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Mexico: Echeverria's Foreign Policy

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31 October, 1973

Mexico: Echeverria's Foreign Policy**Summary**

A major feature of the administration of President Luis Echeverria, now about half way through his six-year term, has been a break with Mexico's passive foreign policy of the past. Mexico, under Echeverria, is diversifying its sources of external economic support, defending the causes of the Third World, and demanding equitable economic relations for itself and other developing nations.

Echeverria's most significant foreign policy initiative takes the form of a proposed UN charter which would set down the "economic rights and duties" for states. The charter, though still rather vague in concept, is visible proof of Mexico's heightened interest in the developing countries of the Third World. Echeverria believes the wants and needs of the developing nations and the response of the developed nations will go a long way to determine the future shape of the world, and he hopes the charter will help fill these wants and needs.

To broaden its contacts, Mexico has over the past year established diplomatic relations with six nations, received commercial delegations from 17, and sent out numerous trade missions. Mexico is increasing exports, expanding foreign markets, and enticing new foreign capital into areas where its developmental needs are the greatest.

The most eye-catching act in Echeverria's diplomatic show was his month-long, six-nation tour last spring to Canada, Western Europe, the USSR, and China. The trip produced some modest trade agreements, some support for his proposed charter on economic rights and duties, and some backing for the Latin American denuclearization pact (the Treaty of Tlatelolco). Most of all, the trip permitted Mexico, at least temporarily, to appear on the stage of big-league international politics.

Mexico's heightened attention to the problems of the Third World and its greater activities on the world scene have not altered Mexico's view that good relations with the US are essential. Individual issues may produce conflict, but Mexican leaders apparently feel that the reservoir of mutual good will is deep enough to withstand the occasional ripples that their more assertive and more independent foreign policy will cause.

At home, conservatives in business and politics are somewhat concerned over Echeverria's foreign policy. Although most are persuaded that Echeverria is no

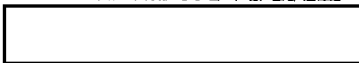
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socialist reformer at home, they still worry about what they see as a drift toward left-wing nationalism in foreign affairs. The leftists, on the other hand, want him to press on with his progressive policies.

Some of Echeverria's initiatives are no more than an attempt to improve Mexico's image and his own. He is, however, serious in his belief that the ideas he champions can help solve Mexico's and—by extension—the developing world's economic and social problems.

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Echeverria Views the World

Echeverria's approach to the rest of the world is a far cry from the introverted one of past administrations. Echeverria has definite opinions on the world's political and economic problems and is not reluctant to expound them. Practically every visiting foreign delegation is treated to a monologue on the economic rights of developing nations.

As Echeverria sees it, the world has arrived at an historic juncture. He believes that the end of the cold war is at hand and that the two power blocs that emerged after World War II are now almost fully disintegrated. "Developing countries are now claiming participation in decisions affecting the common future. Tensions have diminished. Old enemies now conclude open agreements." Isolation, according to Echeverria, is no longer possible.

Despite these promising political developments, Echeverria says that economic relations among nations leave much to be desired. He believes that the world economic order is still haunted by a war psychology and the old ways of exploitation. Echeverria is saying, in effect, that the rich nations are getting richer and the poor poorer. Developed nations have not followed through on promises of trade preferences, and the less developed nations are not being consulted on problems that affect them. Political colonialism is giving way, but economic colonialism is as healthy as ever.

Policies that hurt the economies of the Third World are, he warns, a threat to world peace and unless changed will soon provoke crises in the industrial nations themselves. He is convinced that collective security depends to a large degree on whether Third World nations get "the financial and technical resources necessary to transform the old structure of misery and exploitation."

In short, Echeverria believes that world peace will be endangered unless underdeveloped states get a fair share of the benefits of modern economy through trade, financial aid, and technological help. He is asking the centers of great economic power to give developing nations a better break economically. Mexico, he asserts, is uniquely suited to help solve this particular economic problem because of its "special respectability" in international forums. Mexico, in fact, is no longer willing to be a "passive spectator of history, and has a "duty" to participate in world affairs.

