

MEXICO POLICY NEWS

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Salinas Inaugurated as Mexico's President

Swearing himself into office on December 1, 1988, **Carlos Salinas de Gortari** called for a period of national patience to give him time to negotiate a resolution to the problem of heavy interest payments on the \$108-billion dollar foreign debt.

Significantly, Salinas named economist **Fernando Solana** as Secretary of Foreign Relations and economist **Pedro Aspe** as Secretary of Treasury, thus giving economic matters the highest priority in his government. To facilitate this link between Treasury and Foreign Relations, Solana named economist **Jesús Reyes Heróles**, Director General of Treasury Planning under former President Miguel de la Madrid, as his chief advisor for U.S.-Mexican relations.

While the Salinas group took firm command of the economy and promised to continue privatization and restructuring of the economy, Salinas seemed to give some independence to the political cabinet headed by Interior Secretary **Fernando Gutiérrez Barrios**. Upon taking office twelve hours before Salinas was inaugurated, Gutiérrez Barrios gave his own "inaugural speech," unprecedented for ministers in the Official Party who wait to hear the president's guidelines before pronouncing their own.

Immediately prior to the inauguration of Salinas, Senator **Porfirio Muñoz Ledo** led a walkout of the Frente Democrático Nacional, the left opposition which claimed to have won the presidency for **Cuauhtémoc Cárdenas**. Muñoz Ledo took the occasion to criticize the inauguration "for having been attended by three dictators: Fidel Castro, Daniel Ortega, and Carlos Salinas."

(please turn to page 2)

ANUIES-PROFMEX Briefing of Border Governors

At the invitation of Governor **Eliseo Mendoza Berrueto** of Coahuila, host of the 1989 Border Governors Conference in Saltillo, PROFMEX and ANUIES will present a program to brief Mexican and U.S. officials on current issues and future problems facing the border region.

The briefing, which will be held February 14-15, immediately prior to the meeting of the ten U.S. and Mexican border governors, also involves providing statistical data trends to suggest future agenda planning for the governors.

The briefing will consider three broad topics:

- *Education and Communication*,
Oscar J. Martínez, University of Arizona (UA)
Honorato Teisler, Universidad Autónoma de Coahuila (UAC)
- *Population and Infrastructure*,
Jeffery Brannon, University of Texas, El Paso (UTEP)
Roberto Ham, COLEF
- *Economic Policies*,
Michael Ellis, NMSU
Fernando Gutiérrez, Universidad Autónoma de Nuevo León (UNAL)

Specially invited are two scholars. Keynote dinner speaker is **Jorge Bustamante** (COLEF), honored with Mexico's 1988 Prize for Social Sciences. Keynote luncheon speaker is **Andrew Nichols** (UA), president-elect of the U.S.-Mexican Border Health Association.

Chairing the dinner session is **Juan Casillas** (Secretario General Ejecutivo, ANUIES); the luncheon session is chaired by **James W. Wilkie** (President, PROFMEX).

Moderators include **Arturo García Espinosa** (UNAL), **Michael C. Meyer** (UA), and **Onésimo Flores** (UAC).

Organizational support is headed by **Ermilo Marroquín** (ANUIES) and **George Baker** (PROFMEX).

Funded by the Ford Foundation, the 1989 briefing continues the dialogue between academics and policy makers which was begun at the most recent meeting of the Border Governors, Las Cruces, December 1987.

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Salinas Inaugurated

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PROFMEX was invited by Salinas to observe the inauguration and meet with officials of the new government, and the following institutional representatives attended ceremonies: PROFMEX President **James W. Wilkie** (UCLA), **M. Delal Baer** (Center for Strategic and International Studies), **Riordan Roett** (SAIS), **Cathryn Thorup** (ODC), and **Van Whiting** (Brown University). President Wilkie was invited to lead all special invitees through the formal reception at the Secretary of Foreign Relations, and he was joined by **Clint E. Smith** (Stanford), former Executive Secretary of PROFMEX. The occasion presented the opportunity to meet with the new government officials and to express PROFMEX concerns about the political transition in Mexico.

In meetings with Salinas and his cabinet, Wilkie was impressed by the ability and desire of the new officials to discuss and debate issues. This marks a refreshing trend because in the past most members of the cabinet were unable and or unwilling to face intellectual challenges to and criticism of their programs, Wilkie told *MEXICO POLICY NEWS*. Reflective of the new openness in government, Wilkie was accorded access to audit data on expenditures formerly considered by the government to be a state secret. [Editors' Note: See related article on "Mexico's Distorted Expenditures on the Public Debt and A Two-Part Proposal for Relief.]

During Wilkie's visit, he met for discussions with **Miguel Sandoval Lara** (director of *El Economista Mexicano*), **Daniel Robles Ferrer** (Director General of Governmental Accounting), and **Ricardo Ayala Aceves** (Office of the *Informe Presidencial*). Professors **Héctor Mata Lozano** and **Pablo Rufz Napoles** hosted Wilkie at UNAM where he spoke about his research to faculty and students in the Maestría de Docencia Económica.

News Items Solicited for MEXICO POLICY NEWS

PROFMEX invites readers to send to the editors news and information on institutional activities, conferences, publications for review, and other relevant information. Comments on each issue of the *MEXICO POLICY NEWS* are also welcome.

PROFMEX Welcomes New Institutional Members

Seven institutions have joined PROFMEX to bring the total to twenty, including two in Mexico. The new members and their program directors are:

Brown University (**Van R. Whiting, Jr.**), Center for Strategic and International Studies (**M. Delal Baer**), City University of New York, Bildner Center for Western Hemisphere Studies (**Ronald G. Hellman** and **Matthew Edel**), ITESM--Instituto Tecnológico y de Estudios Superiores de Monterrey, Mexico City Campus (**Jorge Arreola Loperena**), The Johns Hopkins University, School of Advanced International Studies (**Riordan Roett**), University of Chicago (**John Coatsworth**), University of Connecticut (**Scott Cook**).

Of these members, Brown and Connecticut have a cooperative arrangement and are hosting meetings of Mexicanists in the New England region.

ITESM (which participated in the December 1987 PROFMEX Border Governors' Briefing at Las Cruces) joins UAM Azcapotzalco as the second institutional member from Mexico.

PROFMEX directors voted to name **Oscar J. Martínez** to represent the PROFMEX Monograph Series on the PROFMEX Board. Martínez recently moved to the University of Arizona from UTEP.

At UTEP, **Jeffrey Brannon** has been named to represent El Paso on the PROFMEX Board of Directors.

PROFMEX-CLAH Ross Award: Appeal for Donations

Funds are sought for the Stanley R. Ross award established by PROFMEX and the Conference on Latin American History (CLAH). Ross was formerly president of both organizations.

Donations are used to fund the research visits of Mexican scholars to the United States.

Please send tax deductible donations (made payable to PROFMEX-CLAH Award) to PROFMEX Treasurer **L. Ray Sadler**, Nason House, P.O. Box 30001 (Box 3JBR), New Mexico State University, Las Cruces, NM 88003.

MEXICO POLICY NEWS

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Universidad Autónoma Metropolitana Azcapotzalco,
University of California Riverside,
University of Chicago,
University of Connecticut,
University of New Mexico,
University of Texas at Austin,
University of Texas at El Paso.

V PROFMEX-ANUIES Symposium, 1988: U.S.-Mexican Reciprocal Images



James W. Wilkie, Juan Casillas, and Mario Ojeda

Meeting April 17-18, in Mexico City, PROFMEX and ANUIES (Asociación Nacional de Universidades e Institutos de Enseñanza Superior) asked the following questions: What patterns and institutions in the two neighboring countries shape their respective perceptions of each other? How do curricular and extracurricular programs influence national views? What are the social processes, means of communication, and impacts involved in U.S.-Mexican relations?

Attended by scholars from states ranging from Chiapas to Maine as well as from institutions along the U.S.-Mexican border, the symposium was hosted by El Colegio de México (COLMEX) and inaugurated by **Juan Casillas** (Secretario General Ejecutivo de la ANUIES) and **James W. Wilkie** (President of PROFMEX). The keynote addresses were delivered by **Marlo Ojeda Gómez** (President, COLMEX) and **Jullán Nava** (California State University, Northridge), former U.S. Ambassador to Mexico. Sessions were chaired by **Héctor Franco Sáenz** (Universidad Autónoma de Nuevo León), **Isabel Schon** (Arizona State University), **Henry Schmidt** (Texas A & M), and **Manuel Luna Calderón** (Centro de Investigación y Docencia Económicas).

In the session on curriculum, for example, several differing views were presented for debate. **Vesta Manning** (American School, Mexico City) reported on a content analysis of the Mexican government *libros de texto gratuitos* that are used in all elementary schools in Mexico. Her analysis shows that "the textbooks' portrayal of the U.S., although marred by occasional factual inaccuracy, is more notable for a lack of balance and equity." Negative references to the United States, both explicit and implicit, far outnumber positive references which is

compounded by the omission of significant positive contributions of the United States. **Josefina Vázquez** (COLMEX), speaking from her vantage point as a specialist on the history of education in Mexico and one of the authors of the textbooks, disagreed strongly with Manning's interpretation.

Manning also criticized the Mexican textbooks for failure to include mention of the 1968 student uprising, considered by most observers as a watershed in modern Mexican history. Such an omission, Vázquez suggested, was the product of the historian's obligation to be selective.

About the impact of media in U.S.-Mexican relations, **Carlos Cortés** (UC Riverside) presented his findings from a study of Chicano films. "For Chicanos," he said, "Mexico is often a metaphor of their struggles for social and political identity in the United States."

Regarding social processes, **William Beezley** (North Carolina State) analyzed how cultural misunderstandings appear in American humor and jokes about Mexico.

This academic symposium was held within the general framework of the program of U.S.-Mexican Bilateral Cultural Cooperation, and U.S. scholarly participation was facilitated by a grant from the Office of Private Sector Programs, United States Information Agency. Program chairs were **Paul Ganster** (SDSU) and **Jorge Bustamante** (COLEF).

