

# Challenged by Modern Times

*In his State of the Union message, the president blames falling oil prices for Mexico's woes.*

On September 1st President Miguel de la Madrid presented his fourth State of the Union address to the nation before a joint session of Congress. His message dealt mainly with the economic and political situation, including current government goals and the validation of the measures enacted to counteract the economic crisis.

The president stated that income lost because of the fall in the price of oil prevented economic growth and re-launched inflation. He added that current government borrowing policy is to contract the least amount possible of foreign financing, meaning only that which is strictly necessary to complement internal savings and to cover the economy's foreign exchange demands, on the premise of rationalizing the use of resources resources and of moderate growth.

Thus far the main adjustment in public finances has been made in several areas of fiscal spending through measures such as re-allocation of investment resources, restraints on current expenditures in order to increase savings and adjustments in both sectorial and regional priorities. Federal spending during 1985 was 5% lower than what had been estimated. Transferred resources fell 2.5% below the authorized budget and this item's share of the GNP fell by close to four percentage points between 1982 and 1985.

Available information tends to confirm that there has been a disciplined exercise of the fiscal budget. Excluding internal and foreign debt service, public spending shows an accumulated decline of 40% in real terms since 1981. Despite the fact that over one billion pesos were lost during the first semester of 1986 because of the fall in the price of oil, the overall fiscal deficit shrank by 8%; real-term government spending fell by 22.3%, and these are clear indicators of the fiscal discipline being followed. The new emphasis in government spending is on supporting stable economic growth, not through expanding the budget but rather through the elimination of non-

priority programs, thus freeing resources for development projects, financing for state-owned firms, etc.

There have been efforts to avoid a massive loss of foreign exchange reserves, which currently stand at \$4.525 billion, down \$1.281 billion since the end of 1985. There were considerable difficulties in this respect because of the loss of foreign exchange income from oil sales.

President De la Madrid denied that current economic policy is to blame for the country's economic woes. Both inflation and recession have been spurred on by falling oil prices, not because of the government's economic policies, which are considered valid.

"Falling oil prices, the steady depression in the world prices of most raw materials and the fact that we had practically no fresh foreign financing during most of 1985 and 1986 have meant not only new, additional problems to the ones we were already facing, but practically a new crisis."

Mexican state policy of furthering democracy and social and

cultural independence was reaffirmed, as was the decision to continue with the in-depth changes necessary to overcome current obstacles. The people's support and involvement have made it possible to deal with difficult situations with respect for democratic rights and avoiding clashes over existing conflict. "Our institutions have shown their firmness and flexibility over these four years, and they have supported the process of economic reorganization and structural change."

Gubernatorial, congressional and municipal elections were held in several states during the period referred to in the presidential address September 1, 1985 through August 31, 1986- with conflictive situations in Chihuahua, Durango and Oaxaca. On the subject the president stated: "These elections took place with respect for the law. The people were able to choose in an atmosphere of complete freedom. The press was completely free to keep the public informed... These elections strengthened our political and ideological pluralistic system and reaffirmed our democratic calling."



The Congressional building, where the president delivers his annual address

Photo by Marco A. Cruz/IMAGEN LATINA

## the nation

So-called "moral renovation" has been greatly emphasized by the De la Madrid administration, and in his address the president indicated that there is a steady effort to improve the quality of government services and to guarantee honesty in public servants. The noticeable reduction in delinquent acts on the part of public employees is mainly due to the preventive measures that have been enacted.

Two nagging world problems - the threat of war and the breakdown in the global economic structure - guided Mexico's foreign policy efforts towards international stability and security. Thus, the Mexican government hosted a meeting between the chief executives of Argentina, Greece, India, Sweden and Tanzania, gathering what is called the Group of Six for Peace and Disarmament. The meeting was held in early August in the resort town of Ixtapa.

The six statesmen called on the world's nuclear powers to cease their irrational arms race and to agree on an overall irreversible nuclear disarmament process as soon as possible. Mexico stressed that there cannot be real peace unless there is effective development. The prejudice that believes proposals for a new international order represent the unilateral demands of developing nations must be done away with. The demands are for a rational distribution of benefits and commitments in order to equally favor all nations and so that international economic relations can develop in a framework of justice, harmony and equity. "Mexico will continue to stress the importance of channeling disputes and differences through diplomatic means, resorting to political dialog and not to the use of force."

After referring to the Contadora Group's peace efforts in Central America, President De la Madrid spoke of Mexico's relations with its northern neighbor. "Both encounters with the president of the United States (during the last year) were aimed at improving ex-

change and communication and at activating and strengthening bilateral cooperation. Our main points of agenda were immigration issues, border-area cooperation, drug trafficking and a variety of trade and financial topics, as well as the issue of respect for the individual, labor and social rights of Mexican immigrant workers."

In his closing words the president stated that in the midst of adversity the Mexican people have reinvigorated their will to struggle and have shown their capacity for facing challenges: "Nationalism and the will to continue to be a united and sovereign people are our main sources of strength." Looking forward, De la Madrid proposed to broaden the range of social participation in national affairs and to further extend Mexico's democratic renovation. Mexico shall continue on the path of municipal reform, of strengthening the balance between the different state powers and exercising the presidency in closer contact with the different social sectors. Our country's international relations must be framed by the nation's interests and reality, and we must take on our full responsibility in world affairs. In a different vein, De la Madrid stressed that Mexico must also achieve sustained economic growth.

"We are facing the challenge of modernity," said the president. "These years will define the profile of the nation we will become in the next century. We aspire to a modern way of life, but only if it is based on the values and principles consecrated by our history and supported by a rational, productive and balanced economy that can satisfy the basic needs of our population. We want modernization that guarantees rights and liberties within the framework of a democratic state. We aspire to the modernity of a nation that is recognized and respected for its seriousness and working spirit. These great tasks require the vigorous every day effort of all Mexicans."★

Edna Lydia Santin

# U.S. Cars (Made in Mexico)

*The Mexican automobile industry is in transition. The question is whether this change benefits the country or multinationals.*

Mexico's automobile industry faces an uncertain future. New technology, economic crisis, a shift in the industrial development model from the substitution of imports towards greater emphasis on exports, constitute a challenge for the government, business and workers alike. The economic importance of the industry is second only to oil. Thus, events in this sector can signal the way for much of the country's economic activity.

Today, manufacture is increasingly determined by the course of the world market. Multinationals, mainly General Motors, Ford and Chrysler, decide the policy that is to be followed by their subsidiaries or "satellite" companies in underdeveloped countries such as Mexico.

It must be kept in mind that the U.S.' trade deficit has immediate short-term implications for the different sectors of its economy. Many manufacturing plants have shut down, leaving thousands of North American workers unemployed, and this is particularly true of the automobile industry. Over 60% of Mexico's exports are aimed at the United States, and this interdependency means that decisions made in the U.S. auto industry will affect the plants in Mexico.

Within this framework, the Mexican auto industry tends to be a great draw-back shop for foreign firms. This is particularly true of its relationship to the U.S., since 85% of our border area automotive production is exported to that country.



Photo by Marco A. Cruz/IMAGEN LATINA

GM has laid off 40% of its work force in Mexico since 1981.