STABILITY AND POLITICAL CHANGE: THE U.S.-MEXICAN RELATIONSHIP BETWEEN HOPE AND FEAR

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In this academic-pragmatical event, I want to stress seven basic facts, none of which will be surprising or produce shocking revelations. However, a general picture springs from these facts, establishing clear tasks for the near future—tasks to which both countries should dedicate their attention.

I. STABILITY

Stability does not mean lack of change. It means *gradual* change—a rhythm that will forestall tensions that could lead to abrupt change. A bicycle provides the perfect example. If you immobilize the handlebars for several seconds you may have an illusion of stability; then abrupt change will probably occur, resulting in a crash or fall. Flexibility is necessary for long-term stability in relations between nations, as well as on a bicycle. In U.S.-Mexico relations, this principle of gradual change has been violated many times during this decade. This is illustrated in the following examples:

First, during the bulk of the Lopez Portillo regime, there was a long, stubborn, overvaluation of the peso, leading to growing tension and contributing to Mexico's "*economia-ficcion.*" In 1982 abrupt change became unavoidable, causing the kind of shock that is detrimental to the financial world and economic development in general.

Second, in the autumn of 1982 when the Mexican crisis came into the open, the Mexican government and the International Monetary Fund (IMF) worked out the Plan Immediato de Recuperacion Economica (PIRE). Implementing this plan was difficult for Mexican authorities and became especially burdensome to the poorer echelons of Mexico. However, macroeconomically speaking, it worked well in 1983 and 1984. Mexico became a success story

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that the IMF could show to an admiring world forum. By the beginning of 1985, the Mexican government, realizing that the important mid-sexennium elections were approaching (in July), decided to loosen the reins for awhile. The government wanted to create optimism and popular confidence in growth, even if this was hazardous to the struggle against inflation. The result of this sudden interruption of the successful economic experiment was fatal. On one hand, the elections were not the shining success the ruling party had hoped for. Worse than that, the beast "inflation," once out of his cage, did not allow the administration to put him back again. Even the expected growth that sometimes balances inflation, was an illusion. Thus, Mexico approached the first "crisis within The Crisis," and the difficult restructuring of 1986.

Third, all mining, including mining for oil, is a gamble. Despite official declarations to the contrary, Mexico has been "petrolizing" its economy during the Lopez Portillo regime, making Mexico increasingly dependent on an unstable market and exposing Mexico to potential abrupt change.[1]

Fourth, second only to the wit and ingenuity of the Mexican people, the U.S. border is Mexico's most important national asset. One of its essential functions is being a security valve for our labor world. Unilaterally, and on short notice, the United States is now burdening Mexico with the risk of possibly seeing millions of Mexican workers sent home to an unhinged economy. Apart from creating the problem of finding jobs for these people, this measure will deprive Mexico of important dollars which these workers forwarded home. In 1984 this amount was calculated to be roughly one billion dollars.

Fifth, the growing dissatisfaction with the Partido Revolucionario Institutional (PRI) and a change of sympathies in medium-sized businesses have not found adequate political channels for manifestation. This has been evident, especially in the North, in the recent years of the present regime. Lack of flexibility in the ruling group has increased tensions that have become visible to the outside world. The international publicity given to the facts surrounding

1. A favorable aspect of Mexico's economic development last year (1986) was that the non-oil exports suddenly increased to almost $10 billion dollars, representing two-thirds of the total exportation. If this trend continues, the Government's decision to enter into the GATT, last year, surrounded then by a rather violent polemical discussion, will turn out to have been the right one. The main question involved was whether Mexican industry would be able to correspond to the opportunities membership in the GATT would open. It seems it was.

the Chihuahua elections of 1986 was unfavorable to Mexico's investment climate and general image.[2] This incident illustrated how insisting on the status quo can contribute to instability. A gradually growing tolerance of opposition victories is more advisable.[3]

Finally, one can add the sudden ups and downs in the U.S. trade policy with Mexico to this list.

In order to contribute to real stability, both countries need to create an atmosphere of flexibility, foresight, and gradual change.

