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United States and Mexico: A stormy friendship

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The United States and Mexico:
A Stormy Friendship

by
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Since World War II the United States and Mexico have established friendly relations based on mutual economic interests, but marred by old resentments and long-standing problems. The purpose of this thesis is to examine the current state of relations between the United States and Mexico. The scope of the thesis covers the years 1976 to the present, a period in which oil surfaced as a significant factor in U.S.-Mexican affairs. The study focuses on the role of economics in cementing a stormy friendship, specifically looking at the issues of trade, oil, and immigration.

The century following Mexico's independence was a period of hostility in which the United States dominated Mexico. Mexico lost the territories of Texas, California, and New Mexico to the United States through annexation and war, and suffered loss of economic sovereignty to U.S. business interests. The resentment caused by these events continues to influence relations.

Common economic interests have pulled the United States and Mexico into a more friendly relationship, with the United States, however, continuing to dominate. Mexico is a valuable trading partner for the United States, but accounts for only a small percentage of U.S. imports and exports while the United States accounts for over half of Mexico's import-export trade. Immigration provides a similar situation with the U.S. relying on Mexico for inexpensive labor, but not to the extent that Mexico counts on immigration as a safety valve for its unemployment problem. Oil is the one area in which the two economies are more truly interdependent: Mexico sells the preponderance of its oil to the U.S. while U.S. banks hold the preponderance of Mexico's oil debt.

Economics binds the United States to Mexico, but the continual contact involved creates day-to-day problems such as differences over restrictions on tomato exports. Such details can be worked out relatively quickly, but there are more basic differences. The U.S. promotes free trade while Mexico practices protection of its industry. In immigration the U.S. attempts to enforce ceilings, but Mexico allows unrestricted emigration.

The resulting controversies create an image of tension obscuring the fact that the U.S. and Mexico continue to work together peacefully. Relations continue to be basically cordial because it is to both country's economic advantage to remain friendly.
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INTRODUCTION

United States ties with Mexico are strong. To quote Henry Kissinger, "The imperatives of the relationship of Mexico and the United States are not to be found in words, but in geography. Our shared destiny is literally written in stone."¹

Mexico is important to the United States as a source of oil, as a source of trade, and as the homeland of nearly nine million Americans. In 1976, with its discovery of major new oil fields, Mexico became important to the U. S. as a close and stable supply of oil providing an alternative to reliance on Middle Eastern supplies. U. S. - Mexican trade in imports and exports has grown until Mexico is the United States' third largest trading partner. Each year, in addition to legal immigrants, 500,000 to 800,000 undocumented Mexican workers come to the United States. These are the major issues confronting the United States and Mexico. Problems of lesser magnitude include drug control, water quality, and pollution. Because Mexico has such an impact on the United States it is important to be aware of the problems facing the two nations.

The goal of this thesis is to provide readers who have little background in U. S. - Mexican affairs with a knowledge of U. S. - Mexican history and of the prominent issues that currently concern the two countries. Chapter I will examine how events of the past influence the present relationship with Mexico. The remaining chapters will provide a fairly detailed account of three areas of major importance in the U. S. -
Mexican relationship: trade, oil, and immigration. These chapters will begin with the Carter - Lopez Portillo presidencies in 1976, a date which coincides with Mexico's new oil discoveries.

It is the thesis of this paper that: (1) relations between the United States and Mexico are generally friendly, although persistent problems over trade, oil, and immigration often give the appearance of a quarrelsome, troubled relationship; and (2) economics is basic to the U. S. - Mexican relationship. Trade, oil, and immigration are all issues rooted in economics.

Themes rising out of U. S. - Mexican history can be traced through the controversies involving trade and oil. It will be seen that the United States has dominated Mexico since its independence in 1821, first in territorial matters and then in economic areas. While the United States has exerted great influence over Mexico's development, Mexico remains of secondary importance to the United States. Particularly since World War II, American attention has shifted from Mexico to East - West concerns. Mexican resentment of U. S. dominance, however, still influences events today.
Footnotes

1"Toast by Secretary Kissinger, Mexico City, June 11," Department of State Bulletin, July 5, 1976, p. 33.
I. HISTORY

Mexican War

Relations between the United States and Mexico from the 1940's into the 1970's were cordial. However, for most of the preceding century the history of the two nations was marred by suspicion and hostility. From the time of the Texas Revolution in 1836 to the expropriation of oil lands in 1938, the United States and Mexico were involved in a number of serious and, at times, violent disputes. During those times, Mexicans feared that the United States, with its wealth and power, was intent on gaining control of their country. While early conflicts were over boundary lines, by the late nineteenth century business and property rights were at the center of the disagreements.

Though the hostilities of the century following Mexico's independence created distrust on both sides of the border, the period is better remembered in Mexico. Mexican affairs no longer dominate the U.S. horizon, and old antagonisms are mostly forgotten. To Mexico, however, the extent of U.S. influence is still a concern, and the past is not so easily dismissed.

At the time of Mexico's independence in 1821, the United States had already expanded beyond the Mississippi. Mexico's first president, Guadalupe Victoria, made suspicious of American intentions by talk that the boundary with Mexico was not the Sabine River (as the 1821 treaty with Spain specified) but possibly the Rio Grande, characterized the citizens
of the United States as ambitious people, without a spark of good faith, always ready to encroach upon adjacent territory. ¹

Nonetheless, Mexico allowed United States citizens led by Stephen Austin to settle in Texas. The hope was that the immigrants would be peacefully integrated, but political, religious and cultural differences hindered assimilation. The U. S. immigrants, numbering 30,000 by 1835, were alarmed when President Santa Anna annulled the 1824 Constitution and began centralizing the government, depriving them of control over local affairs. Texas rebelled and declared its independence on March 2, 1836. One month later, the Texas Revolution ended with the defeat of the Mexican army near the San Jacinto River. Texas then established the Lone Star Republic and remained independent for nine years from 1836 to 1845. During this time Mexico refused to recognize the Republic, but was unable to force Texas back into its fold.

Expansionists in the United States would have annexed Texas, but, partly out of fear of provoking a war with Mexico and partly because of entanglement in the slavery issue, annexation was delayed until 1845. Spurred by the election of James K. Polk, who had run on a platform including annexation, the Congress finally passed an annexation resolution in February, 1845. Upon passage of the resolution, the Mexican minister in Washington immediately lodged a protest and departed for Mexico. Within a month, his American counterpart had returned to Washington and the two nations were preparing for war. ²

Attempts to negotiate a settlement to the annexation dispute focused on the western boundary of Texas. The Nueces River had been the border since colonial times. When Moses Austin was granted his concession to
settle Texas, the boundary was the Nueces River; again, when the grant was extended to Stephen Austin, the boundary was the Nueces River. Yet, Texas claimed the Rio Grande as the western boundary on these grounds: first, some U. S. immigrants had been allowed to settle between the Nueces and the Rio Grande; and second, after his defeat at San Jacinto, Santa Anna had ordered his troops back across the Rio Grande, not the Nueces.

If Texas was successful in this claim, the new boundary would add not only the 150 miles between the Rio Grande and Nueces, but also half of New Mexico and Colorado. When Texas entered the Union, Polk decided to support the Texas claim to the Rio Grande boundary. He sent an envoy, John Slidell, to Mexico City to discuss the claim with Mexico's President Herrera. In addition, Slidell was instructed to negotiate the purchase of California and the remainder of New Mexico. Indignant protests in the Mexican press, and threats to overthrow Herrera if he acceded to the American demands, led to the termination of the Slidell mission. ³

Shortly after Slidell returned to Washington, hostilities began. President Polk had ordered General Zachary Taylor's troops into the disputed territory between the Nueces and the Rio Grande. Taylor ignored a Mexican order to withdraw, and instead advanced all the way to the Rio Grande. He was involved in a skirmish in which sixteen of his men were killed or wounded. This gave Polk the excuse he needed to pursue a war with Mexico. He went to the Congress with the message, "...after reiterated menaces, Mexico has passed the boundary of the United States, has invaded our territory, and shed American blood on American soil. She has proclaimed that hostilities exist, and that the two nations are now at war."⁴ This view differed substantially from Mexico's. From the Mexican
side of the Nueces, it appeared that the Americans had taken Texas, changed the boundary to double its size, and, when Mexico resisted this action, accused Mexico of invading the United States.\(^5\)

The Mexican War began in 1846 and ended with the Treaty of Guadalupe Hidalgo signed on February 2, 1848. Although hard-fought battles partially saved Mexican honor, the U.S. armies eventually captured Mexico City. Mexico paid dearly for the war. The treaty ceded to the United States all Mexican territory north and west of the Rio Grande. This included Texas, the California territory, and the New Mexico territory. In return the United States paid Mexico $15,000,000 and assumed the claims of U.S. citizens against the Mexican government.

The Treaty of Guadalupe Hidalgo basically established the U.S. - Mexican border as it exists today. The only subsequent major changes came in the Gadsden Purchase in 1854. Badly in need of funds, Santa Anna agreed to sell the Mesilla Valley (today southern New Mexico and Arizona) for $10,000,000.

The Texas Revolution and the Mexican War produced long-lasting distrust and hostility between the United States and Mexico. Two incidents of the Texas Revolution combined to crystallize U.S. opposition to Mexico: the deaths, to the last man, of a Texas force at the famous battle of the Alamo; and Santa Anna's order to execute 365 Texas prisoners of war as pirates.\(^6\)

The War also created martyrs for Mexico. In a major offensive at Veracruz, General Winfield Scott laid siege to the city, denying all pleas to allow women, children, and noncombatants to evacuate. However, the heroes of the war were the Boy Heroes of Chapultepec. The cadets of Chapultepec Castle were reportedly the last defenders of Mexico City
before its fall ended the war. Many of the cadets died rather than surrender.

The Mexican War strengthened the stereotypes that the United States and Mexico held about each other. American historians subsequently wrote of the U. S. duty to regenerate a backward people and fulfill Manifest Desitny. Devastated and humiliated by the loss of half their territory, Mexicans became more hostile than ever to the United States. Fears and hatred of the United States ran deep and were reflected in folk songs of the period. The intellectual community's criticism of U. S. imperialism added respectability to the prevailing Yankeephobia.

Lincoln through Diaz - Growing Ties

Relations between the United States and Mexico began to improve under Presidents Abraham Lincoln and Benito Juarez. When Juarez was deposed by the French and replaced by Archduke Maximillian of Hapsburg, the United States continued to recognize Juarez' exiled republican government. The French occupation of Mexico ended in February, 1867, and by May the Second Mexican Empire had fallen to the republicans. Benito Juarez returned to Mexico City.

The Liberal government was restored for a short time. Then in 1876, Porfirio Diaz overthrew Juarez' successor, President Sebastian Lerdo de Tejada, and established himself as President. For the next third of a century, Diaz controlled Mexico's destiny.

The United States refused to recognize Porfirio Diaz pending the resolution of several problems between the two nations. The first was the settlement of U. S. claims against Mexico. This problem was quickly solved, and Mexico began making payments in January, 1877. More serious was the
question of border raids. Groups of Indians and bandits from Mexico were crossing the border, attacking U. S. settlements and driving cattle herds back into Mexico. Diaz refused to accept any responsibility for preventing the thefts.  

Continued border violations combined with the American policy of pursuing the raiders into Mexico nearly brought the two countries to war by the summer of 1877. Tensions began to subside when President Diaz finally ordered additional troops to guard the frontier. The United States, at last convinced that the Diaz administration intended to establish order and meet its foreign obligations, recognized Diaz in May, 1878. Spurred by growing economic ties, relations continued to improve for the remainder of the Diaz era.

Diaz believed sound economic health was the answer to Mexico's domestic problems. Since there was little available capital in Mexico, foreign investment was encouraged. Within a generation, the framework of a modern economy was in place. With the help of U. S. and British capital, Mexico built railroads, banks, heavy industry, a sound currency, and established excellent credit abroad.

Although official relations between the United States and Mexico improved steadily after the Mexican War, the Mexican people continued to distrust U. S. influence. Labor and the church both objected to foreign "colonization" by which U. S. investment in Mexico exceeded the investments of the Mexicans themselves. The American economic invasion was seen as a threat to Mexico's national interests.

The U. S. Role in the Mexican Revolution

Capital improvements made during the Diaz era did not improve
conditions for the masses of Mexico. The new wealth benefitted only foreigners and the upper classes. Foreigners, in control of business and large amounts of agricultural land, were given preferred treatment by the police courts. Opposition to Diaz grew. In the Revolution that followed, the United States under President Woodrow Wilson intervened several times.

