**The Foreign Policy Project**

## The Challenge of Mexico to U. S. Foreign Policy

J\rturo \Talenzuela

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# About the Foreign Policy Project

The Foreign Policy Project is designed to reassess the principles and purposes of U.S. foreign policy in the post-Cold War world. The project seeks to describe the emerging international environment as seen from a variety of perspectives, to assess America's stakes in that world, to examine the trade-offs among them, and to articulate a framework for analysis, debate, and policymaking. The project, which has funding from The Ford Foundation, hopes to generate ideas and analyses that will contribute to and re-energize an informed national debate on U.S. foreign policy and America's role in the post-Cold War era. The Project is co-chaired by Barry M. Blechman, Chairman of the Stimson Center, and Catherine Gwin, Senior Vice President of the Overseas Development Council (ODC) and co-directed by William J. Durch of the Stimson Center and David F. Gordon of ODC. Project research staff include Todd Moss and Jolie Wood.

The project has five main components:

***Strategy Group.*** Meeting at regular intervals throughout the life of the project, the Strategy Group is the core component of the project. Composed of experts from disparate fields andbackgrounds (in research, public policy, the media, and business), from different parts of the country, the group oversees the project's research program and will debate its results, aiming toward a restatement of

U.S. foreign policy interests and objectives.

*Regional Workshops* were held at sites in California, Texas, and Wisconsin to explore issues relevant to those areas and to incorporate local perspectives, interests, and expertise.

*Washington Roundtable.* This series provides an off-the-record forum for Washington area executive branch and congressional staff, think tanks, academics, and representatives of private voluntary organizations to discuss important foreign-policy-related issues. It also provides an opportunity for members of Washington's several foreign policy communities to share insights and create new networks of communication.

*Research.* Background papers are being prepared by Strategy Group members, project staff and other experts to supplement existing literature on topics such as the use of force, technology and foreign policy, and the impact of the media on foreign policymaking. Some of the background papers will be published as a part of the FPP Occasional Paper Series. The project's final report will be released in early 1997.

*Communications.* The twin objectives of the project's communication efforts are catalytic and educational--catalytic, to stimulate debate on interests and foreign policy beyond the confines of the project itself, and educational, to increase the proportion of debates that are reasonably well-informed.

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## The Challenge of Mexico to U.S.

**Foreign Policy**

As the twentieth century comes to an end, the relationship between the United States and Mexico has grown in visibility, scope, and complexity, becoming one of the most important bilateral relationships for the United States in the world. In its 1994 polling of elite public opinion, the Chicago Council on Foreign Relations noted that Mexico tied with Russia at the top of a list of countries in which the United States has "vital interests," an increase of four points over the previous poll conducted in 1988. The broader public ranked Mexico fifth in importance, up from thirteenth in the earlier survey.

Mexico's growing importance in American public opinion is a reflection of fundamental changes taking place in Mexico and the world economy, changes that have increased the economic integration of both countries. In 1950, Mexico was a largely rural country of 26 million people with a life expectancy of 49 years and a literacy rate of 50 percent. In 1997, Mexico is an overwhelmingly urban country with 97 million inhabitants where the life expectancy is 69 years and the literacy rate is 87 percent. Mexico is now the eleventh most populous country inthe world, with an industrial economy that ranks among the top 15.

As Mexico has moved from a closed to a more open economy, the United States has absorbed over 70 percent of Mexican exports. At the same time, Mexico has become the third largest export market for the United States and an important destination for U.S. investors searching for lower costs to remain competitive internationally.

The long 2000-mile border, the busiest in the world, now has over 250 million legal crossings a year. The dramatic increase in commerce and population movements in recent years has been accompanied by growing cultural ties as well as increased illegal immigration, narcotics trafficking, and environmental and health concerns. These have drawn sharp public reactions with extensive political repercussions in both countries .

Mexico's current visibility in the Washington policy debate is a new phenomenon. Since the end of World War II, Mexico has been largely marginal to American security concerns. The growing integration of both countries has been gradual, obscured by the prominence of U.S. global strategic concerns driving the Cold War. Mexico's economy was only marginally important to the United States, and it had one of the most stable political regimes in the Third World, giving the United States a southern border that did not threaten its security or strategic interests.

Today, in the aftermath of the Cold War, conditions have changed. Mexico's economic prosperity is of direct relevance to the well-being of the United States, and the growing integration of the two societies makes Mexico increasingly important to Americans . At the same time, Mexico is undergoing profound political and social transformations that raise questions about the short- and mid-term stability of its regime. Mexico's hegemonic party state is in crisis. Although Mexico's transition to democracy may be less daunting than those of Eastern and Central Europe, the country must still forge the key institutions and practices of competitive democracy and establish the full rule of law. Political change has lagged far behind the extraordinary changes that have taken place in the Mexican economy and society.

bureaus, rather than by setting up competing bureaucracies that undermine policy coordination.

Adding to the problem is the tendency for embassies abroad to increasingly mirror the inter-agency complexity in Washington , making it difficult for ambassadors to be a first source of policy implementation. A large embassy, such as the one in Mexico City, houses multiple agencies each with their own reporting channels. In short, embassies are increasingly platforms that duplicate the incoherence of U.S. policy toward a particular country rather than tools for coherently articulating policy to the governments of other states.

Improved institutional mechanisms should contribute to better coordination and centralization of policy. An overall improvement in U.S.-Mexican relations, however, will depend on 1) the success of Mexico's transition process; 2) a deeper understanding and appreciation for the richness of Mexican society and culture; and 3) a realization of the advantages accruing to both countries from a cooperative relationship to strengthen the ties dictated by geography, commercial exchange, and cultural integration.

Although the State Department should have the lead in managing the overall relationship and particularly in diplomatic dealings with Mexico, it is important that the National Security Council (NSC) play a more prominent role in coordinating the work of the individual agencies in developing options for major policy shifts or in response to major crises. The NSC Senior Directorate for Latin America is responsible for coordinating policy and supporting the president on matters relating to all 34 countries in the Westem Hemisphere, save Canada. Typically one director follows Mexico along with a basket of other countries and must rely heavily on the Department of State for information, expertise and policy options. The creation of a new position of Special Assistant to the President and Senior Director for Mexican Affairs would place a high-ranking official in the NSC whose duty would be to oversee the broad coordination of agency involvement in Mexico policy and to better staff the deputy or principal meetings dealing with Mexico.

Ironically, efforts to empower the secretary of state with a greater capacity to deal with many of the non-traditional foreign policy issues such as migration, narcotics, and environment have been undermined by creating functional bureaus at State that compete with the powerful regional bureaus with their greater staffing capacity and direct lines of authority to overseas embassies. Functional bureaus reify within the State Department the fragmentation of issues, exacerbating the conflicts with regional bureaus that manage the bilateral relations. This leads to inordinate delays in the formulation of policy while encouraging often contradictory and weak policy options that appeal to the lowest common denominator in the interagency process. In some cases functional bureaus become extensions of other agencies' agendas, even as they compete with them, undermining the secretary's ability to focus on the critical elements of foreign policy. Functional expertise is critical to the secretary's ability to manage the issues of the post-Cold War era, but it should be generated within the framework of the regional

The United States has not fully assimilated the implications of these changes nor grasped their relevance for bilateral relations. Mexico has yet to be viewed in strategic terms, even as Mexican issues have become far more prominent across the policy agenda. Thus, Mexico has not elicited attention comparable to that given Japan, Russia, China, Israel, or Central and Western Europe. During his first term, President Clinton did not travel to Mexico. Secretary of State Christopher visited Mexico only twice within the framework of the annual Binational Commission chaired by the foreign secretaries ofboth countries. This contrasts sharply with Christopher's extensive travel elsewhere, including 28 trips to Damascus.