II. THE GOVERNMENT

The Mexican ruling party, the PRI, has created neither a democratic regime nor a one-party dictatorship. Modern "politology" labels Mexico's type of government is an "authoritarian regime." Sometimes, PRI officials present the Mexican regime as another form of democracy and admonish foreign critics for not understanding the Mexican political style. However, political terms should be kept straight. Even if manipulation of the press and large scale corruption in elections are necessary for stability and progress, they should not be interpreted as belonging to "another style of democracy."[4]

A favorable feature of PRI that critics do not easily recognize is that since the Presidency of Lopez Mateos, the electoral system has been changing gradually to the benefit of opposition parties. Mexico's Constitution (changed in 1986),[5] foreseeably faces at least 30% opposition in the Chamber of Deputies. The initiative for these changes came from the PRI, without whose collaboration none of these successive political reforms would have been possible. Thus, from the intermediate position of being an "authoritarian state,"

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2. *Mexico's Ruling Party Woos Leary State*, Wall Street Journal April 27, 1987, at 14.

3. However, excessive concessions to electoral honesty would perhaps lead to another abrupt change: the breaking away of the Confederacion de Trabajadores Mexicanos (CTM) from the PRI.

4. The PRI government normally shows a reasonable respect for human rights, and in spite of the favorable price of newsprint sold by a government organization, and attempts at tying newspapers to the government by way of advertisement contracts with state-owned enterprises (which creates in the world of our press an atmosphere of self-censorship), or generous government gifts to key journalists, one must recognize that—especially in these last years—there is in our newspapers a surprisingly free tone as to criticism of the official policy, and that intimidation or violence as a means to keep the press polite, are rare.

5. Since the fifties, the federal election system foresees, in addition to representatives elected by each electoral district, so-called "Diputados de Partido" for minority parties, obtained by lumping together the minority vote of several districts. This system has been improved gradually, especially during the Lopez Portillo regime (1976-1982) and again in 1986.

there is a gradual movement occurring in Mexico towards a more traditional form of democracy, including participatory democracy.[6]

No one denies there having been more manipulation of elections in recent years than at the beginning of the de la Madrid regime.[7] But, it is obvious that this manipulation is under growing popular protest, and protest within the party. The official attitude now includes gradually making concessions to the existing critics.[8] The slow adaptation to traditional democratic procedures, that the PRI is allowing, corresponds to the advice of gradual and flexible change. However, this rhythm of change may be slower than social reality requires. Political tensions are building into what could easily lead to abrupt change, which Mexico must avoid at any price.

Mexico must admit another positive aspect of the PRI. Its ideology is so amorphous, so flexible, that one often doubts if it really exists. Elias Calles[9] wanted this party to be a general framework within which all kinds of pressure groups would be able to find an arena for their activities without excessive danger of violent conflict. Though there have been several transformations since the late twenties, the party has not yet lost this conciliatory dogmatical spirit.

Pressure groups within the PRI include not only the Confederacion de Trabajadores Mexicanos (CTM), Confederacion Nacional Campesina (CNC), Confederacion Revolucionaria de Obreros Mexicanos (CROM), Confederacion Nacional de Organizaciones Populares (CNOP) and so on, but also the Cardenistas, Alemanistas, Echeverristas, and others. Albeit *intra muros*, between such groups a certain give-and-take, a certain bargaining is taking place, giving to the inside life of the PRI—and to Mexican political life in general—a pluralistic atmosphere, totally alien to the ambience of a truly autocratic "one-party" regime.

This ideological flexibility makes it easier for all kinds of people interested in politics to join the PRI. While it may be true that the

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6. Even if it is still defeated by a majority of PRI leaders, the Corriente Democratizadora within the party, headed by the well-known echeverrista, Munoz Ledo, is an interesting symptom.

7. A recent Gallup Poll (1986) attributes 40% of the popular favor to the PRI, 19% to the PAN, less than 10% to the Left, and characterizes 30% as indifferent.

8. Transparent urns are being introduced and the new legislation of elections foresees a Tribunal Electoral which, however, will not yet have the final word in electoral matters, as this remains with special organizations within both Chambers of Congress.

9. President from 1924 to 1928, and then until 1934 the strong man behind the throne. In 1929 he created the official party, which after two changes of name is now the Partido Revolucionario Institucional (PRI).

leadership in Mexico adheres to an "official family," this elite is a typical example of an "open elite."[10] Professor Stanley Ross, at a lecture given in the presence of ex-President Aleman, launched the opinion that the PRI is, in reality, not a party but a political employment agency (indeed, deciding who will hold various positions is one of the important practical aspects of the PRI).