Get It In Writing

The best way to redress these felt wrongs, Echeverria says, is to give the rules governing international economic matters the force of international law. To do this,

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he has proposed to the UN a "charter of economic rights and duties of states." First outlined in a speech to the UN Conference on Trade and Development in Santiago, Chile, in 1972, the proposed charter would define the obligations of developed countries toward the developing countries in the fields of international trade and aid. Echeverria wants the charter to be considered the economic counterpart to the UN declaration on human rights, the Universal Declaration of the Rights of Man. He wants his charter to be the basic instrument for managing economic relations between the industrialized countries and the Third World.

Working from Echeverria's outline, a committee of UNCTAD has been struggling to produce a draft. The Mexicans want to bring a final draft to the floor of the UN General Assembly this fall, but they are probably overly optimistic. The General Assembly is likely to do no more than hear the report from the committee and extend its mandate.

As it now stands, the charter poses problems for the developed countries. While praising some parts, the developed nations question what is meant by "duties, rights, and responsibilities." They think there is too much emphasis on the duties of the developed countries and the rights of the developing countries. Most oppose Mexico's plan to write a legally binding charter. They will accept at the most only a declaration of a moral obligation to harmonize economic relations in the world. They acknowledge that they should not be indifferent to the problems of developing countries, but say that the world is not ready for the legal commitments the charter contains.

The US and other developed countries also object to other provisions of the charter that would:

- establish the correctness of nationalizing resources and reject any international standard for compensation.
- alter economic structures to establish a just division of labor.
- provide preferential treatment in trade.
- provide steadily increasing economic aid.
- insert peripheral and contentious issues, such as environmental and seabeds problems, and disarmament.

The British have been cool to the charter idea all along, but have followed through on their promise to send teams to Mexico to consult on the subject. Canada, which like Mexico feels the weight of US economic power, has publicly endorsed the idea. Privately, Ottawa admits the charter will have to be a practical document,

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acceptable to all nations. Japan considers the charter to be one-sided in favor of the less developed over the industrialized nations. The USSR and China, on the other hand, profess support for the proposal.

The Third World countries naturally are enthusiastic. Some are so seized with the idea of a charter on economic rights that they are using it to push their individual grievances against the developed world. They want the charter to prohibit discrimination in trade (most-favored-nation policies are the target) and technology. They want to ensure a role for themselves in international economic decision-making, to stress national sovereignty and the duty of states not to use economic coercion or pressure against other nations, and to make sure that aid be given with no strings attached.

A final version of the charter is clearly far down the road. Mexico will have to compromise on some of the provisions that the big powers find unacceptable. Some Mexican officials are saying that the charter will be "moderate and balanced," but according to the US delegation in Geneva, the Mexican drafters have not yet toned down the more radical formulations. If anything, they have leaned further to the left, perhaps to try to keep a step ahead of the more "revolutionary" governments. Mexico would in any case have trouble moving these governments toward moderation.

Despite objections of the big powers and demands of the radicals, Mexico will not abandon its diplomatic efforts on behalf of the charter. Echeverria campaigned hard for it on his world tour last spring, he alludes to it often in speeches and meetings with foreign representatives at home, and his ambassadors are promoting it overseas. Foreign Secretary Rabasa solicited support for it at the Nonaligned Conference in Algiers in September and at the UN General Assembly session in October. Mexico clearly faces a problem in reconciling the radical demands of developing countries with the stand-pat attitude of the developed nations. No matter how large the obstacles, Mexico is determined to get the charter in writing and approved by the UN.