Rather than responding to foreign policy imperatives, policy toward Mexico has been driven fundamentally by domestic factors because it is spread across a number of governmental agencies and heavily influenced by congressional pressure. Domestic agencies both encourage and are subject to pressures from domestic constituencies, which in tum has led to a fragmentation or balkanization of policy, obscuring or even undermining the broader security and foreign policy interests of the United States and making relations with Mexico more difficult.

Policy toward Mexico cannot simply be thought of as an extension of U.S. domestic concerns. Mexico is a sovereign country with a long and proud history that has often viewed the United States as its principal security threat. Itis a country going through a difficult and complex regime transition, with serious and acute social problems--a country whose prosperity, stability, and regime legitimacy are vital to the long-term interests of the United States and to the quality oflife of millions of Americans living in border communities and states.

Nor is the problem merely a conceptual one, dealing with the underlying assumptions behind policy considerations. It is, asnoted, also an institutional one. The United States must refocus its foreign policy institutions to better handle the new generation of global issues that are so prominent in U.S.-Mexican affairs.

A better relationship requires a qualitative change in the approach--from one that is often adversarial to one that is driven by the notion of common purpose and aimed at addressing the concerns of citizens of neighboring countries. Nor can the partnership simply be government-to-government. There must be a greater role for states and local communities on both sides of the border, as well as private sector groups and non-governmental organizations (NGOs). Yet, the new partnerships, premised on the growing integration of both countries, must not lose sight of the critical importance of national sovereignty. Ultimately, the relationship must be managed by states with due regard to foreign policy considerations.

Finally, many issues critical to the relationship are in fact international and transcend the relationship; narcotics, population movements, and environmental and ecological problems are not restricted to specific borders. Both countries must acknowledge this fact and be willing to work together in a broader regional and international context in addressing them.

This paper first reviews in more detail the fundamental changes that have taken place in Mexico in recent decades, in both the economy and politics. It then looks at U.S.-Mexican relations, stressing the growing importance of Mexico to the U.S. economy. Part three examines the principal issues in U.S.-Mexican relations and the institutional framework that has developed to manage them. The concluding section articulates an approach for U.S. policy that stresses fundamental security

A clearer articulation of U.S. interests must be accompanied by greater coordination and centralization of U.S. policy. This requires giving a clear lead to the secretary of state in the formulation and implementation of overall U.S. policy toward Mexico. Although the State Department chairs the Inter-Agency Working Group on Mexico, that body has tended to be informational rather than policy-making. Inthe absence of crisis that has led to the convening of a deputy- or principal-level meeting on Mexico, agencies have sought to pursue their own policy objectives. This often led to strains in the overall relationship as pressure on one set of issues contravened general understandings between both governments, or endangered agreements in other areas.

It is not just a matter of the secretary of state exerting him­ or herself in the inter-agency process, as Secretary Baker did successfully in the Bush administration. Policy toward Mexico is too important to be subject to the accident of peculiar forms of cabinet leadership or the vagaries of the relationship between a particular president and the secretary of state. The primacy of State Department authority must be set by presidential directive and, where relevant, enshrined by statute.

The BNC already provides a vehicle for coordination of policy. Its working groups tend to meet on their own throughout the year without much central coordination until the BNC meeting itself is planned. The State Department has typically gathered together the formulations of the lead agencies in each of the working groups in preparing for the annual meeting. The State Department should chair or co-chair planning meetings of each of the working groups on the U.S. side during the year. Agencies should not be permitted to dismiss the BNC process because they have established direct links to their Mexican counterparts.

elements in the Mexican government and broader political establishment, including the opposition, that are committed to improving institutional capacity and look to the United States for tangible support. The United States must approach common problems such as law enforcement, narcotics, and border development so as to help Mexican authorities improve police and law enforcement capacity while safeguarding the country from the corrosive effects of criminal organizations that thrive on the boundless resources generated in large measure by the

U.S. market. And this must be done with due respect to Mexican sovereignty.

Paradoxically, as Mexican political institutions become more democratic and power becomes less concentrated in the office of the president, it will be more difficult for the United States to conduct its relations with Mexico. U.S. officials in recent years have become accustomed to dealing directly with the chief of staff of the president to seek a resolution of problems both great and small. And communication with the Mexican presidency was not restricted to the White House or the secretary of state. Principals, deputies, and even lower-level officials would directly contact Jose Cordoba, Santiago On.ate, or Luis Tellez (chiefs of staff of Presidents Salinas and Zedillo) for resolution of matters, often bypassing the U.S. embassy in Mexico City.

With an increasingly activist congress in Mexico, greater decentralization of authority at the state and local level, and policies subject to greater regulation and oversight, it will be far more difficult for U.S. officials to get quick results for their entreaties. Mexicans will plead, like U.S. officials do today, that they are constrained by the legislature and public opinion, arguments that will have far greater credibility in the future than they do today. A more democratic Mexico will require far more sophisticated U.S. policy responses.

concerns, while advocating better policy coordination and management.

### A Changing Mexico

Following its independence from Spain, Mexico was buffeted far more than other Spanish colonies by social unrest and regional claims to power. Its turbulent nineteenth century history included 50 separate presidencies between 1821 and 1860, the loss of half of its national domain to the United States, and the imposition of the imperial rule of Maximilian von Hapsburg of Austria (1863-67). For 35 years Mexico was ruled by the autocratic Porfirio Diaz (1876-1911), who presided over far-reaching economic transformations fueled by foreign investment.

But Mexico's progress left the bulk of Mexican society behind as peasant land was increasingly turned over to commercial cultivation and the expansion of the railroads. In 1911, when Diaz sought to prolong his presidency, progressive sectors of the ruling elite balked, setting off a chain of events that led to the first great revolution of the twentieth century. Not until the 1920s would Mexico achieve a semblance of political stability after a decade of civil turmoil and violence that ushered in a profoundly different political and social order.

By the 1930s Mexico's leadership managed to forge one of the most enduring political creations of modem times: a strong state based on the political machinery of a highly articulated party organization. Mexico's ruling party (which became the Institutionalized Revolutionary Party-Partido Revolucionario Institucional, or PRI-in 1940) rested on three pillars: corporatism, clientelism, and the symbols of the Mexican revolution.

Corporatism allowed the party to mobilize and channel mass support from the peasant, labor, and popular sectors stemming from the revolution. Clientelism gave the party the capacity to extend its reach geographically to the most remote communities where voters were mobilized in support of the regime through patron-client networks based on particularistic favors. The symbols of the revolution, embodied in the socialist tenets of the 1916 constitution and the agrarian appeals of the extensive land distributions of the late 1930s, contributed to the legitimacy of the party organization and its elite. Mexico's political leadership resolved the succession problem by granting broad authority to a president elected for one non-renewable six-year term, but with the power to designate his own successor. A powerful state drawing on patronage and corruption served as a channel for upward social mobility and coaptation of dissenting forces.

Mexico's emergence as an urban industrial giant was propelled by state investment in productive enterprises and protectionist policies aimed at promoting industrialization to replace imports with domestic manufacturing. These policies were initially very successful. From 1940 to 1970, the country grew six percent per year, fueled by a booming manufacturing sector that transformed Mexico from a rural agrarian society to an urban industrial one. Mexico surpassed Argentina as the second largest economy in Latin America after Brazil.

Growing population pressures in Mexico were partially relieved with the development of agricultural worker programs and the continuing demand forundocumented labor in the United States. From 1965 to 1995, a total of 36.5 million Mexicans entered the United States illegally. Surveys in Mexico suggest that one-third of all Mexicans have entered the United States, legally or illegally. Mexican migration, however, is not usually permanent. Inthat sametime period, over 86 percent of all entries were counterbalanced by departures, yielding a net inflow of only 5.2 million.

However, it is unlikely that this negative scenario will come about. Mexico is not likely to become a "failed state." As noted earlier, its political transition is moving in the right direction. After a difficult adjustment process, the Mexican economy seems to be recovering, and Mexican firms may be in a better position to compete internationally than they were before the recession. And, despite the uprising in Chiapas, Mexico is not facing national disintegration over issues of ethnicity or irredentist politics. The Chiapas and Guerrero rebellions seek social justice, not a redefinition of the national state.

