



MEXICO POLICY NEWS

The Consortium for Research on Mexico

No. 7 Winter 1992

Workshop Examines FTA and Border Region

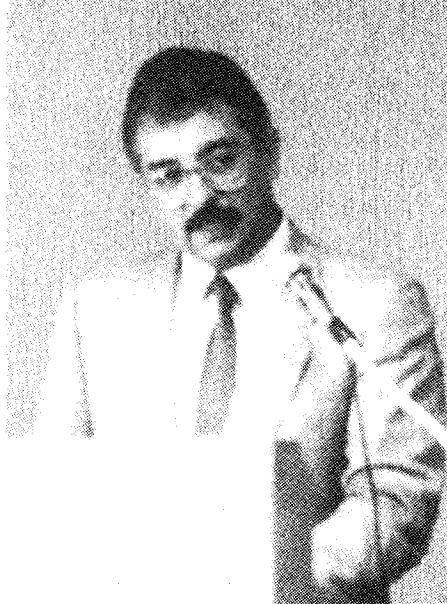
PROFMEX directors and members played a prominent role in the workshop "The U.S.-Mexican Free Trade Agreement and its Impact on the Border Region" that was held in Tijuana, Baja California, at the CANACO (Cámara Nacional de Comercio) headquarters, October 16-17, 1991.

The workshop was organized by the Instituto para la Integración de América Latina (INTAL) of the Inter-American Development Bank (BID), the Institute for Regional Studies of the Californias of San Diego State University, the University of Texas at El Paso, the Universidad Autónoma de Baja California, and El Colegio de la Frontera Norte. Valuable support for the workshop was provided by CANACO, San Diego Gas & Electric, and the firm of Gray, Cary, Ames & Frye (San Diego).

The object of the workshop was to analyze possible impacts of the Free Trade Agreement (FTA) and related agreements on border activity and to develop conclusions and useful recommendations for decision making by the governments, by members of the private sector, and by researchers. By focusing attention on specific border impacts of the FTA, the region will be able to better meet challenges and to more effectively take advantage of new opportunities in the changing economic reality.

High level public officials, business leaders, and scholars from Mexico and the United States served as presenters, commentators, and moderators. Federal, state, and local officials of both

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UABC's Rector Llorens Opens Workshop

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Ford Planning Grant for PROFMEX-ANUIES Study of Ciudad Juárez-El Paso

Ford Foundation offices in Mexico City and New York City have coordinated to award a planning grant of \$35,000 to PROFMEX and ANUIES to develop a collaborative policy-research project on the social-service infrastructure of the Ciudad Juárez-El Paso metropolitan area. Using Ciudad Juárez-El Paso as a case study, Mexican and U.S. scholars will undertake an in-depth analysis of the increasingly acute environmental and health effects of rapid demographic change and economic growth on the U.S.-Mexican border. The project brings

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PROFMEX 1991 Board Meeting Held in Toronto

Meeting in Toronto November 17-18, and affirming PROFMEX's commitment to bringing Canada into the Mexico-USA academic equation, President James W. Wilkie, welcomed the Board members (asterisked below), guests (including PROFMEX affiliated representatives and ANUIES representatives), and PROFMEX staff.

Present at the meeting were: Alan S. Alexandroff (Tory, Tory, DesLauriers & Binnington), *John Coatsworth (University of Chicago), Sergio de la Peña (Universidad Nacional Autónoma

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PROFMEX Purpose, Governance, and Membership

PROFMEX has 250 individual members and over 50 member organizations, more than 20 of which are in Mexico.

Purpose

Founded in 1982 to foster research on contemporary Mexican affairs, PROFMEX is a non-profit organization established under the U.S. Internal Revenue Code section 501 (c) (3). Dues, contributions, bequests, transfers, and gifts are deductible by members and donors as provided in sections 170, 2055, 2106, 2522 of the Code.

PROFMEX has fifteen specific purposes. It (1) links individuals and institutions interested in contemporary Mexico and North American policy issues with a focus on Mexico; (2) sponsors research; (3) hosts meetings; (4) publishes at the University of Arizona the PROFMEX Monograph Series; (5) publishes at San Diego State University the PROFMEX newsletter *Mexico Policy*

News; (6) publishes joint imprints with UAM-A; (7) publishes at UTEP the PROFMEX Special Papers Series; (8) maintains Secretariats in Mexico and the USA; (9) runs its Membership Office and Canadian Exchange Offices at the University of Chicago; (10) links Mexican Exchange through its UTEP Office; (11) maintains a Visitors' Center in Mexico City, a Policy Studies Office in New York City, and a Canadian Office in Toronto; (12) advises on public policy; (13) arranges distribution for materials of interest to its members; (14) centers its electronic network at CETEI; and (15) develops joint programs with ANUIES-Asociación Nacional de Universidades e Institutos de Educación Superior.

Governance

PROFMEX is governed by a Board of Directors which meets regularly to develop policy and programs. The Board

has sole responsibility for the selection of its members. It elects PROFMEX officers and appoints its agents.

Membership

Institutions and individuals may join PROFMEX by paying tax deductible annual dues as follows: Individuals, US\$30 (Mexican, US\$20); Non-profit institutions, US\$300 (Mexican non-profit institutions, US\$150); Corporations US\$1,000 (Mexican Corporations US\$500). Members are entitled to (1) attend scholarly meetings; (2) attend (but not vote at) Board meetings; (3) receive PROFMEX information and research findings; (4) receive publications either at no charge or at special discount rates; (5) be received at the Visitors' Center in Mexico City, (6) coordinate with PROFMEX Offices.

PROFMEX Offices

MEXICO POLICY NEWS

Editor

Paul Ganster (San Diego State University)

Published by

Institute for Regional Studies of the
Californias (IRSC)
San Diego State University, CA 92182-0435
Telephone (619) 594-5423
FAX (619) 594-5474

PROFMEX Presidency

James W. Wilkie, President
UCLA Program on Mexico, CA 90024
Telephone (310) 454-8812
FAX (310) 454-3109

Secretaría General de PROFMEX

Edmundo Jacobo Molina, Secretario
Universidad Autónoma Metropolitana
Contact: **Arturo Grunstein**, Secretario
Adjunto
Telephone (525) 589-07-42, 557-67-08
FAX (525) 395-39-02

PROFMEX Executive Secretariat

George Baker, Executive Secretary
1440 Euclid Avenue, Berkeley, CA 94708
Telephone (510) 486-1247
FAX: (510) 486-0338

Office of Policy Studies

Ronald G. Hellman, Director
Bildner Center, City University of New
York
Graduate Center, 33 West 42nd St.,
N.Y. 10036
Telephone (212) 642-2950
FAX (212) 642-2789

Office of Policy Linkages

Rafael Fernández de Castro, Director
Departamento de Estudios Internacionales
Instituto Tecnológico Autónomo de México
Río Hondo No. 1
San Angel, 00010 México, D.F.
Telephone (525) 548-2441
FAX (525) 550-7637

Office of Membership and Canadian Exchanges

John H. Coatsworth, Director
Mexican Studies Program
University of Chicago, IL 60637
Telephone (312) 702-8395
FAX (312) 702-7550

Office of Special Papers Series and Mexican Exchanges

Samuel Schmidt, Director
Center for Inter-American and Border
Studies
University of Texas at El Paso, TX 79968
Telephone (915) 747-5196
FAX (915) 747-5574

Office of Electronic Networking

José Warman, Director
CETEI/UNAM, Camino Real a
Xochimilco 60
Tepepan, Xochimilco, 16020 México, D.F.
Telephone (525) 675-30-01
FAX (525) 675-44-84

Office of Monograph Series

Michael C. Meyer, Editor
Oscar J. Martinez, Associate Editor
Latin American Area Center
University of Arizona, Tucson 85721
Telephone (602) 621-7106
FAX (602) 621-9424

Office of Research & Development

James F. Platler, Director
21607 Rambla Vista Dr., Malibu, CA 90265
Telephone (310) 456-5778
FAX (310) 456-0093

Office of U.S.-Mexican Studies

David E. Lorey, Coordinator
UCLA Program on Mexico, CA 90024
Telephone (310) 287-1626
FAX (310) 206-3555

Visiting Scholars' Center in Mexico City

Francisco Marmolejo, Director
University of the Americas/Mexico City
College
Av. Chapultepec 372, 06700 México, D.F.
Telephone (525) 208-68-23
FAX (525) 208-96-85

Office in Canada

Alan S. Alexandroff
Tory, Tory, DesLauries & Binnington
Suite 3000, IBM Tower, Dominion Centre
Toronto, Canada M5K 1N2
Telephone (416) 865-0040
FAX (416) 865-7380

PROFMEX Annual Membership Dues

Individual Dues	\$30.00
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 Chinese Academy of Social Science
 CIDAC-Centro de Investigación para el Desarrollo
 CIDE-Centro de Investigación y Docencia Económica
 COLEF-El Colegio de la Frontera Norte
 COLMEX-El Colegio de México
 Center for Strategic and International Studies
 CUNY-City University of New York
 Bildner Center
 Florida International University
 GEA-Grupo de Economistas y Asociados
 Hungarian Academy of Science
 IMEF-Instituto Mexicano de Ejecutivos de Finanzas
 ITAM-Instituto Tecnológico Autónomo de México
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Publications by the Universidad Autónoma Metropolitana-Azcapotzalco:
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 1991 **Paul Ganster** and **Edmundo Jacobo Molina** (eds.), *Reciprocal Images: Education in U.S.-Mexican Relations*; *Proceedings of the V PROFMEX ANUIES Conference*
 1990 **James W. Wilkie** and **Jesús Reyes Heroles** (eds.), *Industria y trabajo en México*

PROFMEX Monograph Series published by the University of Arizona Press:

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Publications by ANUIES

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 1988 **Oscar J. Martínez**, **Albert E. Utton**, **Mario Miranda Pacheco** (eds.), *One Border, Two Nations; Policy Implications and Problems Resolutions*; *Proceedings of the IV PROFMEX-ANUIES Conference*

Two Publications by ANUIES are out of print: **Stanley R. Ross** (ed.) *Ecology and Development of the Border Region*; *Proceedings of the II PROFMEX-ANUIES Conference* (1983); and

Michael C. Meyer and Mario Miranda (eds.), *Estudios Fronterizos; Proceedings of the I PROFMEX-ANUIES Conference* (1981).

Joyce Foundation Funds Mexico Policy News

President **Craig Kennedy** of the Joyce Foundation announced in July the approval of a grant of \$10,000 to fund publication of PROFMEX's newsletter. The grant enables PROFMEX to expand *Mexico Policy News* in terms of coverage as well as size of circulation. The newsletter serves as the main network link among the more than 50 institutions (over 20 in Mexico) and more than 250 individual scholars who are members of PROFMEX. The newsletter circulates internationally to reach policymakers, government officials, and private business as well as academics. In making the grant to PROFMEX, the Joyce Foundation, which is headquartered in Chicago, stated that the award recognizes the important role PROFMEX plays in helping regional areas such as Chicago understand the policy implications of events in Mexico, Canada, and the USA, and Mexico's relations with the world. Kennedy noted that the grant is especially important as the countries move formally as well as informally to establish a North American Free Trade Area.

Chicago is the most important non-border city in the United States with a major Mexican migrant community. Thus, the Chicago area stands with Mexico City as well as border cities such as Los Angeles, Tijuana, and Ciudad Juárez in the group of places where comparison of patterns and trends in Mexican life needs to be undertaken.

University of Toronto/CIS Joins PROFMEX

The Centre for International Studies (CIS) is based at the University of Toronto and was established in 1976 as a non-partisan, interdisciplinary research center, focusing on the political, legal, and economic relationships between sovereign states. With a major new multi-year grant in 1989, the CIS has been able to expand the scope of its work by becoming a link between academics, governments, and global corporations who are interacting in an increasingly interdependent and competitive world.

CIS sees Canada as a middle power caught up in a web of economic and political links with the Triad (The United States, Europe and Japan) and the new global economic environment that includes Mexico. The Centre serves as a link between Canadian scholars and their counterparts in other countries. Foreign academics are attached to the Centre through the Visiting Chair program, which allows senior academics from North America, Europe, and the Pacific Rim to meet and participate in the CIS's research program. The Visiting Chair program reflects the Centre's focus on the growing ties among the Triad. By enhancing contacts between specialists from different fields and countries, the Centre will enable long-term relationships to develop so that international teams of scholars can meet to address pressing global issues.

Currently the formal mission of the CIS is to:

—Examine Canada-USA-Mexican relations;

—Analyze the major underlying forces shaping the international economy, i.e., trends in trade, investment and technology, flows, the transformation of the centrally planned economies, and the globalization of corporate strategies;

—Explore the linkages between these trends and government policies in an international policy framework;

—Explore the policy options necessary to extend and strengthen transparent, predictable multilateral rules to create a level playing field for the private sector, an essential condition for sustained growth.

As well, the CIS is involved in a wide variety of projects that range from studying the diffusion and appropriation of returns from innovation in technology, to investigating competition policy in a global economy, to analyzing developments in Latin America and their significance for Canada.

CIS is chaired by **Sylvia Ostry** and directed by **Leonard Waverman**. Research Associates include:

Al Berry (Economics)
William Graham (Law)
Joseph Paradi (Industrial Engineering)
Alan Rugman (Management)
Edward Safarian (Economics)
Janice Stein (Political Science)
Dan Trefler (Economics)
Michael Trebilcot (Law)

For more information, contact Len Waverman, CIS, 18 Madison Avenue, Toronto, Canada, M5R 2S1, Telephone (416) 978-3350, FAX (416) 978-2910.

PROFMEX Advice On Double/Quad- tuple Air Miles

Frequent fliers may now earn bonus air miles in double and quadruple forms.

To earn double miles on five airlines and/or to earn miles simultaneously for one of those five and American Airlines, note the following examples:

1. Charge your air tickets on Delta, Continental, Northwest, MGM Grand, and Southwest (which yield frequent flier miles) to your American Express (AX) cards to earn simultaneously AX Membership Miles at one mile for each dollar charged and paid. AX miles are transferable to the frequent flier programs of the above five airlines. The result is to earn "double" miles on these airlines (with some adjustment for MGM, and Southwest).

2. Charge long distance calls to MCI card, which, when linked to American Airlines Advantage membership yields mileage at the rate of five miles per dollar charged and paid. Have MCI bill your charges automatically to your American Express card. The result is to earn miles simultaneously on American Airlines and AX. (AX miles may be transferred as in example 1, above; American Airlines is not yet a member of AX Membership Miles but may become one and thus enable transfer of miles into its Advantage program to yield double credit.)

To earn "quadruple miles", fly Delta coach upgraded to first class which earns double miles for an extra cost of \$15-\$45 each way while traveling in the USA and to/from Mexico and Canada; and charge your Delta tickets to AX for credit of one mile per dollar paid.

To take advantage of this PROFMEX travel advice:

A. Join American Express Membership Miles by calling (800) 297-1095 and also enroll for automatic MCI billing. (AX miles may be used on AX travel packages as well as transferred to the five different airline frequent flier plans.).

B. Link your MCI calling card to American Airlines Advantage miles program by calling (800) 999-1909. (MCI gives a 20% discount under its friends and family program; call (800) 234-0321; one person called internationally does not have to be an MCI member.)

Ford Planning Grant

(Continued from page 1)

together scholars from both sides of the border with policymakers and service users, building upon other recent and current projects focusing on the border.

The Ciudad Juárez-El Paso Project constitutes the second phase of a long-term border project entitled "Infrastructure for Border Economic Development by 2025," being developed collaboratively by PROFMEX and ANUIES. The first stage of the PROFMEX-ANUIES Border Infrastructure Project is focusing on the housing crisis in Tijuana and is being carried out collaboratively by San Diego State University, COLEF, and UABC, with Ford funding (see *Mexico Policy News* 6 (Spring, 1991).

Under the Ford planning grant for Ciudad Juárez-El Paso, a proposal has been developed through a series of formal and informal meetings in Ciudad Juárez and El Paso over the past nine months. During this time, major regional institutions and researchers have been consulted; the proposal coordinating group also made contacts with institutions and researchers from outside the region—from Tucson to Austin to Chicago. The process of developing the Project was collaborative, bilateral, and policy-oriented from the outset. Priority study areas, the research agenda, and the involvement of policymakers emerged from group discussions and institutional negotiations. Beginning in March of 1991 with a very large group of over a hundred interested scholars and policymakers, 15 principal investigators emerged from both Mexico and the United States to coordinate the large number of researchers.

The four Working Groups for the Project are:

- 1) Potable Water, Water Supply, and Waste
- 2) Housing and Irregular Settlements
- 3) Environment and Health
- 4) The Management of Urban Growth and Regional Planning

To ensure close collaboration across the spectrum of analysis and actors, two

consultative bodies will be established to serve as forums for discussion and debate of policy issues and the direction of research. In addition, the project will build on the recent statistical and baseline research that individual participants have conducted.

The Ciudad Juárez-El Paso Project will make substantive, basic research contributions and at the same time develop applied mechanisms for conflict resolution and policy implementation. Substantive results will pertain to the need and options for public services in the short and medium terms. The anticipated procedural outcomes will consist of the emergence of the new consultative mechanisms linking industry, and civic and community leaders

from both sides of the border.

The directors and site coordinators of the Ciudad Juárez-El Paso Project feel that there have been several important outcomes of the planning process of the last nine months. Significant achievements have already emerged that will not only enhance the functioning of the Project over the next two years but also contribute to long-term problem-solving after the Project is completed. Project participants, in seeking to forge collaborative bonds with researchers and policymakers across the border, have begun to create a transboundary network that has already proven useful for project participants in their work. In addition, new bilateral collaborative research projects have been developed by

regional scholars as a direct result of planning meetings and discussions.

The Project is organized as follows:

Co-Directors: James W. Wilkie (PROFMEX) and Juan Casillas García de León (ANUIES)

Project Coordinators: David Lorey (PROFMEX) and Ermilo Marroquín (ANUIES)

Consultative Groups and Communications Coordinator: Samuel Schmidt (UTEP)

Site Coordinators: Eduardo Barrera Herrera (COLEF), Julie Sanford (UTEP), and Alfredo Cervantes (UACJ).

PROFMEX Presidential Activities in E. Europe and N. America

President **James W. Wilkie's** recent agenda has included, among other activities, travel through Eastern Europe, participation in conferences held in Mexico and Canada, and consultations for the Council on Foundations in Mexico, the USA, and Canada.

Visiting Eastern Europe during September 1991, Wilkie and **James Platler**, PROFMEX Director of R&D, assessed the process of privatization for comparison with Mexico. Their travel by automobile took them from East Berlin to Prague, through Czechoslovakia to Poland where they visited Kraków and Zakopane, into Hungary to visit the second largest city of Miskolc and the Hungarian plain, then into northern Romania via Satu Marie, Sighet-Marmatie, Cimpulung-Moldovenesc, Suceava, and out through Cluj-Napoca. After visiting Budapest, they departed via Vienna, Salzburg, and Munich.

Among their findings, Wilkie and Platler note that through the privatization of gasoline stations, at once Hungary has ended shortages of gas and oil supplies and has also contributed to public health. In Hungary, three international companies must not only compete by constructing hundreds of new stations throughout the country to end the former shortages (which still exist in PEMEX's Mexico), but also as part of their bargain, the private companies in Hungary must construct and maintain clean, functioning toilet facilities (which are seemingly unknown to PEMEX).

This Hungarian experience is also suggestive for Mexico where competition could end the watering down of gasoline by avaricious PEMEX concessionaires who monopolize entire areas without regard to the economic damage they cause, never mind the social ills caused by failing to maintain effective toilet facilities. Resolution of the PEMEX prob-

lem in monopolizing retail sales would not only contribute to foreign tourism by land but also help resolve Mexico's problems of diarrheal disease which weakens Mexican workers and their families.

At the Hungarian Academy of Sciences (HAS) in Budapest, Wilkie met with **Zoltán Kárpáti** to discuss common interests in comparative studies. As a result of this meeting, HAS expressed a desire to expand its work on Mexico and to join PROFMEX with honorary membership. Kárpáti did his graduate work in Canada and taught at the University of Connecticut before returning to his post at the HAS Institute of Sociology in Budapest. He may be contacted at TEL (361) 121-4830, FAX (361) 122-1843.

At Cholula, Mexico, Wilkie presided over the Conference on "Cycles and Trends in XX Century Mexico," hosted June 13-16 by the University of the Americas-Puebla. Volumes in this series are published under a grant from the William and Flora Hewlett Foundation to Universidad Autónoma Metropolitana-Azcapotzalco. The series co-editor with Wilkie is UNAM's **Sergio de la Peña**.

At Tijuana, Baja California, Wilkie spoke at the "Conference on Free Trade and the Integration of the U.S. Mexican Border," sponsored by SDSU, UTEP, UABC, COLEF and the Buenos Aires based Instituto para la Integración de América Latina. In his remarks, he noted that with the rapid privatization of the Mexican economy and the deregulation of powers formerly exercised by the central government, the last bastion of bureaucratic statism is in Mexico's universities. Most public and private institutions remain hierarchically organized, to the detriment of research. UNAM's **Sergio Zermeño** echoed Wilkie's remarks by noting the

irony of the fact that there are more graduates of UNAM's sociology program serving as directors of UNAM institutes than there are students of sociology enrolled at UNAM.