Political opposition to Diaz began when he announced that he would not be a candidate in the 1910 election. Diaz soon changed his mind, however, and had his opponent, Francisco I. Madero, jailed. On his release, Madero fled to the United States where he issued a plan of revolution calling for land reform, social justice, and a single-term presidency. Within six months the government had fallen. Diaz resigned on May 25, 1911, and sailed for Europe. Madero was elected President that fall.13

President William Howard Taft quickly recognized Madero's government, but Madero was soon challenged by impatient social reformers within Mexico. In the space of a year five rebellions against him broke out.

The Madero government was overthrown by a military coup led by Bernardo Reyes and Felix Diaz. For nine days neither the rebels nor the government troops could gain a clear advantage. Then General Victoriano Huerta, Madero's commanding general, switched sides. Huerta ordered one of his generals to arrest the president, his brother and most of his cabinet.14

U. S. Ambassador Henry Lane Wilson mediated between Madero and Huerta in the hope of reestablishing a peace that would guard the safety of U. S. citizens and business interests. Wilson was not an impartial mediator, however. Earlier, he had demanded that Madero resign and informed Huerta's representatives that the United States would recognize any regime that could restore order to Mexico.15 Some accounts say
Wilson actually conducted a meeting in which Generals Diaz and Huerta agreed to overthrow Madero. The agreement made public at the U.S. Embassy is known as the Pact of the Embassy.¹⁶

In any event, Huerta secured Madero's resignation on February 18, 1913, and had himself sworn in as president. As Madero was being driven from the Presidential palace to the penitentiary, he was assassinated. The official version of the death maintained that Madero was killed in the confusion when a group of his supporters tried to free him.¹⁷

The Madero assassination turned U.S. opinion against Huerta. The Taft administration left the question of recognizing Huerta to Woodrow Wilson. Despite Ambassador Wilson's urging, President Wilson refused to recognize Huerta. In fact, the President did everything he could to see Huerta out of office. He believed that Huerta's government failed to meet the requirements for legitimacy outlined in the Mexican Constitution and was therefore unworthy of recognition.

President Wilson indirectly supported the Constitutionalist opposition to Huerta (Venustiano Carranza, Pancho Villa, Alvaro Obregon, and Emiliano Zapata) by lifting the ban on arms exports, thus allowing munitions from the United States to reach the Constitutionalists.¹⁸ Wilson made various offers of help to Carranza, but Carranza was unwilling to compromise his position by inviting U.S. control of the Revolution.¹⁹

Wilson dealt the Huerta regime its final blow in the spring of 1914 when he ordered the occupation of Veracruz. The occupation was the result of an incident in the port of Tampico where a party of sailors from the USS Dolphin had been arrested for wandering into a restricted area. Though the sailors were released within an hour with an official apology,
U. S. Rear Admiral Henry T. Mayo demanded that the Mexicans present a twenty-one gun salute to the American flag. President Wilson supported these demands. When Mexico refused to salute, the United States planned a naval demonstration.  

The plan was revised when it was learned that a munitions shipment for Huerta had been received at Veracruz. President Wilson decided to capture the munitions and ordered Veracruz to be taken. Mexican casualties exceeded 300, including civilians. Nineteen American marines and sailors died.

The American occupation of Veracruz from April to November contributed to Huerta's resignation by blocking federal revenues from the custom-house. Huerta's military, economic, and diplomatic strength were all deteriorating, but in his resignation statement of July 8, 1914, Huerta placed primary responsibility for what had happened on Wilson.

In the chaotic years following Huerta's resignation, the factions of the Revolution began to fight among themselves. In October, 1915, President Wilson again interfered by recognizing General Carranza's de facto government. In so doing, Wilson ignored the claims of Pancho Villa who was still in control of part of the country. Villa, who had been courting the United States for years, determined to take revenge. In two separate 1916 incidents, Villistas attacked a train in Chihuahua killing fifteen Americans and crossed into New Mexico to burn the town of Columbus, killing 18 Americans.

With popular backing, President Wilson ordered a punitive expedition under General John J. Pershing to pursue Villa, but First Chief Carranza ordered the expedition out of Mexico. After a skirmish with Carranza's
troops raised tensions, the Pershing expedition withdrew. The incident seemed to threaten a war between the United States and Mexico which neither government wanted. As the United States drew nearer to war with Germany, President Wilson no longer had time to deal with Mexican problems and turned his attention to Europe.

By 1917 Carranza had consolidated his position and was elected President. After giving assurances that U. S. property would be protected, Carranza was recognized de jure by Wilson in August, 1917.

While the events of 1910 to 1917 sharpened animosities on both sides of the border, they have been forgotten in the United States today. In Mexico, however, the occupation of Veracruz and U. S. intervention in the Revolution left a legacy of resentment that still arouses suspicions toward the United States.

The years following the Mexican Revolution continued to be marked by strife between the United States and Mexico. Problems of recognition, oil rights and protection of U. S. business interests remained unsettled.

In 1920 Alvaro Obregon was elected to a four year term as president of Mexico after joining a revolt against Carranza that forced Carranza to flee the capital. Newly-elected United States President Warren G. Harding, under the influence of a group of senators, refused to recognize the Obregon government unless it agreed in writing to protect American citizens and their property rights in Mexico. The senators were concerned by Article 27 of the Mexican Constitution under which all subsoil properties belonged to the Mexican state. The United States refused to recognize Obregon's government for three years until after the Bucareli Conference in 1923. Then at the Conference it was agreed that oil lands would not
be seized under Article 27 if a "positive act" to drill oil had been taken before May 1, 1917.  

However, Plutarco Elias Calles, elected in 1924, ordered the oil companies to exchange their titles of ownership for fifty year leases. Enforcement of the law brought relations almost to the breaking point. The controversy was settled by U. S. Ambassador Dwight Morrow who suggested that the matter by settled in the Mexican courts. An official release of the U. S. government acknowledged that the petroleum controversy had been solved by the Mexican government. The United States had finally recognized full Mexican sovereignty even where U. S. interests were involved.

The question of oil again surfaced during the Lazaro Cardenas administration. In 1938 Cardenas nationalized the foreign oil companies when they refused to obey a Supreme Court decision to honor a labor contract. The President maintained that the companies had flagrantly defied the sovereignty of the Mexican state.

The oil companies used legal, propaganda, and economic weapons to fight the expropriation, but for all intents and purposes the two governments remained stalemated over the oil question until 1941. Just before World War II, the United States and Mexico signed a General Agreement that had been in the making for months. The Agreement settled oil and agrarian claims and worked out a trade treaty.

United States-Mexico affairs had begun to improve slightly in the late twenties with the ambassadorship of Dwight Morrow and continued to improve throughout the Good Neighbor era of the Roosevelt presidency. When Franklin Roosevelt assumed office in 1933, he abandoned the policy of intervention which had produced little more than resentment. U. S.
acceptance of Mexico's oil expropriation emphasized the change in U. S. policies.  

The Postwar Years - Improved Relations

With the issues of oil rights, property damages, and intervention out of the way by World War II, each country turned its attention elsewhere. Mexico entered a period of great economic growth while the United States became more involved with global problems. Tensions relaxed and relations between the two countries were usually friendly until the 1970's. Boundary and water issues that had been a source of friction for years were finally settled during this period.

The Chamizal controversy, which was settled in 1963, dated back to 1864 when the Rio Grande suddenly shifted south. The change in the river's course transferred 600 acres of land from Mexico to Texas. Arbitration Commissions had never been able to settle the Chamizal dispute properly; Mexicans regarded the Chamizal as evidence of Yankee imperialism. In the summer of 1963, the Chamizal problem was finally settled. Lyndon Johnson and Lopez Mateos formalized the agreement in September, 1964, after John Kennedy's death.

An agreement to control the salinity of the Colorado River was also reached. According to a 1944 water treaty the United States is required to send 1.5 million acre-feet of agricultural quality Colorado River water to Mexico annually. The postwar growth of the American Southwest put great strains on the water supply. By 1960 the Colorado River water reaching Mexico was damaging the productivity of Mexican farms because it was too salty after being used for irrigation in the United States. Although the United States spent millions from 1961 to 1972 to improve the water
quality, it was still too salty.

By the early 1970's the problem was acute enough that President Luis Echeverria declared the salinity of the Colorado River to be the major issue between the two countries. Finally, in 1972 President Richard Nixon agreed to large-scale desalinization of the Colorado. The agreement was enacted by Congress in the 1974 Colorado River Basin Salinity Act thus settling the controversy. 34

Other areas of concern have been resolved with cooperative programs. Narcotics control is conducted through joint investigations by U. S. and Mexican agencies. 35 Pollution problems along the boundary are studied by the International Boundary and Water Commission. Consultative mechanisms established in 1976 consider common problems in trade, investment, energy and minerals, tourism, and areas of social concern. 36 With cooperation on these issues and also on numerous routine matters such as coordination of air traffic control and protection of cultural property, 37 relations remain basically sound. However, by the early 1970's the friendship was showing signs of strain.

Mexico's president, Luis Echeverria, acting as a Third World spokesman, promoted the Charter of Economic Rights and Duties at the United Nations in 1974. The Charter detailed the desires of the less developed countries for a new international economic order. Although President Ford complimented Echeverria on the "very great merit and very great support" that the Charter had, the United States voted against it because of objections to two clauses. One gave every state the right to expropriate foreign property and pay only whatever compensation was deemed adequate by its own laws. The other gave states the right to form associations of
producers of primary products such as the Organization of Petroleum Exporting Countries. The United States vote was in line with long-standing and well-known American policies, but following Ford's public statements it came as a disappointment to Mexico. 38

At the same time, Echeverria's role as a Third World spokesman was frowned upon in the United States. A group of Congressmen became so concerned that they issued President Ford a warning that Mexico was "going communist." 39

It was expected that the atmosphere would improve with the presidencies of Jimmy Carter and Jose Lopez Portillo, who were both elected in 1976. As a sign of goodwill, Carter invited Lopez Portillo to be the first foreign leader he received. 40 However, by 1977 differences over natural gas sales and immigration had clouded relations between the two.

In 1976 Mexico discovered large new deposits of oil and gas and in 1977 made arrangements to sell two million cubic feet of natural gas to a group of United States companies. The Carter administration refused to sanction the sale because it felt the Mexican price was too high. 41 This move embarrassed President Lopez Portillo, who had insisted on constructing an 1,100 mile pipeline to Texas for the purpose of selling Mexican gas to the United States. 42 The dispute over the price of natural gas was eventually settled in 1979.

The issue of immigration, which also marred Carter's relations with Lopez Portillo, is a persistent problem that seems to defy solution. It was one of the biggest areas of concern in U. S. - Mexican relations in the 1970's.

The most recent immigration crisis resulted from a 1976 change in the U. S. immigration laws which cut the number of legal Mexican immigrants
allowed to 20,000 per year. Prior to the change Mexico had been allowed 40,000 immigrants per year, and with the preference system for relatives the actual number of immigrants allowed was about 60,000.

In an attempt to enforce the new, lower limit, the Carter administration extended the border fence by six miles causing an uproar in Mexico over the "tortilla curtain." A bill submitted by President Carter to enforce the immigration laws without first consulting Mexico caused a further setback in relations.

After Ronald Reagan came to office, attention shifted from problems of immigration and energy to differences in foreign policy. Mexico has always tried to maintain independence from Washington where its foreign policy is concerned. Because of its experiences with the United States, and earlier with France, nonintervention has been the mainstay of Mexico's foreign policy. Mexico has consistently opposed U. S. interference in other Latin American nations including Guatemala, the Dominican Republic, and Cuba. During the Cuban Missile Crisis President Lopez Mateos refused to go along with U. S. condemnation of the Castro regime, and Mexico voted against Cuba's expulsion from the Organization of American States. In spite of dissent over Mexico's independent foreign policy, the United States and Mexico remained on good terms.

In this tradition, Mexico has expressed increasing concern about the conflict in Central America. Mexico, along with Panama, Venezuela and Colombia—the Contadora Group—has tried to bring negotiated settlements to the conflicts in Central America. The Reagan administration has ignored or downplayed the Contadora Group's efforts, endorsing the search for peace while financing covert war against the Sandinistas in Nicaragua.
and increasing military aid to El Salvador. However, the United States and Mexico have publicly minimized differences of opinion, emphasizing the mutual belief that economic and social problems are at the root of regional difficulties.

Though differences with Mexico in the past few years seem sharp, they are only part of the normal ups and downs experienced by the United States and Mexico during the postwar era. Problems which cause great alarm when they arise, such as narcotics control and Colorado River salinity, are eventually ironed out and seen as evidence of the cooperative spirit existing between the two countries. Even the decade of the seventies, which seemed relatively contentious, produced positive developments. Cooperation on narcotics control continues, and the associated problem of treatment of U.S. citizens arrested in Mexico was also settled by a treaty of 1976. In 1979 after the IXTOC I oil spill in the Bay of Campeche was capped, a joint marine pollution contingency plan was worked out.