The United States must consider the implications of those changes and exert a positive influence. This means engaging Mexico in supporting the democratic transition while taking precautions not to appear to be intervening in internal Mexican affairs. This is a difficult task because U.S. inaction can often appear to be as interventionist as concerted action. Thus, a U.S. policy of cordial relations with the regime could be interpreted as intervention in the Mexican transition on behalf of the current power holders, unless the United States makes an effort to establish open lines of communication with the growing Mexican opposition forces. Overly conscious ties with the opposition might, however, be interpreted as a deliberate policy on the part of Washington to oust the PRI. The United States must make clear that it supports a process, not particular parties or forces.

The United States should also be conscious of the weakness of Mexican institutions in certain key areas. It should not confuse the capacity of the Mexican authorities to undertake certain steps with their will to respond or cooperate. This is particularly true in the law enforcement and judicial areas. While the will to work with the United States may well be present, the capacity in a context of rapid social and political change may be woefully lacking. By criticizing the Mexicans for poor performance in certain areas, the United States may be undermining those

the NAFTA template is used to assure free trade with due attention to environmental and labor concerns.

Likewise, it is increasingly clear that issues of migration and narcotics cannot be addressed by policing borders and accusing others of not meeting the grade. These global issues require genuine partnerships that rely on common efforts and advanced technology in search of solutions that can no longer be accepted within the framework of a simple bilateral relationship. On narcotics, the United States has engaged cultivating, producer, and transit countries independently, concerned that a multilateral approach might lead those countries to gang up on the United States. A long-term solution to problems of narcotics as well as population movements can only come from a clear understanding of the global reach of the phenomenon and a search for cooperative solutions.

*Finally, whenfashioning itspolicies toward Mexico, the United States must recognize that Mexico is going through a political transition that has enormous implications for the future and for U.S. interests.* Should this transition process falter, should hegemonic one-party rule be replaced by political instability rather than aviable functioning democracy, the United States would feel the impact economically and politically. At the same time, the enormous inequalities of income in a society with 40 million poor people, where growth rates are tepid and an entire generation of Mexicans has been buffeted by devastating cycles of growth and decline, poses a severe challenge for any regime. A systemic crisis in Mexico would worsen population pressures that have increased significantly since the 1982 economic downturn. The strong ties of countless Mexicans to their fellow citizens in the United States would make this country the obvious route of escape should Mexico's social fabric come under greater strain.

By the 1970s, however, Mexico's economic "miracle" had begun to run out of steam. Its reliance on vast income from newly developed petroleum fields masked the inefficiencies of Mexican firms and the weight of Mexico's bloated state on the economy. By 1982, when Mexico defaulted on its obligations to foreign banks, the government accounted for 40 percent of GDP, owning 1,545 firms outright. The state deficit equaled 17percent of GDP, the external debt soared to $87 billion, inflation climbed over 150 percent, and the country was running unsustainable balance-of-payments deficits.

The crisis of the Mexican state contributed to a significant shift of power in Mexican ruling circles. A new generation of technocrats took over not only the management of economic policy but the reins of the ruling party. From that position they pushed for a fundamental shift in Mexican economic policy while taking measures that significantly undermined the traditional bases of authority of the Mexican ruling party.

Presidents Miguel de la Madrid (1982-1988) and particularly Carlos Salinas de Gortari (1988-1994) imposed tough measures to achieve macroeconomic stability and instituted revolutionary structural reforms that fundamentally transformed the inward and statist orientation of the Mexican economy. By 1993, deficits had dropped to 0.07 percent of GDP, inflation was brought down to 7 percent, and only 210 firms were left in state hands. At the same time, tariffs were reduced, with only 2 percent of tariff categories subject to restrictions and average tariffs amounting to 11 percent. Increased foreign confidence in the Mexican economy led to a surge in foreign direct investment from $3.5 billion in 1989 to $33.3 billion in 1993. Even more dramatic was the increase in portfolio investment, from $0.5 billion to $28.4 billion during the same period, as Mexican reforms caught the imagination of investors seeking investment opportunities in newly emerging markets.

Critical to the new Mexican government's outward strategy was the redefinition of economic ties with the United States. Multinational corporations and foreign investments were no longer viewed as detrimental to Mexico's model of development or to its national sovereignty but as essential for long-term growth. To attract foreign investment and provide greater market opportunities for Mexican firms, Salinas and his colleagues pushed for a free trade agreement with the United States and Canada, much to the chagrin of Mexican nationalists, who feared the eventual takeover of the Mexican economy by U.S. interests. With advanced degrees from leading universities in the United States, Mexico's policymakers were very comfortable dealing with Americans. Their knowledge of economics and markets, combined with fluent and colloquial English, dazzled Wall Street and put their U.S. counterparts at ease.

The commitment to economic reform on the part of de la Madrid and Salinas was not accompanied, however, by a comparable commitment to political reform, although Salinas' tenure did lead to significant shifts in the correlation of power in Mexico. Under his leadership the presidency became more centralized and arbitrary, systematically undercutting the traditional power elements of the party.

Already by the 1970s the corporatist base of the party, including the union, peasant, and popular sectors, had eroded significantly as a result of the profound structural changes in society. Although clientelism continued to help win elections in rural areas, the population shift to the cities undermined traditional mechanisms of party support based on patron-client ties. At the same time, the collective myths of the Mexican revolution----its nationalism and socialist promises-faded as the country modernized and many of the promises of the revolution went unfulfilled. By the 1980s, Mexico's authoritarian institutions and all-powerful presidency had come into disrepute. Corruption, arbitrary power, and weak legal and judicial

a serious mistake for the United States to ignore the ambivalence and resentment toward the United States stemming from history and the asymmetries of power and wealth between its neighbor. Officials from both countries need to build on the positive images that exist in each society toward the other.

*The United States must view Mexico as a partner and key ally.* An increasingly democratic Mexico, working with the United States, should be willing to take on more of the burden of ensuring stability and prosperity in Central America and the Caribbean Basin. The United States should work with Mexico---and defer to Mexico and other countries in the region----in seeking a constructive outcome for Cuba that is consonant with the fundamental interests of the Cuban people.

Although it is natural for the United States to continue to look at Europe and Canada as its principal allies, a prosperous and democratic Mexico can play a key role in contributing to increased progress in the Western Hemisphere as a whole. NAFTA is already the largest single market in the world. The Western Hemisphere with its close to one billion inhabitants is critical to core U.S. interests. It is a hemisphere that continues to struggle against the temptations of protectionism and isolationism, where the success of democracy and market reforms in many places remains to be proven .

But it is also critical for the United States to work with Mexico to address within a broader regional framework many of the issues that are central to the bilateral relationship. It is a mistake for the United States to begin to look toward the rest of the hemisphere in search of free trade agreements outside of NAFTA. The NAFTA partnership is a natural starting point for the extension of free trade to the rest of the region. By working with Canada and Mexico, the United States can help ensure that

relating to war, peace, and the survival of humanity with matters dealing with migration, narcotics, and the environment has diluted further the authority of the secretary of state, who has become simply one more member of a cabinet with different constituencies and interpretations of the national interest. Divided government, in a context of increased political polarization and significant institutional change in the U.S. Congress following the Republican victories, has contributed to the increased domestication of foreign policy.

It is essential, however, that Mexico not be treated as simply the sum total of a multiplicity of domestic policy imperatives.

U.S. policy toward Mexico must be premised on the following assumptions:

*The United States has fundamental national security interests in aprosperous and stable Mexico.* Mexico is the third most important trading partner for the United States. It is also a country with a long border, where growing economic, cultural, and social integration is providing new opportunities and challenges. It is likely that labor shortages and an aging population in the United States will encourage more legal Mexican migration to fill jobs and pay for entitlements during the first half of the twenty-first century.

