offset balance-of-payments deficits.

Aided by the peso devaluation, the tourism industry is now recovering from a temporary decline that began in 1974. Late that year, American Jewish leaders organized an effective tourism boycott in protest against Mexico's vote in the United Nations supporting a Third World bloc resolution to condemn Zionism as racist. The boycott cost Mexico millions of dollars in revenue. Economic recession in the United States, and reports of tourist deaths and political unrest in Mexico, further inhibited U.S. tourism.

The image of Mexico's political stability has historically affected the volume of tourism. Thus after anti-U.S. disturbances in the late 1950s and early 1960s led to drops in tourism, the Mexican government moved to take greater security precautions in the future. For example, the government quelled the student-led disturbances in 1968 partly in order to assure the staging of the Olympic games.

At present, Mexico's tourism leadership reports that the recent decline in U.S. tourism accounts significantly for the recent increase of illegal migration to the United States.* Accordingly, thousands of the migrants are displaced workers from hotels, restaurants, stores, and other businesses that rely on tourism for sales and income. As one

* See interview with Mexico's Director of Tourism, Guillermo Rosell de la Lama, reported in the San Diego Union, May 9, 1977, p. B-3.

remedial measure, Mexican officials request doubling the \$100 limitation on goods with which Americans may return duty-free from Mexico. Mexicans have also objected to a change in U.S. tax laws limiting the deductability of conventions held outside the United States.

Mexican tourism to the United States has expanded significantly. Close to a million Mexican tourists visited the United States annually prior to the peso devaluation and their expenditure of nearly \$1 billion in 1976 proved a drain on Mexico's balance of payments. These expenditures, though representing only two percent of total tourist spending in the United States, added vital commerce to U.S. border cities.

THE MIGRATION OF UNDOCUMENTED WORKERS

The most impassioned issue historically is the illegal immigration of Mexicans seeking work in the United States. Millions of Mexican nationals (estimated between two and eight million) reside illegally in the United States on a permanent or temporary basis. About a million or two cross the border surreptitiously each year. Hundreds of thousands—over 900 thousand in 1977, compared to about 90 thousand in 1967—are caught and returned to Mexico. Other hundreds of thousands return seasonally to their families and communities. On balance the ebb and flow of illegal migration from Mexico probably adds an annual increase of several hundred thousand to the U.S. population, which presently totals about 215 million.

The migration pattern stems from the huge wage differentials between the two countries, and from the shortage of jobs in Mexico. Unemployment—underemployment there runs about 30 percent and job creation lags far behind population growth. Moreover, Mexico's gross domestic product of \$80 billion runs a mere \$1300 per capita, while the \$1.5 trillion U.S. economy offers an alluring \$7000 per capita as well as millions of job opportunities.

The migration incentives may increase. At present, the floating devaluation of the peso and economic recession in Mexico increase the attractiveness of earning U.S. dollars. In the future, Mexico's population, growing at one of the world's highest rates (about 3.5 percent a year), may nearly double by the year 2000 (from the present 65 million

to 120 million) and its labor force may triple in size, while job opportunities fail to keep pace. Birth control measures have spread among some urban, middle-class sectors--but not among rural populations where the growth rate remains highest, and the jobs scarce.

Some U.S. domestic interests claim that the presence of Mexican aliens represents an economic threat. Accordingly, the aliens take jobs away from less-skilled Americans. They put Americans on unemployment and welfare rolls. They depress wage scales. They undercut union organizing efforts. They remit millions, perhaps billions of dollars in detriment to the U.S. balance of payments. They consume more in welfare and educational services than they pay in taxes. They generate crime, corruption, and a multi-million dollar smuggling racket. They are creating the potential for a new wave of civil rights problems in the 1980s-1990s.

Contrary to those views, recent field research indicates that removal of the aliens would resolve none of those issues, and that the aliens may contribute more to the U.S. economy than they take out. Accordingly, the aliens often take the lowest-paying, least-skilled, dirtiest jobs--in agriculture, canneries, packing houses, restaurants, hospitals, garment and construction industries--while Americans collect unemployment or welfare. Aliens enable some industries to survive that otherwise might succumb to rising wages or cheaper imports. Aliens pay far more in taxes than they consume in social services. Aliens are carefully law-abiding to avoid detection and deportation. Indeed, costly policing measures could not stem the crossings from Mexico, whose economic stability depends significantly on migration opportunities as a "safety valve."*

* Recently published studies on illegal migration to the United States include: Jorge Bustamante, "Impact of Undocumented Immigration from Mexico on the U.S.-Mexico Economies," in Fronteras 1976, Proceedings of a Conference on The International Border in Community Relations, San Diego, California, November 19-20, 1976, pp. 28-50; Wayne A. Cornelius, Mexican Migration to the United States: The View from Rural Sending Communities, Migration and Development Study Group, Massachusetts Institute of Technology, June 1976; David S. North and Marion F. Houston, The Characteristics and Role of Illegal Aliens in the U.S. Labor Market: An Exploratory Study, Linton and Company, Inc., Washington, D.C., 1976; U.S. Department of Justice, Domestic Council Committee on Illegal Aliens: Preliminary Report, Office of Policy and Planning, Washington, D.C., December 1976; Joyce Vialet, Illegal Aliens: Analysis and Background, Congressional Research Service, Library of Congress, Washington, D.C., February 1977.

In a plan made public in mid 1977, the Carter administration recommended: amnesty and permanent resident status for some aliens, temporary resident status for others, civil penalties for employers who knowingly hire illegal aliens, large expenditures on border enforcement, and economic cooperation for developing labor-intensive projects in source countries.* The H-2 certification system, which allows employers to request temporary foreign workers through the Department of Labor, will also be reviewed. As part of the border enforcement plan, the Immigration and Naturalization Service has requested the addition of 2000 personnel (about a third being Border Patrolmen), helicopters, vehicles, and ground sensors at an initial cost of \$90 million. The Carter administration has ruled against a new bracero-like program or mass deportation for the present.**

The Lopez Portillo government has quietly objected to the Carter plan. While Mexico prefers the unmanaged status quo as a "safety valve," its government officials have proposed alternatives: a temporary worker program that would avoid the abuses of the bracero system, as well as U.S. trade preferences and tourism measures that would generate employment in Mexico.

* Some controversial legal aspects of the Carter plan are discussed by Arturo Gándara, The Chicano/Illegal-Alien Civil Liberties Interface, The Rand Corporation, P-6037, November 1977.

**We would like to raise a (potentially controversial) idea, not seen elsewhere. Our idea amounts essentially to legitimating and controlling the illegal migration, on a pay-as-you-go basis, by charging an official fee for a temporary work permit.

For example, the fee might be set in accordance with the going rates for smuggling and deportation. At present, smugglers charge about \$200 to transport an individual into the United States. The INS estimates that apprehension and deportation cost about \$225 per individual. These considerations suggest institutionalizing a system whereby a certain number of temporary work permits (say for six months) may be "rented" by individuals who are required to pay a flat rate (say \$200) which is refundable upon relinquishing the work permit by its expiration date. The permit could be used for identification purposes with prospective employers. If the individual does not relinquish the permit and return to his country within the valid time period, he/she would forfeit the security deposit.

While other elaborations come to mind, our basic point is to propose discussing the potential usefulness of converting the illegal migration phenomena into a legal public enterprise that pays for itself. Any surplus funding might be dedicated to economic development projects along the border; other uses are also imaginable.

DRUGS AND NARCOTICS

Drug abuse has become a major problem in the United States, entailing an estimated \$14 billion in social costs, and involving some 400-600 thousand heroin users.* About 85-90 percent of the heroin available on American streets originates in Mexico, which is also a major source of marijuana and pharmaceutical drugs, as well as a transit point for cocaine from South America. Heroin production in Mexico expanded rapidly after 1972, following effective U.S. campaigns to eradicate smuggling from France and Turkey. This multi-million and possibly billion dollar "growth industry" in Mexico reportedly involves some 25,000 acres of opium poppies, distributed among twice as many small plots in remote mountain areas, and employing some 250-500 thousand individuals in cultivation, processing and distribution.

While U.S.-Mexico drug cooperation began in the 1950s, Mexico agreed to a greatly enlarged effort in 1969 following the near-closure of the border by the U.S. government with "Operation Intercept." At first directed mainly against marijuana and presently against heroin, U.S.-Mexico cooperation has included: an opium-poppy eradication program, intelligence and route interdiction operations, and joint efforts to apprehend and prosecute drug traffickers. Mexico has spent millions of dollars on civilian and military programs (\$35 million in 1976) with loss of life and equipment, to cooperate with the United States. Mexico has also become a high priority of the International Narcotics Control Program administered by the State Department, in collaboration with the Drug Enforcement Administration (DEA). In 1976, these programs provided \$11 million for helicopters, herbicides, technical assistance and liaison advisers to Mexico.

U.S.-Mexico cooperation may prove successful in the long run. Nonetheless, U.S. accusations of official corruption in Mexico have hampered cooperation. In turn Mexican critics have charged that some activities of U.S. agents, and their collaboration with local military and police units, constitutes one more form of U.S. intervention in domestic affairs. Mexican officials see a contradiction between U.S. pressures to be "tough" on drugs but later "soft" on prisoners of U.S. citizenship. These aspects

* White Paper on Drug Abuse, A Report to the President from the Domestic Council Drug Abuse Task Force, Washington, D.C., September 1975.

have publicly embarrassed the Mexican government, which has pointed out that the solutions to the U.S. drug problem ultimately reside within the United States.

MEXICO'S STABILITY

Recent events in Mexico have surprised many observers. At first, the large student-led disturbances of 1968 seemed an exceptional event of exaggerated importance. However, the subsequent emergence of rural insurgency, urban terrorism, peasant unrest, divisiveness between certain business and government elites, doubts about the viability of the governmental party (the PRI-Institutional Revolutionary Party), rumors of increased military participation in politics, the largest turnover of government officials since 1940, and a striking presidential rhetoric of reform in the presence of a severe balance-of-payments deficit, slowing economic growth rates, rising unemployment, and one of the worst income distribution patterns in Latin America, all stimulated questions whether the regime of former President Luis Echeverria would preserve institutional continuity. His closing acts in office, to expropriate commercially valuable lands in northern Mexico and to permit devaluation of the peso, temporarily converted these questions into fears of an imminent institutional crisis.

In this setting, the inauguration of President Lopez Portillo aroused great popularity and widespread relief throughout Mexico and in the United States. The International Monetary Fund, the U.S. government, and U.S. as well as other banks, meanwhile assisted in restoring some balance to

* A brief overview of U.S.-Mexico drug cooperation efforts and problems is provided in The Shifting Pattern of Narcotics Trafficking: Latin America, Report of A Study Mission to Mexico, Costa Rica, Panama, and Colombia, House Committee on International Relations, U.S. Congress, Washington, D.C., May 1976.

Useful material appears in Richard B. Craig, "La Campaña Permanente: Mexico's Anti-Drug Campaign," a paper presented at the Annual Meeting of the Latin American Studies Association, Atlanta, Georgia, March 25-28, 1976. The paper provides findings from extensive field research in drug-producing areas of Mexico.

Mexico's economy. And the domestic unrest and violence subsided.* Thus the fears of instability soon returned to the status of questions, tempered by forecasts that new oil income will rescue Mexico from its socio-economic problems.

