

# MEXICO POLICY NEWS

The Consortium of U.S. Research

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No. 2 Spring 1987

## IV PROFMEX-ANUIES Symposium Held in Santa Fe

The IV Symposium of Mexican and United States Universities organized by the Asociación Nacional de Universidades e Institutos de Enseñanza Superior (ANUIES) and the Consortium of U.S. Research Programs for Mexico (PROFMEX) took place in Santa Fe, New Mexico, April 16-18, 1986. The meetings were originally scheduled for early October 1985, but had to be rescheduled because of the tragic earthquake in Mexico City.

The theme of the symposium, "One Border, Two Nations: Policy Implementations and Problems Resolutions," was directed at the effect problems of the border area have on national policies and to some degree, of course, the reverse. There is a great impact of national policies on the border area in a host of ways, whether it be a new tax policy, a new trade policy, immigration law, or industrial development plan emanating from either of the two capitals. However, in this symposium, the question of the reverse was addressed; that is, what is the effect of this common border which we share on the policies of the two national governments? Leading scholars from both the United States and Mexico explored this theme through panel discussions over the course of two days in Santa Fe.

The first session saw **Clark Reynolds** (Stanford), **Robert McCleery** (Stanford), and **Bernardo González Arechiga** (El Colegio de la Frontera Norte, COLEF), address the question of border economies and national integration. Comments were by **Sofía Méndez** of the Centro de Investigación y Docencia Económicas (CIDE) and **Niles Hansen** of the University of Texas at Austin. Reynolds and McCleery, in their paper on border economics and national integration, commented that "one paramount issue is the extent to which increased exchange of goods and services, labor migration, technological transfers, communications, and the transmission of values, attitudes, and tastes

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## George Baker Appointed PROFMEX Executive Secretary



George Baker,  
PROFMEX Executive Secretary

**George Baker**, the new Executive Secretary of PROFMEX, received his training in history and the social sciences at California State University, Fullerton, and Duke University. His studies for the M.A. and Ph.D. degrees concerned the diplomatic and military history of Mexico City during the U.S.-Mexican war of 1846-48.

Baker was a member of the faculty at Fullerton from 1968-1973. In 1974 he was a Fulbright lecturer at the Universidad Nacional Autónoma de México (UNAM). While in Mexico, his proposal for a comparative history of the U.S. and Mexican wars of independence became one

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## ANUIES Profile

After a decade of discussing problems common to institutions of higher education in Mexico, ANUIES — Asociación Nacional de Universidades e Institutos de Enseñanza Superior — was formed on March 25, 1950. The core goals of ANUIES include: the study of academic, administrative, and economic problems of higher education in Mexico; making recommendations to member institutions, promoting the exchange of personnel, information, and services between member institutions; promoting teaching, research, and cultural activities; and representing member institutions, individually or collectively, as requested both within and outside of Mexico. ANUIES' guidelines note that the association should avoid any tendency towards centralization and that agreements should be viewed as recommendations.

ANUIES is comprised of 77 member institutions, representing nearly all of Mexico's public institutions and several of the important private institutions. This membership accounts

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## George Baker

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of the main bicentennial projects of USIS Mexico. Baker left Mexico in December 1974 to accept an assignment with the University of Maryland's Far East division where he taught classes in history, government, and cultural anthropology in Japan, Korea, and Thailand.

In mid-1977 he returned to the U.S. and was appointed Assistant Director of the Program for the Study of New Religious Movements at the Graduate Theological Union in Berkeley. He edited a book of essays published by Seabury in 1978.

From 1979-1986, Baker worked in private industry as a management consultant and energy journalist. In 1982 he was an analyst of the staff of *Energy Détente*, a Lundberg Survey, Inc., publication dealing with Latin America. In 1986 he was interim editor of *Lundberg Letter*, which treats petroleum marketing. Much of his consulting work related to Mexico, and he carried out market research and other assignments for U.S., Mexican, and Japanese companies in the oil, electronics, and fishing industries.

Since 1979 Baker has collaborated with the U.S.-Mexican Chamber of Commerce, and he was one of the founding members of the Pacific Branch in Los Angeles. He has been an officer of the Pacific Branch since 1981.

Baker's publications include, *México ante el invasión norteamericano: diario del colonel Hitchcock* (UNAM, 1977) and *Mexico's Petroleum Sector* (PennWell, 1984). He is continuing his research and writings about the War of '47 and Mexico's oil industry. In addition, he plans to organize industry programs related to the maquiladora and oil sectors.

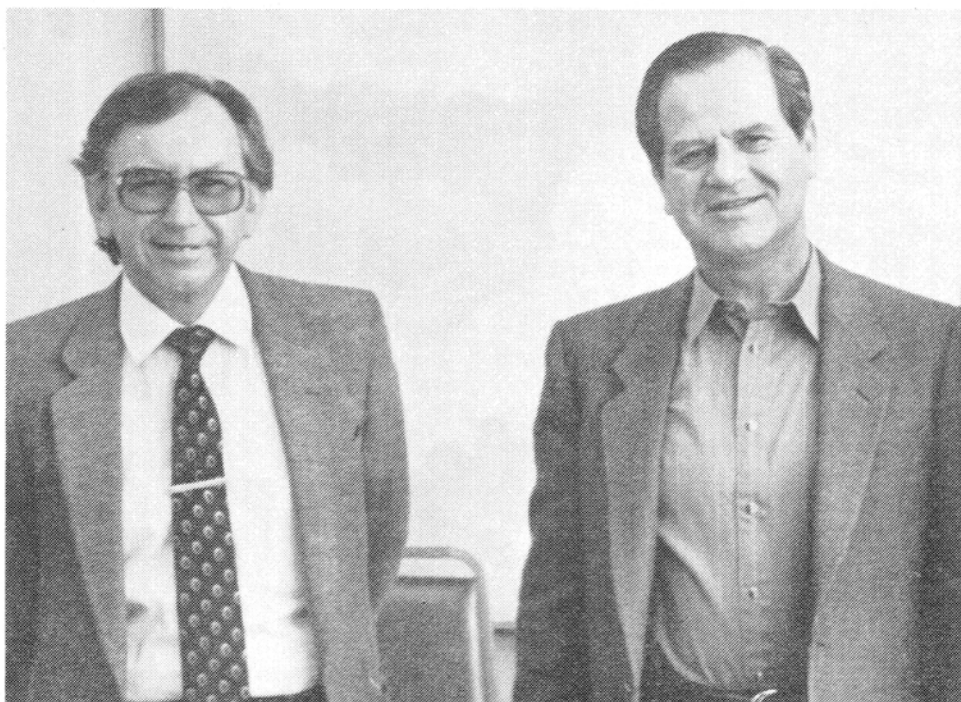
Along with his new assignment as PROFMEX Executive Secretary, Baker is College Associate Professor in the Center for Latin American Studies at New Mexico State University. Baker may be reached at: PROFMEX Secretariat, CLAS, Box 3JBR, New Mexico State University, Las Cruces, NM 88003 (505) 646-3524.

## ANUIES Profile

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for approximately 86 percent of the total student enrollment in Mexico's higher education.

The major programs of ANUIES include: PROIDES (Programa Integral para el Desarrollo de la Educación Superior), which evaluates the higher education system and its components; advanced training for faculty, which since 1972 has provided additional training to 1,400 faculty, many of whom obtained an advanced degree in Europe, Canada, United States, Brazil, or Mexico; a broad spectrum of publications, primarily aimed at high school and the first years of university; development of institutional directories and statistical reports; and the establishment of relationships with foreign institutions to promote exchange and



Ermilo Marroquín and Juan Casillas

cooperation. The ANUIES-PROFMEX program is a singular and notable example of ANUIES' international cooperation effort, reflected in the series of publications based on the conferences it has cosponsored and involving leading Mexican and U.S. scholars.

The General Secretary of ANUIES is **Dr. Juan Casillas G. de L.** who graduated from the Universidad Nacional Autónoma de México (UNAM) in 1953 with a degree in civil engineering and received his Ph.D. in Civil Engineering from the University of Illinois in 1961. Dr. Casillas taught in the Department of Engineering at UNAM from 1961 to 1974 and since that time has served in a similar capacity at the Azcapotzalco campus of the Universidad Autónoma Metropolitana (UAM). He also served as General Rector at UAM from 1975-1979. In April 1985, Dr. Casillas was appointed General Executive Secretary of ANUIES.

Director of International Relations and Scholarships as well as Director of Postgraduates and Investigation is **Ermilo José Marroquín** who received his degree in chemical engineering in 1958 at what is today the Universidad Autónoma de Nuevo León (UNAL). He continued his studies in thermodynamics at the Federal Polytechnic Institute of Zurich (1960) and in mathematics at the same institution (1963-1965). He has served as professor of mathematics at UNAL and dean of the Department of Basic Sciences at UAM. Marroquín directed exchange, technical training, and postgraduate fellowships at CONACYT, the Consejo Nacional de Ciencias y Tecnología, from 1971-1974.

For more information on ANUIES, please write: ANUIES, Insurgentes Sur 2133, México 20, D.F., México.

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## IV Symposium

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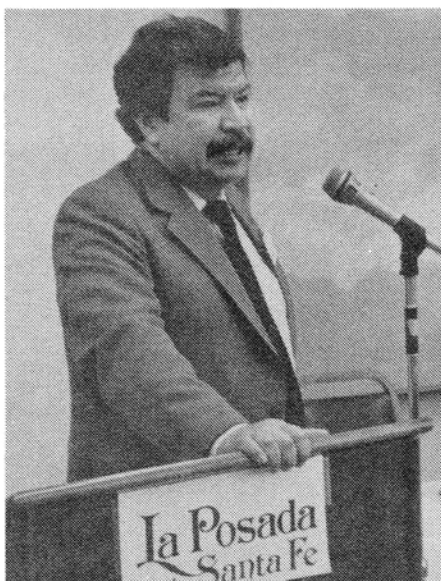
may exacerbate or modify asymmetries in social relations" in the border region between the United States and Mexico.

Their research indicates a clear trade-off between investments south of the border and migration north. More capital investment in Mexico reduces migration from Mexico into the United States. They observed that a greater openness of the Mexican economy would indeed divert the flow of labor of cross-border migration towards employment in export oriented activities, whether such industries were located in the border region or elsewhere. However, the capital cost would not be insignificant. They stated that "greater production and market sharing between the two countries should have the highest priorities for both the United States and Mexico at the national level."

González Aréchiga provided a fresh perspective by emphasizing the new role of the northern border as a region whose development has important consequences for the development of Mexico as a whole. He provided a particularly excellent survey of the possible implications of Mexico's opening to the exterior in terms of foreign trade and changes in the system of protection from foreign competition.

Hansen, in his comments, restated the importance of the question raised by Reynolds and McCleery of whether or not the maquiladora industry, in its present form, can become an engine of growth in the Mexican economy. He then agreed with McCleery and Reynolds that more production and market sharing between the United States and Mexico is desirable and concluded that such a dynamic integration process would benefit both countries. Hansen observed that the extent to which production and market sharing can be enhanced remains to be seen, but gave numerous examples which suggest that even if industrial development is initiated in low-wage, labor-intensive sectors — the bottom of the industrial filtering process — there still can be an eventual upgrading of labor force skills, types of industry, and workers' incomes. This phenomenon has occurred in the United States (particularly in the South), Hong Kong, Singapore, South Korea, and Taiwan. If, as Reynolds and McCleery proposed, the United States and Mexico actively work towards a greater degree of production and market sharing, then Mexico too should have an opportunity to follow a similar path of development.

One of the most divisive issues which has confronted the two nations over the years — the question of migration flows — was addressed by **Jorge A. Bustamante** (COLEF), **Gilbert Cardenas** (University of Texas at Austin), **Manuel García y Griego** (El Colegio de México), and **Susan Tiano** (University of New Mexico). Bustamante argued that the question should, to a major degree, be looked at as a labor market question. There is a demand for labor in the United States and the available labor in Mexico moves to meet that demand.



*Jorge A. Bustamante*

Tiano pointed out that politicians are faced with a dilemma in regard to immigration legislation. She argued that "the sealing of our borders to undocumented immigration would fly in the face of international and domestic economic realities." Undocumented labor supports many domestic businesses, benefits consumers, stimulates the economy, and likely creates more jobs than it usurps, yet immigrants are a ready scapegoat for a host of social and economic ills. She suggested that the immigration reform bill then before Congress contained many loopholes which would make enforcement difficult and will not stem the flow of undocumented immigration.

The IV Symposium treated additional facets of border influence on national policy. At the cultural level, **Ricardo Mendes Silva** (Universidad Nacional Autónoma de México) and **Carlos Vélaz-Ibáñez** (University of Arizona) addressed the question of how the cultural interaction affects the border region and national policies. Mendes Silva surveyed the panorama of Mexican cultural elements from architecture to muralism and observed that the Mexican immigrants are carriers of a continuous flow of values and culture of Mexico. Interestingly, Mendes Silva agreed with Bustamante in regard to the influence in the opposite direction, that is, from north to south. The United States' influence on Mexico is more a function of social class than geography. In other words, "North Americanization" is more acute in Mexico City, among the middle and upper classes, than in the frontier areas.

Vélaz-Ibáñez's study of Mexican families north of the border provides valuable insight into how these immigrants overcome problems and difficulties in the Anglo culture of the north. They rely heavily on the extended family, clusters of families, and "confianza" (mutual trust) of the group to cope with the uncertainty of disruptive events, such as unemployment and financial emergencies. This stands in contrast to the Anglo-Americans in the United States borderlands whose "investment in individualism as a cultural norm has generated a heavy reliance on large-scale institutional forms to

deal with uncertainty and disruptive events."

**Ellwyn Stoddard** (University of Texas, El Paso), **Jésus Tamayo** (CIDE), **Manuel Miguel Esparza** (Universidad Autónoma de Baja California), and **Rebecca Morales** (UCLA), addressed the broad conceptual question of border regions and national policies. Tamayo looked at the first regional policy undertaken by the Mexican government to develop a duty-free zone in the border region, and then the national border program (PRONAF), followed by the maquiladora program of recent years, and finally, the effects of the drop of international oil prices and the economic crisis.

Tamayo perceived the economic crisis in Mexico as calling for new patterns of collaboration. He sees the maquiladora program as a major feature in the Mexican manufacturing sector in the years to come. He also sees the need for regulation of maquiladoras and, overall he fears that "Mexican insolvencies will surely lead to new reductions in the Mexican government autonomy."

Stoddard surveyed the effect of a structural border and the difficulties caused by that protective approach. He reflected how border scholars and border residents sometimes express deep feelings of resentment toward their policy makers in Washington, D.C., and Mexico, D.F. He laid down a challenge to change the existing structural framework within which border problems are currently handled so that local limited agreements will be encouraged to meet specific goals and problems. He concluded that "traditional and antiquated diplomatic arrangements do not seem to be as effective as they once were and that it is entirely possible that the framework for the future is a multinational coordination mechanism suitable for local border entities to jointly combine their resources to solve their common problems."