*The United States must encourage a relationship of trust, where disagreements are discussed without recriminations and where the search for common solutions replaces the tendency to blame the other countryfor sharedproblems.* In dealing with Mexico, the United States must be mindful that Mexico is a sovereign nation that has an historical mistrust of the United States and perhaps an exaggerated fear of what they see as U.S. hegemonic presumptions. Although nationalism has often been used by Mexican officials to warn about the limits of their maneuvering room in dealing with the United States, it would be

institutions increasingly clashed with the democratic aspirations of a more educated, sophisticated, and urban society. Mexico's once unassailable hegemonic party state became an anachronism.

Salinas, in the face of economic crisis and the erosion of political institutions, was ambivalent in his dealings with the PRI. At first he backed party reform after his own election in 1988 was marred by allegations of fraud. Many technocrats and reformers in the PRI as well as opposition party leaders believed that it was imperative for Mexico to forge greater political openness and redirect the PRI away from its authoritarian corporatist style to a more inclusive and democratic one. Salinas, however, later retreated from party reform while seeking to impose his own authority over the party apparatus and bypassing traditional party support systems with new welfare programs linking the government directly to the citizenry. But, while strengthening the presidency, Salinas' policies did not replace the authoritarian logic of the hegemonic party system with a new, more democratic logic, nor did Salinas attempt to curb the corruption of the Mexican state and implement the necessary steps to achieve police andjustice reform. Influenced by the fate of Gorbachev in the Soviet Union and his own preference for strong-man rule, Salinas opted to postpone political modernization in favor of consolidating economic reforms.

This proved to be a serious mistake. Without a political opening that guaranteed greater competition and accountability in the Mexican system, the political legitimacy of the Mexican regime eroded further. Little progress was made in establishing the fundamental bases for the rule of law and strengthening representative institutions. Rather than celebrating the triumph of his successful economic reforms, Salinas found himself in his last year in office scrambling to convince his own people and the international community that Mexico could hold a fair election and that Mexican political institutions were worthy of a country

accepted into membership in the Organization for Economic Cooperation and Development (OECD).

His delayed political liberalization was further complicated by the Chiapas uprising in Mexico that begin on January 1, 1994, the very same day that the North American Free Trade Agreement (NAFTA) took effect. Moreover, the ruling PRJ was buffeted by internal disputes and losing ground to other political forces that had been insignificant a decade earlier. The assassination of Luis Donaldo Colosio, the PRJ presidential candidate, in March and Jose Francisco Ruiz-Massieu, the party secretary-general, in September added to the sense of regime disintegration.

Although the Mexican government, with considerable internal and external pressure, was able to hold national elections in August that were considered more legitimate than its predecessors, the new administration of Ernesto Zedillo came into office in November 1994 with a daunting challenge. Mexico had entered the club of economic superpowers, but its political transition was far from complete. Zedillo made clear in his inaugural address that the challenge of his administration would be to strengthen democratic institutions and institute the full rule oflaw.

The new president, however, was not able to focus his full attention on the difficult political agenda, because in December 1994 an attempt at a controlled and orderly devaluation of the peso failed. For several years Mexico had run a large current account deficit that stood in 1994 at eight percent of GDP. This deficit was covered by the significant inflow of capital from foreign direct and portfolio investment. Overall confidence Mexico's economic reforms and privatization policies had made the country particularly attractive to foreign investors.

statements of legislators who appeared more interested in pushing specific amendments than in safeguarding fundamental

U.S. interests by corning to Mexico's assistance.

### Conclusion

Over the past dozen years, U.S.-Mexican relations, reflecting the increased density of the ties between both countries, have become far more institutionalized through a complex set of mechanisms for addressing myriad issues of interest. This institutionalization has been driven both by the complexity of issues and by the growing pressures from domestic constituencies to solve problems that have a Mexico connection.

Ironically, the institutionalization of the relationship, and particularly the involvement of many agencies with primarily domestic responsibilities, has had the effect of further encouraging the transformation of international issues into domestic ones, heightening the pressures stemming from domestic constituencies. This institutionalization of the relationship, which helps to routinize it and manage more fully its complexity, has also had the unintended consequence of reinforcing domestic influences, balkanizing Mexico policy and obscuring the overall national security and foreign policy priorities of the United States.

This trend, driven by the peculiar nature of the U.S.-Mexican tie, is a reflection of an overall shift away from foreign policy concerns in the post-Cold War era. The demise of the East-West conflict as the driving logic of American foreign policy has led to the decline of the relative power of the State Department and the secretary of state in the complex U.S. inter-agency policy process. The replacement of strategic issues

bargaining system to link wage increases to productivity. Finally, the bill called for a commitment from Mexico "not to provide assistance to Cuba as defined in section 170 b 2 of the Cuban Democracy Act of 1992."

With the Mexican economy in turmoil and the peso falling further, discussion of the Mexican Economic Stabilization Act ofl996 boiled down to a complex set ofnegotiations. These took place among the congressional leadership (notably the Republican Chairman of the House Banking Committee James Leach), members of Congress wishing to register their conditions, and administration officials. Administration officials, working night and day with their Mexican counterparts, including the Mexican secretary of foreign relations himself, sought to rewrite provisions in the legislation that would be more acceptable to Mexico. ,

In the final analysis, the bill failed to make headway as much because of objections from the leadership of the president's own party as from Republican ranks. Working with Congressman Leach, the administration had come close to a solution that would have been acceptable to Mexico. But given the continued congressional delays and the urgency of the matter, the president abandoned the legislative route of making use offunds from the Exchange Stabilization Fund to structure a new financial aid package with support of the International Monetary Fund.

The peso crisis illustrated how domestic considerations overwhelmed foreign policy priorities. Had Mexico faced a real security threat from an external military force or internal insurrection, the Congress probably would have followed presidential and congressional leadership in approving aid for Mexico. A severe downturn of the Mexican economy, however, with its extraordinary social and political implications and their real threat to the United States, did not figure prominently in the

Indeed, 1993 had been a banner year for Mexico as investors poured $33.5 billion dollars into the Mexican economy, forcing authorities to intervene in the foreign exchange markets to buy dollars to prevent the peso from appreciating above the upper limit of the preestablished exchange band. With Mexico's substantial international reserves, officials viewed the current account deficit as manageable, and after the approval of NAFTA late in the year, they expected that 1994 would see further foreign investment.

As noted above, however, 1994 proved to be a tumultuous year for Mexico. The Chiapas uprising and Colosio assassination added to the uncertainty of an electoral process whose legitimacy was in doubt. In this climate, financial authorities concerned about a possible recession in Mexico in an election year failed to slow the growth of the money supply, encouraging upward pressure on prices. The second assassination in September led to increased capital flight and a sharp loss in reserves. When the attempt at controlled devaluation of the currency backfired, Mexico's dwindling international reserves could no longer cover the country's international obligations.

Mexico avoided defaulting on its international debt thanks to a massive support package of $40 billion engineered by the

U.S. Treasury with support of the International Monetary Fund. Although the package helped stabilize the Mexican economy, the devaluation plunged the country into the steepest recession it has experienced since the Great Depression, with a drop of seven percent of GDP in 1995.

The financial assistance package, coupled with strict macroeconomic policies, led the Mexican economy to bottom out in 1996 and move toward recovery by 1997, but the average citizen still has not seenmuch improvement. Mexico's economic reforms still have not provided consistently strong growth rates

while per capita income remains below the levels of 1980. Rural unrest and discontent, including armed movements in southern states, are a dramatic manifestation of the dissatisfaction of many Mexicans with the state of the economy and social structure.

Moreover, Mexico's political trans1t10n under Zedillo remains far from complete. The still dominant PRI has not been able to adjust to a new environment of political competition and establish internal party democracy. Fundamental institutions such as the police and justice systems remain inefficient and corrupt and are being further undermined by the rise of narcotics trafficking. The legislature is weak and incapable of serving as an arena for compromise, consensus building, and rule making. Opposition parties continue to fear that resources from the Mexican state will be used in inappropriate ways to thwart free and fair electoral contests. Fonner president Salinas left the country in disgrace after a series of scandals tainted his own family.