The proceedings from the symposium are currently being prepared for publication by ANUIES and PROFMEX.



Jerry R. Ladman



Gustavo del Castillo, Oscar Martínez, and Jorge Bustamante

Mexico's Distorted Expenditures on the Public Debt and a Two Part-Proposal for Relief

By James W. Wilkie

The ability of Mexico to overcome its economic slowdown and to begin to resolve social problems caused by deferred social expenditure since 1982 depends greatly upon how much discretionary funding remains in the central government budget after payment of amortization and interest on the foreign and domestic public debt. It also depends importantly on the real value of the Mexican foreign debt and the liquidity of the country's banking system. Let us analyze these matters.

About payments on the debt, the Mexican presidency has been caught in a "catch 22" situation because, on the one hand, it would like to show to the international banking community that the service on the foreign debt is excessive in relation to the country's capacity for repayment. On the other hand, for domestic political purposes, the government has sought to understate the importance of all public debt payments. Under President **Miguel de la Madrid** domestic political considerations won out and Mexico lost much of its negotiating power with the international community, including the U.S. Treasury Department.

Thus, the government has presented the share of foreign debt payments in relation to GDP rather than to central government expenditure on foreign and domestic debt. Foreign debt payments are seen, then, to be only 5 percent of GDP, which sounds manageable.

Also the government has downplayed the share of expenditure on all of the debt by removing it from its presentations on public expenditure, further obfuscating issues. Hence, few observers inside or outside Mexico have been fully aware of the internal impact of the country's entire debt problem.

My investigations into the trend of debt payments as a share of central government expenditure show below that the percentages are not manageable and reveal the dire straits into which Mexico has fallen. I calculate the total public debt (internal plus external) payments as a share of the central government outlay rather than as a share of the entire public-sector expenditure (central government plus parastate of decentralized expenditure) because outlays in the parastate sector are not discretionary. Most parastate agencies either lose money and require subsidies, operate with feather-bedded inefficiency, or both. In any case the important agencies collect their own revenue and expend it.

Only the central government channels its tax collections into the Treasury where it is allocated by the Secretary of Planning and Budget to cover the myriad of Mexico's needs. Only the central government has discretionary spending, but that discretion also

has been seriously compromised by subsidies needed to cover the deficits of most parastate agencies. To recover what discretion it has, the central government has moved to sell to the private sector many parastate enterprises, close enterprises, or merge them to cut costs.

President **Carlos Salinas de Gortari**'s plans to reform the giant and corrupt PEMEX enterprise offers a case in point. Although PEMEX was able to end central government subsidies and also to pay taxes and rents to the central government since the oil boom of the late 1970s, PEMEX could have generated much more for the national treasury and for central government discretionary funding had it been run honestly and efficiently.

PEMEX corruption at all levels and especially the nefarious union veto power over management decisions, control over assignment of workers (including bribery and sale of jobs), and control of contracts (reduced from 50% to 2% under De la Madrid) by the infamous PEMEX union leader **Joaquín Hernández Galicia** ("La Quina") has had grave consequences for Mexico. "La Quina's" power not only damaged the government's ability to marshal national resources but hurt Mexico's image abroad.

Foreign bankers, IMF officials, and U.S. Treasury Secretaries **James A. Baker III** and **Nicholas F. Brady** have argued that Third World debtors including Mexico would never clean up rampant corruption as seen in PEMEX if debt relief were to come prematurely.

Apparently Salinas met in early January 1989 with "La Quina" to tell him of his plans to divide PEMEX into three separate enterprises (exploration and drilling; distribution and sales; and secondary petrochemicals), with only exploration and drilling to be retained without private investment. "La Quina" rejected the plan and sealed his own fate. On January 10 Salinas sent army troops to arrest "La Quina" and over 80 of his cronies for hoarding guns and being involved in corrupt activities; at the same time Salinas put oil refining and gas distribution under temporary military guard to prevent mysterious explosions such as that of San Juanico in 1984. (After that explosion at the San Juan Ixhuatepec gas distribution center leveled 30 acres of Mexico City and killed up to 1,000 persons, De la Madrid effectively aborted his campaign to clean up the PEMEX unions.)

If this context of state corruption and inefficiency were not enough, the central government has also found itself trapped in the rising share of its outlay needed to cover the foreign and domestic debt. Much of this debt was acquired in 1982 as the result of

nationalizing the country's banks, an act which ironically saved the private sector from bankruptcy.

The results of my investigation into the share of central government outlay devoted to the debt are given in Table 1, which reveals the extent of Mexico's predicament. Where

Table 1

Average Central Government Shares of Actual Outlay Devoted to Service the Public Debt,¹ By President,

1900-1988	
President ²	Average %
Díaz(2)	30.1 ^a
Madero (1)	25.5
Madero/Huerta (1)	23.8
Carranza(4) ^b	3.5
Obregón(4)	8.5
Calles (4)	12.7
Portes Gil (1)	7.0
Ortiz Rubio (3)	4.7
Rodríguez (2)	12.3
Cárdenas (6)	10.9
Avila Camacho (6)	17.0
Alemán (6)	15.4
Ruiz Cortines (6)	16.2
López Mateos (6)	25.7
Díaz Ordaz (6)	23.5
Echeverría (6)	13.5
López Portillo (6)	23.6
De la Madrid (6)	52.4c

1. Amortization + interest on the foreign and domestic debt of the central government. Excludes service on the debt of the parastate sector.
2. Number in parentheses is the number of years in average.
 - a. Sample years for Díaz, 1900/1901 and 1910/1911.
 - b. Includes 1920 interim government of Adolfo de la Huerta, president for seven months.
 - c. Includes projected (not actual) percent for 1988.

SOURCE: James W. Wilkie, *La revolución mexicana (1910-1976)* (México, D.F.: Fondo de Cultura Económica, 1978), pp.142 and 368; and since 1977, calculated from data in Miguel de la Madrid, *Quinto and Sexto informe de gobierno, tomo estadístico*, p. 103 and p. 55, respectively.

California State Office of Trade and Investment Opens in Mexico City

The inauguration of California's Office in Mexico on February 15, 1989, will be attended by Governor **George Deukmejian** and Regent of Mexico's Federal District **Manuel Camacho Solís**. Mexican Consul-General in Los Angeles, **Romeo Flores Caballero**, will also be present for the opening.

Governor Deukmejian will be hosted by the American Chamber of Commerce in Mexico at a luncheon on February 15 and will meet with President **Carlos Salinas de Gortari** the next day. Soon after leaving Mexico he will travel to Europe to open relations with the

European Economic Community. California Offices already exist in London and Tokyo.

In announcing the opening of the Mexico City Office, **Frank J. Márquez**, director of the Office of California-Mexico Affairs, said that the February 15 ceremonies will formalize the importance that California already gives to Mexico. The purpose of the Mexico Office is to promote trade between California and Mexico as well as to provide accurate trade and investment information to Californians. The Mexico Office will also monitor investment in the maquila industry and its impact on California, while at the same

time attending to border relations between California and Mexico. Although Mexico's private sector is not now in a position to invest much in California, plans for that future possibility can be developed in the near term.

Director of the Mexico Office is **Carlos Valderrama**, formerly with the U.S. Department of Commerce Los Angeles. His office is at 450 Paseo de la Reforma, Suite 400, telephone 208-5161 or 208-5641. He will be assisted by an executive secretary and student interns from California.

El Norte Databank on Mexico

A new, on-line electronic database developed by *El Norte* contains indexed articles from the national press of Mexico. This database also has a statistical section on the country's major macroeconomic variables. The service, headquartered in Monterrey, is soon to have a toll-free number for U.S.-based subscribers.

Each article is indexed by as many as thirty key words; key words include abstract concepts such as "politics" as well as the names of places, political groups, and leaders. The database was begun in January 1986, and it now contains over 150,000 articles. New articles are collected from the daily, weekly, and monthly press.

Of the 200 sources that are culled for articles, only *El Norte's* own articles can be read on the subscriber's monitor and printed directly on his printer. The bulk of the articles are accessed by initiating a FAX order request.

PROFMEX Executive Secretary **George Baker** twice has used the database at *El Norte's* main offices in Monterrey. "I arrived on November 22, 1988, and the database was already current to the previous day for the topic of my research," said Baker, who noted that there were 158 new entries on his topic since an earlier visit in September.

Regular users are charged a flat monthly fee of \$80 plus a charge for each article.

For further information call **Arturo Galván** or **Luis Garibay** at 52 (83) 43-51-00 or 43-27-26 or write Box 186, 64000 Monterrey, N.L., Mexico.

Mexican Politics in New Books

Politics and elections are analyzed in seven significant new works:

- *Geografía de las elecciones presidenciales de México, 1988* (México, D.F.: Fundación Arturo Rosenblueth, 1988) offers a critical analysis of voting and abstentionism in relation to urban/rural, income, occupation, and basic service factors.
- *Proceso electoral federal, 1987-1988* (México, D.F.: Comisión Federal Electoral, 1988) gives the official view of election results.
- **José Barberán, Cuauhtémoc Cárdenas, Adriana López Monjardín, Jorge Zavala**, *Radiografía del fraude: análisis de los datos oficiales del 6 de julio* (México, D.F.: Editorial Nuestro Tiempo, 1988) graphically charts the implausibility of Salinas' presidential "victory."
- **Cuauhtémoc Cárdenas**, *Nuestra lucha apenas comienza* (México, D.F.: Editorial Nuestro Tiempo, 1988) presents campaign and post-campaign speeches from November 1987 through September 1988.
- **Porfirio Muñoz Ledo**, *Compromisos* (México, D.F.: Editorial Posada, 1988) gives views from 1985 into 1988, summarizing PML's political vision for Mexico.
- *Elecciones presidenciales 1988: interpretación de los resultados oficiales mediante el análisis matemático* (México: Centro de Estudios y Promoción Social, A.C., 1988) provides, through a statistical and mathematical analysis, evidence of massive fraud in the 1988 presidential elections and affirms that in actuality Salinas won 36% of the vote, Cárdenas 33%, and Clouthier 29%.