Rebecca Morales, in her commentary on the papers by Jesús Tamayo and Ellwyn Stoddard, was struck by their extraordinarily different conceptions of the border. "Our Mexican colleague conveys anxieties as he looks at inconsistent national policies intended to induce domestic production and consumption and finds that they resulted in northern Mexico becoming more linked to the economy, society, and culture of the United States and less with the interior. To him, the border represents an erosion of some collective and illusive notion of what it means to be Mexican. In contrast, the United States panelist pragmatically notes that the border can be seen as either barriers or opportunities, and choosing the latter, proceeds to identify ways for facilitating binational cooperation."

One interesting observation that can be drawn out of this panel is that many in the U.S. are alarmed by the migration of people from south to north into the United States, while Mexican observers sanguinely advise that this is only a market phenomenon. In contrast, when the question is one of migration of capital and industry from north to south, many Mexicans are concerned about the loss of autonomy and the Americans speak sanguinely of markets and capital flow.

**Roberto Sánchez** (COLEF), **Steven Mumme** (Colorado State University), **Joe Nalven** (San Diego



State University), **René Franco Barreno** (Universidad Autónoma de Ciudad Juárez), and **Richard Bath** (University of Texas at El Paso) wrestled with the problem of bilateral cooperation in resolving natural resource and environmental problems. Frequently, these problems are so far from the national capitals that they receive inadequate attention. Mumme, Nalven, and Franco Barreno provided an excellent overview of the attempts of the two countries to regulate environmental hazards in the border area, ranging from national legislation to the various treaties including Minútes 261 and 264 of the 1944 Treaty, which have extended the authority of the International Boundary and Water Commission, and the Border Environmental Agreement signed in La Paz in 1983 by the two presidents.

Mumme and Nalven examined particular cases, such as the Arizona-Sonora smelter triangle air quality case and the Tijuana sewage dispute. They pointed to the achievements of the past but take note of the continuing domestic economic crisis of Mexico as a major factor in achieving binational solutions for resolving border environmental problems. Sánchez and Bath were in agreement about the substantial achievements of the two countries. Bath believes that one of the reasons "environmental issues are on the bilateral agenda is that a community of interest has emerged which keeps these issues on the agenda and will not permit the decision makers to ignore them." He pointed to the active interest of scholars and public officials, who have maintained an active interest in and demand for a better environment, in playing a major role. Bath perhaps capsulized much of the thinking of the panel when he stated, "we all have to recognize the rapid population growth along the border makes it a race for actual improvement of the border environment, but at least we are trying to deal with the threats to the environment on a mutual basis. The battle will continue."

Collectively, the panels made an important contribution. They reflected the tension between the border region and the national governments. On the one hand, those in the border area are constantly frustrated by the difficulty in getting their problems on the agendas of the national governments, while on the other hand, national policies are frequently affected when those very same problems become high visibility issues like immigration, trade, and, to a lesser extent, natural resources questions, such as salinity of the Colorado River and environmental degradation.

The leaders of the delegations of scholars from the two countries spoke at the closing banquet.

**Juan Casillas García y León** (Secretary General of ANUIES) extended his invitation to attend the V Symposium, which will be hosted at El Colegio de México in early 1988. **James W. Wilkie** (President of PROFMEX) accepted the Mexican invitation, and among other acts, Wilkie dedicated the conference to the memory of Stanley R. Ross and awarded PROFMEX thanks to **Clint E. Smith** for his services as PROFMEX's first coordinator (1982-1985).



*Perry Shankle and Roberta Lajous*

The IV Symposium was officially opened by **Perry Shankle** (Head of the Mexico Desk, U.S. Department of State) and closed by his counterpart in Mexico, **Roberta Lajous** (Director General for North America, Mexican Secretariat of Foreign Relations). Lajous and Shankle commented on the enormous amount of scholarly goodwill generated

between the two countries by the series of PROFMEX-ANUIES symposia (which date back to 1980), and they noted that the regular interchange of academic discussion and debate at these meetings has built up a strong network of scholars interested in U.S.-Mexican policy.

## Mexico City Linkages Conference

UCLA, the Universidad Nacional Autónoma de México (UNAM), and the Universidad Autónoma de Baja California (UABC) held their third joint conference on "Quantitative Studies on Mexican History" in Mexico City August 8 and 9, 1986. The conference was the final meeting of the UCLA-UNAM-UABC Linkages Program directed by **James W. Wilkie**. Previous Linkages conferences were held in Los Angeles and Mexicali; a volume of collected papers presented at the three conferences is being published by UNAM.

**Arturo Grunstein** of UCLA, in a well-received presentation of his recent research on Mexican railroads, emphasized that the debt situation of the 1980s is structurally similar to that of the late nineteenth century. In his innovative approach to the topic, Grunstein treats *Ferrocarriles Mexicanos* as Mexico's "first PEMEX."

**Samuel Schmidt**, professor of political science and subdirector of Academic Projects at UNAM, addressed long-term trends in Mexican voting patterns in the northern border states. According to Schmidt, the border region, because of its long history of opposition in Mexican politics, is a perfect area for testing the threat posed by voter absenteeism and government-party fraud to Mexico's increasingly fragile political consensus. Particularly interesting was

Schmidt's interpretation of voter abstention in Mexican society as involving both passive and active aspects.

**Aida Mostkoff** and **Stephanie Granato** of UCLA presented a paper bringing up to date the work of James W. Wilkie and **Paul Wilkins** on Mexican class structure since 1895. In line with previously recognized long-term trends, the Mexican middle class appeared to be growing at the expense of both upper and lower classes through 1980.

**David Lorey**, also of UCLA, spoke about his research on the education of professionals in Mexico, 1929-1985. Lorey called special attention to the disparity between Mexico's preparation for the sophisticated management needs of its modernizing economy and the lack of infrastructure expertise (such as medical and agricultural engineering skills) in the less developed areas of the country. Mexico, according to Lorey, must focus on producing these types of professional skills in order to fully take advantage of its human and natural resources.

A highlight of the two-day conference was reached in a ceremony honoring James Wilkie on the occasion of his fiftieth birthday. Wilkie was awarded UNAM's Autonomous University medal in recognition of his academic accomplishments in the field of quantitative Latin American and Mexican history.



# Progress and Problems in Managing the Border Environment

by Stephen P. Mumme

*This article reviews border environmental problems and discusses progress that the U.S. and Mexico have made at resolving specific issues. Mumme, currently completing a book on the International Boundary and Water Commission, is in the Political Science Department at Colorado State University.*

The much publicized tension in recent U.S.-Mexican relations, highlighted in two presidential summits in 1986, has overshadowed at least one field of significant progress, namely, transboundary environmental management. An important series of recent agreements on environmental issues has gone largely unheralded outside the localities immediately affected along the border, eclipsed by the media's preoccupation with debt, trade, migration, narcotics, and persistent differences on Central America. Taken as a whole, however, environmental management stands out as one of the most positive spheres of bilateral accomplishment in the last three years. A brief review of developments in this area is useful both to flesh out the record of contemporary bilateral affairs and take stock of the considerable agenda remaining in this dynamic arena of bilateral policy.

At the outset it is worth stating that recent progress in the environmental area has taken many observers by some degree of surprise. The structure of bilateral relations, defined by Mexican economic dependency, sharp differences on borderlands development priorities, and multiplying environmental problems along the border seemed to define the area as a relatively unpromising province for binational cooperation. Progress is evident nonetheless, with new agreements in place or pending in all three areas of environmental concern along the border: water quality, air quality, and hazards management.

The development that weighs most in an explanation for this trend is the new environmental activism of U.S. border states. Beginning with the Carter administration in 1977, the border states have intensified their efforts, individually and in coalition, to press Washington for action on border environmental hazards ranging from sanitation problems to air pollution and hazardous wastes. Their success can be measured by the fact that environmental considerations have figured in nearly every presidential summit since 1979 and have gained a fixed rung on the bilateral policy agenda.

Preceded by agreements in 1979 and 1980 on border sanitation and marine pollution contingency planning, the concerted lobbying of border states, with behind-the-scenes support from federal agencies like the U.S. Section of the International Boundary and Water Commission

and the Environmental Protection Agency, was successful in persuading the Reagan administration to seek a comprehensive environmental agreement with Mexico at the August 1983 summit in La Paz, Baja California Sur. The resulting document, the Border Environmental Cooperation Agreement of 1983,<sup>1</sup> has given new impetus to state environmental activism. It has also given birth to subsidiary agreements in all three fields of environmental concern.

The 1983 Agreement is first and foremost a structural framework for regular bilateral deliberation on substantive environmental problems and not a recipe for specific solutions to these disputes. Its major features are these:

1. Establishing annual bilateral discussion of environmental issues of mutual priority.
2. Creating a bilateral administrative mechanism to monitor and address environmental issues by designating the EPA and Mexico's Secretariat of Urban Affairs and Ecology (SEDUE) as respective National Coordinators of the 1983 Agreement. The Coordinators are to monitor implementation of agreements and make an annual report to their governments on the environmental aspects of all joint work conducted under the 1983 Agreement.
3. Providing for the conclusion of specific agreements to problems of mutual priority in the border area, to be attached as Annexes to the 1983 document.
4. Agreeing to cooperate in protecting the border environment by coordinating domestic programs, scientific and educational exchanges, environmental monitoring, information and data exchange, and assessing the impacts of regulations, policies, and projects with potentially adverse impacts on the border environment. Such cooperation must conform with national legislation and binational agreements.
5. Providing for the participation of state and local governments as well as international and non-governmental organizations in deliberations on environmental problems.

In essence, the agreement institutionalizes the process of addressing the border environmental problems in bilateral relations and thereby enhances the priority of these issues as a class. As a general framework, however, it does not assign specific priorities to individual problems nor does it challenge the precedent of treating these issues on an ad hoc and non-comprehensive basis.<sup>2</sup> The agreement instead preserves maximum sovereignty for both countries while not precluding the eventuality of more comprehensive management regimes emerging in the long term.

At the first meeting of National Coordinators in the spring of 1984, the two delegations agreed to establish three binational working groups respectively addressing water, air, and hazards.

From the various problems extant in each area, those receiving top priority were 1) sewage spillage in San Diego-Tijuana, 2) the threat posed by smelter emissions in the so-called Grey Triangle along the Arizona-Sonora border, and 3) development of a cooperative agreement on inland hazardous materials. Negotiations in each of these areas have borne fruit.

Four formal Annexes have been signed to date. The first two Annexes were signed July 17, 1985, at the second meeting of National Coordinators under the 1983 Agreement.<sup>3</sup> Annex I, specifying a solution to the persistent hazard of sewage discharged into the Tijuana River estuary due to overloads and breakage in Tijuana's ancient municipal collection system, is the product of high level negotiations in the spring of 1985. These talks, in which U.S. Ambassador John Gavin and senior Mexican officials in several departments participated, produced a mutually acceptable formula for a medium term solution involving U.S. support for an Inter-American Development Bank loan for improvements in Tijuana's water and sewage infrastructure and Mexico's willingness to accommodate certain U.S. concerns related to engineering and maintenance.<sup>4</sup>

Annex II, a joint contingency plan for responding to discharges of hazardous substances for the inland border area, complements the earlier agreement (1980) on joint marine pollution contingency planning, and culminates some five years of discussion on the subject between U.S. and Mexican environmental specialists. Building on this formal agreement, the United States and Mexico agreed to work towards establishing a regulation and control system for handling shipments of hazardous materials across the border. At the third meeting of National Coordinators in Mexico City, September 5, 1986, the two governments agreed in principle on the "fundamental objectives" of the proposed agreement and expressed their interest in reaching an agreement "as soon as possible."<sup>5</sup> In follow-up sessions in October and November of 1986 binational negotiators, in nearly record time, produced a final document for signature.

Annex III, signed November 12, 1986, in Washington, D.C., by EPA's Lee Thomas and SEDUE chief Manuel Camacho Solis, requires all companies shipping hazardous waste across the border to notify their respective National Coordinator under the 1983 Environmental Agreement who will, in turn, notify their binational counterpart at least 45 days in advance of the pending shipment and fully disclose the nature of the consignment. The recipient country may opt to deny or modify the terms of importation. The agreement also requires each country to take back toxic wastes illegally shipped across the border and makes private

individuals and companies liable for civil and criminal damages to human health or the natural environment resulting from the shipment of toxic wastes.<sup>6</sup> The importance of these recent agreements on hazardous wastes have been underscored by separate incidents just this year in which toxic wastes shipped by U.S. companies were dumped near Tecate, Baja California Norte, and toxic petrochemicals shipped in trucks belonging to PEMEX (Mexico's oil monopoly) were dumped near Calexico, in California's Imperial Valley.<sup>7</sup> Both of these cases, now under investigation, could have been prevented by the new laws. In the Calexico case, occurring November 19, it is possible that Annex III may be invoked in prosecuting the case.

Thus far, the least tractable of the problems receiving an early priority under the 1983 Agreement has been the issue of smelter emissions in the Grey Triangle. Negotiations have been ongoing since 1984. At the July 1985 meeting of National Coordinators the two countries reached a semi-formal understanding that sulfur dioxide (SO<sub>2</sub>) emissions from offending smelters at Douglas, Arizona, and Nacozari, Sonora, would be controlled by January 1, 1988. They were unable to agree on interim (1985-87) controls, however.

The key stumbling blocks in reaching an Annex on smelters have been the status of the aging Phelps Dodge smelter at Douglas, Arizona, and ensuring installation and operation of pollution abatement works in Mexican smelters. The Douglas smelter is the oldest copper smelter in the United States and has operated since the mid-seventies on exemptions from the Clean Air Act granted by EPA. Phelps Dodge officials, citing prohibitive costs, have resisted state and federal pressures to bring the plant into compliance, while freely acknowledging environmental damage in both countries.<sup>8</sup> In August, 1985, the plant received a conditional permit from the State of Arizona with which the corporation's officials failed to comply pending an EPA decision on renewal of its Clean Air Act waiver. In lieu of the plant's failure to abide by U.S. regulations it has been difficult to persuade Mexican officials to commit likewise in the interim period.

On the Mexican side, officials with Mexicana de Cobre, the giant new smelter at Nacozari, agreed to have an SO<sub>2</sub> capture facility operational by January 1, 1988, but cited the need to initiate production in 1986 in order to help defray the cost of the acid plant (estimated at 50 million dollars). An inter-agency *convenio* between SEDUE, Mexicana de Cobre, and the National Finance Agency, was signed to that effect in June, with financing arranged through the Canadian Development Corporation.<sup>9</sup> Mexicana de Cobre fired its furnaces in January, 1986, reaching 80 percent production at the time of the plant's formal inauguration by President Miguel de la Madrid on June 1, 1986.