Despite Mexico's difficulties, it is important to stress that the Mexican political transition appears more promising than that of other countries moving from totalitarian or authoritarian regimes to democracy in the post-Cold War era. Although the Mexican presidency has seen its power decline substantially, President Zedillo commands more authority than most of his Latin American counterparts. His ability to maintain discipline during the recovery period is a tribute to his leadership and the continued strength of the Mexican presidency. Zedillo, unlike his predecessor, appears to be committed to a redefinition of the role of the presidency to allow representative institutions to come into their own.

Mexico also is undergoing its political transition with fairly coherent parties that give the citizenry clear options. By contrast with the fragmentation and pulverization of the party system in

President Clinton was able to persuade the Republican and Democratic congressional leadership that the fundamental national interests of the United States were at stake and obtained their support for speedy congressional approval of the Mexican Economic Stabilization Act of 1996. The act would have provided Mexico with $40 billion in financial assistance tied to Mexican oil earnings as collateral.

Members of Congress, however, reacted with skepticism to the administration's arguments that fundamental national interests were at stake. Even supporters of the act saw the measure as an opportunity to add to the economic conditionalities of the loan package a long list of political conditionalities that would be required of Mexico in exchange for the president's disbursement of loans. The bill became a veritable Christmas tree of provisions aimed at satisfying a host of domestically driven concerns related not only to U.S.-Mexican relations, but also internal Mexican matters. The prevailing attitude was expressed by the view, "IfMexico won't accept these provisions, then let them go elsewhere for their loan package," a position that did not weigh the potential consequences to U.S. interests in a systemic crisis in Mexico.

Early versions of the legislation held thatthe president could use his authority to release the loan funds only if he "certified" to Congress that the Mexican government was "guaranteeing the independence of the Central Bank of Mexico," that Mexico was "cooperating with the United States in protecting the border between the United States and Mexico from illegal immigration and illegal narcotics importation into the United States, including a commitment to increase the border patrol operations of Mexico," and that Mexico would promote a "peaceful settlement of the situation in the Mexican state of Chiapas." The bill also included provisions calling for "liberalizing the customs regime applicable to goods brought from the United States to Mexico by Mexican nationals" and for changes in Mexico's collective

The Arizona-Sonora Commission has contributed to enhancing understanding the border and the search for local solutions to common problems. The Border Liaison Mechanism, supervised by the BNC's Border Cooperation Working Group, brings U.S. and Mexican consular officials in border cities together to plan cooperative activities and anticipate controversies.

It is impossible to describe the U.S. relationship with Mexico without underscoring the enormous importance of domestic concerns that drive the relationship . While some aspects of the U.S.-Mexico dialogue show notable signs of improvement, the pressure of domestic politics has made the relationship difficult and testy. Mexico remains a dramatic case of domestic concerns driving Congress to intervene directly in foreign policy matters by restraining the actions of the executive branch, often with little regard to broader foreign policy and security concerns.

A clear example of this was the attempt by individual congressmen, responding to constituency pressures , to prescribe specific actions Mexico would have to undertake in return for U.S. financial support in the wake of the peso devaluation of December 1994. The Clinton administration argued that financial support for Mexico was essential to prevent a further collapse of the Mexican economy, which would have had serious repercussions for U.S. exports and for the economic well-being of U.S. communities dependent on Mexico's economic health. A severe Mexican downturn would have worsened social tensions in Mexico at a time of political uncertainty. The administration was also worried about the repercussions of a massive Mexican default on international obligations in other emerging markets, particularly Argentina and Brazil, but also in Asia. Indeed, in the worst case scenario outlined by government officials, the very health of the international financial system could have been jeopardized.

many countries in the former Soviet Bloc (or even in countries like Brazil or Peru in Latin America), the three principal parties gamer over 80 percent of the vote and many Mexicans see opposition parties as viable alternatives to PRJ. Finally, although still lacking, the package of electoral reforms approved in 1996 after broad inter-party negotiations has laid the basis for the first time in Mexican history for free and fair elections that are deemed legitimate by the citizenry.

Nevertheless, Mexico's political opening is taking the country into uncharted territory. Should opposition forces make enough headway to deprive the PRJ of majorities in the congress, for the first time in modem history Mexico may have to cope with the phenomenon of divided government, weakening dramatically the powers of the executive. And yet, since congressmen and senators cannot be reelected, the Mexican legislature is unlikely to evolve in the near term into an decision-making body with significant clout, where career politicians of standing make the legislative body into a responsible counterweight to executive authority. Mexico runs the risk of falling into governmental paralysis and confrontational politics before institutions and parties learn to deal with a new environment.

The loss of majorities for the PRJ could also affect the Mexican state in fundamental ways. Mexico's higher civil service is based on large-scale patronage where state employees tied to shifting power groups within the PRJ move from one governmental position to another. The triumph of opposition parties would disrupt this pattern of elite recruitment. While this could accelerate further reform of the state sector, it could also undermine its capacity further, particularly since opposition parties do not have the necessary cadres to fill thousands of key appointments. It is not clear that the PRJ apparatus, dependent on state largess for its survival, will gracefully concede the loss of power and patronage .

The erosion of the powerful Mexican state is likely to encourage further trends toward strengthened federalism and political decentralization. With the triumph of the opposition PAN (Partido de Acci6n Nacional) at the state-level, local autonomy has increased and is likely to increase further in the future. This trend may contribute to bringing power closer to the people and broaden democratic participation. However, it also adds to the potential for intergovernmental tension and conflict as Mexico's institutions adapt to a new political reality.

Even if Mexico succeeds in moving from an authoritarian to a more competitive political system, as it is likely to do, the capacity of the Mexican state to be responsive to the needs and demands of society will weaken during the transition process rather than become stronger. Such a transition is necessary in establishing greater governmental legitimacy and providing Mexico with the institutional framework of governance for the future. In the short term, however, Mexico is likely to experience a profound process of institutional adjustment.

### The Evolution of U.S.-Mexican Relations

#### Distant Neighbors

At the beginning of the century, Mexico and the countries of the Caribbean Basin were central to U.S. policy objectives in an area of increased U.S. hegemony. The Mexican revolution was of utmost concern to U.S. policymakers, who feared that Mexico's civil war could spill into the United States. In 1914,

U.S. troops occupied Veracruz, contributing to the overthrow of strongman Victoriano Huerta. In 1916, General John J. Pershing's column pursued Pancho Villa's irregulars. At one point, close to half of the U.S. Army was called to the Mexican border as fighting raged between regional factions.

Ottawa, the Border Environmental Cooperation Commission (BECC) based in Juarez, and its counterpart agency the North American Development Bank (NADBANK) based in San Antonio.

The BECC certifies environmental projects proposed by communities along both sides of the border for funding by the NADBANK or the private sector. The BECC is designed to address small-scale, innovative environmental needs to supplement the work that has been done for some years by the International Boundaries and Waterways Commission (IBWC), a decades-old organization charged with administering border demarcations and the various water agreements between the two countries. The U.S. section of IBWC reports to the U.S. Department of State. Other NAFTA agencies that add to the density of the U.S.--Mexican dialogue include the Trade Secretariat in Mexico City and the Labor Secretariat in Dallas.

Recent efforts to establish military-to-military contacts have led to a series of meetings between U.S. and Mexican defense and foreign policy officials outside of the framework of the BNC. It is instructive that the new military-to-military talks have been characterized by significant progress, although the agenda for cooperation is far more limited in scope. For the first time in the U.S.--Mexican relationship, military institutions have begun to share perspectives and information on equipment, training, disaster relief, counter-narcotics cooperation, management of air space, and other key issues. The talks, jointly chaired by foreign affairs and defense officials, have been characterized by strong sensitivity to issues of sovereignty, which have helped frame a constructive and forward-looking dialogue.

