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MEXICO'S GROWING PROBLEMS CHALLENGE U.S. POLICY

INTRODUCTION

Mexico today faces a growing political and economic crisis. Because of its proximity to the U.S., and because of its strategic, economic and political importance, domestic developments in Mexico must be of interest to the U.S. While the U.S. should not directly interfere in Mexico's internal affairs, it does have a role to play in encouraging a politically stable and economically developing Mexico.

U.S. relations with Mexico have been hobbled by historical wounds inflicted by war, U.S. interventions, and competition for resources. These wounds at best are healing slowly. The two countries nevertheless are bound by a common border, extensive trade, and recently, by political upheavals in Central America.

The U.S. is Mexico's largest trading partner, and Mexico is the United States' third largest after Japan and Canada. Mexico has replaced the Middle East as the principal foreign source of oil for America, while the U.S. supplies Mexico with 82 percent of its imports. Americans have invested an estimated \$7 billion in Mexico. The economic situation in Mexico therefore directly affects the U.S. economy--a problematic affect today, as Mexico confronts the worst economic crisis of its history, precipitated by a \$90 billion foreign debt, the largest in the developing world. Recovery is not in sight. One result of Mexico's economic plight has been a rigorous austerity imposed by the International Monetary Fund. This cut Mexican imports drastically, substantially affecting U.S. exporters. The \$3.8 billion trade surplus with Mexico enjoyed by the U.S. in 1981 last year plunged to an \$8 billion deficit.

The political consequences of the economic crisis could be severe. Because of its proximity, size, population, and petroleum

resources, a politically destabilized Mexico would be much more dangerous for the U.S. than are Soviet-backed Cuba and Nicaragua. The extensive oil fields in Mexico's largely unprotected southern flank would be a natural Soviet target.¹ To the north, millions of poor, desperate Mexicans would be joining the millions who already have poured illegally into the U.S. A weak Mexican government might not be able to contain the spread of externally supported violence and subversion at home or stop it from spilling into the U.S. The costs to the U.S. for protecting its 1,952-mile border with Mexico would be enormous and would adversely affect U.S. commitments to the defense of Western Europe and other strategic areas.

The economic crisis has begun to shake Mexico's political foundations, which have been during the last 50 years the most stable in Latin America. Corruption, electoral fraud, an overbearing state government, and the effects of economic deterioration have led to growing public alienation with the Mexican government. The unity of the ruling Institutional Revolutionary Party (PRI) is being strained for the first time in its history. If it collapses or splinters before an organized and capable alternative emerges, Mexico could be engulfed in political chaos. This could result in severe security and economic problems for the U.S. Thus it is in the U.S. interest to help Mexico to solve its economic and political problems. This can be done through the encouragement of greater private sector participation in Mexico's economy, enhanced cooperation between the U.S. and Mexico on trade and investment issues, and greater encouragement for those elements within Mexico who support moderate and democratic reform.

THE MEXICAN SYSTEM

Despite multiple U.S.-Mexico summits and negotiations, sharp differences remain over Central America and trade-related matters. At the heart of these differences is the Mexican political-economic system, which is more monarchical than democratic, more socialist than nationalist. U.S. interest in promoting democracy and productive market economies thus does not find much support among Mexican government officials. This has been a constant source of friction between the two governments.

¹ Edward Lynch, "Moscow Eyes the Caribbean," Heritage Foundation Background No. 284, August 17, 1983. See also Jiri and Virginia Valenta, "Soviet Strategy and Policies in the Caribbean Basin," in Rift and Revolution, The Central American Imbroglia (Washington, D.C.: American Enterprise Institute, 1984), p. 221, for the Soviet point of view. "Mexico traditionally has been viewed by the Soviets as one of the most friendly countries in Latin America and as one of the most important owing to its independence, large physical size and population, and location at the southern frontier of the United States."

Under President Luis Echeverria

The presidency of Luis Echeverria (1970-1976), breaking with the pragmatism of his predecessors, inaugurated social and economic policies in accordance with a socialist model of development.² Through nationalization, the state's role in the economic, cultural, and political affairs of the individual Mexican was steadily enlarged while concessions to the private sector and the middle class diminished.