In the USA, Wilkie represented PROFMEX at the conference on "Mexico in a New Hemispheric Order," held by the Bildner Center of the CUNY Graduate School, November 15. He addressed the conference luncheon and spoke of the ironies in the timing of bank nationalization and privatization in Mexico. Wilkie noted that whereas nationalization in 1982 saved the Mexican private sector from bankruptcy, by the mid-1980s privatization was overdue in order to end the credit squeeze on middle business. In remarking that the government was using most bank deposits to help pay the foreign debt instead of financing industrial activity, Wilkie stated that the failure to privatize the banks forced private savings into the stock market, which otherwise would not have boomed as it has. Ironically, then, the stock market success came at the ever increasing cost of illiquidity in day-to-day life for Mexico's population. Wilkie also chaired the Bilder Conference session on Political Modernization in Mexico; and he participated in the final roundtable panel summarizing the Conference issues.

In Canada at the University of Toronto/Frazer Institute conference on November 18, Wilkie chaired the opening session on "Macroeconomic Effects of the Canada-USA Free Trade Agreement," a preliminary assessment by **Peter Pauly**. This assessment set out to answer the conference theme which asked "How is Free Trade Progressing?"

PROFMEX Board Meeting

(Continued from page 1)

de México), **Gustavo del Castillo** (Colegio de la Frontera Norte), **Arturo García Espinosa** (Universidad Autónoma de Nuevo León), ***Dale Beck Furnish** (Arizona State University), ***Paul Ganster** (San Diego State University), ***José Z. García** (New Mexico State University), **Arturo Grunstein** (Universidad Autónoma Metropolitana-Azcapotzalco), ***Ronald G. Hellman** (Bildner Center, Graduate School of the City University of New York), **David E. Lorey** (UCLA), **Ermilo J. Marroquín** (ANUIES), **Samuel Schmidt** (UTEP), ***Cathryn L. Thorup** (University of California, San Diego), ***Albert E. Utton** (Transboundary Resources Center), **Mónica Verea Campos** (UNAM), **José Warman** (Centro de Tecnología Electrónica e Informática), **Leonard Waverman** (University of Toronto), and ***James Wilkie** (UCLA).

On behalf of the University of Toronto, Waverman invited all to attend the conference "How is Free Trade Progressing?" In noting that the conference was organized by his Centre for International Studies and the Frazer Institute, he thanked Wilkie for having agreed to chair the opening session of the conference on the afternoon of November 18.

Turning to Board business, Wilkie presented the nomination from UTEP President Diana Natalicio to name Schmidt (Director of UTEP's Center for Inter-American and Border Studies) as UTEP's representative to PROFMEX. The Board voted unanimously in favor of this nomination.

Two actions were taken regarding Board membership. First, to recognize the importance of Canada to PROFMEX, it was proposed that Alexandroff and Waverman be appointed to the Board after consultation by PROFMEX President Wilkie and managing partners of Tory, Tory, DesLauriers & Binnington and the president of the University of Toronto. Second, to expand the number of Mexican institutions on the Board, it was proposed that Warman be appointed as representative of CETEI and UNAM.

In remarking that the role of the PROFMEX Board is to serve actively rather than passively, Wilkie stated that Board members do not simply sit back and judge PROFMEX programs but contribute their own energy and the resources of their own organization to enhance the whole of PROFMEX through programs which also redound to the credit of their own institution. Thus, Wilkie introduced the following leaders of new PROFMEX offices:

Alan Alexandroff, Director, PROF-

MEX Office in Canada (Toronto); John Coatsworth, Director of Membership and Canadian Exchange (Chicago); Arturo Grunstein, Secretario General Adjunto (Azcapotzalco); Ronald Hellman, Director of Policy Studies (New York City); David Lorey, Director of U.S.-Mexican Programs (Los Angeles); Samuel Schmidt, Director of the PROFMEX Special Papers Series and Mexican Exchanges, (El Paso); Rafael Fernández de Castro, Director of Policy Linkages (Mexico City); and José Warman, Director of Electronic Networking (Mexico City). Each of these leaders reported on the scope of their initial activities. For example, Hellman reported that PROFMEX co-hosted the Bildner Center Conference on Banking Policy, held in New York City on November 15, 1991.

In reporting on present and planned research, Wilkie summarized the status of the Ford Foundation/Mexico City grant to examine the housing crisis in Tijuana. He noted that the project got underway November 1, 1991. Further, he reported that PROFMEX has received a \$35,000 Planning and Linkage Grant from Ford Foundation/Mexico City and Ford/New York to develop the proposal with ANUIES for conducting research on and debate about the urban services crisis in Ciudad Juárez/El Paso. This grant also provides for linkage to the Tijuana project and adds funds not previously available for research there. Lorey, who is coordinator of the Ciudad Juárez/El Paso project with Marroquín, reported on the organization and activities to date in preparing the proposal for submission in December. He noted that El Paso Community Foundation not only has contributed over \$10,000 in planning funds but will serve as the financial administrator on a no-cost basis to PROFMEX to which the interest accrues. Lorey noted that PROFMEX owes a debt of gratitude to President **Janice Windle** of EPCF. Lorey also informed the group about the successful meeting that he, Schmidt, and Wilkie had with **Robert Curvin** and **Diana Bermúdez** of the Urban Poverty Office at Ford/New York as well as with **Norman Collins** and **José Gabriel López** at Ford/Mexico City.

Wilkie reported that planning for the MEXNET electronic network is proceeding apace. Lorey told of proposal development and the possible roles of different funders. Warman summarized how he has overcome the technical problems in establishing the system, which will provide immediate on-line communication as well as E-Mail and bulletin board service. Data for the network will range from current and time-series basic economic data to international agricul-

tural prices—types of information needed by such groups as Mexican farmers as well as by government decision makers and policy analysts.

In reporting on the PROFMEX Monograph Series Wilkie stated that the book entitled *The Deterioration of the Mexican Presidency*, by Samuel Schmidt, will be released this month by the University of Arizona Press. The series seeks manuscripts, which should be sent for evaluation to **Michael C. Meyer** and **Oscar J. Martínez**.

With regard to publications of the proceedings of PROFMEX-ANUIES conferences, Jacobo and Grunstein reported that *Imágenes Reciprocas* from the V Conference, held in Mexico City, will appear under the UAM imprint in December. Ganster noted that he has assembled all the U.S. papers from the VI Conference, held in Mazatlán to send to UAM, which is publishing the series under a grant from the Hewlett Foundation. Jacobo and Grunstein stated that they would assemble the Mexican papers quickly in order to proceed with publication.

Jacobo reported that UAM published in 1991 *Industria y trabajo en México*, edited by Wilkie and **Jesús Reyes**

Heroes. The volume, part of the Series on Cycles and Trends in XX Century Mexico, was well received at June book presentations in Mexico City and Puebla.

Wilkie was pleased to report receipt of a \$10,000 grant from the Joyce Foundation of Chicago to publish three issues of *Mexico Policy News*. Paul Ganster reported on circulation, the need for a new logo to encompass Canada as well as Mexico and the USA, and reiterated his request for PROFMEX members to send news releases for the forthcoming issues. Schmidt proposed that some articles should appear in Spanish and French to reflect the multilateral focus of PROFMEX, but Ganster argued convincingly that English is the lengua franca of the policy-analysis world and the emerging North American Free Trade Area; thus, the use of Spanish and French would be the exception rather than the rule. Grunstein noted that *El Financiero Internacional* (Mexico City) is published in English and that BANAMEX publishes in English its *Review of the Economic Situation of Mexico*. Coatsworth summarized the debate by stating that the target audience interested in international relations speaks English.

With regard to future conferences and activities, Coatsworth, Jacobo, and Alexandroff reported as co-chairs about their plans for the VII PROFMEX-ANUIES conference. Planning began earlier in the day and settled on the site and dates as Mérida, November 13-15, 1992. Planning is now moving forward

for the conference to be entitled "Visions of a New North American Community."

Lorey reported on the granting of \$15,000 to PROFMEX by the Carnegie Foundation to facilitate the work of the USC Center for International Journalism. Under USC's **Murray Fromson**, PROFMEX, USC, and UCLA are placing interns on the border to do research and to write news articles.

Wilkie circulated the PROFMEX bylaws as revised in Mazatlán in order to highlight the changes made there and to request that minor additions be made in two places.

With regard to the first addition, Wilkie requested approval of new language in Article VI(4)(a) to authorize transfer of funds between PROFMEX and other non-profit organizations such as El Paso Community Foundation, which will financially administer the Ciudad Juárez/El Paso grant to PROFMEX from Ford. Although it is not necessary to add such a provision to the bylaws because it is expressly permitted under the U.S. Tax Code, which authorizes PROFMEX as a non-profit and publicly supported 501(c)(3) organization to receive tax deductible grants, donations, and assignment of funds and to easily transfer to and receive funds from other 501(c)(3) type organizations or their equivalent, Wilkie sees the addition of the language as instructive to Board members who may not fully understand how non-profit organizations function. Also, Board members need to be aware of the fact that stimulation of the flow of non-profit funds to Mexico is vital to the development of policy-oriented and applied research there by academics from many countries including Mexico, especially with the decline in government-funded research.

The clarification about the powers of 501(c)(3) organizations serves further to illustrate to Board members the role that PROFMEX is serving as consultant to the Council on Foundations. The Centro Mexicano para la Filantropía, and Canadian Centre for Philanthropy on facilitating the flow of non-profit funds across borders in an era of emerging free trade. The Council is especially interested in the flow of non-profit funds between Mexico, Canada, and the USA, and the extent to which U.S. and Canadian foundations may under the U.S. and Canadian tax codes treat Mexican non-profit foundations on an equal footing so as to avoid, for example, the need to determine on a case-by-case basis whether or not they are making grants to equivalent non-profit organizations. (If not, the Canadian organization may not make direct grants at all and the U.S. organization must exercise

direct financial oversight of funds granted, which is seen by small foundations to be both costly and problematic.) Without a standard determination, each U.S. and Canadian foundation must develop its own method of determining non-profit equivalency, which discourages the flow of non-profit funds to Mexico from foundations which fear that they may be overruled by their own tax authorities, thus jeopardizing their non-profit status.)

With regard to achieving non-profit tax harmonization utilizing the U.S. 501(c)(3) definition as a "model" internationally, Wilkie reported on his interviews with the IRS in Washington, D.C. Although the U.S.-German (effective 1990) and U.S.-Canadian (effective 1981) tax treaties provide for mutual recognition of non-profit organizations between the two countries, because each case is subject to administrative approval by the respective tax agencies, mutual recognition has not and will not be granted. The international problem is that the tax laws defining the non-profit sector are different in each country, thus preventing administrative approval. To achieve harmonization, treaties would have to eliminate the provision for administrative approval, which has been inserted in the first instance to reassure the legislators of each country that non-profit organizations do not operate to evade taxes.

Interim solutions are three: One involves U.S. development of a standard format by the IRS so that non-profit foundations can reliably determine whether or not a foreign non-profit organization is the equivalent of a U.S. 501(c)(3) type of organization—such a generic format is scheduled to be released by the IRS in early 1992. The second solution is for Mexico and Canada to revise their tax codes. Canada is in the process of doing so, but not necessarily in relation to U.S. law, and draft legislation is overdue from Revenue Canada. Mexico's tax law differs from the United States and Canada in that it does not encourage establishment of 501(c)(3) type organizations. Mexico does not have any overarching federal legislation but leaves matters to its states, only some of which follow the lead of legislation in the Federal District. The Mexican Philanthropic Center has called for a complete overall of Mexican federal tax law to encourage the kind of non-profit activity that has provided in Canada and the USA the kind of non-governmental alternatives for social and economic action that can only come through decentralized decision making. Indeed, the Mexican Center realizes that Mexico is now in direct competition with Eastern Europe for scarce non-profit fund-

ing, and that countries there may be moving faster than Mexico to adopt 501(c)(3) compatibility.

In a February meeting in Mexico with government and foundation officials, the Council on Foundations will seek to contribute to discussion about the possibility of modernizing Mexico's tax laws to encourage the development of a non-profit sector compatible to that in other countries. Council President **James Joseph** is scheduled to lead the group, which includes PROFMEX President Wilkie.

It was moved by Hellman and seconded by Utton that the Board

- 1) support PROFMEX's role in helping to facilitate the cross-border flow of non-profit funds; and
- 2) authorize the recommended addition to the Bylaws of language about 501(c)(3) operations.

The Board voted unanimously to approve these motions.

With regard to the second minor revisions to the Bylaws, noted that Article VIII, which lists members of the Executive Committee, should have listed, in addition, the Secretario General. It was moved and seconded that this addition be made.

Wilkie remarked that because of the speed of events in which PROFMEX is involved and the size of the Board, the Executive Committee provides the means for decisive action. He noted that all Board members are not involved in all decisions but only members immediately relevant to a given project. To keep up with events, Board members are requested to read *Mexico Policy News* with care, to interact in communiqués to and from PROFMEX officers, to maintain close contacts with the Secretariats, and to attend all Board meetings. He also pointed out that the development of MEXNET will greatly facilitate communication among Board members.

In other Board activities, reported on the PROFMEX Financial Statements and noted that in order to avoid the creation of a bureaucratic infrastructure, where practicable, funds are routed directly to other 501(c)(3) organizations such as the San Diego State University Foundation, which, for example, has assumed financial responsibility for publishing *Mexico Policy News* and disbursing funds to SDSU researchers working on the border. The Board voted unanimously to accept the President's report and the Financial Statements.

As its final act, the Board voted to continue the present Board membership and organization of officers.

FTA and the Border (Continued from page 1)



Opening Remarks by BID's Pérez Castillo, with (l to r) Samuel Schmidt (UTEP), CANACO's Alfredo Payan Burgos, José Luis Bernal (Mexican Embassy, Washington, D.C.), and UABC's Luis Llorens.

countries served as sponsors of the event and helped with its development. More than 300 participants registered for the event that was also covered widely in the regional media.

PROFMEX participants included James Wilkie (UCLA), George Baker (PROFMEX), Sergio Zermeño (UNAM), David Molina (North Texas State), Samuel Schmidt (University of Texas, El Paso), Stephen R. Jenner (California State University, Dominguez Hills), Jorge Bustamante (COLEF), Cliff Metzner (San Diego State University), L. Ray Sadler (New Mexico State), Paul Ganster (San Diego State University), Oscar Martínez (University of Arizona), and Arturo Ranfla (UABC).

Other panelists included Gerardo Bueno (El Colegio de México), Augie Bareño (Department of Transborder Affairs, County of San Diego), Al Araiza (Mexico Projects, San Diego Gas & Electric), Noé Arón Fuentes (COLEF), Bob D. Cook (El Paso Development Council), Eduardo Zepeda (COLEF), Joseph Nalven (LaRocque, Wilson, Mitchell & Skola, San Diego), Leobardo Estrada (UCLA), Guillermo Arámburo (UABC), David Ronfeldt (Rand Corporation), Gabriel Estrella (UABC), Mary Kelly (Texas Center for Policy Studies), Roberto Sánchez (COLEF), Ron Pettis (Gray, Cary, Ames & Frye and Border Trade Alliance), Larry Herzog (San Diego State University), Alejandro Mungaray Lagarda (UABC), Richard Sinkin (Inter-American Holdings Company), Lauro Germán Osornio (UABC), Víctor Zúñiga (COLEF), José Manuel Corona Estrada (CANACO), and Edwin P. Cubbison (Consul General of the United States, Tijuana).

After opening remarks by Dr. Juan Pablo Pérez Castillo (Gerente de Cooperación Técnica Regional of the Inter-American Development Bank), Sr. José Luis Bernal (Mexican Embassy, Washington, D.C.), and by Maestro Luis Llorens Baez (Rector of UABC), workshop panels went on to address the following thematic areas:

- I. The Free Trade Agreement: A Framework of Analysis of Border Issues.
- II. Bilateral and Border Trade.
- III. Industrialization.
- IV. Labor Markets and Migration.
- V. Environment.
- VI. Economic Infrastructure.
- VII. Society and Education.

All of the panelists and participants were provided with a background and reference document *El Acuerdo de Libre Comercio México-Estados Unidos y represiones en la frontera* (Buenos Aires: INTAL, 1991). This document was prepared by the organizers for the workshop in order to provide a common frame of reference for panelists.

The principal conclusions coming out of the presentations and discussions are the following:

- Mexico and the United States have multiple interactions and a strong reciprocal interdependence. The FTA and other border agreements will strengthen institutionally the de facto integration existing between both countries and will have their most important medium-and short-term impacts—both positive and negative—in the binational border region.
- The FTA will force competition between both countries, including the border region, and as a result changes should be expected in the structure of production and trade in the bilateral arrangement. Interindustrial relations

will be mainly responsible for future trade increases.

- The overall benefits expected from the FTA will be favorable. However, sectoral or regional dislocations and other negative impacts are to be expected. More specific studies need to be carried out to better understand these impacts and to evaluate the value of specific assistance needed to offset these impacts. The rate of implementation of the FTA could accelerate the dislocation and other impacts as in the case of retail trade and other small businesses on the Mexican side of the border.
- The FTA will have impacts through an increase in trade and industrial activity between both countries. At the workshop, two factors were pointed out as possible limits on this process of expansion:
 1. The need for economic infrastructure in the border necessary to support the growth and also the financing needed for investment in this area.
 2. The need for human resources trained for the new rules of competition and equipped for the technological changes, particularly in Mexico. This seems to be particularly important for the border region.
- The increase in commercial and industrial activity and increases in employment from the FTA in the northern border of Mexico will increase the demands on urban infrastructure.
- With respect to the financing necessary for enlarging the economic infrastructure needed under the FTA, the consensus was that fiscal reforms and opening up all sectors to private investment would be necessary. This point was made particularly in reference to the supply of energy for the region.
- With respect to border industry, particularly the maquiladora industry, under the FTA, it was felt by workshop participants that there would be significant growth in sectors such as automotive parts, electrodomestic items, aerospace, and so forth. However, it is possible that the FTA might bring changes in the regulatory framework of the maquiladora industry. For items originating outside of the North American Free Trade Area (NAFTA), rules of origin regarding NAFTA content could restrict access to the larger market. It was felt that the development of Mexican suppliers to the maquiladora industry would be a logical way to increase the NAFTA components in the final product.
- The great diversity of the economic and productive capacity of the FTA

partners requires that the governments of the partners apply stimuli or corrective measures to those areas affected or lagging behind with the purpose of increasing their competitiveness within the FTA.

There also exists considerable concern about small and medium industries that could be noncompetitive under the FTA.

- The topic of migration is particularly sensitive in the bilateral relationship, especially in the border region. The problem of the growth of migration, linked to the expansion of trade and industry in the border, despite improved bilateral relations, will continue to be a problem in the medium term. In practice, regulations adopted by the United States have not been effective either in decreasing the flow of migrants nor in removing the motives for migration. The discussions at the workshop revealed a lack of concrete proposals to deal with these migrations and with the expected impact on migration of the FTA. However, suggestions were made with respect to analyzing priorities in investment that would deal with growth in the border and that would locate investment in the center of the country that could have the effect of reducing the investment concentration in the north.
- Environmental issues continue to affect the bilateral relationship in negative ways, despite the greater levels of cooperation in this area. There are in the border sources of contamination that could increase with the expansion of economic activity expected from the FTA. The priority of environmental problems has been clearly expressed



Environmental Panel (l to r): Mary Kelly, Cliff Metzner, Roberto Sánchez, Ron Pettis, René Altamirano, and Enrique Manzanilla

by both governments and slowly there has been improved environmental regulation and control. An important step in resolving the border environmental crisis would be the approval of the revised Binational Border Environmental Regulation Plan that would unify standards and methods of environmental control and would open the way for more private investment in the environment.

- The FTA will bring important impacts to the border community in the education and social areas. Increased cultural exchange and activity will result from the FTA, facilitating other types of interactions. The availability of adequately trained human resources to operate effectively in the binational environment is necessary in the border in order to be able to take advantage of the opportunities opened by the

FTA. The new competitive climate brought by the FTA will require increased cooperation by the education sectors and eventually, an academic free trade.

- The different institutional actors in the border region make difficult the analysis and ordered action in the region. It will be necessary to develop new micro mechanisms for more global binational coordination and for more focused expression of border issues.
- The private sector was viewed by the workshop participants as a principal actor in the development of strategies and actions for projects in the binational region.

INTAL and SDSU are preparing proceedings for the workshop and these will be published early in 1992.

University of Guadalajara's U.S.-Mexico Project

The University of Guadalajara (U. de G.) is pleased to announce the receipt of a major grant from the William and Flora Hewlett Foundation to fund a new program of policy research. The project focuses on collaborative, interdisciplinary research among advanced scholars and policymakers from Mexico and the United States and it focuses on long-term trends in Mexico's central-western region which have had and will have an important impact on U.S.-Mexican economic and social relations.