MANUEL J. CLOUTHIER

DIALOGOS CON EL PUEBLO

LOS PRIMEROS CIENTO
DIAS DE CAMPAÑA

1988
Año del Cambio

- **Manuel J. Clouthier**, *Diálogos con el pueblo* (Partido Acción Nacional, Angel Urraza 812, Col. del Valle, 03109 México, D.F., 1988, 3 vols.) is a collection of the PAN presidential candidate's speeches from November 22, 1987 through July 2, 1988.

Foundation Officials and Program Directors Meet at Wingspread

Some directors of programs on United State-Mexican relations from both countries, together with foundation officials and others with professional interests in the field, will meet at Wingspread, Wisconsin on February 14-16, 1989.

The purpose of the meeting is to define a research agenda pertinent to United States-Mexico relations in the 1990s, according to Ambassador **Charles Bray**, president of the Johnson Foundation, which is sponsoring the event in cooperation with The William and Flora Hewlett Foundation, a leading funder of U.S.-Mexican research projects in both countries.

Several PROFMEX and ANUIES institutions will, of course, be represented at the Wingspread meeting, including the Center for Strategic and International Studies, El Colegio de México, the Bildner Center at CUNY, Stanford, Johns Hopkins/SAIS, Columbia, ODC, University of New Mexico, University of Texas, Brown, and UCLA. Other Institutions sending representatives are the Universidad de las Américas, Institute for International Economics, UC San Diego, the Americas Society, the Woodrow Wilson International Center for Scholars, the Inter-American Development Bank, the Council on Foreign Relations, and the U.S. Department of State. Foundation officers attending will come from Hewlett, Ford, Rockefeller, Mellon, Tinker, and the Pew Charitable Trusts. Participants will define a research agenda pertinent to U.S.-Mexican relations in the 1990s and make recommendations with respect to the nature and level of institutional infrastructure and support which may be required to assume that the agenda can be carried out. Ambassador Bray noted that if it seems useful, there might be a series of Wingspread conferences on this and themes related to improving the management of economic and social problems in an era of growing binational interdependence.

U.S.-Mexican Linkages

Programs linking academics in Mexico and the United States involve several PROFMEX institutions.

San Diego State University is in the third year of a linkages program with El Colegio de México funded by a grant by the United States Information Agency with a supplement from the Cowell Foundation for population studies. To date, the program has enabled SDSU scholars **Paul Ganster** (History), **Norris Clement** (Economics), **Dipak Gupta** (Public Administration), **Janet Esser** (Art History), **Paul Vanderwood** (History), **Richard Griswold del Castillo** (Mexican-American Studies), and **Alan Sweedler** (Physics) to be in residence at COLMEX for varying periods of time.

COLMEX scholars **Adalberto García Rocha** (Economics), **Benjamin Preciado** (Art History), **Antonio Yunez Naude** (Economics), **Manuel García y Griego** (Demography and History), **Josefina Vásquez** (History), **Bernardo García Martínez** (History), **Roberto Ham** (Demography), **Saúl Trejo** (Economics), **Beatriz Figueroa** (Demography), and **Virginia González Claverán** (History), have visited SDSU for periods ranging from three weeks to three months.

To date the program counts among its achievements joint research on population and demography, development of joint research proposals in population policy, completion of two Ph.D dissertations and substantial progress on a third by COLMEX researchers while at SDSU, a collaborative project on the history of northern New Spain, and the development of new research projects and advancement of existing research efforts in history, art history, and economics by individual faculty from both institutions.

According to **Paul Ganster**, director of the linkages effort at SDSU, 1989 linkages participants include SDSU faculty **Steve Colston** (History), and **Richard Hofstetter** (Political Science) while COLMEX participants will include **Moisés González Navarro** (History), **Jan Bazant** (History), **Xavier Noguez** (History), **Karen Kouvaacs** (Sociology), **Sergio Aguayo** (Political Science), **Ann Staples** (History), and **Alicia Hernández** (History).

At UCLA, **Norris Hundley**, chair of the UCLA Program on Mexico announced new links with UNAM and the Universidad Autónoma Metropolitana. Under a grant (1988-1990) from the United States Information Agency, UCLA is organizing faculty interchanges to conduct research on the restructuring of the Mexican industrial and labor sectors. Long-term visitors to UCLA include **Samuel Schmidt** (UNAM), who was in residence during Fall Quarter, 1988, and **Edur Velasco** (UAM), who is conducting research from January through June, 1989.

Also at UCLA, the Department of Spanish and Portuguese and the Department of Applied Linguistics have been collaborating since 1985 in a pilot program established with the Universidad de Guadalajara to send UCLA students for ten-week periods of intensive language and cultural studies. A primary goal of the program is to evaluate the extent of effectiveness of the periods in Guadalajara to demonstrate the superior gains in oral and written fluency over the gains made by students in classes at UCLA. This program is directed by **Shirley Aurora**.

At Guadalajara, the UCLA-Universidad de Guadalajara project on Reading English for Science and Technology is now in its fourth year. The project has designed, developed, and evaluated a curriculum for Mexican teacher training by utilizing a computer-assisted instruction project, with UCLA faculty and graduate students in residence in Jalisco. For further information, contact **Russell N. Campbell**, ESL, UCLA, Los Angeles, CA 90024, telephone (213) 206-61322.

At the Overseas Development Council, the U.S.-Mexico Project inaugurated its Mexican Visiting Fellow Program. Jointly sponsored by ODC and Mexico's Consejo Nacional de Ciencia y Tecnología, **Sergio Martín Moreno** was welcomed in 1988 as the first fellow. His project focuses on the impact of the U.S. economy on the Mexican public sector.

Individuals Invited to Join PROFMEX

PROFMEX membership is available to individuals for the following dues: \$15 student, \$25 faculty, \$50 general. Members receive the following publications:

MEXICO POLICY NEWS;

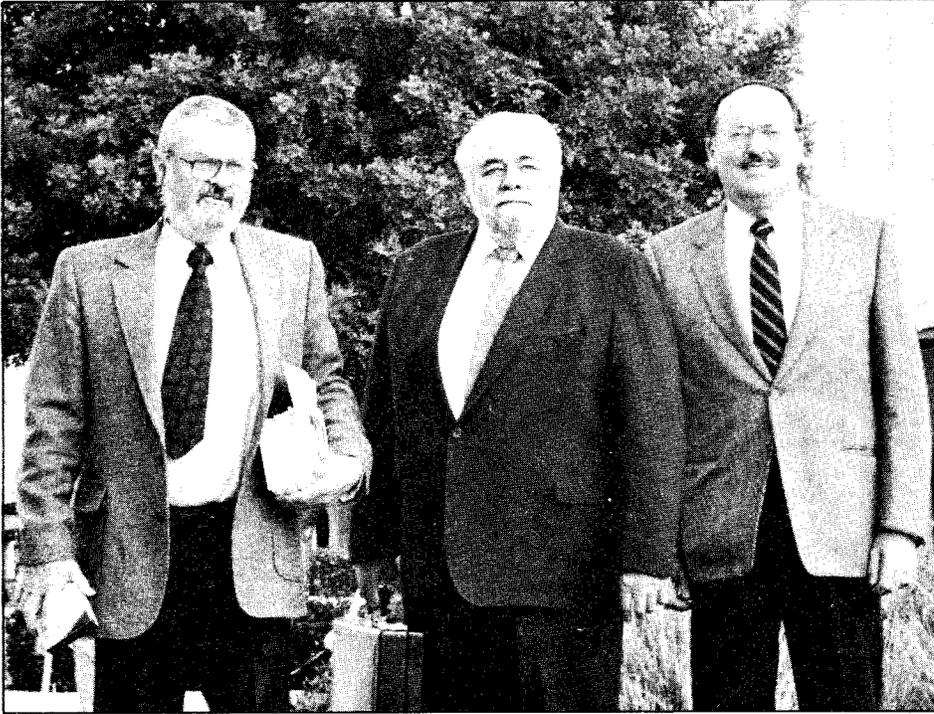
U.S.-Mexico Report: Translations from the Mexican Press (monthly);

ANUIES-PROFMEX Conference Proceedings.

In addition to receiving special discounts for volumes published in the PROFMEX Monograph Series by the University of Arizona Press, new members receive a facsimile of the 1800 edition of Bernal Díaz del Castillo's *The True History of the Discovery and Conquest of Mexico*.

Please send name, address, telephone, and a check for the appropriate dues level to PROFMEX Secretariat, Nason House, P.O. Box 30001 (Dept. 3JBR), New Mexico State University, Las Cruces, NM 88003.

Partido Acción Nacional Leaders Visit U.S.



Norberto Corella, Manuel J. Clouthier, and Eugenio Elorduy at SDSU

Speaking to an overflow crowd at San Diego State University, 1988 Partido Acción Nacional (PAN) presidential candidate **Manuel J. Clouthier** inaugurated a visit to the United States on January 24, 1988.

Clouthier's visit to SDSU was hosted by the Institute for Regional Studies of the Californias and Center for Latin American Studies. Accompanying Clouthier on his trip to the United States were PAN Nacional Executive Committee members **Eugenio Elorduy W.** (Mexicali) and **Norberto Corella** (Mexico City).

Clouthier began his presentation with an analysis of the political history of Mexico, describing the rise and successes of the one-party system. He noted, however, that although Mexico changed considerably as a result of the "Mexican Economic Miracle," the political system did not. One-party rule without any checks and balances produced major mistakes in governance that resulted in the current crisis in Mexico.

Clouthier pointed out that during the sexenio of Miguel de la Madrid (1982-1988) inflation was 2,413%, real wages of workers declined by 48%, the number of illiterates reached 15 million, and only 3% of the high school students were able to pass university entrance examinations.

Clouthier maintained that excessive government control is responsible for many of Mexico's problems. Government officials are often more interested in perpetuating power than in governing the nation for the benefit of its citizens.

