

INCOMING TELEGRAM

Department of State

Reference

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Action

Control: 10756
Rec'd: JULY 17, 1961
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FROM: MEXICO CITY

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TO: Secretary of State

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NO: 136, JULY 17, 4 PM, (SECTION ONE OF TWO)

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WITH CURRENT UNEMPLOYMENT, PRINCIPALLY RURAL, ESTIMATED BY MEXICANS SOMEWHERE IN NEIGHBORHOOD ONE MILLION PERSONS AND AN ESTIMATED 330,000 NEW JOB SEEKERS EACH YEAR GOM SHOULD LONG SINCE HAVE GIVEN PRIORITY TO POLICIES WHICH WILL STIMULATE ECONOMIC GROWTH AT RATE NEEDED FOR MEDIUM AND LONG TERM STABILITY. WHILE GROWTH INDUSTRY, TRANSPORTATION AND SERVICES SHOULD BE COUNTED ON TO EXPAND EMPLOYMENT, IMPORTANT NUMBER JOBS MUST BE PROVIDED THROUGH LARGE SCALE LAND RESETTLEMENT PROGRAM WITH EMPHASIS ON COASTAL LANDS IN SOUTHERN MEXICO WHICH ARE SAID TO BE FERTILE AND ARE UNIQUE IN HAVING ADEQUATE RAINFALL. RESETTLEMENT PROGRAM WOULD REQUIRE ERADICATION MALARIA, AND FLOOD CONTROL AND DRAINAGE PROJECTS IN ADDITION USUAL ACTIVITIES SUCH AS CLEARING LAND, BUILDING ACCESS ROADS, CREDIT FACILITIES AND HOUSING.

THIS TASK IS OF SUCH MAGNITUDE THAT MEXICO NEEDS, IN ADDITION TO BETTER MOBILIZATION ITS OWN RESOURCES, LIBERAL TREATMENT MEXICAN EXPORTS, ALL THE PRIVATE FOREIGN INVESTMENT IT CAN OBTAIN, CONTINUED HIGH TOURISM RECEIPTS, THE CONTINUATION OF THE BRACERO PROGRAM AND LOANS FROM US AND OTHER CAPITAL EXPORTING NATIONS. AS THE DEPARTMENT KNOWS, MEXICO HAS BEEN SEEKING 400 MILLION LOAN FOR REFINANCING SHORT TERM DOLLAR OBLIGATIONS AND NEW DEVELOPMENT. THIS ASKING FIGURE WILL PROBABLY RISE. PROSPECTS OF RECEIVING SUBSTANTIAL AID FROM EUROPEAN SOURCES ARE NOT GOOD. INSTEAD OF HELPING TO CREATE ESSENTIAL CONFIDENCE ON PART OF MEXICAN AND US BUSINESS COMMUNITIES GOM HAS

OVER PERIOD

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E.O. 12958, Sec. 3.6
<i>Wilk-97-18</i>
By <i>[Signature]</i> NARA, Date <i>1/98</i>

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OVER PERIOD MONTHS TRIED BE ALL THINGS ALL PEOPLE. ABSENCE OF A CLEARLY DEFINED, CONSISTENT POLICY (WHICH WE BELIEVE DESIRED BY LARGE MAJORITY MEXICAN PEOPLE BUT NOT BY RELATIVELY SMALL BUT INFLUENTIAL GROUP OF YOUNG BUREAUCRATS PLAYING FOOTsie WITH EVEN SMALLER COMMUNIST MINORITY) IS CAUSING MEXICO TO FALL BETWEEN STOOLS AND IS PRINCIPAL CAUSE OF LACK OF CONFIDENCE WHICH HAS RESULTED IN THE CURRENT BALANCE OF PAYMENTS PROBLEM. WHILE GOM DESERVES CREDIT FOR STEPS TAKEN IN LAST TWO MONTHS TO RESTORE CONFIDENCE, WE DO NOT BELIEVE THERE HAS BEEN ANY BASIC CHANGE IN MEXICAN POLICY (SEE EMBASSY TELEGRAM 110 AND USUN 84 BOTH TO DEPARTMENT).

IT WOULD OF COURSE BE COUNTER-PRODUCTIVE REQUEST GOM CHANGE ITS POLITICAL AND ECONOMIC ORIENTATION IN EXCHANGE US ASSISTANCE. HOWEVER, IT SEEMS TO US WE WOULD BE ON SOUND GROUND IN CONSISTENTLY MAKING CLEAR TO MEXICO THAT OUR OWN BALANCE OF PAYMENTS, BUDGETARY DEFICIT AND OTHER PROBLEMS PRECLUDE US FROM MAKING MORE THAN OUR SHARE OF SACRIFICE. WE COULD STATE THAT WE ARE WILLING TO HELP ON A SUBSTANTIAL SCALE IN AMOUNTS AND BY MEANS TO BE AGREED UPON IF MEXICO WILL COOPERATE BY TAKING MEASURES TO RESTORE CONFIDENCE PRINCIPALLY OF ITS OWN CAPITAL BUT INCLUDING ALSO TOURISTS AND FOREIGN INVESTORS.