Mexico's firm commitment to installing pollution controls at Nacozari was hailed by Governors Tony Anaya of New Mexico and Bruce Babbitt of Arizona, both of whom attended the

inaugural ceremony at Nacozari. Concern about the interim environmental impact of Nacozari's operation, however, led to renewed border state pressures on EPA and the State Department in late June. At the state level, Arizona's Babbitt expressed his view that the Douglas smelter ought to be shut down, and Lloyd Novick, head of Arizona's Department of Health Services, set a target date of July 9 for a definitive decision on the plant's operating permit.<sup>10</sup>

Since then, events have proceeded rapidly in a promising direction. The EPA, acting on ADHS's timetable, refused to extend Phelps Dodge's operating permit on July 8, 1986, with ADHS promptly following suit. The plant was closed pending an agreement that would bring it into compliance in the interim 1986-87 phase. Under a compromise reached in late July, corporation officials agreed to operate the plant at sharply reduced levels of SO<sub>2</sub> emissions and close the smelter permanently by January 15, 1987.<sup>11</sup> The agreement helped pave the way for a fourth formal annex on air pollution applicable to the year 1987 and beyond.<sup>12</sup>

Complementing these binational developments is a growing propensity for state level initiative in response to transboundary environmental problems. California's legislature had been working on an innovative measure that would help finance sewage cleanup along the California-Baja California border. California voters would have been asked to endorse a \$150 million dollar bond measure, part of which was earmarked for sewage cleanup and prevention in the Tijuana estuary and the notoriously polluted New River in the Imperial Valley.<sup>13</sup> However, after clearing both the Assembly and Senate by overwhelming votes, the measure finally died in the Senate in a dispute over other bond issues. This measure will be reintroduced in the 1987-88 Session.<sup>14</sup> In Arizona, the City of Nogales recently decided to unilaterally finance expansion of the joint international sewage treatment plant rather than await Mexican approval of a cost sharing arrangement for plant expansion.<sup>15</sup> Both of these initiatives represent a departure from the traditional mode of reliance on U.S. federal underwriting of solutions to transboundary pollution problems and suggest and expanding role for the states and municipalities in managing the border environment.

In spite of these positives in transboundary environmental management, significant shortcomings remain that temper a sanguine appraisal of recent trends. At the binational level the two countries are still considerably shy of a comprehensive regulatory regime in any of the three areas of substantive concern (air, water, hazards). Substantial differences in capabilities, priorities, and applicable standards must be resolved with each new dispute that arises along the border. Financing environmental solutions continues to be problematic. On the one hand, Mexico's economic difficulties make short term progress in matters contingent on its participation increasingly difficult. On the other, the Reagan administration's fiscal conservatism,

expressed along the border in a hard line "polluter pays" posture towards Mexico, accentuates the difficulty of financing solutions and forces the search for alternative mechanisms. Such problems in the context of rapid growth and proliferating environmental hazards imply a fulsome agenda for future environmental diplomacy.

Still, recent developments are unquestionably favorable and illustrate anew the potential for both countries to cooperate in solving complex problems. The character of the new environmental agreements reflects the realities of complex interdependence and growth along the border. Long term environmental solutions will increasingly depend on an inter-governmental division of labor and multi-jurisdictional administrative arrangements from the local to the international level. The 1983 Agreement has laid the groundwork for this type of process and future agreements will doubtlessly innovate in this direction. Meanwhile, bilateral environmental management remains useful evidence the two countries can make progress by focusing less on ideological controversies and concentrating their efforts on practical projects of mutual benefit.

#### Notes

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3. Joint Communique. Report on Second Annual Meeting of the National Coordinators to Pursue Implementation of the Border Environmental Cooperation Agreement Signed by President Reagan and President de la Madrid at La Paz, Baja California Sur, August 14, 1983. Issued July 18, 1985, San Diego, California.
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6. U.S. Environmental Protection Agency. Annex III to the Agreement Between the United

States of America and the United Mexican States on Cooperation for the Protection and Improvement of the Border Area. Agreement of Cooperation Between the United States of America and the United Mexican States Regarding the Transboundary Shipments of Hazardous Wastes and Hazardous Substances. Signed in Washington, D.C., November 12, 1986.

7. Briseño, Olga, "Mexico to Clear Illegal Toxic Wastes," *San Diego Union*, February 7, 1986; Briseño, Olga, "Mexican Charged in Toxic Dumping," *San Diego Union*, November 25, 1986.
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9. John Blackburn and Dick Kamp, "Contract Signed for Sulfuric Acid Plants," *Bisbee Daily Review*, June 24, 1986.
10. Letter from Lloyd F. Novick to Judith Ayres, Regional Administrator, Region IX, U.S. Environmental Protection Agency, July 20, 1986.
11. Robert E. Taylor, "Phelps Dodge, EPA Reach Agreement on Smelter Operation, Pollution Penalty," *Wall Street Journal*, July 29, 1986.
12. At the most recent (third) meeting of National Coordinators in Mexico City in September, 1986, the two delegations discussed a U.S. proposed draft Annex on smelter pollution. Mexican delegates promised to consult with other Mexican agencies on the "scope and content of a possible agreement" and both parties agreed to meet again at an appropriate time with hopes such an agreement would be forthcoming. In general, the meeting ended on a very positive note with regards to the prospects for an interim agreement. See: Joint Communique. Third Meeting of the National Coordinators, above. Annex IV was signed on January 29, 1987, in Washington, D.C. Annex IV was signed on January 29, 1987, in Washington, D.C.
13. Daniel C. Carson, "Two Sewage Cleanup Bills Survive Senate Panel," *San Diego Union*, June 17, 1986; Sparrow and Brown, p. 218.
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## Growth and Debt: Mexico and the United States in the Medium Term

by Clark Reynolds and the staff of Stanford's Project on United States-Mexico Relations

*This article analyzes Mexico's economic and debt crisis. Particular attention is given to the topics of macroeconomic stability and structural reform.*

Mexico and the United States are at an historic crossroad. Earthquake, oil prices, and domestic inflation have dramatically worsened Mexico's economic situation in the past year, more than offsetting the beneficial effects of lower international interest rates. Trade, financial, and employment relations between the two countries are threatened at the very time when their economic and social interdependence is growing. While temporary relief has been gained from recent agreements with the IMF, World Bank, and other international institutions, conditioned on commercial bank acceptance, much remains to be done.

Pathbreaking as these agreements are, their net effect is to reduce current debt service payments modestly and to offset shortfalls in the capacity to service debt with major additional lending. The quid pro quo is a Mexican commitment to further adjustment, at least through the last two years of the present administration. Far from reducing that country's foreign debt, total obligations are to be increased by more than ten percent over the next two years. Hence, although the recent accords address critical cash flow problems, they leave the fundamental issue of the growth-debt tradeoff unresolved. That issue is the subject of the present report.

Officials in the rest of the world, including important members of the U.S. government, international agencies, and the financial community are beginning to recognize that Mexico has already made a number of significant structural adjustments. Yet Mexico's leaders risk considerable political capital in their commitment to such policies. Recognition of these realities by all parties is critical, since it provides the basis for further collaboration in the treatment of the debt problem. There is growing appreciation on all sides that while structural adjustment policies aim at eventual gains in efficiency, employment, and growth, they carry with them severe short-term economic and social costs. Future stability is enhanced by the perception that such costs will be shared among creditors, debtors, and their respective governments and that significant benefits will accrue from these painful adjustment policies and that they too will be shared. The silver lining of the dark cloud of debt is the potential for new employment and investment opportunities, carrying with them higher wages and profits and broader participation in the gains from growth. While such prospects are certainly reasonable, given the

repression of trade and investment and the anti-employment bias of previous policy regimes, they depend upon a major response to more accommodating policies by private and public domestic and foreign enterprises.

Unfortunately, the present large and growing debt carries with it serious political and economic risks which discourage investment decisions. In addition to the fear of expropriation and inconvertibility, risk discounts apply to credit stringency, uncertainty about interest and exchange rates, and expectations about inflation, wages, and relative prices. These worries apply to the absolute level of debt (which is increasing) as well as to current debt service (which is decreasing). In this regard, while Mexico's debt negotiations to date have involved three major sets of players — the Mexican government, the banks, and international institutions — they also have a vital impact on two other groups which are not present at the table. The first of these groups includes other participants in the Mexican economy, including savers and investors, whose interests are directly linked with Mexican recovery and growth. The second group consists of manufacturing and labor interests in the United States and other industrial countries whose markets in Mexico have been decimated by debt and austerity.

The claims of these groups are in a real sense subordinated to those of commercial banks and other institutions holding Mexico's general external obligations. Hence, uncertainty about the country's ability to meet its primary obligations is bound to hamper the restoration of normal levels of private savings as well as domestic and foreign investment, while growth-inducing accommodation directly improves investment horizons. Here again the accumulation, investment, and financial flexibility on which recovery and growth depend call for a comprehensive long-term treatment of debt that goes well beyond the present accords.

To take advantage of the new climate for exchange, Mexico and its foreign creditors must act simultaneously on several fronts. Failure to accomplish any of the following will jeopardize any significant agreement, since growth and debt are inextricably linked. They must:

- Stabilize the Mexican economy, simultaneously reducing the fiscal deficit and the rate of inflation, in order to meet reasonable foreign and domestic obligations without crowding out domestic financial markets and resorting to the inflation tax.
- Accelerate the restructuring of the economy, both opening it to international trade and investment and reducing the role of the public sector in those areas of direct production and



regulation which distort allocative efficiency, inhibit entrepreneurship, and restrain the forces of trade, competition, and productivity so essential to growth.

- Reduce debt service in the amount of \$5 to \$6 billion a year for the next three years in order to permit a minimal 4 to 5 percent rate of recovery and growth necessary for the maneuvering room required for industrial reconversion and greater international competitiveness.

- Convert a fraction of existing debt obligations to "equity" by linking debt service to: (1) oil prices, in order to provide a closer match between Mexico's debt service requirements and capacity to pay; and (2) the profitability of specific projects or firms, through equity or "stand-alone" project financing, in order to provide private lenders and investors, both domestic and foreign, with strategic stakes in specific commercial risks and to buffer the national treasury from such risks.

- Recover a growing fraction of Mexican assets held abroad and stimulate further domestic investment through positive incentives. Reducing and even reversing the net outflow of real resources from Mexico, given its long-term investment potential, should not be permitted to overvalue the peso, as happened twice in recent years and distorted the economy toward anti-trade biased growth.

## Background

The rise of the Mexican debt took place primarily from 1973 to 1982 when it increased tenfold to \$85 billion. There are a variety of explanations for this increase, including the private and public demand for funds made readily available by the international banking community, a series of positive and negative exogenous shocks to the economy, and Mexican government mismanagement in adjusting to these shocks.

Since 1982 Mexico has been forced to adjust radically in order to generate the foreign exchange required to service its debt. It has done this through a program of drastic reductions in fiscal expenditures, imports, and the rate of growth. While from 1978 to 1982 there had been \$38 billion of net borrowing, over the last four years Mexico has been a net exporter of capital. From 1983 to 1985 the net transfer of resources out of the country totaled \$29 billion. The first major debt restructuring took place in December 1982, in the amount of \$23 billion. In 1984 a second restructuring occurred for \$48 billion over a multi-year period, including private sector debt and the \$23 billion initially rescheduled earlier.

In addition to fiscal adjustment since 1982, with a slight lapse from late 1984 through mid-1985, the private sector engaged in considerable belt tightening. Real wages fell precipitously over the period, while business income and investment languished. The most impressive decline was in imports, which are highly sensitive to fluctuations in income. There is

considerable idle capacity throughout the economy and a severe shortage of funds, due in large part to the "crowding out" effect of inflationary indexing of debt as mentioned above.

## Recent Shocks: Fall in the Price of Oil

By early 1985, many observers felt that Mexico was embarked on an effective fiscal and macroeconomic adjustment program. Indeed the "Mexico package" was held up to the world as an example of successful management of a debt crisis, showing that through multi-year rescheduling and continued austerity, a country could move back from the brink of default. Until January of 1986, it looked to many as though Mexico could keep paying for the whole adjustment process, provided that the principal of the debt could be continually rolled over. The drastic fall in oil prices has changed all that.

Lost earnings for 1986 due to the oil price decline are projected to reach \$8 billion, or 5 percent of GDP. The drop in oil prices represented a major setback, more than offsetting the positive effect of a concurrent fall in world interest rates. The net effect of these two shocks was to reduce foreign earnings net of debt service by an amount equivalent to 4 percent of GDP. This wipes out the total earnings from non-oil exports and the value added of maquiladora operations (in-bond assembly plants). To take up the slack would mean that net non-oil exports would have to grow by as much as 40 percent.

## The Policy Agenda: Macroeconomic Stability and Structural Reform

A pivotal component of the policy agenda of the Mexican authorities is to secure macroeconomic stability and to return the economy to a path of minimal growth in order to facilitate the pursuit of structural changes that are needed if the system is to achieve long-run growth and international competitiveness.

Adequate economic growth is essential as well for sustainable debt service, for it was never intended that austerity form the permanent basis for debt service. Yet austerity has continued longer than most observers had expected, suggesting that a growth-based approach to debt service may offer improved hopes for resolution of the world debt problem. Economic growth is essential not only for debt service per se, but for the general restructuring of Mexico's external indebtedness away from the dominance of general obligations of the state vis-a-vis the multinational banks and toward project- and performance-linked obligations of public and private enterprise.

## Fiscal Deficits and Inflation

In the past, fiscal deficits were financed by oil and debt, and later, by inflation. High inflation created an environment characterized by variability of prices and by fiscal, financial, and allocative distortions.

Recently, stable and slow monetary expansion

has dampened internal price pressures, but inflation has continued in part as a result of the real appreciation of the country's currency. Real wages, however, have fallen substantially.

The question for the future is not only how to control the remaining inflation, but how quickly to do so, and by what means — gradually or via shock treatment — to bring it about. The need for stable prices and stable price expectations is widely recognized; the means for achieving stability, however, and the contribution needed from the country's creditors are still under discussion. The recent IMF/World Bank package contains some suggestions and provides some resources to facilitate this task. It is clear that immediate debt servicing obligations interfere with the quest for stability, suggesting that a restructuring of debt service requirements is needed for the achievement of economic stability.

## Restructuring the Public Sector

Both the discussion and current proposals have focused on this aspect of restructuring. Key components of any program must be to improve the structure of prices and fees, to reduce the level and to reform the composition of public expenditures, and to sell, close, and merge state firms in order to reduce costs and raise efficiency and productivity. Significant efforts are underway to reform parastatal enterprises in the steel, sugar, fertilizer, ship, and feedstock industries, as well as in the food conglomerate CONASUPO.

These efforts tend to be very costly in the short run, as the example of Spain suggests, where substantial restructuring of the public sector has occurred. The fiscal drain tends to be large in the early phases of such efforts, partly because certain fixed costs cannot be instantly terminated and partly because of additional burdens placed upon unemployment insurance and welfare programs. Hence, restructuring of this kind must be seen as a long-run capital investment.

## Restructuring the Economy

While restructuring, streamlining, and reducing the role of the public sector are crucial for restoring long-run health and vitality to the economy, and while shifting the weight of public sector activities from federal to state and local levels will contribute to this effort, all such efforts are only partial because they tend to leave in place much of the centralized mechanism by which credit is distributed, resources are allocated, and production decisions are made. Long-run stability and growth cannot be achieved by reform of the public sector alone, but must be accompanied by efforts to bring the private sector along. Without this, the new jobs needed in Mexico are not likely to materialize and living standards are thus likely to remain depressed.