The Partido Revolucionario Institucional (PRI), affirmed Clouthier, has been trumpeting the message that the only two alternatives for Mexico are a continuance of the one-party system or chaos. "Democracy with checks and balances is a third alternative," said Clouthier, "and this is what PAN is fighting for and this is what the Mexican people are more than ready for."

According to the PAN candidate, political change moved forward with the July 1988 Mexican presidential elections where the "PRI stole 3 million votes, 2.5 million of them from PAN." Recent PAN electoral victories in León, Guanajuato, and elsewhere demonstrate the mood for political change. The upcoming July gubernatorial races in Baja California, Durango, and Chihuahua and fall elections in Sinaloa, Puebla, and Michoacán will provide another opportunity for PAN to change the system.

Following Clouthier's presentation, PROFMEX Director **Paul Ganster** moderated a lively and wide-ranging question and answer session that included comments by Elorduy and Corella. Speaking candidly, Clouthier made the following points:

- Mexico cannot continue to service the foreign debt and achieve the approximately 5% real economic growth rate needed to bring the country out of the current crisis and return to a path of sustained development. Mexico needs changed economic conditions to repay the debt.
- PAN is committed to a non-violent course

of political change, even in the face of violence from the PRI regime.

- PAN is a centrist party, not a party of the Church nor of the rich. The richest Mexicans voted for Salinas. At the same time, PAN is the only Mexican political party that does not believe in the struggle of classes; it believes only in the struggle for a better Mexico.
- Salinas ordered the arrest of PEMEX labor leader Joaquín Hernández Galicia, "La Quina," more for his support of the candidacy of Cuauhtémoc Cárdenas than for corruption, weapons stockpiling, and criminal activities.
- The maquiladora industry plays a vital role in providing jobs in an economy that each year sees one million persons entering the labor market for the first time. However, the industry needs to become more integrated with the Mexican economy.

FDN Leaders Visit U.S.

Following the presidential inauguration, during December 1988, the two main figures of the Frente Democrático Nacional (FDN) traveled to the United States.

Cuauhtémoc Cárdenas visited Washington, D.C., under the auspices of the U.S.-Mexico Project at the Overseas Development Council. Hosted by **Cathryn Thorup**, a PROFMEX director, Cárdenas met with U.S. congressional leaders and appeared on public television for a wide-ranging press conference. The purpose of his visit was to explain first hand the nature of his movement and to offset prejudiced views about him by U.S. commentators, many of whom have claimed that he is a "communist." Without the charisma in the United States that his name invokes in Mexico, however, Cárdenas' understated and ponderous approach may not have impressed the U.S. public. Certainly Cárdenas received a negative press in Mexico for "having appeared to plead his losing case in the halls of U.S. power brokers."

Porfirio Muñoz Ledo again visited Los Angeles under the auspices of the UCLA Program on Mexico. Hosted by **James W. Wilkie**, Muñoz Ledo continued the tape recording of his oral memoirs. Interviewed by **Wilkie**, **Samuel Schmidt** (UNAM, UCLA, and San Diego State University), and **Lisa Fuentes** (Boston College and UCLA), Muñoz Ledo carried his life story from December 1987 (the period reached during his first oral history interviews in Los Angeles) up to December 1988. Ironically Senator Muñoz Ledo was vituperously criticized by PRI senators who claimed that he was in Los Angeles searching for "foreign funds to support the FDN."

VI PROFMEX-ANUIES Symposium Scheduled, 1990

At Las Cruces, New Mexico, ANUIES and PROFMEX will address the theme "Changes in U.S.-Mexican Relations: Beyond the Border." This VI Symposium will meet April 25-29, 1990.

As in the previous Symposia, panelists from the United States and Mexico jointly will examine topics in U.S.-Mexican relations. The 1990 meeting will feature a session on a possible transition from the maquila model of border industrialization to a model characterized by production and market sharing.

Other sessions will consider long-range alternative models of investment, technology transfer, debt service, and trade and industrial policy.

Planning for the agenda of the VI Symposium was completed when PROFMEX-ANUIES representatives traveled to the Barranca del Cobre for a series of meetings September 17-21, 1988. Planning sessions were held aboard the

Chihuahua-Pacific train, with stop-overs in Posada Barrancas, Creel, and Cuauhtémoc. The meetings, located as they were in the Sierra Madre of Chihuahua mid-way between Topolobampo on the coast and Chihuahua City, permitted representatives to better know a newly developing region of Mexico encompassing three cultures: mestizo, Tarahumara, and Menonite.

Representing ANUIES were **Juan Casillas** and **Ermilo Marroquín** (Mexico City), **Arturo García Espinosa** (Universidad Autónoma de Nuevo León), and **Gustavo Vega** (COLMEX).

PROFMEX representatives included **George Baker** (NMSU), **Jerry R. Ladman** (Arizona State University), **Louis R. Sadler** (NMSU), **Clark W. Reynolds** (Stanford), **James W. Wilkie** (UCLA), and **Jeffrey Brannon** (UTEP). Brannon organized the travels, with the assistance of **Robert Schmidt** (UTEP) and **María Telles-McGeagh** (NMSU).

Querétaro); the Mexican food "crisis" (**J. Edward Taylor**, UC Davis, and **David Barkin**, UAM).

Call for Policy Research on Immigration and Employment

What new models of investment and technology transfer could create appropriate domestic employment in Mexico and other Western Hemisphere countries from which large numbers of unauthorized persons migrate to the United States?

This and other related questions are the subject of a policy research project by the Commission for the Study of International Migration and Cooperative Economic Development. Coordinated from Washington, D.C., by **Sergio Díaz-Briquets**, the project is consulting with the University of Texas at Austin to develop research proposals.

Proposals are invited to focus on Mexico. Submissions for funding up to \$25,000 may be submitted to **Sidney Weintraub**, Program for U.S.-Mexico Policy Studies at the Lyndon B. Johnson School of Public Affairs in Austin.

According to Weintraub, to date projects have been funded examining such topics as the migration and its relationship to the role of exports, regional maquila industry, privatization, labor legislation, and tourism. For example, the UCLA program on Mexico is conducting research on "Databases and Policy Options for Creating Employment in Mexico."

"Research for the Commission must be completed by the end of 1989 so that the findings can be taken into account in the Commission's final report to Congress in 1990," said Weintraub, who also invites proposals for the writing of concept papers on topics such as U.S. trade policy toward Mexico, Mexico's labor supply and demand, and financing mechanisms for the informal sector. Proposals that entail collaborative research between U.S. and Mexican scholars will receive special consideration.

For more information, contact Weintraub at the LBJ School, University of Texas at Austin, 78713, telephone (512) 471-4962.

VIII International Congress on Mexican History: Call for Papers

The joint organizing committee for the VIII Meeting of Mexican and North American Historians has announced the theme "Five Centuries of Mexican History" for the 1990 San Diego, CA meeting. Proposals are welcomed for papers or full panels dealing with the continuing question of Mexico's integration into the modern world. Congresses have been held as follows:

- I. Monterrey (1949),
- II. Austin (1958),
- III. Oaxtepec (1969),
- IV. Santa Monica (1973),
- V. Pátzcuaro (1977),
- VI. Chicago (1981),
- VII. Oaxaca (1985).

Contact **Eric Van Young** (History, UC San Diego, La Jolla, CA 92093) or the Comité Mexicano de Ciencias Históricas (Apartado Postal 21-972, 04000 México, D.F.).

Neighbors in Crisis: UC MEXUS Conference 1989

Co-Directed by **Daniel G. Aldrich, Jr.** (UC Irvine) and **Lorenzo Meyer** (COLMEX), the University of California Consortium on Mexico and the United States is holding its second in a series of bilateral dialogues at UC Irvine on February 9-10, 1989.

Papers deal with migration (**Manuel García y Griego**, COLMEX, and **James W. Wilkie**, UCLA); control of AIDS at the border (**J. Dennis Mull**, UC Irvine, and **Vicente López**, Centro de Estudios Universitarios, Xochicalco); human rights of indigenous groups (**Rodolfo Stavenhagen**, COLMEX, **Michael Kearney**, UC Riverside, and **Carole Nagengast**, UC Santa Cruz); U.S.-Mexican energy cooperation (**Isidro Morales Moreno**, COLMEX, and **Walter J. Mead**, UC Santa Barbara); the border electronics industry (**Luis Suárez-Villa**, UC Irvine, and **Bernardo González Aréchiga**, COLEF); political transition in Mexico (**José Luis Reyna**, Facultad Latinoamericana de Ciencias Sociales, and **Edgar Butler**, UC Riverside); bilateral agricultural relations (**Juan Vicente Palerm**, UC Santa Barbara, and **José Ignacio Urquiola**, Universidad Autónoma de

Salinas Policy Conundrum: Understated Inflation, Overvalued Currency

by George Baker

New Mexico State University

President Salinas's new Stability and Economic Growth Pact (PECE), which supercedes former President de la Madrid's Economic Solidarity Pact (PSE), inherits two serious data problems: understated inflation and an overvalued currency. To judge from official data, Mexico's economic picture appears to be a lot rosier than, in fact, it is.

The December 1987 Pact was an agreement by government, management, and labor to limit increases in prices and wages in exchange for a stable exchange rate. In the months following the Pact, the value of the peso was stabilized, and inflation, which was 15.5% in January 1988, was reported as having dropped to an average of 5% a month, reaching a low of 1.3% in November 1988.

Understated inflation: on the side of inflation, the problem is that while the rate of increase of sticker prices slowed down, many basic goods became scarce. In Mexico City consumers frequently could not find meat at official prices; milk was scarce and many people also believed that much of the capital's milk supply was contaminated.

When goods become scarce, their real value is the nominal sticker price plus the value of the extra time and expense associated with obtaining such goods. This factor complicates and vitiates attempts to measure inflation using various baskets of sticker prices, which is the way the data for official inflation figures are obtained.