The project has three main components: 1) policy-research projects on U.S.-Mexican economic relations and their impact in Mexico's western region; economic growth, urbanization, and ecological impact; and migration within the Mexican West and from the West to the United States; 2) a program of stipends to U. de G. researchers, allowing them time to pursue research on U.S.-Mexico policy issues; and 3) a series of working conferences to bring together scholars and policymakers to debate policy issues and develop specific policy recommendations.

The Institute for Economic and Regional Studies at the U. de G. will coordinate the project through its Center for U.S. Studies. The Center, directed by **Jesús Arroyo Alenjandre**, has several related projects underway and a full staff of academic experts with expertise on a wide variety of U.S.-Mexican policy issues. The expertise of members of the Center lies primarily in the areas of U.S.-Mexican relations and their impact in the Guadalajara region, migration from the Guadalajara region to the United States, and the impact of economic and social change in the United States on Mexico, particularly

the Guadalajara region.

A major event is scheduled for June 18-20, 1992, when the Center for U.S. Studies will build upon long-term ties between the U. de G. and UCLA, to hold, as part of the ceremonies celebrating U. de G.'s 50th anniversary, a research meeting of the UCLA's Program on Mexico project on "Cycles and Trends in Twentieth-Century Mexico" project headquartered at the UCLA Program on Mexico.

For more information on U. de G.'s program, contact Arroyo at Tel. (5236) 24-28-03; FAX (5236) 23-37-94 (request FAX tone).

FTA and Mexican Labor

Acapulco was the site of a October meeting to analyze the impact of free trade on the labor market in Mexico. The conference was sponsored by the Program for the U.S.-Mexican Policy Studies of the LBJ School of Public Affairs at the University of Texas at Austin, the Universidad Nacional Autónoma de México, and the Instituto Tecnológico Autónomo de México.

Labor market economists who attended the October conference were sharply divided in their predictions on the future of Mexican migration within the North American Free Trade Area. **Jesús Reyes Heroles**, managing director of the Grupo de Economistas y Asociados, a Mexican consulting firm, said that salary levels will help determine migratory patterns, and wage rates themselves will be dependent on the influx of capital into Mexico under a trade agreement. He predicted that the sharp differences in U.S. and Mexican wage rates would begin to even out under a trade agreement.

Former U.S. Labor Secretary **Ray Marshall** said that U.S. wage rates have declined during the last decade. It is important, he emphasized, for the United States to pursue a high-wage strategy and not gear its production to the use of low-wage labor at home or in Mexico.

Raul Hinojosa of the Graduate School of Architecture and Urban Planning at UCLA predicted that migration from Mexico to the United States would increase under a trade agreement, in part stimulated by outmigration from rural areas in Mexico.

U.S. job losses in the agroindustrial, automotive, and textile sectors are likely to continue declining under a free-trade agreement, reflecting ongoing structural adjustments in those industries, several of the participants argued. Employment in the U.S. automotive sector has declined with the globalization of that industry, and textile job losses reflect the export of less-skilled jobs to low wage markets in the Caribbean and Far East.

Sidney Weintraub, director of U.S.-Mexican Policy Studies at the University of Texas, predicts that Mexican wages will rise as workers' educational and productivity levels rise and as demand for labor increases from a buoyant Mexican economy. "Free trade," he said, "is but one element of a total Mexican development policy that is instilling confidence in investors at home and abroad."

Senior Historian Joins Faculty of Florida International U

Florida International University announces that **Gilbert Joseph**, a nationally recognized senior historian specializing in revolutionary Mexico, has joined its Latin American and Caribbean Faculty. Before joining FIU, Joseph taught Latin American History at the University of North Carolina at Chapel Hill for 14 years.

Joseph graduated from Colgate University as class valedictorian, Summa Cum Laude, and Phi Beta Kappa in 1969. After attending Monash University (Melbourne, Australia) as a Fulbright scholar, he went on to receive his M.A., M. Phil., and Ph.D. at Yale University. Joseph is author of numerous books and articles. His major research interests encompass modern Mexico and Central America, social and agrarian history, and comparative revolutionary movements.

In 1985-86 he began research on a long-term project on the relationship between elite factional politics and forms of popular protest during the Mexican Porfiriato and early revolutionary period. He has continued his research and writing on this theme with major support from the National Endowment for the Humanities (NEH) and visiting research fellowship at the Center for US-Mexican Studies at the University of California, San Diego.

In 1990 Joseph received grants from NEH and the Social Science Research Council to organize an international conference on "Popular Culture and State Formation in Modern Mexico." The four-day event, which took place at the Center for US-Mexican Studies, assembled an interdisciplinary cast of specialists working on questions of state formation and popular resistance in Europe and Asia as well as Mexico and Latin America. He is currently editing *State Formation: Revolution and the Negotiation of Rule in Modern Mexico*, a volume based on the conference.

5th Annual Bildner Seminar Series

The Bildner Center of the CUNY Graduate Center has hosted a number of speakers to address current Mexican issues as part of its new role as PROFMEX Office of Policy Studies. Speakers include:

David Lorey, Coordinator of the Mexico Program at UCLA, who led the first session of the Bildner Center's 1991-1992 Academic Seminar Series, September 20, 1991. He spoke on "University Crisis and Political Change in Mexico."

Roderic Camp, professor of Political Science at Tulane University, discussed "Generational Change and Political Leadership in Mexico" at the October seminar.

Douglas Massey, professor of Sociology at the University of Chicago spoke on "Migration and Social Change in Mexico" at the November seminar.

Bruce Byland, professor of Anthropology at Lehman College, CUNY, discussed "Generational Change and Political Alliances in Pre-Columbian Mexico" in December.

Guadalupe Rivera Marín, Director of the National Institute for the Study of the Mexican Revolution, spoke November 22 on "Revolution and National Identity in Mexico."

Santiago Óñate Laborde, Ambassador of Mexico to the OAS, spoke in August on "The Mid-Term Elections and Political Transformation in Mexico."

Sergio González Gálvez, Mexican Under Secretary of Foreign Relations, discussed "The Continental Consequences of Free Trade," in April.

Luis Donaldo Colosio, President of PRI, discussed "The PRI and the Democratic Challenge in Mexico" in June.

The Bildner Center for Western Hemisphere Studies sponsors research, seminars, forums, and publications that address the practical resolution of public policy problems facing the nations of the Western Hemisphere. The Center is an integral part of the Graduate School of the City University of New York. It serves as a link between CUNY's intellectual community and other experts and policymakers working on contemporary issues in Latin America, North America and the Caribbean, and provides a window on New York for scholars and public officials throughout the Americas.

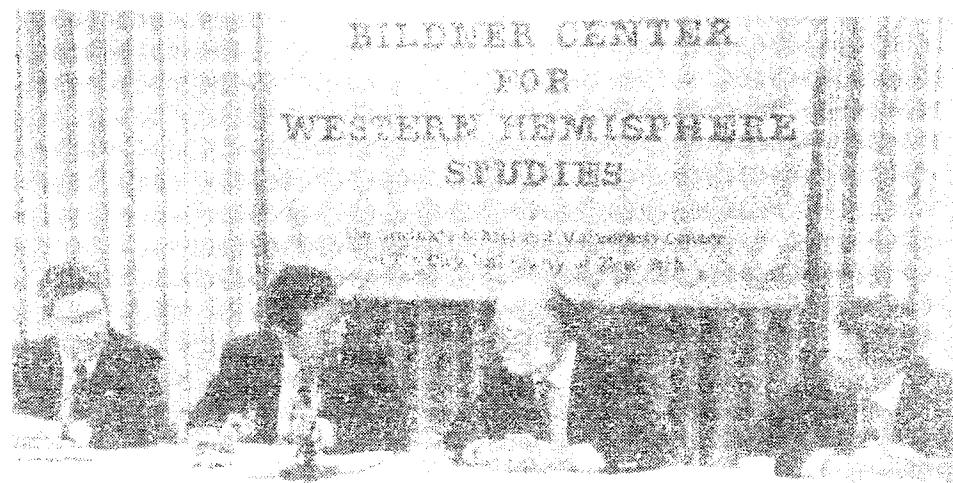
The Center serves as the PROFMEX Office of Policy Studies.

Experts on Mexico Convene at CUNY's Bildner Center

Mexico in a New Hemispheric Order was the subject at the Bildner Center for Western Hemisphere Studies on November 15, 1991. This Fourth Annual Conference on U.S.-Mexico Relations was organized by **Ronald G. Hellman**, Director of the Center, and **Eugene D. Miller**, Project Coordinator, at the City University of New York's Graduate School and University Center. The conference brought together a group of outstanding scholars and policymakers from the United States and Mexico to discuss the restructuring of the financial institutions in Mexico and the United States, the prospects for democracy in Mexico, and the future of a North American Free Trade Agreement.

Prominent Mexican experts included Ambassador **Jorge Montaño**, Permanent Representative of Mexico to the United Nations; **Santiago Oñate Laborde**, the Mexican Ambassador to the Organization of American States and PRI politician; and **José Luis Reyna**, a political scientist and the Secretary General of El Colegio de México.

Leading U.S. specialists included **Roger Altman**, Vice Chairman of the Blackstone Group; **Bert Ely**, a leading U.S. banking system authority and President of Ely & Company; Boston



Bildner Panelists (l to r): Manuel Alonso, Santiago Oñate Laborde, Ronald G. Hellman, and Jorge Montaño

University sociologist, **Susan Eckstein**; Columbia University economist, **Robert Mundell**; and **James W. Wilkie**, President of PROFMEX and historian at UCLA. Representatives of other prominent Mexican and U.S.-based institutions, including the Universidad Nacional Autónoma de México (UNAM), the Universidad Autónoma Metropolitana (UAM), the Instituto Tecnológico Autónomo de México (ITAM), and the United Nations

Development Programme, also participated.

The day's topics were covered in four panels: Session I on *Bank Reform in Mexico and the United States*; Session II on *Mexico and the Changing Global Financial System*; Session III on *Democracy and Authoritarianism in Mexico*; and a Concluding Discussion on *Mexico in a New Hemispheric Order. The North American Free Trade Agreement*.

Center for Strategic Studies, ITESM

The Monterrey Tec Center for Strategic Studies (CEE) was inaugurated in Monterrey in January of 1991. Its main objectives are to improve understanding of Mexican-U.S. relations and to conduct research on regional development and public policy planning.

The CEE has established a newsletter, *Estratégia*, the first issue of which deals with the proposed North American Free Trade Agreement. A second issue on the exporting sector is now in print.

Currently, several studies are being undertaken by CEE on differences between U.S. and Mexican negotiating styles and problems of adaptation of American executives and their families living in Mexico.

In the area of regional development, CEE has completed working papers on sectorial analysis of the manufacturing sector of the state of Nuevo León, the standards of living of the population of the state, and the exporting sector.

This research is oriented toward enhancing the international competitiveness of the state of Nuevo León. For this reason, the CEE organized a Symposium November 12 in Monterrey on

the Competitive Position of the North American Block (Mexico-United States-Canada). The following panelists participated in the symposium: **Jaime Serra Puche**, **Donald R. Lessard**, **Anne Krueger**, **Michael Hooker**, **Richard K. Lester**, **Leland T. Blank**, **Robert Sullivan**, **Albert Fishlow**, **Delal Baer**, **Abel Beltrán del Río**, **Timothy Kehoe**, **Sidney Weintraub**, **Rodolfo Cruz Miramontes**, **Ruperto Flores**, and **Eduardo R. Bours Cas-telo**.

For more information on CEE, please contact **Héctor Moreira**, Director, Centro de Estudios Estratégicos, ITESM, Sucursal de Correos "J", 64849 Monterrey, N.L., fax and phone (52-83) 58-2000 extension 3901.

Import/Export Consultancy, Chihuahua

The Program of International Business, as part of the Center for International Competitiveness, ITESM Campus, Chihuahua, is now offering private consultation services to anyone interested in import/export with Mexico. The Program is prepared to provide assistance in a variety of areas, from marketing studies and client lists to translation and legal services.

As part of the Instituto Tecnológico de Estudios Superiores de Monterrey, the Center has a significant amount of intellectual and physical resources at its disposal. For more information contact: **Tony Browning**, ITESM, Campus Chihuahua, A.P. 28-B, 31110 Chihuahua, Chih., Tel. (5214) 17-46-46; FAX (5214) 17-46-46.

Cabo San Lucas: Development Versus Tourism

By James Platler

Once off the big jet and inside the modest airport facility, we were suddenly face to face with a grinning bartender. Without uttering a word, he made it clear that a drink was not just a good idea, but an obligatory acknowledgement: "You're in Cabo San Lucas now." And the encounter with Mexican Customs was more like greeting an old friend than dealing with a government bureaucrat. Sadly, the tone was not to last. We pushed through the glass doors into the main lobby and walked toward the ground transportation. "Over here—free taxi to your hotel, sir. You get a free taxi and one free night in our new hotel." Off to the other side, "free maps of the city sir." Free taxis? Free hotel rooms? Is everything in this town going to be free? Not exactly. Cabo San Lucas too had been stricken with a queer virus—"timeshare".

There are many other hooks used to bait the tourist whose guard is down on holiday. No matter, the hooks all lead to the "free" breakfast in the morning—purportedly for a tour of "the new hotel." The new hotel is, well, not really a hotel at all. It is the newest investor/developer idea to separate the tourists from money they never came here to spend, and with which they can, very likely, ill afford to part. The logic is that through timeshare, the cash flow of the hotel can be temporarily, if artificially, shored-up. How can it be that more hotels are needed in an area which cannot fill those presently standing? Occasionally, timeshare space will be sold even before a hotel is built, the binding down payment placed cheerfully on one's credit card.

Downtown Cabo San Lucas has forsaken an entire block to timeshare booths, as well as numerous intersections, and space outside popular restaurants. Up and down the once pristine beaches, in front of the newly built hotels—behemoths containing three or four restaurants, bars, and hundreds of yards of boutique runways—are located all kinds of booths set up to offer various "promotions." Half price off scuba rental, boat rides, etc. Everything, it seems, is linked in some way to a conspiracy to entrap the tourist into attending a high-pressure timeshare presentation and sales pitch.

Tourists can be forgiven if they begin to get the feeling that toxins come in forms other than 55 gallon drums. Timeshare hucksters are only the tip of the iceberg in Cabo's almost surely troubled future. Could it be that timeshare, as seen here, is the "junk

bond" of the development engine. Is it an indirect indicator of severe underlying economic, environmental, and social distortions which have not yet manifested themselves in this malignantly growing gringolandia? The Sixty-Four Thousand Dollar Question is: "In what way will the Free Trade Agreement affect all this?"

At the turn of the century Cabo was a quiet, isolated fishing village known only to its own native residents, a few expatriates from the north, a small group of particularly hardy sport fishermen, and the readers of John Steinbeck's *Log from the Sea of Cortez*.

When Steinbeck arrived over 40 years ago at the Cape on a scientific junket organized by the famed marine biologist, Ed Ricketts, he described the "light gunfire" from the cliffs. Those shots were aimed at the hated Cormorants, hated because they dove at and frightened the bait fish away from the cannery pier, making it impossible for the locals to capture them in their hand-nets for the next day's tuna fishing. The Cormorants were, Steinbeck said, "...the fly in the perfect ecological ointment."

The fish cannery of those days, discarded the head, entrails, and other parts of the day's tuna catch off the end of the company pier. Schooling below, thousands of small fish essential to filling the bait tanks for the next day's effort boiled within easy reach of the trawler hands, who scooped them up as they joined the feeding frenzy generated by the dumping of the tuna parts. The unpopular Cormorant in snaring some of the bait fish during its dives, frightened hundreds of others out well beyond the reach of the worker's nets. (Granted, today, our often romanticized version of what is ecologically correct makes the practice seem downright awful, but the fish parts provide a banquet for the lobster, the spider crabs, the rays, the bait fish, and even the sharks, that prowled the area after nightfall.) The old cannery is one of the few remaining vestiges of Cabo's colorful past. Its paint peels now, its windows are boarded up or smashed out, and its once screeching conveyors are little more than twisted, rusting scrap metal.

Miraculously, the old pier still stands guard over the harbor entrance, its booth at the far end occupied by a wrinkled old man, who spent decades fueling fishing trawlers, and now pumps diesel fuel into million-dollar yachts arriving from the mainland or from the Great North.

The sleepy community described by

Steinbeck is today a thunderous roar of rock music, rumbling cement trucks, tee-shirt shops, boutiques, banks, mega-hotels, and seas of blue-green syndicated taxi-vans with fixed, seemingly computer-generated, fares calculated to turn the tourist pocket inside out.

From dawn till dusk, trucks brimming over with construction materials roar back and forth through town. Long after dinner the hammering and sawing goes on, the work now done in the milky white artificial day of a hundred halogen lights powered by huge generators.

Wherever the eye settles, half constructed concrete and steel rod structures struggle upward, punching into the sky. As far as one can see, the dry ragged hills stretching to the sea are under full assault by the bulldozer and the road grader. Reinforcing rods protrude from hundreds of poured concrete foundations and structures which seem to proliferate like mushrooms during the night.

The desert lover searches in vain for a vacant parcel of unmolested land. For sale signs, build-to-suit signs, the deep tracks of the bulldozer disappear over another hill in the direction of the sea—yet one more understandable human effort to strike gold in this barren land. Excited promoters will tell you that Cabo San Lucas will be a "finished" resort within five years—the speaker seemingly always oblivious to the irony of his choice of words.

With the promise of free trade and loose, if any, regulation, the entire Cape region from Cabo San Lucas to San José del Cabo is perceived by many as one massive real estate bonanza. An eager and growing indigenous local population is available for manual labor, while "Chilangos" migrate readily to operate the hotel reception and concierge desks. Everywhere, one finds the firm, if naive, belief that there are thousands of wealthy gringos lining up in Los Angeles, Salt Lake City, and Chicago, eager to come as tourists and stay in \$125.00-250.00 per night hotels. Perhaps they will even purchase a more permanent piece of paradise in the form of one of the hastily constructed homes, on the upper end, or at least a timeshare, on the lower.

With all this excitement about riches to be had just by scratching the surface of the hard-baked desert earth (to gouge out a building pad in a side hill), it is perhaps unfair, or unkind, to raise a number of concerns about Cabo San Lucas, and what is happening there.

1. WATER: Cabo San Lucas is a desert, a very dry desert. It has some

water, but its needs are expanding geometrically due to the density and intensity of development. The general health of the entire population—native and tourist alike—depends upon the existence of a source of uncontaminated drinking and other water. The population explosion in the area is an obvious problem, but added to this is the incongruous and somewhat senseless drive to create a patchwork of nearly contiguous golf courses.

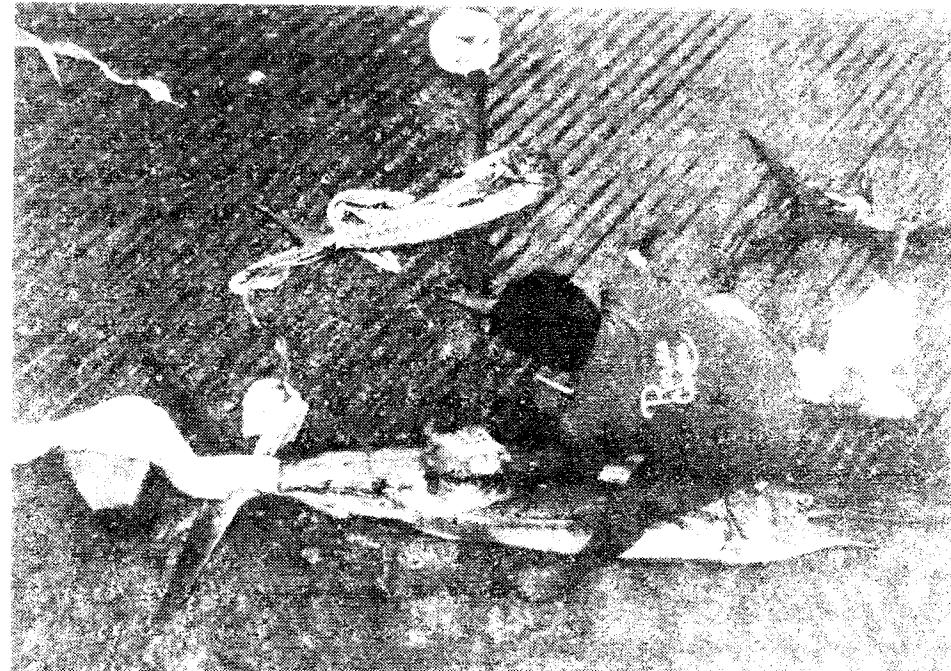
2. SEWAGE: Even more monumental is the risk of handling the increasing volume of human sewage. There are the thousands of tourists, the thousands of migrants who have flocked here for jobs, and even the scores of boats which are increasingly based in the newly modernized and enlarged harbor. The failure to properly handle any one of these sources of effluent will impact the tourist industry negatively. If tourists begin to experience increased intestinal and other health problems, the industry will take a sudden and sharp dive downhill.

3. CONFLICTING USES OF PARADISE: One cannot visit Cabo without thinking of the "compatibility question." Is the jet ski compatible with the suntan oil set, not to mention the swimmer or snorkeler? Is the installation of more and more golf courses consistent with the fresh water needs of the masses of humanity which presumably will descend upon this region over the next decade?