Under the aegis of the dominant and authoritarian Institutional Revolutionary Party (PRI), Echeverria and his successor Lopez Portillo reinterpreted the 1917 Constitution to transform Mexico into a socialist state. Instead of socialism, they called it nationalism, making use of the always popular rhetoric associated with the 1910 Mexican revolution. Indeed, President Miguel de la Madrid currently employs revolutionary rhetoric as generously as his predecessors.³

Luis Echeverria relied on three Marxists as key advisers: Horacio Labastido Munoz, Jesus Reyes Heroles, and Porcidio Munoz Ledo. Under their guidance, Echeverria launched a set of foreign and domestic policies to establish the "New Society" and the "New International Society," the "Revolutionary Economy," and a program for a larger state role in education. The intended effect of these reforms was to increase the role of the state in Mexican

² The administrations that followed Lazaro Cardenas tended to be more moderate in their approach to revolutionary reform, less dogmatically interested in a socialist transformation of Mexico. Although the revolutionary party by then had consolidated much of its power base, particularly among the important labor and peasant sectors it was still vulnerable to opposition among the conservative elements in Mexico. As a result, the ruling party modified the more radical direction of its founder Cardenas and adopted a more pragmatic position to undercut the force of the opposition.

³ The term "revolutionary nationalism" has another meaning as well that has raised the concern of many Mexican political analysts. Former Marxist revolutionary Eudocio Ravines has pointed out that it was invented by Lenin to describe the first phase of revolution in Latin America. For Lenin, revolutionary nationalism was a transitional phase that "used the emotional and rational forces of nationalism to promote the necessary action and policies." In this early phase the private sector and the production of goods would not be taken over and managed by the state; rather this would occur later and was the responsibility of the Communist Party. The main purpose of revolutionary nationalism would be to lay the groundwork for socialism by attacking the capitalist system as the source of all misery and underdevelopment, and the target of this attack would be the United States.

society; the announced goal was an "Estado Social"--a socialized state.⁴

President Jose Lopez Portillo

Echeverria's successor, Jose Lopez Portillo, influenced by Marxist Enrique Ramirez y Ramirez⁵ and emboldened by the windfall from Mexico's oil wells, pursued the ideological and concrete struggle for the "New Society." The country's new wealth benefited almost every sector of Mexican society and allowed the president to go forward relatively unopposed with his "revolutionary" policies.

In the early years of Portillo's administration, Mexico's development proceeded at such a rapid pace that it was called an "economic miracle." He relied, however, too heavily on foreign borrowing and public spending based on anticipated oil revenues. Thus when the oil boom fizzled, he was faced with huge loan payments that far exceeded Mexico's revenues. To duck blame for the crisis, Lopez Portillo nationalized the banks in September 1982--just months before he was to leave office. In this one step, reminiscent of Lazaro Cardenas' nationalization of the oil companies in 1938, Portillo restored his revolutionary image and found a scapegoat--the private banks--for the economic crisis. At the same time, he dramatically increased the role of the state in Mexico's economy.

Administration of Miguel de la Madrid

Miguel de la Madrid was inaugurated in December 1982. One of his first acts as President of Mexico was to amend the Constitution of 1917--by decree--to make the state the "supreme rector of economic life" in Mexico.⁶ De la Madrid's motives in doing this are unclear. Some argue that he was trying to appear to side with the Left which had criticized him for supporting the

⁴ The concepts of revolutionary nationalism, New Society, Social Industries, Social State, Social Democracy, Social Economy, Social Sector, Social Rights, first appeared in the official declarations of the years 1972-78. Mexican analysts believe they have been extracted from the Declaration of Principles of the Socialist International in Frankfurt in 1951, and from the Soviet thesis, "The Non-Capitalist Way of Development," expounded by the Marxists Oscar Lange and Paul Baran of Poland.

⁵ In 1975 the Commission for National Ideology was founded by Horacio Labastido, Enrique Ramirez y Ramirez, and Socorro Diaz--all self-proclaimed Marxists. The Commission recommends policy and is usually closely tied to the President and his cabinet.

⁶ Amendments to the Mexican Constitution by Mexican presidents are not unusual; however, the number of constitutional amendments since the administration of Luis Echeverria has been significantly greater. There have been a total of 391 modifications to the Constitution. Fifty percent of the Constitution is new.

Right; others maintain that he reformed the Constitution so that he could continue socializing Mexico's economy when economic conditions improved. Thus far, he seems to have been moving steadily, with minor interruptions, toward enlarging the power of the state in the economy.