Other problems such as immigration, trade issues, and energy are of such magnitude as to seem virtually insoluble. They will continue to be a source of friction in the relationship, but efforts to reach agreement, or at least compromise, are continually underway. Thus, the cordial tone present in U.S.-Mexican relations since World War II is likely to continue even in the face of these problems. The attitudes of the past, however, have not been completely abandoned. At times old suspicions influence present policies. The Mexican government has to work around an anti-American nationalism when dealing with the United States. Especially in the fields of trade and oil, Mexican law attempts to limit foreign control in order to prevent a repeat of the economic invasion of the Diaz era.
Footnotes


3. Ibid., p. 343.


7. Ibid., pp. 351-352.


15. Weil, et al., p. 75.


17. Ibid., p. 521.


19. Cline, p. 531.

21Cline, pp. 157-159.
22Meyer and Sherman, p. 533.
23Callahan, p. 650.
24Meyer and Sherman, pp. 540-542.

26Cline, p. 186.
27Shafer and Mabry, p. 173.
28Meyer and Sherman, p. 578.
29Cline, pp. 234-238.
31Shafer and Mabry, p. 176.
32Ibid., p. 190.
33Meyer and Sherman, p. 660.
34Shafer and Mabry, pp. 191-192.


43 Ibid., p. 37.

44 U.S. Community Services Administration, Latin American Institute, University of New Mexico, The Problem of the Undocumented Worker, edited by Robert S. Landmann, (November 28, 1979, deposited), p. 62.


48 Meyer and Sherman, p. 660.


51 Krueger, p. 75.
II. TRADE

Importance of Trade

Trade is an important element in the U. S. - Mexican relationship. It provides contact between the people of the two nations through border trade, tourism, investment transactions, and the export-import trade; it is the basis on which the countries deal with one another. Though trade is advantageous to both the United States and Mexico, it is more essential to Mexico than to the United States. Mexico has worked to limit its economic dependence on foreign countries since its Revolution, and has largely succeeded. However, United States business and banking are still essential to Mexican prosperity. While both countries wish to promote a healthy, growing Mexican economy, their approach is not always the same. This chapter will look at the role trade plays between the United States and Mexico, and review how differences and similarities in trade policies affect relations.

Although the United States and Mexico have not had a bilateral trade treaty since 1950, a large volume of trade is conducted despite the lack of any mutually agreed upon formal procedures. In 1981 U. S. - Mexican merchandise trade amounted to over $30 billion.

Mexico depends on the United States for trade to a far greater degree than the United States depends on Mexico. While Mexico is a valuable trading partner for the United States, it supplies the U. S. with only 3 to 5 percent of its imports and purchases only 4 to 7 percent
of U. S. exports. The United States, on the other hand, is Mexico's closest trading partner supplying about 63 percent of its imports and buying about 60 percent to 70 percent of its exports (see Table 1, United States-Mexican Trade).

Mineral fuels and related materials are the United States' biggest imports from Mexico counting for over half of all goods imported from Mexico in 1980 (see Table 2, Composition of United States-Mexican Trade). Even so oil supplied by Mexico represents only 5 percent of U. S. national consumption. Other commodities imported from Mexico by the United States include tropical agricultural products (e.g. cotton, coffee), farm products (e.g. strawberries and winter vegetables), and minerals including copper, lead and zinc.

While the United States imports mostly raw materials and food from Mexico, capital goods are Mexico's chief import from the United States. Mexico will have to continue importing large quantities of machinery in order to sustain its growth rate and fulfill its plans to develop industry, agriculture, and energy resources. Much of this equipment will come from the United States. Thus, Mexico relies on U. S. imports to implement its development plans making the composition of imports, as well as the quantity, a factor in Mexico's dependence on the United States.

Besides relying on the United States for trade in goods, Mexico draws 70 percent of its tourist and border sales from U. S. customers, and makes nearly 100 percent of its similar purchases in the United States. Tourism is an important export for both nations, ranking second behind machinery and transport equipment for the U. S. and behind mineral fuels and lubricants for Mexico.
### Table 1
**UNITED STATES - MEXICAN TRADE**

<table>
<thead>
<tr>
<th></th>
<th>Mexico</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exports to U.S.</td>
<td>Imports from U.S.</td>
</tr>
<tr>
<td>1975</td>
<td>58%</td>
<td>63%</td>
</tr>
<tr>
<td>1976</td>
<td>57%</td>
<td>63%</td>
</tr>
<tr>
<td>1977</td>
<td>60%</td>
<td>64%</td>
</tr>
<tr>
<td>1978</td>
<td>66%</td>
<td>60%</td>
</tr>
<tr>
<td>1979</td>
<td>69%</td>
<td>63%</td>
</tr>
<tr>
<td>1980</td>
<td>63%</td>
<td>66%</td>
</tr>
<tr>
<td>1981</td>
<td>60%</td>
<td>81%</td>
</tr>
</tbody>
</table>

---


**Table 2**

**COMPOSITION OF UNITED STATES - MEXICAN TRADE**

1980 United States Exports to Mexico

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Value in Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Live Animals</td>
<td>1,908,335 291</td>
</tr>
<tr>
<td>Beverages and Tobacco</td>
<td>2,630 206</td>
</tr>
<tr>
<td>Crude Materials-Inedible, Except Fuel</td>
<td>1,078,683 974</td>
</tr>
<tr>
<td>Mineral Fuels, Lubricants, Etc.</td>
<td>340,863 046</td>
</tr>
<tr>
<td>Animal &amp; Vegetable Oils, Fats &amp; Waxes</td>
<td>90,273 751</td>
</tr>
<tr>
<td>Chemicals &amp; Related Products NSPF</td>
<td>1,441,454 415</td>
</tr>
<tr>
<td>Manufactured Goods by Chief Material</td>
<td>2,063,395 099</td>
</tr>
<tr>
<td>Machinery and Transport Equipment</td>
<td>6,563,454 045</td>
</tr>
<tr>
<td>Miscellaneous Manufactured Articles</td>
<td>856,575 269</td>
</tr>
<tr>
<td>Comm &amp; Trans Not Classified Elsewhere</td>
<td>535,768 147</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>14,884,767 863</strong></td>
</tr>
</tbody>
</table>


1980 United States Imports from Mexico

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Value in Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Live Animals</td>
<td>1,316,199 557</td>
</tr>
<tr>
<td>Beverages and Tobacco</td>
<td>98,236 877</td>
</tr>
<tr>
<td>Crude Materials, Inedible, Except Fuel</td>
<td>208,910 092</td>
</tr>
<tr>
<td>Minerals, Fuels, Lubricnts &amp; Reltd Mattrl</td>
<td>6,592,592 893</td>
</tr>
<tr>
<td>Oils and Fats, Animal and Vegetable</td>
<td>3,756 650</td>
</tr>
<tr>
<td>Chemicals and Related Products, NSPF</td>
<td>2,751 478 584</td>
</tr>
<tr>
<td>Manufactured Goods by Chief Material</td>
<td>762,621 146</td>
</tr>
<tr>
<td>Machinery &amp; Transport Equipment</td>
<td>2,046,961 216</td>
</tr>
<tr>
<td>Miscellaneous Mfrd Articles, NSPF</td>
<td>870,283 481</td>
</tr>
<tr>
<td>Articles Not Provided for Elsewhere</td>
<td>344,757 844</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12,519,467 240</strong></td>
</tr>
</tbody>
</table>

In addition, 70 percent of all direct foreign investment in Mexico is from the United States; however, foreign investment accounts for only about 4 percent of Mexico's total private investment. In 1979 the United States had about $5.8 billion invested in Mexico out of a total U.S. overseas investment of $192.6 billion. These figures show that while U.S. investment in Mexico is substantial, it is not an overwhelming force. Nonetheless, it is vital to the growth of Mexico's manufacturing sector—the area to which Mexican law funnels most foreign capital.

Mexico is obviously valuable to the United States as a trade partner, but the United States is not dependent on Mexico. In contrast, Mexico relies mainly on the United States as a customer for its exports, as a supplier for its imports, and as a source of outside capital. This has been a basic element of U.S.-Mexican relations since the time of Diaz, a fact that Mexico would like to alter. The disparity between the United States and Mexico in the trade relationship gives Mexico good reason to distrust U.S. influence over its economy.

**United States Trade Policy**

The stated foreign policy objectives of the United States regarding Mexico reflect the importance of trade to the relationship. Objectives include:

1. Maintaining friendly relations and cooperation between Mexico and the United States.

2. Cooperating in developing a modern economy, linked with other countries of the hemisphere, including the U.S., through a mutually beneficial system of trade and investment.

3. Encouraging U.S. private investment in the form needed for Mexico's growth; and
4. Settling differences in the spirit of mutual respect and neighborly understanding.

Speaking specifically of foreign trade policies, the United States, particularly under the Reagan administration, favors noninterventionist policies that allow market forces to distribute trade and investment. The United States would like to see nontariff barriers and export subsidies eliminated, particularly in the two most important areas of American competitiveness—high technology and agriculture. The U. S. is also interested in having barriers to trade in services reduced. The United States believes that these goals could be accomplished through the General Agreement on Trade and Tariffs (GATT) which it would like to see strengthened and expanded to increase participation of the developing nations.

Trade between the United States and Mexico has no firm treaty structure, but most Mexican imports to the United States are subject to the "most favored nation" provision of the Tariff Agreements Act of 1934 and the Generalized System of Preferences in the Trade Act of 1974, amended by the Trade Agreement of 1979.

As a most favored nation, Mexico benefits from all trade concessions which the United States grants to any other trade partners that are also most favored nations. The Generalized System of Preferences enables countries, mostly underdeveloped nations, to send exports to the United States free of duties.

President Gerald Ford implemented the Generalized System of Preferences (GSP) as provided for in the Trade Act of 1974 on January 1, 1976. It basically divided all U. S. imports when exported by certain developing countries into three categories: those not eligible for
duty-free GSP treatment, those eligible for such treatment, and those eligible except as limited by competitive need provisions.

Competitive need excludes a nation's exports of a product from duty-free GSP treatment when the product accounts for 50 percent or more of U.S. imports of the item, or when exports of the item from the country totalled $25 million the preceding year. This figure is annually adjusted upward according to growth rate of U.S. gross national product. In addition, to be eligible for GSP the cost or value of materials produced in the exporting country plus direct cost of processing operations performed there must equal at least 50 percent of the appraised value at the time of entry into U.S. customs territory. The minimum content was originally 35 percent.12

Mexico is the fourth largest utilizer of U.S. GSP with over $639 million of goods sold duty-free in 1981. However, only 7 or 8 percent of annual Mexican exports to the United States have ever entered duty-free under GSP. Of the one-fourth or so of Mexican exports that are eligible for U.S. GSP every year, about 30 percent are not qualified—usually because they fail to meet the 50 percent minimum content limit. Another 40 percent by value are denied GSP due to the competitive need limitation.13

In 1981 the United States began a system of "graduation" under which duty-free treatment for more economically advanced developing countries was limited on a product-by-product basis. Graduation is intended to expand GSP benefits for less competitive developing countries. It was accelerated in 1982.14

Mexico is critical of the competitive need restrictions on GSP and strongly opposes the graduation concept. In 1982 five of Mexico's products worth $85 million were "graduated."15
Because the United States is a signatory of the General Agreement on Trade and Tariffs, some of Mexico's exports to the United States are subject to GATT regulations as well as most favored nation and GSP provisions. The GATT regulations can be a problem for Mexico, which subsidises industries to promote growth, because GATT allows countervailing duties to be imposed in the case of export subsidies. If goods are exported at prices below those on the domestic market or sold at less than the estimated cost of production, anti-dumping duties can be imposed by the United States. In the case of countries that do not adhere to GATT, U. S. law allows countervailing duties to be levied on dutiable articles without a determination of material injury to U. S. producers. If the article is duty-free, however, material injury to the U. S. industry must be proved before a countervailing duty is imposed.  

Along the border there is a special category of trade known as "in-bond" industries or maquiladoras. In 1965 this trade was established by Mexico in Free Trade Zones near the northern border to help solve the immigration problem. Since 1972 the maquiladoras have been allowed to locate anywhere in Mexico, but 90 percent of the 600 or more plants are still located in border cities. The maquiladoras produce finished goods from components imported from the United States and reexported for sale. The plants operate under a variety of exemptions from Mexican law including blanket authorization for 100 percent foreign ownership.