There is an additional political aspect to the inflation picture: the PRI lost the July 1988 elections in the Federal District, and one of the central goals of the new administration is to win back political loyalty of the residents of Mexico City. One method, apparently, is to raise prices in the states surrounding Mexico city (Morelos and México) while holding price levels back in the capital. A resident of the State of Mexico complained that, since December 1, her property tax rate had increased 80% and the unit cost of water 150%. The minimum salary, meanwhile, had increased only 8%. Other reports, such as that of *The Wall Street Journal* (Jan. 10, 1989), assert that the government is trying to reduce subsidies in the capital.

Over-valued currency: on the side of the exchange rate, observers ask, how, if the inflation rate is 5% a month, can the peso-dollar exchange rate remain stable when Mexico's major trading partner, the United States, has an inflation rate of 5% a year? The soaring rate of imports of durable goods in 1988 points to an underlying overvalued currency; foreign goods become inexplicably cheaper than domestic goods. Some estimates are that the peso is over-valued by at least

30%. If so, the true exchange rate is somewhere between 3,000 and 5,000 pesos to the dollar, not 2,300 pesos (the rate of December 1988).

The U.S. government is giving both financial and moral support to uphold the official value of the peso. The \$3.5 billion loan offered by the U.S. government in the fall of 1988 was conceived as a counterweight to end of sexennium capital flight. Moral support is offered through systematic denial that there is anything wrong with official Mexican figures. At a not-for-attribution background briefing for the foreign press on November 30, on the eve of the installation of the new government, a U.S. government analyst based in Mexico City gave an economic forecast that reiterated the goals of the incoming Mexican administration: inflation between 9 and 10%, growth of 2-3%, and a stable exchange rate. In response to a question that asked for his view regarding the over-valuation of the peso, the analyst replied that, were a technical analysis carried out, the result would show that the peso was 15% under-valued. On balance, however, given "psychological factors," the analyst allowed that the peso might be 5-10% overvalued.

Camouflaged capital flight: a related matter is the foreign exchange reserves of the Central Bank. The U.S. analyst coyly noted that the reserve figure was released only twice a year (and not in November), and that he did not intend to reveal "state secrets" of the Central Bank. The Mexican government's reserves were sufficiently strong, he emphasized, so as not to need to draw on the \$3.5 billion line of credit. In response to a question about capital flight, the analyst allowed that typically at the end of the year there were "profit remittances" and other routine accounting transactions; it followed, therefore, that no estimate of pure capital flight could be offered. (Unofficial estimates had put capital flight in November at \$500 million a week.)

I asked a former U.S. ambassador to Mexico about the uncritical attitude of the analyst. "It stands to reason," he said, "the U.S. government is not going to make any statement on November 30 that could be interpreted as a lack of confidence in the government team that would take office on December 1."

The problem for the Salinas team is that to let the exchange rate float to market levels would probably provoke inflation by a factor much larger than the factor by which the value of the peso fell. Meanwhile, real wages continue to deteriorate, and, as in the last year of the Echeverría and López Portillo administrations, the U.S. dollar is becoming Mexico's cheapest import.

As the events of Black Tuesday (the arrest of the oil union leadership on January 10) illustrate, the government is prepared to use force as well as diplomacy in setting the table at which a future discussion of economic policy might be held. For the moment, the problems of understated inflation and an over-valued exchange rate constitute the elephant in the living room that everyone in official circles has agreed tacitly not to mention.

Call for PROFMEX Book Manuscripts

The editors of the PROFMEX Monograph Series seek high quality manuscripts on Mexico and U.S.-Mexican relations. The series, published for PROFMEX by the University of Arizona Press, to date includes six works:

Escalating Disputes: Social Participation and Change in the Oaxacan Highlands, by **Philip C. Parnell** (1988)

Troublesome Border, by **Oscar J. Martínez** (1988)

The People of Sonora and Yankee Capitalists, by **Ramón Eduardo Ruiz** (1988)

Professions and the State; The Mexican Case, by **Peter S. Cleaves** (1987)

The State of the Rio Grande/Río Bravo: A Study of Water Issues along the Texas/Mexico Border, by **David J. Eaton** and **John M. Anderson** (1987)

Politics and Ethnicity on the Río Yaqui: Potam Revisited, by **Thomas R. McGuire** (1986).

The editorial board for the series includes General Editor **Michael C. Meyer** and Advisory Editors **Clark W. Reynolds** and **James W. Wilkie**. Manuscripts should be submitted to Meyer or to Associate Editor **Oscar J. Martínez**, PROFMEX Monograph Series, Latin American Area Center, Social Sciences 228, University of Arizona, Tucson, AZ 85721, telephone (602) 621-7106.

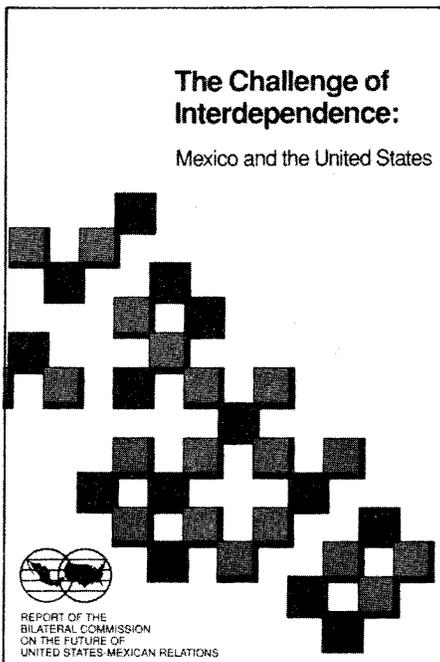
New Titles in U.S.-Mexican Studies

By Clint E. Smith

A review of the literature on Mexico and U.S.-Mexican relations which has appeared over the past year or so reveals an unusually large number of valuable and interesting contributions to our knowledge about the country and the complex and troublesome binational relationship. They are "must" reading for the serious student of Mexico and U.S.-Mexican affairs.

Perhaps the most comprehensive volumes are *Mexico and the United States: Managing the Relationship*, edited by **Riodan Roett**, and *The Challenge of Interdependence: Mexico and the United States*, the report of the Bilateral Commission on the Future of United States-Mexican Relations. (Full citations on all books mentioned are to be found in the bibliography at the end of this essay).

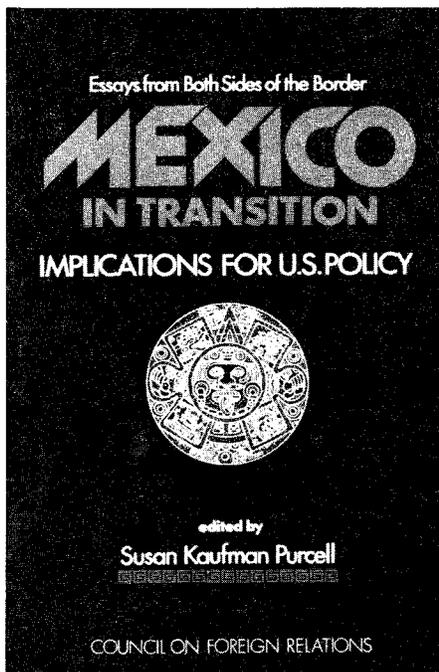
The Roett volume grew out of a series of workshops held at The Johns Hopkins University School for Advanced International Studies in Washington and in Mexico City on managing the relationship, the economic agenda (foreign investment, debt, and trade relations) and such key bilateral issues as undocumented immigration and illicit drug trafficking. Many of these same issues, along with important binational policy recommendations, are analyzed in the second volume, which is the report of the Bilateral Commission headed by **William D. Rogers** and Mexican Senator **Hugo Margáin**.



Together, these volumes offer a broad and timely tour d'horizon of the rapidly-changing nature of the relationship.

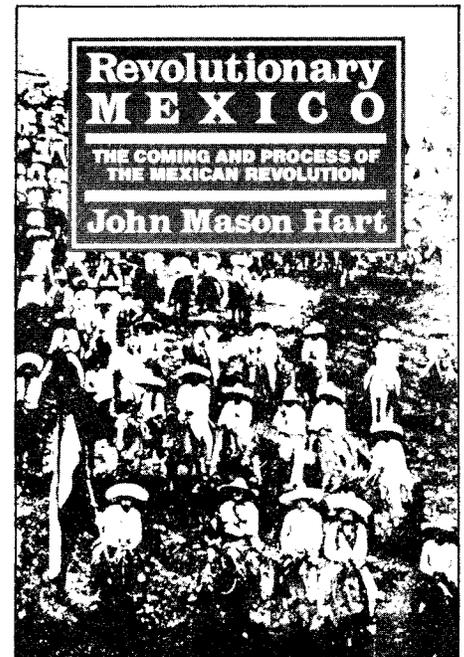
A more personal, even proprietary, view of the relationship is offered by **Robert A. Pastor** and **Jorge G. Castañeda** in *Limits to Friendship: The United States and Mexico*.

Pastor was President Carter's National Security Council advisor on Latin America and Castañeda, the son of a former Foreign Minister, is firmly placed among Mexico's intellectual elite. In their book, they have elected to offer very different national perspectives, in an alternating format, on such key bilateral issues as the debt crisis, illegal immigration, and drug trafficking. This is in stark contrast to *The Challenge of Interdependence*, which represents the consensus views of leading U.S. and Mexican commission members, on these same issues.



A more specialized volume, which is particularly valuable, is *Mexico in Transition: Implications for U.S. Policy*, edited by **Susan Kaufman Purcell**. This volume grew out of the work of a Council on Foreign Relations study group on Mexico, and includes contributions by former Arizona Governor **Bruce Babbitt**, who chaired the group, as well as articles on Mexico in transition, the changing role of the private sector, immigration problems, and the process of the formulation of foreign policy in both countries.

Two volumes treating aspects of these themes are *Mexico and the United States: Leadership Transitions and the Unfinished Agenda*, edited by **M. Delal Baer**, and *Mexican Trade Policy and the North American Community* by **Sidney Weintraub**. These works, published by the Center for Strategic and International Studies in Washington, grew out of the CSIS Mexico Program's policy research efforts.