The progress of post-revolutionary Mexico is frequently termed an economic "miracle" supported by the "genius" of the Mexican political system and by the "myth" of revolutionary legitimacy. While one set of intellectual critics or another has often predicted crisis and collapse, Mexico's institutions have always preserved their stability. Most observers regard the recent political troubles as being transitory to the inherent resilience of the permanent revolution. Such troubles merely reflect the belated and temporary passing of trends that have already coursed elsewhere around the world. Accordingly, the renewed prophecies of institutional crisis deserve to be dismissed.

A Speculation

The prospects for stability and continuity appear reasonably good, though not so good as before 1968. No one has made a convincing argument that Mexico has entered an institutional crisis. Even so, our own judgement concludes that Mexico is, or will be, experiencing an institutional transformation that may engender unrest and struggle.

In traditional conceptions, the Mexican government is ruled by a "revolutionary family" or coalition of elites, headed normally by the existing president. This family has carefully included new post-revolutionary generations along with the original inheritors of the 1910 Revolution. The president has relied mainly on two institutional pillars. The most important is the PRI party, given its remarkable capacities for mobilization, control and cooptation.** The second pillar

* Economic growth is not a sure sign of political stability: the violent disturbances in 1968 and prior incidents in 1967 occurred during years of relatively good economic performance in Mexico.

** On methods of control and cooptation, see David Ronfeldt, Atencingo: The Politics of Agrarian Struggle in a Mexican Ejido, Stanford University Press, 1973 (updated and published in translation as Atencingo: La Política de la Luch Agraria en un Ejido Mexicano, Fondo de Cultura Economica, 1975. Also see Evelyn P. Stevens, Protest and Response in Mexico, The Massachusetts Institute of Technology Press, 1974.

is the army, given the sparing use of its limited, but occasionally critical, capacities for maintaining order and repressing dissent on behalf of the chief executive.*

This traditional conception may need revision. The president remains the government's leader. The revolutionary family still shows great discipline but may be headed toward a post-revolutionary separation. Generational changes within the elite (including the military officer corps), replacement of the unifying experiences of 1910 by the divisive experiences of 1968 as a benchmark of generational identity, and recent divisiveness between private business and public sector elites, represent changes that augur poorly for intra-elite cohesion.**

The post-revolutionary state, meaning the presidency and the federal bureaucracy, is replacing the revolutionary family as the centerpiece of the political system.*** At the same time, the PRI party seems to be weakening as the main institutional pillar of the government. Its capacities for mobilization and conflict management show declining effectiveness, even as political reforms broaden the opportunities for alternative parties and groupings. Meanwhile, the government's reliance on the

* This cursory, simplified description draws on the standard U.S. bibliography on Mexico. It includes works by Roger Hansen, Frank Brandenburg, L. Vincent Padgett, James Wilkie, Martin Needler, Robert Scott, and numerous others whose full citations are readily available.

Recent, revisionist writings from Mexico have emanated mainly from El Colegio de Mexico and the Instituto Mexicano de Estudios Politicos, and include works by individuals too numerous to summarize briefly.

** Peter S. Smith, "Continuity and Turnover within the Mexican Political Elite, 1900-1971," in James W. Wilkie et al. (eds.). Contemporary Mexico: Papers on the IV International Congress of Mexican Studies, University of California Press/El Colegio de Mexico, 1976, pp. 167-86, finds that private business and public sector elites come from dissimilar socio-economic and educational backgrounds.

*** In the original formulation by Frank Brandenburg, The Making of Modern Mexico, Prentice Hall, 1964, the "revolutionary family" was said to consist of a top level, composed of the president and his inner council, a second level consisting of important interest group leaders, and a third level corresponding to the government bureaucracy and related formal organizations. What seems to be evolving now, more than ten years after Brandenburg's formulation, is that the formal administrative apparatus is surpassing the interest groups in policymaking importance.

military has grown; and moreover the military education system is expanding to cover Mexico's political, economic, and foreign policy experiences.

Neither extreme of a military coup or a new revolution seem likely in Mexico's future. Broader military participation in government would not be surprising.*

BILATERAL-DOMESTIC ISSUE LINKAGES

The more sensitive bilateral issues affect the potential for instability in Mexico. The migration of Mexican undocumented workers eases the effects of population growth, land scarcity, unemployment-underemployment and poverty conditions. The migration returns new capital and some light technology into Mexico, thereby representing a beneficial rural aid program that may be superior to most U.S. economic aid programs abroad.** U.S. efforts to reduce illegal immigration would alarm Mexican officials, who fear strains on their economic and political institutions. Demographic pressures already aggravate rural unrest. According to dire predictions, a closure of the U.S. border to illegal immigration would stimulate social unrest in Mexico's northern cities, and induce requirements for military operations. Such a trend could increase military participation in Mexico's politics.

The drug business threads the political, economic, and criminal fabric of the northwestern states of Sinaloa, Sonora, Durango, and Chihuahua. Marijuana and opium poppy cultivation has proven profitable for impoverished peasants in some violence-ridden areas, as well as for some politically powerful and privileged individuals. As the government manages to control drug agriculture and trafficking, it will need to generate alternative livelihoods for the affected rural populations. Meanwhile, rural guerrillas and urban terrorists, as well as ordinary criminals, have traded drugs to procure weapons smuggled from the United

* On the continuing residual political roles of the army, see Ronfeldt, "The Mexican Army and Political Order Since 1940," in Abraham F. Lowenthal, ed., Armies and Politics in Latin America, Holmes and Meier, 1976, pp. 291-312. Also see Guillermo Boils, Los Militares y la Política en México, 1915/1974, Ediciones "El Caballito," 1975.

** See Cornelius, op. cit.

States. The Mexican government has expanded the army's presence in these areas in order to control both the drug business and social unrest.

The petroleum discoveries promise national profit and progress. Yet over the short-term the politics of developing the oil and gas resources may exacerbate divisiveness between some elite factions. Internal debates--regarding how energy income is used, in what public and private sectors, for what kinds of programs and to what diplomatic ends--may sharpen differences between capitalist- and socialist-minded elites, raising tensions over pro- and anti-U.S. dispositions. Mexican critics already complain that government policies will increase dependency and vulnerability relative to the United States. Intra-governmental disputes may also attend the reorientation of Pemex, away from its historical roles as an essentially political institution, toward becoming an efficient economic enterprise. Over the longer run, mounting income from energy production will not spell salvation for Mexico's vast problems--especially those found in rural areas.*

The major bilateral issues also link to important U.S. domestic interests and problems. These range from the national scale, as in regard to energy, drugs, labor employment, and the status and rights of the Chicano population--to more regionally-focused issues, like those affecting tomato growers in Florida and tuna fishermen in Southern California. The linkages are often so deep that the traditional dichotomy between foreign and domestic affairs becomes artificial in the case of U.S.-Mexico relations.** Thus, while Mexico may seek attention in terms of foreign affairs issues, the U.S. Congress in particular seems more likely to approach Mexico-related issues from an essentially domestic perspective.

For both countries, the strength of the bilateral-domestic linkages means that the discussion of bilateral issues typically converts into

* Venezuela's large oil revenues have made little impact on its rural conditions.

** The frequent artificiality of the foreign-domestic dichotomy receives a valuable discussion by Bayless Manning, "The Congress, the Executive, and Intermestic Affairs: Three Proposals," Foreign Affairs, January 1977, pp. 306-324.

controversial discussion of the other country's domestic conditions. This sometimes leads to identification of the neighboring country as the scapegoat or potential solution to the original country's inability to arrive at a domestic solution. For example U.S. interests sometimes blame Mexico for U.S. drug and employment problems, while other U.S. interests see Mexico as a solution to energy needs. In turn, Mexicans sometimes blame the United States for Mexico's financial and economic problems.

The illegal migration issue will prove especially sensitive. Whatever U.S. policy stance one may favor, discussion will inevitably focus on agrarian conditions in Mexico. Thus U.S. critics will blame the Mexican government for allowing such conditions to evolve, and may insist that Mexico bear the burden of resolving the migration issue. Individuals favoring sympathetic or accommodative policies toward the illegal migration will point to those very same conditions in Mexico, but may advocate U.S. assistance programs and toleration of the migration as a safety-valve for Mexico's growing numbers of jobless and landless individuals. In any case, such discussions are bound to arouse sensitivities in Mexico. As one reaction, some Mexicans may take a human rights perspective that criticizes the domestic U.S. treatment of Chicanos as well as illegal Mexican migrants. Public bitterness could result on all sides, with some individuals even arguing that the United States has reasonable cause to seek expanded involvement in Mexico's socio-economic development processes despite Mexican sensitivities. Thus, Congressional deliberations regarding undocumented workers and related aspects of the Carter proposals may well aggravate U.S.-Mexico tensions--similar to the emotionalism aroused by the proposed Panama Canal treaties.

APPROACHING THE ISSUES

The complexity of the issues and their linkages makes possible various policy approaches. The traditional approach is to treat each issue separately. However, a comprehensive, linkage perspective suggests alternative approaches: such as a sequential strategy, by treating specific issues in a deliberate negotiating order; or a trade-off strategy,

by exchanging U.S. trade preferences for preferred access to Mexican oil exports, for example; or a "package" program, such as a Marshall-like plan for Mexico's rural areas.

Some U.S. and Mexican officials have shown a new sensitivity to issue linkages in bilateral relations. In Mexico this sensitivity appears at the highest level, where President Lopez Portillo takes the position that

...There are no isolated problems; everything is part of everything else.

If, for example, we want to solve the problem of undocumented workers, we must understand that the problem lies in Mexico's economic situation. This will improve if we achieve a better balance in our very unfavorable trade relations with the United States.*

In another interview regarding worker migration, he stated

We see it as a problem of commerce, a problem of finance, a problem of development, a problem of demography...We cannot resolve it as a police problem.**

Within the United States, linkage perspectives are found mainly in the State Department. Otherwise, they are a rarity, for there is normally little time to frame neat analytical packages. The U.S. government must ordinarily deal with issues as they arise--and that often depends on which congressman or private interest proclaims the loudest.

The most likely approach to the preceding issues may turn out to be continuous, unresolved dialogue, until some specific crisis or difficulty obligates remedial measures. This seems likely for both countries not only because of the complexity of the issues. Other contributing factors, discussed in the next sections, are the lack of a central bilateral policy concept, the compartmentalized nature of the organizational interface, and a sense of dependency that inhibits bargaining.

* From an interview reported in The Christian Science Monitor, September 14, 1977.

** From an interview by Frank del Olmo, Los Angeles Times, April 26, 1977.

III. THE "SPECIAL RELATIONSHIP"

A mutually agreed, central policy concept or rationale does not exist to guide and symbolize relations between the United States and Mexico. It might be useful--it may even become a necessity--to formulate a new, mutually agreeable rationale to take the place of the rhetoric of "special relationship." Otherwise, the policymaking biases inherent in broader U.S. multi-lateral and regional concepts will foster the continued neglect of U.S.-Mexico relations.

DEMISE OF THE SPECIAL RELATIONSHIP

The United States has traditionally promoted a "special relationship" with Mexico and Mexico has not rejected the idea. U.S. and Mexican leaders recognize that a bond known as the special relationship does, even must, exist by dint of geography and history as neighbors. Thus President John F. Kennedy once stated in Mexico City that geography had made us neighbors, tradition had made us friends, and economics had made us partners. In that sense, U.S.-Mexico relations are so intertwined as to be implicitly special; and in that sense the uniqueness of the relationship cannot perish. Nonetheless, the policy traditionally known as the special relationship has lost meaning on both sides of the border, particularly in Mexico.