Many de la Madrid policies have been simply responses to the economic crisis he inherited. He has implemented International Monetary Fund austerity measures, cutting back imports, restricting credit, and continuing to borrow money to make the payments on the rescheduled loans. Yet the economy remains fundamentally weak. Although the Mexican trade account has posted a surplus in the past two years, this has been the result of reduced imports rather than increased exports. Domestic output, in fact, has fallen, with many plants and small businesses closing for lack of vital imported parts and machinery as well as lack of capital. Most industries are operating at 50 percent capacity. Without imports and credit, and without incentives for private direct investment, the economy will continue to stagnate. Further, without new infusions of capital from private investment, Mexico will not be able to provide jobs for the 850,000 new entrants into the labor force this year, which will only exacerbate political tensions and instability.⁷

De la Madrid has failed to address adequately these structural weaknesses, preferring to rely on foreign borrowing and increased state economic management. He has refused also to denationalize the banks, has increased state control over the fishing and tourist industries, and is pushing policies to give state companies advantages over private firms. For example, the government this year began "restructuring" the pharmaceutical industry to enable it eventually to substitute for Mexico's \$105 million in imported pharmaceuticals. State-owned labs will be given preference over private labs, will receive special financing, research and development support, and tax incentives, and will be protected from foreign competition by import quotas.⁸

⁷ Excerpted from a speech "Foreign Investment in Mexico," given by U.S. Ambassador to Mexico John Gavin. It should be added that Mexico's inability to create wealth and jobs will result in an increase in the level of migration to the U.S., which will only heighten tensions between the two countries. Already the pending U.S. Simpson-Mazzoli bill to control and monitor illegal immigration into the U.S. is causing resentment among Mexican officials and protest among leftist groups in Mexico who view the bill as discriminatory.

⁸ U.S. Trade Representative William Brock recently stated that the Mexican government's actions against the foreign-owned pharmaceutical companies would affect U.S. concessions in the bilateral trade agreement that has been under negotiation since May of this year.

These policies and the trend they portend are convincing the private sector that de la Madrid will not take a new tack in economic matters. As a result, there has been a sharp drop in investment and a rise in capital fleeing the country.⁹

PRIVATE SECTOR VS. GOVERNMENT

A continuing debate within government circles has been over plans to offer to the private sector the shares in 500 bank-owned companies that were acquired by the state when Portillo nationalized the private banks. The Left opposes returning these shares to private hands, claiming that they represent "strategic" interests for Mexico's national development. Others argue that private sector confidence must be restored in the government, as only this will blunt the opposition of the Right and its middle class and private sector allies. This June, in a move that encouraged private businessmen and bankers, the government offered on the Mexican stock market many of the nationalized shares, including those that the opposition claimed were necessary for the national development. Skeptics, such as the powerful private industry organization COPARMEX, view this as an effort to divest the government of nonprofitable industries and businesses rather than as a real attempt to start privatizing the Mexican economy. Opposition to this move within the government and the labor sector is powerful; serious splits may develop in the party as a consequence.

The private sector also has been criticizing the recent involvement of the government affiliate CONASUPO, a food importing company, in the market where it has set price controls and become a buyer and seller, giving it advantages over private companies. Similarly, the government has announced price controls on all construction materials and has begun to participate, through its affiliates, in the market as a principal seller.

A key sector in Mexico's economy has been the metal and mechanics industry. The majority of its 26,000 businesses are small or medium-sized and rely for backing on Mexican capital. A recent study by Mexico's National Manufacturing Industry Chamber (Canacintra) warned that the unfair advantages of state-affiliated companies are destroying Mexico's privately owned capital goods and metal industries.¹⁰ The study criticized the practice of state-owned companies demanding payment in advance when supplying raw materials, but delaying up to six months paying for goods delivered. This has rapidly eroded the capital base of private companies and seriously damaged productivity.¹¹

⁹ Capital flight from Mexico surpassed \$1 billion in 1984's first quarter. Journal of Commerce, July 10, 1984.

¹⁰ The Mexico City News, March 21, 1984.

¹¹ For a recent analysis of the private sector's decline see Alejandro Junco, "Mexico's Private Sector Reels Under Government Control," The Wall Street Journal, June 29, 1984, p. 31.

The release of the long awaited government plan for industrial development and foreign trade has met with considerable private sector criticism and has underscored the divisions growing within the government over Mexico's economic policy. Although the plan calls for reduced protectionism, it defends government price controls and subsidies. The overall effect of the proposal is to continue government intervention in the marketplace and to discourage foreign private investment.¹²

LABOR

The largest labor organization in Mexico and the major pillar of the PRI is the Confederation of Mexican Workers, known as CTM. In its early years, CTM was led by the Marxist Vicente Lombardo Toledano. He argued that under the Mexican revolution, socialism could be achieved through a gradual process whereby the state would slowly absorb the country's economy.