Two important historical works have also appeared recently on the scene: **John Mason Hart's** *Revolutionary Mexico: The Coming and Process of the Mexican Revolution*; and **Jonathan Kandell's** *La Capital: The Biography of Mexico City*. Hart, a well-known and respected historian, presents a detailed study of the social and economic movements of Mexican history in the first twenty years of this century. Kandell, a skilled journalist who has spent many years in Mexico, has written a highly readable, and at times fascinating, story about Mexico City (and, of course, Mexico itself) from the days of the Aztecs to modern times.

Other fairly recent works are of a more specialized nature: *The United States and Mexico: Face to Face with New Technology*, edited by **Cathryn L. Thorup**, and *Petroleum and Mexico's Future*, edited by **Pamela S. Falk**. The first of these grew out of an Overseas Development Council study and workshops, and has a focus on technology and the changing industrial balance, Mexico's new industrial development strategy, the maquiladora industry, biotechnology and food, and the pharmaceutical industry. The Falk volume grew from studies at Columbia University and collaborative programs with The Americas Society in New York.

While not quite recent, two volumes from Stanford University are more than worthy of note. They are *U.S.-Mexico Relations: Agriculture and Rural Developments*, edited by **Bruce Johnston** and others; and *Beyond the Crisis: Mexico and the Americas in Transition*, by **Jesús Silva Herzog**. The

Johnston volume is the result of a number of conferences and workshops on a broad range of agricultural and rural development topics; it represents the most comprehensive and current thinking from both Mexican and U.S. experts on these issues. Silva Herzog, the former Mexican Finance Minister, treats in his monograph a number of issues in which he was personally involved over several key years, such as the Latin American foreign debt burden and its impact on growth and stability.

To end this brief book essay with a caveat: the author has tried to be as comprehensive as possible in this article, but for space and other reasons has not been able to include other valuable sources, e.g., chapters on Mexico in recent volumes (Abraham F. Lowenthal's *Partners in Conflict*, chapter 4, springs to mind), articles appearing in journals, such as Robert Leiken's article on Mexico in the Winter 1988/89 issue of *The National Interest*, or volumes of related interest (such as George Fauriol's CSIS publication *The Third Century: U.S.-Latin American Policy Choices for the 1990's*). [Editors' note: additional new titles are to be found in the Recent Publications section and in the articles "Mexican Politics Viewed in New Books" and "Books on Mexico's Economy" in this issue of the *MEXICO POLICY NEWS*].

Clint E. Smith is Consulting Professor of Latin American Studies at Stanford University and founding coordinator of PROFMEX.

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Robert Pastor and Jorge Castañeda, *Limits to Friendship: The United States and Mexico*. New York: Alfred A. Knopf, 1988.

Susan Kaufman Purcell, ed., *Mexico in Transition: Implications for U.S. Policy*. New York: Council on Foreign Relations, 1988.

Riordan Roett, ed., *The Challenge of Interdependence: Mexico and the United States*. Boulder, CO: Westview Press, 1988.

Jesús Silva Herzog, *Beyond the Crisis: Mexico and the Americas in Transition*. Visiting Lecturer Series, Americas Program: Stanford University, 1987.

Sidney Weintraub, *Mexican Trade Policy and the North American Community*. Washington, D.C.: Center for Strategic and International Studies, 1988.

Grupo Mazatlán Examines Industry and Labor in Mexico

U.S. and Mexican scholars meeting in Mexico under the auspices of UCLA's Mexico-U.S. Policy Relations Project have held three research meetings to investigate "Industry and Labor in Mexico: Antecedents and Options." Chaired by James W. Wilkie, UCLA, and Jesús Reyes Heróles, Secretaría de Relaciones Exteriores (SRE), meetings have been held as follows:

- Mazatlán (March 17-20, 1988),
- Puerto Vallarta (October 6-11, 1989),
- Mérida (January 27-30, 1989).

Coordinated by Jeffery Bortz (UCLA) and Sergio de la Peña (UNAM), papers are being prepared for publication by the following U.S. participants: David Dollar (UCLA), Lisa Fuentes (Boston College and UCLA), Stephen Haber (Stanford and UCLA), Armando Pérez Gea (UCLA), Kenneth Sokoloff (UCLA), Clint E. Smith (Stanford), Dale Story (UT Arlington), Mary Yeager (UCLA). Mexican participants include: Francisco Colmenares (Contraloría), Enrique Hernández Laos (UAM, Ixtapalapa),

Samuel León (SRE), Nora Lustig (COLMEX), Luis Rubio (Instituto de Banca y Finanzas), Norma Samaniego (Comisión Nacional de Salarios Mínimos), Luis Téllez (Secretaría de Hacienda y Crédito Público), and Edur Velasco (UAM, Azcapotzalco).

The Grupo Mazatlán is developing new statistical series to identify relationships and trajectories of the Mexican economy from the past into the future. The project is funded by the William and Flora Hewlett Foundation.

Newsletters Stimulate Scholarship

For specialized news on U.S.-Mexican scholarship, readers may wish to receive the following newsletters for which there is no charge:

- *El Correo Fronterizo*, published by El Colegio de la Frontera Norte, Jorge Bustamante, president, P.O. Box L, Chula Vista, CA 92012;
- *Transboundary Resources Report*, published by the International Transboundary Resources Center, directed by Albert E. Utton, School of Law, University of New Mexico, Albuquerque, NM 87131;
- *UC Mexus News*, published by the University of California Consortium on

Mexico and the United States, directed by Arturo Gómez-Pompa, 1141 Watkins Hall, UC Riverside, CA 92521.

New World Carries PROFMEX President's Guest Editorial

Writing in *New World* (Volume 3:1-2, 1988), James W. Wilkie calls for rethinking of some conceptions about Mexico. He cites "First Class Stereotypes: Conversations on Delta Flights from LAX to MEX, 1988," recounting his dialogues with insightful passengers traveling in the first-class cabin. Wilkie's conversations with four travelers include the meaning for Mexico of the following topics: humor, discussed with Mario Moreno ("Cantiflas"); trade in Mexican-made toilet bowls, taken up with a major California importer who is shifting his business from Taiwan to Mexico; the complexity of corruption, discussed with a Mexican small businessman; and the role of the cement industry, taken up with a multinational engineer who compares the status of Mexico's industrial competitiveness with that of Argentina and Brazil.

the share under Porfirio Díaz averaged about 30% for the years sampled, the overlapping period of Francisco Madero and Victoriano Huerta saw the average decline to about 25%, then go as low as 3.5% under Venustiano Carranza as he tried to wrap up the civil war. Alvaro Obregón and Plutarco Elías Calles kept the share in the 9 to 12% range before the social reformer Emilio Portes Gil cut the share to 7% in 1929. Depression years saw the average fall to 4.7% under Pascual Ortiz Rubio. Abelardo Rodríguez achieved the Calles level of just above 12%. Lázaro Cárdenas paid only 11% of central government expenditure on the debt, which Manuel Avila Camacho exceeded by 6 percentage points. Miguel Alemán and Adolfo Ruiz Cortines held the share to about 16%, or less than Avila Camacho for whom Cárdenas had served as defense minister. Adolfo López Mateos and Gustavo Díaz Ordaz saw the average rise to the Madero/Huerta level of near 25%, as did José López Portillo, but Luis Echeverría dramatically cut that share to about 14%.

López Portillo and De la Madrid put the central government budget on a disastrous course, the share on the debt surpassing 40% since López Portillo's last year in 1982 (See Table 2). It averaged 52% under De la Madrid, whose 1987 share reached 68%, well over twice that of Díaz, who previously held

Table 2
Yearly Share of
Actual Central Government
Expenditure on the Public Debt,¹ 1977-1988

Year	(%)
1977 ^a	16.4
1978	22.4
1979	22.2
1980	16.9
1981	20.0
1982	43.4
1983 ^b	41.5
1984	39.6
1985	41.8
1986	60.1
1987	68.0
1988 ^c	63.6

1. Excludes service on the parastate debt. (Service on the consolidated central government and parastate debt as a share of consolidated expenditure rose from 25.2% in 1977 to 57% in 1987, figures which understate the magnitude of the shortage of discretionary funds by about 10%.)

a. López Portillo, 1977-1982

b. De la Madrid, 1983-1988.

c. Projected, not actual.

For other notes and sources, see Table 1.

Table 3
Mexican Foreign Debt:
Real Percent of Book Value
in the Secondary Market,¹

Sample Date	1984-1988	%
12/84		83
12/85		70
2/86		64
3/86		58
5/87		59
8/87		48
11/87		53
12/87		50
2/88		48
5/88		53
8/88		47
11/88		43
12/88		43

1. Secondary market is the free market, the primary market for "fixed-value" loans guaranteed by the government not being viable for the Mexican foreign debt. Theoretically, government-backed loans should retain 100% of their value, no secondary market being operable.

SOURCE: *Statistical Abstract of Latin America*, vol. 26 (1988), table 2809; and Merrill Lynch, December 1988.

the highest average. It is no wonder that De la Madrid drastically curtailed outlays needed for such areas as the rural sector, education, and public health.

In this difficult situation, the value of Mexico's foreign debt began to fall in the secondary market, that is the free market or market of real value. Real value stood at 83% of book value by December 1984, as is seen in Table 3. Within a year it fell to 70%, where it held until February 1986 when it fell to 64%, and about 58% one month later. Although it held at about 58% until mid-1987, subsequently it continued downward to reach 50% by year's end. After hitting 48% in February 1988, it continued downward reaching 43% by last December.

Given the reality of the declining free-market value of the Mexican foreign debt (only about 21% of which is private) and the country's increasing share of outlay to support that burden, in my view we can juxtapose these two trends to suggest that to reduce the burden for Mexico and to prevent the real value of the debt from falling further for foreign bankers, the solution is to apply the vaunted Reagan/Bush free-market philosophy. By officially recognizing that the debt is worth less than half of its book value, Mexico's interest payments could be cut in half, leaving it with funds to undertake economic and social recovery. And the foreign bankers could

even see gains in the real value of the Mexican debt held by them.