Some Mexicans have come to regard the policy idea as being worn-out, inactive, even defunct. Others believe it never really existed. That is, whenever Mexico has tried to invoke the special relationship, by seeking a preferential adjustment of some global or regional U.S. policy measure, Mexico has seldom found a special responsiveness.

The meaning and origins of this vague concept are not clear. No explicit definition has ever been offered. Traditional elements would appear to be: a relatively open and unfortified border, close consultation over problem issues, and some advantageous treatment for Mexico in trade and migration matters. The special-relationship idea was

meant to signify that, despite vast asymmetry, mutual dependency would enable Mexico to become strong and independent. Furthermore, bilateral cooperation would be based on mutually valued principles, such as respect for sovereignty, non-intervention, and equality.

The special-relationship notion has proven to be more symbol than substance. It has not served to clarify whether or how to resolve specific problem issues. Nor has the concept entailed a framework for perceiving possible linkages and trade-offs among the issues. These were left to be compartmentalized within the U.S. and Mexican bureaucracies.*

The idea of a special relationship between the two neighbors gained prominence in recent years—but achieved little more than rhetorical significance. Rooted in World War II experiences, when U.S.-Mexico relations were extremely cooperative, the idea was overshadowed by U.S. regional concepts involving the Alliance for Progress in the 1960s. Then in the 1970s the New Dialogue suggested a broad "special relationship" with Latin America. Mexico was sometimes mentioned as representing a special-special relationship within the region.

For its part, Mexico resisted this regionalization of specialness, ostensibly because it might increase regional dependence on the United States, but also because it might stimulate new competition for preferential relations with the United States. In recent years there has been a proliferation of U.S. "special relationships" with emerging regional powers, such as Brazil, Iran, and Saudi Arabia (plus the unsuccessful claim of other countries for their own special relationship, as in the case of Venezuela). With so many rivals for special relationships, Mexico saw its own as having relatively diminished stature even

* A view in Mexico claims that the "real" special relationship consists of U.S. financial loans, and opportunities for U.S. businessmen. In other words, the respective private sectors have attained a more authentic special-relationship than have the two governments.

Another depiction of the "real" special relationship consists essentially of the U.S. private sector and the Mexican government.

as a symbol, and seemed particularly sensitive to the appearance of a growing special relationship between the United States and Brazil in the mid-1970s.

Prior to the recent petroleum discoveries, U.S. interests and objectives in Mexico did not seem to warrant much special attention. Treating the special relationship mainly in procedural terms, the United States continued to provide ready, high-level access to Mexican officials. Moreover, U.S. officials continued to avow that Mexico deserved preferentiality in relations. The United States steadily remained disposed to discuss the initiation of major economic and technical assistance programs for Mexico. Yet Mexico remained adamant in refusing large-scale bilateral aid from its neighbor, partly for reasons of image. Indeed, following flood damage in 1977, Mexico was reluctant to request even temporary disaster relief--and the United States was reluctant to offer it because of concern for offending Mexican sensitivities and pride. (Nonetheless, some recent signals indicate that in Mexico the new administration might be receptive to special development funding programs which fall outside the traditional AID assistance framework.)

In substantive terms, successful negotiation of the Chamizal issue in the early 1960s, and of the salinity issue in the early 1970s, served to symbolize and sustain the generally good bilateral relations.* Apart from such border issues, no serious bilateral differences, of a structural or diplomatic nature, arose during the 1940s-1960s to challenge the basic acceptability of the special relationship idea and its apparent benefits to Mexico. But the Mexicans have focused on other experiences in recent years to mark the violation and demise of the special relationship,

* For Secretary of State Henry Kissinger, successful negotiation of the salinity issue reportedly demonstrated that dialogue could be useful and thereby helped give him cause to initiate the New Dialogue with Latin America in general.

The broader point that Mexico has often been the anvil of U.S. diplomacy toward Latin America, a point made originally by Frank Tannenbaum in 1948, is reiterated by Robert E. Quirk, "Mexico and the United States," in A. Curtis Wilgus, ed., The Caribbean: Mexico Today, University of Florida Press, Gainesville, 1963, pp. 193-198.

typically perceived to involve a sudden unilateral action by the United States without warning or consulting Mexico. These experiences included Operation Intercept (the sudden near-closure of the border in 1969 to pressure the Mexican Government to take measures against narcotics trafficking), the 1971 enactment of the 10 percent import tax surcharge without exempting Mexico (or Canada), protectionist trade measures that took the form of marketing orders and non-quota tariffs, and in 1976 changes in the U.S. Immigration and Nationality Act lowering the Mexicans allowed to immigrate yearly. The 1971 surcharge was particularly galling to the Mexicans (and it also marked an end to Canada's belief in a similar special relationship with the United States.

Although waning over these past few years, confidence exists in Mexico that the United States has the resources and imagination to resolve bilateral problems. Accordingly, it is only a question of political will and attention. As Mexicans have been quick to claim, perhaps the United States was too preoccupied with developments elsewhere to attend properly to Mexico in the early 1970s. This lenient view holds that various developments--including U.S. efforts to build new relations with distant, former enemies rather than resolving problems with old friends and allies, the new U.S. strategy to replace bilateral with multilateral approaches to economic problems in the Third World, U.S. balance of payments problems, and the proliferation of new special relationships--ultimately reinforced tendencies to neglect U.S.-Mexican issues.

One of Mexico's leading foreign affairs analysts, Mario Ojeda, has described the U.S. neglect of Mexico in regional-strategy terms.

Thus...by the end of the 1960s, with the coming to power of a new government in Washington, once that it was clear that social revolution in Latin America was not going to explode so easily as had been thought; once that the first signs of a relaxation of the Cold War were in sight; and once that it was clear that the government of Fidel Castro had moved from a policy of supporting Latin American guerrillas to a less belligerent attitude, Mexico's strategic value for Washington

decreased in relative terms. As a result of this, the "special relationship" was shelved by Washington, and the Mexican government lost a great part of its past capacity to negotiate with the United States.*

A different but nonetheless popular Mexican viewpoint has held that the United States has had no interest in seeing the development of a strong and independent nation next door--and therefore would do nothing special to advance Mexico's development.

Under these circumstances Mexico turned to pursue an unusually active, internationalist policy in the 1970s, suited to a new vision as a potential medium power and leader among Latin American and Third World nations. The growth of the European Economic Community (EEC) and Japan and the relaxation of U.S.-Communist bloc tensions were seen to provide new opportunities for economic diversification. Mexico was prompted as well by economic stagnation and political dissidence at home, and by concern for casting a new international and domestic image to Mexico's policies. Beginning in 1971, therefore, Mexico sought to diversify its markets and obtain new capitalist partners for trade and investment. Mexico further began to advocate a familiar redistributive line for the Third World and to oppose U.S. positions in Third World and other multilateral forums.

International activism thus gained official favor in Mexico over the now rather quiescent "special relationship." Bereft of bargaining power in the bilateral relationship, Mexico hoped to locate distant

* Translated from Mario Ojeda, Alcances y Limites de la Política Exterior de México, El Colegio de México, 1976, p. 94.

Another very good source is Olga Pellicer de Brody, México y la Revolución Cubana, El Colegio de México, 1972, and her article, "Mexico in the 1970s and its Relations with the United States," in Julio Cotler and Richard R. Fagen, eds., Latin America and the United States: The Changing Political Realities, Stanford University Press, 1974.

Useful background and analysis also appears in Fagen, "The Realities of U.S.-Mexican Relations," Foreign Affairs, July 1977, pp. 685-700.

new allies and issues, especially in the EEC and the Third World, that would help reduce dependence on the United States while at the same time giving Mexico some claim against it.

Despite the Third World rhetoric voiced by some Mexican government officials in international forums, Mexican officials remained fairly cooperative and uncontroversial when dealing privately and bilaterally with U.S. officials. Indeed in this period Mexico did virtually nothing by way of demanding a new framework for bilateral relations or new resolutions to problem issues.

With the decline of the special-relationship idea and the lack of any replacement, charges of dependency, neo-colonialism, and neo-imperialism have spread as a currency of recent Mexican political discourse toward the United States. In the absence of a concept of mutual dependency, latent perspectives of unilateral dependency and vulnerability have come to the fore within Mexico. The spread of such viewpoints has reflected generational changes within Mexico's political institutions, where rising young nationalists have found the new dependency concepts useful for calling attention to certain problem areas and for trying to put the United States on the defensive.*

CONSEQUENCES FOR MEXICO'S FOREIGN POLICY

Third World activism did gain some new political prestige for Mexico in Latin America, and in Third Worlds and other multinational forums. Moreover, the decay in the climate of bilateral relations did come to trouble U.S. policymakers sufficiently to make them ready to pay attention and give Mexico higher priority. For Mexico, these gains may have been worth the effort.

* The observation that younger elite generations push themselves to the top of the political system in Mexico by taking advantage of new rhetoric and new problems and issues is presented by James W. Wilkie in his statement before Hearings of the Subcommittee on Inter-American Relationships of the Joint Economic Committee, Recent Developments in Mexico and their Economic Implications for the United States, 95th Congress, U.S. Government Printing Office, 1977.

Mexico's strategies have not been as successful in achieving other major objectives. Mexico's bargaining leverage with the United States has not increased. Drift and disorganization characterize bilateral relations more than ever--even though relations may be described as "good" in the traditional diplomatic sense. Mexico's efforts at economic diversification have brought meager results. Instead recent government policies have led ironically to an increase in economic and financial dependency on the United States and to the discovery that Mexico has very limited trade options outside the United States.

Mexico has never conceded that its future may lay more with North America than with its Latin American brethren--though this may prove to be a lesson of recent experiences. Several times in recent decades Mexico has offered to serve as a mediator in U.S.-Latin American relations. There has been concern that a U.S. policy which lacked understanding of Latin America would have grave repercussions in Mexico.* Nonetheless, at present Mexico appears disinterested in playing a significant role in the formation of a special Caribbean Basin policy by the United States.

In recent years Mexico has campaigned hard to strengthen its status and role in the Latin American system. Yet its opportunities in Latin America are severely restricted by the prevalence of rightist military dictatorships in South America, from which Mexico has received numerous exiles and escapees of liberal and radical political convictions, and by the poor prospects for economic integration and regional trade and investment. Moreover, other Latin American countries have tended to regard Mexico as a peripheral member of the region, too closely meshed with the United States. Mexico has recently provided leadership for organizing new Latin American institutions, notably the Latin American Economic System (SELA). But so far these are weak entities.

* See Jorge Castañeda, "Revolution and Foreign Policy: Mexico's Experience," Political Science Quarterly, September 1963, pp. 391-417.

Thus, Mexico's Latin American options have not significantly enhanced bargaining leverage with, nor independence from, the United States. Once again Mexico appears to be an exception to Latin America--with almost nowhere else to turn but directly to the United States.

Mexico's new president, Jose Lopez Portillo, has proven friendlier toward the United States and less Third World in orientation than was his predecessor. Although the new president is not abandoning the recent policy image favoring a new international order, he has given relatively less emphasis to it. Efforts to expand and institutionalize relations with other Latin American countries and groupings are continuing--but again with less emphasis. A turn toward a Mexican isolationism, or toward an extreme focus on bilateral relations with the United States, might cost Mexico what little foreign bargaining capacity it has. In any case, he is likely to proceed cautiously toward the United States if only for the sake of appearance. His preferred option would probably be a revitalization of the special relationship.