4. SPORTFISHING: Sport fishing, particularly Marlin fishing, has been a staple of Cabo's economy since the 1940s. The industry then was small, and the sport fishermen relatively few. The recently privatized and modernized portion of the marina is now home to dozens of expensive, electronically equipped high speed sport fishing boats and their professional crews. In theory, the industry had been the exclusive domain of Mexican citizens, but the bitter cynicism of local fishermen casts serious doubt upon the veracity of the claim. Free trade may very well produce an increase in foreign investment in the industry.

5. DENSITY: How many massive hotels can be built in a small area like Cabo San Lucas before the "pearl" to which the tourist was attracted in the first place has been destroyed—loved to death, as it were? One of the worst aspects of the timeshare venture is that it tends to raise investor or developer expectations far beyond any reasonable scale. The result has been the saturation of the main beach with edifices which one simply cannot believe are necessary or desirable.

6. THE SABOTAGE OF VIEW: A strange example of decay in the midst of



Cabo San Lucas, filleting marlin and dorado. Failure to practice "Catch and Release" with game species such as marlin is threatening this valuable renewable resource.

growth is starkly apparent by a major hotel's decision to cooperate with the timeshare organizers. Less than two years ago, the Melia San Lucas, a hotel with one of the most stunning lobby views in the world, opted for unknown reasons to cooperate with timeshare organizations, presumably convinced that the additional cash flow would smooth the roller coaster ride inherent to the nature of the resort hotel business. The result, at least for the affluent or high-end tourist, is immediate and catastrophic. The finest new hotel in the region cannot honor a reservation for the prime view rooms. These are reserved for timeshare guests at the "expense" of return visitors. A more visible public relations blunder is the decision to allow the visually striking Melia lobby to become home to a timeshare table, complete with attractive gringas and gringos who are staged to snag the newly arriving guests before they can get to their rooms.

7. THE BOGUS "GRATUITIES": As a tourist booking a room at the hotel through a U.S. travel agent, one is offered the option of paying 15% gratuities up front, before making the trip. Once at the hotel, however, the guest is informed upon visiting the dining rooms and bars that "tips and gratuities are not included." To ask the manager at the front desk about this matter is to invite one of the most incredible distortions of ordinary language

to be found anywhere. The disbelieving guest is gently informed, in a tone indicating his error is forgiven in advance, that "Gratuities" mean tips for the gardeners and maids. All other personnel, including, of course, all bar and restaurant, pool side, and room service personnel, will expect their normal 15%."

8. THE TRANSPORTATION SWINDLE:

Independent cabs or taxis are prohibited in Cabo. The cab company holding the government concession fixes rates and conditions, leaving the tourist as exposed to the control of local caciques as the native population, who pay exorbitant fares or walk. (Indeed, even the proprietors of the top hotels are powerless to intervene on behalf of the guest should a problem arise between tourist and cab driver.) Although transportation from the airport to the hotel is an obvious bargain, even if the "free" option is not taken (the vans carry up to nine people, for about six dollars), when it is time to return to the airport, the terms change radically. The rate is a base fee of \$35.00, with complex and variable additional charges for more than six persons, which can run the tab to \$80.00 or \$100.00 dollars.

In summary, there is no "free ride" into or out of Cabo San Lucas. The idea of returning for a repeat visit is increasingly unpalatable. It is not that there is no beauty left in Cabo—there is. But one must turn a blind eye to the hideous direction of events in order to enjoy it.

Building Exchanges, Building Understanding

by Robert D. Earle

Robert Earle is Minister Counselor for Public Affairs at the U.S. Embassy in Mexico. Following his tour in Mexico, Mr. Earle will be Diplomat-in-Residence and Visiting Scholar at the University of New Mexico. He will be conducting research on concepts of national identity in North America.

"Some Ideas Have a Logic and a Life of Their Own"

My involvement in the creation of the U.S.-Mexico Commission for Education and Cultural Exchange convinces me this is true.

Looking back, the idea was rather simple: up to 1989, the United States and Mexico lacked a formal mechanism for supporting and expanding educational and cultural exchanges at a critically important moment in the bilateral relationship. Strange but true: the United States did have such mechanisms with over 40 other nations around the globe, yet not with its closest and most significant neighbor.

In fact, Mexico's economic crisis through the 1980s had a withering effect on binational exchanges. Students and artists alike stayed home even as global change accelerated the need for heightened communication between nations that share major interests and one of the world's longest common borders.

With all due respect to the nations of Asia and Europe, they are not as important individually to the United States as Mexico, yet their students and researchers far outnumbered Mexicans in U.S. universities. Further, Americans displayed a persistent tendency to repeat, yet again, the Grand Tour syndrome described so compellingly by Henry James at the turn of the century (not next century, *last century!*): To educate oneself, one went to Europe.

Is that still true? Or has the world's compass not turned on its axis, so that the great events of the century to come will involve the north and the south more than the east and the west?

The United States therefore proposed to Mexico that it consider joining us in the creation of the U.S.-Mexico Commission for Educational and Cultural Exchange. We offered the entire Fulbright budget devoted to Mexico as the U.S. portion of the Commission's budget, and we asked Mexico to consider making a similar but not necessarily equal contribution. This proposal was advanced through a series of meetings over a

period of three or four months in early 1990. It was then formally accepted at the August 1990 meeting of the Cabinet-level Binational Commission in Washington, D.C.

The terms were straightforward: The U.S. per annum contribution would be \$2+ million; Mexico's would be \$1 million. The Commission Board would be named by the Mexican Foreign Secretary and the U.S. Ambassador; and six of its ten members would come from the private sector. The Commission would have a professional staff based in Mexico City but would hold meetings throughout Mexico and the United States. Key clauses in the agreement called for establishing cooperative agreements with other entities in furtherance of mutual understanding and exchanges.

These, then, were the ideas that came alive and began to assert their logic when the agreement creating the Commission was signed in Monterrey in November 1990 at the Bush/Salinas Summit.

Quickly the two parties named the ten member Commission (see box) and designed proposals to augment current Fulbright programs with the additional monies available. These proposals have built up the Commission's faculty development program, English language training programs, multi-disciplinary master's degree program, and post-doctoral research program. Further, the Commission has created new programs for scholarships in the arts. In rough terms, we moved from 100 to 150 grants in the space of just a year.

The Commission also hired a distinguished Mexican educator, **Carlos Ornelas**, to be its first Executive Director and opened offices in the Benjamin Franklin Library in Mexico City (Londres 16). In time, the Commission plans to refurbish a building (yet to be selected) in Mexico's Centro Histórico as its permanent headquarters. Assisted by several new staff members, Dr. Ornelas is quickly taking control of a program that not only has increased its basic scholarship activity but also is incorporating and developing new elements and initiatives.

For example, the new "Fund for Culture" within the Commission is financed by the Rockefeller Foundation, the Mexican National Council for Culture and the Arts, and the Bancomer Cultural Foundation. This \$1 million per annum program will sponsor small grants (under \$25,000) for non-academic cultural exchange in such diverse fields

as dance, translation, and library management. Non-degree research proposals in cultural scholarship will be entertained as will support for conferences on a broad array of cultural themes.

Working within the framework and with the support of the Commission, this Fund for Culture represents both bilateral and public/private cooperation at its best. Its inspiration was the June 1990 meeting of the U.S.-Mexican Commission on Cultural Cooperation. That meeting underscored the Rockefeller Foundation's conviction that important areas of cultural and intellectual interaction between Mexico and the United States required additional support. The Mexican Council for Culture and the Arts and the Bancomer Cultural Foundation thoroughly agreed and swiftly joined the effort to define and finance the new Fund's programs.

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As the Fund for Culture demonstrates, the Commission is predisposed to innovate where innovation is necessary. Its founding philosophy has been to shape itself to bilateral realities and build on them, not pursue hard and fast policy agendas which we all know are subject to change every few years. Because the scholar or artist who received support from the Commission or the Fund this year may not complete his or her contribution to Mexico and the United States for another 15 or 20 years; the long view is

what is relevant in Commission operations.

In the same vein, the Commission has noted the fact that debt swaps for education offer great potential for U.S. and Mexican universities to augment their resources in support of critical research and exchanges objectives. The Commission and the non-profit Debt-for-Development Coalition (DDC) therefore have designed a Debt for Science, Technology, and Human Resources initiative that is consistent with Government of Mexico guidelines for debt swaps, and has the full support of both governments; the first swap will probably be executed before this newsletter goes to print.

Essentially the Commission and DDC have created a mechanism that gives everyone the assurance, guidance, and administrative support needed for these complicated undertakings. We think there is potential for many millions of dollars to be converted on terms that are highly favorable to all involved. Of course this is a program that may not go on forever, but over the next 5-10 years it can help the bilateral relationship respond directly to the interests of a

wide variety of key institutions on both sides of the border.

In working on these exciting initiatives, I have felt most fortunate. When I arrived in Mexico in 1989, this was a bilateral relationship about to boom with creativity. Economic trade figures alone (in the pre-NAFTA era) suggested powerful, underutilized interests, and the early communication and cooperation between the Bush and Salinas administrations clearly presaged a positive political framework. What I find most surprising, however, is that the positive forces for change continue to burgeon. This bilateral relationship remains largely untapped even as it surges forward in an ever-rising tide. It not only has attained heady velocities but still retains fascinating depths and obscurities.

I also feel fortunate because my relative "newness" to this relationship (even through I first came here in the mid-70s) was not that much of a handicap. Certain things have happened of late which quite simply never happened, and never could have happened, in decades past.

When we all catch our breath, old-

timers and newcomers alike, we will see the growing logic of having the U.S.-Mexico Commission for Educational and Cultural Exchange in place to assist us in interpreting the marbled realities of the future. One thing an oracle would tell us, I suspect, is that the Commission's programs, which have more than doubled in value in one year, may well double or triple again to more than \$10 million per annum in the next ten years. We can also be confident that the Commission will keep a wide and balanced stance in appraising and supporting what I call "the needs of friendship"—needs that reflect psychological intimacy as much as commercial and environmental cooperation. As its birth suggests, the Commission will keep looking for what the elder James, William, might have called "the varieties of bilateral experience."

To my knowledge, no bilateral relationship in the world is as large and complex as the U.S.-Mexico relationship. If we are to understand it, an open mind and equal amounts of skepticism and faith are necessary. These, of course, are the key ingredients in the arts, humanities and sciences which the Commission is designed to support.

Free Trade for Mexico: Imposition from the Top or Demand from Below?

By James W. Wilkie

Conventional wisdom among many intellectual observers in Mexico is that the proposed Treaty of Mexican-U.S. Trade (TLC) is being imposed on Mexico by President Carlos Salinas de Gortari and his small clique of U.S.-trained government advisors. This view has been seized upon by U.S. critics of the idea of a North American Common Market to argue that Mexico is being led anti-democratically into exploitation as it is forced to join a world economy based upon ruthless productivity.

Because this intellectual criticism of free trade is so important and because it appears frequently, it is my purpose here to put this conventional wisdom into perspective. I do so by presenting my 1991 interviews in the regions of Eastern Europe. These interviews verify what I found during 1990-1991 in Mexico—see my article "The Political Agenda in Opening Mexico's Economy: Salinas Versus the *Caciques*," *MEXICO POLICY NEWS* 6, Spring 1991, pp 11-13. Clearly, Eastern Europe and Mexico are undergoing comparable debate about the meaning of, and how to, open economies to market forces.

The conventional intellectual view of TLC in Mexico is perhaps most eloquently argued by Sergio Zermeño, who offers

a post-modernist view of TLC's costs. (See *Revista Mexicana de Sociología* 2/91). Zermeño argues that the TLC will contribute to and not resolve the loss of self-identity and societal disorder that has arisen in Latin America owing to the lost decade of the 1980s. According to Zermeño, the region lives in "an epoch in which economic health seems to be the inverse of that of the health of society at large."

In the Zermeño school of "post-modernist" thinking, the general future of Latin America and Mexico (typified in the case of Peru) is bleak as countries incorporate themselves without protection into the world economy through mindless industrialization (including extraction of raw materials for export), massive urbanization, monumental traffic jams, widespread pollution, and government paralysis. These factors result in the breakdown of social services, rise of disease (such as AIDS and cholera), unending growth of grim slums, gridlock in social mobility, desperate poverty for the masses, breakdown of social institutions such as the family and religion, and collapse of morality with the consequences of civil war between "terrorists" and "armed forces of the state."

Zermeño's specific metaphor for Mexico's future under the TLC is the northern Mexican border under the sway of the "so-called" industrial boom based on the maquila plants. He sees the maquila industry as involving foreign exploitation of Mexico's poor economy and sacrifice of what little social well-being the country enjoys. Moreover, Zermeño is concerned that Mexico is proceeding in months toward TLC, compared to the evolution of the European Common Market over several decades.

Although Zermeño writes persuasively, my interviews in the region of Eastern Europe suggest, as they have for Mexico, that a major premise of his argument is not what it seems.

While traveling by automobile during September 1991 through Czechoslovakia, Hungary, Romania, Poland, and "East" Germany (which still exists in fact, if not in the form a legal entity), I was able to talk to the people who have spoken from "below" as well as those who represent the view from the "top" of society. It soon became clear that, much as in Mexico, the capital speaks from the top, the regions from below. Where the leaders and entrepreneurs speak from the top, the

workers, peasants, and would-be entrepreneurs speak from below. In contrast to Mexico, where so many intellectuals see the movement for free trade as being imposed from the top down, every Eastern European intellectual with whom I spoke sees the demand for free trade as having come from below, from the top and indeed from every sector but the old-line statist bureaucratic group, which is losing its power.

The issue in Eastern Europe is not where the demand comes from but how to speed up the process of integration into the world economy. Persons everywhere are nearly unanimous in stating that they demand an end to the so-called protectionism that left the economy and society so far from world standards for industry and welfare. Let us listen to representative views from the bottom:

—Cimpulung-Moldovenc, Romania: "We must integrate immediately into the world economy or lose the race against other countries which seek to attract the world's scarce capital, capital needed to build modern industry in Latin America and Africa as well as in Eastern Europe."

—Miskolc, Hungary: "If foreign capital means 'exploitation,' let us have that kind of exploitation. We have been exploited too long by lack of capital and that is the worst kind of exploitation."

—Zakopane, Poland: "The issue is not 'exploitation,' it is incentives. There is

no way for the government to give incentives without corruption; incentives can only come from the free market."

—Kraków, Poland: "The fall of the Iron Curtain represents the demand of the masses against so-called political thinkers who once believed here that they could 'protect' us from the 'evils of capitalistic incentives.' Such statists gave us this communist monstrosity of a steel mill, Nowa Huta, which is an ecological disaster as well as an economic one."

—[East] Berlin, Germany: "Look at that Trabant automobile, it is the symbol of failure in central planning. The state is the problem, not the solution."

Ironically, the billions of Western marks being invested now to put into place a new infrastructure (telephone, roads, rail systems, etc.) here need to be invested more quickly and efficiently. 'Time is of the essence,' as you say in the West, because the solution to our problems must come from private investment and ideas, both from inside West Germany and from abroad."

If sentiment is clearly in favor of moving Eastern Europe more rapidly to integrate into the world economy, nevertheless issues remain which have relevance for Mexico:

—Kromeriche, Czechoslovakia: "This problem of exploitation is not here and now an international one, it is the national problem of Czechoslovakia. The Czech industrial north is exploiting the

Slovak raw materials of the south. Prague is profiting from the processing of primary materials for resale at high prices in the south."

—Sighetu-Marmatiei, Romania: "Theoretically we are free from the communist bosses who ran our towns, however, in practical terms the same bosses, who now call themselves 'democrats,' control government investment, credit, jobs, scholarships, and the permissions upon which life is based. They are still watching to see who might oppose them. Until the bossism is eliminated, neither democracy nor a free market is possible."

In Eastern Europe, then, as in Mexico, what much of the population seeks is the economic right to openly bid and compete without favoritism and to be able to sell goods at fair prices. New economic powers may well replace the old; but surely there will be more of them and national well-being will not be influenced to the same degree as in the past by political cronyism and local control. Without such economic change, caiques will continue to dominate the local life, and political democracy will be still-born.

The demand to open the economy in Mexico and in Eastern Europe comes from the bottom of society, where the people know that free trade offers an immediate opportunity to break the age-old power of local bosses.

Proposal for a Regional Development Bank and North American Adjustment Fund

by

Albert Fishlow, Sherman Robinson, and Raúl Hinojosa-Ojeda

This paper was originally presented at a conference on North American Free Trade sponsored by the Federal Reserve Bank of Dallas, Dallas, Texas, June 14, 1991. Fishlow and Robinson are at the University of California, Berkeley; Hinojosa-Ojeda is at UCLA.

Motivation

The recent debate on the formation of a North American free trade area (FTA) has concentrated on the FTA's impact on wages, employment, and the environment in the United States. Analysis of these issues indicates that the formation of an FTA, by itself, will have little effect on the U.S. economy.¹ A free trade agreement, by itself, also will not resolve many of the fundamental problems that have impeded Mexican growth and development over the last decade.

These problems relate more to factor markets than to commodity markets, involving issues of labor migration, capital movements, and the foreign debt overhang. However, if the creation of an FTA is accompanied by additional policies that enable Mexico to resolve some of these problems and shift to an open development strategy with increased trade, investment, and productivity growth, then analysis indicates that both the United States and Mexico gain significantly.²

Given the potential benefits to both countries, it is important to expand the discussion of forming an FTA to include consideration of additional policies that are crucial to facilitating Mexico's transition to the new strategy. In particular, we wish to address issues of investment.

Mexico has already taken a number of important steps to open its economy, including actions such as unilaterally lowering tariffs and joining the General Agreement on Tariffs and Trade

(GATT). While further multilateral trade liberalization is a necessary part of any successful regional integration, other concomitant policies are also needed. The successful integration of the North American economies poses a number of challenges for Mexico, Canada, and the United States.

- Regional development gaps in North America are much wider than in any other group of countries that have attempted to integrate their economies. Groups such as the European Community (EC) and the European Free Trade Association (EFTA) started with much smaller differences in per capita (and total) gross national product (GNP) among member countries than what exists between Mexico and the United States.
- Because of demographic trends, Mexico's labor supply is growing at about 3 percent a year and will continue to do so for about a decade. This rapid growth will place strains on the

- labor market, leading to migration pressures both within Mexico (rural to urban) and internationally.
- The large differences in initial income highlight problems of reconciling labor and environmental standards across the region, especially the need for integrated government investment and regulatory policies. Migration is very sensitive to labor market conditions in both the United States and Mexico as well as to differences in incomes between the two countries. Capital flows are potentially sensitive to environmental standards as well as to differences in economic conditions. The costs of achieving integrated labor and environmental standards will be relatively higher for Mexico, the poorest of the three countries, and will require public infrastructure investment to provide an environment conducive to complementary private-sector investment.
 - Mexico starts with a debt overhang of around \$100 billion, which is the second-highest (after Brazil) among developing countries. No other developing country that has made a successful transition to an open development strategy started with such a large debt burden.³
 - After a decade of crisis management and policy focus on stabilization, Mexico has neglected its physical and social infrastructure and must generate renewed investment in social overhead capital. Such social investment is necessary to complement private investment. Both investments are required to generate productivity growth. Achieving rapid productivity growth, in turn, is a crucial element determining the success of the new development strategy.
 - Taking advantage of the opportunities provided by increased integration in North America requires that the economies be able to reallocate labor and capital within and across sectors. To achieve these reallocations quickly and efficiently, policies are needed to minimize the adjustment costs that necessarily accompany displacement of labor and capital.

Establishing an FTA is a necessary part, but only a part, of the policy package that will enable Mexico to shift its development strategy. If the new strategy is to succeed, Mexico's domestic and foreign capital needs will expand greatly. Mexico will need to mobilize resources for a major investment effort and must be able to reenter world capital markets. Unfortunately, the next decade is projected to be characterized by increasing shortages of international capital. The creation of an FTA may well improve confidence for private in-

vestors, including Mexicans who have maintained large investments abroad during the past decade. Under existing institutional arrangements, however, and given Mexico's debt overhang, more capital will be needed, especially to finance large-scale social overhead investments.⁴

A Regional Development Bank and Fund

We propose the creation of a new institution, a regional North American Development Bank and Adjustment Fund (NADBAF), to facilitate both increased investment in targeted sectors of the Mexican economy and structural adjustment in all three countries. This institution would serve two functions: (1) as a regional investment bank, it would lend funds to finance long-term development projects; and (2) as an adjustment fund, it would provide short- to medium-term assistance to facilitate the reallocation of resources required to generate productivity increases in the region.

The underlying assumption is that there will be no major shortage of private investment funds but that there is a real need to mobilize resources for long-term investment in social overhead capital. Institutions with functions similar to the proposed NADBAF were established in Europe, as the Common Market expanded to include relatively less-developed countries such as Greece, Spain, and Portugal. Institutions such as the European Regional Development Fund and the European Social Fund have been very successful in facilitating the integration of poorer new members into the European Community. What we are proposing for North America draws on lessons learned from the successful experience of Europe. One major difference with the European experience, however, is that the operation of NADBAF need have no aid component. The sorts of long-term investments that are needed should be socially profitable, and the issue is that the government needs to capture enough of the returns to ensure repayment.

