

Interamerican Policy Group



THE UNITED STATES AND THE CARIBBEAN BASIN:
POLICY ALTERNATIVES FOR THE 1980s

A SERIES OF ISSUES PAPERS PREPARED JOINTLY BY:

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INTRODUCTION

Events of recent years have drawn renewed attention by United States policy makers, scholars, and citizens to nations in the Caribbean basin. Revolutionary upheaval in Central America, the continuing imbroglio between the United States and Cuba, economic pressures pushing millions of unemployed towards the United States, political changes in the English-speaking Caribbean, important discoveries of oil in Mexico--all have elicited policy responses from the United States government.

In many cases, those responses have turned out to be false steps. There have been abrupt about-faces, embarrassing reversals. The confused, contradictory response by the Carter Administration to Cuban refugees is only the latest example. It was preceded by loud alarms, then sudden silence, over the presence of Russian military personnel in Cuba; by ill-considered U.S. attempts to influence a revolutionary situation in Nicaragua that was already irreversible; and by inept dealings with Mexico, to mention only a few examples.

In many instances, nevertheless, Carter Administration policies, especially during 1977-78, were a marked improvement over earlier ones. The conscious avoidance of the paternalism implicit in talk of a "special relationship" with the hemisphere, the diplomatic alliance with the Andean states, the Panama Canal treaties, and the initial steps toward normalization of relations with Cuba, were all promising developments. Where taken seriously, as in the Dominican Republic, a policy giving

high priority to human rights proved capable of both meeting humanitarian concerns and serving U.S. political interests. But these positive thrusts were too often implemented half-heartedly and inconsistently, and in the more recent period, the Carter Administration has increasingly distanced itself from them. Especially with regard to the Caribbean basin, the old imperial arrogance, and the simplistic and ultimately destructive East-West perspective, appear to have regained ascendancy.

The Carter Administration, furthermore, never developed a positive economic strategy toward the Third World. New proposals have been repeatedly blocked in favor of the status quo and "market forces." But democracy and human rights cannot flourish in the stagnant economic environment that now characterizes most of the Caribbean basin.

In conviction that the Caribbean Basin, including Mexico, Central America, and the Caribbean islands, will continue to provide challenges to the United States in the years ahead, this series of issue papers is offered as a means of encouraging debate on past, present, and future U.S. policy. In general, the papers are critical of current policy, and make specific recommendations for improving it. They are based on the belief that certain principles must guide U.S. foreign policy, beginning with respect for the sovereignty of other nations and including a preference for governments which promote and protect human rights, strive to meet the basic human needs of their peoples, and encourage popular participation in government. Those principles deserve more commitment than they currently receive. They imply specific actions by the U.S. government on such questions as military and economic assistance, trade and investment relationships, and the role of inter-

national lending agencies and private banks and corporations.

These papers are the result of group discussions among the authors and other Latin American specialists over several months.* One of the conclusions emerging from those discussions was that U.S. policy decisions affecting the Caribbean Basin often have not incorporated lessons from the past. In the face of perceived crisis, such responses as "support for moderates" even where such an option no longer exists, or increased "security assistance" to repressive military establishments are not only ineffective, but also not in the long-term interests of the United States.

For that reason, this series of papers on the Caribbean Basin begins with a consideration of the relation between U.S. policy and Latin American militarism. As the U.S. prepares to respond to growing social and political crises with new flows of military hardware, such a look back may be instructive.

Thereafter the papers discuss the revolutionary situation in Central America, economic and political crisis in the Caribbean, the static and ineffective policy towards Cuba, and the implications for future relations with Mexico of her newly-discovered and vast oil reserves.

These papers, taken together, focus both on the lessons of previous U.S. policies and analyze the current situation in various parts of the Caribbean Basin. By so doing, they hopefully will contribute to a debate broader and more productive than the current resurgence of Cold War attitudes and arguments promises.

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THE UNITED STATES AND LATIN AMERICAN MILITARISM

Official U.S. Commitment
to the Support of Democracy in the Americas

Since World War II, the official position of the United States government regarding Latin America has been encouragement for democracy. This ideal for all nations in the hemisphere was written into the Rio Treaty in 1947 (of which the U.S. was a signatory), repeated in numerous State Department declarations and Congressional resolutions throughout the 1950's, made a cornerstone of the Alliance for Progress in the 1960's, and reaffirmed as a major concern as the Carter administration took office in 1977. The only exception to this longstanding public posture was the Nixon administration's policy of "orderly ways of getting along" with de facto regimes including military dictatorships.

Continued U.S. Contributions to Expansion
of the Repressive Capacities of Latin American Military Organizations

Despite the officially stated position of favoring democracy repeatedly made by the State Department, the Congress and five of six presidents since World War II, over the past thirty years our government has been a major contributor to the expanding role of the military in Latin America. Between 1946 and 1976 the value of U.S. military assistance, arms credits and grants, training programs, and security support totalled \$2.5 billion. Moreover, 75,000 Latin American military personnel received professional training during this period. All these U.S. government programs enabled the armed forces of Latin America to upgrade their managerial capacities, expand their non-military activities in society through civic action projects, and increase the living standard

of the military at the expense of the general population. They also provided the Latin military with technology and skills that could readily be used for repressing civilian populations. Regardless of our government's stated intention of professionalizing the armed forces throughout the hemisphere so that they could more effectively and humanely ensure the security of their respective countries and contribute to orderly economic development, many of the military institutions we helped to train and equip have done otherwise. Since 1964 in Brazil, Argentina, Chile, Uruguay, Peru, Ecuador and Bolivia the military have overturned democratically elected governments. In most instances they have subsequently violated not merely personal, civil and political rights of the general populace, but also the social, economic and cultural rights of workers, peasants, intellectuals and students. In other nations where the military were already in power before the 1960's (Paraguay, Nicaragua, El Salvador, Guatemala, Honduras) techniques of control became more repressive in the last decade, and have included widespread murder of Indians and peasants, mounting disappearances of union leaders, and tacit approval of and even collusion with roving death squads supported by interests opposing genuine reforms.

While Latin America historically has had a tradition of military intervention in civilian government, its democratic ideals and aspirations are also deeply rooted. In addition, the coups since 1964 have been quite different than previous ones. Now in many countries military interventions are no longer short-term occurrences lasting only until a new group of civilian leaders can be found to lead the nation. Military juntas or presidents in Argentina, Chile, Uruguay, Guatemala, and Paraguay

have no intention of turning back control of their governments to civilians whom they regard as unworthy or incompetent. And in cases where military leaders have allowed, or have promised to allow such transitions in the near future (Bolivia, Ecuador, Peru, El Salvador, and Honduras), their behavior indicates that they are ready to intervene again, if they deem it necessary.

It is true that some alleviation of the more gross violations of personal rights (torture, disappearances) has occurred in Brazil, Argentina, Chile, Uruguay, and Bolivia recently. Other critical civil, political, social, economic, and cultural rights, however, continue to be restricted or ignored, especially among the poor. Moreover, in Paraguay and throughout many parts of Central America even the most fundamental rights to life and to personal integrity are being systematically violated by security forces or paramilitary vigilante groups with close ties to the governments.

