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State of the

Nation

Report

Carlos Salinas
de Gortari



November 1st. 1990

Mexico
Monterrey ~~Blanca~~
City Theatre
Tuesday, Nov. 27

SECOND STATE OF THE NATION REPORT

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HONORABLE CONGRESS OF THE UNION;

MEXICANS:

I hereby fulfill my constitutional responsibility to appear at the opening of the first regular session of the Congress of the Union; at this time I am submitting the written report on the state of the federal public administration. I come before you, moreover, motivated by the conviction that in doing this, we are reaffirming a salutary republican practice of our political system and recognizing the reason for being of our public office: to serve the Nation.

A. The postulates of change

During the period covered by this report, our country has confirmed its decision to change and modernize in order to strengthen its position in the world and to improve the community life of the Mexican people. We are modernizing in order to make the economy more viable in this period of strong international competition, and by doing so, to create jobs and opportunities for all; in order to channel political differences in an orderly way, with social peace, and thus to strengthen the unity needed to meet the challenges that face us both at home and abroad. We are modernizing in order to become a more just, a more generous society--one that is of greater value to each of us, and more respected in the world. We are doing all of this in order to retain our sovereignty as

Mexicans. These are the guidelines of the change in which all of us are engaged and which reflect the vigor of our national character.

Our commitment to change is unalterable. It has precise conditions and well-defined objectives: sovereignty and territorial integrity; the preservation of the rule of law and people's rights; consolidation of the conditions of economic and social development. Change must also protect the most deeply rooted traditions of society, family unity, the culture that makes us different from others, the language and symbols that unite us. It must respect the most profoundly cherished beliefs of the Mexican people. It is change that strengthens the overall stability of the Republic and makes us proud to belong our great Nation.

1. The new order of the contemporary world

The world is experiencing far-reaching transformations in all respects. In the political sphere, the cold war and the period of bipolarity have ended. A splendid encounter with freedom has brought down rituals and walls, routines and old hierarchies. New areas for dialogue are opening up, and there is a new awareness of broader options. In the economic sphere, we are witnessing the globalization of markets, financial interdependence, and rising competition. In the scientific and technological spheres, we are entering upon a true revolution in productive processes and in our daily lives.

They are changes that inspire hope. The difficulties that the new order will face would be graver still were it not for the

transformations that have made it possible. Nonetheless, the world that we are leaving behind was relatively predictable. This is no longer so. Uncertainty is the hallmark of the present; global interrelations are the face of the future. Change is occurring so rapidly that today's situation is already different from the scenario at the beginning of the year. Events in the Persian Gulf sharply remind us how illusory optimism is if serious imbalances are not corrected and if the will to obey the law in force is lacking. Much of what is happening could not have been foreseen; but nothing is simple and we are all affected.

No one can escape the impact of these decisive events. The task of change involves everyone, and not only the developing countries. Today we are seeing former enemies, heirs to a history of confrontation, propose common goals, coordinate their economies, come forward willingly to the encounter of their cultures. Nations that do not know how to adapt creatively to the new conditions will not be able to preserve their integrity. Those who do not adapt in time will let the opportunities offered by the new situation pass them by, but will have to suffer its disadvantages, one after the other: stagnation, technological backwardness, social tension, and finally, national weakness--in other words, effective loss of sovereignty.

We have decided to go out to meet those changes, taking advantage of the opportunities they offer in order to reduce the risks they present. We want to harness the new winds of change that are blowing beyond our borders in such a way as to keep them from turning, within our borders, into sudden storms.

The general bankruptcy of overprotected growth models, of strongly state-controlled economies and authoritarian political regimes confirms the wisdom of the course that we have chosen-- that of opening our doors to trade, financial and technological currents, of reforming a patronal and proprietary State in order to make it a solidary and promoting State, and of pursuing dialogue and agreement within the framework of a new political culture.

Today, Mexico's strength and sovereignty do not stop at our frontiers. They must make themselves felt beyond our borders, in the areas of interdependence and globalization. If there is one thing in which we have been constant in our national vocation, it has been our determination to change in our own way and by our own initiative in times of major world transformations. Our history also shows us that we can go forth to win a place for ourselves among the world's nations with a healthy confidence in the strength and permanence of our culture. For centuries, we have preserved our most ancient traditions while absorbing the most modern of trends. The wealth of identifying and unique features of that culture retains a unique vitality within the innermost being of every Mexican, and today gives us the confidence and courage we need to step beyond our borders and enter the outside world.

Much is being said about the end of the bipolar world and the dawn of a different, multipolar world. But too little recognition is being given to the fact that the world is experiencing a time of military primacy, while simultaneously engaged in the consolidation of new economic, financial and cultural poles. The democracies that are emerging in Central Europe are proclaiming from the outset their rejection of

inefficient production methods, cultural oppression and bureaucratic authoritarianism. They are currently experimenting with political institutions and trying out bold economic strategies, thanks to the virtual disappearance of the preponderant influence exerted by their large neighbor. They are able to accept internal risks because they no longer have an immediate challenge to their sovereignty at their borders.