The PRI also has a few feathers in its cap. As a partner in developing a livable relationship with Washington, it is an acceptable party. It does not easily offend the sensitivity of human rights groups. It is moving slowly towards a more pluralistic party system, and it has been able to keep a certain degree of social and political peace in Mexico, in spite of delicate circumstances. This latter merit is especially noteworthy. Several times, agitation for national strikes protesting increased prices has failed.

The unremarkable government action after the earthquake,[11] the failure of the PIRE due to a pre-election spending spree (after which a painful hangover followed), the economic contraction instead of recovery, the growth of unemployment and underemployment, the manipulation of elections, and the present UNAM trouble (already on its way out), all could have been the origin of an antigovernment protest movement of critical importance. However, nothing really dangerous happened. Even the wave of strikes last summer (1986) did not shake the PRI government.

III. The Economy

One important fact that most *cognoscenti* reluctantly acknowledge, is the sad reality that the economic crisis is not over, and default could still become unavoidable during this regime. Until recently, Mexico has been able, with outside help, to roll over its debts so that it could pay the interest on them and receive additional money. This is not a real solution. Currently, servicing the debt is draining Mexico of what it needs to abolish it. The loan package restructuring the 1986 debt will increase Mexico's indebtedness to nearly $110 billion. This amount entails a service cost of more than $9-10 billion annually.

Mexico's economic future depends a great deal upon the oil mar-

10. Once I was present at a confrontation between a small group of revolutionary student leaders and a rather prestigious PRI politician, during which he gave them the advice of not fighting the PRI; that would be immature, juvenile quijotism; but of joining the party and then seeing how they could change it gradually from the inside.

11. *See* New Yorker IX 2g. 1986, at 46, col. 3.

ket, but even if the Oil Producing and Exporting Countries (OPEC) succeed in stabilizing the price of oil at eighteen dollars per barrel, Mexico's balance of payments still will not allow the drain of hard currency necessary to service Mexico's debts. The only way to solve Mexico's debt problem is growth.

Tourism and direct investment have declined. Capital flight[12] will continue to increase if no measures are taken against it. The maquiladoras contribute $1-2 billion annually to increasing non-oil imports.[13] The swapping device number one, which turns our minor external debts into authorized foreign investment, and swapping device number two, which turns corporate debts into equity, are helpful but do not bring in fresh investment money.[14] These measures do not generate amounts that will affect the essentially dangerous panorama.

Oil will probably generate approximately $6-7 billion in 1987. Non-oil export will probably generate between $12 and $14 billion. Direct investment and tourism may generate between $2 and $3 billion, and credits arranged for in 1986 will improve our balance of payments by an estimated $12 billion. However, money sent home by illegal immigrants to the United States will decrease substantially. Although the drug trade will generate substantial benefits for the mafia, these monies will probably not be invested in Mexico. Only a small amount of this drug money will be used in Mexico and trickle down to a few peasants. Opposite this inflow of somewhat more than $35 billion, imports will cost approximately $15 billion, interest approximately $11 billion, and an additional unknown amount of new capital flight will occur.[15] The unknown amounts for tourism and foreign service, which will also leave the country, could be as high as $2 billion.

In spite of capital flight, a balance or a surplus of billions could

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12. It is impossible to calculate this phenomenon exactly, but serious calculations by United States banks suggest that Mexico's foreign indebtedness would be completely manageable if it had not been for this loss of national capital.

13. From $7.6 billion in 1984 and $7.1 billion in 1985, non-oil exports have crept to $9.5 billion in 1986, and realistically optimistic calculations project possibly $14 billion for 1987.

14. The first device consists of buying up at a discount parts of the Mexican foreign debt, and obtaining a permit from Mexican authorities to change such documents into Mexican pesos, to be invested in a way, especially approved by these authorities (*see* Time, Oct. 13, 1986, at 30, col.1); the second device consists of changing credits against Mexican firms into capital participation.

15. Because of the scarcity of credit in Mexico, some capital was sent back to Mexico in 1986 by Mexican businessmen who wanted to keep their enterprises going, and some money came back in order to participate in the recent Mexican stock exchange boom, but this is not a sign of increased confidence on the side of the "*sacadolares*."

be achieved in 1987 if capital flight is slight. However, this depends on the refinancing money acquired during 1986 and 1987. In 1988, the surplus remaining from 1987 will help.