The investment bank would focus on long-term development projects in:

- physical infrastructure that would facilitate improved trade, such as roads, bridges, ports, railroads, border facilities, and integrated border development;
- social infrastructure aimed at improving trade performance, such as technical assistance, worker training, collaborative research, educational exchanges, research and development, and support for trade-promoting organizations;
- investment projects aimed at promot-

ing sustainable rural development, given increased trade and the need to manage labor market integration;

- investment projects for environmental improvements, including establishing institutions for monitoring, enforcement, cleanup, and adoption of new technologies;
- institutional development aimed at improving the operation of capital and labor markets to facilitate efficient, equitable, and environmentally sound integration across the three countries.

The development bank would focus on lending based on need and would be patterned after the European Regional Development Fund, which was established to assist relatively poorer regions in Europe to integrate into the Common Market. Mexico would be the major recipient of such lending in North America, although the NADBAF might also lend for projects in poorer regions in the United States and Canada that would be affected by the establishment of an FTA.

The assistance fund would focus on short- to medium-term financing to help affected communities adjust to changes emanating from the establishment of a North American FTA. The intent is to facilitate speedy adjustment by minimizing the costs associated with shifting labor and capital and ensuring that labor does not bear a disproportionate share of the adjustment costs. The goal would be to help communities adjust for dislocations arising from the establishment of the FTA, including plant closures, labor retraining, and conversion investment.

While the assistance fund would be linked to the investment bank, its disbursements would be handled nationally, with separate national entities administering the fund in each country. The fund would draw on the expertise of the investment bank, particularly in determining the impact of the formation of the FTA on affected industries. Responsibility for setting standards for determining the need for adjustment assistance would thus rest with the investment bank and be insulated from political pressures in the three countries.

The need for adjustment assistance to affected sectors should be seen as transitory. The life of the adjustment fund should be tied to the transition period for establishing the FTA, in any case no longer than 10 years. Once the FTA is fully implemented, the assistance fund should be terminated.

Institutional Structure

There are a number of possible institutional arrangements for establishing the NADBAF. When functioning as an investment bank, it is very close

in function to the World Bank (International Bank for Reconstruction and Development, or IBRD) and the Inter-American Development Bank (IDB). Indeed, it would be possible to organize the NADBAF as a separate institutional entity administered by either the World Bank or the IDB. The World Bank already runs such specialized institutional entities, including the International Finance Corporation (IFC) and the International Development Association (IDA). However, given that the function of the NADBAF is to facilitate the formation of a North American FTA, it has a regional focus that probably requires a separate administrative entity. The World Bank and even the IDB have broader geographic interests.

The NADBAF would have a research function, with a mandate to report (perhaps annually) on the state of the development of the region and the progress of the FTA. The intent is to build institutional expertise on regional issues, expertise which would also be very useful for private investors in the three countries.

The assistance fund aspect of the NADBAF represents a different function and will require special administrative arrangements. Our proposed design has a number of characteristics that are intended to overcome the political and administrative problems associated with attempts to design adjustment assistance programs.

- Tying the assistance fund to the NADBAF links the assistance to the formation of the FTA. The staff of the NADBAF would be responsible for determining the need for assistance. They will have special expertise in determining investment needs as part of the FTA and will be well equipped to analyze the impact of the FTA on industries and communities. They will be best equipped to differentiate adjustment problems arising from the FTA from normal ebbs and flows of the three economies.
- The transition period incorporated into an FTA treaty provides a natural time limit for implementing adjustment assistance. The problem of determining how long adjustment assistance is required is thus established at the beginning, with all participants clearly understanding the limits.
- Adjustment assistance is seen as a country-specific problem. The administration of the funds should be organized on a national basis so that approved projects are administered within each country. While the NADBAF will have an important role in determining the needs for adjustment

assistance, the funds will be disbursed nationally.

Financial Structure

Similar to the World Bank, IDB, and the new Eastern European Bank for Reconstruction and Development, the NADBAF will be capitalized by paid-in shares of its member countries. It will then raise funds for its lending operations by selling bonds, with a conservative gearing ratio.⁵ The assistance fund function of the NADBAF would be financed by annual contributions from the member countries.⁶ These contributions would be tied to the transition period set in the treaty establishing the FTA. The ratio of disbursements across the three countries should be established as part of the funding legislation.

Given that the NADBAF is being established to facilitate the formation of a North American FTA, the founding stockholders will be the United States, Canada, and Mexico. There is already interest in extending the FTA to include other Latin American countries, and it might be worthwhile to include other countries as stockholders from the beginning. In any case, as the FTA evolves, the NADBAF would also be expanded.⁷ At some point, it would probably be sensible to merge the NADBAF with the IDB.

Considering the importance of Mexico's debt overhang, a potentially productive form of capitalizing the NADBAF would be to permit Mexico to finance some fraction of its capital contribution through conversion of existing old long-term Mexican debt held by foreigners into new debt, which would be held by the NADBAF. The procedure would be a variant of the Brady plan and would be designed to further the process the Brady plan started—to retire old Mexican debt. The NADBAF would exchange NADBAF bonds for existing old Mexican debt, largely held by private banks, at a negotiated discount. The exchange would be entirely voluntary on the part of the banks currently holding Mexican debt. The NADBAF would then treat these Mexican obligations (amounting to perhaps about \$10 billion) as part (perhaps half) of the Mexican contribution to the NADBAF, effectively retiring this debt. As under the Brady plan, the private banks gain because they exchange risky Mexican debt for low-risk bonds. Mexico gains because the debt is converted to a capital contribution to the NADBAF and no longer involves debt servicing.

Notes

1. Recent studies of the impact of the creation of an FTA include Hinojosa and McCleery (1991), Hinojosa and Robinson (1991), KPMG (1991), Interindustry Economic Re-

search Fund (1990), and USITC (1990). The first three studies are based on multisector computable general equilibrium (CGE) models of U.S.-Mexican trade. Additional U.S.-Mexican trade-focused CGE models are under development at the International Trade Commission and the U.S. Department of Agriculture. Work is also underway to extend an existing model of the U.S.-Canada FTA to include Mexico (Brown and Stern 1989).

2. Hinojosa and Robinson (1991) and KPMG (1991) analyze such scenarios.

3. Turkey, which faced a debt crisis in 1978 and also shifted development strategies, provides an interesting comparator. Mexico's debt overhang, however, is far larger by any measure.

4. For example, the World Bank recently increased lending to Mexico, exceeding its normal limits on loan exposure to any single country.

5. The gearing ratio for the World Bank is 1, which would also be reasonable for the NADBAF.

6. The funding mechanism is similar to that for the IDA, which is administered by the World Bank or the European Regional Development Fund.

7. At that point, other Organization for Economic Cooperation and Development (OECD) members might also join. The Eastern European Bank for Reconstruction and Development, for example, has 42 member countries.

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Brobeck and California Historical Society Legal History Exhibit

An educational exhibit that captures the historic evolution of 19th century law in California is on display October 17 to January 15 at El Molino Viejo in San Marino.

Through a series of rarely seen historic artifacts, "Gold, Land and the Law: 1849-79" recreates the state's rich legal heritage from the War with Mexico (1846-48) to the adoption of its second constitution in 1879.

The exhibit consists of century-old artifacts, paintings, lithographs, daguerreotypes, documents, and other historic pieces restored and retrieved from the archives of the California Historical Society by Brobeck, Phleger & Harrison, one of California's leading law firms.

This year, Brobeck, Phleger & Harrison, which traces its origins to the later 1800s, is celebrating its 65th anniversary under its present name. To mark the anniversary, the firm has joined forces with the California Historical Society to create and present a unique retrospective of 19th-century California law.

"This exhibit is one of the first collections of historic artifacts organized to present the legal perspective of 19th-century California history," said **Betsy Link**, Ph.D., curator of the exhibit. "Very few of the artifacts have ever been displayed before, making this visual and three-dimensional exhibit unique."

"Gold, Land, and the Law" traces the emergence of legal issues still critical today, such as those relating to property ownership and discrimination against minorities. Laws enacted during the Gold Rush, the building of the transcontinental railroad, business development, and California's integration into the new U.S. nation are brought into focus through the exhibit.

The exhibit begins with stunning oil paintings of bucolic California before the Gold Rush, when cattle raising and agriculture were the principal industries. In addition to landscapes, portraits of such prominent statesmen as James Geary, who was one of California's earliest *alcalde*s (mayors), are on display. Both English and Spanish versions of the state's first constitution are a part of the section referred to as "War and the New Era."

Original hand-colored lithographs by Nathaniel Currier (of Currier and Ives) highlight the "Gold" portion of the exhibit. Bringing further life to the feisty Gold Rush era are lithographs of Sutter's Mills and of miners, whose search, work, and dreams of wealth

made them typical of the thousands who flocked to the Golden State. Also on display are miners' scales and other classic mining artifacts.

The most intriguing display may be the artifacts documenting the hanging of Tiburcio Vásquez, a renowned stagecoach robber, cattle rustler, and gang leader, who was captured and put to death by vigilantes in 1874. An invitation to his execution, a piece of rope used in the hanging, his court records (written in pencil on brown paper), a memorabilia box filled with lawyers' business cards, and photos of Vásquez and his gang highlight this display.

Equally dramatic are the rarely seen portraits of early pioneers, such as John Dwinelle, who was instrumental in founding the University of California; Cornelius Cole, one of California's early senators; and Stephen J. Field, the first Californian to serve on the United States Supreme Court. He was appointed by President Abraham Lincoln.

The exhibit sponsor, Brobeck, Phleger & Harrison, has offices in Los Angeles, San Francisco, Palo Alto, Newport Beach, and San Diego, joint-venture offices in London and New York, and networking relationships throughout the Pacific Rim. Practice areas include, corporate, litigation, real estate, and tax law.

El Molino Viejo, an architectural masterpiece of Spanish California, serves as the Southern California headquarters of the California Historical Society. It was restored by the Huntington family and bequeathed to the City of San Marino in 1962. **Margaret Eley** is director of El Molino Viejo.

The exhibit is open to public and educational groups at no cost.

For information on the display, please contact El Molino Viejo at (818) 449-5450. Located at 1120 Old Mill Road in San Marino, it is open 1-4 pm daily except Mondays and holidays.

Labyrinth of *Diario Oficial* made easy

The Instituto Mexicano de Estratégicas, S.C., in Mexico City has developed a database covering Mexican legislation, by date, topic and regions, going back in some cases to the 1920s. The Institute is able to generate within a week the complete legal genealogy of any piece or theme of Mexican legislation. The

Method entails the use of a database to the *Diario Oficial* that the Institute has developed, most of it on computer, but some of it on microfiche. As a courtesy to the PROFMEX Executive Secretariat, the Institute generated a complete chronology of petroleum legislation starting with the oil expropriation in 1938. The exercise accomplished within a few days what would have taken weeks by the method of library research.

The Institute publishes, on a subscription basis, a monthly review of recent changes in national legislation. A special PROFMEX rate is available.

The Institute's offices are located in a former family residence in Coyoacán. Contact the director, Lic. **Alejandro Spíndola Y.** Tel 554-57-92 and 650-22-76. Costado Atrio de San Francisco 28, Col. Coyoacán, 04320 México, D.F.

Opportunity at Universidad de Occidente, Mazatlán

Founded eleven years ago, the Universidad de Occidente has consolidated its position within the academic sphere of the northwest of Mexico and now has an opening for a visiting professor of analysis and design of Computer Information Systems at the Mazatlán campus.

The Universidad de Occidente has 8000 students attending five different campuses which are located in the cities of Los Mochis, Guamuchil, Culiacán, as well as Mazatlán.

The Rector of the University is Dr. **Rubén Elías Gil Leyva**, a young professional who comes out of a career in public life that has included posts such as the state's Sub-Procurador General de Justicia.

The Mazatlán campus has 800 students and offers majors in Tourism Administration, Administration and Finances, Computer Systems, Educational Psychology, and Psychology of Work.

For the visiting professor to teach a 20-hour course during the first week of April, the university offers airfare, lodging, food, involvement in social and academic events, and a US\$200 stipend. Applications should be sent to: **Guillermo Osuna**, Ave. Del Mar 1150, Mazatlán, Sinaloa, México, FAX (678) 83-64-04.

New Directions in Consulting and Research in Mexico: Interview with Jesús Reyes Heroles

The following interview was held in November between Dr. **Jesús Reyes Heroles** by PROFMEX Executive Secretariat **George Baker** in the new offices of Grupo de Economistas y Asociados (GEA) in the Colonia del Valle in Mexico City. Reyes Heroles is well known to U.S. scholars and policymakers. During the past several years he has been the keynote speaker at functions at a number of U.S. universities, UCLA, among others. In addition to his other professional activities he is the coordinator of the economics department at the Universidad Iberoamericana. He can be reached in Mexico City at tel. (525) 687-8570 and fax (525) 523-4142.

This interview focuses on the consulting activities undertaken by Reyes Heroles and his colleagues in the area of economic and policy analysis. GEA—Grupo de Economistas y Asociados—is a group of professionals brought together to conduct consulting and research activities on Mexico. This private organization is formed by approximately thirty partners specialized in various disciplines, such as economics, political science, finance, and statistics. Its purpose is to provide information and analysis to government, business, and other private organizations in Mexico and abroad. In this interview, its Director, Jesús Reyes Heroles—the former Chief of Staff to the Secretary of Foreign Affairs—describes GEA's profile and activities.

Q: What kinds of activities does GEA carry out?

A: GEA develops continuous analysis of the domestic and international economies (macroeconomic), and of specific markets and industries from a sectorial perspective (microeconomic). It is also a source of information about the political and labor climates in Mexico. GEA also carries out consulting, research, and project development activities. In addition to its three main fields (economic, political, and labor), GEA has the professional resources to deal with financial, trade, and public finance matters, as well as statistical and social issues.

Q: What specific consulting projects has GEA been involved in since its creation?

A: In the past year GEA has developed various projects that can be grouped into several categories. Sectorial projects, for example, have included assistance to producer associations preparing themselves for negotiations related to the Free Trade Agreement. These projects have included a diagnosis of the sector, a comparison of its productivity with that of Canada and the United States, as well as the definition of the producer's position in the face of Free Trade. The seven projects undertaken so far have dealt with agro-industrial and manufacturing products, as well as non-banking financial intermediaries. In some cases, GEA has provided assistance to clients during negotiations in Washington, D.C.

GEA has also participated in the assessment of the price for potential buyers of public banks currently for sale in Mexico. GEA has designed *ad-hoc* models and provided support to the buyers' technical teams.

Several projects have been designed for Mexican and foreign industrial holdings, for the purpose of defining investment opportunities in specific sectors. GEA has prepared general frameworks where investors can situate new expansion projects.

Banks are also clients of GEA. Our firm has provided them with evaluations of their credit portfolio, as well as of their strategic programs and systems. GEA has also analyzed the potential of specific regional markets. The Mexican Association of Banks has also requested projects from GEA.

One of the most dynamic sectors of the Mexican economy, stock brokerage firms, has also contracted projects with GEA. One of the most notable has been a model to determine the impact of changes in the economic environment on specific firms.

Finally, all GEA clients receive a monthly *Economic Report* that contains a detailed analysis of the present situation and perspectives of the Mexican economy.

Q: What kind of consulting services has GEA provided to the Mexican government?

A: The Mexican government continues with the deregulation and

privatization of public enterprises, and GEA has participated in various projects in that area. Also, state governments have increasingly begun to participate in the development of their local economies, and in the modernization of their fiscal systems at the municipal and state levels. GEA has undertaken several studies related to fiscal systems and economic promotion.

Q: What about GEA's participation in research and consultancy regarding labor and political issues?

A: In the area of labor, GEA has assembled a large data bank on Mexican unions, including information on their composition, organizational structure, leadership, statutes, and prospects. GEA publishes a monthly report on labor, designed to provide an in-depth perspective on labor conflicts and negotiations currently taking place in Mexico. The report gives a detailed analysis of unions, as well as governmental and business groups. The report also contains an economic section that focuses on themes such as wages, employment and unemployment, and productivity. In terms of specific consulting projects, GEA has participated mainly in a number of restructuring processes at the firm level, and provided assistance to both unions and companies.

In the area of political consulting, GEA has contributed to the design of political programs and conducted pre-electoral public opinion surveys. GEA also publishes a *Political Report* twice a month, that contains information and analysis about the most relevant political events, as well as electoral agendas. It provides information and that makes it possible to anticipate the economic repercussions of political events and decisions in Mexico and the United States.

For more information on GEA contact: **Mariano Ruiz-Funes Macedo**, Partner-Director, Pestalozzi 522, Colonia del Valle, Delegación Benito Juárez, 03020 México, D.F., Tel. (525) 669-0728; 533-1922, Fax (525) 523-4142.

Ford Sponsors Udall Symposium on Future Border Environmental Research

In early October some 30 scholars from the United States and Mexico traveled to Guaymas, Sonora, to help formulate a research agenda for the U.S.-Mexican border. The two-day symposium, held on October 8 and 9, was sponsored by the University of Arizona's Udall Center for Studies in Public Policy and funded by the Ford Foundation. **Helen Ingram** and **Robert Varady**, director and associate director respectively of the Udall Center organized the meetings.

The gathering was prompted by the Foundation's strong interest in socioeconomic and environmental issues affecting the border. In the first six sessions the participants considered the following themes: (1) the successes and limitations of previous border research, (2) the role of universities in the borderlands, (3) changes in the border requiring a different approach to research, (4) new approaches and appropriate tools for binational research, (5) research needs and communications with government agencies and elected officials, and (6) the needs of nongovernmental organizations (NGOs) to participate effectively. The seventh and concluding session identified overall priorities and organizing principles for a research program that would examine the border region under stress.

The symposium featured a presentation by new University of Arizona president, **Manuel T. Pacheco**. Referring to likely changes induced by a Free Trade Agreement, President Pacheco spoke of the opportunities for enhanced university engagement in border affairs. In particular, he stressed the importance of developing integrated, focused, binational programs that would provide the results of research and information to decisionmakers, the private sector, and community groups.

Most attendees agreed that in the past, border research tended to be case-specific, historical, cultural, descriptive, and aimed at raising awareness of the border as a distinct region. Reflecting political relations between Mexico and the United States, that research often stressed differences, tensions, and conflicts. Accordingly, previous approaches generally were not problem- or action-oriented.

The most recent and most important change is the new economic relationship between the two nations. This redefinition of the association between the United States and Mexico comes at a time of dramatically altered global politi-



Albert E. Utton, Roberto Sánchez, and Manuel T. Pacheco in Guaymas

cal realities. Closer to home, a recent development is the rise of local interest groups and their demand for greater participation in decisionmaking. Simultaneously, in both countries, and along the border in particular, the past decade has witnessed much greater public awareness of environmental and public health issues and concern for their resolution.

In the face of the altered landscape of border research, a new, more responsive approach seems to be emerging. The chief characteristics of such an approach are that it should strive to be binational, cooperative, solicitous of grassroots organizations, holistic, interdisciplinary, relevant, timely, environmentally-sensitive, equity conscious, problem-oriented, and solution-yielding. Promising new tools for undertaking research of this type include policy definition and analysis, geographic information systems (GIS), legal and institutional analysis, and risk mapping and analysis.

Participants at the symposium brought numerous ideas for future research. Among the suggestions were: an annual meeting for presenting innovative, ongoing border research, a sustained program to support translation and editing costs for disseminating research results, investigation of management strategies for nonurban environmental problems in the border region, an examination of the potential effect of climate change on the already dry border zone, a project examining issues of equity and inequity, a study of

how border communities are structured to solve problems, and a survey of the activities and strategies of grassroots environmental organizations.

Among the symposium attendees were **Susan Beresford** of the Ford Foundation in New York, **Norman Collins** from the Foundation's Mexico City office, **Paul Ganster** (Vice President of PROFMEX) of the Institute for Regional Studies of the Californias at SDSU, **Catalina Denman** of El Colegio de Sonora, **Roberto Sánchez** of El Colegio de la Frontera Norte, PROFMEX's **Albert Utton** of the University of New Mexico, **Guillermo Soberón-Chávez** of the Instituto de Estudios Superiores de Monterrey, **Scott Whiteford** of Michigan State University, **Stephen Mumme** of Colorado State University, **Salvador Contreras Balderas** of the Universidad de Nuevo León-Monterrey, **Mary Kelly** of the Texas Center for Policy Studies, **Malissa Hathaway McKeith** of Baker & McKenzie, and **Dick Kamp** of the binational Border Ecology Project.

For more information, contact: Helen Ingram, Director, Udall Center for Studies in Public Policy, 803/811 East First Street, Tucson, AZ 85719; (602) 621-7198; FAX: (602) 621-9234.

Bureau of Management Research and Services: California State University, Dominguez Hills

In establishing new directions for the Bureau, its Director, Dr. **Stephen Jenner**, explains that its focus will reflect his experience and contacts in the educational and business communities of Southern California and Baja California, Mexico. Formerly Associate Director of the Institute for Regional Studies of the Californias at SDSU, Jenner has a strong track record in applied research and outreach activities related to increasing awareness of opportunities for international trade with Mexico, as well as the on-going negotiations for a North American Free Trade Agreement.