FUTURE CHOICES FOR THE UNITED STATES

The United States has essentially three choices for designing a new policy concept regarding U.S.-Mexico relations. The choices are not ideal: each reflects different aspects of current views about U.S. interests and objectives, about the value to be placed on good relations, and about willingness to resolve specific issues. A likely outcome may be some blend of the three perspectives.

Toward A New Special Relationship

One alternative would be to revitalize the "special relationship" by giving it new meaning and possibly calling it by some other name. Thus the United States could emphasize shared interests in issue resolutions, convey symbols and standards for the conducting of relations, and offer a presumption of preferentiality in those relations in part because

traditional U.S. dichotomy between foreign and domestic affairs is so artificial in the case of U.S.-Mexico relations. It may not be necessary to specify whether or how particular problem issues should be resolved.

A series of principles might be identified on which to base the management of U.S.-Mexico interdependence. Some pertinent principles might be as follows:

- o assurance of U.S. interests in seeing the development of a strong, independent Mexico;
- o public and private awareness of each other's sensitivities about sovereignty, nonintervention, and equality, so as to avoid the appearance of policy imposition;
- o a border whose openness symbolizes neighborliness, along which no fortifications are installed, and which allows constant, easy trade, communications, and exchange;
- o recognition that the relationship as well as the consequences are national in scope and not limited to the border states;
- o ready access to each other's top decisionmakers and close consultation whenever problem issues arise;
- o an assumption of mutually shared responsibility for creating most problem issues, combined with an assumption of mutually shared responsibility for dealing with them--that is, an "organic" view of the relationship;
- o an absence of precipitate punitive actions, as well as consultative forewarning of measures that may have an adverse impact even though they be directed at a third party or be multilateral in nature;
- o and preferential treatment in selected areas where mutual benefits can be realized.

Beyond such principles, the building of close, cooperative relations might be rationalized in terms of protecting each other's economic vulnerabilities in the changing world context. U.S. access to

Mexico's petroleum reserves and Mexican access to U.S. commerce, financial, and labor markets may represent implicit stakes in the economic relationship. There is a likelihood, however, that many Mexicans would not publicly accept an "economic security" rationale unless it brought sizable concessions from the United States. "North American interdependence," including Canada, and some reference to the defense of democracy, might also provide additional rationales.*

There are serious constraints, symbolic as well as substantive, to building close, cooperative bilateral relations. Mexico and the United States are very different countries with very different interests, needs, and identities at stake. Most Americans probably feel their country already has too many problems to become deeply enmeshed with Mexico's. Most Mexicans fear and resent encroachment from the Colossus of the North, and many nationalists do not want or trust a close U.S. embrace. Nor do they want to appear publicly to be collaborating.

Even so, earlier experiences suggest that a special bilateral concept may have considerable appeal and utility. In its absence, U.S.-Mexico relations will likely be neglected, or else will fall prey to other mythologies (the special relationship itself being a kind of mythology) about the Mexican Revolution and the history of U.S.-Mexican relations.

*The demise of democratic governments in Latin America has made Mexicans all the more wary about the potential for political instability and authoritarian rule in their country as well--"South Americanization," President Lopez calls it. Mexico's political system is not a liberal democracy. Nonetheless, as the reknowned Mexican political analyst Daniel Cosío Villegas has stated:

The United States can be sure of one thing as far as Mexico is concerned. This country, poor and sluggish if you will, lives for one reason alone, with one sole end: to achieve, to practice, and to live liberty and democracy. All our history is but one long effort to achieve this end. And if there is one way of definitely alienating the friendship and admiration of Mexico, it is by convincing it that only here, in Mexico, may a Mexican live as he likes. Daniel Cosío Villegas, American Extremes, University of Texas Press, Austin, 1964, p. 52.

An Ad Hoc Approach

Some Americans and Mexicans entertain that the best approach would be to have no particular U.S.-Mexico policy at all, and certainly not one that is avowedly special and thereby seemed paternalistic. Accordingly, any new policy should be left quite undefined--so as not to inhibit mobility and flexibility in bargaining. Each issue must be treated separately. Relations are so complex as to defy a priori technocratic planning. One risks becoming overly fascinated with the predefinition of the relationship. A special new blueprint for U.S.-Mexico relations could even be dangerous, especially for Mexico. Ambiguity and a lack of definition may be essential to successful government in Mexico and to manageable U.S.-Mexico relations.

This ad hoc perspective may appeal most to those who prefer free wheeling diplomatic negotiations and who wish to avoid any possible signs of U.S. paternalism. Yet there are arguments against adopting this approach en toto. The symbolism of specialness seems unusually important in the case of U.S. relations with Mexico. In withholding such symbolism, an ad hoc policy concept would likely lead to the triumph of multilateral, regional, or parochial U.S. interests in the treatment of bilateral issues. In American eyes, if Mexico is not special then it tends to be regarded as just another Latin American country, easy to neglect and entitled to relatively little attention. Mexico is typically considered an exception even among U.S. specialists on Latin America, who typically prefer to attend to South America where the main ideological struggles occur. Multilateral trade negotiators, who oppose the emergence of regional trading blocs and who generally resist preferential trade arrangements, have no reason to make any exceptions for Mexico. An ad hoc perspective would likely facilitate the influence accorded to domestic U.S. interests in dealings over bilateral issues.

Apart from such potential impact on U.S. interests, the ad hoc approach also appears unsuitable as a basis for dialogue with Mexico. An empty concept, especially if it contained little symbolic assurance

of beneficial U.S. intentions toward Mexico, would likely arouse Mexican cynicism and suspicions about U.S. bargaining efforts. Indeed, an ad hoc approach that became an excuse for drift and neglect might well serve to strengthen anti-American radical elements in Mexico, on both the extreme right and left, who would be interested in destabilizing Mexico's internal conditions. At the same time, the absence of special symbolism might well raise the burden placed on organizational mechanisms to achieve solutions to the specific problem issues.

Unilateral Protectionism

A unilateral turn toward a defensive and protectionist policy concept may appeal to certain U.S. sectors regarding certain problems such as drugs, migration, and trade. Such a concept would be tantamount to identifying Mexico more as a threat and contaminant, with the open border representing more a liability than an asset. The open border, Mexico's safety-valve for political stability, would lose much of its porous nature. Mexico would be treated as a scapegoat for domestic U.S. problems. Law enforcement might become a leading rationale. Mexico would be blamed for exporting its problems.

Despite possible short-term benefits in controlling drugs and migration, and in protecting some domestic U.S. industries and labor markets, this policy perspective would prove quite risky. In the first place, it might well become a self-fulfilling prophecy, by contributing to the potential for increased political instability in Mexico, as well as by serving as a terrible affront to Mexican nationalism. Were serious instability to occur, the United States would be faced with the dilemma of determining up to what point it could tolerate an unstable Mexico. Pressures for some kind of U.S. involvement (if only for a militarized border security system on the U.S. side) would probably arise if the political situation deteriorated.

A protectionist approach would surely alienate Mexico from serving as a key ally for the United States as we move into the uncertain energy context of the 1980s. More so than in case of an ad hoc policy, Mexican

elite coalition balances would be disturbed by a U.S. protectionist policy, thereby strengthening those groups not in favor of friendly and open relations with the United States. Indeed, severe U.S. protectionism could serve to induce new elite alignments in Mexico, including alignments of extreme left- with extreme right-wing nationalists. For those and more moderate circles as well, U.S. behavior would be taken as further proof that it will not allow a strong, independent Mexico on its borders--and will always work to keep Mexico weak and divided.

While a protectionist approach would not provide incentives for Mexico's friendship and cooperation, it might appear tempting for some U.S. sectors to test as a hard bargaining tactic. For example, threats to increase trade protectionism or border security might be viewed as leverage to obtain U.S. access to Mexican energy reserves, or to make Mexico develop an effective population stabilization program. Nonetheless, such risky and offensive tactics would not attack the heart of the bilateral problems. Their management ultimately depends on the building of cooperation rather than barriers between the two neighbors, and on U.S. and Mexican capacities to determine internal solutions to their own internal problems, without seeking foreign scapegoats.

IV. THE ORGANIZATIONAL INTERFACE

Neither government seems well organized to bring about changes in the relationship. The compartmentalization of issues on the U.S. side, and the penchance for "closet diplomacy" on the Mexican side, seem better designed for maintaining the status quo. A new organizational approach, one that would allow the consideration of linkages and trade-offs across issues, and that would have strong executive support above entangled domestic interests, may improve the prospects for protecting good relations and managing interdependence in the future.

COMPARTMENTALIZATION OF U.S.-MEXICO RELATIONS

The organization of the U.S. government encourages the compartmentalization of relations and the separation, if not isolation and fragmentation, of individual bilateral issues. The organizational interface with Mexico is characterized by counterpart-to-counterpart relations that tend to reinforce particular institutional perspectives and interests on most bilateral problem issues. The U.S. Department of State deals directly with Mexico's Ministry of Foreign Relations, Agriculture with Agriculture, Treasury with Treasury and the Bank of Mexico, the Special Trade Representative with Treasury, Commerce with Industry and Commerce, and Justice with Mexico's Attorney General. Such a structure is natural for large bureaucracies.

While policies thrive on generalities, bureaucracies thrive on details. At working levels, the constant reinforcement of bureaucratic perspectives, and the dispersal of issue responsibilities among varied offices, lead to technical, administrative definitions of the issues. Consideration of issue linkages and trade-offs is inhibited. Negotiations and bargaining become difficult to initiate. The proposal of "package" deals is prevented. Split responsibilities in most issue areas may lead to serious coordination problems as well as jurisdictional rivalries, for example between DEA and Customs agents regarding drugs.* The alien

* While mechanisms exist in Washington for coordination among federal agencies, mechanisms for federal-state coordination are lacking. Title V legislation and related activities under the Department of Commerce will bring changes in this area.

issue alone involves elements of Labor, HEW, Justice, INS, the Border Patrol, State, the Domestic Council, and Congress, not to mention labor unions, employer organizations, Catholic and Chicano groups, and the police and other private and state-level agencies. The "special relationship" means virtually nothing at the level of specific issues.

So many issues involve trade and finance that Treasury, Commerce, and their Mexican counterparts tend to dominate relations. The strong domestic linkages of many issues also strengthen the roles of these agencies, as well as of private pressure groups.* The U.S. Department of State and Mexico's Ministry of Foreign Affairs may be kept informed of working discussions and decisions. But they generally have low involvement and marginal influence in these matters. Thus State may end up having to explain, defend, and implement decisions in which it had little participation. Indeed, State spends considerable time trying to restrain other departments from taking steps that may appear blunt and insensitive to Mexican officials.

At times, there may be deliberate circumvention of State and the Foreign Ministry as coordinating organs. In one case a U.S. agency, concerned about safeguarding professional, technical treatment of the issues for which it was responsible, pursued a strategy of relating almost exclusively with its Mexican counterpart in order to strengthen the latter's role in that issue area independent of its Ministry of Foreign Relations, which was studiously ignored. The officials involved wanted to prevent the intrusion of political and ideological criteria that would alter their technical-administrative definition of the issues.

