

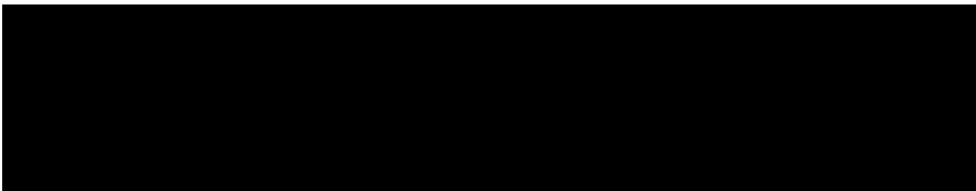
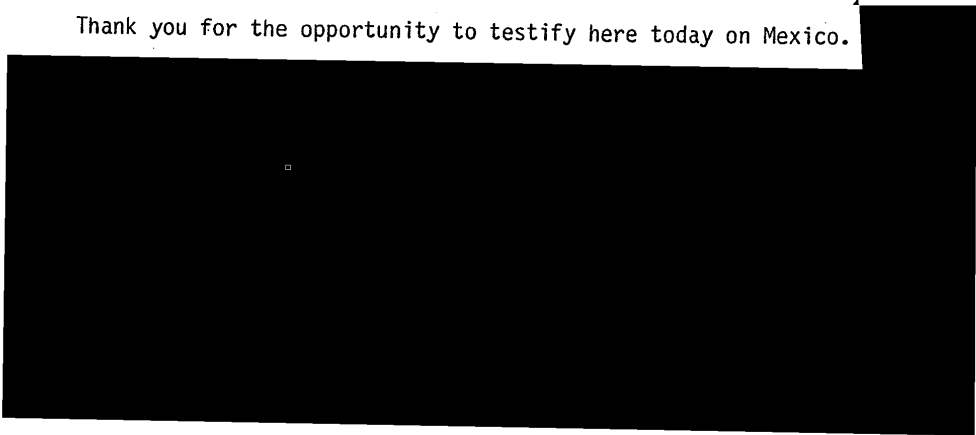
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TALKING POINTS - MEXICO

(INTRODUCTION)

Good afternoon, Senator Helms and other members of the Western Hemisphere Subcommittee and Staff. I am Robert Vickers, the National Intelligence Officer for Latin America.

Thank you for the opportunity to testify here today on Mexico.



Here with me this afternoon are Richard Stakem, the Director of the Office of Latin America and Africa in CIA's Director of Intelligence, and Colonel John Cash, the Defense Intelligence Officer for Latin America from DIA. They have with them various associates directly responsible for analysis of political, economic and military trends in Mexico.

~~SECRET~~

Mr. Stakem will begin with a short overview of economic trends in Mexico, and then I will talk briefly about political developments. Finally, Colonel Cash will address military subjects. We will then stand ready to answer any specific questions.

~~SECRET~~

TALKING POINTS ON MEXICO - POLITICAL

The Mexican political system is under greater stress today than at any time in the past thirty years. While we see no immediate prospects that the system will break down, political conditions will worsen through the end of President de la Madrid's term in 1988 and perhaps beyond.

President de la Madrid, now in the fourth year of his six-yr term,

[REDACTED]

[REDACTED] de la Madrid deserves high marks for maintaining political stability. There has been little political unrest, despite the decline in living standards that has occurred under his leadership.

But de la Madrid faces some serious challenges, several with important bilateral implications for the United States.

- Real wages declined for the fourth consecutive year in 1985 and are likely to fall once again this year.
- Drug cultivation and trafficking has become more attractive in part because of Mexico's unfavorable economic circumstances.

-- Mexico's anti-drug efforts have faltered due to government austerity measures that have reduced resources available for crop control, [REDACTED] and countermeasures by traffickers and growers.

-- De la Madrid has taken some steps to put greater muscle into the drug enforcement effort, [REDACTED] [REDACTED] Last year, for example, he dismissed 400 federal police allegedly involved in drug trafficking and other criminal offenses. High-level government pressure also made possible the arrests of notorious drug traffickers. There have not, however, been prosecutions of major drug traffickers.

Illegal immigration also is becoming a more serious bilateral concern. A combination of economic and population pressures are leading unprecedented numbers of Mexicans to come across the porous 2000-mile frontier.



-- We see little prospect that the wave of Mexicans seeking to come to the United States will substantially abate any time soon.

In addition, the President has been unable to follow through on key policy initiatives, such as political reform [REDACTED]

[REDACTED]

-- Key cabinet ministers already are jockeying to succeed the President. Among current front-runners are Energy Minister del Mazo, who only last month was elevated to the cabinet, Budget Minister Salinas, and ruling party president Lugo Verduzco.

[REDACTED]

-- Labor militance appears to be growing. The head of Mexico's trade union movement, Fidel Valazquez, is 86 years old. Should he depart the scene, labor discipline probably would decline.


[REDACTED]

-- Private sector confidence in the administration is low. [It has resulted in [REDACTED] reluctance on the part of the Mexican business community -- and foreign firms -- substantially to increase their investments in Mexico.