During the 1990-91 academic year, Jenner was one of the first five Border Fulbright Scholars; he taught at the Autonomous University of Baja California (UABC) in Tijuana. He also was a seminar leader in an executive development program offered by the Center for Technical Training (CETYS) in Mexicali, and is a member of the Board of Directors of the Pacific Chapter of the U.S.-Mexico Chamber of Commerce.

The Bureau will create opportunities for Cal State Dominguez Hills (CSUDH) faculty and student exchanges with universities in Baja California, and develop an outreach program for South Bay businesses in the Los Angeles area, including Mexican American small businesses and entrepreneurs.

Performance objectives of the Bureau for 1991-92 include:

1. Establish the Bureau as an institution within the CSUDH organization, and organize 2 visits to UABC for Spring, 1992.

2. Develop institutional linkages with the business schools of the major Baja California universities, beginning with UABC, and initiate 2 faculty and 10 student exchanges for 1992-93.

3. Create and regularly meet with a Community Advisory Board to help formulate and implement the Bureau's plans, especially outreach to the business community in the South Bay area of Los Angeles. The first Board meeting is planned for February 1992, and there will be a major business conference in May 1992.

4. Develop institutional linkages with the international trade centers, business

schools, and research centers in the Southern California region and throughout the United States and the rest of the world where there are complementary programs, beginning in 1991-92.

5. Conduct basic and applied research related to the Bureau's mission, leading to publications and conference presentations beginning in 1991-92. Jenner is interested in comparing Mexico's maquiladora program with a similar "outward processing relief" arrangement in Europe.

The Bureau has recently brought CSU Dominguez Hills into PROFMEX as an institutional member. For more information on the Bureau and CSUDH, contact Dr. Steve Jenner, Director, Bureau of Management Research and Service, CSUDH, School of Management, 1000 East Victoria St., Carson, CA, 90747, Tel. (213) 516-4162, FAX (213) 516-3664.

Loss of Border Scholar: Guillermina Valdés-Villalva

At the sad moment of her death in an airplane accident in September 1991, Dr. **Guillermina Valdés-Villalva** was the leading border scholar in north-central Mexico. She was colleague of scores of border researchers, not only in the United States and Mexico, but in Europe and Asia as well. As founder and director of the Women's Vocational Guidance Center (Centro Orientación de la Mujer Obrera—COMO), the first organization of its kind in Latin America, she was also a formidable protagonist in the emerging worker-rights movements in border communities, especially in her home town, Ciudad Juárez.

She was a speaker at international conferences on both sides of the Atlantic, and was an inspirational model for professional Mexican women. As an active professional who defied stereotypes, she was a leading academic and intellectual ambassador of Mexico abroad.

She was a founder of the Center for Border Studies (Centro de Estudios Fronterizos del Norte de México), established in 1982. In 1983 she was appointed head of the Center's offices in Ciudad Juárez, where she remained until her death. In 1984 the Center's

name was changed to El Colegio de la Frontera Norte (COLEF), and Dr. Valdés-Villalva was appointed Coordinator of Institutional Outreach (Directora General de Asuntos Externos). In 1989 she was also given responsibility for the coordination of research and academic development of COLEF's offices in Mexicali, Nogales, Nuevo Laredo, Matamoros, Monterrey, and Piedras Negras.

Her graduate training in social psychology at the University of Michigan prepared her to look at border issues from a multi-disciplinary perspective. She was a student of the sociology of industrial development and, as a political activist, she was also a moral force and presence that inspired a generation of maquiladora workers in Ciudad Juárez. A study suggestive of this dual role in northern Mexico was her essay on apprenticeship in production and technology transfer in the maquiladora industry, published in a collection edited by **Jorge Carrillo, Reestructuración industrial** (COLEF, 1989).

For twenty years she was involved in vocational education and training projects along the border. Her special interest was the psychology, individual and social, of Mexican women in the border region. Her goal was to raise the political consciousness as well as the vocational skills of women workers in northern Mexico. Toward this end, COMO was founded in 1968, and, in 1985, a second organization, Mujeres para el Desarrollo, A.C. (MUDAC) was founded to provide support and vocational orientation to women of all social sectors.

Dr. Valdés was one of those rare, bicultural scholars who was equally at home in the language, institutions, and academic culture of the United States as she was in those of Mexico. She was appreciated for her keen mind, compassionate idealism, and rich sense of humor.

She is survived by her husband, Dr. **Antonio Villalva Sosa**, three children, **María de Lourdes, Luz María**, and **Antonio Maximiliano**. She is also survived by two sisters, **Ada Luisa Valdés de Trillo** and **Guadalupe Valdés** (U.C. Berkeley).

(by George Baker, Bernardo González Aréchiga, and Lucinda Vargas)

President Carlos Salinas Visits California, PROFMEX Campuses

President **Carlos Salinas de Gortari**, accompanied by members of his cabinet and other senior officials, paid a three-day visit to California September 28-30, 1991.

President Salinas visited San Diego on September 28 at the invitation of the Center for U.S.-Mexican Studies at the University of California at San Diego. This was the first visit by an incumbent Mexican president to San Diego in 21 years and underscored the importance he attaches to the Center's work on Mexico and U.S.-Mexico relations.

President Salinas attended a luncheon in his honor at the Hotel del Coronado where he was awarded the University of California at San Diego's highest honor—the UCSD medal—presented by University of California President **David Gardner**. The Mexican president spoke before an audience of over 600 business and community leaders from San Diego and Tijuana about the regional benefits to be derived from a North American free trade agreement.

Following the luncheon, President Salinas attended a two-hour informal consultation at the Center for U.S.-Mexican Studies organized by the Center's Director, **Wayne Cornelius**, and the Director of Studies and Programs, **Cathryn L. Thorup**. Eighteen academic and policy specialists presented an analysis of problems and opportunities in the border region from the perspective of San Diego. Particular attention was paid to the issues of: border infrastructure and the environment; the border economy, immigration, housing, and social services; and law enforcement and human rights.

According to PROFMEX board member Thorup, "The discussion focused on San Diego/Tijuana as a key testing ground for both economic integration and social cohesion between the United States and Mexico. Participants underscored the importance of preparing local citizens on both sides of the border for a much-heightened level of interaction, as free trade becomes a reality." President Salinas was an active participant in the discussion commenting in detail on the various presentations and their implications for the bilateral relationship.

President Salinas then moved to Stanford University for a two-day visit September 29, where he met with Professor **Clark W. Reynolds**, Director of the Americas Program, and other senior faculty at the residence of Stanford. President **Donald Kennedy**. The president also met with **Clint E. Smith**, Program Officer at the Hewlett Foundation responsible for the U.S.-Mexico relations program which has made \$10 million in grants to Mexican and U.S. institutions over recent years.

On September 30, President Salinas was the honored speaker for Stanford's Centennial convocation, where he addressed the issue of the massive political and economic changes in the world that require a profound transformation in the field of binational educational cooperation. The president also

reiterated his support for the North American Free Trade Agreement (NAFTA), noting that Mexico needs trade, not aid, to generate more employment. "The potential of a world open to trade, to the flow of ideas, resources, and technology, is today an avenue with more possibilities than ever before in history," Salinas noted, adding, however, that trade and growth should not be at any cost, "certainly not at the cost of damaging the environment."

Following his Stanford address, President Salinas moved to San Francisco for a meeting with the World Affairs Council, and then to Los Angeles on the evening of September 30 for a gala dinner in honor of the opening of the magnificent show *Splendors of Mexico: Thirty Centuries of Mexican Art* at the Los Angeles County Museum of Art.

Samuel Schmidt, New Center Director at UTEP

Dr. **Samuel Schmidt**, formerly visiting associate professor of political science at San Diego State University (SDSU), is the new director of the UTEP Center for Inter-American and Border Studies (CIABS).

Schmidt's goals for CIABS include continuing the study of local and regional issues, such as free trade and the environment; disseminating information on Mexico in the United States and information on the United States in Mexico; publishing scholarly articles on border issues; and expanding the Center's role to include studying Mexico as a whole and U.S. policy relating to that country.

Schmidt also wants the Center to further examine El Paso's unique geographic and cultural position. "Of all the border regions, this is the area where the Mexican and U.S. cultures are most integrated," Schmidt said. "It's something we need to explore and understand better."

At CIABS, Schmidt will direct for PROFMEX its Office of Mexican Exchanges and publish the PROFMEX Special Papers Series. Schmidt joins the PROFMEX Board as representative of UTEP.

A Mexican citizen, Schmidt speaks Spanish and Hebrew as well as English. He has a Ph.D. in Political Science (1980) from the National Autonomous University of Mexico (UNAM), an M.A. in Social Science from the Hebrew University of Jerusalem, and a B.A. in Political and Public Administration from UNAM. Schmidt has been Fulbright Post-Doctoral Fellow at UCLA, where he continues as Research Associate.



UTEP's Samuel Schmidt

Schmidt has taught and conducted research in a number of academic appointments including: the School of Economics at the Autonomous University of Baja California, the School of Political and Social Sciences at UNAM, the Department of History at UCLA, Department of Political Science at the University of San Diego, and editor of the journal *Revista Nuestra Economía* at the Autonomous University of Baja California.

Dr. Schmidt is the author of *The Decline of Mexican Presidentialism: The Years of Luis Echeverría and The Relative Autonomy of the State*, among other publications; and since 1985 he has held the title of Mexican National Research Scientist.

Mexican Officials Offer 'Gift of Appreciation' to UNM

To commemorate UNM's centennial anniversary in 1989 and the Mexican government's "desire to express appreciation for the success of UNM's *convenios* with Mexican institutions,"

Javier Barros Valero, undersecretary of foreign affairs for Mexico, officially presented a gazebo to the University of New Mexico.

According to **Theo R. Crevenna**, deputy director of UNM's Latin American Institute, UNM has convenios with the Universidad Nacional Autónoma de México, Universidad de Guadalajara, Universidad de Guanajuato, Instituto Tecnológico de Chihuahua, and the Universidad de las Américas, Puebla. These agreements serve as channels for faculty and student exchanges and joint research projects.

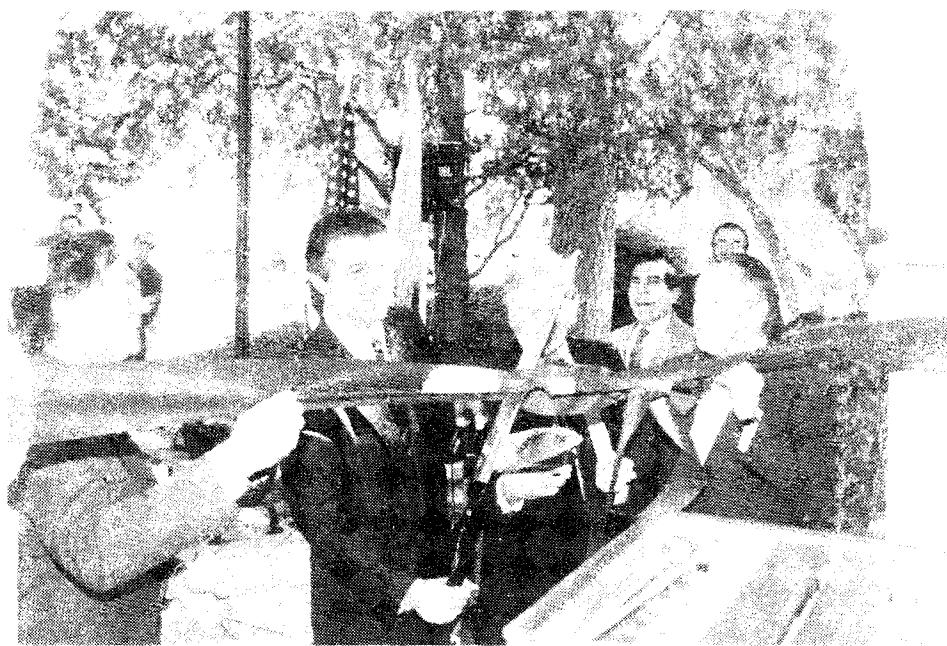
Three years in planning and construction, the gazebo's designer was chosen through a Mexico-wide competition under the auspices of the Federación de Colegios de Arquitectos and the Mexican Secretaría de Relaciones Exteriores. Federación and Secretaría officials also selected a panel to choose finalists in the competition.

Thirty-one entries were submitted by independent architects and by Colegio faculty. Five entrants were chosen as finalists. Their designs were forwarded to UNM, where a centennial committee of Latin Americanist faculty and administrators picked the winner: **Nahim Dagdug Kalife**, an architect in private practice in Mexico City.

Arq. Dagdug visited the UNM campus to integrate the final design into the site, a wooded area next to Hodgin Hall, UNM's first building, now restored as the school's alumni association headquarters and a visitors center. Mexican artisans built the gazebo on-site with materials imported from Mexico.

Festivities at the dedication included music by the UNM Marimba Band, a ribbon-cutting ceremony, a reception, and remarks by **Gene Gallegos**, UNM regent, **Alice King** on behalf of New Mexico governor **Bruce King**, staff of Senator **Jeff Bingaman**, Congressman **Steve Schiff**, Congressman **Bill Richardson**, and UNM president **Richard E. Peck**.

Mexican officials participating in the ceremonies were **Berenice Rendón**, special assistant to Lic. Barros; **Roger Díaz de Cossío**, director general of the Program for Mexican Communities Abroad; **Roberto Gamboa-Mascareñas**, Consul General of Mexico in El Paso; and **Miguel Angel Reyes y Soto**, Mexican Consul in Albuquerque.



Javier Barros Valero cuts dedication ribbon; helping (l to r) are Gene Gallegos, Theo R. Crevenna, and Richard E. Peck.

Muñoz Ledo's Reflections on Guanajuato Elections

Over a late lunch following the Presidential State of the Union Address of November 1, 1991, the opposition senator **Porfirio Muñoz Ledo** discussed his views on the gubernatorial elections of August with **James W. Wilkie** (PROFMEX), **David Lorey** (UCLA), **Ronald Hellman** (CUNY), **James Platler** (PROFMEX), and **Samuel Schmidt** (UTEP).

According to Muñoz Ledo, the de facto victory of the PAN in Guanajuato reflects a new reality in Mexican politics—a large-scale shift to the right. In this new reality, the PRI has come to represent the right, while the PAN presents a clear center-right option that appeals to many voters. The strength of votes for the left last seen in 1988 has dwindled from that time to the present.

Muñoz Ledo held that his loss in the state election was due in good part also to the style and focus of his own campaign. In Guanajuato, he reproduced the strategy that had proven so successful in the Federal District in 1988—neighborhood visits and shaking hands; and he realized too late that his urban strategy was not effective in small-town and rural Guanajuato. He stated that he should have focused his campaign on TV and radio as did the PRI and PAN candidates.

In his comments, Muñoz Ledo challenged several commonly held views about the electoral process and electoral fraud in Mexico in the Salinas era. The senator insisted that the activities of Salinas' Solidarity program (PRONASOL) did not influence the election in Guanajuato, as many observers believe. Rather, he traced election results to fraud.

Muñoz Ledo identified five distinct types of fraud in the Guanajuato contest: 1) the "confiscated vote"—the failure of the government to distribute voting credentials to many voters and the redistribution of some of those credentials to PRI voters; 2) the traditionally bribed vote; 3) the induced vote won through public works and municipal projects; 4) the vote stolen at the polling station; and 5) the invented vote—multiple voting and computer manipulation after the vote.

Muñoz Ledo will visit PROFMEX institutions in Los Angeles, El Paso, San Diego, Albuquerque, and New York in 1992. The *Mexico Policy News* plans to conduct a full-scale interview with Muñoz Ledo in Los Angeles, to be published in a forthcoming issue.

Policy Implications of Mexico's Questioned Oil Reserves

by
George Baker

George Baker is an academic researcher and industry analyst who specializes on Mexico's petroleum industry. Since 1987 he has served as Executive Secretary of PROFMEX. Since 1989 he has been a visiting scholar at the UCLA Program on Mexico. In September 1991 he was a visiting lecturer at the UNAM School of Economics and gave a special course on petroleum economics and policy.

Will the incentives of a Free Trade Agreement be sufficient for Mexico to open the state oil sector to private investment? Or, are the forces of policy traditionalism too strong for the otherwise irrepressible administration led by President Carlos Salinas? These are policy questions that, in some sense, take as their logical point of departure the existence of large-scale commercially recoverable petroleum deposits in Mexico. How large are those deposits, and what will it take in terms of capital, technology, and know-how to bring the recoverable portion to market?

These questions are important because to a large extent Mexico's economic recovery and foreign-debt service depend on the continued and uninterrupted flow of foreign exchange associated with crude oil exports. A frequently heard observation is that the rate of increase in Mexico's domestic demand for petroleum products will, in the next seven to ten years, overtake the surplus crude oil that is currently being exported.

The measures to be taken to avoid the point at which demand consumes all of production, leaving none for export, is where analysts and policymakers differ. In this article, I first review several independent studies of Mexico's oil reserves and then review the outline of two proposals that are sharply divergent. One of these, that of former senior Pemex official Francisco Ingúanzo, would have Mexico lower both production and exports at once to preserve excessively falling pressures in the producing oilfields. A second proposal would have the Mexican government invite U.S. oil producers into Mexico on a risk-reward basis.

The Controversy Over Reserves

How large?

In a highly critical, almost inflammatory, interview published in *Proceso*

on December 9, 1991,¹ retired Pemex engineer Francisco Ingúanzo Suárez, 78, rekindled the fifteen-year old debate about the true petroleum endowment of Mexico. Among several controversial claims, Ingúanzo insisted that Mexico's proved petroleum reserves were not 65.5 billion barrels, as Pemex had reported, but 29.9 billion.

Before going into the details of his and other estimates of Mexico's "petroleum" reserves, several problems of terminology should be taken up. In the first place, Mexico is one of the few countries in the world that bothers with calculating a single figure for petroleum that represents the sum of oil, natural gas, and natural gas liquids. The exercise is like asking how many apple-equivalent units [AEU] do you have on a caloric basis if you have 44.5 apples, 71.5 oranges, and 6.7 bananas? In the second place, Pemex uses a non-standard conversion factor that has the effect of overstating the number of oranges in apple-equivalent units, and, in consequence, total AEU. Where the United States converts thirty thousand cubic of natural gas to five barrels of oil equivalent (BOE), Pemex reports six BOE. The practical effect of these differences is that U.S. statistical sources usually do not give a figure for total petroleum and that Mexican statistical sources give figures that must be adjusted to make them equivalent with non-Mexican petroleum data.

Let us return to the theme of the *Proceso* article. While academic and government analysts, mostly but not exclusively foreign, also had questioned Mexico's reserve figures, Ingúanzo's position of authority was not that of an ordinary analyst. From 1964 to 1976, he was Pemex's vice-president for exploration and production. It was during his tenure that Mexico imported crude oil (1972-1973). It was also under his leadership that the great Reforma fields were discovered and substantially developed. Ingúanzo's views on Mexico's petroleum reserves, then, command unique authority.

To strengthen his credibility further, Ingúanzo claimed that in the first half of 1988 he had been commissioned by Pemex general manager Francisco Rojas to carry out a review of Mexico's petroleum reserve statistics. The *Proceso* article quotes from an unpublished 100-page report in which the findings of Ingúanzo and a fellow oilman, Francisco Alonso González (not otherwise identified), are reported.

In the *Proceso* interview Ingúanzo's views were not limited to petroleum

reserves, but spilled over into collateral and, even unrelated questions. Ingúanzo recalled, for example, that Jesús Reyes Heroles, Sr., Pemex director from 1964-1970, "was the most upright man with whom I have ever dealt in my life." Elsewhere in the article he expressed the view that the unionized workers were being made the scapegoats of decades of poor management in Pemex. Ingúanzo's most important conclusion from a policy standpoint was that Pemex would have to lower production and cease oil exports by 1998—perhaps even sooner. He predicted by the year 2000 Mexico would be importing over 700,000 b/d (barrels per day) of crude oil.

Drawing on his long experience dating from the 1960s in dealing with contractors, mainly Mexican, Ingúanzo takes strong exception to the major articles of faith of the current Pemex administration in matters of contracting. For him, the contract drilling company, Mexican or foreign, could not be counted on to deliver better, quicker, or cheaper results than those obtainable by Pemex using its own unionized employees. He cites by name two drilling companies, one of which, Triton, was in 1991 the first U.S. oil company to win a Pemex drilling contract in three decades. Ingúanzo insinuated that the favorable impression given in the media of the efficiency of the Triton effort—the well was completed in about half the time that Pemex would have completed a similar well—was overstated.

The controversy that Ingúanzo hoped to spark over the size of Mexico's petroleum reserves and, by implication, the direction of national petroleum policy, has antecedents that go back to the first two decades of the century.