Although the principal elements of U.S.-Mexican relations are spearheaded by federal agencies, numerous state and local initiatives work on a daily basis to address issues on the border.

Unlike the migration negotiations, trade negotiations have been more strident and adversarial, with negotiators on both sides attempting to force the hand of the other. After the initial euphoria of the NAFTA treaties, the United States and Mexico have become mired in a multiplicity of trade disputes reflecting the pressures of domestic interests. The United Stateshas pressed for relief regarding small package deliveries, tire standards, intellectual property rights, customs issues, and tariff acceleration. Mexico has objected to U.S. restrictions on avocados, tomatoes, and trucks, and the exclusion of Mexican tuna from the U.S. markets.

Inthe trade area, negotiators were less willing to deal with their counterparts in a spirit of openness and cooperation. Thus, actions taken on both sides in response to protectionist appeals by specific constituencies were blamed instead on the failings or lack of faith of the negotiating partners on the other side of the negotiating table. For example, the United States blamed Mexico for U.S. unwillingness to meet the NAFTA trucking provisions, arguing that Mexican trucks did not meet the requisite safety standards. U.S. non-compliance, however, was related more to pressures from the Teamsters Union than to the failings of Mexican trucks. Mexican unwillingness to accelerate tariff provisions despite NAFTA commitments were in turn blamed on the United States. The clash of personalities between trade negotiators made matters worse and dampened the progress made earlier in the drafting of the accords.

The Environmental Protection Agency (EPA) has chaired

U.S. efforts to establish Border 2000 (renamed Border XXI), an effort by both governments to address environmental problems in a 100-kilometer zone along each side of the international boundary. Together with the State Department and Treasury, EPA was actively involved in setting up the NAFTA environmental side agreements, including the North American Commission on Environmental Cooperation (NACEC) based in

Mindful of the asymmetries of wealth and power between both countries, Mexico understood that the United States shielded it from external threats from enemies of the United States. But the United States itself loomed large as Mexico's principal national security concern. Mexico had lost half of its territory to its northern neighbor in 1848 and remained wary of

U.S. overt intervention and hegemonic pretensions in the twentieth century.

Beginning in the 1930s, Mexico championed import substitution industrialization led by concerted state action, a policy that viewed the presence of multinational corporations as injurious to national interests. In 1938, the United States faced serious controversy with Mexico over the nationalization of the U.S.-owned oil industry. Franklin Delano Roosevelt, who had accepted policy ofnon-intervention in hemispheric affairs aspart of his Good Neighbor Policy, ruled out any direct U.S. intervention on behalf of the oil companies . With the outbreak of World War II, the United States became far more concerned about Mexican support for the war effort than finding a solution to the oil nationalizations. Mexico supported the allies and with Brazil was one of only two countries in Latin America to provide combat forces for the war effort. Mexico and the United States established agreements on military cooperation and trade and inaugurated the "bracero" program that would permit Mexican labor to replace U.S. agricultural workers sent to the front.

At the end of the war, Mexico played an important role in enshrining the doctrine of non-intervention in the collective security arrangements developed in the Americas. Inexchange for supporting the U.S.-sponsored mutual assistance treaty (The Rio Pact of 1947), Mexico and other countries sought a pledge from the United States that it not meddle in the internal affairs of states, as it had repeatedly done before the advent of the Good Neighbor Policy.

With the onset of the Cold War, the United States sought to prevent leftist governments with ties to the Soviet Union from coming to power and rallied the countries of the Americas to its cause. Mexico pursued a more independent foreign policy, condemning U.S. actions in Guatemala in 1954 and the Dominican Republic in 1965, and refusing to sever diplomatic relations with Castro's Cuba. Under President Luis Echeverria (1970-76), Mexican diplomats succeeded in rallying other Third World countries to vote against positions taken by the United States in the United Nations and other organizations.

And yet, just as Mexico supported the allies during World War II, Mexico did not cross the United States directly when the stakes were high for the United States. Thus, while not breaking with Cuba, Mexico backed the U.S. blockade of the island during the Cuban missile crisis. Indeed, President-elect Gustavo Dias Ordaz gave specific assurances to President Johnson on this score, noting that Mexico would take a position different from that of the United States for domestic consumption but would stand with the United States when the chips were down. Throughout the Cold War era, Mexican intelligence cooperated with the United States in countering Soviet espionage. During the Central American civil conflicts of the 1980s, Mexico made clear its displeasure with U.S. policy, but it never took any action that would have fundamentally affected U.S. actions in the region.

It is important to stress that Mexico's Third World orientation and its policy of recognizing Cuba was not simply the product of Mexican adherence to a doctrine of

non-intervention or an assertion of Mexican autonomy vis a vis

the United States. It also responded to fundamental Mexican security calculations. Mexico's stand contributed to the legitimacy of the Mexican government by giving it a strong nationalist cast. It also helped the country fend off potential

argument that progress is being made in law enforcement, despite severe shortcomings in Mexican performance. Given the enormous sensitivities in Mexico to U.S. judgment and the opposition of powerful interests in Mexico to genuine law enforcement reform, decertification would have had the unintended consequence of making narcotics cooperation and progress far more difficult rather than easier. Although law enforcement agencies argued for decertification or a "national interest" waiver, they did so without fully analyzing whether such a measure might backfire. For some agencies, the threat of decertification or the application of a national interest waiver had worked for Caribbean countries, and they reasoned it should also work for Mexico.

Although many aspects of the bilateral relationship are managed within the framework of the BNC, some agencies also carry on business with Mexico outside this framework. Treasury maintains direct ties with Hacienda (Mexican Treasury) in managing the often high stakes decisions that impact on the health of the Mexican economy, including the delicate negotiations that led to the Mexican financial assistance package of 1995. The office of the United States Trade Representative (USTR) deals directly with its Mexican counterparts. Neither Treasury Secretary Robert Rubin or Trade Representative Mickey Kantor attended the BNC in 1996.

By the same token, narcotics matters that were dealt with primarily in the BNC working group on law enforcement were elevated to the High Level Contact Group when General (ret.) Barry McCaffrey became the director of the Office of National Drug Control Policy (ONDCP), a group that has superseded the BNC effort. Other agencies, while participating in the BNC process, also have direct contacts with Mexican officials that go beyond the BNC arrangement.

and often went unpunished in Mexico. The nwnbers extradited to the United States are bound to be few until Mexico amends its laws, especially those that enable defendants to file indefinite habeas corpus appeals to bar extradition.

The explosion of narcotics transshipments through Mexico has put severe strains on the relationship. Pressed by a vocal domestic *outcry,* the United States has pushed Mexico to disrupt narcotics smuggling and collaborate on anti-narcotics actions. Mexicans in turn blame the United States for the torrent of illegal money that is pouring back into Mexico, corrupting institutions and individuals, and fueling the growth of criminal narcotics organizations. In the narcotics field there has been progress, but the relationship has been made complicated by the direct involvement of members of the U.S. Congress in efforts to manage the relationship .

Tension has been heightened by legal requirements that call on the president to certify before Congress whether countries with significant narcotics problems are cooperating with the United States. This requirement makes no distinction between the strategic or security importance of a particular country to the United States, whether a punitive measure is likely to encourage cooperation or undermine it, or whether U.S. action could affect other critical components of the relationship. Nor does it take into account the institutional capacity of countries to fully respond to U.S. demands. Finally, the requirement is viewed by foreign governments and officials as hypocritical because it does not call for the United States to acknowledge its own shortcomings in the matter.

The decision in 1996 and 1997 by President Clinton to certify Mexico was widely condemned by members of Congress and others who argue that corruption in Mexico stands in the way of genuine progress. The administration countered with the

insurrectionary challenges from the left and insulated the country from Cuban intervention.