In this respect the recent IMF/World Bank package is wanting, for it channels most of the resources intended for reform of the private sector through the central government. Private

firms are to receive assistance, but the government will decide the specifics, raising obvious questions about the criteria, conditions, and accountability that will characterize these decisions. It may be that markets are too poorly organized to accomplish such a task on their own, but that only strengthens the case for improvement of the process of financial intermediation in Mexico.

### Trade Policy

The recent IMF/World Bank package contains suggestions and resources that would open the Mexican economy and improve its efficiency as an international trader. In this process, relative prices must be given a greater role in determining the nature of specialization. The plan to remove some import licenses and to replace others with tariffs is valuable here, as are plans to provide credit for exporters and to liberalize the rules governing foreign investment.

Much of this, however, still relies upon the central government rather than market mechanisms for the allocation of credit and resources. Indeed, Mexico's social and economic structure is not now suited to an open economy, and the private sector will have to be brought along after the opening of trade. But any effort along these lines will require heavy financial resources and those have been squeezed by austerity and will face further squeezing from the restructuring of the public sector. Hence, external assistance will be essential but if a program of restructuring can be put in place that is credible and if the process of financial intermediation is improved and macroeconomic stability is assured, then the return of flight capital and more efficient forms of domestic saving are likely to become important new sources of funds.

That is the task faced by Mexico, but these efforts will come to naught unless they are met by accommodating policies in the United States and elsewhere in the industrial world. First and foremost, this means restructuring the country's debt servicing burden, but equally important is the maintenance of an open U.S. economy. Naturally, Mexico's shipments to the United States will grow, but if structural reform and industrial reconversion are handled properly in that country, its resource deployment will be rationalized, leading to the kind of international specialization that will increase her imports. Thus, Mexico's imports from the U.S. as well as her exports will rise.

## The Mexican Economy as 1987 Begins

by Norman A. Bailey

*This article was extracted from a presentation made by Bailey at the American Bar Association and California Western School of Law National Security Workshop on Mexico and the United States: Strengthening the Relationship, San Diego, February 6, 1987.*

Despite being battered by successive external shocks since 1982 — one of the most severe cases of structural over-indebtedness in the developing world, a devastating earthquake, and a collapse of the international price of crude oil — the Mexican economy has undergone no fundamental structural change since the oil boom of the late 1970s. As a result, these external shocks have been absorbed by existing structures and procedures, which have bent, but not broken. This process has now come to an end, however, with the latest in a series of orthodox "settlements" between Mexico and its public and private creditors.

The July 22, 1986, agreement between Mexico and the IMF involving \$12 billion in new external financing represented an important retreat in the monetary authorities' tactical approach to the Third World debt crisis. In essence, the IMF, under significant pressure from the U.S. Federal Reserve and the U.S. Treasury, agreed to a number of Mexican demands it had previously rejected. Most important, the monetary authorities accepted abandonment of any serious Mexican economic adjustment program in a desperate effort to stave off what appeared increasingly in June to be Mexican willingness to default on a portion of its external debt if the monetary authorities and Mexico's creditors failed to meet specific demands. The Mexican demands included:

- Advancement of new creditor loans sufficient to finance Mexico's interest obligations while allowing the Mexican economy to grow at a 3-4 percent annual rate.
- Abandonment of fiscal and monetary adjustment targets that would constrict Mexico's ability to grow at a 3-4 percent annual rate. To accomplish this objective, Mexico sought IMF and creditor acquiescence in new methods for calculating its fiscal deficits that would systematically underestimate them.
- Creation of a contingency fund which would advance Mexico additional loans if the price of petroleum sank further.
- Finally, Mexico sought real debt relief.

Ultimately, the monetary authorities agreed to the first three demands, but rejected the last.

To avoid immediate default, the monetary authorities agreed to abandon demands for adjustment discipline and to increase Mexico's total foreign indebtedness by 12 percent in 1987. In order to guarantee recovery from its second deep depression in five years, Mexico retreated from its demand for immediate debt relief,

accepting instead a larger foreign debt and powerful domestic inflationary pressures as the price for growth.

Our view is that the package put together for Mexico in 1986, while bringing the country back from the precipice of default, exposed the growing political weakness of the monetary authorities as well as the growing incentives for default among debtors, particularly Mexico. Moreover, the ineffectiveness of the approach sponsored by the monetary authorities for resolving Mexico's debt problem became clearly apparent.

Our forecast is that the package will likely hold together for the next six months to a year. As it unravels and Mexico faces its next payments crisis, it is far less likely that the same formula applied in 1986 will be resorted to. In response to a new payments crisis, Mexico will either resort to unilateral means for reducing its debt burden or come to terms with its creditors on a partial write-off of its debt. Without such debt relief or substantial new debt, and with oil prices likely to remain depressed over the next two years, Mexico would be well situated for its third economic depression in this decade in 1988-89.

The second depression of the decade, the 1986 depression, precipitated but not solely determined by the collapse in oil prices, made continued economic adjustment completely unthinkable for the Mexican government. That downturn was marked by a 4 percent contraction in GDP growth, a 10.7 percent collapse in gross fixed investment, a 3.8 percent decline in manufacturing activity, and a loss of 1.5 million jobs. The collapse of crude oil exports — down from \$13.3 billion in 1985 to \$5.4 billion in 1986 — shattered Mexico's trade and current accounts as well as its ability to service its debt. The collapse of oil revenue also led to an explosion in fiscal deficits, which rose to close to 15 percent of GDP. In the midst of depression, further contraction in imports and government spending were fully rejected by the government. As new deficits were monetized, Mexico's inflation surged up to 104 percent at the end of 1986 from 63.7 percent at the beginning of the year, and in order to ensure the competitiveness of its non-oil exports and restrain sudden capital flight, Mexico's currency was allowed to gradually depreciate from 445 pesos to the dollar at the beginning of 1986 to over 900 at the end of the year.

The injection of \$12 billion in foreign loans during 1987 will ease the pain of the inflationary depression of 1986. In 1987 the depression will end, but it is our belief that inflation will continue to surge and the intimate relationship between Mexico's rising inflation of 1986 and its declining currency will continue.

Of the \$12 billion in new money, approximately \$6 billion will be needed to service

Mexico's foreign interest payments. This forecast is predicted on acceptance of the Mexican government's optimistic assessment of 1987 oil exports, projected to earn 1.5 billion more than in 1986. A failure of OPEC's new pricing agreement and a collapse of oil prices below current levels in the spring of 1987 could increase Mexico's needs for financing to approximately \$8 billion in interest payments as the trade surplus would not reach the projected \$2-3 billion. Similarly, the government anticipates a \$1.1 billion increase in non-oil exports growing out of its competitive devaluations of the peso. This estimate, however, assumes a recession-free OECD economic environment and containment of OECD protectionism — neither of which are certainties in 1987.

Any diversion of the remaining \$6 billion of the \$12 billion in new money to service interest will come out of the hide of the Mexican economy. Already, the government has reduced its growth estimate for 1987 from 3.5 percent to 2-3 percent, a more realistic target. With significant domestic social pressures building and with the 1988 election campaign under way, it is unlikely that the government would accept a lower growth rate. Government political

prioritization of growth and shortfalls in projected export earnings together represent one primary avenue through which Mexico could enter renewed payments difficulties before the end of 1987.

Another avenue is centered about a continuation of the rise of Mexico's inflation and the depreciation of the peso. The persistence of a mammoth fiscal deficit in 1987 combined with social and political pressure on the government to reverse the 1986 depression means more inflationary pressure. In addition, in order for the government to retard an explosion of its fiscal deficit it will index the prices of many goods to inflation in order to ensure sufficient revenues. The need to subsidize consumption, particularly in an election period, will also place upward pressure on wages. It should be noted that at the end of 1986, real wages were only 57 percent of what they were at the end of 1978.

Finally, the need to boost non-oil exports will ensure a government policy of competitive devaluation which will also stoke inflationary fires. After rising substantially in 1986, inflation will continue to rise in 1987, perhaps reaching 150 percent by the end of the year. At the same time the peso will continue to depreciate to as

low as 2,000 to the dollar. The dynamic of rising inflation and a sharply declining currency means instability for the Mexican economy, the kind of instability that could spark disinvestment and a consequent payments crisis.

A consensus among creditors is currently emerging that even prior to 1988 when Mexico will continue to run huge deficits without benefit of the \$12 billion in fresh money it will receive in 1987, the dynamics defined above will generate a new payments crisis. The only question is when.

How the next payments crisis is resolved will determine whether Mexico is forced to institute fundamental internal structural reform or whether it can sufficiently modify the external environment to maintain, while adjusting, existing structures and procedures. It is also possible, and indeed would be desirable, to combine domestic change with a more benign external environment. In any case, what happens will have crucial implications for the prosperity, peace, and security of Mexico itself, the United States, the Western Hemisphere and indeed, the whole world.

## The Mexican Economy: Current Situation and Prospects

by Jesús F. Reyes Heróles

*The following article was extracted from remarks made by Reyes Heróles at the UCLA bilateral workshop on "The U.S. and Mexico: Industry, Labor, and the Environment" held in Los Angeles in late March. Reyes Heróles is Director General of Planning of the Mexican Treasury.*

Only last week Mexico was again in the headlines, as it signed with its commercial bank creditors agreements that encompass the restructuring of 53.2 billion dollars of foreign debt — public and private — and the granting of up to 7.7 billion dollars of new loans. These agreements represent, no doubt, an important achievement. Nonetheless, it is convenient now to review them in the light of broader trends, since as Mr. Petricoli, the Mexican Finance Minister, stated last week in New York, "the debt problem, not only in Mexico but in all debtor nations, still remains; therefore, we have to find in the future long-term solutions."

Mexico is the thirteenth largest industrial economy in the world, a country with 82 million people and a territory slightly smaller than that of the European Economic Community. It has a young population; 38% of the total are 15 years of age or younger. Despite the substantial drop in the rate of population growth (3.5% in 1976 to 2.1% in 1986), currently about one million persons enter the labor market every year. Mexico has a complex culture, a socioeconomic configuration that comprises very heterogeneous classes, and a political system that has been capable of maintaining social peace over

the last 65 years. For these reasons, the only conceivable medium term solution to Mexico's economic and social problems is to recover sustained growth.

In 1982 the country had an 80 billion dollar external debt that it could not service. There were internal reasons for this; some short term mistakes which we neither neglect nor forget, and some medium term trends which by then we could not modify. It is fair to say, however, that there were also external causes for that collapse. While international interest rates remained at high levels, the international price of Mexican oil dropped 15.6% with respect to 1981, and the prices of other Mexican exports fell significantly (in fact, the terms of trade decreased by 12.2% that year).

In August 1982, Mexico suspended amortization payments on its external debt; it stayed, however, current as regards interest payments. Four months later the administration of President Miguel de la Madrid was inaugurated.

The course of action that was chosen involved working simultaneously in three main areas: 1) to reach an agreement with foreign creditors in order to restructure Mexico's foreign debt and to obtain new money; 2) to undertake a stabilization program aimed at reducing inflation and recovering a healthy balance of payments position; 3) to initiate a series of reforms to correct, at the root, several problems embodied in the economy. The medium term objective of the strategy was to recover economic growth and

financial stability as the only means of increasing the welfare of the Mexican population on a sustainable basis.

In retrospect, one could say that during 1983 and 1984, the economic program was implemented with success. Inflation decreased from an annual rate of 117% in April 1983 to 59% in December 1984; the current account balance moved from a deficit of 6.2 billion dollars in 1982 to a surplus of 4.2 billion dollars in 1984; the declining trend of real financial savings was gradually reversed and they grew 5.8% in the last quarter of 1984; and the public sector deficit has halved. Among the main costs of these achievements were falling real wages and the unprecedented economic recession of 1983.

Events were not so favorable in late 1984 and early 1985. Actions were taken, but not at the right time nor with the intensity required. In mid-1985 additional measures were introduced and the spirit of austerity and stabilization was renewed. Then came earthquakes.

Despite voices that called for a radical change in economic policy, the program for 1986 called for strengthening the course of stabilization. At that point, the price of Mexican oil fell, from 23.8 dollars per barrel (dpb) in December 1985 to 8.6 dpb in July 1986. As a consequence, the country lost oil revenues equivalent to 6.7% of GDP.

But here we are, a year after the oil shock began, and the Mexican economy has not collapsed. On the contrary, the additional efforts



made to overcome the external shock placed it in a stronger position. Some important facts about 1986 are:

- Compared to 1985, there was an oil revenue loss of 8.5 billion dollars, equivalent to 35 % of total foreign exchange revenues in 1986.
- The current account of the balance of payments moved from a surplus of 1.2 billion dollars in 1985 to a deficit of only 1.3 billion dollars last year, which is rather insignificant considering the magnitude of the oil revenue loss; the loss was mainly offset by additional non-oil exports for 2.8 billion dollars and a reduction of imports of 1.8 billion.

• Given that in Mexico oil exports are part of public sector revenues, the fiscal deficit experienced an adverse effect of at least 3.5 % of GDP with respect to 1985. Nonetheless, the economic primary balance — which is the difference between total expenditures and total revenues, without interest payments — decreased only by 1.7 % of GDP. In other words, in less than a year, about half of the impact of the oil shock on public finance was absorbed by means of additional non-oil revenues (1.6 % of GDP) and a further reduction of expenditures (0.5 % of GDP). The non-oil primary deficit decreased from 9.1 % of GDP in 1985 to 8.2 % last year.

• In early 1986, expectations for the Mexican economy were gloomy. However, as a result of the exchange rate along with monetary and credit policies pursued, real financial savings at the end of 1986 had decreased by only 0.9 % as compared to 1985, and they grew by an annual rate of 6.1 % last month.

• There were delays in the implementation of the external financing package for 1986-1987 and, as a consequence, last year net external borrowing by the public sector amounted to only 1.4 billion dollars. Despite this, and not without costs, especially in terms of inflation, net international reserves decreased by only 0.8 billion dollars. Three-quarters of the oil revenue loss was offset by efforts on the current account and by capital inflows of about 1.5 billion dollars.

In sum, during 1986 Mexico was able to overcome the effects of an external shock of extraordinary magnitude. The impact of a new crisis that arose before the previous one, of a deeper nature, had been overcome. Therefore, it is time to review the fundamental question: what are the prospects for Mexico to recover sustained economic growth in the near future? And two related questions: What progress has been made since 1982 to set the appropriate conditions for efficient and equitable growth? And, will the international economic environment be propitious for attaining those objectives?

Let me begin by briefly reviewing the key features of the Mexican structural reform. Since it is difficult to dispute that the 1982 economic crisis to a large extent originated from a crisis within the Mexican public sector, it is important to stress the profound change that this sector has undergone since 1983. Some facts:

• The primary balance of the public sector moved from a deficit of 3.9 % of GDP in 1982 to a surplus of 4.2 % in 1985 and, even after the oil shock, to a surplus of 2.2 % last year.

• This change was partly brought about by a reduction of programmable outlays (which exclude interest payments), from 27.1 % of GDP in 1982 to 23.2 % in 1986.