The Carter Administration's Record

While the Carter administration endorsed efforts to cut security assistance to military governments during its first months in office, its overall record has been inconsistent and circumscribed. The president warmly hosted several Latin American dictators at the White House in late 1977 to insure their support for the Panama Canal treaty--a gesture that undermined his commitment to human rights in the hemisphere. Since that time administration spokespersons (especially in State's Inter-American Affairs Bureau) have been quick to argue for restoring military aid to countries such as Argentina, Uruguay, Guatemala, Brazil,

and Chile after only slight and very limited improvements in human rights observance.

The president has refused to use his influence with private banks and corporations to cut their financial support for repressive military governments in the hemisphere--which has escalated considerably in the past five years. Nor has his administration provided vigorous leadership for new legislation closing loopholes in commercial sales restrictions that permit U.S. companies to export equipment that can be turned to repressive uses. The White House has failed to command the support of the Pentagon for its human rights policies in Latin America. U.S. military personnel have openly criticized the cutting of security assistance to military governments and have acted as spokespersons for their Latin counterparts before congressional committees.

Most recently, Administration spokespersons have used traditional fears of communism and alleged Cuban activities in Latin America to justify expanded military assistance to Central America, especially to El Salvador and Honduras, to upgrade counterinsurgency capabilities. The provision of transportation, communications, and riot control equipment to the Salvadoran armed forces, and helicopters, patrol boats and small arms to Honduras, together with dramatic increases in security assistance levels to both countries, are deepening U.S. involvement in repression against civilian populations. Five weeks before his brutal assassination, El Salvador's Archbishop Oscar Romero warned President Carter that "the contribution of your government, instead of promoting greater justice and peace in El Salvador, will sharpen the repression against the organized people."

The Carter Administration has also allowed the same fears of Cuban and Soviet subversion in the hemisphere to increase direct U.S. military presence in the Caribbean. The creation of the Joint Caribbean Task Force in Key West, a result of domestic politicking over the presence of a Soviet "combat brigade" in Cuba, has renewed the fears of our Latin American allies of U.S. intervention in the region. The escalation of military aid to certain Caribbean states in the name of creating a regional coast guard further threatens to militarize unnecessarily an area that is experiencing no threat to its security.

Needed Changes in U.S. Security Policy
Towards Latin America

Over the past three decades, the U.S. has helped make possible the expansion of the capacities and skills of the Latin American armed forces which have been used, in some cases, to subvert democratic values and structures. It is now the grave responsibility of the U.S. to do all it can to curb militarism in the Americas. Circumscribed, inconsistent or short-term "carrot and stick" approaches are insufficient to achieve this. More comprehensive and sustained measures are needed, as well as a more coordinated security policy towards Latin America. To accomplish this, the following are offered as specific recommendations:

(1) No rewards (in terms of restored security assistance) should be given to any Latin American military government merely because of a decline in the use of torture or the rate of civilian disappearances. More significant structural changes must first occur in the overall nature of the repressive apparatus of the state and the economy, such as elimination of right-wing paramilitary forces, restoration of guarantees

for civil liberties and for labor rights including unionization and collective bargaining, ending trials of civilians in military courts, and setting a definite time-table for a return to full civilian government and civilian control of the military.

(2) Arguments such as "expanding Cuban or Soviet influence in our hemisphere justifies increased U.S. security assistance to Latin America" must be rejected. Rather than bolster the already preponderant repressive capacities of such regimes, the United States should demand major structural reforms favoring workers and peasants and Indians as the best way to prevent social unrest and eventual armed revolution.

(3) New legislation is needed to discourage future military coups in Latin America. Our laws should clearly state that all U.S. security assistance will immediately cease whenever a civilian government is overthrown by the armed forces in any Latin American country. Exceptions would be allowed by law only when the president gains explicit congressional approval on a case by case basis.

(4) Existing loopholes in present legislation should be closed to cut off all transfer of repressive technology. More licensing limits on sales to military or police establishments of "civilian" items--such as light reconnaissance planes, crime control and detection equipment (including shock batons, leg irons, and thumbscrews)--are necessary to prevent U.S. companies from contributing further to the capacity to violate human rights. Tighter controls and explicit prohibitions are needed in the International Narcotics Control program to prevent aid and training from being used by Latin American police against civilians or political opponents who do not deal in drugs.

(5) The "two-track" foreign policy of the United States towards Latin America--one conducted by the State Department and the other by the Pentagon--must cease. All our military personnel at home and in Latin America must give priority, not merely "lip service", to human rights objectives in their public statements as well as in private communications with their Latin American counterparts. They must also act in close concert with, and under the supervision of, civilian U.S. officials in our embassies in the Americas.

(6) The president must clearly and forcefully persuade U.S. private banks and corporations that it is against their interests and those of our country to provide credits or capital to Latin American military governments. He should also use his influence in Congress to write penalties into law against such continued support--for example, changes in OPIC that would automatically cut off loan insurance to U.S. firms doing business with Latin American military governments. Without such efforts the energies of the private sector in the U.S. will not be effectively coordinated with government objectives to promote democratic values and institutions throughout the Americas.

(7) The United States does have legitimate security objectives in the Americas, and these include the prevention of major land wars in the hemisphere, stopping a spiralling arms race, maintaining the observance of collective security commitments under the OAS charter, and discouraging dependence on any one source of military assistance by Latin American countries. All of these interests, however, can be achieved not by increasing present levels of security assistance (since Latin America's armed forces are currently well equipped and

trained to maintain internal stability and ward off foreign threats), but rather through diplomatic means aimed at diversifying and controlling arms transfers within reasonable limits.

(8) Over the past decade several other industrial nations have dramatically increased arms sales to Latin America in the wake of U.S. cutbacks. Our government should use its diplomatic influence with such countries (including France, Great Britain, West Germany, Italy, Israel, Brazil and Argentina) not to escalate the current arms race throughout the hemisphere. In addition, the United States should engage the Soviet Union in discussions of "rules of the game" regarding conventional weapons transfers to Latin America with a view to avoiding regional arms races.

UNITED STATES--CENTRAL AMERICAN RELATIONS

At the beginning of the Carter Administration, poverty, extreme disparities of wealth, severe repression by military and security forces, and outmoded political and economic structures characterized Central America's northern tier, consisting of Nicaragua, Guatemala, Honduras, and El Salvador. Despite serious socioeconomic problems in all of Central America except for Costa Rica and perhaps Panama, the region has rarely attracted the attention afforded its larger southern neighbors, and, because of the Panama Canal and the region's proximity to the United States, has traditionally been viewed through the military prism of regional and national security. President Carter's decision in 1977 to relinquish partial control of the Panama Canal, along with the ensuing national debate, thrust Central America into the headlines for several months; but this new attention was never transformed into policies addressed to the profound social, economic, and political problems that afflict the region.

The problems include:

- (1) per capita incomes that are among the lowest in Latin America, with the accompanying conditions of malnutrition, insufficient housing and health care, and illiteracy;
- (2) gross maldistribution of wealth, and the concentration of economic power in the hands of tiny minorities;
- (3) monopolies of political power that have relied on state violence to resist openings in the political process;
- (4) dependent, underdeveloped economies based on primary exports or light manufacturing and processing often controlled by foreign corporations.