My proposal to revalue Mexico's foreign debt by relying on the free market to set the debt's worth is congruent with the historical moment, and it could be combined with negotiation to set the total at 50% contingent upon implementing a grace period of up to ten years where Mexico would not have to make payments on some or all of the debt service.

But a foreign solution will provide only part of answer to Mexico's debt problems. In my view, Mexico should take the domestic action of fully denationalizing the commercial banking system because the partially denationalized system does not have the confidence of the private sector. Since 1982 deposits have fallen in real terms by almost half, as is shown in Table 4. Mexico cannot

Table 4
Index of Mexico's Commercial Banking
Deposits, 1982-1988
(January and August of 1982 = 100)

Year ¹	Index
1983	79
1984	83
1985	75
1986	65
1987	60
1988 ^c	45

1. December.

a. Estimate based upon my calculation of real percentage change data given for 1988 in Banco Nacional de México, *Review of the Economic Situation of Mexico*, October 1988. The February 1988 index stood at 53.

SOURCE: James W. Wilkie, ed., *Society and Economy in Mexico* (Los Angeles: UCLA Latin American Center Publications 1989), chapter 1, Table 13

effectively undertake modernization and privatization of its economy with a statist oriented banking system which is unable to provide liquidity for the private sector, the banks serving as a collector of deposits which it channels to the state and to pay Mexico's debt. Full denationalization would play an important role in encouraging the return of funds to Mexico, funds needed for internal development. Denationalization need not mean full deregulation.

Regardless of how the debt problem is resolved, if Mexico is to undertake effective national development it must become fully aware of its three interrelated expenditure and credit problems: lack of discretionary funds available to the central government; unreal value of the debt; and illiquidity of the partially nationalized banking system.

These three factors must be faced by Mexico irrespective of the governing ideology, be it privatist or statist oriented.

Keeping Up with the Mexican Press

As editors change and as editorial emphases shift, readers must constantly reassess the publications they choose to read. Currently the most comprehensive and authoritative reporting on Mexico's political economy is found in *El Financiero*. Published weekdays, this newspaper contains major statistical series and analyses which allow serious dissection of events in Mexico. It may be ordered at US\$375 for six months by contacting César Teral Focil, Jefe de Subscripciones, *El Financiero*, Lago Bolsena 176, Colonia Anahuac, 11320 México, D.F., telephone 254-62-99.

For insightful political reportage and analysis of state policy, the *Mexico Journal* also provides major investigative articles. Established as a weekly magazine by reporters who departed from the *Mexico City News* over the issue of editorial freedom, the *Mexico Journal* began publication September 28, 1987, with the goal of maintaining an independently critical view of life in Mexico. Noting that it refuses to accept paid "news stories," it is written with incisive irony. It may be ordered at US\$30 for 25 weeks by contacting Manager James H. Taylor, *Mexico Journal*, Balderas 68-3er piso, Centro, 06050 México, D.F., telephone 521-9241.

For astute scholarly analysis of state policy in relation to society and politics, *El Cotidiano* presents data generated and analyzed by a new generation of outstanding scholars. Published bimonthly by the Universidad Autónoma Metropolitana, Azcapotzalco, *El Cotidiano* successfully avoids dogmatism to examine Mexico's current situation. It bridges the gap between long-term investigation and immediate journalistic judgments. It may be ordered for \$US 30 yearly from *El Cotidiano*, UAM Azcapotzalco, División de Ciencias Sociales y Humanidades, Av. San Pablo 180, Colonia Reynosa Tamaulipas, 02200 México, D.F., telephone 382-50-00 (ext. 264, 265, 266) or 574-51-74.

For discussion of political issues and exposure of corruption *Proceso* and *Impacto*, both published weekly in Mexico City continue to offer highly quotable views. Both contain an odd mixture of excellent articles based on investigative reporting as well as polemical pieces not supported by fact. *Proceso* may be ordered at \$US130 yearly, address Fresas 13, Colonia Del Valle, 03100, México, D.F., telephone 559-05-00 or 559-73-76. *Impacto* may be ordered at US\$45 for six months, address P.O. Box 2513, Laredo, TX 78044, telephone (512) 727-7430.

For the maquila boom, see *Twin Plant News*. Published monthly, subscriptions cost US\$50 yearly and may be ordered from 4110 Rio Bravo St., Suite 108, El Paso 79902, telephone (915) 532-1567.



For a concise monthly summary of the daily Mexican press in translation, see *U.S.-Mexico Report*. Contact Patricia Sullivan or María Telles-McGeagh, PROFMEX, Nason House, Box 30001 (Box 3JBR), Las Cruces, NM 88003. Subscriptions to *U.S.-Mexico Report* cost \$35, but it is sent without charge to PROFMEX individual and institutional members.



Books on Mexico's Economy

Twelve works have been published recently which cast important light on Mexican economic affairs:

Jeffrey Bortz, *Los salarios industriales en la ciudad de México, 1939-1975* (México, D.F.: Fondo de Cultura Económica, 1988). Bortz offers indexes which he has constructed from unpublished data in the archives of the Secretaría de Trabajo. He shows how workers fared as the country underwent industrialization.

Jeffrey Brannon and Eric N. Baklanoff, *Agrarian Reform and Public Enterprise in Mexico* (Tuscaloosa: University of Alabama Press, 1987). The authors treat the development of Yucatan's henequen industry after the implementation of land tenure reforms by the government. They portray regional economic policy and state-federal relations.

Arturo García Espinosa, *Maquiladoras* (Monterrey: Universidad Autónoma de Nuevo León and ANUIES, 1988). The author presents the results of Mexico's first national meeting on frontier matters.

México: 75 años de revolución: desarrollo económico (México, D.F.: Fondo de Cultura Económica, 1988. 2 vols.). Following the tradition of *México: 50 años de revolución*, 12 analysts reflect on economic developments.

Raul Olmedo, *Iniciación a la economía de México: descentralización, principios teóricos y ejemplos históricos* (México, D.F.: Editorial Grijalbo, 1984). Olmedo's important work analyzes cycles of centralization and decentralization, arguing that although centralization may be necessary for states to organize, it soon becomes counterproductive. He argues that excessive centralization not only weakens the state but also economy and society. He compares Mexico's experience to that of Argentina, Chile, France, and China.

Luis Rubio F. and Francisco Gil-Díaz, *A Mexican Response* (New York: Priority Press for Twentieth Century Fund, 1987). The authors take issue with some of the views developed in **Norman Bailey and Richard Cohen's** *The Mexican Time Bomb*, also published by the Twentieth Century Fund. The authors offer a blueprint involving four steps to resume Mexico's economic growth.

Samuel Schmidt, James W. Wilkie, and Manuel Esparza, editores, *Estudios cuantitativos sobre la historia de México* (México, D.F.: Instituto de Investigaciones Históricas, Universidad Nacional Autónoma de México, 1988). This book is a joint publication of UCLA, the Universidad Autónoma de Baja California, and UNAM. It

contains fourteen studies dealing with such topics as:

- "Preparing Mexican Professionals for Mexican Crises, 1929-1962," by **David Lorey** (UCLA);
- "Balance global de la política económica en el sexenio 1976-1982," by **Francisco Salazar Sotelo**;
- "Porfirian Manufacturing and the Rate of Profit, 1896-1910," by **Stephen Haber** (Stanford University);
- "Railways, Revolution, and the State: The Emergence of the National Railways of Mexico," by **Arturo Grunstein** (UCLA).

Judith A. Teichman, *Policymaking in Mexico: From Boom to Crisis* (Winchester, MA: Allen and Unwin, 1988). Teichman focuses on decisions concerning the petroleum and banking industries in relation to the debt.

Victor Urquidí, Francisco Ginar, Alfonso Mercado, and Taeko Taniura, *Export Promotion of Manufactures in Mexico* (Tokyo: Institute of Developing Economies, 1988). The authors treat trade patterns in relation to industrialization, macroeconomic policy, and export promotion for such sectors as motor vehicles, the secondary petrochemical industry, and the electrical and electronics industries.

René Villarreal, *La contrarrevolución monetarista* (México, D.F.: Ediciones Oceano, 1984, fourth printing, 1985). Villarreal offers the theory, analysis of political economy, and ideology of neoliberalism which rejects (a) transnational capitalism dominated by the free market and authoritarian politics as well as (b) statism that socializes ever greater shares of the economy. He favors national capitalism representing the free market and democracy under state guidance to prevent class conflict and to create a new social pact.

René Villarreal, *México 2010: de la industrialización tardía a la reestructuración industrial* (México, D.F.: Ediciones Diana, 1988). Villarreal argues that Mexico's crisis is not that of its model as the first revolutionary social system of the twentieth century but a crisis in the politico-economic model which has not allowed the country to keep up with the changing world economy.

James W. Wilkie, editor, *Society and Economy in Mexico* (Los Angeles: UCLA Latin American Center Publications, 1989, with an introduction by **Jeffrey Bortz**). In chapter 1, Wilkie presents his overview of political and economic periods from 1910 to 1988. He generates the latest and longest series on Mexico since 1910 in order to develop political analysis of rising statism to

1982 and subsequent privatization of the economy. In chapter 5, he treats "Borrowing as Revenue" and in chapter 6 he measures "The Dramatic Growth of Mexico's Economy and the Rise of Statist Power in Mexico, 1910-1982." Chapters 2,3, and 4 are:

- "Charting Mexico's Capacity to Modernize: The Development of Engineering Expertise since 1910," by **David Lorey**;
- "Class Structure in Mexico, 1895-1980," by **Stephanie Granato and Aida Mostkoff**;
- "Complexities of Measuring the Food Situation in Mexico: Supply versus Self-Sufficiency of Basic Grains, 1925-1986," by **Aida Mostkoff and Enrique C. Ochoa**.

James W. Wilkie, *La revolución mexicana (1910-1976): gasto federal y cambio social* (México, D.F.: Fondo de Cultura Económica, 1978; second printing in Spanish 1988). This work, which resulted in the reform of the Mexican budgetary process, is the translation of Wilkie's Bolton Prize winning work (1967 and 1970), updated from 1963 to 1976.