In 1989, new credit will no longer be available from commercial banks (many smaller banks are still protesting against their forced participation in the restructuring of 1986). Even if the oil market increases to twenty dollars per barrel,[16] the general prospects are bleak. It is quite possible that by the end of 1988, based on a realistic extrapolation of current trends, new emergency measures will be necessary.

Even if the *crisis* has not yet hit bottom, popular misery has. Minimum wages have lost 40% of their purchasing power. Unemployment and underemployment seem to have reached a level of about 40-50%. People who are dying of starvation are not usually very docile, and against "necessity's sharp pinch" political rhetoric offers no remedy. If totally fulfilling Mexican obligations creates the danger of a social revolution, that, in turn, could mean the loss of Mexican credit. In that situation a bilateral[17] solution would be preferable.[18]

IV. DEMOGRAPHICS

Behind the facade of Mexico's crisis lurks a force that has been undermining Mexico for many years. It is not corruption, nor does it consist of basic decisional errors of our governing elite. It is not the natural inefficiency of state socialism nor the effect of showcase investment (though all this has contributed, of course, to the present situation). The undermining factor I refer to is the demographic curve. Some thirty years ago, the net increase in population was 3.5% per year, a terrifying figure representing a duplication of the population every twenty years. It has presently declined to 2.5%.[19] Last year, Mexico received a United Nations prize for this achievement. However, this recent favorable change will not imme-

16. For every one dollar increase in the oil price, the Mexican balance of payments improves by approximately one-half billion.

17. Bilateral, but eventually under pressure of the threat of unilateral measures.

18. *E.g.*, a drastic reduction of interest and postponement of the first reimbursement installments for a long period, in addition to, possibly, a limitation of debt service to a certain percentage of non-oil exportation, or a linking of payments to the oil price; and in the creditor's countries, administrative concessions to the damaged banks could become necessary, so that the loss could be spread over many years and would not affect immediately the value of bank shares (which could have dangerous, panic-like consequences).

19. N. BAILEY & R. COHEN, THE MEXICAN TIME BOMB 8 (1987), P. SMITH, MEXICO, NEIGHBOR IN TRANSITION 33 (1984).

diately affect the need for Mexico to create approximately a million new jobs per year. Although important, the maquiladora arrangement is providing only a fraction of the needed increase in jobs. The population statistics elucidate the difficult task of keeping the country financially afloat, which faces the Mexican government.

V. United States-Mexico Relations

Several past traumas have made collaboration between the two governments a delicate matter. The past will be difficult to correct because these old wounds have a useful function for the Mexican government. There is an old Russian saying: "If you want to keep peace in the family, hire a wolf to howl at your door." Because Mexico is not psychologically integrated, the politicians are tempted in times of crisis to unite people by exaggerating the Yankee danger to the north. United States politicians must be careful not to nourish Mexican diffidence, either by careless public accusations or by egotistical trade measures.

This ingrown diffidence on the side of many Mexican elites is not necessarily justified in light of recent events. When the Mexican debt crisis emerged, it was Washington that gave immediate help. In addition, the United States went out of its way to get both public and private institutions to help Mexico restructure its debt in 1986.[20]

Useful though this diffidence may sometimes be to Mexican politicians, it would be beneficial for Mexican intellectuals to attune their people to the enormous amount of goodwill flowing from the United States to Mexico. They should also realize the many uses to which Mexico could put the real pluralism that characterizes the U.S. political world.

VI. Criticism of the Government

The PRI is not accustomed to accepting gracefully criticism of its political routines and decisions, whether from Mexico or abroad. The misery caused by the present crisis has made the Mexican population more vociferous in their criticism of the government. Additionally, foreign opinion regarding events in Mexico has suddenly

20. This was in the indirect interest of the United States, of course, but that is natural. A government that would help another nation without some direct or indirect benefit for their own citizens, probably should be impeached. Governments are not elected by their people to play Santa Claus.

proliferated due to the danger of financial default. Foreign markets would feel the repercussions of Mexican default and even the possibility of revolution would also affect the United States negatively. Mexico is suddenly in the limelight, and much of what is being said about the governing elite is not very flattering.