As Mexican administrations became more conservative, Lombardo's power waned until he was replaced in 1949 by the present CTM leader Fidel Velazquez. Under Velazquez, CTM became less ideological and more pragmatic. Since the beginning of the Luis Echeverria administration, however, the Left has regained considerable influence within CTM and there are signs of the resurrection of the Lombardo thesis. In a December 5, 1983, manifesto, CTM officials urged de la Madrid to take advantage of the economic crisis to increase the state's role in the economy. CTM also called for further state control over such industries as pharmaceuticals, construction, petrochemicals, export, and manufactured goods. So far de la Madrid appears to be following these proposals.

As Mexico's largest labor organization, the CTM has been effective in keeping labor quiet during the economic crisis. It has cooperated with government austerity measures by accepting lower wage increases. Such cooperation is vital to ensure continued flows of foreign credit to Mexico. Despite these areas of agreement, there are serious conflicts between the government and labor. Last June's strikes for emergency wage increases are expected to be repeated this summer. Further, the CTM is being pressed by more radical leftist unions who urge opposition to the government. This has strengthened leftist forces within the CTM.

Adding to future uncertainty is the power vacuum that will be created when the 89-year-old Velazquez dies. Mexican analysts believe his death will trigger an ideological power struggle inside CTM between the pragmatic anti-communist and the Toledano-style Marxists. CTM could splinter into factions, which could lead to greater labor instability.

¹² Steve Frazier, "Mexico Divided On Plan to Spur the Economy," The Wall Street Journal, July 31, 1984, p. 39

CORRUPTION

Along with its severe and worsening economic crisis, Mexico is suffering a moral crisis. Many Mexicans now blame large-scale corruption and fraud among government officials for the economic situation and the enormous debt. This has damaged the PRI's image badly and forced de la Madrid to make "moral renovation" the capstone of his inaugural address. He promised to eradicate corruption in the government.

To date his campaign has produced few convictions. The best-known suspects, including former officials believed to have stolen \$2 to \$3 billion, have yet to be indicted. Other suspected offenders are believed to be in the oil unions and the hierarchy of the government oil company, PEMEX. De la Madrid has been reluctant to go after them for fear of retaliatory strikes in the oil fields. This not only would interrupt the flow of oil and stanch oil revenues but would expose the vulnerable oil fields to externally supported subversion.

POLITICAL AND CIVIL LIBERTIES

The social policies of the Mexican government since Echeverria in many cases have violated individual rights. Since the administration of Echeverria, for instance, state control over education has been viewed as a major ingredient in making the "New Society." Prominent ideologist for the revolutionary Left and president of the PRI, Jesus Reyes Heróles, is Secretary of Education. His announced plan to "decentralize" the Mexican education system has been viewed by analysts as a means of undercutting the powerful teachers' unions to ensure greater government control. Meanwhile the government has been putting increased pressure on the relatively small number of private teachers' schools. The conflict so far has resulted in the government backing off when it tried to close several private schools. Yet the pressure remains from the Left to "rationalize" the educational system to conform with "revolutionary" goals.

PRESS FREEDOM

Although the press is officially independent, it is heavily dependent on the Mexican government for its economic well-being. The government agency PIPSA regulates the import of paper and the distribution of newsprint. These two products have been withheld when the government wished to pressure a newspaper or magazine or shut them down completely.¹³

¹³ One well-known instance of the government using this method of control was in 1968 when the outspoken and critical magazine Politica attempted to outmaneuver the government by purchasing its own newsprint. The government slapped a 75 percent ad valorem tax to the transaction and Politica subsequently went out of business.