EMBASSY PREFERS MAINTAIN FLEXIBLE POSITION ON WHAT PRECISE MEXICAN DEEDS ARE NEEDED BUT AS A STARTER EMBASSY COULD RAISE THESE POINTS AS A POSSIBLE BASIS FOR A COOPERATIVE EFFORT:

A. A CLEAR AND CONSISTENT REPUDIATION OF COMMUNIST INFILTRATION INTO THE POLITICAL LIFE OF MEXICO FOLLOWED BY CONCRETE ACTS QUIETLY TO REMOVE FROM PUBLIC OFFICE KNOWN MEMBERS OF THE COMMUNIST PARTY; TO COMBAT COMMUNIST INFLUENCE IN EDUCATIONAL INSTITUTIONS AND ORGANIZED LABOR; TO EXERCISE AN EFFECTIVE CONTROL OVER THE IMPORTATION OF COMMUNIST PROPAGANDA FROM THE SINO - SOVIET BLOC AND CUBA AND THE PUBLICATION IN MEXICO OF SINO - SOVIET FINANCED PROPAGANDA; TO ELIMINATE COMMUNIST PROPAGANDA FROM TEXTBOOKS AND OTHER READING MATERIAL USED BY STUDENTS IN PRIMARY AND SECONDARY SCHOOLS; AND TO ACKNOWLEDGE

RESPONSIBILITY

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RESPONSIBILITY FOR PARTICIPATION IN HEMISPHERE DEFENSE --
IN PARTICULAR BY COOPERATING IN ESTABLISHMENT OF SOUTHERN
AIR DEFENSE -- IDENTIFICATION ZONE (ADIX) TO PROVIDE
EARLY WARNING OF END-RUN ATTACK OVER SOUTHERN US BORDER BY
SOVIET LONG RANGE AIR FORCE AGAINST SAC BASES IN SOUTHERN
STATES.

WE COULD POINT OUT THIS TYPE OF A QUIET PROGRAM OF ACTION
WOULD BE ENTIRELY CONSISTENT WITH INDIGENOUS CHARACTER
OF THE MEXICAN REVOLUTION, WITH MEXICO'S CHAMPIONSHIP OF
NON-INTERVENTION AND WITH OBVIOUS DESIRE GOM MAINTAIN
LIBERAL, LEFT OF CENTER ORIENTATION. FOR OUR PART WE
SHOULD NOT OBJECT IF GOM CHOOSES TO DEFEND SUCH A PROGRAM
AS ONE APPLICABLE TO ALL INTERVENTION WHETHER BY WESTERN
OR COMMUNIST COUNTRIES. AND WE SHOULD BE FLEXIBLE IN
YIELDING ON POINTS WHICH MEXICO MIGHT CONSIDER INTERVENTION
BY US.

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B. A CLEAR ANSWER TO THE QUESTION OF WHETHER MEXICO WANTS ANY NEW US PRIVATE INVESTMENTS IN THE NEXT DECADE. IF NOT, WE SHOULD OFFER TO TAKE EFFECTIVE STEPS TO PREVENT SUCH NEW INVESTMENTS FROM BEING MADE BOTH BECAUSE WE NEED OUR CAPITAL AND BECAUSE WE WILL BE UNABLE PROTECT NEW US PRIVATE INVESTMENTS IF POLITICAL CLIMATE ADVERSE. MEXICO WOULD OF COURSE HAVE TO ACCEPT A SLOWER RATE OF ECONOMIC GROWTH IF NEW FOREIGN INVESTMENTS ARE DISCOURAGED OR EXCLUDED. IF NEW CAPITAL INVESTMENTS ARE DESIRED, GOM SHOULD PASS WORD DOWN TO MIDDLE-LEVEL BUREAUCRATS WHO HOLD OPPOSITE VIEWS AND AT SAME TIME DEFINE CLEARLY THE CONDITIONS UNDER WHICH NEW INVESTMENTS WILL HAVE TO OPERATE, AS WELL AS ASSURANCES NATIONAL TREATMENT. FOR OUR PART, WE SHOULD ACCEPT MINORITY OR MAJORITY OWNERSHIP BY MEXICANS FOR NEW INVESTMENTS, IF THIS IS WHAT MEXICO WANTS, PROVIDED THE GROUND RULES ARE CLEARLY SPELLED OUT AND ASSURANCES GIVEN THEY WILL HOLD FOR A REASONABLE PERIOD OF TIME.