The reciprocal provisions of U. S. law are Sections 806 and 807 of the U. S. Tariff Schedule which allow goods produced in the United States to be shipped to Mexico for assembly and reexported to the United States paying duty only on the value-added through production in Mexico. This
allows the labor-intensive phase of U. S. manufacturing to be performed in Mexico.\textsuperscript{19}

Although U. S. labor groups oppose Sections 806 and 807 on the grounds that they transfer U. S. jobs to lower-wage foreign production, United Stated Government analysts disagree. They believe that the in-bond industries benefit U. S. labor by preventing the entire production operation from moving off shore.\textsuperscript{20} The \textit{maquiladora}s program also benefits Mexican labor, employing about 120,000 people (1980).\textsuperscript{21}

\textbf{Mexican Trade Policy}

Mexico's recent foreign trade policy includes the following: 1) protection of national industry, 2) promotion of exports, especially manufactured and semi-manufactured goods, 3) promotion of geographic and commodity trade diversification, 4) discouragement of consumer goods imports and preference for material and capital goods imports, and 5) rejection of GATT.\textsuperscript{22}

Mexico's general policy regarding imports is protectionist. Major policy objectives are import substitution by domestic products as a means to develop manufacturing industries, and diversification of trade to acquire self-sufficiency, new markets, and new supply sources. Import substitution is implemented through government purchasing policies, import licensing, and tariff barriers.\textsuperscript{23}

As part of a drive to develop export markets, Mexico had planned to drop the import licensing system in favor of a tariff system by 1982. The intention was to lessen protection, thus forcing local manufacturers over time to meet world market standards.\textsuperscript{24} However, in the summer of 1981 Mexico reversed its trade liberalization policy in response to
balance of payments problems. Import tariffs were raised, and by August, 1982, all imports again required an import license. 25

Tariff structures are also used to influence imports of consumer and capital goods. Consumer goods which are produced by Mexican industry are subject to tariff rates of 60 percent to 100 percent. Industrial machinery needed for development purposes usually has a 20 percent duty, and some products, including essential raw materials and agricultural products, are imported duty free. 26

With respect to GATT, Mexico decided in 1980 to postpone membership indefinitely despite the favorable conditions provided by its Protocol of Accession. 27 The terms of the Protocol were considered extremely liberal. Mexico would have had twelve years to eliminate its import permits. Bilateral tariff concessions negotiated with the United States in the Tokyo Round would have been incorporated into the agreement. The new Mexican system of tariff valuation was accepted. Mexico would have been allowed to continue granting tax incentives to industry, provided these did not harm other GATT members. Mexico was insured full rights to protect industry and agriculture, and GATT recognized Mexico's protectionist policy on rural products. Finally, Mexico would have had the right to ignore any GATT provisions covering nontariff trade barriers that were incompatible with existing Mexican legislation. 28

President Lopez Portillo originally favored accession to GATT, but after a national debate in which nationalists in the intellectual community, protectionists in the private sector, and government planners opposed Mexico's entry he changed his mind. Labor unions and mass-based groups were not heavily involved in the debate. 29 On March 18, 1980, the
forty-second anniversary of the nationalization of the oil companies, Lopez Portillo announced that Mexico would not accede as a contracting member to GATT.\textsuperscript{30}

The GATT decision was based partly on a desire to protect small and medium-scale industry, and partly on a preference for bilateralism in relations with industrial countries. Mexico believes that bilateral agreements provide a better opportunity than GATT to use petroleum as a weapon to gain trade advantages and acquire scarce technology.\textsuperscript{31} The decision was also a reflection of Mexico's desire to maintain trading and investment independence, especially from the United States. In the United States, Mexico's decision caused surprise and anger, followed by a "wait and see" attitude.\textsuperscript{32}

To avoid foreign domination of its industry, as in the nineteenth century, Mexico now has laws limiting foreign investment. Foreign companies operating in Mexico must acquire permits in which they agree to consider themselves as Mexican nationals subject to Mexican laws, and not to seek special protection from their own governments.\textsuperscript{33} Some industries are not open to foreign participation. The petroleum and forest industries are restricted solely to Mexican ownership, while as of 1961 the mining industry must have majority Mexican ownership. In 1973, under Echeverria, the laws were tightened to require majority Mexican participation in all new investments except where it is in the national interest to waive the requirement.\textsuperscript{34} Direct foreign investment is allowed if it does not compete with domestic investment and if it brings otherwise unobtainable technology into the country.\textsuperscript{35} Foreign investment is particularly welcome if it will help reduce imports or expand exports.\textsuperscript{36}
Policy Differences

Protectionist measures and domestic pressure to impose protectionist policies in both Mexico and the United States are key trade issues which continue to cause friction between the countries.

Besides being opposed to GSP restrictions on its exports, Mexico has long been critical of U. S. tariff and non-tariff barriers which it feels restrict its exports to the United States. As an example, Mexico believes that U. S. restrictions on size and color are used to shut out its strawberry and tomato exports.\(^{37}\)

American business in turn complains of unfair advantages enjoyed by Mexican exporters. As previously mentioned, the tariff laws are criticized by some sectors in the United States for encouraging "runaway plants." United States exporters object to Mexico's policy of supplementing high tariff walls with an import licensing system to protect its industrial sector from competition. In addition to tariffs and import licensing, Mexico uses indirect controls such as domestic content requirements to protect industries, particularly the automotive industry.\(^{38}\) United States agricultural producers believe that Mexico dumps winter vegetables on the U. S. market.\(^{39}\) Tomatoes are a particular problem drawing annual objections from United States farmers, and creating hostile press in both countries.\(^{40}\) Florida tomato growers petitioned for a ruling that Mexican growers were contravening the 1921 Antidumping Act by selling at below cost in the United States,\(^{41}\) but in March, 1980, the Commerce Department ruled that Mexican winter vegetables were not being dumped in the United States. Florida growers have appealed the decision.\(^{42}\)

Fishing is another trade area that has caused friction in recent years. Shrimp fishing in the Gulf of Mexico has been a source of conflict,
but the most recent problems involve Pacific Ocean tuna. In 1976 Mexico extended its exclusive economic zone (EEZ) to 200 miles. Since tuna are migratory, fishing fleets must follow them wherever they go, and owners of U.S. tuna boats claim they cannot afford the exorbitant license fees required for fishing in Mexico's EEZ. In July, 1980, Mexico seized several U.S. tuna boats; in retaliation the United States banned the import of fish from Mexico. These actions threatened the three year old negotiations for United States access to Mexican waters.

In January, 1981, Mexico terminated all fishing accords with the United States including accords on grouper and snapper as well as tuna. Mexico's action was triggered by the United States' refusal to allocate Mexico more squid catch in the North Atlantic.

Although the extent of United States-Mexican trade serves to bind the two countries together, it also creates numerous sources of friction. Mexico feels that the United States is hampering its economic development through the use of quality restrictions, quotas, anti-dumping charges and tariffs. As Lopez Portillo stated in an address to the United States Congress, restrictions on imports aggravate economic problems by causing unemployment. At the same time that Mexico urges the United States to relax trade restrictions on Mexican imports, it implements tariff and import licensing policies to block exports from the United States.

Trade relations between the United States and Mexico are made more difficult by historic factors and Mexico's strong desire to establish economic independence. Despite the occasions for disagreement presented by trade it is an element that strengthens the ties between the two
countries. The extent of U. S. - Mexican trade is such that neither nation could easily afford a deterioration in relations; this has been increasingly true in the case of oil.
Footnotes


8. "Mexico," Department of State Background Notes, April, 1979, p. 8.


10. Ibid., p. 48.

11. Mexico's Oil and Gas Policy, pp. 56-57.


13. Ibid., pp. 78-80.


15. Ibid., p. 82.


17. Mexico's Oil and Gas Policy, p. 54.

18. Tower, p. 17.

37
19 McBride, p. 90.


21 McBride, p. 90.


24 Tower, p. 12.

25 Twenty-sixth Annual Report of the President, p. 81.

26 Tower, p. 13.


29 Ibid., p. 781.

30 Ibid., p. 767.

31 McBride, p. 50.

32 Ibid., p. 89.

33 Ibid., p. 96.

34 "Mexico," Background Notes, p. 6.

35 Mexico's Oil and Gas Policy, p. 38.


38 North American Economic Interdependence, p. 20


40 McBride, p. 18.


42 Twenty-sixth Annual Report of the President, p. 82.


45 Bath, p. 12.


III. OIL

History

With the discovery of enormous new oil deposits in 1976, Mexico became of more interest to the United States than it had been since before World War II. Mexico's oil provides an alternative to reliance on oil from the unstable Middle East. Though Mexico follows OPEC price policies, its oil is less expensive for the United States than OPEC oil because transportation costs are lower. Mexican oil has the advantages of being close, secure and plentiful--estimates of Mexico's proven reserves are still rising.

The story of Mexico's oil relations with foreign companies reveals how Mexico was dominated by outside interests at the beginning of this century, and how oil came to serve as a symbol of Mexican nationalism and sovereignty. Today Mexico's oil dealings are still partly shaped by nationalist sentiment. This chapter will detail the development of Mexico's oil resources from the days when the industry was controlled by foreign companies through the 1976 oil discovery, and examine U. S. and Mexican oil policies.

Oil is Mexico's largest export to the United States. Throughout this century it has also been one of the greatest sources of controversy between the countries, encompassing as it does both profits and pride.

Until the time of Porfirio Diaz, Mexico's law followed the Spanish tradition of vesting ownership of subsoil resources in the crown.
Then in order to obtain foreign investment, Diaz altered the law to follow the Anglo-Saxon tradition of vesting subsoil ownership in the owner of the surface property.

From 1901 to 1910 the Mexican oil industry fell under the control of British and American investors who came to control over 70 percent of Mexican crude production. Production was modest, but it picked up during the next years with the advent of World War I and assembly line production of automobiles. By 1921 Mexico was producing one-fourth of the world's oil supply. However, during the decade of the twenties Mexico's oil production dropped sharply, until by 1930 Mexico produced only 3 percent of world oil. The decrease in production was partly due to Mexican cutbacks and partly to increased oil activity in Texas, California, Oklahoma, the Soviet Union and Venezuela. During the twenties American oil interests in Mexico surpassed the British interests to gain control of 77 percent of Mexican oil production. This was the only time that American oil companies dominated the Mexican oil industry. After 1934 new British discoveries once again made British interests predominant.2

The growth of the oil industry had occurred during the Mexican Revolution. The companies were not adversely affected by the war because the oil fields were remote from large-scale military activity. By 1916, however, changes brought by the Revolution began to affect the oil industry. A technical commission appointed by Venustiano Carranza concluded, "... it is only right that that which belongs to the nation—the subsoil resources of coal and oil—be restored to it."4

The Constitution of 1917, produced by the victorious Carranza
faction, upheld the principle of private property so long as it served a social purpose. One reform embodied in the Constitution was the return to the Spanish custom of distinguishing surface property from subsoil property.

Article 27, paragraph iv, of the 1917 Constitution eliminated ownership rights to oil and coal reserves, though concessions could be obtained by Mexican citizens. Foreigners could also obtain concessions if they agreed to consider themselves as nationals and promised not to invoke the protection of their governments.5

In February, 1918, Carranza decreed that the subsoil petroleum belonged to the nation, and that parties wishing to exploit it must apply for concessions regardless of whether their leases or property titles had been formalized before 1917. The United States issued formal protests against the decree which changed land titles to mere concessions.

When the Carranza government was overthrown by a group of generals and Alvaro Obregon was elected president, the United States withheld recognition until the Obregon government recognized the property rights of American citizens in Mexico. The first two years of Obregon's term were filled with rumors of subversive activities sponsored by the oil firms, and of U. S. invasions of Mexico, also supposedly to be backed by the oil firms.