Recent Publications

■ *Water Quality Issues of the California-Baja California Border Region*. Edited by **Clifton G. Metzner, Jr.** (Institute for Regional Studies of the Californias, San Diego State University, San Diego, CA 92182-0435. 1989. Pp. 83. \$10.). This publication is an in-depth report of a workshop on water quality issues held in San Diego in June 1988. The workshop brought together U.S. and Mexican experts and authorities who deal on a daily basis with the overall problems of water quality in the border region. The two critical areas of Imperial Valley/Mexicali Valley (New River) and San Diego/Tijuana were the focus of discussions. Major topics covered included wastewater treatment, groundwater issues, reclamation, and marine pollution. This workshop was part of a continuing series of events by the SDSU Border Water Quality Working Group coordinated by Metzner.

■ *Prospects for Mexico*. Edited by **George Grayson** (Washington, D.C.: Foreign Service Institute, 1988. Pp. 286). This refreshing collection of essays deserves a wide readership. The individual essays, written by separate authors, treat broad themes such as labor, the press, and the bureaucracy. Grayson's essay on labor contains broad historical analysis as well as data from his own field work on the petroleum workers' union. **M. Delal Baer's** treatment of the press focuses on the role and control of television in

Mexico. **John Bailey** develops a useful model to discuss the administrative structure of Mexican government ministries. The book, which contains more than a dozen essays, as well as a statistical appendix, is a good pocket guide to contemporary political and economic issues in Mexico.

■ *One Border, Two Nations: Policy Implications and Problem Resolutions. Fourth Symposium of Mexican and United States Universities on Border Studies*. Edited by **Oscar J. Martínez, Albert E. Utton, and Mario Miranda Pacheco** (México, D.F.: Asociación Nacional de Universidades e Institutos de Enseñanza Superior, 1988. Pp. 282). This volume contains the proceedings of the IV Symposium of Mexican and United States Universities on Border Studies, held in Santa Fe, New Mexico, April 16-18, 1986. The theme of the work is directed at the effect problems of the border area have on national policies and to some degree, of course, the reverse. The topics "Border Economics and National Integration," "Migration Flows: Trends and National Policies," "The Border Regions and National Policies," "Bilateral Cooperation in Resolving Natural Resource and Environmental Problems," and "Cultural Interaction at the Border and National Policies" are each treated by presentations by Mexican and U.S. scholars. This collection of papers makes an important contribution. It

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

■ *La conversión industrial de México. Concepto y requisitos para su éxito*. By **Pedro Freixas Rico, et al** (México, D.F.: Editorial Diana, 1988. Pp. 144). This work, produced by a team of researchers at IBAFIN Centro de Investigación para el Desarrollo, points out that Mexico is not isolated from international currents of technology, industrial development, and commercial development and thus Mexico's industry must adapt in order to survive. The process of industrial conversion includes the adaptation and adjustment of industry to the technological changes, modern manufacturing processes, and variations in the relative prices of inputs in order to achieve international competitiveness. Analysis of recent cases of industrial conversion as well as a series of policy recommendations are presented in this work.

■ *United States-Mexico Border Region: Implications for U.S. Security.* By **Paul Ganster** and **Alan Sweedler** (Keck Center for International and Strategic Studies, Claremont McKenna College, Claremont, CA 91711. 1988. Pp.30. \$5). This study, employing statistical and historical data, documents the evolving interdependence of the United States and Mexico as manifested in the border region. Urban development, demographic and economic linkages, evolution of manufacturing and trade, and physical security of the border are discussed within the context of the concept of security community.

■ *Judas at the Jockey Club and Other Episodes of Porfirian Mexico.* By **William H. Beezley** (Lincoln: University of Nebraska Press, 1987. Pp. 181). The thirty-five year dictatorship of Porfirio Díaz, from 1876 to 1911, marked Mexico's era of modern development. It was a period of self-conscious "order and progress" that produced conflicts between the old and the new and between classes. Beezley's analysis of subconscious forces, anecdotes, and other unusual sources opens a window on society and culture during this period of Mexican history. In his quest to understand everyday Mexicans during the Porfiriato, the author probes into recreational choices from bullfighting to baseball and cycling, food, housing, clothing, agricultural technology, sanitation, and transportation.

■ *Textiles and Capitalism in Mexico. An Economic History of the Obrajes, 1539-1840.* By **Richard J. Salvucci** (Princeton: Princeton University Press, 1987. Pp. 250). The obrajes, or native textile manufactories, were primary agents of developing capitalism in colonial Mexico. Drawing on archival sources, Salvucci uses standard economic theory and simple measurement to analyze the obraje and its inability to survive Mexico's integration into the world market after 1790. In the first comprehensive history of this institution, the author concludes that the obraje was not protoindustrial but a rational, if inefficient, response to the needs and limitations of the economy. Salvucci also places the obraje in an evolving imperial and international context and considers the impact of changing trade regimes, contraband, and British industrialization on its effectiveness and its survival.

■ *Immigration Reform in Its First Year.* By **David S. North** (CIS Paper Series, Center for Immigration Studies, 1775 T Street, N.W., Washington, D.C. 20009. 1987. Pp. 44. \$6.95). This report assesses the preliminary results, particularly those that can be measured statistically, of the first year of the Immigration Reform and Control Act of 1986 (IRCA). While the programs established by this law are still in their early stages, they so far are producing more modest results than

desired by the bill's supporters, but are causing much less damage than feared by its opponents. The report suggests that early experience does tend to validate the law's central premise that the denial of jobs will discourage prospective illegal migrants from coming and encourage those here illegally to leave.

■ *The Maquiladora Program in Trilateral Perspective: Mexico, Japan, and the United States.* Edited by **Paul Ganster** (Institute for Regional Studies of the Californias, San Diego State University, San Diego, CA 92182-0435. 1987. Pp. 129. \$10.). This publication constitutes the edited proceedings from a symposium held in San Diego in February 1986 that brought together scholars, government officials, and members of the private sector to discuss important aspects of the maquiladora industry. Contents of this work include **Norris C. Clement** (SDSU), "An Overview of the Maquiladora," **Joseph Grunwald** (Institute of the Americas), "The Maquiladora in World Perspective," and **Paul Ganster** (SDSU), "The Maquiladora in Historical Perspective." Panel discussions on "The Maquiladora Program from the Mexican Perspective," with presentations by **Enrique Mier y Terán** (President, Plamex) and **Sergio Noriega** (Universidad Autónoma de Baja California) and on "The Maquiladora Program from the United States and Japanese Perspectives," with presentations by **Howard Boyson** (President, IMEC Corporation), **Yasuo Sasaki** (Sanyo Corporation), **Mollie Shields** (Commerce Department), and **Joseph Nalven** (SDSU) complete these proceedings.

■ *Statecraft, Domestic Politics, and Foreign Policy Making: The El Chamizal Dispute.* By **Alan C. Lamborn** and **Stephen P. Mumme** (Boulder, CO: Westview Press, 1988. Pp. 211). The El Chamizal dispute was the most significant territorial conflict between the United States and Mexico in the twentieth century. It is an important case of border conflict resolution and a key example of how the two countries can resolve differences. Using recently declassified documents, the authors use the boundary controversy, which was resolved in 1963 after fifty-two years of negotiations, as a case study to illustrate a theoretical approach for analyzing foreign policy making.

■ *The Line: Essays on Mexican/American Border Literature.* Edited by **Harry Polkinhorn**, **Gabriel Trujillo Muñoz**, and **Rogelio Reyes** (Calexico, CA, and Mexicali, B.C.: Binational Press of San Diego State University and the Universidad Autónoma de Baja California, 1988. Pp. 189. \$10. Binational Press, 720 Heber Avenue, Calexico, CA 92231). This work presents studies by U.S. and Mexican scholars on the subject of border literature, which is explored through sociological, formal, and theoretical treatments that allow the reader a truly

binational perspective. Each essay is presented bilingually. In addition, the editors have prepared separate introductions in English and Spanish, also translated. The Binational Press is a cooperative venture of San Diego State University and the Universidad Autónoma de Baja California.

■ *Mexican/American Border Writing. Literatura de frontera Mexico/Estados Unidos.* Edited by **José Manuel Di-Bella**, **Sergio Gómez Montero**, and **Harry Polkinhorn** (Mexicali, B.C. and San Diego, CA: Dirección de Asuntos Culturales de la Secretaría de Educación Pública y Bienestar Social del Gobierno del Estado de Baja California and Institute for Regional Studies of the Californias, San Diego State University, San Diego, CA 92182-0435, 1987. Pp. 207. \$10). This volume presents the works of some thirty-nine authors from the First Conference of Writers from the Californias held in the spring of 1987 in Mexicali. Works in this volume include poetry, narrative, criticism, and translation, some in English and some in Spanish. Conference presenters were artists living in the border region whose work touched on the broad theme of life in the border.

■ *Oil and Mexican Foreign Policy.* By **George Grayson** (Pittsburgh, PA: University of Pittsburgh Press, 1988). The essays that form the chapters in this book treat the course of Mexican oil policy during the López Portillo and de la Madrid administrations. Based largely on data drawn from the contemporary press, the book flies low and makes no sustained attempt at theory building. For the reader who wants the story-line--of Mexico's relationship with OPEC, for example--and cast of characters of these years it is a valuable source.

■ *The Migration and Settlement of Undocumented Women.* By **Gilbert Cárdenas** and **Estevan T. Flores** (Center for Mexican American Studies, University of Texas at Austin, Student Services Building, 4.112, Austin, TX 78712. 1987. Pp. 128). This study of 138 undocumented women in Houston, Texas, was originally conducted in 1980 under a Department of Labor contract. The report addresses the reproductive capacity of undocumented immigrant women as well as their role in secondary migration, childbearing, and the social costs incurred by undocumented families. Apart from the usual analysis of demographic characteristics, labor force characteristics, and socioeconomic impacts, the report includes a section of the perceptions of undocumented persons about their adjustment in the United States.

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