The severity of deprivation for Central America's poor majority, the rigidity of political structures, and the failure of attempts to change through peaceful means, have generated deep polarization and revolutionary situations in certain countries in the region. To presume that the United States can control the pace and nature of change--as has been the case in Nicaragua and El Salvador--can only lead to the continuation of interventionist measures. That the Administration is resuscitating charges of Cuban involvement in Central America -- often with scanty evidence -- only heightens the danger of intervention, while obscuring the nature of internal political conditions that have given rise to violent challenges to the status quo.

The opportunity to promote peaceful change may already have been lost in much of Central America. Early in Carter's term, much of Central America provided fertile ground for the vigorous implementation of a human rights policy. The U.S. Congress and independent human rights organizations had amply documented widespread rights violations in El Salvador, Nicaragua, and Guatemala, and the region's security and economic importance to the United States was relatively low. After an initial flurry of public criticism prompted El Salvador and Guatemala to reject military assistance outright, the Carter Administration soon reverted to traditional carrot and stick diplomacy, praising General Somoza and granting military aid, for example, in exchange for the lifting of a state of siege, and acknowledging to El Salvador's military regime that "any government has the full right and legal obligation to use all legal means at its disposal to combat terrorism." Human rights concerns receded into the background when they threatened to

jeopardize traditional U.S. ties and methods of diplomacy, or when regimes were faced with internal opposition that challenged their stability.

The failure to understand the breadth of opposition to right-wing dictatorships left the Administration off-guard when Nicaragua exploded in September, 1978. The subsequent reactions to the crisis, based on unrealistic assessments of the locus of power, and deeply-rooted fears of the left and of a "second Cuba," resulted in ill-conceived measures to transfer power to a "middle ground" having no political power or social base, and to exclude the Sandinistas from government. As the Sandinista-led revolt against Somoza forged broad coalitions inside Nicaragua, and gained substantial international backing, the United States became increasingly isolated, especially from its hemispheric allies. The Sandinista triumph in July, 1979 marked the failure of U.S. efforts. Our Nicaraguan policy represented a self-inflicted wound, based in large part on short-sighted unwillingness to accept the legitimacy of a broad-based popular movement for change.

The decision to take a gamble on the Nicaraguan revolution and provide substantial reconstruction aid marked a positive change in the U.S. approach. Because the Sandinista government enjoys the support of the majority of Nicaraguans, is pledged to democratic principles, and is pursuing a development strategy that focuses on basic human needs, the United States should seek to support fully the reconstruction process, especially through reprogrammed monies, in light of the Congressional delay of the \$75 million aid package.

However, proposals to increase or reprogram military assistance to Honduras, the Eastern Caribbean and particularly El Salvador, have

compromised accommodation with the Nicaraguan revolution by the effort to prevent a "second Nicaragua". As in the days of the Alliance for Progress, increased economic aid for development is going hand-in-hand with expanded military aid, aimed at ensuring internal stability and providing the capacity to eliminate insurgency. The growth of U.S. security concerns regarding Central America is aligning the United States with the forces of repression and threatening to deepen U.S. involvement in protracted wars against broad-based opposition movements.

U.S. support for the current junta in El Salvador as the only viable political alternative is a short-sighted and implicitly repressive policy. The government has a very narrow social base, and younger military officers in the junta have been unable to assert control over representatives of the hard-line military establishment, who have been and are currently the prime perpetrators of violence and human rights violations in El Salvador. The United States must recognize and accept the legitimacy of El Salvador's mass-based popular organizations, as well as the objectives of the center-left opposition, which calls for an end to human rights violations, the effective participation of popular organizations in government, and the realization of a program of reforms that does not result in massive killing.

In the current situation, and especially in light of past policy failures in Nicaragua, this would entail recognizing the importance of the emergence of the Revolutionary Democratic Front, a broad coalition of peasant and trade unions, professional and student groups, and opposition parties. The coordinated strategies of the Revolutionary Coordinating

body of the popular organizations and the Democratic Front represent the best hope for long-term stability, development, and respect for human rights. No amount of U.S. economic or military aid can substitute for profound structural change supported or led by existing popular groups in order to avert an agonizing civil war that will cost tens of thousands of lives.

In Honduras, U.S. policy is aimed at preserving moderation through the fostering of open elections and the eventual transfer of power from the military to civilians. In recent elections for a Constituent Assembly, however, several opposition parties--the left-of-center Christian Democrats; the Socialist Party, and the Communist party--were not allowed to participate. Because some of these parties, especially the Christian Democrats, have been in the forefront of organizing peasant unions, an election that excludes them cannot accurately reflect majority sentiment. The United States should continue to advocate the holding of direct presidential elections open to all parties.

U.S. efforts to militarize Honduras are incompatible with encouraging a process of democratization. The provision of helicopters, patrol boats, small arms, and U.S. Mobile Training Teams represents a dramatic escalation of U.S. military involvement with the Honduran Armed Forces. Encouraging Honduras to serve as a regional buffer between El Salvador and Guatemala threatens to undermine transfer of power to civilians and heightens the danger that conflicts in Central America will take on regional proportions.

The current involvement by the Guatemalan right in El Salvador and official Guatemalan statements that they will carry the war against

communism into El Salvador should the need arise, represent one of the gravest threats to regional peace and security. The United States should make it clear to the Guatemalan armed forces that it will under no circumstances tolerate Guatemalan military action in El Salvador, and will take retaliatory action if such a situation arises.

Such apparent indications of rapprochement with the Guatemalan military as the April visit of the warship Manley and Administration and Congressional proposals for renewed military assistance send wrong signals and should not be repeated. Official U.S. statements that human rights have "improved" stand in direct contradiction to the evidence of Amnesty International, the behavior of Guatemalan troops in the recent incident at the Spanish Embassy, the continued assassination and detention of key political and trade union figures, and the systematic violation of the rights of Guatemala's indigenous populations. Support for a process of profound change must be the cornerstone of U.S. policy in Guatemala as well as in the other nations of this region.

The United States has legitimate interests--from the furtherance of trade and investment to the easing of the pressures for Central American immigration--in a stable, democratic Central America. Current policy, however, based on deep-rooted anti-communism, is likely to lead to continued instability, as the United States supports unpopular political groups and directions incapable of bringing about profound structural reforms in a context of respect for human rights. A realistic, morally correct approach would be to recognize the legitimacy of popular demands for basic social, economic, and political rights, even if that entails support for or acceptance of fundamental societal change.

UNITED STATES--CARIBBEAN RELATIONS

The 1970s was a difficult decade for the Caribbean region, though the experiences left the countries with a new sense of dignity, some new institutional arrangements, and a sense of the pitfalls to avoid. Still, most of the countries find themselves with unemployment rates that exceed 25 percent. They have been unable to diversify their economies, and suffer increasingly from the growing disparity between the cost of finished goods they must buy from industrial countries, and the prices they receive for the commodities they sell. The recent round of oil price increases has forced them to incur even greater foreign debts than the ones they already were having trouble repaying.