* This fits with a broader projection of U.S. domestic agencies into foreign affairs. See Manning, op. cit. According to Joseph S. Nye, Jr., "Independence and Interdependence," Foreign Policy, Spring 1976, pp. 130-161,

These miniature foreign offices that domestic agencies have developed for dealing with the international aspects of issues with which they are concerned are not merely bureaucratic nuisances. They are needed in the management of interdependence issues that are both domestic and foreign. As the entire government becomes involved in "international" affairs, it becomes more difficult to reserve a separate section of the agenda for the State Department. (p. 138)

U.S. administrative compartmentalism and jurisdictional jealousies are not the only organizational constraints to approaching bilateral issues. Advocacy by multilateralists, regionalists, and domestic lobbies have all played havoc on the organizational relationships between the United States and Mexico. Within the U.S. government, these perspectives and pressures have reinforced compartmentalization, fostered a technical focus on specific issues, and contributed to the avoidance of issue linkages and tradeoffs. U.S.-Mexico relations get trapped amidst strong U.S. domestic interests and broader multilateral and regional perspectives, especially in regard to trade issues.* The overall result has diminished the attention assigned to enhancing good bilateral relations.

MEXICO'S PENCHANCE FOR "CLOSET DIPLOMACY"

The Mexican foreign policy process tends to be secretive. Thus the Mexican Government has preferred to deal with the United States in a style that resembles "closet diplomacy." That is, reflecting a self-conscious effort to maintain an image of independence from the United States, Mexican authorities have generally preferred to deal only with the highest levels of the U.S. Government (usually secretarial or presidential), on a basis of quiet, informal, loosely structured, personal consultations, usually at the initiation of the Mexicans, and focused on a specific issue rather than on the broader relationship or issue linkages. This approach enables the Mexicans to raise some matters, such as a linkage to Mexico's political stability, that they would prefer not to discuss with lower U.S. functionaries or in public. Congress, the U.S. media and many interest groups tend to be regarded

* Differences between the Office of the U.S. Special Representative for Trade Negotiations (STR) and the Department of State provide an illustration. In recent years STR has encouraged Mexico to adopt a multilateral trade perspective. The Mexican government has generally preferred (not being a member of GATT) to seek special bilateral arrangements with the United States. STR has generally resisted efforts by the State Department or the Mexican government to discuss "special" trade concessions.

in general as potential pressures on the U.S. executive that are not amenable to Mexican diplomatic style and whose actions are likely to have adverse consequences for Mexico. This approach also helps to give Mexico's president a free hand independent of outside pressures and interest groups, which are few in any case in Mexico's foreign policymaking processes.

The classic tendency is to wait for an issue to reach near-crisis proportions and then rely on special access to the Executive branch or to individual Congressmen who have shown an interest in Mexico. This tendency stems in part from the fact that, at the working level, Mexico has not been well organized for representing its interests with the United States on a daily basis. The Mexican Embassy has not been actively suited for either gathering information or handling the complexity of U.S. government processes in Washington, D.C. Mexico has not made use of lobbyists. Mexico has not developed skills for dealing with the Congressional and administrative processes of the federal government. Mexico has preferred to deal mainly with the White House, and secondarily with the Department of State, where it does maintain steady contact. Mexico has frequently ignored other agencies, and has neglected opportunities for monitoring and influencing bills and laws as they take form within the U.S. government, for example, by early presentation of Mexican views regarding marketing-order restrictions within the Department of Agriculture, Mexico has lacked the bureaucratic follow-through that may gain them occasional break-throughs on little issues.* There has been deficient coordination in Washington between officials in Mexico's Embassy and those dispatched on missions from Mexico City.**

* For example, for over a year the Mexican Government sought to obtain a quota-free status for cajeta, a product made from goat's milk. The lack of follow-up consultations and pressures, in part from the Mexican Embassy, resulted in prolongation of a decision that would mean additional foreign-exchange earnings for Mexico. In the words of one U.S. Treasury official, "The U.S. Government expects other countries to 'work' the U.S. system to their own interests. Mexico is not very effective at 'working' the U.S. system."

** Examples of deficient coordination also occur between the U.S. Embassy in Mexico City and U.S. officials dispatched from Washington agencies--but to a lesser degree.

Mexico's representational capabilities in Washington do not even compare favorably with those of their Latin American brethren. The Embassies of Argentina, Brazil and Venezuela seem to understand better how to "work the U.S. system," especially in legislative matters. Panama and Venezuela have used their U.N. missions skillfully to spread public relations materials. Even a small country, Nicaragua, has contracted effective U.S. lobbyists to defend its interests with Congress and the Executive branch.* Elsewhere, the Japanese Embassy recently confessed to being mystified by the complexities of U.S. domestic politics and thus hired two U.S. law firms to provide background analyses for Japanese diplomats.

Mexico has the ability to make a number of improvements in its institutional capacity to provide effective representation in Washington. Such improvements would surely benefit the prospects for managing interdependence and for gaining quiet, early attention to specific issues. Until such improvements are made, it will probably continue to be said that the best representation of Mexico's views in Washington come from the U.S. Embassy in Mexico City.

From an institutional perspective, Mexico's bilateral as well as multilateral efforts have been quite dispersed among various ministries. This dispersal is to be reduced somewhat by the administrative reorganization, which, for example, will bring the concentration of trade and investment responsibilities in the new Ministry of Trade and Commerce, placing that ministry in a comparatively strong position. New efforts are also to be made at establishing inter-ministerial committees for purposes of liaison and counsel at working levels, and for purposes of reducing inter-secretarial rivalry. However, it is not clear that

* A general assessment that does not mention specific countries is Roger F. Sack and Donald L. Wyman, "Latin American Diplomats and the United States Foreign Policymaking Process," in Appendices: Commission on the Organization of the Government for the Conduct of Foreign Policy, U.S. Government Printing Office, 1975, volume 3, pp. 243-247.

these institutional changes in Mexico City will have much effect on Mexico's capacities to deal directly with the United States. These could probably be raised more effectively by improving Mexico's representational capabilities in Washington, D.C.

In the meantime, Mexico's diplomatic and administrative capabilities will continue to depend very much on individuals, especially those few who combine technical competence along with personal status and connections in both Mexico and the United States. The absence in Mexico of a professional foreign service may affect the availability and preparation of skilled diplomats and negotiators who are knowledgeable about the United States. However, Mexico's recently expanded commitment to multilateral approaches and organizations, a turn that may have arisen in part from frustration at trying to negotiate with the thicket of U.S. compartments involving international trade and financial issues, is serving to produce new personnel who are quite experienced at dealing with the United States.

SOME LESSONS FROM PAST COOPERATIVE MECHANISMS

Since World War II, the United States and Mexico have periodically established special mechanisms in order to overcome bureaucratic and political barriers to expanding cooperation.* Some special bilateral mechanisms existing in recent years have included: the International Boundary and Water Commission, the U.S.-Mexico Trade Commission, the

* In the aftermath of a 1943 war-time meeting between Presidents Roosevelt and Avila Camacho (the first time that a U.S. president had officially entered Mexico and only the second time that the presidents of the two countries had met face to face) a Mexican-North American Commission on Economic Cooperation was set up to study problems and coordinate programs that required the cooperation of the two nations. The Commission requested opinions from technicians and industrialists, and made recommendations for bilateral policies. As a result, "...American technicians and experts...swarmed into Mexico and began, with the enthusiastic cooperation of their Mexican counterparts, to tinker with Mexican social and economic mechanisms." From Howard F. Cline, The United States and Mexico, revised edition, Atheneum, New York, 1968, p. 273.

Commission on Illegal Immigration to the United States, and the U.S.-Mexico Commission for Border Development and Friendship. Experiences with them suggest that little faith is evidently to be placed in the establishment of special bilateral mechanisms.*

The International Boundary and Water Commission (IBWC) is considered the prize example of U.S.-Mexico cooperation. Established in 1889, the Commission has facilitated the resolution of numerous boundary disputes, the Chamizal settlement, and the resolution of the Colorado River salinity dispute. The mission of this bilateral mechanism was based on the mandate to deal with "all problems on the land and water boundary susceptible of an engineering solution." Successful negotiations by special inter-agency task forces operating within the framework of the IBWC have proven successful largely because of the technical nature of the problems (meaning "non-human" problems). Other essential factors were the presidential-level interest in the Chamizal and salinity issues, the provision of sufficient inter-agency staff, and the low-profile, nonpublic nature of the negotiations.

* Neither the Interparliamentary Group nor the existing drug "cooperation" program are seen as significant models of bilateral mechanisms for resolving issues. The periodic meetings between members of the respective legislative bodies is primarily symbolic and procedural, not substantive. The Mexicans have often used their Congressional contacts to convey concern on such matters as the 1971 tax surcharge, Operation Intercept, the Chamizal, water salinity, and the recent letter signed by seventy-six U.S. Congressmen about "Communism" in Mexico. The Mexicans believe that their contacts have been quite useful for resolving the issue at hand. Nonetheless, Congress is not the place to base any new mechanism.

The drug "cooperation" program is seen in Mexico largely from the perspective of tacit threat bargaining in the aftermath of Operation Intercept. The Mexicans were provided with two choices in 1969: (1) continue to minimize anti-drug efforts and cooperation with the U.S. and be open to periodic border closures that disrupted border economics but not the flow of heroin into the U.S., or (2) commit sizeable resources for an anti-drug campaign and establish open cooperation with the U.S., especially DEA, by facilitating anti-drug intelligency activities and operations on Mexican territory.

Other examples of organized cooperation include the Mixed Commission on Scientific and Technical Cooperation, and the Mexico-U.S. Commission on Cultural Cooperation.

Similar efforts to establish mechanisms of cooperation in other issue areas have not proven as successful. The U.S.-Mexico Trade Commission, established in 1965, fell into disuse in 1973, as it became clear that the Commission had no authority to negotiate and could only make recommendations. Difficulties occurred because the Mexican perspective focused on demands for bilateral concessions and preferences, while the Americans conceptualized discussions primarily in multilateral terms. The Mexican Government broke off trade discussions when it recognized that its expectations for bilateral preferences could not be met. Differing conceptual approaches, the absence of the authority to negotiate and bargain, and the lack of high-level support led to the demise of the U.S.-Mexico Trade Commission, and its replacement by informal, ad hoc trade meetings that were often ritual in form.

Since the early 1970s, the governments of the United States and Mexico have made efforts to discuss illegal immigration. On two occasions, commissions were created to "study" the problem.* On both occasions, the appearance of "bilateralism" masked what were also unilateral efforts at public relations, meant to symbolize that both governments were trying to do something about the problem. In practice the commissions exhibited minimal coordination, with low expectation that solutions would result from meetings between U.S. officials and their Mexican counterparts. There existed no authorized framework for real negotiation. There was little exchange of information, and no authority from the respective presidents to discuss alternative proposals. This supposedly bilateral commission, in the words of one State Department official, amounted to "nothing more than expensive public relations" between the two countries. Indeed, it was never clear whether there was one joint bilateral commission, or two separate national commissions operating independently within their domestic constraints.

* Mexico created a special Intersecretarial Commission headed by its Ministry of Foreign Affairs. The U.S. efforts were called the Special Study Group on Illegal Immigrants from Mexico, headed by the Department of Justice, and subsequently the Interagency Committee on Mexican Migration to the United States, headed by the State Department.

The establishment of the Domestic Council Committee on Illegal Aliens was a separate, more important measure taken in response to U.S. domestic pressures.

The U.S.-Mexico Commission for Border Development and Friendship (CODAF) was established in 1966 by joint agreement between Presidents Lyndon Johnson and Gustavo Diaz Ordaz for the expressed purpose of improving relations and settling bilateral problems along the border. Its demise was facilitated by several factors. In the first place, CODAF's roles were left undefined, and this led further to confusion over its "study" versus its "action" functions. CODAF's roles also overlapped with the bureaucratic prerogatives of other U.S. agencies, and included an unclear relationship to the Department of State. Then there were congressional restrictions placed on funding CODAF, and presidential attention declined after its creation, and especially after the change of presidency in 1969. Finally, there was a lack of cooperation between the two countries apart from the exchange of information during periodic meetings of their representatives. In short, CODAF may have been a good idea. But without the presidential commitment and resources that had allowed the establishment of CODAF, it fell prey to organizational jealousies, Congressional indifference, and the pressures of domestic interests.