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C. DEFINITION OF MEXICANIZATION POLICY AS APPLIED TO EXISTING INVESTMENTS AND CESSATION OF PRACTICES OF DENYING IMPORT LICENSES FOR RAW MATERIALS AND OTHER DEVICES OF DURESS ON AN AD HOC BASIS WITHOUT ANY CLEAR DEFINITION OF AN ESTABLISHED OR EVEN A CONSISTENT POLICY. FOR OUR PART, WE SHOULD OFFER TO ACCEPT MEXICANIZATION OF EXISTING "BASIC INDUSTRIES" TO THE EXTENT OF MINORITY MEXICAN OWNERSHIP WHERE THIS WOULD NOT VIOLATE EXISTING CONCESSIONS

OR AGREEMENTS;

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OR AGREEMENTS; AND, SUBJECT TO SAME CONDITION, TO STUDY ON A CASE BY CASE BASIS ANY MEXICAN DESIRES TO ACQUIRE MAJORITY OWNERSHIP AND MANAGEMENT CONTROL IN EXISTING INVESTMENTS.

D. DEFINITION OF POLICY AS REGARDS INTENT OF GOVERNMENT TO SUPPLANT MEXICAN OR FOREIGN PRIVATE ENTERPRISE IN AREAS WHERE MEXICAN OR FOREIGN CAPITAL IS WILLING TO INVEST BUT IS FEARFUL OF NATIONALIZATION IF VENTURE PROVES PROFITABLE.

E. WILLINGNESS ON OUR PART TO DISCUSS QUESTION WHETHER SOME US INVESTORS STRAIN BALANCE OF PAYMENTS POSITION OF GOM THROUGH EXCESSIVE REMITTANCES OF DIVIDENDS AND PROFITS.

F. WILLINGNESS ON OUR PART ACCEPT DIVERGENCIES IN MEXICAN AND US FOREIGN POLICIES ON ISSUES IN UN AND OAS PROVIDED MEXICAN POLICY CONSISTENT WITH MEXICAN COMMITMENTS IN CHARTER OAS AND RIO TREATY. THIS WOULD EXCLUDE NEUTRALIST POLICY.

G. WILLINGNESS ON OUR PART CONSIDER MEXICO'S NEEDS RE BRACEROS, TOURIST EXEMPTIONS, EMPLOYMENT OF "COMMUTER" LABOR ETC.

H. WILLINGNESS CONSIDER COFFEE STABILIZATION FUND FOR CENTRAL AMERICA (NOT MEXICO) IN ORDER TO PERMIT CENTRAL AMERICA ACHIEVE AN ORDERLY, STRETCHED-OUT MARKETING OF THEIR COFFEE BASED ON REALISTIC EXPORT QUOTAS.

I. A WILLINGNESS TO ENTER INTO DISCUSSION WITH US LOOKING TOWARD A FULL SETTLEMENT OF ALL CLAIMS BY USG AND US CITIZENS AGAINST MEXICO FOR LANDS EXPROPRIATED AND OTHER UNCOMPENSATED TAKINGS SINCE 1941 AND VICE VERSA.

J. WILLINGNESS MEXICANS CONSIDER, WHEN POLITICALLY PRACTICABLE, TAX REFORMS BASED ON ABILITY TO PAY.

THESE AND OTHER

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THESE AND OTHER POINTS COULD BE MADE ORALLY AND TENTATIVELY USING AS A BASE THE ECONOMIC AND EQUALITY OF RISK OF OFFENDING MEXICAN NATIONALISM. IF MEXICO IS RECEPTIVE IN PRINCIPLE, DETAILED DISCUSSIONS COULD FOLLOW WHICH WOULD PRESUMABLY REQUIRE WEEKS OR EVEN MONTHS TO CONCLUDE. IF MEXICO IS NOT RECEPTIVE IN PRINCIPLE WE COULD WITHDRAW FROM DISCUSSIONS IN FRIENDLIEST AND MOST RELAXED MANNER, EXPRESSING UNDERSTANDING OF MEXICAN POLICY, AND THEN SIMPLY PUT A "SLOW MAN" ON JOB OF PASSING ON MEXICAN REQUESTS FOR ASSISTANCE. THE WHOLE PROBLEM OF MAKING COOPERATION A TWO-WAY STREET IS MUCH MORE URGENT FOR MEXICO THAN FOR US. THE RISK FOR US IN FOLLOWING THIS COURSE IS LESS THAN RISK OF MISLEADING MEXICO INTO THINKING THEY CAN COUNT ON US SACRIFICES REGARDLESS OF THEIR ATTITUDES TOWARDS US.

IF DEPARTMENT AGREES REQUEST AUTHORIZATION TO EXPLORE WITH THE MEXICAN GOVERNMENT THE POSSIBILITY OF COMING TO AN UNDERSTANDING ALONG THESE LINES WITH WHATEVER CHANGES DEPARTMENT WISHES MAKE.

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