• Total revenues of public sector non-oil enterprises were increased from 7.3 % of GDP in 1982 to 8.6 % of GDP last year.

• Major adjustments to the tax system were introduced in 1986.

• Unwarranted subsidies were also curtailed, from 5.4 % of GDP in 1982 to 3.8 % of GDP in 1986.

• Several public sector enterprises underwent major internal restructuring. Examples of the principal sectors involved are steel, sugar, fertilizers, as well as basic foodstuffs and grain trading.

• Over the last four years, more than 650 public sector entities were or are in the process of being "*desincorporadas*" from the public sector; that is, sold, merged, closed down, or transferred to the states.

Regretfully, fiscal adjustment inevitably involved major reductions of public investments in most sectors. Additionally, positive real interest rates — internal and external — have absorbed part of the savings that have been obtained by reducing other outlays and increasing revenues. The effect of persistent inflation on *nominal* interest rates has prevented the improvement of public finance at the primary level from being reflected in an equivalent reduction of the public sector borrowing requirements. Inflation, public investment, and domestic debt are, therefore, the main aspects that require further attention.

Allow me now to review the progress made as regards other areas of structural change. Consider, for example, the correction of key relative prices, a precondition for an adequate resource allocation. Some facts:

• Last year average real exchange rate was 56 % higher than in 1981.

• During 1986 the average real interest rate paid for a three month certificate of deposit was 10 %; similar yields applied to the leading instruments.

• Last year the real price of gasoline was 26.3 % higher than in 1982, that of electricity 30.6 %, that of diesel almost three times, and so forth.

• Mexican wages in dollar terms, corrected by productivity, compete without disadvantage with those prevailing in other relevant countries.

• The number of prices under government control has been reduced.

Summing up, over the last four to five years important efforts have been made to streamline relative prices, a task that is particularly difficult in an inflationary environment. Although there is still much to do, the results may be deemed substantial. Now productive activities will save foreign exchange, capital, energy, and other inputs provided by the public sector which were

previously subsidized. They also will export more and use more labor.

Medium term viability of the Mexican economy is conceivable only if growth is based on price signals that are consistent with those prevailing in the international economy. Therefore, the program launched in 1983 included several measures in terms of commercial policy. Remarkable progress has been made:

• The coverage of imports with the requirement of import permits was reduced from 78.3 % of total imports in 1982 to 28.0 % last February.

• The numbers of levels of import duties and their dispersion were reduced from 16 in 1982 to 7 last month.

• The number of items included in the General Import Tariff covered by the official reference price mechanism was gradually reduced, from 16.9 % of the total value in 1982 to 8.8 % in 1986.

• The average import duty declined from 16.4 % in 1982 to 12.3 % last February.

• Most significant, in September 1986, Mexico became a member of the GATT.

These developments constitute a foundation for reducing unjustified margins of effective protection, making the tariff structure consistent with the goals of industrial policy, fostering non-oil exports and placing a ceiling on inflation. The favorable medium term effects of these measures are only beginning to show. For example, in 1986 non-oil exports were 50 % higher than in 1982.

It is fair to say that the previously reviewed developments indicate that aside from advancing in stabilization, facing the 1985 earthquakes, and coping with the 1986 oil shock, significant progress has been made in changing structural aspects of the economy. Over the past four years, Mexico has undertaken important efforts to set the appropriate conditions for recovering sustained growth. The process has been costly and painful, but short term sacrifices have been made based on the belief that they are essential to raising the welfare of the Mexican population in the near future.

If progress in stabilization and structural reform seems significant, consider for a moment the burden they have imposed on the political system. A situation of high indebtedness, tax reform, balance of payments adjustment, correction of key relative prices, trade liberalization, and so forth, in an economy and a society like the Mexican can become a political nightmare. However, the Mexican political system, has been able to face the challenge, an achievement that must not be overlooked.

Let me finally address the issue of the international environment that would allow Mexico to recover sustained growth in the near future. First, there is the need for global growth that could pull the developing economies out of stagnation. It is clear that unless the main industrial economies reduce their foreign trade barriers, global growth will not be possible, or would only have a negligible effect on the developing world.

Second, there is the need to find a way to limit the outward net capital transfer from the debtor developing countries. Over the last five years, net credit received by indebted nations has been smaller than the amount of interest they have paid on their external debt. The difference between these two flows of funds, called the net transfer of resources, has been generated by additional internal savings in debtor nations which could have been used for expanding productivity capacity instead of net payments to creditors. It goes without saying that efforts of stabilization and structural reform made by Mexico and other countries would have had a lower cost in terms of economic recession had the net transfer been smaller or non-existent.

The immediate causes for this situation are clear: large external debts, high real interest rates, and hesitation of creditors to keep loans flowing in net terms to indebted nations. Although a rational explanation can be found for each of these factors, together they constitute the most important dilemma the international economy has to solve in the near future.

In an enlightening paper presented by Bianchi, et al., in the Symposium of Growth Oriented Adjustment Programs hosted by the IMF and the World Bank a month ago, a comparison was made of the net outward transfers observed recently in Latin American countries with those derived from the war repatriations of France after the Franco-Prussian War and of Germany after the Treaty of Versailles. The results are dramatic. While in 1872-1875, France made payments equivalent to 5.6% of GDP, and in 1925-1932 German transfers were equivalent to 2.5% of GDP, during the period 1982-1985 the outward transfer of Latin America amounted to 5.3% of GDP. Mexico's transfer was relatively larger than the Latin American averages during this period.

Thus, over the past few years Latin America has been making net capital transfers to the creditor nations as if it had lost a war, for a relative amount larger than that paid by Germany after World War I.

The mechanism that has been used since 1982 to ameliorate this problem is to arrange financial packages that include both a reshaping of the amortization schedule of the debtor country, and some new money based on provisions about balance of payment needs. Usually several parties are involved in each arrangement including the IMF, the World Bank, commercial banks, and the debtor country. Mexico was one of the first countries to be involved in a major exercise of this type, so its case is illustrative of the state of the art in this matter.

In 1982 Mexico restructured 23.1 billion dollars of amortization payments corresponding to 29 months, some already in arrears. The restructuring agreement involved 526 banks and was signed within 10 weeks. Additionally, 5.0 billion dollars of new money for 1983 was negotiated; it took 3 weeks to reach an agreement in principle and 15 weeks to sign. Resources started flowing 4 months later, in March. At that time, the Mexican negotiating

team did not even have an international lawyer advising them.

In 1983 Mexico negotiated 4.0 billion dollars of fresh money from commercial banks for 1984. The same number of banks was involved and 6 months were required to complete the negotiations. The money started flowing at the end of June; that is, 8 months after the negotiations had begun.

In 1984 a new restructuring exercise was initiated. That agreement covered 48.9 billion dollars of foreign debt due in 1985 and thereafter, but no new money from commercial banks was involved. The deal included 640 banks and was concluded 11 months later.

The 1986 budget originally envisaged a limited amount of new money from commercial banks, but the oil shock required a new strategy. A 14.4 billion dollar package was put together for 1986-1987, of which 6.0 billion was required from commercial banks. The first talks with the banks about what was needed were held in March 1986; it took 6 months to reach an agreement in principle and 12 months to sign the deal. The new money will not flow before next April. Additionally, some U.S. regional banks and second-tier European banks still have objections to the package.

Clearly, then, the mechanism that has been used is showing deficiencies. It takes more and more time to close deals which involve less and less new money. There are difficulties in the system because parties which should participate do not understand the reasons or the need for it.

The problem is reaching an unprecedented dimension. Recent data show that new commercial bank lending to developing countries fell from 35.3 billion dollars in 1983 to 9.7 in 1985, a reduction of 263% in only 2 years. Furthermore, during the first three quarters of 1986, these countries not only did not receive net bank financing, but repaid debt for 6.8 billion dollars. Figures for Latin America are even more impressive: net bank lending to these countries decreased from 14.9 billion dollars in 1983 to only one billion in 1985 and to -4.0 billion at the end of September 1986.

In conclusion, for Mexico, as for other developing countries, sustained economic growth is not only a desirable situation but a precondition for preventing a further erosion of socioeconomic welfare. However, the debt crisis of 1982 modified abruptly and radically the prospects for the Mexican economy to grow and/or to fully service its foreign debt. Immediate action was taken at home and abroad.

Despite transitory deviations and the materialization of several unforeseen and unfavorable events, Mexico has advanced in the course of stabilization and structural transformation while supporting a net outward capital transfer of extraordinary dimension. The cumulative costs of the process have been high, but can be justified as long as sustained growth is recovered promptly.

Actions taken on the international area seem to be losing thrust and sense of direction. The

institutional setting built to deal with the problem is losing effectiveness, probably as it is realized that the so-called "normal" debtor/creditor relation may need to be understood differently in the near future if we are to be able to cope with the challenge. Also, the recognition of some cases of debt "overhang" cannot be further delayed.

But the main concern and sense of urgency should arise from considerations about timing. While some indebted developing economies such as Mexico have made progress to set the conditions to recover sustained growth, it does not seem that the international financial community will be ready on time to face the implications of resumed growth of international lending. Therefore, we have to use the best available talents to get the foreign financial resources required to substantially reduce the outward capital transfers in order to prevent a crisis of frustration which would be far worse for achieving global understanding than the so-called debt crisis.

## V PROFMEX-ANNUIES Symposium Scheduled for Early 1988

Conferring in Mexico at the Hacienda Cocoyoc in the state of Morelos on September 29, 1986, delegates of PROFMEX and ANUIES (Asociación Nacional de Universidades e Institutos de Enseñanza Superior) met to plan their next symposium. Since 1980 there have been biennial meetings jointly planned and organized by PROFMEX and ANUIES. The V Symposium of Mexican and United States Universities will be held at El Colegio de México in Mexico City early in 1988.

The theme selected for the V Symposium is "Reciprocal Images: Education in U.S.-Mexican Relations." Tentative panel titles include:

- *Informal Education and U.S.-Mexican Relations: The National Press*
- *Informal Education and U.S.-Mexican Relations: The Local Press*
- *Television and Mutual Images*
- *Formal Education and Mutual Images: Public School Textbooks*
- *Tourism, Reciprocal Images in the United States and Mexico, and Bilateral Relations*
- *Film and Its Impact on Reciprocal Images of the United States and Mexico*
- *Literature and Reciprocal Images of the United States and Mexico*
- *Popular Music and Reciprocal Images*

A more complete program for the V Symposium will be available in the next issue of *Mexico Policy News*. Program chairs are **Jorge Bustamante** (El Colegio de la Frontera Norte) for ANUIES and **Paul Ganster** (San Diego State University) for PROFMEX.

# References to Mexico in the Immigration Reform and Control Act of 1986

by Joseph Nalven

On November 6, 1986, President Reagan signed the Immigration Reform and Control Act (IRCA) of 1986. IRCA recognizes that legislative modifications will have to be made and incorporates various monitoring mechanisms in the current law. Commissions are established and reports to Congress are called for. IRCA makes special reference to Mexico and to the development of the border region. All of these elements should be of special interest to PROFMEX and its membership. Highlights include:

## Commissions:

- Commission for the Study of International Migration and Cooperative Economic Development (Section 601). A twelve member commission will be established ninety days after the enactment of IRCA. The duty of the commission, in consultation with sending countries, mentioning Mexico specifically, is to examine the conditions which promote unauthorized migration and "mutually beneficial, reciprocal trade and investment programs to alleviate such conditions." A report will be sent to Congress no later than three years after the commission is established.
- Commission on Agricultural Workers (Section 304). This commission will be composed of twelve members and last for sixty-three months. The commission is expected to report to Congress on the conversion of undocumented agricultural labor into "special" agricultural workers, the impacts on domestic farmworkers, the adequacy

of the supply of temporary workers and whether this supply needs to be supplemented, the ability of farmers to compete internationally with the approach adopted by IRCA, and related issues.

## Sense of Congress Regarding English Language:

The Senate's proposal to identify English as the official language of the United States was deleted. However, the House/Senate conferees "strongly recommend that Congress should address this issue in the next Congress."

## Proposal to Establish Free Trade and Co-Production Zone with Mexico Deleted:

Although the House proposed in Section 407 to authorize the President to begin negotiations with the government of Mexico on a free trade and co-production zone, the House/Senate conferees dropped this section from IRCA. However, the House conferees "urge[d] the Committee on Ways and Means to hold hearings on this matter next year."

## Reports to Congress — Title IV:

- Section 401 calls for a comprehensive triennial report on immigration describing the number of aliens admitted and their impacts on the economy, labor, housing, human services, the environment, and foreign policy.
- Section 402 calls for reports on unauthorized alien employment and the effectiveness of employer sanctions.
- Section 403 calls for reports on the H-2A temporary agricultural program.

• Section 404 calls for a report on the legalization program, describing the geographic origins, manner of entry, and characteristics of these aliens.

• Section 405 calls for a report on a visa waiver pilot program.

• Section 406 calls for a report on the ability of the Immigration and Naturalization Service to carry out the mandates of IRCA within ninety days after its enactment.

## Sense of the Congress:

Congress calls for the President of the United States in Section 407 to meet with the President of the Republic of Mexico within ninety days after the enactment of IRCA. Congress is interested in Mexico's perception on the impact of this act on the United States or Mexico and requests the President of the United States to make recommendations based on this consultation regarding any administrative or legislative changes.

The passage of IRCA has by no means ended the debate over immigration, especially as it involves and affects the border and Mexico. In fact, the reverse is true. More than ever, we should study, discuss, and share our insights with elected officials about the effects of this new legislation.

For copies of the Immigration and Control Act of 1986, write to your local Congressman.

## Journal of Borderlands Studies

The Association of Borderlands Scholars and the College of Business Administration and Economics at New Mexico State University are publishing the *Journal of Borderlands Studies*. The first issue of the journal appeared in April, 1986, and it will be published twice yearly, in the spring and fall.

The journal is a multidisciplinary journal containing articles and book reviews of general interest to borderlands scholars, policy makers, the business community, and the general public. While the primary focus of the journal is on the U.S.-Mexican borderlands, articles addressing border issues in other parts of the world are also included.

The Editorial Board includes distinguished scholars from several universities and disciplines. The members of the Editorial Board are: C. Richard Bath, Jorge A. Bustamante, Niles Hansen, Charles Harris, Dilmus James, Patricia Fernández-Kelly, Jerry R. Ladman, Oscar J. Martínez, Richard L. Nostrand, Ellwyn R. Stoddard, Albert E. Utton, and David J. Weber. In addition to the Editorial Board, the journal is also assisted by an International Advisory Board consisting of: A.I.

Asiwaju, Hans Briner, Ivo D. Duchacek, Z. Anthony Kruszewski, John A. Price, and Jesús Tamayo.

The first issue of the journal contained articles by Niles Hansen ("Conflict Resolution and the Evolution of Cooperation in the U.S.-Mexico Borderlands"), Ellwyn Stoddard ("Border Studies as an Emergent Field of Scientific Inquiry"), and C. Richard Bath ("Environmental Issues of the U.S.-Mexico Borderlands"). Stephen P. Mumme, Kathleen Brook, Michael C. Meyer, Barbara W. Hartung, and F. Tomasson Jannuzzi were also contributors to the first issue.