Lessons may be drawn from these experiences. (1) The United States must first set out to resolve its own problems of coordination before effective negotiation and cooperation with Mexico can take place. (2) The first step toward cooperation is to develop an organizational and conceptual concensus between the two countries before substantive discussions take place. (3) Presidential attention and authority must be forthcoming and sustained, backed by an NSC directive or cabinet resolution. (4) The U.S. effort should be headed by an individual of high stature who has extensive bureaucratic knowledge and clout. (5) The technical aspects of the issues must be isolated from the political, as the basis for negotiations. (6) The United States must be willing to accept a bilateral and preferential framework. And (7) The public nature of the dialogue must be minimized.

Such lessons could prove useful to guide the creation of new future mechanisms.* However, the dominant tendency within both governments favors avoiding the establishment of new mechanisms. There is widespread doubt that such a special body could be effective, once created. Since no clear solutions exist for key problems in trade and migration areas, formal government-to-government negotiations might only lead to public impasse and bitterness. Moreover, apart from illegal migration, no single issue relating to Mexico has seemed sufficiently urgent and critical to require a special coordinating body within the U.S. government.**

The initial meeting between Presidents Carter and Lopez Portillo in January 1977 did result in the creation of three bilateral consultative groups, organized according to economic, social and political themes. These were directed to examine individual policy issues and possible options, prior to a future presidential meeting. Although the working groups held several meetings in mid-1977, their activities now appear to be in suspension. On the positive side, the group meeting helped each government to identify the other's players and to form personal contacts. One meeting laid useful groundwork for the trade agreement signed in December 1977. On the other hand, these working groups were not allowed to consider the recent proposals by the Carter administration to prevent the hiring and entry of undocumented workers. The full text of the plan was provided to the Mexican government only days prior to its public release in August 1977.

* The establishment of a comprehensive bilateral mechanism has been proposed from various directions in recent years, including in our initial version of this paper.

Similar suggestions appear in James D. Theberge and Roger W. Fontaine, Latin America: Struggle for Progress, Critical Choices for Americans, Volume XIV, Lexington Books, 1977, p. 113; and in testimony by Clark W. Reynolds, in Hearings before the Subcommittee on Inter-American Economic Relationships, op. cit., pp. 37-56.

** At present, the Soviet Union is the only country for which the State Department contains a policy "Czar."

V. BARGAINING, LEVERAGE, AND DEPENDENCY

A profound sense of dependency pervades Mexico's relations with the United States. The great asymmetry of power potential, and presumptions about the imbalance of influence and leverage, have inhibited Mexico from seeking to bargain and negotiate with its superpower neighbor. In addition, dependency-related beliefs within the United States have tended to amplify, and even exaggerate, the sense of influence and leverage that the United States could exert on Mexico, if need be.

Dependency is not entirely a myth. But in policy terms it is limited and negotiable. There are few, if any, ways in which the United States could inflict damage on Mexico without also harming itself. Mexico could learn better to work the U.S. system--much as some U.S. "superclients" do. Indeed, it is in U.S. interests that Mexico improve its capacities to bargain and negotiate with the United States.

THE EXAGGERATION OF DEPENDENCY

While the idea of the "special relationship" has lost favor, newer "dependency" perspectives have spread in both Mexico and the United States, particularly among policy-oriented intellectuals. Accordingly, Mexico is locked structurally to the United States as a weak, dependent client-state.* Thus Mexico's historic yearning for national independence is ultimately contradicted by recognition that Mexico's economic health is unwillingly linked to the U.S. economy. The evidence lies in the scale of Mexico's indebtedness to U.S. banks, reliance on the U.S. economy for imports and exports, penetration by U.S. investors in the most dynamic

* Throughout the hemisphere, a voluminous literature has blamed U.S. imperialism and Latin America's dependency for underdevelopment in the region. However, the best-selling, innovative analysis by Carlos Rangel, Del Buen Salvaje al Buen Revolucionario, Monte Avila Editores, Caracas, 1976, maintains that these perspectives are largely incorrect and mythical, and that the burden of responsibility falls on local national elites. How one state learned to manage dependency and bargain with multinational corporations is analyzed by Franklin Tugwell, The Politics of Oil in Venezuela, Stanford University Press, 1975.

business sectors, and requirements for U.S. technology and tourism. Other evidence is said to lie in the manipulability of some Mexican leaders, the military weakness of Mexico, and contamination of the social fabric with U.S. cultural styles.

It is often argued by Mexicans and Americans alike that Mexico's dependency confers potentially overwhelming influence and leverage on the United States. Accordingly, reliance on U.S. trade, tourism, credits, debt financing, investment, technology, an open border, and favorable media treatment makes Mexico vulnerable to a broad range of potentially powerful instruments of control. U.S. capacity to limit imports and credit, or to curtail migration and deport aliens, represent especially great leverage.

By contrast, Mexico has virtually no effective leverage with the United States. Two significant "exports," narcotics and undocumented workers, do not represent viable foreign policy instruments. And Mexico's trade and economic policies can have relatively minor impact on the health of the giant U.S. economy. In sum, there are numerous ways in which U.S. activities could damage Mexico, but there is essentially no way in which the Mexican government could deliberately pressure its neighbor.

Many Mexicans have expressed a belief that the United States does not want, and will not allow, the development of a strong and independent neighbor. That is, U.S. security and sectors of the U.S. economy make it imperative that Mexico's course remain subordinate and closely teathered to the United States. Thus there is little that Mexico can do on its own behalf should its actions adversely affect fundamental U.S. interests. The United States can depend on bilateral relations to remain within manageable, agreeable bounds. Mexico is thought to have flexible leeway only on secondary issues.*

* In this spirit, Ojeda, op. cit., has observed that

...The United States recognizes and accepts Mexico's need to dissent from American policies in all matters that are fundamental to Mexico, even though they may be important but not fundamental for the United States. In exchange, Mexico offers

Government-to-government relations are rarely conducted in terms of who has leverage over whom. Nonetheless, the mere prospect of U.S. leverage has weighed heavily on the Mexican mind and served to condition agreeable behavior. Even though U.S. leverage may rarely be applied, the perception of dependency has constrained Mexico's freedom of action.

Dependency perspectives, motivated more by nationalism than by socialist inclinations, are not necessarily inimical to the United States or to its capitalist economic practices. Nonetheless, the philosophical bases do affect pragmatic behavior. The old special-relationship idea exaggerated what the U.S. government might do for Mexico. But the existing dependency perspectives exaggerate that Mexico's internal problems stem basically from U.S. foreign relations, and that the global order must be changed in order to remedy domestic problems in Mexico. Furthermore, dependency perspectives tend to foster resentment and distrust, thereby hindering communication and cooperation. Falling prey to the dependency syndrome tends to inhibit bargaining and to blind individuals to the possibilities for managing issues and building interdependence in the face of great asymmetry.

MYTHS OF U.S. LEVERAGE

Barring reformulation of a central policy concept for U.S.-Mexico relations, Mexico's current generation of leaders may be tempted to ply modified dependency perspectives in their dealings with the United States. On the one hand, this may represent a tactic for making U.S. officials defensive and apologetic toward Mexican sensitivities. But on the other

its cooperation in all matters that are fundamental or even important for the United States, even though they are not fundamental to Mexico. (p. 93)

Ojeda goes on to say that

In consequence, the United States seems to have been willing to tolerate a dissident position on Mexico's part if this helps foster the internal political stability of the country.... (pp. 93-94)

hand, by subscribing to the dependency syndrome, Mexico's leaders risk succumbing to self-fulfilling theories of their own ineffectiveness.

Some theoretical presumptions may be mythical. In the first place, the dependence of Mexico on the United States constitutes an organic or symbiotic relationship that entails significant constraints on U.S. behavior. The two countries are so deeply linked that the U.S. government is unlikely to exploit many potential levers. Punitive or discriminatory U.S. options would arouse U.S. domestic repercussions against continuation of the leverage attempt. For example, Operation Intercept in 1969 did secure Mexico's agreement to a joint anti-narcotics campaign --but it also aroused irate opposition among businessmen on the U.S. side of the border, who suffered from the disruption of Mexican tourism and commerce. Major deportations of undocumented workers would likely arouse opposition from segments of U.S. agricultural, manufacturing, and service industries. Such measures would also antagonize the Mexican-American community, especially in the U.S. Southwest. In addition, many U.S. businesses might complain against U.S. measures affecting tourism, investment, or trade.

The exercise of leverage is further constrained by U.S. concern for Mexico's stability. U.S. policymakers are sensitive not to endanger stability in Mexico and to help sustain a government there that can manage internal affairs. The United States has shown that it does not want an unstable, violence-ridden, or unfriendly country as a neighbor. This inhibits potential resort to pressures, especially in economic and financial areas, that might damage domestic stability in Mexico, especially at a time when it's stability seems less secure than in the past.

In sum, the United States actually lacks instruments to hurt Mexico deliberately without also harming its own interests--a true mark of interdependence. Mexico may not be able to escape from dependency, but neither can the United States escape from interdependence.

PREFERENCE FOR STATUS QUO: AVOIDANCE OF BARGAINING

The most workable option so far, for both Mexico and the United States, has been to treat the issues one by one, in isolation from each other. As a result of sensitivities on both sides, trust has been placed in maintaining a general fabric of relations in which the issues are not deliberately threaded together, and in which negotiations and bargaining are avoided.* Ritual dialogue has proven safer than attempts at substantive reciprocity. Preserving the relationship has taken precedence over resolving the issues.**

Mexican and U.S. officials have been generally reluctant to link issues, implicitly or explicitly. Until the recent meeting between

* Similar patterns prevail in U.S. relations with its other neighbor, Canada. U.S. Ambassador to Canada, Thomas O. Enders, "Canada and the United States: The Framework and the Agenda," The Department of State Bulletin, April 19, 1976, pp. 508-513, states cogently that five points of reference govern bilateral relations, including,

Fourth, try to deal with each issue on its own terms. In the past we've generally tried to avoid trade-offs on unrelated questions. Of course few decisions have been made in the Canadian Cabinet or in the U.S. Administration without asking how the rest of the relationship was going. But both of us have felt that to link various issues, at different stages of ripeness, with different regional constituencies and different supporting interests would make them less solvable, not more. Some now on both sides of the border are urging us to start linking issues. That would be wrong. Across-the-border bargaining could easily produce frustration and quite possibly brawls. But it is obvious that we can avoid linkage only if we can show that good progress can be made in the case-by-case approach. (p. 512)

The other points of reference are: first, consult before taking action; second, build in predictability; third, de-bilateralize where appropriate by using multilateral frameworks; and fifth, go for expansionary solutions by avoiding zero-sum approaches to problem issues.

** A very good discussion of these points, as well as of others in preceding sections is Donald L. Wyman, "Interdependence and Conflict in United States-Mexico Relations, 1920-1975," in Donald Wyman et al., Diplomatic Dispute: U.S. Relations with Iran, Japan, and Mexico, Harvard Center for International Affairs, 1978, forthcoming. Wyman reaches many conclusions similar to our own.