The Mexican government's irritation from such criticism combines readily with the monolithical view of "Washington," which even some well-educated Mexican intellectuals have. Upon hearing that unpleasant things have been said about Mexican politics in the Senate, they immediately suspect sinister motivations in President Reagan's heart. They feel that the Mexican "sovereignty" has been violated when any U.S. official criticizes the Mexican government, and they incite mass protests against such "official Yankee hostility" toward Mexico.

Though open criticism is the raw material of democracy, the phenomenon of opinions frankly disagreeing with PRI policy, not whispered but openly expressed, is still something relatively new. A more modern and democratic government attitude toward these doubt-provoking manifestations of independent thinking is a shocking novelty to many older politicians. Mexican intellectuals, more attuned to the political structure of the United States, need to help their government to feel less sensitive about criticism, whether it is Mexican or foreign. Obviously, this will take some time.

VII. The United States' Special Interest

The final fact in this series is the vital interest the United States and its politicians have in avoiding social upheavals in Mexico. This interest springs from economic motivations related to United States participation in the external Mexican debt. The United States needs to protect its direct investments, its supplier position to Mexico, and their consumer position in relation to Mexico as a Third World neighbor. United States interest also springs from a more important, geopolitical motive ("Geography is destiny . . . .") Mexico represents the "soft underbelly" of the United States at a time when Soviet-inspired communist influence could be creeping through the Caribbean and Central America. Trouble in Mexico could force the United States to withdraw troops from Europe. Serious trouble is not expected in the near future, but after four years without economic growth (only population growth and growth of indebtedness) the foundations of the traditional political stability of Mexico are badly shaken.

CONCLUSION

The United States cannot ignore Mexico's financial problems, which could easily turn into social and political problems. There is a reasonable chance that the Mexican crisis will deepen, in which case the United States will probably become more involved in the problems of its neighbor. In this respect, Washington will have to deal with a government that is less democratic than many U.S. politicians and citizens would prefer. But this is the only government Mexico has to offer for now, and it is probably better than most alternatives available in the near future. The Mexican government has shown over the past four years that it can handle a very difficult situation, without provoking—as yet—a clear danger of revolution. Another advantage of the Mexican political structure is its dominance by the PRI-elite. This is an *open* elite which is not as objectionable to a modern political point of view. Although the PRI government has rhetorically insisted on sovereignty and dignity, it has generally collaborated with the United States government and the international financial-economic authorities regarding the economic policy to be followed.

Mexico *has* been reducing or eliminating subsidies, even though this has not contributed to the government's popularity. It *has* been selling or dismantling many non-strategic government enterprises.[21] Mexico *did* enter the General Agreement on Tariffs and Trade (GATT), in spite of the fact that this decision was violently criticized by influential groups. Mexico *is* revising the obsolete tax structure, and within the framework of the existing investment law, it *has* made its administrative policy more flexible. Thus, under the present circumstances, I think that the United States would do itself a disservice if it were to weaken the Mexican government.

Extrapolating the trend, visible since the fifties, suggests that in the long run Mexico will reach a two-party, or possibly a three-party, system. But the U.S. government should not try to openly accelerate this evolution, unless the Mexican government's rhythm for change becomes so slow that dangerous tensions could result.

Discrete constructive criticism between governments can be helpful. Even official criticism open to the Mexican public might not necessarily be disastrous. However, if the United States mentions names, it should be able to back up its statements with evidence.

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21. Even in a matter which is so delicate in internal Mexican politics as in the bank nationalization, we see that the government is offering 34% of the bank shares to the public.

United States politicians should recognize that Mexico is a very difficult country to govern. In the matter of the transnational drug trade, the resources of a Third World country in full crisis are confronted with the unlimited financial resources of an international mafia. The United States should recognize that many Mexican officials have been harmed while doing their duty to control drugs. The relative lack of success in the field of drug repression by the U.S. authorities has increased the stream of drugs through Mexico and the drug production on Mexican soil. This does not mean that the United States should not protest when it sees high ranking individuals within the Mexican power structure sell favors to drug kings. However, such protest would perhaps be more effective if it were first presented in private and brought into the open only if there was no response.

If the United States considers it worthwhile, for the time being, to accept the PRI government as a partner, it has no reason to weaken it. If the United States wants stability in Mexico it should avoid political and economic shocks originating from economic pressure groups, labor policies, and migration policies. In the attempt to keep Mexico stable, foresight and gradual change must have high priority.