As Mario Ojeda notes, Fidel Castro never fomented or encouraged subversive groups in Mexico. His continued praise for the Mexican government had the opposite effect of discouraging guerrilla movements and leftist groups that were a continuous presence in the country. It is instructive, as Ojeda points out, that Mexico took a far different position with regard to the People's Republic of China, consistently backing the U.S. position to exclude China from the United Nations. Mexico's Cuba policy was closely tied to its own strategic security considerations . China, by contrast, was relatively unimportant and provided Mexico with an opportunity to curry favor with the United States to balance its other foreign policy actions.

U.S. irritation with Mexican foreign policy suggests that top

U.S. policymakers did not fully understand that Mexico's foreign policy, combined with the authoritarian practices of a one-party state, contributed to a remarkable record of political stability in the face of a rising tide favoring the left in Latin America. While the United States struggled to contain the influence of the left through overt and covert action in Guatemala, the Dominican Republic, Chile, and Central America, Mexico, its immediate neighbor to the south, never represented a serious security concern. Ironically, because Mexico never actually presented a security challenge, U.S. policy toward Mexico was never fully articulated in strategic terms . In Alan Riding's words, Mexico and the United States remained "distant neighbors."

With the opening of the Mexican economy in the 1980s to world markets and the end of the Cold War, Mexico began to de-emphasize its nationalist and leftist foreign policy. Thus, Mexico cooperated with the United States in seeking a resolution to the lingering civil wars in Central America---notably , the

Salvadoran conflict during the Bush administration and the Guatemalan civil war during President Clinton's first term. Mexico also visibly abandoned its Third World orientation and sought membership in the OECD and the Asia Pacific Economic Cooperation forum (APEC).

Mexican officials did occasionally run afoul of U.S. diplomats in international fora. In the United Nations, Mexico voted with the United States only 33 percent of the time in 1994, and on 15 important votes Mexico sided with the United States only seven times. On issues such as nuclear non-proliferation and collective action in the defense of democracy, Mexico continued to differ with the United States. Only after difficult negotiations did Mexican diplomats agree to the extension of the Nuclear Non-Proliferation Treaty without conditions . They also supported Organization of American States Resolution 1080, which provides a mechanism for the collective defense of democracy. Cuba continued to be an irritant, less because of Mexico's embrace of Fidel Castro than as a result of the rejection by Mexico and other U.S. allies of the United States' extraterritorial reach in attempting to isolate further the Castro regime.

Mexican entry into the General Agreement on Tariffs and Trade (GATT), the OECD, and APEC brought the country closer to U.S. positions on substance but also responded to Mexican concern for maintaining broad contacts with other major powers as a counterweight to the United States. The search for trading agreements with Europe reflects Mexico's concern to diversify its international trading partners, given that close to 80 percent of Mexico's exports go to the United States. These efforts, however, pale by comparison with the fundamental thrust of the Mexican government to place a far greater emphasis on improving its relations with the United States and building a closer economic partnership.

acknowledged its complexity and that it requires further evaluation, particularly given the pressures in the United States to accommodate Mexican workers in certain labor markets. Both countries have also agreed to examine the implications of migratory phenomenon in a broader regional context.

The Puebla meeting on migration, held in March 1996 and chaired by Mexico, was a significant first step in examining the migratory phenomenon as an international one, and not simply one that affects bilateral relations. With the participation of delegations from the United States, Mexico, and the Central American countries, Mexico acknowledged that its treatment of Central American migrants left much to be desired and expressed its willingness to share with Central America some of the procedures Mexico has developed with the United States to safeguard the human rights of illegal immigrants .

The United States accepted the value of increased understanding of regional patterns of migration flows and their causes in formulating long-term policies to deal with population movements .The collaborative and cordial nature of the handling of migration issues and the real progress in cutting back on alien smugglers, instituting inland repatriations , and developing mechanisms to safeguard the rights of migrants, have been steps forward in addressing a very difficult problem.

Inlaw enforcement, progress has been hampered by the lack of understanding and knowledge of the legal system and practices in the other country and the weakness of Mexican judicial and law enforcement institutions . For the United States, Mexico 's performance on law enforcement has been particularly frustrating. Criminals routinely escape to Mexico to seek refuge.

U.S. prisons at the federal and state level have large numbers of Mexican nationals. Until 1995, Mexico refused to extradite Mexican nationals who committed crimes in the United States

unprecedented period of continued growth and low inflation. By the same token, immigration may be critical in the future as the United States faces serious budget shortfalls with the decline of the working population in the early part of the twenty-first century, a decline that will place serious strains on the nation's "pay as you go" entitlement measures.

With the sharp increase of the foreign-born population in the United States (at close to nine percent the highest level in decades), most Americans are not looking to future labor shortfalls. Many have become alarmed with the influx of legal and illegal immigrants who place burdens on social services. California's Proposition 127 barring illegal immigrants from state services is a dramatic manifestation of such concerns. In Mexico, measures aimed at illegals, the abuse of migrants by

U.S. law enforcement officials, and the tragic loss of life resulting from dangerous border passages are viewed as evidence of the low regard for human rights and the dignity of persons in the United States

Within the framework of the migration working group, careful and intense discussions of these problems have helped create a cordial and constructive working relationship between migration and foreign policy officials in both countries. Mexico has conceded that the United States has a right to enforce its border and has moved considerably to cooperate with the United States through a crack-down on alien smugglers and criminal activities. Although Mexico would not bar migration, its measures against criminal abuses, along with heightened U.S. enforcement, have contributed to a notable reduction of migratory pressures in key border areas such as San Ysidro, California.

In agreeing to ajoint study with Mexico on the broad causes and ramifications of migration, the United States has

#### Increased U.S. Stakes in Mexico

While the United States pursued its global strategy of containment during the Cold War and Mexico sought to establish its credentials as a Third World power, broad shifts in the international economy led to a process of increasing economic integration between the two countries. At the beginning of the Cold War, the United States had a far more self-contained economy than it does today. In 1948, international trade amounted to $35 billion, or 3 percent of GDP. In 1993, U.S. trade reached $1.7 trillion, or 27 percent of GDP. U.S. international trade in recent years has grown 2.5 times faster than the domestic economy, constituting an increasingly important variable in the

U.S. ability to maintain international competitiveness as it loses its share of world GDP.

Trade with Mexico and Latin America became an increasingly important factor in the growing U.S. presence in international markets. Given current growth rates, U.S. total trade with Latin America by the year 2000 will equal the sum of

U.S. trade with Europe and East Asia combined, minus Japan. Mexico has become United States' third largest trading partner in the world. The 146 percent increase in U.S. exports to Mexico between 1988 and 1994 amounted to over twice the 64.2 percent growth in U.S. exports to the rest of the world. The dollar value of U.S. exports to Mexico increased from $12.3 billion in 1986 to $55 billion in 1995, four times U.S. exports to China, as much as U.S. exports to Germany and South Korea combined, and 15 times larger than exports to Russia. In 1997, trade between both countries is projected to reach $144 billion.

Increased trade has paralleled greater social and cultural integration, particularly along the border. The presence of large numbers of Mexican-Americans provides natural affinities with Mexico. Americans of all backgrounds have begun to assimilate more things Mexican, from Mexican cuisine to Mexican

architecture and art forms. More Americans live in Mexico on a permanent basis than in any other country in the world, and the Mexican elite continues to send its children to prestigious prep-schools and universities in the United States where they assimilate U.S. culture while conveying their own to their American counterparts. Despite the richness of its indigenous heritage, for the last 100 years Mexico has been a country of immigrants where nationality is defined by choice, not by ethnic origin or racial grouping. As Mexico moves to adopt political institutions that are similar to those of the United States, the affinities will increase.

Greater commercial and cultural integration affects some areas of the United States far more than others. The economy of Texas, in particular, is highly dependent on the health of the Mexican economy. After the serious Texas recession of the 1980s that was aggravated by the U.S. savings and loan crisis, economic recovery in Texas has been closely linked to burgeoning cross-border commerce. Exports from Texas to Mexico grew 269 percent from 1987 to 1994, standing at $23 billion in 1994, the first year of NAFTA. They are projected to surge to $60 billion in the next three years, equivalent to the entire value of all U.S. exports to Mexico today.