The early dreams of political independence have been replaced by the realities of involuntary membership in an international economic system that offers little sympathy for the particular problems of small, underdeveloped island economies. Existing political institutions, inherited from colonial times, need reforming in order to better cope with economic development. Also under debate are the openness of prevailing institutions to grassroots participation, and their ability to respond to the more egalitarian aspirations of the younger generation.

The 1980s will be a decade of both economic experimentation and political change in the Caribbean. The United States can respond with fear and threats of force, or we can seek to help the region confront its economic problems, while respecting the sovereignty of the region's states, however small their material resources and population. To respond positively to the Caribbean's economic plight, the United States should continue to increase its economic assistance, and simultaneously press global economic institutions to assist the Caribbean. We should

avoid "sphere of influence" thinking which denies nations the right to choose their own form of government, while being careful not to support regimes which flagrantly violate basic human rights. We should help foster a regional integration that can encompass both Cuba and Puerto Rico.

An economically growing and politically independent Caribbean is in the national interest of the United States. Economic growth will increase flows in trade and capital and reduce immigration. If the Caribbean states are free from the fear of U.S. intervention, they are less likely to seek guarantees of security elsewhere.

Economic Development

Increased external economic assistance is an absolute necessity for some of the islands. Under the Carter Administration, aid levels from both the United States and from other sources increased markedly, but continuing deterioration in the region's terms of trade mean that even more will be required. To avoid deepening the sense of bilateral dependency and to give the Caribbean states greater voice in the use of funds, the United States should channel substantial portions of its aid through multilateral mechanisms and institutions. The United States should also be willing to provide balance-of-payments financing, through bilateral or multilateral channels, when a country's balance of payments position requires it.

There are, however, no quick fixes to the multiple problems facing the economies of the Caribbean, and increased aid levels will not suffice to break the vicious cycles of underdevelopment. Reforms at the global

level will be necessary if the Caribbean is to enter a path of sustainable growth. For example, effective commodity agreements, especially for sugar, are required to assure the region a stable stream of revenue. Mechanisms must also be devised that channel petrodollars into the region without their passing first through the commercial banks whose conservatism inhibits lending to the Caribbean. A reformed International Monetary Fund, that designed its economic programs more in accordance with the particular realities of the region, should become a less traumatic and more fecund source of funds.

Narrow resource bases, small internal markets and high transportation costs are region-wide realities which explain the desirability of regional integration, and the U.S. should support integration initiatives. International donors should help subsidize a regional shipping line to lower transportation costs and make possible more intra-regional trade. The Caribbean Food Plan, in which islands would specialize in products for sale to the rest of the area, deserves support. The development of alternative energy sources, especially solar and wind, should be another priority.

In some countries, for economic growth to be sustainable and equitable, structural reforms will be necessary. Land tenure systems, such as tenant farming, may need reform in order to offer more incentives to the small farmer. Agriculture in general needs more stimulation. The penchant of the middle-classes for luxury consumption goods--and the factories that produce them--may need curtailing in order to generate sufficient savings and investment for fulfillment of basic needs. It would be hypocritical of the U.S. to espouse economic development

with equity and simultaneously oppose these reforms.

Multinational corporations, with their capital, technology, and access to foreign markets, may bring benefits to developing countries, but the U.S. Government should avoid using them as instruments of foreign policy. We should not pressure MNCs to invest in the Caribbean for political reasons. The resulting identification of the U.S. Government with the multinational corporation will eventually prove disadvantageous to both parties. The U.S. Government will be blamed for real or perceived injustices perpetuated by the corporations, while the corporations will suffer should bilateral political tensions develop. Moreover, a corporation that invests under official pressure will feel justified in demanding U.S. Government backing in any future dispute with the host country.

Even if equitable economic growth accelerates, population growth will probably outstrip new jobs, and emigration to the United States will continue to grow for the foreseeable future. The United States can no longer afford an incoherent immigration policy towards the Caribbean. A new policy should seek to guarantee the legal rights of those immigrants already established in the United States, while to the extent possible regularizing the flow of new entrants. Political refugee status, in accordance with the Refugee Act of 1980, should be granted to people fleeing from rightist dictatorships as well as from communist governments.

Political Pragmatism

In this century, the United States has tended to treat the Caribbean region as a "sphere of influence". This has been engendered by a desire

to "contain Cuba," and results from an East-West focus as the primary policy prism for the area. This approach both exaggerates dangers to U.S. interests in the region and serves to estrange it from us.

A policy based on warning the Caribbean states of the "Cuban threat" lacks credibility, as only the most conservative and older generation of Caribbean leaders believes that Cuba represents a direct threat to national sovereignty. Historically, that threat has come, not from Havana, but from the United States. Introducing East-West conflict into the Caribbean will turn progressives into our enemies and discourage even moderate leaders from becoming too closely identified with the United States. The negative reaction throughout the Caribbean to the Carter Administration's flamboyant displays of military force in the region--perceived as intended not so much to frighten Cuba as to intimidate reformist governments and movements--is a clear warning of the dangers of a return to "Cold War" psychology.

The United States will do far better by dealing with the region's problems on their own terms, showing sympathy for economic and political experiment which seek to expand mass participation, while maintaining distance from highly authoritarian governments. The Carter Administration's policy toward the Dominican Republic is an example of the successful implementation of these principles.

It is clear that the Duvalier regime in Haiti has reversed whatever tentative steps were taken in 1977 toward ameliorating an abysmal human rights situation. The Duvalier government is both a morally reprehensible and politically unstable regime, and we should effectively distance ourselves from it while increasing our contacts with various opposition

groups. We should not provide any military assistance to Haiti and economic assistance should be limited to projects that reach the poor.

The United States should maintain a policy of strict neutrality in the upcoming elections in Jamaica. Despite a severe economic decline and an extremely aggressive opposition, Prime Minister Manley has scrupulously respected democratic practices. After the elections, regardless of the winner, the United States should use its influence in the IMF to reestablish a reasonable and effective stabilization program which is consistent with an open democracy.

The Carter Administration has overreacted to the seizure of power in Grenada by the New Jewel Movement of Maurice Bishop. We should recognize that the Grenadian government's foreign policy consists essentially of symbolic speeches which in no way threaten real U.S. interests. Moreover, the effective way to promote an open, democratic society in Grenada is to avoid fostering a state-of-siege mentality in government circles.

While the countries of the region, including the smaller islands of the Eastern Caribbean, have legitimate security needs, before granting FMS assistance, we should be careful not to either drain scarce economic resources away from development nor to foster the establishment or strengthening of security forces which could soon threaten democratic institutions. Military assistance should not be granted in patterns which appear to be seeking "to contain" particular states. U.S. policy should foster regional cooperation, not aggravate inter-state tensions.

Finally, the U.S. should cease its opposition to the inevitable reintegration of Cuba into the Caribbean. Normalization of relations

with Cuba should be accompanied by the incorporation, in the Department of State, of the Office Director for Cuban Affairs under the jurisdiction of a Deputy Assistant Secretary for Caribbean Affairs. The Caribbean is sufficiently important, and sufficiently different from Central America and Mexico, to warrant its own Deputy Assistant Secretary in the Inter-American Bureau. The current Deputy's attention has been consumed by Central America, to the detriment of the Caribbean.