Impact on the US

Mexico's identification with Third World causes has not yet caused serious problems for US-Mexican relations, but the potential for conflict is clearly there. The charter could be a source of discord. Other troubles could come in the trade and investment fields, though here the problems will be tempered by the advantages both countries realize from their commercial ties. The US is by far the leading buyer of Mexico's products and the leading supplier of goods to Mexico. American investment in Mexico amounts to nearly \$2 billion, and it brings most of the investors an excellent return. It also benefits Mexico. Foreign investors will still do

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well, but during Echeverria's remaining time in office and in future Mexican administrations, those investors probably will have to contend with more restrictive operating conditions.

While stressing that he does not intend to damage commercial relations with the US, Echeverria is quick to blame Washington for many of Mexico's trade problems. For example, early in Echeverria's term Mexico had serious balance-of-trade difficulties. It announced a crash program of export promotion to diversify products and markets. Shortly thereafter, the US, in an effort to improve its own balance-of-payments position, announced a 10-percent import surcharge in the summer of 1971. This hurt Mexico's export drive, and was one of the factors that pushed the Echeverria government to chart a more independent economic course.

Mexico has, in the intervening years, increased the percentage of its exports going to France and Great Britain. Instead of channeling foreign trade through North American intermediaries, Mexico now sells cotton, fertilizers, and sulphur directly to Peking. Still, its dependency on the US market remains high. The share of Mexican exports going to the US increased to 79.3 percent in 1972, a jump of 7.5 percent from the previous year.

Mexico is negotiating for more trade with the Andean countries in South America, with the Common Market, Japan, the USSR, and China. Echeverria's hope is that, apart from establishing contacts, he can open more broadly based trade channels and especially in West Europe or Japan, encourage capital investment in Mexican industrial development.

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A start was made this summer when Mexico put on sale in Japan \$38 million in government bonds. Money from the sale of the bonds will be channeled into electric power plants, irrigation projects, and communications facilities in Mexico.



Mostly because of concern over the implications of the laws governing foreign capital and technology passed in 1973, the US-Mexican relationship over the past year in the investment field has not been a smooth one. It may continue to be uneasy for some time. The foreign investment law, in effect since May, requires at least 51-percent Mexican ownership in new companies, restricts foreign take-overs of established firms, and requires government permission for the sale to foreigners of companies that are more than 25-percent Mexican-owned. The foreign technology law, adopted in February, is meant to reduce the royalties parent companies earn from the use by their subsidiaries of product designs and production processes.

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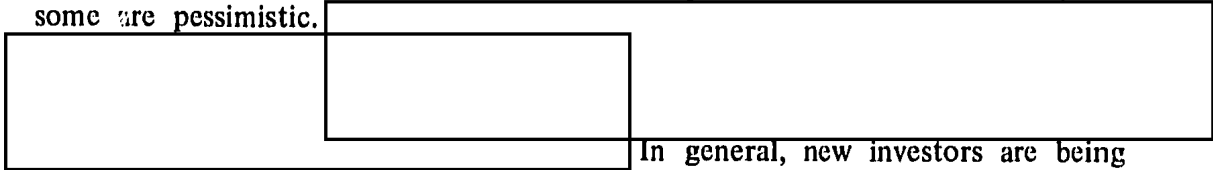
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American investors are widely divided on the implications of the new foreign investment law. Most US businessmen have adopted a wait-and-see attitude, but some are pessimistic.

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In general, new investors are being cautious, while existing companies are feeling their way. The laws have not been sufficiently tested to determine whether they will be a major problem in US-Mexican relations or if, in practice, Mexican officials will so interpret and enforce them that desired American investments will still come in. The official Mexican position is that additional foreign investment will be encouraged and the 51-percent Mexican ownership requirement of the new law will be waived if new capital meets three criteria: it brings in new and needed technology, it opens new sources of major employment, and it leads to more exports.

Too much is at stake for Mexico to allow any sharp deterioration in relations with Washington. Though US-Mexican friendship has at times been strained, Mexico realizes that it is essential to Mexicans. Echeverria concedes that the American investment now in Mexico benefits the country. The trade policies of the two countries will cause friction, but this is not likely to affect the volume of commerce substantially. Mexico's identification with Third World concerns, although at times troublesome to the US, is not calculated to damage anyone's basic interests. Mexican leaders believe that the US, given its difficulties elsewhere in the hemisphere, has a considerable stake in maintaining good relations.