It is no accident that the overtures by the Mexican government in the late 1980sto forge stronger economic ties with the United States found particular receptivity in an administration with strong Texan presence. The November 1988 meeting between President-elect Bush and his recently elected Mexican counterpart is widely perceived to have inaugurated a new era in U.S.-Mexican relations. Bush was supported in this endeavor by Texan James Baker, who had served as treasury secretary in the Reagan administration and later as White House chief of staff, as well as Robert Mosbacher, the commerce secretary, also from Texas. Their efforts were strongly supported by Democrat Lloyd Bentsen, the senior senator from Texas and

agencies have the lead in working groups that address their areas of competence. Typically the working groups meet several times a year and prepare the agenda for the joint cabinet sessions.

During the Clinton administration the most active BNC working groups have been those on immigration and consular affairs, and law enforcement. The former has been chairedjointly by the Immigration and Naturalization Commissioner and State Department officials, and their equivalents on the Mexican side. Attorney General Janet Reno has chaired directly some of the working group meetings of the law enforcement group, meeting often with her Mexican counterpart.

The working group on immigration and consular affairs has been particularly successful at finding mechanisms to address a very controversial and vexing international issue that is viewed differently in both countries. Mexico sees immigration as responding to classic push-pull factors by which Mexico has a surfeit oflaborand the United States has a labor market interested in employing them. Like most countries in the world, Mexico does not bar its citizens from traveling abroad and does not stop them if they migrate without the proper documents.

The United States, by contrast, officially does not accept that Mexican labor is needed in the United States. Rather, it sees illegal migration as distorting labor markets by encouraging unscrupulous employers to hire illegal immigrants to depress wages. Commercial interests in the United States, particularly in farming, continuously press for provisions to permit seasonal Mexican labor to come to the United States, but the U.S. government has been reluctant officially to return to the "guest worker" programs that were adopted in World War II. And yet, the continued economic boom of the 1990s may be due in part to the immigration that has helped to stabilize wages as full employment levels have been reached, contributing to an

### Growing Interdependence: Managing the Relationship

Managing the U.S.-Mexico relationship has grown as a priority for U.S. government over the last two decades. The Carter administration took an important step in seeking to regularize relations with Mexico when he appointed former congressman Robert Krueger as a coordinator for Mexico policy and created, together with Mexico, the U.S.-Mexico Binational Commission (BNC), an annual meeting of the cabinets of both countries. With no other country in the world has the United States established a comparable arrangement. The present format of the BNC was established in 1981 when Presidents Ronald Reagan and Lopez Portillo met to discuss the state of the bilateral relationship.

Inthe early days the meetings were more symbolic than real with the secretaries of state, treasury, and commerce playing the predominant role with their Mexican counterparts. During the Reagan administration ties with Mexico increased significantly as the U.S. Treasury, under the leadership of James Baker and Nicholas Brady, worked with Mexican officials to address the peso crisis of 1982 and the Mexican and Latin American debt crises of the 1980s. The close ties between finance officials contrasted sharply with the cool relations between the governments on foreign policy matters.

Toward the end of the Reagan administration, the BNC began to take on more importance in providing a framework for managing the U.S.-Mexico relations. Today the BNC comprises 13 working groups that deal with issues as diverse as science and technology, environment, border cooperation, migration, commerce, energy, and law enforcement. Although the BNC is chaired by the respective secretaries of foreign affairs, other

chairman of the powerful Senate Finance Committee. Bentsen played a key role in the early Clinton administration in the fight to ratify the NAFTA treaty negotiated earlier by the outgoing Bush team.

It is hard to overemphasize the degree to which President Bush and Secretary Baker's personal ties with top Mexican leaders-including President Salinas, his chief of staff Jose Cordoba, and Mexican Ambassador Gustavo Petricioli--<lrove the improvement in U.S.-Mexican ties. InMexico, policymakers saw the U.S. opening as a "Texas agenda" as much as a U.S. agenda. President Bush was encouraged in his overtures to Mexico by the extraordinary reception that his Enterprise of the Americas Initiative received from leaders of other Latin American countries that like Mexico had instituted far reaching economic reforms and sought to improve their economies by opening to international commerce.

The NAFTA debate caused serious controversy in the United States as labor and environmental groups joined to oppose a treaty they believed would lead tojob losses to Mexico and further degradation of the border environment. The debate also brought to the fore many issues in the bilateral relationship that increased in salience as Mexico's population expanded and its border cities boomed. Citizens in California and other states complained of the growing burden placed on public services by the foreign-born population. National and local officials complained of the growing incidence of criminality on the border and in other regions of the country involving Mexican nationals. The shift of narcotics trafficking ·from the Caribbean toward Mexico led many U.S. citizens to question a trade agreement that would increase the flow of commerce and risk further damage to the United States from imported illegal drugs.

The last-minute ratification of NAFTA in November 1993 resulted from President Clinton's strong support of the measure after Mexico signed side letters of agreement dealing with environmental and labor issues. The debate crystallized the multiplicity of issues between Mexico and the United States and the growing density of the overall relationship.

From the U.S. perspective, NAFTA lived up to expectations. Trade between the two countries increased over 20 percent in the first year and foreign direct investment rose over 50 percent to

$8 billion. U.S. exports to Mexico, however, declined in 1995 with the severe recession that ensued in wake of the devaluation of the Mexican peso, while Mexican exports to the United States surged another 30 percent.

Despite the downturn in the Mexican economy, U.S. exports to Mexico remained higher in 1995 than they were prior to the signing of NAFTA. And in 1996, commerce has once again surged to unprecedented levels. In 1982, U.S. exports to Mexico were cut in half as Mexico levied 100 percent tariffs on U.S. goods, and took close to six years to recover; but after the more severe 1995 crisis, U.S. export performance improved within a matter of months. NAFTA helped give Mexico a strong outlet for its export sector during the economic downturn and ensured that Mexico would not revert to protectionist policies to palliate the effects of the crisis. Indeed, Mexico raised tariffs on some goods from non-NAFTA partners 15 percent, whereas it continued to lower tariffs on U.S. goods per NAFTA agreements. As a consequence, the U.S. share of the Mexican market increased from 70 to 73 percent in 1995.

With the negotiat10ns of the NAFTA treaty and its subsequent ratification, Mexico and the United States entered into an era of unprecedented cooperation, driven by the strong personal ties forged by Presidents Bush and Salinas. However,

the U.S. government did not focus on the broader changes taking place in Mexican politics and society. The ability of Salinas to recover ground after his highly questionable presidential election in 1988 with important victories for his party in subsequent municipal and congressional races diffused any concern over the Mexican political transition. The Clinton administration, which delayed significantly in appointing a new Latin American team, adopted the Bush administration's sanguine perception of Mexico after it too became heavily engaged in obtaining NAFTA ratification as the principal aim of its policy.

Clinton's foreign policy team, however, soon came to the realization that the U.S. relations with Mexico could be significantly affected by political factors. The Chiapas uprising, the Colosio assassination, and questions about the legitimacy of the electoral process and institutional weakness emerged as important considerations in articulating U.S. foreign policy interests and objectives with regard to Mexico. However, they rarely received the same public or congressional scrutiny as other issues such as trade, narcotics, law enforcement, and immigration.

Today, U.S.-Mexican relations stand at an important crossroads. The NAFTA debate became symbolic of the new place of Mexico as a "vital interest" of the United States. However, the relationship between the largest superpower and wealthiest country in the world and its far poorer neighbor has not been easy. The benefits of trade and commerce that were touted by the Reagan and Bush administrations have been replaced over the deep concerns overjob losses, narcotics flows, criminality, and environmental degradation. In Mexico, the peso crisis added to a sense of betrayal that the promise of NAFTA went unfulfilled. Mexico's economic downturn aggravated the process of institutional transformation, causing Mexicans to lose confidence in the future of Mexican institutions and the nature of the relationship with its powerful neighbor to the north.