The second issue included "The Impact of the 1982 Peso Devaluations on Crime in Texas Border Cities," by Michael V. Miller, Sue Keir Hoppe, and Harry W. Martin; "Mexican Views of 1848: The Treaty of Guadalupe Hidalgo through Mexican History," by Richard Griswold del Castillo; and "Edward H. Harte and the Corpus Christi Caller-Times: A South Texan Looks at Mexico," by Ward S. Albro III. Articles by Niles Hansen on "The Nature and Significance of Transborder Cooperation in the

U.S.-Mexico Borderlands: Some Empirical Evidence," by Richard L. Sprinkle and Charles W. Sawyer on "the Effects of the 1982 Peso Devaluations on Trade and Employment in the United States," and by Leslie Sklair on "From Conquest to Compromise: A Study of the China-Hong Kong Border" as well as a number of book reviews by leading scholars appeared in the second issue.

Manuscript submissions and book reviews are welcomed from all academic disciplines. Manuscript submissions should be sent to: James T. Peach, Editor, *Journal of Borderlands Studies*, Department of Economics, Box 3CQ, New Mexico State University, Las Cruces, NM 88003. Book reviews should be sent to Michael G. Ellis, Book Review Editor, at the same address. All manuscripts are reviewed by at least two members of the Editorial Board prior to publication.

A subscription to the journal is included in membership in the Association of Borderlands Scholars (ABS). Annual dues for the ABS are \$15 and should be sent to: Rosario Torres-Raines, Treasurer and Membership Director, Association of Borderlands Scholars, Texas A&I University, Southwest Borderlands Studies, P.O. Box 163, Kingsville, TX 78363.



# Seminar on Approaches to Mexico-U.S. Migratory Flows

The International Population Center, San Diego State University, and El Colegio de la Frontera Norte (COLEF) cosponsored a symposium on generating approaches to the study of the migratory flow between Mexico and the United States, September 29-30, 1986. Organized by SDSU's **John Weeks** and COLEF's **Roberto Ham-Chande**, one long-term objective of the meeting was to encourage the U.S. and Mexican census bureaus to ask the same kinds of questions.

Opening comments were made by **Jeffrey Passel**, who is Chief of the Population Analysis Branch of the U.S. Bureau of the Census, and by **Edmundo Berumen**, who is Director General of Dirección General de Estadística, which is the Mexican equivalent of the U.S. Census Bureau.

The U.S. Census Bureau has recently prepared a special tape which includes data for all persons of Hispanic background plus households with a Mexican-born person according to the 1980 census. This information will be shared with INEGI (the Mexican government organization under which the census is housed), and some preliminary tables were discussed with the conference participants. Because this is an "internal use" tape that includes personally identifying information, it cannot be copied, but special requests can be made for tabulation of data.

The U.S. Census Bureau is also presently undertaking a project to obtain data for the U.S.-born population residing in other countries. Passel's office will be asking Mexico City for such data from the 1980 Mexican census.

Mexican census officials are planning a special volume on migration using 1980 census data, and this should be available soon. However, the 1985 earthquake did considerable damage to some data and information from the state of Coahuila which may be irretrievable. At the request of U.S. representatives, this volume will include data on U.S.-born Mexican residents by age and sex.

Mexico has time series data on vital statistics, labor force, and other information for the northern border. In addition, Mexico has just completed a border survey that contains 34 different demographic variables by locality. These data have not been published, but are available by special request.

The U.S. Immigration and Naturalization Service has data by ZIP codes on intended place of residence of legal immigrants. The small amount of information currently available supports the contention that legal and illegal immigrants are fairly similar in most respects. The major difference is that undocumented immigrants stay in the U.S. for a shorter period of time and may be less likely to become permanent residents. The Mexican government has also generated information on undocumented Mexican immigrants in the U.S. and has

completed two surveys (in 1978 and in 1984) of people who have been apprehended and returned to Mexico. These data can be made available to U.S. researchers.

Estimates by the U.S. Census Bureau and INS (the Passel/Warren study) that there are 2.5 million people born in Mexico and residing in the U.S. are consistent with cohort-specific data from Mexico that suggest that about the same number of people are "missing" from Mexico. It was noted that Mexicans have the lowest naturalization rate of any foreign-born group in the U.S. and return migration appears to be very common.

The Mexican government regularly conducts an employment survey. Although technically not a national survey, it covers all of the major metropolitan regions, including the four largest border metropolitan areas (Tijuana, Ciudad Juárez, Nuevo Laredo, and Matamoros). The National Employment Survey undertaken in January 1987 will include a special supplement on migration that will be a pilot to be tested in Mexico City, and later will ask similar migration questions in other metropolitan areas. These questions will also be collected in Baja California, at the special request of the State Population Commission, which needs new data because of the rapid population growth in Baja California. Copies of the questionnaire items were made available to conference participants.

The U.S. Census Bureau is planning to use the Current Population Survey to obtain data on outmigration from the U.S. by asking about individuals who have left the household. Similar questions have been asked in Mexico and these questions will probably appear in a supplement to the May 1990 CPS, designed to obtain information near the time of the 1990 census.

INEGI collects information on immigrants to Mexico, but data are probably incomplete and no data are available by socio-demographic characteristics. Available information is published regularly in the *Anual Estadística*. Other information on immigrants in Mexico is generated by the Mexican Refugee Assistance Group which is presently completing a census of Central American refugees residing in the various "assigned" areas of southern Mexico. Also, the Bank of Mexico regularly conducts a survey of temporary crossings, primarily as a way of measuring tourism.

Mexican census officials will be pilot testing a question on residence five years prior to the census in an October 1986 census test. The series of questions that are currently asked, while capable of retrieving richer data than the simpler five-years residence question, have produced inconsistent results and a low response rate. Thus, there is a strong possibility that the 1990 census of Mexico will adopt the same migration question currently being asked in the U.S. census.

The remainder of the meeting was spent discussing specific census methodologies, as well as the specific logistics of supplementing surveys. Considerable progress was made in detailing plans for cooperation between Mexican and U.S. officials. Staff exchanges have already begun to a limited extent, and this meeting highlighted the value of such a program and strengthened the resolve on both sides to promote additional staff exchanges.

An English and Spanish summary of the highlights of the meeting will be prepared and will be available to interested persons in the U.S. and Mexico. For more information, contact: John R. Weeks, Director, International Population Center, Department of Sociology, San Diego State University, San Diego, CA 92182.

## Center for Immigration Studies

The Center for Immigration Studies (CIS) was founded in 1985 to focus on the social and economic implications of immigration trends, the options for immigration enforcement, and improvement of data and analyses on migration. The first paper released by CIS is "Illegal Immigration and the Colonization of the American Labor Market" by **Phillip Martin**, University of California, Davis. Martin discusses the problems associated with predicting labor force needs. He points out that projections made in 1979 of a labor *supply* of 106 to 114 million in 1985 has actually turned out to be 118 million; projections of a labor *demand*, by contrast, of 109 million if economic growth averaged 3 percent has turned out to be a labor demand of 108 million based on a real GNP of 2.1 percent. The result? The predicted labor shortage of up to five million workers has proved to be an unexpected unemployment rate of 7 percent, with "the unemployment rates of operatives and laborers ranging from 11 to 25 percent" (p. 40).

CIS' second paper is "Many Hands, Few Jobs: Population, Unemployment, and Emigration in Mexico and the Caribbean," by **Leon Bouvier** and **David Simcox**. The study examines population dynamics as a pressure on domestic labor markets, particularly Mexico, and examines several political outcomes that this internal pressure may create. According to the study, "widespread, unyielding joblessness is politically corrosive. Political events could become the critical variable in the decisions of millions of Mexicans of whether to try migration" (p. 35). The study concludes with a discussion of a U.S. response, juxtaposing a long-term enlightenment view with one of short-term prudence.

For more information, contact: Center for Immigration Studies, 1424 16th Street NW, Washington, D.C. 20036, (202) 328-7704. Dave Simcox, formerly with the U.S. Department of State and a specialist in Latin America, is Director of the Center.

# Chihuahua and the Struggle for Democracy in Mexico

by Oscar J. Martínez

*This article provides a perspective on the July 1986 elections in the state of Chihuahua and relates those events to the national political scene and upcoming 1988 presidential elections. Martínez, a PROFMEX Board member, is Director of the Center for Inter-American and Border Studies at the University of Texas, El Paso.*

On July 6, 1986, the people of the northern Mexican state of Chihuahua went to the polls to elect a governor, state representatives, and mayors of 67 municipalities. The election had great significance for various reasons.

For the first time in more than half a century the conservative opposition party, the Partido Acción Nacional (PAN), had an excellent chance to win the governorship of a major state in a country dominated by one party rule. The PAN in Chihuahua was confident it could improve on its hold of many state and municipal offices won in previous elections in 1983 and 1985. PAN members throughout Mexico looked to Chihuahua as the best hope in their long drive to gain a share of political power and to bring a semblance of democracy to Mexico. In 1985 the ruling party, the Partido Revolucionario Institucional (PRI), prevented the PAN from taking the states of Sonora and Nuevo León in hotly contested elections marred by widespread accusations of electoral fraud.

Chihuahuenses knew the PRI would conduct an all-out effort to retain the governorship of their state and to recapture offices previously lost to the PAN. They expected attempts at electoral fraud, but were shocked at how far the PRI went to accomplish its aims. Innumerable irregularities were recorded by observers and by the press in the July 6 election, including ballot-box stuffing, the disappearance of ballot boxes, long delays in the voting lines, rejection of voters who had been inexplicably taken off the rolls, rejection of accredited PAN representatives at the voting places, unannounced changes in voting hours, and unpublicized changes in the location of voting places. The fraud was apparently so massive and blatant that the Catholic Church, which is prohibited by law from political activity, issued a statement severely criticizing the election proceedings.

The PRI quickly claimed victory in almost every race throughout the state and the Chihuahua Electoral Commission, controlled by the PRI, confirmed that claim. PAN members were outraged and organized massive demonstrations in Chihuahua City and Ciudad Juárez. PAN supporters in these two cities were particularly angry because they fully expected to retain power in each municipality, and because the popular PAN gubernatorial candidate **Francisco Barrio** (ex-mayor of Ciudad Juárez) had, in their view, been denied a fair chance at

statewide office. Having fought unsuccessfully for the annulment of the election, the Panistas vowed to resist the government until honest elections are held. Judging by past PAN victories at the polls and the size of the demonstrations held to date, the PAN has considerable support among all sectors of Chihuahuan society.

The political controversy south of the border is an extension of the economic crisis that has gripped Mexico since 1982. Many Mexicans are unhappy with the electoral process and nowhere is that discontent greater than in northern Mexico where the crisis has severely hurt large sectors of the population linked in a variety of ways to the dollar economy. With the catastrophic devaluation of the peso, many *norteños* have seen their standard of living plummet. In previous years, *norteños* tolerated government inefficiency, corruption, and even one-party rule, but personal economic devastation has changed all that, and today they seek to bring about fundamental reforms in the country.



Oscar J. Martínez

Events in Chihuahua signal profound changes in the Mexican political system that probably will occur in the next decade. Only a short time ago most Mexicans and foreign observers dismissed the PAN as a right-wing party with limited support in Mexico. The Chihuahua elections, however, have spurred large numbers of conservative, moderate, and even leftist elements to join PAN in an effort to pressure the government to democratize the electoral process. The National Democratic Movement, born in Chihuahua in the summer of 1986, is now slowly spreading throughout the country, and it is possible that it will play a significant role in the elections of 1988.

At the moment it seems improbable that the

political tensions that now exist will explode into a violent upheaval. Few in Mexico desire such drastic action, especially since the memory of the Mexican Revolution of 1910-1920 is still fresh in the minds of many. However, it seems inevitable that confrontations between the contending parties will lead to at least sporadic and scattered violence.

Some observers believe that the government will respond to the pressure by making reforms in the structure of the PRI and in government policies as well. But, meaningful change is exceedingly difficult to achieve under the political system that PRI has fashioned over the last half century. The system is too complex, too unwieldy and suffers from too much corruption. Entrenched interest groups, powerful *caciques*, and beneficiaries of the vast spoils system will frustrate the efforts of reform-minded Priistas.

Thus, it seems more realistic to expect that whatever change results from the struggle that has already commenced will occur in the context of the society at large, not just at the level of party politics. Chihuahuenses and other *norteños* will be deeply involved in the movement for democratization, following a long tradition in the nation's political history of change emanating from the North.

## Binational Population Symposium

The International Population Center at San Diego State University announces that a Binational Symposium on Population Issues Along the U.S.-Mexican Border (Simposio Binacional Sobre la Población de la Frontera México-Estados Unidos) will be held in Tijuana, Mexico, June 8-11, 1987. The meeting is being conducted in collaboration with El Colegio de la Frontera Norte, and is funded by the William and Flora Hewlett Foundation and the Begstrom Foundation. The purpose of the symposium is to bring together experts from both sides of the border who are involved in research and action programs along either or both sides of the border in order to assess our current knowledge, identify important knowledge gaps, and establish research needs and strategies for filling those gaps. Symposium recommendations will be published and disseminated in both English and Spanish. For more information, contact either (from the United States): **John R. Weeks**, International Population Center, San Diego State University, San Diego, CA 92182-0383 (619-229-2874); or (from Mexico): **Roberto Ham Chande**, El Colegio de la Frontera Norte, Abelardo Rodríguez 21, Zona del Río, 22320 Tijuana, B.C. (66-88-00-38).

## ODC Links Policymakers in Mexico and the United States

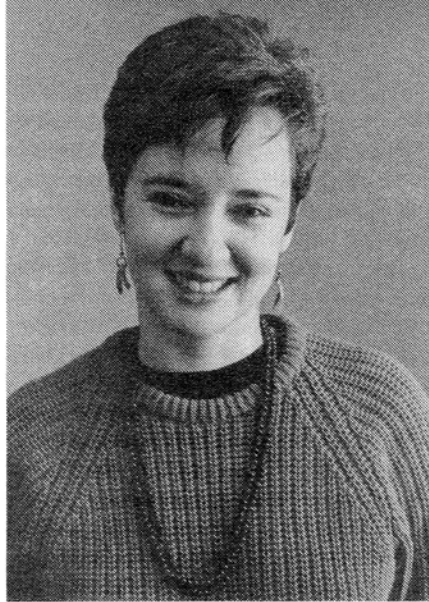
In June of 1986, **Cathryn Thorup**, PROFMEX Board Member and U.S.-Mexico Project Director at Overseas Development Council (ODC), and ODC Vice President, **Richard Feinberg**, were asked to testify at the Helms hearings on Mexico. As "Mexico-bashing" began to dominate the policy discussion in Washington, ODC stepped forth to stress the need for an enlightened, coordinated, and far-sighted U.S. policy toward Mexico. The dangers of a fragmented policy-making process were highlighted by the Helms hearings. As domestic and foreign policy issues become increasingly interwoven and as the stakes increase, more actors — both public and private — demand a say in policy formulation. Certain domestic constituent interests may be well served, but U.S. long-term interests in Mexico are not. **President Reagan's** invitation to **President de la Madrid** to meet with him in Washington was perhaps the clearest indication of the awareness in the aftermath of the hearings of the need to mend our southern fences.