Some press dissent from the official view is tolerated but generally criticism of the government is vague and refers to events in the distant past. Criticism is further discouraged by the government practice of granting concessions and favorable treatment to those newspapers that are most supportive. Although the government by law can intervene to suppress unfavorable news, the practice of auto-censorship¹⁴ is so prevalent that it rarely has to do so.¹⁵

ELECTIONS AND THE OPPOSITION

In 1983 the PRI suffered the worst electoral defeats of its 50-year history. The economic crisis clearly was on voter's minds. The major beneficiary has been the National Action Party (PAN), a conservative Catholic nationalist party formed in 1939. In the July 1983 elections, PAN scored significant victories in Chihuahua and Durango, two large states in the north of Mexico. When PAN seemed certain to win again in the following November's municipal elections in the state of Puebla, PRI officials forcibly took possession of the ballot boxes and returned them stuffed with ballots the morning of the elections. When Pueblan citizens attempted to stop the government officials, they were violently ousted and sometimes beaten. The PRI also annulled PAN victories in some districts by refusing to recognize the results and calling for new elections.¹⁶

Although the PRI "won" electoral victories, its public image suffered a serious and possibly permanent setback. It was enough to allow the following in a leading Mexican newspaper: "The electoral contest of 1985 is going to be a historic one; the people

¹⁴ The term "auto-censorship" was first employed by Evelyn P. Stevens in Protest and Response in Mexico (Cambridge: MIT Press, 1974), p. 52, in which she stated:

This uniformity of behavior is so impressive at first sight as to make us think that we are in the presence of a completely controlled press....There is no necessity of police censorship because there is individual auto-censorship on the part of each journalist and collective self-restraint by the publishers of each newspaper.

¹⁵ There is little doubt among press and media circles in Mexico that the government would take action directly against those violating this almost unwritten code. In 1974 the controversial magazine Porque? was shut down following a sacking by government officials of the magazine's office and the arrest of its manager. Porque?'s main offense had been to point out with regularity the government's restrictions of the press.

¹⁶ Steve Frazier, "Instability Gnaws at Mexico's Ruling Party," The Wall Street Journal, March 21, 1984, p. 36.

are already tired of populism, corruption, and revolutionary nationalism with its clear bolshevique tendencies."¹⁷

PAN'S New Allies

Of increasing concern to de la Madrid is the new alliance forged between the private sector, the Church, and PAN. Alienated by the bank nationalizations, the private sector has given PAN considerable funds and organizational support. The support of the Church, meanwhile, with its call to "vote freely and vote for change" has fortified PAN's moral authority and appeal. To a great extent, however, PAN's support at the polls is a rejection of the PRI system.

The PRI's Response

Public anger at the PRI vote fraud prompted some PRI officials to institute reforms democratizing candidate selection at the lower levels. In many cases this has meant that candidates favored by the left within the party were not selected by popular vote at the local levels. These reforms have met with stiff opposition among some sectors of the party, particularly from Fidel Velazquez, who stated in April that the labor sector was prepared to launch paralyzing strikes and if necessary leave the PRI and form a new party.

Much will depend on the PRI's reaction during the important gubernatorial and congressional elections next year. If the economy has not substantially improved and the conservative PAN continues to grow in strength, the PRI will be faced with either accepting losses in power or taking anti-democratic measures to thwart its rival.

Already these pressures are creating deep fissures within PRI. The private sector, once a powerful PRI supporter, has bolted and joined the opposition; labor, PRI's main strength, threatens to join the Left or form its own party; and the bureaucracy, meanwhile, is polarizing into left and right factions. In an unprecedented paralysis of action, PRI has been unable to convene its annual national assembly because of party disunity and uncertainty over its future course. If these trends continue, caution many analysts, Mexico could sink into political chaos, bringing an end to 50 years of stability and strong rule.

The Military

In contrast to many Latin American states, the role of the Mexican military in politics is insignificant. The military has been enlarged and modernized in the last decade but has remained largely dependent on the government for career appointments and

¹⁷ El Heraldo, February 24, 1984, article by columnist Juan de la Borbolla.

for its economic sustenance.¹⁸ As a result, most analysts do not believe the military will intervene politically despite the crisis facing the government and the rising popular discontent. However, should the economic and political situation deteriorate drastically the military may conclude that it should take a greater role in reestablishing domestic equilibrium, although right now it clearly would like to avoid doing so.

POLICY RECOMMENDATIONS

There is no question that the crisis in Mexico has forced greater cooperation between the governments of Mexico and the U.S. For the first time in years, an opportunity exists for the U.S. to further its own policy goals while helping Mexico resolve its crisis. The basis of U.S. policy should be to encourage private sector development as the means to dynamic economic growth and an end to the debt problems.