That is not the case in Latin America. The external conditions we face demand that we show our daring in other ways. Democracy is experiencing a rebirth in this hemisphere, and a new eagerness to escape from stagnation and dictatorship is making itself felt. But beyond such intentions, our geopolitical circumstances remain unchanged, and therefore, the defense of our sovereignty continues to be our fundamental and essential purpose. This is the most important value for Mexico, the decisive political objective in conducting its new relations with the world.

Economic multipolarity also offers unique challenges for Mexico. Three great leading centers of world dynamics are taking shape daily before our eyes--Europe, the Asian Pacific and North America--in which are concentrated the capacity for financial, commercial, scientific and technological transformation. The new blocs are not always willing to welcome and offer to establish productive and respectful ties with nations like ours. Their internal characteristics differ widely, as does their makeup. To compete successfully and negotiate a proper role for our nation in the new world configuration calls for tenacious imaginative effort. It is not an easy task. How to direct internal change and promote links with the new poles of world development? How to strengthen sovereignty in an increasingly

interrelated world? How to achieve the recognition of the right to self-determination within today's trend to globalization? The answers that Mexico has settled on, in keeping with our history and with our circumstances, have two aspects: the first has to do with foreign policy and the second, with domestic policy.

2. Sovereignty and justice

Our strategy in foreign policy is based on the diversification of our relations. With Europe, in view of the perspectives for its unification toward the end of 1992, we are negotiating an agreement to ensure that Mexico effectively gains access to that enormous market. Japan and the Asian countries are forming an extraordinary bloc in the realms of finance, trade and innovation. Our current action is designed to take advantage of its rapid growth and to take part in Pacific Basin agreements. With the United States we have set ourselves to achieving a free trade area. We already, in fact, have wide-ranging economic relations which, in the absence of a regulatory framework, tend to register disorderly and unbalanced growth. The inclusion of Canada would broaden the agreement we seek to establish and would form, in this part of the American continent, the world's largest free trade zone.

Clearly, the point is that we must recognize the new rules of global competition, accelerate economic change at the domestic level and increase our participation in world markets. No firm sovereignty can be founded on stagnation, on self-imposed isolation from international centers of technology and resources based on the naïve argument that the terms of trade the latter

devise are invariably unfair to developing countries. Sovereignty has never been synonymous with self-sufficiency or autarky, nor with a lack of influence or relations. Interdependence does not necessarily run counter to sovereignty; it presupposes its existence when it is based on controlling the course of domestic change, since interdependence only occurs between sovereign nations: the opposite would be subordination, which is unacceptable to us. We are therefore struggling step by step, on a par with the best, to attain the place our country can and should occupy in the world. We want to see Mexico become a part of the first, not the third world.

Domestically, we are strengthening our sovereignty by promoting justice and improving the well-being of the people. Our task is to extend solidarity and mitigate inequality. We share this public passion with the generations that built the Mexican State and defined its precise identity. When we appeal to "The Sentiments of the Nation", we are doing more than merely making a rhetorical reference to the founding commitment of our history as a nation. We are recognizing that we are proud of being Mexican, because justice promotes the cohesion of our nation's society, which is the foundation of its sovereignty.

It is therefore worth asking the question: In defending our nation in the world, whom are we defending within our borders? To defend Mexico's sovereignty we must integrate all our people, with justice, into the life of the nation, reduce the disparities within society, and expand the participation of the greatest possible number in the affairs and in the benefits of the collective effort. Saying how to incorporate them is a simple matter, but it is a difficult task to carry out: it entails improving living standards and effectively increasing

opportunities for access to employment, education, health, food, housing, security and a healthy environment, as well as for personal improvement and the consequent raising of self-esteem. It means having economic growth and just institutions, and ensuring that the majority of the people take an active part in the decisions that affect them. In short, it involves day-to-day democracy, in our own daily lives; where it is least thought of, but without doubt equally important.

Sovereignty involves justice. It demands more opportunities and access to them for all. It implies, especially, the eradication of extreme poverty. This is the most important task of a society like our own. Extreme inequality endangers our identity, our self-determination, and even our ability to look upon ourselves with pride. Therefore, to progress toward more concrete forms of equity is a manifestation of nationhood; to do so in solidarity with the most needy is its highest expression. National sovereignty should entail not only the sovereignty of the people and democracy, but also their solidarity and unity in meeting the challenges that face the nation.

To that end we require a State that concentrates on its basic functions, a State that promotes social welfare infrastructure and addresses the people's most pressing demands. That, and no other, is the ultimate aim of the reform of the State: justice. It must be so, in order to gain the strength demanded by its higher purpose: sovereignty. The only way to reform the State is to perfect its institutions and subject its actions to law, enlist the support of society, and abandon its excessively proprietary and restrictive nature. It was unacceptable to have a State with so much property and a people with so many needs.