While in Washington, President de la Madrid invited **Victor H. Palmieri**, Chairman of ODC's board, **John W. Sewell**, President of ODC, Cathryn Thorup, Richard Feinberg, and **Guy F. Erb**, Chairman of the U.S.-Mexico Policy Committee, to meet with him, expressing his support for the Council's extensive work on U.S. relations with Mexico.

With the return of Congress this past fall, the U.S.-Mexico Project reinitiated the U.S.-Mexico Congressional Staff Workshop. In September, **Stephen Lande** of Manchester Associates, an international consulting firm based in Washington, spoke on U.S.-Mexican trade relations. He pointed out the critical need for Congressional staff members to be aware of the important implications of various legislative initiatives which, though not specifically geared toward Mexico, could seriously affect the bilateral relationship. His presentation focused on H.R. 4800 — a bill to enhance the competitiveness of the United States, which could have serious implications for Mexico's attempts to expand and diversify its exports and to liberalize its import regime. For a detailed discussion of this issue, see Stephen Lande, "U.S. Omnibus Trade Bill — Future Damage to Mexico's Exporters," *Business Mexico* (August 1986).

The next workshop examined Mexico's recent debt relief package. Discussion focused on the debate over whether this new agreement offers a real opportunity for sustained growth and reduced poverty in Mexico, or simply postpones the problem for the next two years, leaving the hard choices to President de la Madrid's successor. **Norman Bailey** of Colby, Bailey, Werner & Associates was the speaker at this program. A recent talk by Bailey on the Mexican economy is included in this issue of *Mexican Policy News*.

As part of the U.S.-Mexico Seminar Series,



*Cathryn L. Thorup*

**Mariclaire Acosta**, Executive Director of the Mexican Academy for Human Rights, spoke at ODC in late October. Controversy around human rights protection in Mexico has arisen in the United States during past years in response to certain highly publicized cases, but in general it receives insufficient attention despite its potential importance in the context of both Mexican domestic politics and U.S.-Mexican relations.

**Tim Bennet** of the Office of the U.S. Trade Representative spoke at the sixth U.S.-Mexico Congressional Staff Workshop in December. He discussed the protection of intellectual property in Mexico, the impact of current laws on investment and technology transfer, and the pros and cons of newly proposed Mexican legislation. The protection of U.S. intellectual property through patents, trademarks, and copyrights is a concern of the Reagan administration with regard to many trading partners. The debate in Mexico focuses on pharmaceuticals and agricultural chemicals, both of which are currently non-patentable under Mexican law. The stated logic behind this is to allow Mexico to maintain control over inventions related to "priority" industrial sectors, generally considered to be any related to health and welfare. Current Mexican legislation is viewed in the U.S. as a disincentive for foreign investment, thus having a long-term negative impact on U.S. trade with Mexico.

In February 1987, ODC published a volume edited by Cathryn Thorup entitled *The United States and Mexico: Face to Face with New Technology*. The book examines the impact of new developments in technology on trade, investment and labor flows between the United States and Mexico. Thorup is also conducting research on bureaucratic structure and bilateral conflict which will culminate in a book entitled *Conflict Management in U.S.-Mexican Relations*.

*The View from Washington*. Another addition to ODC's publications effort was the appearance in the April-June 1986 edition of *Foro Internacional* of "U.S.-Mexican Relations: The Issues Ahead," co-authored by Cathryn Thorup and Guy Erb, making this important analysis of the bilateral relationship much more accessible to the Mexican reader.

Beginning in December 1986, the Project began examining domestic interest groups and their impact on the U.S. foreign policy process, focusing specifically on their impact on U.S. legislative initiatives affecting Mexico. Issues relating to Mexico are of concern to many different groups, each with its own agenda, often at odds with each other and with broader U.S. policy aims. This study seeks to identify these groups and examine the mechanisms they use to influence U.S. policy towards Mexico.

ODC's U.S.-Mexico Project examines a broad array of issues affecting the bilateral relationship. If readers have suggestions for particular issues that they feel demand the attention of a Washington-based policy-oriented audience, please contact ODC at: 1717 Massachusetts Avenue N.W., 505, Washington, D.C. 20036.

## Labor Market Interdependence Conference

Stanford University's Project on United States-Mexico Relations cosponsored a conference with El Colegio de México on the "Labor Market Interdependence between the United States and Mexico," September 25-27, 1986. The purpose of this conference was to present theoretical and empirical research which analyzes migration across Mexico and the U.S. as an integral component of a growing web of economic and social interdependence between the two countries. The participants shared perspectives on how the formation, evolution, and linkage of labor markets on both sides of the border is intimately related to patterns of economic development and social interactions within and between both countries. Some participants presented new empirical research analyzing the evolution of those sectors and communities most linked through migratory labor flows. Others addressed the way in which policy formulation has historically ignored these transnational processes and suggested directions for the development of alternative binational policy approaches.

This conference represented the end product of a series of binational workshops hosted by the Project on U.S.-Mexico Relations and El Colegio de la Frontera Norte, each with participation of scholars from the U.S. and Mexico. The earlier workshops included the Integration-Disintegration meeting in Tijuana in 1983, the conceptual workshop on Labor Market Interdependence, also



in Tijuana in 1984, and the workshop on methodological approaches to binational research at Stanford University in 1985.

Part of the September 1986 conference was devoted to discussion of the formation and implementation of immigration policy and to alternative binational policy approaches. The new immigration law, while certain to reorder legal and social relations between immigrants and employers, was viewed by most as incapable of addressing the basic economic structures that create the interdependence of labor markets across countries. While all participants clearly saw the advantages of developing a binational approach to labor market and immigration policies, considerable debate arose as to the

present institutional and geopolitical conditions which complicate the achievement of binational policy.

Conference themes and presenters included: "Labor Market Interdependence: A Conceptual Framework" (**Jorge Bustamante, Clark Reynolds**); "Evolution of Migration Policy" (**Thomas Heller, Francisco Alba**); "Supply and Demand of Migratory Workers in Mexico" (**Jeffrey Bortz, Kenneth Sokoloff, David Hayes-Bautista, Francisco Alba, Saúl Trejo**); "Migration and Local Communities in the United States and Mexico" (**Rafael Alarcón, Federico Gama, Bernardo González Aréchiga, Gustavo López, Gilbert Cárdenas, Leo Chavez, Estevan Flores, Thomas Muller,**

**Saskia Sassen-Koob, Matthew Edel**); "Sectoral Analysis" (**Sandra Archibald, David Runsten, Gary Thompson, Nicolás Gutiérrez Garza, Raúl Hinojosa, Rebecca Morales, Jeffrey Avina, Richard Mines, Roberto Ham**); "Undocumented Migration and Domestic Politics in the United States and Mexico: The Formulation and Implementation of Migration Policies" (**Kevin Kistler, Fred Romero, Edgardo Rivas Flores**).

For more information, please contact: Clark Reynolds, Project on United States-Mexico Relations, Food Research Institute, Room 306, Stanford, CA 94305.

## UCLA Bilateral Workshop on Industry, Labor, and the Environment

UCLA's United States-Mexico Policy Relations Project on Socioeconomic and Scientific Affairs held a bilateral workshop on "The United States and Mexico: Industry, Labor, and the Environment" from March 26-28, 1987, in Los Angeles. The meetings brought together some seventy selected scholars, public officials, and other interested people to develop a research agenda for the next three years on these key areas of the U.S.-Mexican interaction. The workshop was one of the first activities under a grant from the William and Flora Hewlett Foundation to the UCLA Program on Mexico.

The first day of the conference was devoted to general sessions that outlined significant aspects of environmental policy and of the economies and economic relations of the two countries. The second and third days of the workshop saw the participants break up into specific working groups on industry; labor; and science, technology, and the environment. These working groups discussed ongoing research and identified the components for an integrated research agenda for the period 1987-1989.

The general sessions were opened by Vice Chancellor **Albert Barber** and Chair of the UCLA Program on Mexico, **Norris C. Hundley**. **Jeffrey Bortz**, Coordinator of the UCLA Program on Mexico, provided an overview of Mexico's economic situation and Mexican-U.S. economic relations. Bortz also outlined the goals of the U.S.-Mexican Policy Relations Project on Socioeconomic and Scientific Affairs.

**George Baker**, Executive Secretary of PROFMEX and faculty member at New Mexico State University, spoke on the importance of the in-bond, or maquiladora, industry to Mexico and the United States. He emphasized the significant recent Japanese investment in production sharing in the border region, particularly in Tijuana. He noted that Mexico is now an important variable in the U.S.-Japanese relationship, especially with the increased use of Mexico by the Japanese as an export platform to the United States. He commented on the increasing U.S. investment in

the maquiladora industry in Mexico. However, he suggested that U.S. management does not have adequate information on the total costs of managing and operating offshore facilities in Mexico as compared to Taiwan.

Baker maintained that for Mexico the maquiladora concept is increasingly a policy dinosaur and stressed that Mexico needs to think beyond items 806 and 807 of the U.S. Tariff Code that underpin the maquiladora industry. He pointed out negative features of the maquiladora industry including its enclave nature with only a tiny percentage of Mexican inputs, lack of transfer of technology, geographical concentration at the border, very high labor turnover, and lack of participation by Mexican capital.

Baker observed, when reflecting on the experiences of other countries with the maquiladora, that Taiwan built on an infrastructure established by the maquiladora industry and went on to manufacture many products that qualified for GSP duty free status in the U.S. market. Perhaps, he noted, Taiwan should be the role model that Mexican planners should consider.

**Sergio Reyes Luján**, Undersecretary of Ecology of the Secretariat of Urban Development and Ecology, briefed the group on the environmental situation in Mexico. One of Mexico's most serious ecological problems is air pollution, particularly in Mexico City, home of 18 million people and 2.5 million motor vehicles (42 percent of the national total), 90 percent of which are in a poor state of repair and the source of 65 percent of the contaminants in the atmosphere. Among the 21 measures recently taken by Mexico have been installation of air pollution control devices on some buses, introduction of a gasoline with lower lead content, establishment of a monitoring network, and relocation of some industries.

Reyes Luján pointed out that industrial and domestic wastewaters have caused important problems. Not only have surface waters thus

been contaminated, but in some cases groundwater and soils have been negatively impacted.

An evening working session, chaired by Vice Chancellor **Edwin V. Svenson**, featured **Jesús Reyes Heróles**, Director General of Planning of the Secretariat of the Treasury, who made an important presentation of Mexico's recent attempts to restructure its foreign debt.

The Working Group on U.S.-Mexican Socioeconomic Relations, chaired by **James W. Wilkie**, first heard a number of general presentations before splitting into specific groups on labor and industrial relations. **Kenneth Sokoloff** (UCLA) discussed contemporary developments in the U.S. economy and stressed two particularly important developments. First, there is the slowdown in productivity growth beginning in the 1970s and although shared by almost all industrialized countries, it was particularly pronounced in the United States. This unprecedented and largely unexplained phenomenon has contributed to changing world trade patterns. Second, there is the changing composition of the U.S. economy and its changing role in world trade patterns.

**René Villarreal** (Secretaría de Energía, Minas e Industrias Paraestales) outlined key aspects of industrial restructuring in Mexico. He noted how this involves rationalization of production in Mexican industry. Important questions for Mexico have been, and in some cases continue to be, the overvalued peso, subsidized inputs, scientific and research infrastructure, and the need for higher rates of return for productive investment versus financial investment. He outlined advances in the parastate industries, the companies owned by the Mexican government. Included have been selling off unproductive companies to eliminate large deficits and concentration of the state-owned industries in strategic areas such as steel. Villarreal also related developments in Mexico to the economic situation in the United States and elsewhere in the world.

**Miguel Angel Rivera Ríos** (Universidad Nacional Autónoma de México) reviewed the current situation and prospects for the Mexican economy. First, the interconnected causes of the current economic crisis were discussed. Then, minimum conditions for overcoming the crisis were noted, along with possible future developments in the structure of the country. Rivera Ríos suggested that a number of paths were possible, but depended upon an interplay of domestic social, political, and economic factors along with various external elements.

**Rebecca Morales** (UCLA) presented results of her research with **Raul Hinojosa** (Stanford), where they analyzed the automobile industry, not only in Mexico, but also in the U.S. and elsewhere. Then, the future of the Mexican and U.S. automobile industries was discussed in light of the recent developments in the industry. For example, the model of flexible manufacturing which stresses technology and the model of greater standardization which emphasizes larger scales of production and global sourcing each has different implications in terms of long run consequences on areas such as labor. Each also provides different options to state policy makers.

Jeffrey Bortz concluded the presentations with a discussion on the impact on labor of industrial restructuring in Mexico and the United States. He pointed out some parallels in the labor behavior in both countries. In particular, the long-run wage cycle shows similarities. After World War II real wages rose significantly in Mexico and the United States. In the latter, real wages begin to turn downwards in the late 1960s, and have continued that slide since. In the former, real wages begin to turn downward in the mid-1970s, and have continued that slide since.

Bortz suggested that the current process of industrial restructuring is having a profound impact on labor in both countries through rising unemployment, declining wages, and reduced governmental services to working people. Since this will have an important influence on politics and policy in the coming years, he indicated the need to study the bilateral policy implications of this process.

Following the general discussions, the Bilateral Research Team on Industry, chaired by **Stephen Haber** (Columbia University), and the Bilateral Research Team on Labor, chaired by **Sergio de la Peña** (UNAM), convened separately to discuss and design research projects for the next several years. These will include a number of conferences, workshops, and publication of several volumes of research results.

The Bilateral Research Team on Industry included George Baker, René Villarreal, Rebecca Morales, Raul Hinojosa, **Gustavo Garza** (El Colegio de México), **Betsy Link** (UCLA), Miguel Angel Rivera Ríos, **Paul Ganster** (San Diego State University), **Francisco Colmenares** (Petróleos Mexicanos), **Edur Velasco** (Universidad Antónoma Metropolitana), **Enrique Cárdenas** (Universidad de las Américas, Puebla), **Mary Yeager** (UCLA), **Luis Tellez** (Secretariat of

Planning and Budget), **Norma Rocío Ramos** (Secretaría del Gabinete Económico, México), Kenneth Sokoloff, James W. Wilkie, and Jesús Reyes Heróles. As a general theme for future efforts, the industry group identified that of "Political Economy of the Mexico-U.S. Industrial Restructuring." Key specific topics to be addressed by the group include the historical development of industry in Mexico and the United States; evolution of specific industries and sectors, including petroleum and steel; policy environment for industrial restructuring in Mexico and the United States; levels of economic integration and interdependence to be expected in the medium term; and location decisions and spatial distribution of the maquiladora industry.