In this context, Echeverria sees Mexico's role as that of a potential honest broker between the US and Latin America. On several occasions he has offered to be the middleman between the US and other Latin Americans. He has proposed to senior US officials that a Latin American summit be held in Mexico. He would like the meeting to be a kind of informal get-acquainted gathering where chiefs of state could discuss common problems.

By extension, though Echeverria does not admit it, he believes that Mexico can also be an intermediary between members of the developed and developing world. He would like to encourage a stronger US commitment to economic development in the developing world. Believing that the problems in those areas can no longer be ignored, Echeverria is searching for some method by which Mexico, together with the United States, can work to alleviate them.

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The Domestic Reaction

Conservative Mexican businessmen and politicians do not favor many of the government's forays in the international field. Although most do not regard Echeverria as a full-blown socialist, they are concerned over what they view as a drift toward left-wing nationalism in foreign affairs. And they do see a corollary between Echeverria's identification with the world's underprivileged and his domestic policies. Many believe his policies help foment leftist terrorism and student dissent at home.

Some fear that Echeverria may stop cooperating with private business and set himself irrevocably on the path of radical reform. Bankers, industrialists, and other businessmen are upset over administration charges that they are not doing enough to advance the country's social development. They see their interests threatened by the expansion of state control and are worried that the new investment law may dry up foreign sources of capital.

The response of the business community to two recent unrelated incidents—the downfall of the Allende government in Chile and the murder of an influential business leader in Monterrey—illustrates the intensity of the dissatisfaction with Echeverria. On each occasion, moderates and conservatives alike have angrily attacked the administration.

In the eyes of conservatives, the Echeverria government's almost emotional reaction to the Chile coup was typical of its "leftist" tendencies, but their wrath did not really boil over until a prominent Monterrey businessman was murdered a few days later. At the funeral, which Echeverria attended, the traditional eulogy for the deceased was a bitter denunciation of the government. The eulogist charged that the government's hostility toward business and warmth toward extremist ideologies were encouraging subversive and criminal elements. A business organization declared that the government's pro-Allende posture was encouraging left-wing terrorism. Other business leaders took up the attack in newspaper advertisements. In Monterrey, business firms countered the government's three-day mourning period for Allende with a full week of mourning for their slain colleague.

This criticism has been unprecedented in its sharpness, and has stung the government, which is unaccustomed to direct attacks from this quarter. The administration is defending its position by criticizing what a semi-official newspaper calls the "instigators of hate," but the attacks by the conservatives could still influence Echeverria to tone down his overtures to the left and respond more to the rumblings on the right. Unless he does, Echeverria can expect more attacks from conservatives and even moderates on policies they consider unprofitable in terms of Mexico's interests.

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Contending Forces

Echeverria is under pressure from reformist, left-wing groups to establish his credentials as a true champion of Third World causes, to assert Mexico's independence of US influence, and to rid Mexico of "economic colonialism." Domestically, the reformers are pushing him to take decisive action in furtherance of his declared policy of redistributing the wealth.

At the same time, conservative elements are seeking assurances that the government will tone down its leftist slant in foreign policy and be less receptive to alien ideologies. Domestically, he will be pressed to resist calls for increased controls, tax reform, and other "socialist" measures.

Echeverria has so far skillfully walked the tightrope on the domestic side. He has avoided committing himself to either extreme. His cautious and pragmatic approach provides for increased social reform measures, yet upholds the role of the private businessman in the Mexican system.

In foreign policy, Echeverria is setting new goals for Mexico and, in many cases, breaking new ground. Thus far, his conservative critics are not deflecting him from this course. Nor is he deterred by the thought that other Third World leaders may not want, need, or even recognize him as a spokesman for their interests, much less as the spokesman. Indeed, it is likely to be more of the same in the remaining three years of Echeverria's term.