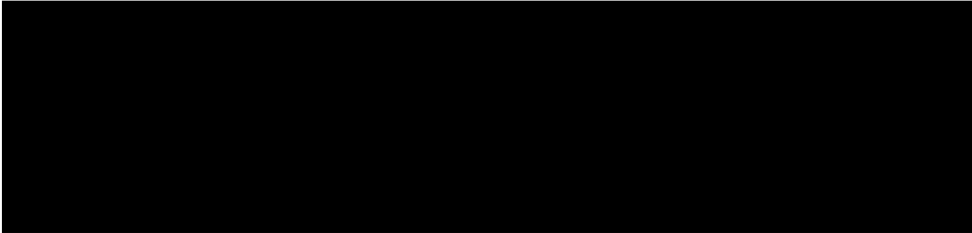


Turning to the political situation, the opposition is unlikely to post a strong challenge to the PRI while de la Madrid is in office.

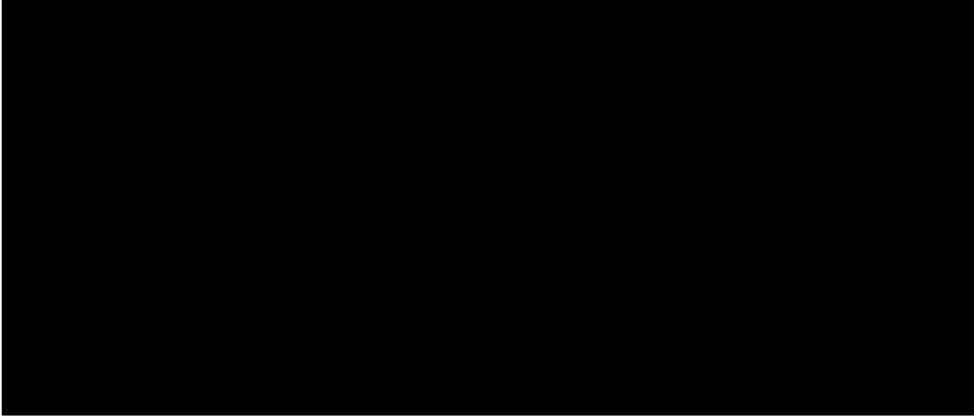


-- The major opposition party is the National Action Party, or PAN,  with strong support in the middle-class and conservative business and Church circles.


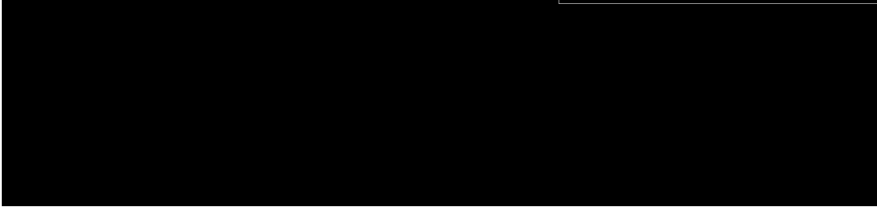
-- The PAN commands the support of many, but probably not the majority, of northerners. Its influence is limited elsewhere,



-- The mid-term elections held last year demonstrated the de la Madrid administration is intent on preserving the virtual monopoly on power of the ruling Institutional Revolutionary Party (PRI).



-- Leftist parties are small, weak, and divided over leadership, ideology, and tactics. Most, including the Communist-dominated Unified Socialist Party of Mexico (PSUM), are beholden to the government for financial and other support.

Nevertheless, both the Soviet Union and Cuba follow political and economic events in Mexico closely, and they use every opportunity to increase their own influence and weaken that of the United States.


Looking to the future, Mexico's economic difficulties probably will lead to heightened protest activity and greater unrest in localized areas before de la Madrid leaves office in 1988.

- Much will depend on the severity of future budget cuts and the magnitude of any contraction in the economy.


- We believe that such disorders will not reach destabilizing proportions in the next several years.

- Moreover, the government probably will retreat from unpopular policies if it perceives the political costs of pursuing them as excessively high.

Turning to foreign policy, Mexico's growing economic dependence on the Western financial community probably will preclude a major foreign policy shift. De la Madrid, consistent with his own policy predilections, is pursuing a more moderate foreign policy than did his two immediate predecessors, Luis Echeverria and Jose Lopez Portillo.



-- Under de la Madrid, Mexico has restored full diplomatic relations with El Salvador and is coordinating more closely with Guatemalan authorities on refugee and insurgency matters.

-- De la Madrid also has replaced  Mexican Ambassadors to the United Nations and Nicaragua with more moderate diplomats.

At the same time, Mexico will continue to follow a largely self-defined and highly nationalistic foreign policy.

-- Mexico's outspoken diplomatic support for the Sandinistas and friendly relations with Cuba remain popular with domestic leftists. Foreign policy has traditionally been a preserve of leftists within the ruling party, as is now the case under Foreign Minister Bernardo Sepulveda. The same concerns explain why Mexico's voting record in the United Nations is among the worst in Latin America, from a US perspective.

-- We believe that the projected visits of the Soviet Foreign Minister next fall and General Secretary Gorbachev in the spring of 1987 will be of largely symbolic importance. Mexico City will use the events, if they occur as scheduled, to refurbish its nonaligned credentials and demonstrate [REDACTED] independence from the United States.

In summary, we believe that US-Mexican bilateral relations will generally be good over the next several years, but that occasional strains will emerge over narcotics trafficking, illegal immigration, Central America, and a host of economic issues.