Obregon was caught between the need for U. S. recognition to help stabilize his government and the need to satisfy Mexican nationalists. The Bucareli Conference in 1923 finally provided a solution to the problem. The United States recognized the change in the status of subsoil ownership from absolute property titles to "confirmatory
concessions." In return Mexico agreed to such a broad definition of the "positive acts" principle that the oil companies were allowed to keep most of their property.6

The "positive acts" principle was embodied in five decisions of the Mexican Supreme Court regarding injunctions brought by the oil firms against the Carranza decrees. The Court ruled in 1921 that Article 27, paragraph iv, was not retroactive in the case of lands on which a "positive act" had been carried out. A positive act was some drilling or activity to indicate the "owners intention to extract oil prior to May 1, 1917," when the Constitution had taken effect.7

Obregon's successor, Plutarco Calles, brought relations nearly to the breaking point when he used a narrower interpretation of "positive acts" in demanding that the oil companies exchange their property titles for fifty year concessions to drill. According to some sources, Washington even considered invading Mexico in 1927 or lending support to Mexican rebels.8

Relations improved when President Calvin Coolidge appointed Dwight Morrow as the United States Ambassador to Mexico. Morrow worked out an agreement with Calles (1928) under which Mexico returned to the Bucareli Conference's broad definition of "positive acts." In exchange the United States agreed that future application of Mexico's oil laws would be settled in Mexican courts rather than through diplomatic intervention. This provision displeased the oil companies.9

The Morrow-Calles Agreement lasted until the Lazero Cardenas administration again took up the fight against foreign capital. Events beginning in 1936 changed Mexico's relations with the oil industry.
First, an expropriation law aimed at essential industries was passed. However, the oil and mining industries were assured that they were safe from expropriation. Second, President Cardenas consolidated nineteen oil unions into one organization. It went on strike after the oil companies rejected its demands for higher wages and staffing provisions that would have led to union control of the industry. The oil companies continued to disregard government insistence on higher salaries even after the government threatened to put the industry in the hands of official supervisors.\textsuperscript{10} The companies finally agreed to the 26 million peso wage increase after the Mexican Supreme Court ordered them to comply, but the firms couldn't agree to the administrative clauses. The government decided that expropriation was the best way to protect its workers and sovereignty. On March 18, 1938, the expropriation of the oil industry was announced. The expropriation applied to only the surface lands because the oil itself already belonged to Mexico.\textsuperscript{11}

The companies, however, regarded the subsoil deposits as their absolute property and demanded prompt indemnization. In retaliation for the expropriation of their property, the oil companies instigated a boycott to prevent the export of Mexican oil. The U. S. State Department went along with the boycott. In addition, the United States suspended its direct purchases of silver from Mexico.\textsuperscript{12} The protests eventually died down as the United States became involved in World War II, and worked out an agreement with Mexico.

The State Department began work on an agreement to assess the value of the nationalized property in 1941, but the United States, Mexico, and the oil companies all came up with different estimates of the property value. Included in the State Department estimate was the value of the
subsoil hydrocarbons. By April, 1942, a joint commission had worked out an agreement which was finally accepted in October, 1943, by Standard Oil of New Jersey, the last U. S. oil company in Mexico. The agreement was signed a month later.

The Mexican government agreed to pay the oil companies $30 million in installments by 1947. Though the agreement never stated that it included payment for the value of subsoil deposits, in practice it did. By not specifying whether the hydrocarbons were compensated for, the agreement made it possible for Mexico to assume that the oil companies acknowledged Mexico's ownership of the subsoil hydrocarbons. It was equally possible for the United States to assume that the agreement tacitly recognized ownership by the oil companies since the companies were compensated for the oil.

The method of payments (installments) had been a source of disagreement too, and Mexico won this part of the argument. The oil companies originally had demanded prompt, effective, and adequate payment as traditionally provided under international law.13

The settlement of the expropriation dispute was made possible by the international situation after 1940. The crisis in Europe and Asia required hemispheric unity and Roosevelt's Good Neighbor Policy had rejected the use of force, so Mexico finally felt safe from the rumored threats of U. S. invasion and subversion. Thanks largely to the pressures on Washington created by World War II, expropriation was established as an irreversible fact by 1943.14
Oil Relations

The nationalization of oil was an immensely popular move in Mexico—March 18 is celebrated as a holiday. However, Mexico could not keep up either production or exploration without outside capital and technical aid, which for several years were hard to obtain. Nonetheless, Mexico's state-owned oil company, Pemex, kept the country supplied with fuel oil and gasoline until after 1957 when Mexico became a net importer of petroleum.

In the early 1970's Mexican oil production fell even further behind domestic demand. Imports, though still slight, increased. This increase in imported oil occurred just as the Organization of Petroleum Exporting Countries (OPEC) raised prices. In 1972 Mexico's oil imports had cost $124 million; by 1974 the cost was $382 million. In addition to oil imports, President Echeverria had allowed high imports of supplies for the industrial plant in order to increase the pace of development. The imports were financed by increased foreign borrowing which led to inflation, balance of payments deficits, and devaluation of the peso.\(^\text{15}\)

This economic crisis pushed the Mexican government into a decision to open oil sites explored as long ago as 1964.\(^\text{16}\) In 1976 Lopez Portillo announced the discovery of huge oil and gas deposits. Development of the oil fields eliminated the need to import oil, and the exports of oil temporarily improved the balance of payments situation. From 1976 to 1977 Mexico's balance of payments deficit dropped from over $3 billion to less than $1.8 billion.\(^\text{17}\)

As exploration has continued, the estimates of Mexico's reserves have continued to rise. Figures given by the Mexican government in 1980
showed 60.1 billion barrels of proven reserves, 38 billion barrels of probable reserves, and 250 billion barrels of possible reserves. In his 1981 Informe de Gobierno, Lopez Portillo announced another increase in proven reserves to 72 billion barrels.

Mexico intended to develop its oil at a rate compatible with its economy and not in response to foreign desires for rapid expansion of oil production. The Mexican national program announced in 1980 set export limits of 1.5 million barrels per day for oil and 300 million barrels per day for gas through 1990. The program did not specify production limits, but tends to discourage sharp increases.

To avoid dependence on the United States, or any single country, as an export market the energy program aims for a limit of 50 percent of total oil exports sold to any one nation. In the late seventies, 80 percent of Mexico's oil exports went to the United States, partly because the United States was more likely than distant countries to prefer Mexican oil supplies.

Mexico follows OPEC pricing policies, but is not a member of OPEC. All customers pay the same price plus the transport cost. Since the United States is so close to Mexico, it pays a lower landing price for Mexican crude than most countries. To promote diversification of exports, Mexico invited Japan, Canada, France and other countries to increase trade and investment in Mexico in exchange for increased oil supplies.

Mexican oil is a relatively secure supplemental supply for the United States. However, the official policy of the United States government is that decisions on production and export levels should be
made by Mexico with no U. S. pressure for increases. President Carter
maintained that such decisions should be made exclusively by the Mexican
people. Carter said that the United States was interested in purchasing
oil and gas, though it had no inclination to force Mexico to give it
special privileges. The Reagan administration also follows this policy,
believing that market forces should determine U. S. imports of Mexican
oil and gas, and that a more aggressive strategy would only arouse
Mexican sensitivities about the national patrimony.

An additional reason for U. S. restraint during the Carter adminis-
tration was the fear that all-out production of Mexican petroleum would
cause spiralling inflation due to the rapid increase of revenue into the
economy. It was thought that the best assurance of continued imports of
Mexican crude was a stable Mexican economy.

The United States has purchased oil from Mexico for the Strategic
Petroleum Reserve, but other than that the U. S. does not buy oil from
Mexico on a government-to-government basis. Politically, the Mexican
government could not afford to sell as much to the United States govern-
ment as the United States now buys in private market transactions. In
1980 the U. S. purchased about 560,000 barrels of crude from Mexico per
day at a cost of $6 billion. By 1982 Mexico had become the United
States' largest supplier of foreign oil.

Natural Gas Relations

Unlike oil, U. S. natural gas purchases are negotiated on a
government-to-government basis or else approved by the government. In
1977 six U. S. companies had arranged to buy Mexican gas at $2.60/thousand,
which was the price of intrastate gas in Texas. An 1,100 mile pipeline
was to be built from the Cactus field in Tabasco to the Texas border. However, U. S. Secretary of Energy James Schlesinger refused to sanction the deal because the Administration was trying to pass the Natural Gas Policy Act, a bill calling for a domestic gas ceiling of less than $2.00 per thousand cubic feet. Allowing the import of Mexican gas at $2.60 per thousand would have added unneeded complications to the passage of the bill. After the bill became law, Schlesinger continued to oppose the Mexican gas deal because the price was higher than that of Canadian gas at $2.18 per thousand cubic feet.29

This move caused major disillusionment between the Carter and Lopez Portillo administrations. The Mexicans felt that Schlesinger was trying to take advantage of them because the United States was their only potential customer. They pointed out that Canada had refused to increase gas sales to the United States since 1970. In addition, they pointed to Schlesinger's approval of a deal to pay $3.00 per thousand for frozen gas from Soviet-oriented Algeria. President Jose Lopez Portillo, therefore, terminated the gas pipeline at Monterrey, and Mexico used the gas for industry and home heating. However, Mexico was unable to use all of the gas and millions of cubic feet were flared daily.30

President Lopez Portillo had insisted on constructing the 1,100 mile pipeline to Texas making clear his intention to sell Mexican gas to the United States. His opponents had favored the construction of a seventy mile pipeline to the Gulf of Mexico from which the gas would have been shipped to the highest bidder. The United States rejection of the gas deal touched a raw nerve in Mexico, making it difficult for the Lopez Portillo administration to offer favorable terms to the United States on this or any other matter.31
Before President Carter's February, 1979, visit to Mexico the U. S. Department of Energy attempted to make the Mexican public aware of the United States' side of the gas purchase story. The Department issued a memo which gave the following reasons for refusing to meet Mexico's price:

1. The price last offered by Mexico was the BTU equivalent of distillate oil delivered in New York Harbor. The United States' position was that residual fuel oil, not distillate, set the upper limit on competitive prices for supplemental gas supplies.

2. Mexican gas, even if priced at the equivalent of residual oil, still would have been substantially more expensive than domestic or Canadian natural gas. By asking for higher prices than Canada, Mexico put the United States in an awkward bind between two neighbors.

3. Authorization of Mexican gas imports tied to a distillate price might have imposed several short and long-term penalties on U. S. energy consumers and producers. In the near term, the Energy Department estimated that it could have added about $10 billion to consumer gas costs in the United States through 1985.

4. The Department of Energy concluded that negotiations with Mexico resulting in heavily subsidized gas imports at the expense of the nation's residual consumers would have cost the United States several hundred million dollars more for several hundred million less cubic feet of gas, with possibly higher imports. The Department stated that this would have been "clearly the worst of all possible worlds."

In short, the United States believed the Mexican price demands to be premature, and not in the interests of either country.\(^{32}\)

During his visit to Mexico, President Carter tried to ease Mexican resentment over the handling of the gas purchase. This was not an easy task. President Lopez Portillo expressed the Mexican view of the canceled purchase in this statement: "Among permanent, not casual, neighbors surprise moves and sudden deceit or abuse are poisonous fruits that sooner or later have a reverse effect."\(^{33}\) Lopez Portillo added that for the first time in its history, because of a nonrenewable resource,
Mexico suddenly found itself the center of American attention, "Attention that is a surprising mixture of interest, disdain, and fear much like the recurring vague fears you yourselves inspire in certain areas of our national subconscious."

In response, President Carter told the Mexican Congress that, as good customers, the United States was prepared to pay a fair and just price for the gas and oil that Mexico wished to sell. In the joint communique issued at the end of the trip, President Carter pledged to develop means for expediting sales of surplus Mexican natural gas to the United States.

After months of negotiations an agreement on natural gas was reached in September, 1979. The 1979 agreement was much smaller than the 1977 deal—300 million cubic feet per day as opposed to the original 2.5 billion. The price settled on was $3.65 per thousand cubic feet, to be adjusted quarterly.

Debt Crisis

Mexico had planned to use its oil revenues to finance slow, careful economic development. The government wanted to promote high growth rates to solve the unemployment problem, strengthen production of basic consumer goods, encourage exports, develop natural resources, promote growth of capital goods industries, decentralize industry from Mexico City to the coasts and borders, and encourage development of small and medium-sized companies.

Before the discovery of oil President Echeverria had relied heavily on foreign borrowing to finance imports to build Mexico's industrial plant. By the end of his term in 1976 the external debt stood
at $30.2 billion. Echeverria's policies resulted in slow economic growth, inflation, and devaluation of the peso. Business lost confidence in the economy and transferred capital out of the country.

When Lopez Portillo took office he imposed austerity measures and increased oil and gas revenues. Inflation remained high, rising to 30 percent for 1979 and 1980, but the peso stabilized and industrial expansion continued. From 1978 through 1982 the gross national product grew at an annual rate of 8 percent.

Although Mexico was originally intent on not producing oil at a pace to cause inflation, Lopez Portillo was anxious to move ahead with his development program and abandoned this policy. As Luis Echeverria's Finance Minister Lopez Portillo had said, "If we must choose between not growing and borrowing, we prefer to borrow." Like Echeverria, Lopez Portillo borrowed heavily in order to finance such projects as oil drilling, steel production, roads, hospitals, increased automobile manufacturing, agricultural production, and nuclear reactors. By 1983 the Mexican public sector debt had reached over $50 billion out of Mexico's overall foreign debt of $80 billion. Lopez Portillo had planned to pay the loans with oil revenues.