Presidents Carter and Lopez, neither government was proposing package deals or sequential trade-offs (for example, to exchange Mexican oil exports for U.S. acceptance of other Mexican products or of a labor program agreement). The feeling in both governments is that, because the issues and people who deal with them are so disparate, failure would ultimately result from attempts to design an encompassing institutional framework or to arrange broadgauge resolutions. On the U.S. side, private domestic interests as well as bureaucratic responsibilities militate for keeping the issues separate.

In Mexico there is a tendency to suspect that possible U.S. or even Mexican initiatives to link issues would lead to risky tit-for-tat bargaining games, or even to U.S. encroachment, with Mexico ending as the loser. There is a belief that Mexico, by working to keep the issues separate, may better determine which issue comes to the fore. Mexican officials worry about taking actions in one issue area that might lead to indirect, adverse effects in another issue area.

While Mexico has hesitated in the past to negotiate issue linkages, Mexican officials have frequently viewed the United States as linking issues for purposes of pressure or retaliation. For example, a U.S. cut in Mexico's sugar quota in 1966 was said to represent retaliation against Mexico's lenient policy toward Cuba. More recently, the U.S. press announcement of major Mexican oil discoveries, nine days prior to a meeting between Presidents Echeverria and Ford, was viewed as a prelude to a U.S. proposal for trading oil and immigration preferences. Furthermore, Mexico's concern in 1976 regarding delicate negotiations with U.S. and international financial agencies evidently led Mexico to refrain from objecting to disadvantageous changes in the U.S. Immigration and Nationality Act. Mexico has been quite defensive about indications of U.S. bargaining maneuvers that seemed designed to secure access to Mexico's oil--while Mexico in turn seemed reluctant and cautious about using its oil resources as a bargaining instrument.

Some Mexicans are even doubtful that their government has the capacity to negotiate favorable agreements that resolve single issues, let alone issues linked in a larger policy package. So beyond making

motions that symbolize "good" relations, they ask, why negotiate at all? In this view, it is preferable to cope with the disadvantageous but nonetheless familiar status quo, especially in regard to illegal immigration, than to risk bargaining for major changes that might ultimately benefit the United States, at the expense of Mexico.

U.S. diplomatic style also makes it very difficult for Mexico to negotiate. Accordingly, when Mexico enters negotiations, it seeks to present a single, centralized face toward the United States. But the United States presents numerous conflicting agency faces that seem to immobilize its negotiating capacity.* The Mexicans feel that there is no central location to go for a decision—unlike the case in their own country, where the presidency is clearly the hub of decisionmaking. This condition is said to have advantages for the United States. For example, when the State Department does not care to negotiate, then it can blame others for the lack of decisive action. However, when State aims to negotiate, it may have great difficulty in organizing a unified position. According to Mexican complaints, the U.S. government has too many commissions and meetings to negotiate effectively, and cannot take special interests into account before beginning negotiations. Thus regarding such issues as trade and migrant labor, the United States keeps raising domestic impediments. Therefore Mexicans raise the question, why negotiate with a party that cannot negotiate? Partly because of this perspective, Mexican officials have preferred secretive informal diplomacy, and have often regarded the U.S. Congress and media as obstacles to good relations.

Given this preference for informality and secrecy, a common Mexican line of analysis holds that the creation of a special high level post or agency within the U.S. government, or the formation of a special bilateral commission for U.S.-Mexico relations, whether focused on single or various issues, would likely produce superficial results. Such a major undertaking would likely stir new conflicts within the U.S. government, and still not allow determination of a unified U.S. position before

* At one point during the salinity negotiations in the early 1960s, the United States reportedly fielded so many positions that a State Department negotiator asked Mexico's forgiveness for not being able to adopt a single position.

negotiations began. A public mechanism would also prove rigid and cumbersome for the Mexicans, depriving them of flexibility and requiring them to "play" at negotiations with U.S. government agencies that still lacked decisionmaking authority. In addition, establishment of a formal mechanism would create difficult problems of coordination among bureaucratic feudos within the Mexican government.

Such pessimism reinforces Mexican preferences for a piece-meal approach, that is, for being satisfied with the benefits of little achievements in some areas, such as trade, while defending the status quo in general--especially in regard to illegal immigration.

MEXICO'S NEGOTIATING STYLE

Despite a lack of general confidence, Mexico is reported to have negotiated quite skillfully with the United States on specific issues, where Mexican negotiators have adopted a resolute pragmatic stand, and have displayed thorough technical preparation. Examples include the negotiations over the salinity dispute and, more recently, over a fisheries agreement, financing for PEMEX programs, and a trade agreement.

The history of U.S.-Mexico relations has led to the development of a distinctive Mexican negotiating style, one that has in fact been very patient and tolerant toward the United States. One prominent trait is to emphasize the moral and juridical aspects of an issue. This fits within the broader foreign policy view that:

...the best, if not the only, way of maintaining Mexico's international prestige and authority is to defend firmly and perseveringly the basic principles underlying her foreign policy, placing them above circumstantial considerations of temporary values.*

Thus engagement of the U.S. government in the salinity negotiations depended largely on a protracted campaign that the issues were moral and juridical in nature, not simply technical as the U.S. government initially maintained.**

* Castañeda, op. cit., p. 417.

** See the book La Salinidad del Rio Colorado: Una Diferencia Internacional, Secretaría de Relaciones Exteriores, Mexico, 1975.

A second, more recent trait has emphasized the multilateral and international aspects of an issue. This helps Mexico to avoid settlements within a bilateral framework that might appear to favor the United States.* The U.S. commitment to settle the salinity problem through special bilateral negotiations was prompted in part by U.S. concern regarding a Mexican fallback proposal to engage in an international juridical action that, in the U.S. view, might turn into a lengthy, and potentially acrimonious dispute.** The recent bilateral trade agreement was negotiated mainly in Europe, within the framework of broad multilateral trade negotiations.

Mexico's style often contains proud expressions about Mexico's national sovereignty, appeals to the reputed shame or guilt of U.S. behavior in long-past historical incidents, as well as accusations that make the United States a "scapegoat" for Mexico's internal problems. Such characterizations have sometimes helped Mexico to shape a psychological climate that induces U.S. sensitivity and responsiveness.

References to the necessity of Mexico's political and economic stability have constituted a persuasive element of Mexico's negotiating style. For example, following termination of the bracero agreement in 1964, combined Mexican and U.S. concern for Mexico's economic stability led to establishment of the Border Industrialization Program in 1965. More recently, President Lopez Portillo has carefully warned about the risks of a "South Americanization" of Mexico's political system, should the United States prove unresponsive to Mexico's financial needs.

In sum, Mexico's style has produced successful results in some negotiations regarding some specific problem issues. Yet these tend to be the exception rather than the rule. A general lack of confidence and expertise still makes many Mexicans hesitant to promote bilateral negotiations affecting the broad range of relations.

* The U.S. government prefers to "de-bilateralize" issues in its relations with Canada as well as Mexico. See the speech by Enders, op. cit.

** U.S. views are expressed in Herbert Brownell and Samuel E. Eaton, "The Colorado River Salinity Problem with Mexico," American Journal of International Law, April 1975, pp. 255-71.

EXPERTISE AND BARGAINING CAPACITY

A Mexico that does not understand the United States is not in the best U.S. interests. Few important countries have remained so aloof as Mexico from the American political process, and relied so strongly on personal, private, high-level contact for promoting selected government interests. If relations are to improve, Mexico in particular will need to strengthen its negotiating capacity.

Mexico could learn better how to work the U.S. system, much as other friendly countries succeed in doing at times. Some "superclients" like Israel, Iran, Cuba, as well as Finland, have succeeded in gaining "reverse leverage" and freedom of action on selected issues in their respective bargaining relations with the United States and the Soviet Union. While power relations are largely conditioned by resource differentials, the capacity of a lesser country to bargain and exercise leverage is also heavily influenced by: psychological and perceptual factors that belie dependency, an ability to identify and make critical issue linkages, tactical knowledge of bureaucratic policymaking processes in the stronger power's government, and tight centralism and continuity in foreign policy decisionmaking within the weaker nation's government.* While Mexico has fallen short on all but the last account, improvements may be emerging on all accounts.

Despite proximity, the Mexicans have lacked general knowledge and training for dealing with the United States. The United States has only recently become a fit subject for academic study in Mexico's universities. Indeed, prior to the mid-1960s, specializing

* Studies of bargaining and leverage practices between big and small powers are scarce in quantity and quality.

Significant contributions include the neglected work by Richard W. Cottam, Competitive Interference and Twentieth Century Diplomacy, University of Pittsburg Press, 1971, as well as Robert O. Keohane, "The Big Influence of Small Allies," Foreign Policy, Spring 1971, pp 161-82, and Robert O. Keohane and Joseph S. Nye, Power and Interdependence: World Politics in Transition, Little, Brown and Col, 1977. Annette Baker Fox, The Politics of Attraction, Columbia University Press, 1977, includes extensive material on Mexico.

on the United States was somehow considered anti-Mexican, likely to make one pro-American, and thus subject to criticism by "nationalists" and leftist intellectuals. Although a school of international relations was established at the National University in the early 1950s, at the present time a major research focus on U.S.-Mexico relations does not exist. The most important research center is El Colegio de Mexico, where a small group of academicians, some of them advisers to the government, has concentrated on the analysis of Mexico's foreign policy. The recent establishment of the Centro de Investigación y Docencia Económica (CIDE), which publishes a monthly newsletter analyzing U.S. politics and foreign policy toward Mexico and the rest of Latin America, represents an innovative effort. Within the Mexican government, a new Institute of Diplomatic Studies "Matias Romero" was recently established as a base for some researchers and for training individuals and groups that may be sent on missions abroad. But at present the Institute remains in the formative stages. Experience in foreign affairs is hampered further by the low continuity of office-holders from one administration to the next, and by shifts in issue responsibilities from one office to another.

Mexico's rejection of U.S. assistance programs in the 1950s and 1960s may have deprived it, ironically, of gaining experience in how best to negotiate with the U.S. government. These economic and military aid programs were regarded in the United States as important instruments for U.S. influence and leverage abroad. But in fact many nations, ranging in size from Iran to Guatemala, used them as training and testing grounds to become quite skillful at bargaining for U.S. programs and concessions. As a result, these were sometimes larger or more advantageous than what the U.S. government originally planned to provide. Some recipients learned to ply arguments and tactics that successfully played upon the varied U.S. bureaucratic interests and rationales. In addition to acquiring familiarity with U.S. bureaucratic processes, the aid recipients also formed a range of personal contacts as reference points. While Mexico had reasons for declining or minimizing participation in such aid programs, one unexpected cost appears to be Mexico's comparatively less developed skill at diplomatic gamesmanship.

At present, Mexico is working to overcome these deficiencies in training and expertise. In particular, one notices the advancement of a new generation of elites who have worked extensively in various international banking and financial institutions.* In addition, the creation of international affairs offices in various ministries may also help gradually to strengthen Mexico's institutional capacity for dealing with the United States.

The centralization of foreign policymaking in Mexico's presidency may constitute an asset for influencing and bargaining with the United States. Tight centralization of decisionmaking around one leader and his principal advisers sometimes helps to close access points for a foreign power, thereby making it difficult for that foreign power to influence internal coalitions and mobilize in-country allies. Tight centralization sometimes enables the leading decisionmaker to orchestrate issue linkages and trade-offs, and to take a firm negotiating stand that may involve a convincing demonstration of willpower. The capacity for influence and leverage often increases as the central decisionmaking leadership gains experience through continuity in office. These are lessons to be observed in the cases of Iran and Israel vis-a-vis the United States, and in the cases of Cuba and Finland vis-a-vis the Soviet Union.**

* The other side of the coin is that their experiences as economists and bankers leads them to neglect the social dimensions of problem issues.