UNITED STATES--CUBAN RELATIONS

No aspect of U.S. hemispheric policy has been more static over the past decade than U.S. policy towards Cuba, yet no aspect of our policy is more in need of change. Despite a broad consensus that the policy of hostility formulated and pursued during the 1960s was fruitless and even counterproductive, the process of normalizing U.S.-Cuban relations advanced only slightly during the 1970s. This lack of progress has had little to do with the familiar bilateral issues between Cuba and the United States, none of which pose insurmountable obstacles to improved relations. Both governments have shown a willingness to enter into discussions and, eventually, negotiations to resolve these issues.

The real obstacle to normalization has been the attempts by two successive Administrations to use the normalization issue to punish Cuba for its policies in Africa, and more recently, Central America and the Caribbean. The very absence of normal diplomatic and economic ties with Cuba has crippled the ability of the United States to influence Cuban foreign policy. Lacking any other source of leverage, the United States had halted the normalization process to register its displeasure with Cuba's foreign involvements. Postponing the formulation of a new, more realistic policy towards Cuba has simply meant the perpetuation, by default, of the admittedly anachronistic policy of the 1960s. And it has had no noticeable effect on Cuban policy.

The greatest weaknesses of U.S. foreign policy during the cold war was the habit of viewing world events through the distorting prism of east-west confrontation. Local and regional political realities were obscured, the desires of many Third World peoples for social and economic justice were ignored, and their struggles for social change

were presumed to emanate from Moscow (or later, Peking). By making common cause, in the name of anticommunism, with dictatorial and repressive regimes, the United States undermined its own status and influence in the world more than any Soviet or Cuban foreign policy initiatives could have.

The wilting of detente and the resurgence of the cold war now threatens to revive the tendency of U.S. policymakers to perceive the world exclusively as an arena of east-west confrontation. It is not realism to ignore the complexities of regional political dynamics in our efforts to contain Soviet influence; it is merely shortsighted. U.S. policy towards Cuba, which in two decades has hardly wavered from its cold war posture.

Because Cuba's deployment of troops to Angola and Ethiopia was accomplished in cooperation with the Soviet Union, U.S.-Cuban relations have once again become embroiled with the wider issues of U.S.-Soviet relations and east-west competition. Indeed, the issue of U.S.-Cuban bilateral relations has been submerged and superceded by these other issues precisely because U.S. policymakers have proven incapable of perceiving Cuba's foreign policy or Cuba's relationship with the Soviet Union in other than cold war terms. So long as U.S. policy towards Cuba is held hostage to U.S.-Soviet relations, we will be burdened with a twenty-year old policy that never was particularly effective.

Current U.S. policy regards Cuba as a Soviet "puppet" and thus perceives Cuba's African policy, and more recently its policy towards Central America and the Caribbean, as originating in Moscow as part of a new escalation of the cold war. The aims of Cuban troops in Africa

are presumed to be destabilizing, illegitimate, and inimical to the interests of the United States. Each of the perceptions is mistaken.

Cuba is not a proxy for the Soviet Union in Africa. Cuba's willingness to provide assistance, both military and non-military, to governments and the national liberation movements abroad dates from the earliest years of the Cuban revolution. The current level of Cuban aid to both Angola and Ethiopia certainly depends upon Soviet cooperation, but this cooperation reflects the compatibility of Cuban and Soviet policies, not their identity.

Cuban involvement in Africa does not constitute a new cold war offensive against U.S. influence. On the contrary, Cuba's involvements in both Angola and Ethiopia were essentially reactive; it did not initiate the internationalization of the conflicts in those countries, but responded to military escalations by other external powers (in Angola, by the U.S., Zaire, and South Africa; in Ethiopia, by Somalia, Sudan, Egypt and Saudi Arabia). Moreover, Cuba's objective in Africa has not been to destabilize the region, but rather to consolidate the security of Angola and Ethiopia from further external attacks. Even Cuba's assistance to guerrilla movements has not been aimed at undermining the attempts to reach agreements on the peaceful transition of Namibia and Zimbabwe to majority rule.

Consequently, Cuban policy in Africa is not inevitably inimical to U.S. interests. Cuba's role in Angola has not produced an Angolan government unwilling to have friendly, normal diplomatic and economic relations with the U.S. The policy of the U.S. has impeded such relations. Cuba's support of the Patriotic Front did not prevent the conclusion

of the Lancaster House agreements, nor SWAPO's acceptance of the U.N. plan for Namibia.

Cuba's policy towards Latin America in recent years has focused on those countries which are Cuba's closest neighbors--in Central America and the Caribbean. Cuba's success in building friendly relations with countries such as Jamaica, Grenada, Guyana, and Nicaragua, ought not be seen as malevolent. The small nations of the region have many common problems and interests; that they should endeavor to forge some measure of cooperation in meeting them is both a natural and positive development. It is a threat to U.S. prestige and influence only because the U.S. still insists on trying to enforce the isolation of Cuba in the region --isolation that a majority of nations in the hemisphere rejected nearly a decade ago. If Cuba's growing involvement with Latin America represents a defeat for U.S. policy, it is a self-inflicted one.

If future conflicts between the U.S. and Cuba develop in Africa or Latin America, it will not be because Cuba has sought them out. Cuba's policy towards both regions is guided primarily by the local political dynamics of those areas, rather than by any grand design for competition with the U.S. It is precisely this aspect of Cuba's policies that have won wide international legitimacy for Cuba's foreign involvements. Unlike successive administrations in the U.S., the Cubans have been more foresighted than to allow their policies toward a large portion of the world to be held hostage to their bilateral relations with the United States.

Because Cuba has not pursued an intentionally destabilizing grand design to undermine U.S. influence abroad, there is no reason for the

U.S. to allow its own policies toward Africa, Latin America, or Cuba itself, to be distorted by Cuban involvement. The policies of the United States towards Cuba and towards areas in Africa and Latin America where Cuba is actively involved should be guided by a forthright assessment of U.S. interests in those areas, not by a reflex reaction against Cuba. The key to successful competition with Cuba is not to arm Cuba's opponents, irrespective of how illegitimate they may be. The key is to craft a policy which is sensitive and responds to the desires of other peoples for peace and social justice. This, after all, is in the best interests of the United States.

The time is long past due for the United States to establish normal diplomatic relations with Cuba. The current policy of enforced isolation is nothing more than a diluted version of the 1960s policy, a policy aimed explicitly at destabilizing the Cuban government by economic sanctions and paramilitary attacks. A more responsible policy must begin with discussions between the two nations aimed at resolving the bilateral issues which divide them—i.e., the economic embargo, compensation for nationalized property, Guantánamo naval base, etc. Cuba has consistently held that negotiations cannot commence until the economic embargo is lifted at least in part. A lifting of the embargo on medicines would serve to get the process of normalization underway and is, in itself, a human and commendable policy. Embargoes on medicine, like embargoes on food, hurt people rather than governments and ought not be used as instruments of foreign policy.

As Cuba becomes an increasingly active and influential international actor, the U.S. cannot afford to have less than normal lines of diplomatic communication. Bilateral relations in areas of common interest and

potential cooperation, modest though they may be, are in the best interests of our country. Globally, the policy of isolating Cuba has only served to isolate the United States.