The early period

Not enough is known about the views of the early foreign geologists and engineers to quantify the size of what they believed to be Mexico's ultimately recoverable petroleum endowment. We know that in the early 1920s the oil companies strongly opposed the government approach to grandfathering subsoil mineral rights. In the case of the Texas Oil Company in 1921 the Mexican Supreme Court concluded that ownership of petroleum rights under the 1909 mining code was not vested until some positive act had been taken to possess the subsoil deposits. The government, therefore, proposed that only company properties on which "positive acts" of development had been initiated would be sheltered from the effects of Article 27 of the Constitution of 1917.²

Had the companies accepted this ruling, they would have secured only their rights to their then presently producing properties, but they would have lost their other properties which, by one estimate, amounted to nine-tenths of the total acreage of mineral rights that had been legally acquired prior to 1917. In not accepting this ruling the companies were expressing three points: 1) their belief in the superiority of property rights over social causes; 2) their intuitive and empirical sense of the vast petroleum potential of their other properties; and 3) their conviction that nothing short of a formal treaty between the Mexican government and the governments of the countries in which the oil companies were based (mainly Great Britain and the United States) could be relied upon for purposes of long-term investment planning in Mexico. The companies, therefore, continued to pressure their governments to insist on full, not partial, recognition of their property rights in Mexico.

When it became clear, as early as 1923, that the hoped-for treaty that the foreign oilmen wanted would never come, they began to shift their new investment budgets out of Mexico and into new prospective areas in Venezuela and Saudi Arabia. In consequence, Mexican oil production began to fall.

With the expropriation in 1938 not only did the personnel and operating capital leave Mexico, but many of the well logs, maps, and other indications of the petroleum geology of Mexico were lost. It is no wonder, then, that starting with so little in the way of information, the new nationalized company had a narrow vision of Mexico's oil potential.

In the hands of Pemex and the Mexican government the official view of Mexico's oil reserves was allowed to diminish until, as mentioned, in 1972-73 it was necessary to import crude oil to cover domestic demand. It is commonly reported that Pemex officials during Ingúanzo's time deliberately concealed the discovery of the southeastern Reforma fields from an "overly populist" president, Luis Echeverría.³

Beginning in 1976, with the appointment of Jorge Díaz Serrano as head of Pemex, the official picture of Mexican oil reserves began to change, at least in Mexico. At that point, Ingúanzo claims, Pemex began to falsify reserve figures. In December of 1976 Pemex announced that reserve figures were 16.00 billion BOE whereas, having just left a twelve-year assignment as Pemex's chief of explorations, he knew that they were in the area of 6.38 billion BOE. A decade later, analysts agreeing with the spirit of Ingúanzo's complaint, would say that the sudden rise in Mexican official oil

Table 1
Six Estimates for Mexico's Proven Reserves in 1990
(billion barrels)

	Source and Date of Estimate					
	Pemex (3/91)	USGS (10/91)	USGS (7/91) ^a	Riva (7/91)	Ingúanzo (12/91)	Baker (9/91)
Crude oil	44.6	44.9	27.4	26.4	[20.9] ^b	22.9
Total petroleum (BOE*)						
@ Pemex rate	65.5	[66.2] ^b	[43.2] ^b	[41.7] ^b	29.9	[38.1]
@ U.S. standard rate	63.2	[63.8] ^b	[40.7] ^b	[40.1] ^b	[28.9] ^b	[36.6]

*BOE = barrels of oil equivalent

^a Uses 1988 data.

^b Values in brackets are my constructed values calculated from the original sources, which did not include such calculations.

SOURCE: Pemex, *Memoria de labores* (1990); USGS, (7/91); *Science* (July 12, 1991); USGS (10/91); Ingúanzo, Francisco (interview), *Proceso* (December 9, 1991), 13th World Petroleum Congress paper; Riva, J.P., Jr., CRS report, No. 91-535; Baker, George, *Platt's Oilgram News* (September 26, 1991).

reserves was powered by the promise of massive, if ill-advised, foreign loans as much as by the actual progress of drill bits in exploratory wells.

Six Contemporary Reserve Estimates

The question of how much oil does Mexico have available for the domestic and world markets is taken up by diverse analysts and institutions. Six views are summarized in Table 1.

Ingúanzo. Ingúanzo's figures⁴ suggest that Mexico's commercially recoverable petroleum has the following proportions: 20.9 bbl of crude oil, 6 billion barrels of oil-equivalent gas (28.9 trillion cubic feet), and 3 billion barrels of natural gas liquids.

Pemex. On the same day as the publication of Ingúanzo's article in *Proceso*, the Pemex office of former UNAM professor at the Escuela Nacional de Estudios Profesionales Lic. **Francisco Casanova** (currently head of Pemex's Department of Public Relations) issued a press release stating that Mexico's rigorously proven petroleum reserves were 65.5 billion barrels of oil equivalent and that the oilfields were under production at optimum rates so as to cover the energy of Mexico for half a century.^{5,6}

USGS (July 1991). The U.S. Geological Survey in Reston, Virginia, has a special office dedicated to world petroleum assessments. In July 1991 the Survey team, led by Charles D. Masters, published tables for proven and undis-

covered oil and gas reserves. Mexico's oil reserves were given as 27.4 billion barrels.

USGS (October 1991). Rethinking their position on Chicontepec, the USGS decided to include in the category of "identified reserves" all of the volumes previously reported by Pemex. Indicated crude oil reserves were 44.9 billion barrels.

Riva. In July 1991 Joseph P. Riva, Jr., a geologist with the Congressional Research Service, published a report that drew on the long-standing U.S. government's estimate of Mexico's oil and gas reserves. The report, tellingly, was called "Mexico's Oil: Less than Meets the Eye." Riva reports Pemex's proven oil reserves for 1990 as 26.4 billion barrels.

Baker. My own research into the issue of petroleum reserves, which I presented in September 1991 at the UNAM's School of Engineering at the invitation of Dr. **Jesús Rivera**, is focused on oil, not total petroleum. My methodology analyzes the various recovery factors that were associated with annual additions to reserves and adjusts them to reflect current market conditions.⁷ I conclude that, in the area of \$20/bbl, Mexico has about 22.9 billion barrels of proved oil reserves.

I show that the market price assumption is a major factor that affects the recovery rate applicable to a producing reservoir. At \$20/barrel Mexico could, on average, look for a 22% recovery rate; that is, of the total original oil in place, only 22% of it will ever be produced com-

mercially at that market price.⁸ In contrast, at \$35/barrel, the price of the lighter Isthmus oil in May 1981, a recovery rate in the neighborhood of 30-32% was achievable.

Conclusion. As was noted above, little importance outside of Mexico is given to a statistic for total petroleum; so it is odd that Inguzano should have chosen to challenge Pemex on the issue of total hydrocarbon reserves. The telling statistics are oil and gas reserves. The very similar total hydrocarbon statistics given by Pemex and the USGS in October of 1991 include the values for oil, gas, and gas liquids reported by Pemex in 1978 for Chicantepec.⁹ The USGS appropriately terms its figures "indicated reserves," the concept of which includes field growth (or the normal expansion of known fields) as well as proven reserves.

Inguzano, Riva, and I correctly remove the Chicantepec values from the category of proven reserves.¹⁰ Inguzano, however, is also subtracting an additional 18 billion barrels of oil equivalent from the official Pemex figures,¹¹ but the *Proceso* interview does not give a table or other information to indicate his findings on proven reserves on a regional basis. Pending the publication of additional information, Inguzano's figure for total petroleum reserves cannot be accepted.¹²

The matter is different on the subject of crude oil reserves. In contrast to Pemex and the USGS (as of 10/91), who give proven (or "indicated") crude oil reserves in the neighborhood of 45 billion barrels, Inguzano, Riva, and I believe they are in the low-to-mid 20s.

What my research and field interviews in Mexico have suggested is a new question that is not addressed explicitly by other analysts: What is the size of Mexico's *currently* producing reserves? In relation to this question petroleum engineers in Mexico have commented to me that current oil production "is sitting on a base that is under twenty billion barrels [of oil]." The most likely practical meaning, then of Inguzano's constructed figure of 20.9 billion barrels of oil reserves is that it refers, not to *future* cumulative production, but to the underlying reserves that support *current* production. If no other known (or, for that matter, undiscovered) reservoirs were ever brought into production, then Mexico's reserve-to-production ratio (R/P) would be in the order of twenty years, not fifty years.¹³

Policy Questions

This gap, or contradiction, between fifty and thirty years of oil availability points to what is at stake in Inguzano's

challenge to the statistical status quo in Official Pemex.

If no new reserves were ever added¹⁴ and if production efficiency stayed static, most observers would side with Inguzano. Their reasons for so doing, however, would differ. Only a minority of Mexican critics would agree with Inguzano that Mexico's solution is to turn the clock back to the time when he was vice-president of exploration and production in Pemex; that is, few people in Mexico would buy an "all-Mexico solution" to the bottlenecks in Pemex. U.S. oil industry observers believe that only with a dramatic upgrading of Pemex's exploration and production abilities can the country hope to bring to market the sizeable volumes of undiscovered oil and gas that lie waiting in waters deeper than the sixty meters in which Pemex is currently exploring and producing.

While U.S. and Canadian oilfield service companies believe that they can provide Pemex with up-graded technology and drilling and reservoir-management techniques, representatives from the producing companies from these countries are skeptical: "A service contractor wants the most revenue per contract, while we want the most oil per dollar invested. In this light, who has the greater incentive for down-hole efficiency?"¹⁵

The producer companies ask: Will Mexico have the raw capital and technological horsepower to explore for, and develop, the known-but-not-producing fields as well as the undiscovered resources that will have to supply the future energy needs of Mexico and Mexico's crude-export clients?¹⁶

U.S. and Canadian producers want the opportunity to apply their capital and expertise to Mexico's undiscovered resources. In their view, Mexico does not yet realize that the basic precept of Article 27 of the Mexican Constitution (state ownership of subsoil mineral rights) is a commonplace truth in the developing world. As the CEO of a major U.S. oil company commented:

In Indonesia, the matter of 'who owns the oil?' is never discussed. Everyone understands that the people and the government of Indonesia own the oil. We are there, not to be owners, but businessmen. What Mexico does not seem to understand is that the ownership question is a non-issue. What we do expect is to be rewarded in one way or another according to our success.¹⁷

On the outcome of the debate over the liberalization of oil policy in Mexico much of the course—and acceptability—of a free trade agreement with Mexico depends. As the Industry Sector Advisory Committee on Energy for Trade Policy Matters (ISAC #6) wrote to the Special Trade Representative, Carla Hills:

If Mexican authorities are interested in obtaining outside participation in upstream activities, contractual arrangements could be developed which would meet their Constitutional requirements, assure Mexico favorable investment returns, and provide U.S. companies with incentives necessary for participation. Liberalization of its existing laws and regulations in Mexico would increase the value of its hydrocarbon resource base and contribute to efficient reserve additions.¹⁸

For his part, Inguzano would have nothing to do with foreign contractors, much less investors. As far as he is concerned, Pemex is the best source of labor, management, and technology for the development of Mexico's petroleum reservoirs. There are many careerists in Pemex and the Oil Union who, rightly or wrongly, agree with him, and who, doubtless, were more than pleased to see his interview published.

Others would disagree. A new debate has emerged concerning Pemex's and Mexico's technological fitness in the upstream areas of exploration and production. Critics say that Pemex's problem cannot be reduced to a lack of equipment. "They have more instruments than we do," said one manager of a major producer. Pemex's technological problem seems to be a management problem: shortcomings concern the organization of work and inventory management. From this perspective, Pemex's efforts towards implementing the 1989-1991 recommendations of McKinsey & Company (down-scaling, reorganizing along business lines, establishing transfer prices, etc.) are likely not to have any appreciable effect on field efficiencies or oil production.

At its most senior level, the Mexican government is believed to be hard at work building scenarios that include the progressive privatization of the state oil sector. For them, timing is as important as substance. Because it would be unseemly to take such steps in ways that could be misinterpreted as responses to U.S. pressure, they are likely to be postponed until after the completion of a Free Trade Agreement with the United States. Unfortunately, from their perspective, the conclusion of a Free Trade Treaty *at all* may depend on their taking unilateral action in advance of a vote in the U.S. Senate.

The proposed Free Trade agreement will also be affected by the presidential elections of 1992. During bilateral meetings in Washington, D.C., in December 1991, representatives of the Mexican government were not given any assurance that such a treaty, if negotiated, could be submitted to the U.S. Congress for ratification prior to the elections of 1992.¹⁹

The Ingauanzos of Mexico would have the federal government scrap such scenarios of progressive privatization without further consideration. It will take unprecedented political courage and financial realism for policymakers to do otherwise. In the event that the forces of traditionalism win the policy debate over oil, Ingauanz's gloomy forecast of 1991 is likely to be a wish-fulfilling prophecy.

Policymakers in the United States and Canada should work with officials in Pemex as well as with those in the treasury, commerce, and energy ministries toward the end of quantifying alternative approaches to maintaining Mexican oil reserves and production well ahead of domestic demand. The prospects that exports should cease or significantly be curtailed is anything but a trivial matter. It would be worthwhile undertaking a cost-benefit study of alternative scenarios for the partial or progressive privatization of the oil sector. What counts is that the Mexican state continue to set the rules for performance and efficiency—and collect agreed-upon taxes. If it takes the collaboration of a U.S. or Canadian oil producer to complement Pemex's efforts in exploration or production, then it would be irresponsible of Mexican policymakers to pretend that such an option did not exist.

NOTES

1. *Proceso* (Mexico City), December 9, 1991. "Dato oficial sobre las reservas petroleras: 64,500 millones de barriles; dato real: 29,879." Actually, the official figure is 65,500, an error suggestive of the attention to which *Proceso* journalists typically give statistical issues. *Proceso* is probably the most widely read weekly Mexican journal of national news and commentary. Its reporting style and content is suggestive of a rich blend (say five to one) between *U.S. News and World Report* and *The National Inquirer*. The lead headline of the article reads, in translation, "Francisco Ingauanzo, Pemex doyen, warns that by 1998 we will import crude oil."

2. George Baker, *Mexico's Petroleum Sector* (Tulsa: PennWell, 1983), p. 134; Lorenzo Meyer, *Méjico y los Estados Unidos en el conflicto petrolero (1917-1942)* (Méjico, D.F.: El Colegio de Méjico, 1972, 2nd. ed., pp. 173-176).

3. A prying journalist should ask Ingauanzo to be candid about his role in the alleged cover-up.

4. Or, rather, figure—since the *Proceso* article did not disaggregate his individual estimates for recoverable oil, gas, and gas liquids. One can only suppose that his report provided tables on reserves, by type and region.

5. Pemex, Gerencia de Información y Relaciones Públicas, *Boletín* Num. 407/91, DIC. 9/91. The press release made no mention of Ingauanzo, but did try to refute his major charges. No mention was made of Ingauanzo's claim to have been given a special

assignment by Pemex chief Francisco Rojas.

6. During the period 1977-1982 Pemex published figures for Mexico's total petroleum resources, not only proven reserves. They were listed in three categories: potential reserves, probable (or inferred) reserves attributable to field growth, and proved reserves. The broadest term, potential reserves, included both proved and inferred reserves. By the year 1980 Pemex's figures for potential, probable, and proved reserves were (in billion barrels) 250, 38, and 60. (Note that the total [potential reserves] less the sum of probable and proved does not equal zero but 152. I interpret this value as an average indication of the size of undiscovered petroleum resources.)

7. A revised version of the paper is "¿Cuáles son los recursos no descubiertos en México?" *Revista Mexicana del Petróleo* (Mexico City), Año 33, No. 329 (nov.-dic. 1991), pp. 28-34. Tel 510-99-50, FAX 521-46-30.

8. Non-commercial production takes place when (leaving aside overhead and profits) the cost of energy used in production exceeds the energy value of the oil produced.

9. In revising its view, the USGS team took the view that since there was no dispute as to the existence of the Chicontepec reservoirs, it was appropriate to include their oil and gas values in the category of indicated reserves. Masters was influenced in this decision by the views of retired DOE geologist William Dietzman, author of earlier studies of Mexico's petroleum geology.

10. Riva and I credit Chicontepec with some 5 billion BOE of inferred reserves, while Ingauanzo gives it no more than one billion BOE.

11. If Ingauanzo started with Pemex's figure (in billion BOE) of 65.5 for Mexican reserves as of December 31, 1990, and merely subtracted the value corresponding to Chicontepec of 17.6, he should have come up with 47.9, not 29.9.

12. There is another place to quibble with Ingauanzo's calculations. The article reports that, according to his research, Mexico's petroleum reserves as of September 1, 1988 were 33.065 billion BOE. The article says that, subtracting production from that date, Mexico's reserves were at present 29.879 billion BOE (in another place in the article it says 28.879). The resulting figure does not square with Pemex reported production statistics. If "at present" meant November 30, 1991, then a total of 27 months had elapsed since August 30, 1988. Using Pemex statistics, Mexico annually produces about 1.25 billion BOE or 0.1042 billion BOE monthly. Average monthly production for 27 months gives 2.813 billion BOE. Subtracting this amount from 33.065 gives 30.257, not 29.879 (the value given in the article). This difference of 0.378 billion BOE, which seems small, is equivalent to roughly 467,000 BOE/day. Ingauanzo, then, is debiting Pemex with nearly a half-million barrels-equivalent of oil daily in excess of what Pemex reports.

13. Mexico produces nearly a billion barrels of crude oil annually.

14. In mid-1991 Pemex reported a new field, Ocosingo, located in southern Chiapas, but no reserve statistics were announced; about the same time a new field in the offshore Campeche fields was announced, but without reserve statistics.

15. Some producer representatives who are also Pemex crude oil clients worry that Mexican oil available for export may needlessly decline an account of the inefficiencies inherent in the use of oilfield service contractors for purposes of exploration and production.

16. As far as capital is concerned, in mid-1991 the U.S. Exim Bank approved \$1.3 billion in loan guarantees for upstream projects in the Gulf of Campeche; but, subsequently, snags on both sides of the border occurred, and, as of year-end, no financial instrument had been finalized—leaving Pemex with only in-house money to finance the new round of nine turn-key drilling projects the awards of which were then pending. Pemex aspirations in the U.S. bond market are briefly discussed in an essay by Andrew Reding and Christopher Whalen, "Fragile Stability," issued by the World Policy Institute, the New School for Social Research, Dec. 1991, pp. 23-24. Tel (212) 490-0010.

17. To the author, Buenos Aires, October 20, 1991, 13th World Petroleum Congress. I asked him to comment on a question that I had been asked in Mexico about the extent to which, if at all, Mexico's oil industry was behind that of the United States. He replied, "Ten years ago we were drilling in 500 feet of water; today, Pemex's average depth is still only about 200 feet. I would assign a relatively junior engineer to manage most of Pemex's drilling operations."

18. Raymond F. Bragg, Jr., Chair, ISAC 6, to The Honorable Carla A. Hills (Washington, D.C.), October 23, 1991.

19. *El Financiero Internacional* (Mexico City), December 30, 1991, p. 14. Dolia Estévez, "No Promises for Salinas at Camp David."

Carnegie Border Fellows Program and PROFMEX

The Carnegie Corporation of New York will support a year-long journalistic investigation of health and environmental issues on the U.S.-Mexican border with a \$99,000 grant to the University of Southern California's Center for International Journalism, directed by **Murray Fromson**. The grant covers the cost of fellowships and field support for two journalists—one from the United States and the other from Mexico. The journalists will focus on a wide variety of border issues in two major metropolitan areas on the border: San Diego-Tijuana and El Paso-Ciudad Juárez.

PROFMEX and the UCLA Program on Mexico are cooperating to coordinate the research portion of the Border Program. The Program on Mexico's role is to link the two fellows to ongoing policy research projects in Tijuana and Ciudad Juárez. The two projects (one still in the planning stage) are funded by the Ford Foundation and are being carried out collaboratively by PROFMEX and ANUIES.

The 1991-92 fellows are **Joanne Zúñiga** of the *Houston Chronicle* and **Jardiel Padilla** of Monterrey's *El Norte*. Zúñiga is a veteran reporter with more than 11 years of experience working for Texas papers; Padilla is a cultural reporter who comes from a family of journalists. The two journalists will examine the effects of air pollution, toxic waste, contaminated groundwater, inadequate housing, and problems in the workplace on the lives of U.S. and Mexican residents in the border region.

California State Hearings on FTA

San Diego State University was the site on November 21, 1991, of a joint hearing of the California Assembly Committee on Agriculture (**Rusty Areias**, D-Los Banos, Chair) and the Select Committee on California-Mexico Affairs (**Richard Polanco** D-Northeast Los Angeles, Chair) on "The North American Free Trade Agreement: The Impact on California."

Also participating in the hearings were Assemblymembers **Steve Peace** (D-Rancho San Diego), **Dedee Alpert** (D-Del Mar), and **Jim Costa** (D-Fresno).

The hearings brought experts from around the state to present their analysis of the costs and benefits of free trade with Mexico, from both a regional and sectoral perspective. Presenters included **Gregory Mignano** (Executive Director, California World Trade Commission); **Raúl Hinojosa-Ojeda** (UCLA); **Wayne Pullan** (California Department of Food and Agriculture); **Tom Shoesmith** (Baker & McKenzie); **Paul Ganster** (SDSU); **Judy Fowler** (California Farm Bureau Federation); **Clarissa Martínez de Castro** (University of Southern California); **Enrique Manzanilla** (EPA); **Jim Strock** (Cal-EPA); **Diane Takvorian** (Environmental Health Coalition, San Diego); and **David Ayon** (University of Southern California).