Then the oil glut of 1981 dropped the price of oil by almost 20 percent. Meanwhile rising international interest rates increased the cost of carrying the debt. In August, 1982, Mexico announced that it was unable to make its payments of over $3 billion for the coming quarter.

The United States, whose banks held about 60 percent of Mexico's $80 billion debt, stepped in with nearly $3 billion in aid to cover the crisis. It made $1 billion in oil purchase prepayments, another $1 bil-
lion in agricultural credits, and put up half of a $1.85 billion short-
term loan from the Bank for International Settlements. To avoid
offending Mexican sensibilities the aid was given as quietly as possible.
In November, 1982, the immediate crisis ended with a promise of Inter-
national Monetary Fund support given on the condition that Mexico
implement an austerity program.

At the end of Lopez Portillo's term in office the United States and
Mexico had settled their differences over oil, at least for the moment.
Oil constituted an area of foreign dominance over Mexico's future at the
beginning of this century. Mexico was perpetually concerned that the
United States might intervene militarily to protect the investments of
U. S. business in Mexico. Following the successful expropriation of oil
lands, however, oil became a symbol of Mexico's independence and strength,
a role that it still plays today. The discovery of new oil fields in the
midst of the energy crisis aided in establishing Mexico's economic
independence from the United States. The growing trade in oil helps to
put Mexico on a more equal footing with the United States. For the first
time since the beginning of World War II, Mexico seems of vital impor-
tance to the United States.

Both countries decided on policies that would encourage the
gradual development of oil as a means of strengthening the Mexican
economy because both feared the inflationary impact that rapid oil
development would have on Mexico. In contrast to the disruptions caused
by oil fifty years ago, oil relations today run smoothly. The natural
gas controversy, however, was another matter, reminding the United States
to tread lightly when dealing with Mexico's patrimonio.
As oil prices fell in the early 1980's and Mexico's debt problems deepened, it became apparent that U. S. - Mexican interdependence had increased. In accepting billions of dollars in aid from the United States to repay its debt, Mexico may have added to its reliance on the United States. On the other hand, U. S. banks, holding nearly 60 percent of the debt, were certainly tied to Mexico. Add the fact that Mexico is now the United States' largest supplier of foreign oil, and it is obvious that the United States is more dependent on Mexico than it was a decade ago.

As in the past, petroleum has the potential to inflame relations between the United States and Mexico, but so far differences have been settled amicably. With the importance that Mexico's oil holds for its economy and for the United States' energy supply, oil has pulled the two nations closer together.
Footnotes

1 Fredda Jean Bullard, Mexico's Natural Gas (Austin: The University of Texas at Austin, 1968), pp. 2-3.


4 Meyer, p. 47.


7 Ibid., pp. 85-86.

8 Ibid., p. 127.

9 Ibid., p. 137.

10 Ibid., pp. 154-160.

11 Ibid., pp. 166-169.

12 Ibid., pp. 201-205.


14 Ibid., pp. 231-232.

15 Shafer and Mabry, pp. 82-83.


25Ibid.

26Department of the Interior and Related Agencies Appropriations, p. 25.


34Ibid.


36Ibid., p. 61.

37Shafer and Mabry, p. 159.


41 DeMott, p. 49.


44 DeMott, p. 49.

45 Thomas A. Sancton, "Frightening Specter of Bankruptcy," Time August 30, 1982, p. 34.


47 "Mexico," Background Notes, p. 5.
IV. IMMIGRATION

The immigration of undocumented Mexican workers to the United States provides the most noticeable area of contact between the people of the United States and Mexico. The migration of Mexican laborers is a result of economic conditions prevailing in the United States as contrasted to those in Mexico. The United States has traditionally welcomed Mexican labor in periods of prosperity, and rejected it in times of recession. Mexico, on the other hand, seeks constant access to the U. S. labor market in order to alleviate its unemployment problems. The situation creates continuing tension. The two nations' immigration policies are in direct opposition: the United States attempts, at times half-heartedly, to impose limits on Mexican entry into the U. S., while Mexico believes its citizens should be allowed access to U. S. jobs.

Background

Studies suggest that undocumented Mexican workers coming to the United States are strongly motivated by economic reasons. Over 84 percent of Mexican aliens interviewed in each of three separate studies said they had gone to the United States in order to find a job or to increase family income.¹

Mexican migration to the United States goes back at least 100 years, though it did not begin automatically with U. S. development of
territories conquered in the Mexican War. Originally, the United States relied on Chinese labor to develop the West. Mexican labor began to arrive in the United States with the railroads built to deliver the resources of Mexico's subsoil during the Porfirio Diaz government. The workers were hired to build railroads to San Antonio, El Paso, Saint Louis, Santa Fe, San Francisco, Kansas City and Chicago.

By the early twentieth century, Mexican manpower was used in the mines of Colorado and New Mexico, in the stockyards and steel mills of Chicago, and on the newly-irrigated croplands of Texas and California. The Mexican labor helped to lower U. S. production costs by exerting a downward pressure on wages.

From the beginning, levels of national economic development, as well as the play of supply and demand, have affected the migrant labor market. Then, as now, Mexico looked to the United States for technology, capital, and employment while the United States looked to Mexico for cheap raw materials, services, and labor.²

In coming to the United States, Mexican migrants have always responded more to economic conditions in Mexico than to conditions in the United States, such as the U. S. unemployment level or the apprehension level by the Immigration and Naturalization Service (INS).

The immigrants are attracted to the United States by employment opportunities. In the late 1970's it was estimated that half of Mexico's work force was either unemployed or underemployed.³ In addition, wages are much higher in the United States than in Mexico. In one sample agricultural day laborers were paid $120 per week in the U. S. compared to $9.20 per week in Mexico.⁴ Most rural Mexicans can
earn and save more in one to three months in the U. S. than they could in an entire year of labor in their home community.\(^5\) A majority of studies indicate that illegal aliens earn at or above the U. S. minimum wage, though agricultural and domestic workers along the border tend to earn lower wages than industrial workers in the interior.\(^6\)

Historically, severe drought, floods or climactic conditions which affect agriculture have lead to sharp increases in the rate of migration to the United States. One of the most basic causes of migration to the United States is an excess of population relative to the amount of cultivable land and the number of non-agricultural jobs.\(^7\) Nearly 80 percent of Mexican immigrants originate in impoverished rural communities, many of which have developed traditions of migrating to the U. S.\(^8\)

Even if Mexico's population were brought under control, migration to the United States would continue as long as the wage differential remains as large as it is today. Though it is the lack of well-paid jobs in Mexico which fuels migration, the importance of unemployment and underemployment should not be underestimated.

Mexican immigrants coming to the United States are predominantly young, male, and poorly educated, with five or fewer years of schooling. Most are occupationally unskilled, having worked only in agricultural jobs before entering the United States. Many have worked only on family farms, and are entering the wage-labor force for the first time. About 70 percent of the Mexican workers are single when they enter the United States for the first time. Even after marriage, most leave their wives and children at home to reduce the chance of being detected by U. S. authorities and to avoid the high cost of supporting a family in the United States.\(^9\)
It is estimated that there are between 3.5 and 6 million illegal residents in the United States, but that Mexican nationals account for less than half of the illegal/undocumented population. Though there are large numbers of undocumented Mexicans residing in the United States, most Mexican workers do not remain in the U. S. Studies indicate that only 11 percent of Mexican illegals work in the United States for over one year before returning to Mexico. Thirty percent of Mexican illegals return home when seasonal jobs end, and another 32 percent return to Mexico when separation from their families becomes intolerable. Given the choice, 74 percent of undocumented Mexican workers would prefer living in Mexico and working in the U. S. to moving to the United States.

United States Immigration Policy

Until 1965 the United States placed no limit on the number of legal immigrants it would accept from Mexico and the other countries of the Western Hemisphere. However, by 1924 there were restrictions requiring that immigrants pay an eight dollar head tax and purchase a ten dollar visa. The head tax and visa charges were too high for many Mexicans who simply began crossing the border without paying the required fees. This was the beginning of illegal Mexican immigration to the United States.

From the beginning of this century through the 1920's, Mexican immigration increased rapidly. In 1900 the U. S. census counted roughly 300,000 persons of Mexican ancestry; by 1930 over 700,000 legal Mexican immigrants, and perhaps over one million illegal Mexicans, had entered the U. S. The increase was partly a result of rapid economic development in the American Southwest and partly a consequence of worsening conditions in Mexico during the declining years of the Diaz dictatorship and the
Revolution. The U. S. demand for agricultural labor from 1900 to 1920 was so great that employers went to border towns to hire immigrants or sent "help wanted" notices into the interior of Mexico. Western mines, railroads and construction projects also depended heavily on Mexican labor. Over 70 percent of railroad workers, for example, came from Mexico.  

During the financial boom of the twenties, most Americans were indifferent to the immigration of Mexicans whether legal or illegal. Though there was no great effort to change immigration patterns, the Border Patrol was created in 1924 to police both the Canadian and Mexican borders. Then the Great Depression, beginning in 1929, created high unemployment in the United States. The government began a program to reduce the number of workers competing for scarce jobs by repatriating aliens—even those with proper documentation. Over 500,000 Mexicans returned home under pressure from both U. S. and Mexican officials. Legal immigrants and U. S. - born relatives of illegal immigrants were repatriated along with those who had entered illegally.  

In 1942 the Bracero (day laborer) program was instituted to control the flow of immigrants. Both the Mexican and U. S. governments had reason to regulate immigration. Increasing Mexican nationalism and past experience led Mexico to seek guarantees that its citizens would be protected from prejudice, deportations, and discrimination. Abuse of workers had become a political issue in Mexico. The government particularly wanted to keep migrants out of Texas where anti-Mexican views and acts had a venomous history. 

American employers welcomed the illegal workers but wanted a more secure labor-supply system with legal Mexican immigrants. In 1941
farmers contended that without regularized, legal immigration from Mexico some crops would go unharvested. Railways and other employers also wanted legal access to Mexican manpower.

To secure Mexico's agreement to the Bracero program, Washington accepted the Mexican demand that the U. S. federal government act as the employer. The U. S. government therefore handled all business and problems, including setting the worker's wage rate and establishing protective measures. Texas was not allowed workers under the program, but still received thousands of illegal Mexicans.¹⁸

The Bracero program was originally intended as a means to fill wartime personnel shortages in the U. S., but was extended many times and stayed in effect until the end of 1964. Between four and five million temporary workers were admitted from 1942 to the end of the program. Supporters of the Bracero program on both sides of the border claimed that it would fulfill the needs of U. S. employers for workers and, at the same time, decrease the pressures for illegal immigration. Instead, the Bracero program actually encouraged illegal movement by attracting more workers northward than could be legally accommodated. In 1946 99,591 illegal aliens were apprehended in the United States; by 1952 the number had increased to 528,815.¹⁹

The Immigration and Nationality Act of 1952 included legislation intended to discourage illegal immigration. The willful importation, transportation, or harboring of illegal aliens was made a felony punishable by a $2,000 fine, or imprisonment, or both. However, employers were exempted from the penalties for harboring under what is now known as the Texas Proviso.
Once the new immigration law was in effect, the United States made a major effort to enforce it and bring illegal immigration under control. A program called "Operation Wetback" was begun to deport undocumented workers in which the INS used paramilitary operations to sweep through cities in search of aliens. Over one million aliens were deported under Operation Wetback, but complaints about "police state" methods from critics in both the United States and Mexico led to its abandonment in 1955.

The Bracero program only succeeded in reducing immigration when combined with a massive law enforcement effort, an effort which disregarded the rights of many of those apprehended. In addition, the agricultural labor portion of the Bracero program had been increased to the point that it depressed wages, making the jobs involved undesirable for domestic workers. The price of curbing illegal immigration through the combination of Operation Wetback and the Bracero program was deemed too high. Despite the desire of the Mexican government to continue the Bracero program, it was disbanded after 1964.

The termination of the Bracero program left only the H-2 provisions of the Immigration and Nationality Act of 1952 as a vehicle for the admission of temporary alien workers. The H-2 program is a limited program allowing temporary workers to enter the United States if the Department of Labor certifies that U. S. workers are not available. The Labor Department must also certify that the employment of aliens will not adversely affect the wages and working conditions of similarly employed U. S. workers.

Agricultural employers sought to continue the use of Mexican workers under the H-2 provisions, but the Department of Labor precluded
that option. From 1967 to 1977 the admission of Mexican workers was terminated. Then in 1977 the INS overruled the Department of Labor to admit Mexican nationals into western Texas for the onion and canteloupe harvests.\textsuperscript{24}

The 1964 termination of the Bracero Agreement removed legal support from historic population movements which were well institutionalized on both sides of the border and encouraged by U. S. employers.\textsuperscript{25} To some extent, illegal Mexican immigration since 1964 can be seen as an informal, clandestine continuation of the Bracero program. The numbers of immigrants classified as illegal have also been increased by recent changes in provisions for permanent immigration to the United States.