The bilateral research team on labor included **Carlos Salas** (UNAM), **Ignacio Llamas** (UAM), **Carlos Schaeffer** (UNAM), Jesús Reyes Heróles (Secretaría de Hacienda), **Brian Roberts** (University of Texas), **Harley Browning** (University of Texas), Sergio de la Peña (UNAM), Jeffrey Bortz, **Lisa Fuentes** (UCLA), and **David Hayes-Bautista** (UCLA). The group discussed current trends in labor relations, and agreed to research the following policy issues: wages, employment, the growth of the service sector, unionization, labor politics, the Hispanic impact on the labor force in the United States, and living conditions in both countries under industrial restructuring.

In the discussions of research, for example, the Working Group on Science, Technology, and the Environment, chaired by **William Glaze** (UCLA), organized its deliberations in several ways. First, general goals were considered and the workshop participants from the United States and Mexico discussed in detail both ongoing research projects dealing with the environment, as well as additional research interests. Then, smaller task groups were formed to design specific research projects.

The presentations of ongoing research projects covered a spectrum of topics from optimization of wastewater treatment to understanding the dynamics of erosional processes on deforested lands. The first presentation was given by William Glaze where he described ongoing projects on improving water quality by economically extracting such compounds as ozone from water systems and on the feasibility of meeting water quality standards so that water can be reused for agricultural and recreational purposes. Next, **Simón González** and **Rosario Iturbe** from the Engineering Institute, UNAM, outlined wastewater treatment and groundwater studies being conducted at the Institute. **J.B. Neethling**, Civil Engineering at UCLA, followed by presenting an overview of research activities in the water resources and environmental engineering program at UCLA. He described the work of **William Yeh** on surface and groundwater hydrology and optimization of water resource systems, **John Dracup** on water resources and environmental systems analysis, and **Michael Stenstrom** on process

development and control for wastewater treatment plants. His own research focuses on wastewater treatment processes, including the use of chlorination to control bulking biological sludges.

The next presentation was given by **Susanna Hecht**, Architecture and Urban Planning at UCLA. She discussed her work on how socioeconomic factors mediate agricultural land use patterns in Brazil. The consequence of the changing agricultural systems has resulted in increased deforestation and consequently erosion of valuable soil resources.

The Institute of Atmospheric Sciences at UNAM was represented next by **Humberto Bravo**. He spoke on the importance for collaborative research on identifying the extent of hazardous waste transportation and dumping along the U.S.-Mexican border. The importance of this type of study is reflected in the signing of the second and third annexes on hazardous waste transboundary shipment and discharge as part of the Reagan-De La Madrid 1983 Environmental Agreement. **Douglas Mackay** from Environmental Science and Engineering at UCLA summarized his research interests on transport and transformation of organic contaminants in groundwater under natural conditions, technologies for clean-up of contaminated groundwater and soil, and computer-based tools to aid governmental decision-makers. He mentioned that UCLA has just received a large grant from the National Science Foundation for five-year support for a research center on hazardous substance control. Under this center, Mackay will lead a field and laboratory investigation of groundwater clean-up technologies.

**Manual Maass** from the Institute of Biology at UNAM described several ongoing projects on natural resource management. One project involves gaining an understanding of the energy flows in and out of an undisturbed tropical deciduous forest, the "Ecosystem Watershed Project." In the near future, researchers will be perturbing the system to measure changes in such parameters as forest productivity, degree of erosion, and change in forest species composition. He also pointed out the importance of large scale soil erosion in Mexico and that there is a need for a basic survey to determine the magnitude of the problem.

**Christina Cortina de Nava** from the Biomedical Institute at UNAM gave an overview of research projects involving standardization of bioassay organisms and techniques for assessing health risk effects to humans from exposure to contaminated water. **Gregory Hammann**, from Centro de Investigaciones Ciencias de Educación Superior de Ensenada (CICESE), addressed the topic of the Mexican fisheries industry and how environmental factors may be playing a role in the declining fish and invertebrate stocks. He also mentioned the importance of the shrimp, tuna, and sardine fisheries to the U.S.

**Carmen Basua**, of the Institute of Chemistry

at UNAM, detailed her collaborative research with **Simón González** which deals with wastewater from the corn industry and sugar mills. She also mentioned additional research in progress at other units of UNAM. The Analytical Chemistry Department is involved in various efforts to study occurrence and health effects of heavy metals and pesticides. The Inorganic Chemistry Department and the Institute of Geography are looking at the presence of chromium in water sources and aspects of chromium removal from the well water in the northern part of Mexico City. Finally, the two departments are examining the use of sludge from the wastewater treatment plant in the industrial area of Cuernavaca for agricultural purposes.

After the conclusion of the presentations of research projects and prior to the deliberations of the task groups, Bill Glaze reiterated that the objective of the groups is simple: to facilitate project development and bilateral cooperation between academics in the two countries in the area of environment. These projects will take advantage of existing research, develop new research projects, and will include training for graduate and postdoctoral students where appropriate. The task groups identified a number of specific projects. These include:

1. Border Waste Survey. Chaired by **Roberto Sánchez** (El Colegio de la Frontera Norte), this group will survey wastewater and hazardous waste sources along the border and will define major problems. Case studies at the municipal level and industry or industrial park level will be identified with the objective of initiating an action plan involving minimization, detoxification, and reuse.

2. Water Reuse. Chaired by Christina Cortina de la Nava (Biomedical Institute, UNAM), this group will investigate water treatment, transport, statistical methods, health risk assessment, and sociopolitical/institutional barriers that relate to water reuse. Ongoing projects on urban use, agricultural use, aquifer recharge, and potable use of reclaimed water will be incorporated into the efforts of this task group.

3. Erosion Processes in the Ecosystems of Mexico. Chaired by **Hartmut Walter**, UCLA Department of Geography, this group will examine methods and technology, databases, soil conservation and rehabilitation, and the socio-cultural interface aspects of erosion problems in Mexican ecosystems.

4. Environmental Problems in Coastal Lagoons and Adjacent Waters. Chaired by **Luis Soto**, Department of Marine Sciences and Limnology at UNAM, this group identified as a major theme the interaction between extractive industries and natural resources. Plans are being formulated to investigate the relationship between the decline in certain fisheries and coastal contamination and destruction of coastal habitats.

The workshop on the United States and Mexico: Industry, Labor, and the Environment brought together a bilateral group of scholars and policymakers to discuss changing industrialization in Mexico and the United States,

as well as its impact on U.S.-Mexican economic relations, on labor relations, and on environmental relations. The experts agreed that the problems in the arena are large and largely unprecedented. They agreed that policymakers lack the scholarly studies that would inform the policymaking process. Finally, the importance of a bilateral approach was underlined.

At the workshop, the participants outlined the fundamental issues and agreed to a three-year policy research agenda. Research tasks were assigned, and preliminary results will be presented at the next workshop, tentatively scheduled for late fall or early winter. For more information, contact Jeffrey Bortz, UCLA Program on Mexico, UCLA, Los Angeles, CA 90024 (213) 206-8500.

## Recent Publications

■ *Impacts and Undocumented Persons: The Quest for Useable Data in San Diego County, 1974-1986.* By **Joseph Nalven** (Institute for Regional Studies of the Californias, San Diego State University, San Diego, CA 92182-0435. 1986. Pp. 91. \$5.00). This work examines the issue of impacts by undocumented persons on the criminal justice system, welfare, health, education, housing, tax contributions and subventions, and the labor market. Nalven draws attention to the official incorporation of undocumented persons into California's population estimates and how this inclusion affects subventions sensitive to per capita growth which are returned by the state to cities and countries, such as Motor Vehicle In Lieu, Cigarette Tax, and State Highway Users Tax. An estimated \$4 million (out of \$123.2 million) was returned to San Diego County and the cities of San Diego in FY 85-86. The paper reviews seventeen separate sources of information on undocumented persons in San Diego as well as the positions taken by elected county officials. The paper provides a comprehensive synopsis of the substantive and methodological issues concerning the impacts of undocumented persons in San Diego County, one of the areas that has received prominent attention in the nationwide debate on the effects of undocumented persons.

■ *Location Decisions Regarding Maquiladora/In-Bond Plants Operating in Baja California, Mexico.* By **Norris C. Clement** and **Stephen R. Jenner** (Institute for Regional Studies of the Californias, San Diego State University, San Diego, CA 92182-0435. 1987. Pp. 127. \$20.00). This important study on the maquiladora industry in Baja California was carried out in 1986 and addresses three questions: 1) What is the maquiladora industry and what are its present problems and future prospects? 2) Why are U.S. and other foreign companies establishing plants in Baja California, as opposed to other offshore export processing zones, or other areas of Mexico? 3) What are the economic impacts on California of the maquiladora program, mainly as it functions in

Baja California? Based on a survey instrument and detailed interviews, this study presents much new data on the costs and benefits of the maquiladora industry to California and to the United States. The report demonstrates that certain sectors of the California economy are becoming integrated with the maquiladora industry and a major conclusion of the study is that this integration does present a significant long-term opportunity for California by strengthening the competitive position of firms already operating in the state and by attracting new firms which make additional expenditures on facilities, intermediate goods, and personnel. This report is particularly timely, given the current debate in Congress regarding the maquiladora industry and items 806 and 807 of the U.S. Tariff Code.

■ *Politics and Ethnicity on Río Yaqui: Potam Revisited.* By **Thomas R. McGuire** (Tucson; University of Arizona Press, 1986. Pp. 186. PROFMEX Monograph Series 1). Observers of Yaqui Indian society and culture in southern Sonora inevitably return to the theme of ethnicity. Yaquis have maintained their distinct identity through centuries of often violent interaction with the surrounding society. Renewed confrontations in the 1970s over the control of the marine resources of lagoon shrimp fisheries and the productive farmlands along the lower Río Yaqui offered the author the opportunity to study the role of ethnicity in regional Mexican politics. Although the tribe was not fully successful in these struggles, the strength of Yaqui ethnic identity remains undiminished. Contributing factors to the persistence of the ethnic group include the uncoerced nature of individual participation in Yaqui political and religious institutions, the ascriptive foundations of group membership, and the role of the Indian and non-Indian audience in fostering Yaqui interest in a distinctive ceremonial systems.

This important study is the first volume of the PROFMEX Monograph Series. Thomas R. McGuire is an anthropologist with the Bureau of Applied Research in Anthropology at the University of Arizona.

■ *The Mexican Time Bomb.* By **Norman A. Bailey** and **Richard Cohen** (Priority Press Publications, 41 East 70th Street, New York, NY 10021. 1987. Pp. 61. \$9.00). This paper in the Twentieth Century Fund series on debt and default provides a fresh analysis of Mexico's debt problem and of its significance to other major debtor countries. According to the authors, between 1986 and 1988 the Mexican economy will grow at an annual average rate of less than 1.0 percent if the government's target, supported by the IMF, of 3.5-4.0 percent growth actually materializes in 1987-1988 because the Mexican economy will contract by 4.0-5.0 percent during 1986. By the end of 1988, the Mexican GDP in real terms will be only 2.3 percent larger than it was at the end of 1985. At the same time, Mexico's foreign debt will grow by a minimum of



\$12 billion, or 12 percent, between 1986-1988 if the Mexico-IMF agreement is supported by Mexico's private creditors. If oil prices remain at present levels, Mexico will need additional funds in 1988. Thus, Mexico's foreign debt will grow by \$12-20 billion from 1986 to 1988, or 12-20 percent. As a result, the nation's overindebtedness problem will worsen over the next three years as the debt-to-GDP ratio grows.

■ *Trans-boundary Policy Options for the San Diego-Tijuana Region.* Edited by **Lawrence A. Herzog**. (Center for U.S.-Mexican Studies, UCSD,

La Jolla, CA 92093. 1986. Pp. 108). The complex urban problems that have developed in the San Diego-Tijuana region have challenged the combined political and economic resources of the two communities and have been the focus of numerous meetings, studies, and binational gatherings of experts. Among the most useful of these meetings was a March 1985 workshop sponsored by the University of California's Center for U.S.-Mexican Studies and Program in Urban Studies and Planning. The proceedings of that

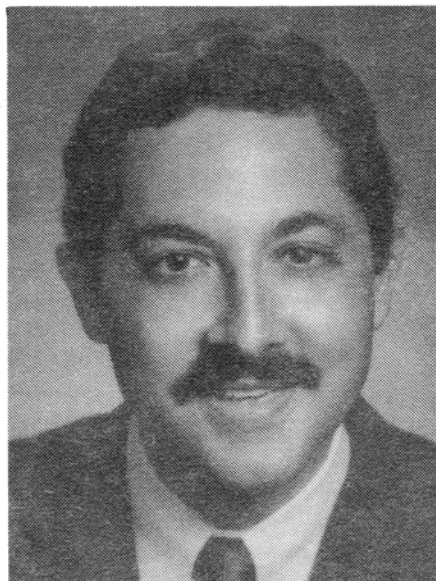
meeting, which included academic experts, public-sector planners, and elected officials, are presented in a newly available monograph edited by professor of Urban Studies Lawrence A. Herzog, who organized the workshop. The book includes essays on sewage treatment, water supply, land use, and air pollution, as well as thought-provoking discussions with elected officials ranging from Tijuana's director of planning for municipal public works to the Mayor of San Diego.

## San Diego's Department of Binational Affairs

In May 1986, the City Council of the City of San Diego voted to establish a Department of Binational Affairs. This department was created in recognition of the growing importance of U.S.-Mexican relations and especially of the importance of the relations between San Diego and the Mexican border area.

The Department of Binational Affairs of the city of San Diego has been established as a central point for coordination on those issues which transcend the international border, with special attention to those issues which specifically impact the San Diego-Tijuana region and other cities in Baja California. The Department of Binational Affairs provides a focal point for the city of San Diego's collaboration with federal, state, and local governments, as well as with the business community. In addition, the department maintains working relations with similar agencies in Mexico. The work of the department will facilitate the efforts of public and private entities to explore and understand the problems and opportunities that exist along the border region by maintaining channels of communication and strengthening linkages among public and private groups on both sides of the border.

In its short period of existence, the Department of Binational Affairs has already become involved in a wide variety of activities, including economic development, disaster preparedness, tourism, and border sanitation problems. In addition, the department has arranged two meetings between the mayors of Tijuana and San Diego and is now making



*Francisco Herrera*

arrangements for a joint meeting of the city councils of both cities.

**Francisco R. Herrera**, the department's first director, previously served as Director of Intergovernmental Affairs on the staff of Senator Pete Wilson of California, as well as working for the City of San Diego as Assistant to the City Manager and Assistant to the Mayor. Herrera recently obtained a Master's in Public Administration from the John F. Kennedy School of Government at Harvard University.

The department's Assistant Director is **Elsa R. Saxod**, who previously served as executive



*Elsa R. Saxod*

director of Frontera de las Californias, a city and county of San Diego organization to help open channels of communication between San Diego and Baja California. Saxod has also served as a member of the Board of Directors of the San Diego Chamber of Commerce and as the Governor's appointee as a commissioner of the California State Fair Employment and Housing Commission.

For additional information contact: Francisco R. Herrera, the Department Director, or Elsa R. Saxod, Assistant Director, 202 C Street, San Diego, CA 92101 (619) 696-3653.



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