UNITED STATES--MEXICAN RELATIONS

The fact that the United States may be importing significant amounts of Mexican oil and natural gas during the 1980s could have a profound and lasting impact on future United States-Mexican relations.* Mexico's vast new oil reserves cast the relationship in an entirely different context that will require major adjustments on both sides. The vexing problems of immigration, trade, and investment will become increasingly linked with United States interest in acquiring Mexican energy to satisfy its growing internal demand and to diminish its dependency on Middle East oil.

The United States and newly important Mexico will be dealing with each other within a new perspective which could transform rhetorical U.S.-Mexican "interdependence" into reality. Mexico's energy potential has important implications for increased leverage in dealing with the United States; certain trade-offs are likely to be made in attempting to satisfy Mexican demands on specific issues in return for the oil and natural gas desired by the United States. The new energy dimension, in addition, will serve to magnify the stark reality of United States-Mexican relations: important domestic issues in both nations are seriously affected by each others policies. The demands for new approaches to these problems brought on by the energy factor could result in solutions benefiting both nations.

*Current estimates place Mexico's proven reserves at almost 50 billion barrels and its potential reserves at over 200 billion, making it the fifth largest potential oil producing country in the world.

Past and Present Factors Influencing Relations

Three Mexican factors have affected relations with the U.S. in the past, and will likely influence the "new relationship. A legacy of the Mexican Revolution, these three--nationalism, centralized state institutions, and egalitarianism--play important roles in Mexican domestic and foreign affairs.

It is significant that oil has been, since the late 1930's, a symbol of Mexican nationalism. The nationalization of oil by President Lázaro Cardenas in 1938 was an assertion of Mexican control over the country's natural resources. The nationalization of oil also served to establish the basic ground rules in effect today for dealing with foreign interests.

Mexico's centralized political system, similarly, is relevant to the current situation. The political character of the uniquely strong executive power in Mexico has swung the nation's foreign and domestic policies in pendulum fashion from left to center, and at times, to center-right. The principal social and economic tenets of the Revolution, however, have continued through the various administrations. The political system is supported by a dominant one-party, the Revolutionary Institutional Party (PRI), which has given Mexico nearly 50 years of political stability. In recent years, however, the PRI has shown signs of strain due, in part, to pressures from segments of Mexican society which are not adequately represented in the system. Increasingly evidence of unrest from the right and the left, as well as the moderate middle classes, has stimulated the government of López Portillo to initiate political reforms. These measures are regarded as positive steps but the deterioration

of PRI's control weighs on Mexico's political stability in the future, a fact which could affect Mexico's future energy policy and future U.S.-Mexican relations.

The great gap between rich and poor in Mexico indicates that egalitarianism, another tenet of the Revolution, has not been achieved. Egalitarianism remains a principal objective of the Revolution, however, and in its attainment lies the hope for an economically healthy Mexico, with positive implications for relations with the United States. Mexico, over the past 40 years, has experienced substantial economic growth; GNP on average has expanded by six percent per year. The tremendous rate of population growth, however, has offset the growth rate and the economy has been plagued with a continuing unequal distribution of national income. In a 40 year period, Mexico's population tripled --from 20 million in 1940 to 65 million in 1977. Two million Mexicans are born every year--6,000 a day. Mexico City, swelled by the rural poor seeking employment, is now the 10th largest city in the world, and by the year 2000 could have the unenviable distinction of being the world's most populous metropolis. President López Portillo has indicated that he is going to attack the problem by fully supporting the birth control programs of the Ministry of Health and Welfare, a departure in substance from previous administrations.

Population pressures have contributed to the astounding numbers of people seeking employment. Estimates of more than 40 percent under- and unemployed are not uncommon nor considered an exaggeration. President López Portillo pledged to consider the creation of jobs as one of his administration's highest priorities and has called unemployment "the

source of all injustices." Perhaps more than any other Mexican domestic problem, the lack of jobs has affected relations with the United States because of the related problem of undocumented immigration.

The Nature of the U.S.-Mexican Relationship

The characterization of the nature of U.S.-Mexican relations as one of dependency is not uncommon. Sixty-five percent of Mexico's imports and sixty-five percent of its exports are with the United States. This makes Mexico the U.S.'s fourth leading trading partner. In this relationship, Mexico suffers a sizeable balance of payments deficit, although in 1977 it declined to just under \$2 billion, from about \$3 billion in 1976. U.S. private investment in Mexico is currently at \$4 billion, almost double the figure from the early 1970s. United States banks hold approximately \$11.5 billion of Mexico's total public sector debt of approximately \$32 billion in 1980.

Tourism, Mexico's second largest industry, depends on the United States. Eighty-seven percent of Mexico's tourists come from this country. Since the early 1970s tourism has earned Mexico about \$2 billion annually. From 350,000 to 450,000 Mexicans are employed in the tourist industry. Tourist dollars are a leading source of foreign exchange and help offset the balance of payments deficit. Reverse Mexican tourism to the United States is considered vital to the economy of U.S. border cities.

Since the inauguration of their governments, the Carter and López Portillo administrations have conducted a continuing dialogue which underlines the importance with which they regard the bilateral relationship. López Portillo was the first head of state to be officially received by President Carter after the latter took office.

Exchanges of visits by high-level officials have been frequent since then. Both governments have sought to reverse the slide produced by United States reaction to the anti-American policies of former President Luis Echeverría. Domestically, López Portillo represents a move toward the center, away from the more nationalistic policies of Echeverría. Internationally, the Mexican president has downplayed the policies that thrust Mexico into a leadership role on Third World issues. Soon after taking office, López Portillo made it known that he wanted closer relations with the United States, and President Carter has responded with similar statements.

The uniqueness of the U.S.-Mexican relationship--including factors such as an undefended 2,000 mile border, a shared history, culture, and even people, and domestic problems that mutually affect each other --suggest there is a "special relationship." Not everyone, however, accepts the idea of a "special relationship." Some regard the concept as paternalistic, emphasizing Mexico's dependency on the United States. A recent critic of the idea was Mexican Ambassador-at-Large Jorge Castaneda (now Mexican Foreign Minister) who observed in 1978 that adverse U.S. actions in the areas of trade and immigration would not be taken if there was a special relationship. Perhaps Castaneda was responding to the fact that although Presidents Carter and López Portillo in the spring of 1977 agreed to coordinate policies on major issues and created a new consultative mechanism, the United States continued to act unilaterally in certain areas. On the positive side, during a May, 1978 trip to Mexico, Secretary of State Cyrus Vance attended a meeting of the joint consultative body and new agreements were reached

on extradition, tourism, and maritime limits. During López Portillo's visit to the U.S. in September 1979 a new U.S.-Mexican gas deal was completed. Although some feel that the concept of "special relationship" is outmoded in this day of "global" perceptions of U.S. foreign policy, it remains a prominent concept to be considered in understanding U.S.-Mexican relations. The notion of a "special relationship," in fact, could well regain importance with the new dimension of Mexican energy.