Since the 1920's, the U. S. immigration policy had been designed to preserve the racial and ethnic status quo. While immigration from the Western Hemisphere had no ceiling, quotas were established for the Eastern Hemisphere based on national origin.\textsuperscript{26} The Immigration and Nationality Act of 1952, which was passed over President Truman's veto, preserved the national origins system. Truman objected that, "Such a concept is utterly unworthy of our traditions and ideals..."\textsuperscript{27} From 1952 to 1965 every president worked toward the elimination of the national origins quota system.\textsuperscript{28}

In 1965 the Immigration and Nationality Act was amended to replace the national origins provisions. The new goals of U. S. immigration policy gave family reunification top priority. Preference was also given to qualified immigrants in occupations beneficial to U. S. economic and cultural interests.\textsuperscript{29}

For the first time, however, the Western Hemisphere was also
subject to quotas. Earlier policymakers had seen immigration between the United States and her Western Hemisphere neighbors as uncontrollable on the one hand and as a sign of a good neighbor on the other. In contrast, the framers of the 1965 Act believed that the earlier policy was inconsistent with the elimination of place of birth as a factor in immigration policy since it conveyed a preferred status to Western Hemisphere born immigrants. The 1965 amendments imposed a 120,000 annual numerical ceiling on immigration from the Western Hemisphere effective July 1, 1968. As in the Eastern Hemisphere, immediate relatives of U.S. citizens remained numerically exempt from the ceiling. Immigration from the Eastern Hemisphere was subject to a 20,000 per-country limit with up to 170,000 visas distributed according to a seven-category preference system. The 120,000 annual ceiling for the Western Hemisphere had no preference system or per-country limit.

Under these provisions, Mexico became the major source of Western Hemisphere immigrants, averaging 40,000 per year until 1976. In 1976 the Immigration and Nationality Act was further amended to extend the 20,000 per-country limits to the Western Hemisphere as well as the Eastern Hemisphere. The act was intended to end ethnocentric policies and put both hemispheres on an essentially equal immigration system based on existing 170,000 and 120,000 ceilings. The Congress seriously considered increasing the per-country ceiling to 35,000 for contiguous countries within the Western Hemisphere limit of 120,000. However, it decided there would be a problem of illegal immigration from Mexico whether the ceiling was 35,000 or 20,000, and increasing the ceiling for Canada and Mexico would only have increased demand throughout the rest of
the hemisphere. To avoid unequal treatment, the concept of a special relationship was rejected.\textsuperscript{34}

Since numerically limited immigration from Mexico had been running around 40,000 per year prior to the time the 20,000 per-country limit took effect on January 1, 1977, it was unavoidable that the new law reduced Mexico's visas.\textsuperscript{35} Cutting Mexico's per-country limit in half created a sudden bottleneck in legal immigration. The new legislation thus reinforced the process of illegal immigration.\textsuperscript{36} By the late 1970's the INS guessed that up to 800,000 Mexican illegals entered the United States each year.\textsuperscript{37} There was widespread dissatisfaction among U. S. citizens with an immigration policy that seemed to be out of control.\textsuperscript{38}

In 1977 Presidents Carter and Lopez-Portillo took a step toward solving the problem by establishing a Consultative Mechanism to study immigration and other unresolved U. S. - Mexican issues. The Migration Group of the Consultative Mechanism established a program of research exchange, cooperation against smugglers of illegal immigrants, and joint training of U. S. and Mexican immigration officials.\textsuperscript{39}

The United States Congress also attempted to deal with the immigration problem. After 1977 a number of bills were submitted to enforce the immigration laws, but none passed. The bills commonly provided penalties for employers of illegal aliens and amnesty for workers already in the United States. Some bills also called for national identity cards. Hispanic, civil rights, and business groups successfully opposed the measures.\textsuperscript{40} When a proposal submitted by President Carter was also rejected, Congress responded by creating the Select Commission for Immigration and Refugee Policy in May, 1978. The Commission evaluated
the policies, laws, and processes regulating immigration to the United States, and submitted recommendations for change to the President and Congress.\footnote{41}

Legislation pending in Congress as of 1984 would incorporate the Select Commission's proposals and provide the first wholesale revision of U. S. immigration laws since 1952. Known as the Simpson-Mazzoli bill, the measure has passed both the House and Senate, and has been sent to a conference committee to reconcile differences between the versions passed by the two houses of Congress. Both the House and Senate versions have the same basic goals: curbing the flow of illegal aliens into the United States and granting legal amnesty to millions of aliens already in the country. Both bills provide penalties for employers who knowingly hire illegal aliens.\footnote{42}

Unofficial reaction in Mexico to the Simpson-Mazzoli bill has been unfavorable. If passed, the bill would make it harder for illegal immigrants to find jobs in the United States. Resentment is widespread in Mexico, which depends on the U. S. to ease its unemployment and underemployment.

The reaction of the Mexican press has been overwhelmingly hostile. A columnist for the Mexico City daily \textit{El Universal} wrote, "The insult inflicted on us by the U. S. has wounded our national honor." Other critics in the press complain that Washington has forgotten how Mexican labor came to the aid of U. S. agriculture during World War II, and condemn U. S. refusal to ease trade restrictions while Mexico suffers its most severe economic crisis since the Depression. Opposition party leaders predict increased social tensions in the northern and central
Mexican states if the Simpson-Mazzoli bill leads to greater numbers of Mexicans being deported.

Privately, some influential Mexicans are more philosophical about the effects that the Simpson-Mazzoli bill would have. A high-ranking government official commented, "I don't think all of a sudden we will have a large number of Mexicans returning and endangering the country. In the Mexican family, where everyone lives in one room, one more won't change the situation."43

Mexican Immigration Policy

During General Porfirio Diaz's government, Mexico considered emigration to have a positive value because returning workers brought back new skills and techniques. Later, toward the close of the 1920's, Mexicans were becoming aware of the drawbacks associated with emigration, but still regarded it as an "escape valve." Emigration was considered a solution rather than a problem.

This view changed during President Lazaro Cardenas' term in office. Cardenas served from 1934 to 1940, during which time the United States was repatriating workers to ease the domestic unemployment of the Depression. The Mexican people's awareness of emigration issues became more acute as the abuses, maltreatment and violence associated with the deportation of large contingents of workers attracted attention. Public opinion united to demand that the Mexican government protest to the United States. Meanwhile, Cardenas initiated a repatriation program to place the deportees in agricultural and cattle raising communal centers.

During the administration of Manuel Avila Camacho from 1940 to 1946 the first of the Bracero agreements was signed; for the next 22 years
they regulated emigration to the United States. The Bracero programs provided a partial solution to the emigration problem, but also generated problems by attracting many Mexicans without proper papers to the United States. The Mexican government was put to the expense of creating a department to control workers who did not stay within the established quotas. Mexico also had to assume responsibility for the selection, hiring, board and lodging, and transport of bracero workers. After the final Bracero agreement was signed in 1951, the issue of migrant workers was not discussed again by the United States and Mexico until the program ended.44

When the Bracero program was dropped in 1964, Mexico was essentially content to ignore the issue. It limited diplomatic initiatives to calls for greater protection of the rights of aliens while in the United States, and made periodic efforts to secure a new contract labor agreement. In 1974 President Luis Echeverria rejected the idea of a new Bracero program on the grounds that it would only lead to increased exploitation of Mexican workers in the United States. Echeverria often complained of the mistreatment of undocumented workers, blaming increased migration on the widening inequalities between rich and poor nations.

When Lopez Portillo took office in 1976, the tone of Mexican policy became more pragmatic, but the message was the same. In his annual address on September 1, 1977, he stated:

We would hope that Mexicans could realize their maximum personal and social potential in our country. Nevertheless, several thousand Mexican workers in search of other horizons cross our borders without the necessary documentation. In part, this movement is a result of our unemployment. I repeat that they are not delinquents; that the possible violation of migration laws does not sanction the infringement of labor laws, and even less of human rights. Therefore
we hope that the response to the workers is not police action but measures based on understanding and courtesy among the affected parties in order to resolve this common problem, which is rooted in a very old relationship between us which is unfavorable to us. To correct it would remedy many ills. We have tried our best to locate the causes and moderate the effects of the problem. We state once more that we want to export not labor but products. Our being able to do so depends on how well we understand the problem and how balanced a solution we can find.

Lopez Portillo proposed trade concessions from the United States, such as lower tariffs on Mexican shoes and agricultural products, as a means of reducing the flow of illegal immigrants. He maintained that the only way to alleviate the dire poverty and unemployment which drove Mexicans to emigrate was by giving Mexico an equal chance on the world markets and eliminating trade barriers. He felt that the United States should consider the causes as well as the control of immigration.

Since abandoning the bracero concept, Mexico has viewed the emigration issue as a development problem to be solved over the long term. The government is relying on broad national plans for industrialization to ease unemployment, and with it the problem of undocumented migrant workers.

Officially, undocumented emigration is a violation of Mexican statute, but the government does little to end emigration beyond expressing official disapproval. The Mexican government does not feel compelled to stop the emigration because the outflow of population is reversible and the workers return to Mexico. In addition, the emigration benefits Mexico by serving as a social and economic safety valve. Emigration to the United States helps to make up the difference between the 800,000 workers who enter Mexico's job market annually and the 350,000 new jobs created each year. Finally, migrant remittances of money saved and
sent back to Mexico are probably in excess of $3 billion per year. The remittances are a crucial factor in the Mexican balance of payments, accounting for more income than tourism.

Illegal emigration is a sensitive issue for Mexico in the sense that the large volume of emigrants calls attention to the failure of Mexico's development policies to create employment and raise income for a large sector of the population. Emigration is also a disadvantage in that it siphons off valuable human capital— as much as 8 percent of the Mexican population may be involved in the influx into the United States.

The issue has strong nationalistic overtones reinforced by isolated but widely publicized cases of physical mistreatment of Mexican illegals in the United States, and by the general awareness that the U. S. historically has recruited Mexican labor in times of emergency and officially shunned it in normal times. Emigration also touches the national pride by exposing the developmental disparities between the United States and Mexico, casting Mexico in the role of dependent. National dignity and sovereignty are at stake.

The problem of illegal immigration is a highly visible one. The presence of hundreds of thousands of undocumented Mexican workers in the U. S. labor force leads to the public perception that aliens are taking jobs away from U. S. citizens, depressing wages, and putting a burden on social programs. Despite these charges, there is almost no consensus on the impact that illegal immigration actually has on U. S. society. In Mexico highly publicized incidences of abuse and violence lead to the perception that Mexican workers are routinely victimized by the United States.
The approaches that the United States and Mexico take in handling the immigration problem are very different. The United States has tried to block the entry of illegals through legislation and border patrols. This approach, if successful, would bring immediate results in the form of lower immigration to the United States, but fails to address the root of the problem. Mexico, on the other hand, chooses to ignore the effect—illegal emigration—and attempts to treat the cause—lack of adequate employment. However, even if the Mexican government achieves its employment creation targets, it will take 286 years to wipe out the existing backlog of unemployed and underemployed workers. Ignoring emigration is a feasible solution for Mexico which needs the "safety valve" provided by employment in the United States.

Though of long standing, the immigration problem is relatively low key and does not damage official relations between the United States and Mexico. Immigration problems, however, tend to deepen resentments among both U. S. and Mexican citizens. In that sense, immigration has a negative impact on the way the two peoples view each other.
Footnotes


10U.S. Immigration Policy and the National Interest, p. 36.


12Selected Readings on U.S. Immigration Policy and Law, p. 89.

14Ibid., p. 54.


16Shafer and Mabry, p. 55

17Select Commission, Staff Report, pp. 468-469.

18Shafer and Mabry, p. 63.

19Select Commission, Staff Report, p. 470.

20Ibid., pp. 473-474.

21Shafer and Mabry, p. 92.

22Select Commission, Staff Report, pp. 474-476.


25U.S. Community Services Administration, Latin American Institute, University of New Mexico, The Problem of the Undocumented Worker, Edited by Robert S. Landmann, (November 28, 1979 deposited), p. 62.

26Select Commission, Staff Report, p. 195.

27Ibid., p. 204.

28Ibid., p. 320.

29Ibid., p. 323.

30Ibid., pp. 330-332.

31U.S. Immigration Policy and the National Interest, p. 89.

32Select Commission, Staff Report, p. 344.

33Community Services Administration, The Problem of the Undocumented Worker, p. 31.

34Select Commission, Staff Report, pp. 340-341.

35Ibid., p. 344.