** The analysis of leverage/bargaining practices in these and other cases will be discussed in David Ronfeldt and Edward Gonzalez, "Superclients and Superpowers: A Comparison of Iran-U.S. and Cuba-USSR Relations," in preparation.

The experience of Finland may be instructive for Mexico, since it too borders on a superpower. George Maude, The Finnish Dilemma: Neutrality in the Shadow of Power, Oxford University Press, 1976, is suggestive.

Even more instructive comparabilities exist in Canada-U.S. relations. There too the "special relationship" is out of favor. The organizational interface is highly compartmentalized. Conflict management takes precedence over problem resolution. Issue linkages and bargaining are avoided. And both sides are very wary about establishing special institutional mechanisms. Very interesting material, potentially useful for comparing U.S.-Mexico and U.S.-Canada relations, appears in the following sources: John Sloan Dickey, Canada and the American Presence:

RECENT DEVELOPMENTS

Since the advent to office of Presidents Carter and Lopez, the United States and Mexico have expressed new interests in negotiating improved, closer relations. Oil and alien migration issues have mainly motivated U.S. interests, with population pressures in Mexico being recognized as having long-range potential significance for U.S. security. Economic difficulties at home, and fear of possible U.S. measures to increase border security, have mainly motivated Mexico's interests.

Departing from Mexico's recent diplomatic style, President Lopez has proposed examination of the "total picture." In his view, specific bilateral issues, for example relating to trade and worker migration, should be assessed not according to individual national interests, but rather according to their impact on the U.S.-Mexico relationship as a whole. Moreover, the assessment should recognize the interconnections among issues in the relationship. Mexico, he has suggested, might be willing to consider a "package" approach to some issues. Indeed, Mexico has begun to clarify just what specifically it would like the U.S. government to do about improving relations. Mexico also appears newly receptive to the idea of a Marshall-like plan for developing rural areas where poverty and unemployment cause labor migration to the United States. In the area of energy, however, the Mexican government is finding it easier and less constraining to deal with the U.S. private sector than with the U.S. government regarding the development of Mexico's petroleum and gas fields.

Although Mexico has lacked resource leverage since World War II, the newly discovered oil and gas reserves give Mexico renewed strategic significance to the United States. Mexicans are very sensitive to the

The United States Interest in an Independent Canada, a Council on Foreign Relations book, New York University Press, 1975, especially the final chapter; C. Robert Dickerman, "Transgovernmental Challenge and Response in Scandinavia and North America," International Organization, Spring 1976, pp. 213-240; Kal J. Holsti and Thomas Allen Levy, "Bilateral Institutions and Transgovernmental Relations Between Canada and the United States," International Organization, Autumn 1974, pp. 875-901; and Peyton Lyon, "The Canadian Perspective," in H. Edward English, ed., Canada-United States Relations, Proceedings of the Academy of Political Science, vol. 32, no. 2, 1976, pp. 14-26. Also see Keohane and Nye, op. cit., and Wyman, op. cit.

potential risks as well as benefits that may extend from the renewed strategic significance of their territory. On the negative side, some Mexicans claim that petroleum development will only increase national dependency on the United States. On the positive side, the observation is pertinent that:

Whatever may be the strategic value of Mexico for the United States, it is well to remember that historically this value has increased in times of world and hemispheric political crises, and has consequently decreased in periods of world and regional political stability. One can conclude, then, that Mexico increases or diminishes its bargaining capacity with the United States according to these changes.*

Thus in view of the worldwide petroleum situation, Mexico's oil may represent an important bargaining chip, if the Mexican government so desires, and if Mexico's domestic economic and political conditions permit its use as such.** While Mexico has not yet determined how best to make use of this instrument, Mexico will have to be careful not to exaggerate its leverage potential and not to adopt hard-bargaining tactics that offend the United States.

Issue linkages could represent the keys to managing and improving future interdependence. It is important to understand--and both governments do understand--that causal interactions connect many bilateral issues, such that a move in one issue area often affects others. The perception of linkages also raises a possibility of bargaining for trade-offs that may allow mutual gains.

Whether to link or separate issues is a fundamental question for negotiators in both countries. In general terms, the functioning of bureaucracies depends upon the technical separation and compartmentalization of issues. The linking of issues represents an essentially political act that often confounds bureaucracies and requires handling

* Ojeda, op. cit., p. 94.

** An interesting, wide-ranging discussion appears in Edward A. Williams, "Oil in Mexican-United States Relations: Contextual Analysis and Bargaining Scenario," unpublished, 1977.

at the highest levels of government, namely the White House or the Cabinet. Perceiving this significance of issue linkages, wily leaders of some foreign governments have posed issue linkages precisely in order to demand attention from the White House, or else to impel middle-level officials to make a favorable response that fulfills their bureaucratic responsibility to keep issues from going to higher levels.

In recent years, the Kissinger approach made grand use of linkage politics. As a result, the bureaucracy often played marginal roles on key issues, whose management was centralized and privatized within the White House. However, the change of administrations has brought a new perspective into power, represented in particular by participants from The Trilateral Commission. The "trilateralists" have advocated isolating the issues, giving their elements a technical definition, and avoiding issue linkages. This approach has in effect returned the issues to the bureaucracy. Thus, ironically, Mexico has moved toward a linkage perspective just as the United States has chosen to usher it out. Nonetheless, Mexico's promotion of the linkage perspective may help it to work higher levels of the U.S. government, as other U.S. allies have succeeded in doing.

VI. A PROPHECY OF FAILURE

Some recent signs suggest a hopeful future for U.S.-Mexico relations. Numerous ideas are floating, in the respective governments and elsewhere, regarding possible policy measures to ameliorate bilateral problems. These ideas presently include selective trade accommodations and large co-sponsored development programs. The \$99 million trade agreement signed in December 1977 represents a fruitful outcome to earlier discussions between Presidents Carter and Lopez Portillo. It provides some evidence that an atmosphere of mutual concern and cooperation may be emerging between the two administrations. In addition, the recent formation of a bilateral consultative mechanism, as well as separate U.S. efforts to create the Southwest Economic Development Region, a border management agency, and an inter-agency task force on immigration, will all help institutionalize attention to U.S.-Mexico relations, and to provide contact points for Mexican officials as well as for the growing Chicano population in the American Southwest.

The lessons of history promise a hopeful future. Despite predictions of imminent crisis in times past, Mexico's political and economic systems have always managed to maintain their remarkable resilience, owing in part to the skill of Mexico's leadership and the patience of its peoples. Past crises never proved so serious as observers sometimes feared. Nor did U.S.-Mexico relations ever turn irreconcilable. Thus, even though difficulties within Mexico and in U.S.-Mexico relations may sharpen, they will not necessarily result in crisis or failure.

Now as in the past, a convincing case cannot be made that Mexico and/or U.S.-Mexico relations are necessarily entering a critical phase that will require unusual measures. Now as in the past, skillful leadership within Mexico and the United States could make obsolete any prophecy of failure.

While acknowledging that unqualified pessimism seems unwarranted, we nonetheless choose to pose a prophecy of "failure." This prophecy of failure extends from the prospect that, in the absence of joint

presidential attention, the dominant issues will be approached in a bureaucratic and protectionist manner within each government. Indeed, apart from the December 1977 trade agreement and loans after the 1976 peso devaluation, we are not aware of any serious bilateral measures being taken to surmount the policymaking constraints identified above. In the area of government-to-government relations, impasse and cosmetics seem the most likely outcome. A combination of factors--Mexico's penchant for defensive closet diplomacy, its preference for the status quo in key areas, the pathology for avoiding displays of close cooperation with the United States, and a sense of dependency that inhibits bargaining--all lead to doubt that Mexico possesses the will and capacity to develop a strategy that will be effective in Washington. Another combination of U.S. factors--the priority given domestic and multilateral perspectives, the compartmentalization of issues, the absence of a bilateral policy concept, and the assumption of great leverage--all instill further doubt that the U.S. government possesses the will and capacity to manage and promote interdependence with Mexico. The main areas of exception to such doubts would be the protection of existing investments and efforts to secure access to Mexico's oil and gas resources.

Even with presidential attention, the more divisive issues will still entail great symbolic and substantive difficulties. As one U.S. official remarked to us, effective policy coordination can only take place at the presidential level--but by the time a Mexico-related issue gets to the White House, it is usually too late to adopt a bilateral framework. There is even a risk that once a U.S. president directs his attention to settling U.S.-Mexico issues, Mexico will not be prepared to respond. For one thing, an eager United States could overwhelm Mexico with plans and data. Mexico may simply give an appearance of favorable response, while it seeks to keep the United States at a distance and to isolate Mexico's domestic problems from public debate in the United States.

Preserving a sense of neighborly relations, in part through appeal to transcendent symbolism, should prove much easier than managing the

substance of specific issues. Public discussion of substantive bilateral issues would only lead to exposure of controversial domestic problems, which both governments would rather avoid.

The illegal immigration issue, assuming priority on the U.S. agenda, involves the most sensitive human and symbolic questions. Thus it could become a "lightning rod" for the entire U.S.-Mexico relationship, unless carefully handled within Congress as well as within the executive branch. The congressional structure, like the federal bureaucracy, tends to fragment issue elements among various committees and sub-committees. But unlike the case with the executive branch, the public nature of congressional deliberations is highly exposed to media propagation. Spirited congressional debate is inherently contradictory to Mexico's diplomatic style, which traditionally seeks to avoid the arousal of U.S. public passions while dealing mainly with the executive branch.

Current efforts by the Carter administration to legislate a program package to deal with the undocumented worker will eventually require the cooperation of the Mexican government. Not only will the Mexican government find it difficult to assess the economic and political implications of the current proposals, but the uncertainty about the actual consequences of such a policy package may well compel the Mexican government to take a strictly defensive posture in order to buy time and hopefully forestall unilateral decisions by the United States.

What would some elements of "failure" look like? First, bilateral issues would translate into increasingly controversial discussion of each other's domestic conditions, especially concerning social issues. In addition, issues presently regarded as separable and economic in nature would begin fusing together as socio-political issues, thereby becoming less amenable to traditional diplomacy. This would especially affect the border areas, where present demographic and economic trends augur serious future problems, and where the influence of Washington and Mexico City often seems remote. Furthermore, possible instability resulting from "failure" of the Mexican Revolution cannot be discounted.

Virtually all trends indicate that socio-economic interdependence will grow and grow, and that neither the United States nor Mexico can,

or should, escape from having close, interdependent relations. Mexico might conceivably try to diminish U.S. dependency by using the oil resources--the "wild card" in Mexico's game--to expand business protectionism and economic nationalism at home. But such a move would risk retarding economic growth, while leading to increased technology imports from the United States, as well as stirring protectionist U.S. counter-moves against Mexico's agricultural exports. On the other hand, should the United States manage to curtail labor migration at the border, economic necessities would likely drive Mexico to require increased U.S. investment and trade. Thus an initial U.S. measure to put boundaries between the two countries would only result in the expansion of other linkages.

The critical question is not whether U.S.-Mexico interdependence will be close and consequential. The critical question is whether U.S.-Mexico interdependence will be cooperative and manageable between the private sectors as well as their respective governments.