Specific Issues and Implications for the Future

The foreign policy agenda for the two nations in the short-term future will continue to include those issues which have been part of the relationship throughout the modern history of both nations. The vexing and basic problems of undocumented workers, trade imbalance, and illegal narcotics traffic will become more prominent than ever as the two nations begin to factor the Mexican energy component into the equation. In essence, the issues, aside from the set which will deal directly with energy such as pricing and levels of export, will be roughly the same, but what is likely to be different is the approach used in dealing with them.

MEXICAN IMMIGRATION

The most difficult and least understood issue affecting U.S.-Mexican relations today involves the millions of undocumented Mexican nationals living and working in the United States. Although precise data are not available, Mexican immigration into the United States is massive

and growing:

- At least 5 to 6 million Mexicans are presently in the United States illegally.
- Almost one million Mexicans entered the country illegally in 1978.
- While most return to Mexico after approximately 4 to 6 months of employment, several hundred thousand remain in the country for longer periods.
- About 900,000 illegals were deported from the United States in 1977, up from 90,000 in 1967.

The basic reasons for this massive illegal migration are the huge wage differentials between the United States and Mexico and the high rates of underemployment and unemployment characteristic of the Mexican economy. Given Mexico's high population growth (at least 800,000 people are added to the work force each year) and the limited absorptive capacity of its economy, it is extremely unlikely that there will be any significant diminution of the flow of illegals across the border in the near or mid-term.

There are a number of misunderstandings about the economic and social impact on the United States of illegal Mexican immigration. These must be clarified before policy options can be explored to deal with the situation. Major areas of misunderstanding include:

- How long do the illegals stay? Recent research indicates that approximately 70 percent stay for 4 months or less and 90 percent for less than a year before returning to Mexico.
- Do Mexican illegals take jobs away from U.S. citizens? There is no question that some individual American workers are hurt, but on balance it appears that Mexican immigration does not take away employment from U.S. workers. Rather, it fills a demand not satisfied by the domestic labor force. Because of the United States' declining birth rate and aging labor force, between 1980 and 2000, the U.S. will require at least 20 million additional, largely immigrant, workers to carry out low-paid, unskilled jobs.

- Are Mexican illegals a drain on local, state, and federal programs and services? Virtually all empirical work done on the subject indicates unequivocally that migrants do not utilize such programs to any significant extent. Indeed, there is considerable evidence indicating that they actually help to subsidize social programs through the millions of dollars they pay in income, social security, sales, and other taxes.
- Do Mexican workers send dollars out of the United States? Illegals remit wages to Mexico amounting to an estimated \$3 billion a year, even though 60 to 70 percent of their earnings are spent in the U.S. These remittances are a more important source of foreign exchange for Mexico than the total income generated by the tourist industry.

Objectively, the benefits derived from illegal Mexican labor are substantial. Without Mexican workers, the United States would experience at least temporary labor shortages; higher labor costs would occur in agriculture, industry, and the service sector; and the prices of a number of goods would rise. Any unilateral effort by the United States to "close" the border to Mexican immigration would have severe repercussions for Mexico's already precarious balance-of-payments situation and thus weaken an economy in which the United States has major interests. It would cost the U.S. huge sums to implement. And, finally, it would threaten the stability of the Mexican political system, by cutting off an important "escape valve" for surplus Mexican labor and by increasing popular discontent, especially in the Mexican countryside where unemployment already constitutes a major social problem.

Mexican authorities view undocumented Mexican labor as fulfilling an economic function for the U.S., providing a safety valve for Mexico, and gaining needed foreign exchange for the Mexican economy. But despite its positive functions, many Mexican officials also consider immigration a national embarrassment, for it reveals the continuing incapacity

of the Mexican government to create employment opportunities and raise standards of living for large numbers of Mexican citizens.

Under these circumstances, most recent Mexican administrations have been extremely reluctant to discuss the issue at all. When the U.S. has raised the problem, the Mexicans have tended to focus on the mistreatment of undocumented workers in the United States. From time to time, they have suggested the reestablishment of a contract-labor agreement, but with little result. Recently, López Portillo has attempted to link the issue to trade concessions from the United States arguing that this would expand employment opportunities in Mexico. There has been little cooperation from the United States on this front. In light of Mexico's own internal domestic problems, no major effort to control illegal immigration can be expected in the foreseeable future.

There appears to be a growing awareness among U.S. policy-makers, if not among the public generally, that any unilateral efforts to seal the border would not only be counterproductive for both the American and Mexican economies but also extremely costly and probably futile. The real question for the United States today, therefore, is not how to stop the flow of Mexican labor across the border altogether, but how to regulate and control it.

The implications of Mexican energy as the major factor in the future relationship are not far below the surface on the immigration issue. Energy should provide the impetus for both parties to work hard toward resolution of this difficult problem. Serious consultation between the United States and Mexico could result in a new type of temporary worker program through which Mexican workers would be permitted

to work in the United States on a seasonal basis and would return to Mexico with their earnings.

Trade

Exports of significant amounts of oil to the United States in the future will undoubtedly change the balance of payments situation, but it is likely that the Mexican government would in addition seek to redress the root causes of the present trade imbalance. For years, the Mexican government has regarded as discriminatory U.S. protective barriers against Mexican exports such as winter vegetables, strawberries, tomatoes, steel, shoes, and textiles. With the very real prospect of a vigorous labor intensive industrialization program in the offing as a result of oil profits, Mexico will be looking to the U.S. for additional markets. With the new energy dimension, it is likely that the U.S. government would make some adjustments in its tariff policies and would even place more Mexican goods on the duty-free list. The Mexicans, in all probability also will be looking for a revision of the policy of non-tariff barriers imposed on Mexican goods as the U.S. will be looking for similar reductions on the Mexican side. In December 1977, the United States and Mexico signed a trade agreement for tariff concessions for \$86 million in U.S. agricultural and industrial goods. Another positive development was the U.S. treasury department's ruling in October 1979 that Mexico was not "dumping" winter vegetables in U.S. markets as Florida agricultural interests had contended. Mexico's failure to enter the GATT arrangement in early 1980 indicates that trade issues will be a problem for the two countries for some time

to come, but the U.S. must be ready to make the greater concessions that are consonant with its advanced industrial capacity.

Issues Directly Related to Energy

Those specific issues directly related to energy could become the cornerstone of the "new" relationship setting the tone for the rest of the agenda. A preview to the sensitivities involved in issues directly related to energy, but hopefully not to the ultimate policies of both countries, was given in late 1977 by the conflict over the price of Mexican natural gas. Secretary of Energy Schlesinger refused to approve a natural gas deal worked out between the Mexican government and a consortium of six U.S. gas distribution companies because of differences on price. The abrupt manner in which this cancellation was delivered to the Mexicans, more than the cancellation itself, severely strained U.S.-Mexican diplomatic relations. In April 1978, in reaction to the aborted gas deal, President López Portillo stated that Mexico no longer intended to export its gas reserves and was going to create a nationwide gas distribution network to fulfill its own needs. The eventual signing of an agreement in September 1979 lessened tensions on this issue somewhat, but energy negotiations will continue to loom large in relations between the two countries for the foreseeable future.