36Community Services Administration, The Problem of the Undocumented Worker, p. 62.
Shafer and Mabry, p. 87.


McBride, p. 139.


"Wounded Honor, Time, July 9, 1984, p. 58.

McBride, pp. 142-143.

Ibid., p. 145.


Select Commission, Staff Report, p. 137.


Mumme, p. 70.


Mumme, pp. 86-87.


McBride, p. 113.
V. CONCLUSION

Relations between the United States and Mexico remain friendly in spite of persistent problems. Economic ties are basic to U. S. - Mexican relations; the nations are bound together by trade and immigration, encouraged by geography. Because immigration and trade, especially oil trade, are the areas of greatest contact, they are also the most constant sources of conflict.

Relations today are sometimes made more difficult by resentments carried over from the past. Two themes have run throughout U. S. - Mexican history: the United States has always dominated Mexico, and conversely, Mexico has been of secondary importance to the United States. Mexico is acutely aware of U. S. dominance and struggles to escape it.

Chapter I reviewed U. S. - Mexican history to demonstrate the theme of U. S. dominance and Mexico's resentment of U. S. influence. It also showed how 19th century suspicions and hostilities have given way to the cordial relations existing since the 1940's.

In the beginning U. S. domination of Mexico was territorial in nature. From the time of its independence in 1821, Mexico harbored suspicions about the expansionist tendencies of the American people who at that time were toying with the idea of pushing the U. S. boundary south to the Rio Grande. Such a move would have contravened the 1821 Spanish treaty which named the Sabine as the southern border. In spite
of doubts, Mexico decided to allow U. S. citizens to settle Texas. The Texans soon rebelled against Mexico, and eventually Texas was annexed by the United States.

Shortly after annexation, the United States provoked Mexico into a war over the western boundary of Texas. The war ended with the United States gaining the Mexican territories of Texas, California, and New Mexico. The Texas Revolution and the Mexican War produced long-lasting distrust and hostility between the United States and Mexico.

Relations improved briefly under Presidents Lincoln and Juarez as the United States refused to recognize the Empire that France imposed on Mexico. Under Juarez's successor, Porfirio Diaz, however, the two nations nearly went to war over border violations. Tensions subsided when Diaz finally ordered additional troops to guard the frontier. For the remainder of the Diaz era, relations, spurred by growing economic ties, continued to improve.

Diaz encouraged U. S. and British investment in order to build a modern economy for Mexico. Though official relations with the United States improved steadily, the Mexican people objected to foreign "colonization." It was during the Diaz era that U. S. domination of Mexico was extended to economic matters.

Economics was not the only area of U. S. influence, however. The United States intervened in the Mexican Revolution several times, most notably at Veracruz. The U. S. occupation of Veracruz resulted in the deaths of over 300 Mexicans, and contributed to the resignation of General Huerta. After Huerta resigned, the United States recognized General Carranza's faction, ignoring the claims of Pancho Villa. Villa
retaliated by killing 33 U. S. citizens in border raids. Once again war threatened, but U. S. attention turned to World War I; affairs in Mexico took a backseat to problems in Europe. The events of the Revolution left a legacy of bitterness that still arouses Mexican resentment toward the United States.

After the Revolution, U. S. concerns with Mexico again focused on economic issues. Worried by provisions in the Mexican Constitution that gave the state ownership of subsoil properties, the United States for three years refused to recognize Alvaro Obregon's government. The U. S. finally recognized Obregon after the question of oil property rights was settled to its satisfaction at the Bucareli Conference in 1923. At the Conference Mexico agreed not to seize oil lands if a "positive act" to drill oil had been taken prior to May 1, 1917.

A year later U. S. - Mexican relations were strained almost to the breaking point when Mexico ordered the oil companies to exchange their property titles for leases. The controversy was settled by the Mexican Courts at the suggestion of U. S. Ambassador Dwight Morrow. The United States acknowledged the court settlement, and issued a release that future policies would also be determined by Mexico. The United States had finally recognized full Mexican sovereignty where U. S. interests were involved.

The question of oil surfaced again in 1938 when Mexico nationalized the oil companies. The governments of the United States and Mexico remained stalemated over the oil expropriation until the approach of World War II hastened an agreement settling the claims. After World War II, each country turned its attention elsewhere.
For over a century from 1821 to 1938 U. S. - Mexican relations were marked by hostility and suspicion. Even the improvements in economic relations during the Diaz era led to serious strains later when Mexico reasserted its authority over oil properties. Tensions did not finally relax until Franklin Roosevelt's Good Neighbor Policy and the 1941 General Agreement to settle the oil expropriation dispute.

Since the 1940's U. S. - Mexican relations have been generally friendly. The Chamizal boundary dispute and Colorado River salinity controversy were settled. Cooperative programs were established to handle a number of problems including narcotics control, water pollution, and artifact smuggling.

By the early 1970's, however, the friendship was showing signs of strain. Misunderstandings over the U. S. vote on the Charter of Economic Rights and Duties, immigration, and natural gas pricing, as well as differences over Central American policy gave the appearance that relations had deteriorated. In an article titled, "A Mexican Perspective," Olga Pellicer de Brody observed that a series of irritating situations had ruined the "climate of cordiality" existing from 1942 to 1970. The article cited the Ixtoc I oil spill, the natural gas controversy, migrant worker disputes, oil export levels and trade liberalization as contributing factors.

Though differences with Mexico in the past few years seem sharp, they are only part of the normal ups and downs experienced by the United States and Mexico during the postwar era. Of the problems cited by Olga Pellicer de Brody, the oil spill and the gas controversy have already been settled. It is true that trade, energy and immigration issues are
constant irritants. However, problems are always under discussion through the Consultative Mechanism, if not through state visits. Since the 1940's the United States and Mexico have settled their differences amicably.

The constant appearance of deteriorating relations arises from the long-term nature of the problems facing the two countries. Problems with trade, pollution, immigration and energy recur over time. Solutions are never final, yet the United States and Mexico continue to cooperate in settling differences.

Chapters II, III, and IV illustrate the importance of economics to the U. S. - Mexican relationship. The topics covered—trade, oil, and immigration—are the most prominent issues confronting the United States and Mexico. Each of these issues is based on economics. Chapters II, III, and IV also show that Mexico depends on the United States in terms of trade and immigration much more than the U. S. depends on Mexico. The chapters bear out the conclusion that while the United States dominates Mexico, Mexico is of secondary importance to the U. S. Oil is the exception to this rule.

Trade provides the contacts through which the people of the United States and Mexico deal with one another. Mexico is one of the United States' largest trading partners, but the United States is Mexico's largest trade partner. Although the United States dominates Mexico's foreign trade, the reverse is not true. The composition of Mexico's imports from the United States also contributes to dependence because Mexico relies on the U. S. for many of the capital goods necessary to sustain its development. The United States, in contrast, purchases mostly raw materials and food from Mexico. While Mexico is the United States'
principal supplier of foreign oil, Mexican oil represents only 5 percent of U. S. consumption. Nonetheless, Mexico's trade is important to the United States.

The stated objectives of U. S. foreign policy regarding Mexico include the development of a modern Mexican economy, a mutually beneficial system of trade and investment, and encouragement of U. S. private investment in the form needed to promote Mexico's growth. These objectives reveal the importance that the United States places on economic ties with Mexico.

Immigration is another area of relations which rests on economic influences. The immigrant movement is the result of inadequate employment opportunities in Mexico compared to opportunities available in the United States. Though U. S. employers depend on Mexico for inexpensive labor, Mexico's dependence on immigration as a means of alleviating widespread underemployment and unemployment is more obvious.

Oil is one area in which Mexico is not dependent on the United States, although the U. S. does purchase about 80 percent of Mexico's oil exports. In the mid-seventies the size of Mexico's oil deposits focused U. S. attention on Mexico. For the first time since World War II, affairs with Mexico seemed vitally important to the United States. Even with regard to oil, however, Mexico is not entirely free of U. S. influence. When Mexico borrowed too heavily against its oil revenues, the United States, whose banks held about 60 percent of Mexican debts, stepped in with $3 billion in aid to cover the crisis. In the area of oil trade, the U. S. - Mexican relationship is more interdependent than U. S. dominated.

Mexico's oil discoveries have helped to give it a more important, more equal status in relation to the United States. Oil, however, is not
enough to offset the overall imbalance in the relationship. Mexico will remain economically dependent on the United States.

As Chapter I showed, Mexicans resent the influence that foreign powers, especially the United States, have had over their nation. Chapters II, III, and IV outline the ways in which this resentment affects policy today.

Reacting to the "economic invasion" of the Diaz era, Mexico passed laws limiting foreign investment. Foreign companies operating in Mexico must consider themselves as Mexican nationals and seek no special protection from their own governments. The petroleum and forest industries are entirely off-limits to foreign participation; they are solely Mexican owned. The mining industry, and all new investments after 1973, require majority Mexican participation except where the requirement is waived. The decision not to join GATT also reflected Mexico's desire to maintain trading and investment independence.

Reaction to foreign control was especially strong in the petroleum industry which was nationalized in 1938. Nationalization was an enormously popular move seen as a reassertion of Mexican sovereignty over foreign companies. More recently, the Mexican government's construction of a gas pipeline to Texas revived nationalist fears of domination by U. S. oil interests. Subsequent U. S. rejection of gas purchases caused major disillusionment with the United States. Later, when the U. S. arranged an aid package to help Mexico over its debt crisis, the situation was handled quietly to avoid offending Mexican sensitivities once again.

Immigration does not have such a volatile history. U. S. policies tend to be guided by whatever is the current state of the economy. In
times of recession the reaction is to clamp down on illegal immigration; at other times enforcement is more relaxed. Mexico believes that by accepting its workers during times of emergency or prosperity and later rejecting them, the United States insults its national honor. This attitude shows in Mexico's failure to enforce its laws against illegal emigration.

Aside from past differences, the United States and Mexico are faced with a steady stream of disagreements in areas that currently concern them. Chapters II, III, and IV examined policies and goals relating to the most important issues in U.S.-Mexican relations today.

In the area of trade, the United States and Mexico are in harmony in their desire to promote a modern Mexican economy and mutually beneficial trade. Ideas of what is "mutually beneficial" do not always coincide. In addition, their methods of attaining a modern economy differ. The United States wishes to encourage distribution of trade and investment through free market forces, and would like to eliminate nontariff barriers and export subsidies. It believes that these goals can best be achieved through membership in GATT. Mexico rejected GATT, and protects its national industries through such nontariff barriers as import licenses.

U.S. and Mexican oil policies with regard to Mexico's oil are more compatible. To begin with Mexico had planned a slow, steady development of its oil resources to avoid excessive inflation. The United States endorsed this policy. When Mexico moved ahead too quickly with its development plans and its oil revenues failed to cover its debts, the United States extended aid. Mexico is attempting to diversify its oil sales so that it does not rely on the United States as an export
market. Officially, the U. S. bows to this decision. The government has stated that decisions on production and export levels should be made by Mexico with no U. S. pressure for increases. The United States does not want to arouse Mexican antagonisms by pursuing an aggressive policy towards Mexican oil.

Perhaps the most obvious policy differences between the United States and Mexico occur in the area of immigration. Emigration without proper documentation is officially illegal under Mexican law. In practice, however, the Mexican government allows undocumented emigration. Since adopting the 20,000 per year ceiling on numerically limited immigration from Mexico, U. S. policy has been at odds with the Mexican view that undocumented emigrants "are not délinquents." While the U. S. attempts to limit immigration through ceilings on legal entry, Mexico suggests trade concessions and development plans to reduce the need for immigration. Despite marked differences in policy, Mexican officials acknowledge the necessity of U. S. attempts to control its borders.²

U. S. - Mexican disputes over conflicting policies attract a great deal of attention and often cause alarm. Certain types of issues can be settled and forgotten quickly. Boundary problems such as pollution and smuggling fall into this category. In other areas such as foreign policy, the two countries basically agree to disagree.

It is the bedrock economic issues that cause trouble again and again. It is also the bedrock economic issues that bring the United States and Mexico together again and again. It is in each nation's interest to continue its trade with the other. The congruity of national interests is reflected in the fact that both nations are working, in their different ways, toward one end: a stable and prosperous Mexico.
The United States and Mexico wish to promote trade to establish a healthy Mexican economy which would benefit both nations. Separate interests and past differences may upset relations temporarily, but U. S. - Mexican relations have a firm foundation in mutual economic interests. The friendship will withstand many storms.

In 1967 Mexico's president, Gustavo Diaz Ordaz, put it this way: "Geography has made us neighbors; economy has kept us the best of clients; and the decided will of our peoples, overcoming at times the relentless course of history, has made us cordial and respectful friends."³
Footnotes


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