As his economic and political troubles mount, de la Madrid may be willing to pursue this approach and overrule leftist-statist opposition in his party. Although there are aspects of the PRI's approach to governing that offend Americans, it is not in U.S. interest for Mexico's political system to collapse. U.S. policy should support de la Madrid's attempts to rebuild the economy and fulfill his pledges of moral renovation and democratic reform. With negotiations for a bilateral trade agreement now underway, the U.S. can offer to exchange more favorable treatment of Mexican imports for a loosening of Mexican restrictions over pharmaceutical, auto, and other industries currently subject to increasing state interference and competition.

In addition, this agreement should open Mexico to foreign capital and investment as a principal means of mobilizing productive capital to retire the huge foreign debt. Mexico is relying too heavily on import restrictions, which have a negative impact on Mexico's productive sectors that depend on foreign parts and machinery.

Mexico's economic problems would be eased greatly if debt repayments could be stretched over a longer period of time; it is working toward this goal with foreign banks. The U.S. should offer to encourage the banks to cooperate in return for greater private sector and foreign investor participation in Mexico's economy.

The U.S. should seek to open channels of communication with pro-democratic groups and institutions in Mexico. These would

¹⁸ Under Echeverria and Lopez Portillo the military was enlarged and modernized mostly in response to growing Central American instability and the vulnerability of its oil rich southern flank. These efforts came to a halt as the economic crisis forced clamping down on public spending.

include individuals within PRI who support democratic reform, greater economic freedom, and individual liberties, as well as pro-democratic opposition groups such as PAN and private sector organizations. This not only would result in more effective and informed Mexican policy but would demonstrate that the overall U.S. aim in the region is to support democratic movements and governments. The National Endowment for Democracy, created to encourage cooperation between democratic groups throughout the region, could play an important role in this effort. Similarly, the Inter-American Foundation could add to this effort with a greater emphasis in its programs on private sector development.

Although Mexico has been enlarging and modernizing its military, it still could not deter a major threat to its vulnerable southern flank. As the crises in Central America increase and as Cuban-supported guerrilla activities spill into Mexico, Mexico has begun quietly to improve relations with the U.S. on security matters. In 1981 Mexico purchased the first major U.S. equipment for its forces in years--13 F-15 aircraft and two old U.S. destroyers for its navy.¹⁹ In the wake of the debt crisis, however, Mexico has made few additional arms purchases, and its efforts to improve its military have slowed to a halt. To encourage cooperation between the U.S. and the Mexican military, and to help Mexico develop a flexible counter-insurgency force, the U.S. should offer military assistance if and when needed as well as low-cost arms sales.

Recent increases in drug traffic in Mexico that are widely believed to be supported from the outside have brought the Mexican government and the U.S. into closer cooperation. This cooperation is crucial and should be fostered with the implementation of U.S. proposals to create integrated enforcement programs along the land border, exchange of intelligence between the U.S. and Mexican Customs, mutual verification of narcotic growing sites and an agreement to grant U.S. Customs aircraft authority to overfly Mexican territory in pursuit of aircraft suspected of involvement in smuggling operations.²⁰

CONCLUSION

U.S. policy toward its Mexican neighbor has been characterized by a remarkable degree of complacency and accommodation that is no longer warranted. Mexico is in the throes of a severe political and economic crisis of which the outcome is still uncertain, but

¹⁹ During the period when Mexico was purchasing arms, U.S. arms comprised a small percentage of its total purchases. Western Europe, in particular France, was the major source of Mexican acquisitions.

²⁰ Proposals made by the Senate Drug Enforcement Caucus in a report following a Senate delegation mission to Mexico, Colombia, Bolivia, Peru, Argentina, Uruguay and Brazil, June 19-July 15, 1984.

which in any event will significantly affect U.S. economic and strategic interests in the region.

The Mexican economic crisis was a natural consequence of moral and political bankruptcy in the government, which has caused the widespread public opposition now taking shape. The political tremors are affecting the Institutional Revolutionary Party, PRI, which has ruled unchallenged for over 50 years; it now no longer commands the support of major sectors of Mexican society.

The question of how to recapture popular support is producing severe strains on PRI unity, as some favor moderating statist nondemocratic government policies, while others favor continued socialization of Mexico. Maintaining party unity under these circumstances when restoring confidence in the economy is possible only by encouraging private sector participation is a major problem. The signs are not encouraging.

In view of this situation and its own influence in economic matters, the U.S. might be able to assist those moderate elements in Mexico who would promote economic growth over ideological agendas. The fruit of such actions would be a more prosperous, stable, and democratic Mexico.

Esther Wilson Hannon
Policy Analyst