Mexico's decisions on future energy policy will be related, most likely, to its desire to balance its relationship with the United States. Currently, discussion rages in Mexico over whether vigorous energy dealings with the United States will help to achieve this goal, or whether on the contrary, they will serve to reinforce dependency. Some

have argued that the export of large amounts of energy to the United States could contribute to greater dependency. The concessions that would most likely come from such an arrangement could be offset by the influence of the United States on the Mexican economy and even the future political system. Others have further said that Mexico should allow most of the energy resources to remain in the ground so that they can grow in value. In line with this policy Mexico would only produce enough to develop its economy through modest exports to earn foreign currency. The statement attributed to a Mexican cabinet member that "Mexico will not commit itself to supplying the United States with petroleum," is an indication of the political problems that lie ahead.

The Mexican drive to achieve greater independence not only from the United States but from private U.S. and European banks, and international lending institutions as well, seems to be underway through the diversification of its oil exports. In 1977 Mexico supplied oil to Canada, Israel and Spain, as well as to the United States. In June 1978, Pemex signed oil contracts with both the U.S. Department of Defense and the Soviet Union. The Mexicans are seeking new markets in Bulgaria, Greece, Turkey, Yugoslavia, and Rumania. In October 1978 Mexico significantly broadened its overseas market by signing export contracts with Japan and France. The Japanese have engaged the Mexicans in discussions on large-scale economic cooperation involving Mexican oil and Japanese technological assistance for the modernization of Mexico's ports and the development of its fishing industry.

The issue of foreign technology and capital needed to enable Mexico to reach its energy potential, has also become part of the

dependence vs. interdependence debate in Mexico. The Mexican Government is faced with a basic decision which involves on one side resistance to and restriction of foreign investment especially in key areas of the economy versus the desire for national wealth based on energy on the other. Although it is not clear how far the Mexican Government might bend its symbolic foreign investment policy, there have been indications that Mexico might be relaxing its policy regarding foreign investment in key areas. Mexico has quietly contracted with U.S. companies to drill for Pemex. But there are others who argue that Mexico should be trying to buy foreign technology and patent rights, in order to leave Mexico's traditional policy on foreign investment intact and keep the energy industry from foreign influence.

Conclusion: Implications for the Future

The burden is clearly on Mexico to reach hard decisions today on the use of its potential wealth from energy for the future well-being of the nation. Although the Mexicans have not yet resolved the issue, they seem to know what they do not want to happen as a result of the oil boom. Noted academician Mario Ojeda recently warned of the danger that oil revenues might be used to substitute for international loans or to cover the deficit in the trade sector, especially in the importation of food. Ojeda cited Venezuela as an example of poor use of oil revenue which has led to a "voracious consumer society, which due to unnecessary importation, has devoured a great portion of all that was gained, besides having inhibited the production of basic products on the national level."

The United States clearly has an important, if not vital, interest in future Mexican energy policy and in future political and economic developments in Mexico. Guaranteed access to significant amounts of oil and natural gas from its neighbor has many international implications for the United States; freeing from OPEC pressures and loosening the dependency on Middle East oil are among these.

The United States, in this energy-dominated phase of relations, would obviously feel more secure with a stable, healthy, politically, socially, and economically viable, friendly neighbor. Prudent use of oil revenues by the Mexican Government in the form of labor intensive rural and urban programs could contribute to the creation of such an environment. Such programs would also help alleviate some of the pressures on issues which have caused strains in the bilateral relationship such as immigration and trade. United States support of Mexican Government efforts in these areas, in the form of assistance programs within the bounds of Mexican sensitivities, is important. The likely atmosphere of concessions, trade-offs, and more equitable bargaining would also help to create a healthier bilateral relationship making resolution of some of the basic problems easier.

Negative implications, however, also come with the new energy dimension. United States interest in Mexican energy could someday precipitate United States involvement and even intervention in the domestic affairs of Mexico. United States interest in decisions being made on Mexican energy policy is evident already. It is possible that the United States would consider an unstable political and economic situation in Mexico, or an ideologically opposed government in power,

a threat to U.S. security. Scenarios on this aspect are boundless and for now will be left to the future. One can be certain that these considerations, now weighing heavily on the Mexican Government's decisions on future energy policy, have not been lost on the decision-makers. If these considerations overtake the others, it is likely that Mexico will not allow the United States to dominate its energy exports, and thus become dependent to the point that Mexican oil and gas becomes vital to U.S. national security.

Speculation aside, the reality of the energy dimension demands that both the United States and Mexican governments approach the relationship with a sensitivity to each other's political and economic problems, with sincere and honest consultation on the various issues as a key element.

Recommendations

1. U.S. policy-making towards Mexico requires more effective coordination.

At present, U.S. policy towards Mexico is fragmented and compartmentalized. The appointment of a U.S. Ambassador-at-Large dealing with Mexican affairs has complicated rather than clarified existing lines of policy authority. A U.S. coordinator should focus his attention on U.S. governmental departments and agencies. All decisions taken in the U.S. towards Mexico should be cleared by his office. The U.S. Ambassador to Mexico, on the other hand, should have sole responsibility for official dealings with Mexican authorities. More effective coordination within the U.S. would produce a more balanced and coherent U.S. policy towards Mexico.

2. The U.S. has a legitimate interest in Mexican energy supplies, but the U.S.' principal interest in Mexico is in an economically prosperous and politically stable country. In its search for greater access to Mexican energy supplies, the U.S. must remain sensitive to the internal development needs and priorities established by the Mexicans. The U.S. should not pressure Mexico to expand production beyond the Mexican economy's capacity to "digest" oil revenues. Accelerated development runs the risk of overheating the Mexican economy, creating uncontrollable inflationary pressures and ultimately destabilizing Mexico politically.

3. The U.S. should seek to balance its trade relationships with Mexico in order to offset the historic imbalance that has characterized economic relations between the two countries. Mexico's traditional deficits with the U.S. have perpetuated and deepened Mexican economic development problems. Mexico's energy supplies provide an opportunity to redress the asymmetrical relationship between the two nations. Whether through multilateral or bilateral negotiations, the U.S. should seek to lower tariff barriers on both sides of the border.

The basic policy recommendations that have been advanced to deal with the Mexican immigration problems are summarized below. These recommendations do not necessarily form a package and some are controversial. In one variant or another, however, each is likely to figure in policy debates and color U.S.-Mexican relations during the 1980's. Recommendations for solving the illegal migration problems include:

- Raise quotas for legal immigrants from Mexico from 20 to 50 thousand a year.
- Increase the speed with which people legally entitled to live in the U.S. are processed through INS.

- Establish a "guest" or "temporary" worker program.
- Impose sanctions, including fines and/or legal penalties, on employers who consciously and repeatedly hire illegal workers.
- Strengthen the Border Patrol to increase enforcement capabilities on the frontier and in the interior.
- Grant an amnesty and permanent resident status to illegals who entered the United States prior to January 1, 1970.
- Grant temporary resident status to illegals who entered the United States after January 1, 1970.
- Provide technical assistance to the Mexican government to reorient its rural development strategy toward small-scale, labor-intensive industrialization.
- Negotiate reciprocal trade concessions to stimulate small-scale production of both agricultural and non-agricultural goods in Mexico.
- Encourage birth control and family planning programs in Mexico's rural areas.