According to organizer Richard Polanco, the hearing was called to "help the state's leadership develop a comprehensive critique and analysis of the FTA so that California's needs and concerns may be adequately addressed in the negotiations between the United States and Mexico."

A report on the hearings will be released in the near future. For copies, or other information on the hearing, contact: **Marco Firebaugh**, Office of Richard Polanco, 110 N. Avenue 56, Los Angeles, CA 90024. Tel. (213) 255-7111; FAX (213) 620-4411.

Recent Publications

■ *Reciprocal Images. Education in U.S. Mexican Relations / Imágenes recíprocas. La educación en las relaciones México-Estados Unidos de América.* Edited by **Paul Ganster** and **Mario Miranda Pacheco** (México, D.F.: Universidad Autónoma Metropolitana Azcapotzalco. 1991. Pp. 355). This volume brings together the papers presented at the PROFMEX-ANUIES Fifth Symposium of Mexican and United States Universities held at El Colegio de México in 1988. The volume includes a preface by Ganster, introductory remarks by **Juan Casillas G. de L.** of ANUIES and **James W. Wilkie** of PROFMEX, keynote addresses by COLMEX President **Mario Ojeda** and former U.S. Ambassador to Mexico **Julian Nava**, 15 essays and accompanying commentaries, and closing remarks by **Juliet Atunes Sablosky** of the U.S. Embassy in Mexico.

The essays of this volume include:

Josefina Zoraida Vázquez, "La imagen de Estados Unidos en los libros de texto mexicanos"

Linda K. Salvucci, "Mexico, Mexicans, and Mexican Americans in Secondary School U.S. History Textbooks"

Miguel Antonio Meza Estrada, "Escuelas de la frontera, vecinos desconocidos"

Vesta K. Manning, "Images of the United States in Mexico's *Libros de texto gratuitos*"

Regina Cortina, "Educación y construcción de la nacionalidad"

David E. Lorey, "Critiquing the Image of the University in Mexico: Quantitative Dimensions of the University Production since 1929 and the Problems of Quality and Employment"

Carlos E. Cortés, "The Convenient Arena: Mexico in U.S. Motion Pictures"

Mercedes Lynn de Uriarte, "Crossed Wires: the U.S. Press and Mexico"

William H. Beezley, "Sons and Daughters of the Cisco Kid: Images of Mexicans in American Popular Culture"

Enrique Contreras Suárez, "Identidad, regionalismo y la imagen de los estadounidenses"

Charles Tatum, "Images of the United States in Selected Mexican Comic Books"

Jorge A. Bustamante, "Interacción transfronteriza e interbilateralidad; el narcotráfico y la migración indocumentada como problemas de comunicación"

Lisa Fuentes, "La problemática de las imágenes recíprocas"

Héctor M. Capello, "El estudio de

los auto y hetero-estereotipos en siete naciones"

Oscar F. Martínez, "Mutual Images: Past and Future"

The essays and commentaries of this work not only document the reciprocal images, both positive and negative, but expose the processes of formal and informal education behind those images, perceptions, and stereotypes. The discussion in the book is remarkable both in its delineation of problem areas and the level of candor. For example, Vesta Manning in her presentation on Mexican textbooks reports on a content analysis of the Mexican government *Libros de texto gratuitos* that are used in all Mexican elementary schools. She shows that these textbooks' portrayal of the United States is not only marred by factual inaccuracy, but is also notable for a lack of balance and equity. Josefina Vázquez defends the *libros* and attacks the analysis by Manning, pointing out the historian's obligation to be selective which explains the omission of events such as the 1968 student uprising and Tlateloco massacre from the Mexican textbooks.

■ *The Deterioration of the Mexican Presidency: The Years of Luis Echeverría*. By **Samuel Schmidt** (Tucson: University of Arizona Press, PROFMEX Monograph Series. 1991. Pp. 222. \$37.50). In this latest addition to the PROFMEX Monograph Series, Schmidt identifies the central feature of Mexico's political crisis as the deterioration of "presidentialism." It intensified, if it did not entirely originate, during the presidency of Luis Echeverría (1970-1976) and has been worsening ever since. According to Schmidt, Echeverría began his term with three major goals: nationalism, anti-imperialism, and revitalization of the system. But, because of personal flaws and the opposition of the bourgeoisie, he achieved only extended confrontation, destabilization of the economy, repressive pacification, and alienation of the regime's allies in all sectors of society. His personal failure contributed to the decline of the office of the presidency and a weakening of the Mexican regime.

Schmidt's book makes a contribution to our understanding of Mexican politics in several ways. First, it discusses in detail some revealing issues such as the Echeverría Letter, the anti-Zionist vote, the steroid controversy, and the guerrilla groups active in the 1970s. It also deals very explicitly with the issues of academic freedom and censorship in Mexico, pointing out the sacrosanct na-

ture of the person of the president. Finally, Schmidt analyzes the role that humor and jokes play in the Mexican political system and how they function as a barometer of the regime in power.

The Deterioration of the Mexican Presidency was originally published in Mexico but remained largely unknown as most copies were bought up by Echeverría allies and never reached the public. The present edition includes significant new material and an extensive and valuable introduction by translator and political scientist **Dan A. Cothran** (Northern Arizona University). Author Samuel Schmidt is a political scientist and editor of *Nuestra Economía*, a journal published by the School of Economics of the Universidad Autónoma de Baja California in Tijuana. Currently, Schmidt is Director of the Center for Inter-American and Border Studies at the University of Texas at El Paso.

■ *Hope and Frustration: Interviews with Leaders of Mexico's Political Opposition*. By **Carlos B. Gil** (Wilmington, Delaware: Scholarly Resources, Inc., 1992, Pp. 356. Cloth \$40. Paper \$13.95).

This significant work is based on Professor Carlos B. Gil's interviews with Mexican political leaders who since the mid-1980s have represented a political spectrum of opposition to the Official Party in Mexico. Gil's cogent interviews bring together in one convenient volume the thinking about Mexico's political scene as it approached the 1988 presidential and congressional election and its shocking results.

Gil sets his interviews into perspective at the outset of the work, then prints the text of his interviews (year in parenthesis), as follows:

The Right Opposition

Jesús González Schmal (1986)
Pablo Emilio Madero Belden
(1986)

The Center Opposition

Cuahtémoc Cárdenas Solórzano
(1988)

Porfirio Muñoz Ledo (1987)

The Left Opposition

Jorge Alcocer Villanueva (1986)
Heberto Castillo Martínez (1986).

Although each of the interviewees briefly discusses his personal past and how his life interacts with history, the thread of the work is not oral history as in James and Edna Wilkie's *México Visto en el Siglo XX* (1969); rather the interviews topically discuss the hope and frustration of politicians as they try to develop viable political opposition to the durable PRI.

Since Gil conducted these interviews in the mid-1980s, events in Europe (notably the collapse of communism and

the withering even of the Swedish model of socialism) have outrun Mexican opposition thinking expressed in this book. Yet the interviews yield a vivid impression of where Mexico stood on the eve of the 1988 election, and in his perspective on the interviews Gil attempts to extrapolate from them to assess the prospects of the opposition for the 1994 presidential elections.

Two appendices add to the usefulness of this important volume. The first is entitled "Cuahtémoc Cárdenas and the Rise of Transborder Politics"; the second offers a "Bio-glossary" which explains and defines terms used in the interview, such as "Alfa Group," "dedazo," and "Henríquez Guzmán, Miguel."

Carlos Gil is professor of history at the University of Washington and author of the excellent work *Life in Provincial Mexico: National and Regional History Seen from Mascota, Jalisco, 1867-1972* (UCLA Latin American Center Publications, 1973).

Hope and Frustration is part of the new Latin American Silhouettes series of Scholarly Resources, Inc.; **William Beezley** (Texas Christian University) and **Judith Ewell** (William and Mary), Series Editors.

■ *Mexico's External Relations in the 1990s*. Edited by **Riordan Roett** (Boulder, Colorado: Lynne Rienner Publishers, Inc., 1991. Pp. 282. \$30). Examining the various components of Mexico's external relations—both political and economic—the authors of this volume explore possible scenarios for the country in the changing global environment of the 1990s.

An overarching analysis of the context of Mexico's international relations is followed by a discussion of interdependence. Is interdependence the new paradigm with which to examine Mexico's relations with the world? Is national sovereignty, as traditionally defined, a relevant concept for Mexico in the 1990s? Drawing on the themes developed in the first sections, subsequent chapters assess options for Mexico vis a vis Western Europe, the Pacific Basin, the "South," Central America, and multilateral organizations. In the final section, the Mexico-United States bilateral relationship is examined from the Mexican, North American, and European perspectives, with an eye toward options for the next decade.

The book includes essays by Roett, **Jesús Silva Herzog**, **Clark Reynolds**, **Sergio Aguayo**, **Roberta LaJous**, **Wolf Grabendorf**, **Jorge Alberto Lozoya**, **Jorge Miguel Insulza**, **Cheryl Eschbach**, **Olga Pellicer**, **Gabriel Szekely**, **Sally Shelton Colby**, and **Laurence Whitehead**.

■ *El Acuerdo de Libre Comercio México-Estados Unidos y repercusiones en la frontera*. By **Eugenio O. Valenciano** with the collaboration of **Paul Ganster** (Buenos Aires: Instituto para la Integración de América Latina/BID-INTAL, 1991. Pp. 50). This work analyzes the probable impacts of the U.S.-Mexican Free Trade Agreement on the border region. The initial part of the work is concerned with a discussion of the restructuring of the world economy and economic and political integration. Next, the concepts of free trade zones and other mechanisms of integration are considered, both from a theoretical level and in the context of the U.S.-Mexican border region. The final section of the work analyzes the role of the border in the FTA. Specifically, the topics of border trade, border industry, migration, tourism, environmental problems, culture and education, and infrastructure and energy are discussed within the framework of the border region and free trade.

Eugenio Valenciano is director of the Technical Assistance Program at INTAL in Buenos Aires; Ganster is director of the Institute for Regional Studies of the Californias at San Diego State University.

■ *Continental Accord: North American Economic Integration*. Edited by **Steven Globerman** (Vancouver: The Fraser Institute, 1991. Pp. 174). This volume is the product of a long-term project by the Fraser Institute entitled "The Economic Future of North America" that is exploring the economic, social, and political issues surrounding North American integration. *Continental Accord* offers a broad perspective on the issues surrounding North American economic integration, taking vantage points from Mexico, Canada, and the United States. The volume highlights a set of arguments for North American economic integration along with an assessment of the potential problems in achieving closer economic relations. The sections of this important and useful book are:

Rogelio Ramírez de la O (CEO, Encal, S.A.), "A Mexican Vision of North American Economic Integration"

Leonard Waverman (Centre for International Studies, University of Toronto), "A Canadian Vision of North American Economic Integration"

Clark W. Reynolds (Stanford), "A United States Vision of North American Economic Integration"

Richard Lipsey (Simon Fraser University), "The Case for Trilateralism"

Rosemary P. Piper (Hudson Institute) and **Alan Reynolds** (Hudson Institute), "Lessons from the European Experience"

Steven Globerman (Simon Fraser University) and **Maureen Bader** (Simon Fraser University), "A Perspective on Trilateral Economic Relations"

The Fraser Institute is an independent Canadian economic and social research and educational organization with a broad focus on the role of competitive markets. It has offices in Vancouver (626 Bute Street, Vancouver, B.C., Canada V6E 3M1, Tel (604) 688-0221, FAX (604) 688-8539) and Toronto (1050-595 Bay Street, Toronto, Ontario, Canada M5G 2C2, Tel (416) 596-7165, FAX (416) 596-2365).

■ *Trade Talks with Mexico: A Time for Realism*. By **Peter Morici** (Washington, D.C.: National Planning Association, 1991. Pp. 124. \$15.00). This book is a concise analysis of the important issues in the negotiations with Mexico regarding the formation of a North American Free Trade Agreement. An introductory section provides a summary of costs and benefits as well as arguments for and against NAFTA. The next section examines economic reform in Mexico and is followed by an examination of commercial relations with Mexico. The following chapter estimates sectoral adjustments necessary in the United States and Canada. Chapter 5 details the role of the Canada-U.S. Free Trade Agreement in NAFTA and its applicability to Mexico. The final chapters discuss broad and specific issues in the negotiations and provide a realistic assessment of the different positions on free trade.

■ *Land, Labor, and Capital in Modern Yucatán. Essays in Regional History and Political Economy*. Edited by **Jeffery T. Brannon** and **Gilbert M. Joseph** (Tuscaloosa, Alabama: University of Alabama Press, 1991. Pp. 322). This fine interdisciplinary volume, in addition to essays by the editors, includes contributions by **José Arturo Güémez Pineda**, **Robert W. Patch**, **Angel E. Cal**, **Allen Wells**, **Herman W. Konrad**, **Ramón D. Chacón**, **Rosemary L. Batt**, and **Daniela Spenser**. The authors blend the theories and approaches of anthropology, history, economics, and sociology to produce a coherent regional history that examines the uniqueness of Yucatecan development, yet demonstrates the linkages with the broader sweep of Mexican and world events.

The essays in Part I focus on the early expansion of commercial agriculture during the 19th century and the subsequent erosion of traditional Mayan society in Yucatán and northern Belize. Part II, "Forging the New Order," examines the intensification of commercial

agriculture and external dependency, which occurred dramatically in northwestern Yucatán during the final third of the 19th century and more gradually in Quintana Roo. The contributions to Part III, "Revolutionary Challenges to the Plantation Regime," shed light on the assault that a series of revolutionary mobilizations made on the Old Regime centered on the henequen monoculture. Embedded in the characteristic Yucatecan case are important implications for understanding the larger revolutionary process, especially as it pertains to such central issues as export dependency and regional development, agrarian reform, revolutionary corporatism, the dynamics of mass mobilization and cross-class coalitions, and the elite establishments in the face of revolutionary transformation.

■ *Chimalpahin and the Kingdoms of Chalco*. By **Susan Schroeder** (Tucson: University of Arizona Press, 1991. Pp. 264. \$40.00). Seventeenth-century master historian Chimalpahin brought together a large corpus of rare, valuable information about indigenous Mexico. Writing one hundred years after the Conquest, his accounts are unique, for Chimalpahin's is the most comprehensive extant personal account by a known Indian in his native Nahuatl.

It was Chimalpahin's intention to write a history about his hometown Amecameca Chalco, so that Indians for generations to come would know about his glorious kingdom. In doing so, he included a history of Indian Mexico, spanning the years 670-1361. However, his accounts, in large part due to his eloquent but difficult Nahuatl, have been little studied, and almost nothing has been published about them in English.

In *Chimalpahin and the Kingdoms of Chalco*, Susan Schroeder brings new insights about Chimalpahin and Nahua Mexico. Remarkable is the fact that Chimalpahin, heretofore believed to be of noble heritage, was of humble background, yet literate, ambitious, and industrious, especially during his stay in Mexico City. In addition, Schroeder has synthesized his annals-genre history and studied specific Nahuatl sociopolitical terminology in order to reconstruct the confederation of Chalco kingdoms as they were in or just before his time. Analysis of Nahuatl terms, like *altepetl*, *calpulli*, *tlatocayotl*, and *quauhltotoani*, as Chimalpahin used them, has revealed the origins, settlement patterns, and development of the Chalco kingdoms, showing continuity of indigenous sociopolitical institutions through the sixteenth century. But even more important, this study offers a key to Nahuatl concepts and terminology affording greater understanding of the in-

digenous perspective of the Nahua world.

Schroeder is Chair of Latin American Studies and Associate Professor of History at Loyola University of Chicago.

■ *Historiografía de la frontera norte de México. Balance y metas de investigación*. By **David Piñera Ramírez** (Tijuana and Monterrey:

Universidad Autónoma de Baja California and Universidad Autónoma de Nuevo León, 1991. Pp. 258). This very useful volume by one of Mexico's leading historians of the northern border of Mexico is an analysis of the historiography of the region. The first part of the work provides an overview of the major historical works dealing with the entire region, with a focus on particular states, or covering specific cities. The second part is a synthetic historical overview of the North, providing the author's analysis of unifying themes in order to provide a more coherent view of the North.

Part three consists of a discussion of Piñera's suggestions for priority areas for research on border history. The following section conveys Piñera's ideas regarding the training of a new generation of historians. The book's final section is a bibliography of the history of the Northern border, divided into sections for works published pre-1970 and post-1970. The post-1970 works are further divided into categories of global studies, state-level monographs, city monographs, and by time periods.

David Piñera is a professor of history at the Universidad Autónoma de Baja California and a researcher at the Instituto de Investigaciones Históricas in Tijuana.

■ *Corruption and Politics in Contemporary Mexico*. By **Stephen D. Morris** (Tuscaloosa, Alabama: University of Alabama Press, 1991. Pp. 202).

This book addresses the causes, effects, and dynamics of political corruption in Mexico. An underlying assumption of the work is that a systematic analysis of corruption is critical to a better understanding of the politics of Mexico and despite the paucity of previous analyses and the many conceptual and methodological obstacles, the importance of the subject matter demands treatment. The author discusses scandals and gives examples of corruption for illustrative purposes, but his analysis is theoretically grounded rather than anecdotal. He questions whether in fact corruption has enhanced or diminished the stability of the Mexican government, and examines the reasons for the failure of many anti-corruption efforts. The book is particularly timely in light of the ongoing political reform efforts of the Salinas administration.

The Unionization of the Maquiladora Industry: The Tamaulipan Case in National Context. By **Edward J. Williams** and **John T. Passé-Smith** (San Diego: Institute for Regional Studies of the Californias, San Diego State University, 1992. Pp. 134. \$12.50). This study analyzes the unionization of the maquiladora industry with special emphasis on three cities in the state of Tamaulipas—Matamoros, Reynosa, and Nuevo Laredo. Based on data from elite interviews and a survey of workers, the study includes four parts: 1) the Mexican government's relationship to the industry and to organized labor; 2) the industry's strategies to oppose and/or accommodate unionization; 3) organized labor's attitudes and strategies on the organization of the industry; and 4) the worker's reactions to the policies and programs of the government, the industry, and labor union leaders. Throughout, the Tamaulipas case is compared and contrasted with the national context. The study concludes that a panoply of forces and influences have converged to inhibit the unionization of the maquiladora industry.

Unionization of the Maquiladora Industry is an important source for understanding how unions function in the maquiladora industry and why it is unlikely that the maquiladora industry elsewhere along the border will very likely not be organized by Mexican unions.

Edward J. Williams is a political scientist at the University of Arizona; John T. Passé-Smith is a political scientist at the American Graduate School of Management.

VII PROFMEX-ANUIES Symposium Announced for Mérida in November 1992

The Organizing Committee for the VII PROFMEX-ANUIES Symposium met in Toronto, Ontario, Canada, on November 17 and 18, 1991. The meeting included participants from Mexico and the United States as well as Canada and was held on the campus of the University of Toronto.

The committee's meeting was devoted to initial planning for the VII Symposium, which will be co-chaired by **Alan Alexandroff** (Canada), **Edmundo Jacobo** (Mexico), and **John Coatsworth** (USA). The committee decided to devote the VII Symposium to issues related to North American integration. The theme of the conference will be "Sustainable Integration: How Far? How Fast?" The symposium was tentatively scheduled to take place in Mérida on November 12-14, 1992. The committee was hosted in Toronto by **Len Waverman**, director of the Centre for International Studies at the University of Toronto, and by Alan Alexandroff of Tory, Tory, Deslaurier & Binnington.

The symposium, as usual, will be organized into six plenary panel sessions in addition to various luncheon and dinner addresses. Each panel will include participants from each of the three countries. Panel organizers will make an effort to recruit three papers (one from a scholar in each country) for presentation at each panel, though panel organizers have the flexibility to reduce the number of papers so long as

all three countries are represented (by a commentator, at least) on each panel.

The six panel topics approved by the committee and the names of their organizers are as follows:

1. *Education and Human Resources.*

David Lorey (UCLA), **Mónica Verea** (UNAM), **José Warman** (CETEI).

2. *Latin America and the North*

American Community. **Ron Hellman** (CUNY), **Albert Berry** (University of Toronto).

3. *Environment, Energy, and Law.* **Albert E. Utton** (Transboundary Resources Center, UNM), **Paul Ganster** (SDSU), **Roberto Sánchez** (COLEF).

4. *The Role of NGOs in an Integrated*

North America. **Cathryn Thorup** (UCSD).

5. *Social Policy.* **Ann Weston** (North-South Institute, Ottawa).

6. *Migration and Immigration Policies.* John Coatsworth (University of Chicago).

Possible topics for working sessions at luncheons and dinners approved by the committee included:

1. *Institution Building for a North American Community.*

2. *European Models and Perspectives.*

3. *The Impact of the U.S. Elections.*

4. *National Minorities.*

Suggestions (and) volunteers for panels should be directed to panel organizers. Suggestions for luncheon or dinner speakers may be addressed to any of the VII Symposium chairs.



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