Excessive State ownership was undermining the health of the economy, attention to the true business of politics, the general attitude of the people and the effective defense of our country abroad. Therefore, a solidary State whose objective is justice does not lend its backing to protectionism and oligopolistic privileges, it improves its regulatory function; it does not own, it leads; it does not substitute, it guides. A just State does not renounce its constitutional obligations--particularly those which apply to strategic properties--but rather consolidates and fulfills them. It uses public expenditure as a means to create opportunities and to mitigate the ill effects of the crisis, as well as those brought about by the transition to the new development model.

Justice administered by a solidary State is the defense of sovereignty from within. The modern defense of sovereignty demands a State that will simultaneously establish links with the world's centers of development and extend justice to all its citizens. In order to achieve this, it must be a State that promotes growth and more faithfully represents the will of society, which in turn implies both political reform and economic reform of equal magnitude and intensity.

Mexico's sovereign destiny lies in democracy and shared prosperity. Fully attaining these goals requires, in political terms, new possibilities for expression and association, for thinking and saying what best suits our interests, but also for institutions and practices that strengthen democratic responsibilities in the exercise of freedom, and for political organizations with the ability to govern and to defend the interests of our sovereign Republic. In economic terms, clear, lasting rules are needed, as well as the conditions for

sustained growth that will enable every Mexican to follow the profession or trade that best suits his personal well-being and that of his family, and will consistently promote the general interest that in turn serves the interest of each individual.

3. Economic reform: stability with structural change

Economic growth is only meaningful to the extent that it serves its ultimate purpose: raising the living standards of all Mexicans. This objective compels us to maintain stability, increase production and improve the distribution of the benefits that result. Proposals that give preference to a few to the detriment of the well-being of the majority must therefore be rejected. This is the case with excessive protection from foreign competition, inordinate regulations that give rise to monopolies and promote abuse, and indiscriminate subsidies in conditions of scarcity. These anachronistic practices divide citizens into two groups: the few who derive benefits, and the many who must pay for them. They hinder productive efforts, favor privileged relations, and paralyze the initiative of Mexicans. That is why these outdated attitudes are being eliminated as part of Mexico's economic modernization.

An economy that functions is, above all, a stable economy. Inflation is most damaging to those who have the least, while hampering investment and discouraging society. Stability means sound public finances and open competition. It demands that the government not spend funds that it does not have and that it spend available funds wisely. The countries that have had substantial deficits and have closed their economies have not promoted progress in their societies, but stagnation. To be

sure, there are those who seek to associate a government's social orientation with lack of fiscal control. Others suppose that mere budgetary discipline and free competition in itself are enough to ensure that the entire population will be benefited. However, our own historical experience and that of other countries shows us that the former seek to deceive and the latter fail in their duty.

The State must act with fiscal responsibility at all times, promote growth, harmonize conflicting interests and reconcile differences without inhibiting society. Excessive state intervention, or, at the other extreme, its complete absence, are both equally harmful. Its absence sharpens differences, promotes abuses and protects injustice, and the inequality it produces is eventually harmful to all, even those who believe they hold the strongest positions. Excessive intervention, as we have seen, is a source of inefficiency and privileges, neglect, dependence and weakness. Those who gave us our Constitution and our institutions sought to establish a just State that would play a part in social and productive life and defend the nation; above all, they wanted a State committed to the well-being of its people. The reform of the State is aimed at making that historical determination, which is ours as well, an everyday reality.

4. Political reform: institutional change with social unity

We need to combine our wills and efforts in order to advance with a firm step, without affecting the country's overall stability. The only method of doing so lies in constant dialogue, building up agreements, and carrying them out

precisely. Democracy is a commitment and a support of the Mexican State. By providing new channels for public expression and participation, democracy unleashes the creative potential of our society. Since it simultaneously avoids single-minded criteria and prevents the dispersion of wills, the new emphasis on social consensus promotes the internal unity that is essential to our continued participation in the community of modern nations.

Our democracy is sovereign. It does, of course, echo the universal ideal of self-government through representation based on a universal, secret ballot. It does not, however, subscribe to imitations and is not subject to external evaluation. There are no limits placed on discussions of our democracy, but there is only one definitive judge, and that is the Mexican people. The world teaches us what may serve to enrich our political life, but we value the benefits of our system, which are often hidden, perhaps because they are self-evident. Ours is not an invented party system, but one that was formed in our recent history, in which the different parties must learn to coexist with full respect for the law, and with the highest sense of responsibility to the nation.

The political initiative for democracy goes hand in hand with the modernization of the country's economy. We want a democracy on a level with the finest in the world, capable of guiding the country on the basis of high degrees of consensus and effective mechanisms for reconciling conflicting opinions. Changes in the country's political institutions are centered on the application of the law and on a civil service that serves the public and does not use power to serve its own ends. Our aim is not merely to make minor adjustments in public administration, but to

effectively protect rights and provide a prompt response to demands. The State is bringing its relationship with civil society up to date and is promoting the new political culture that is already being expressed by citizens and social groups. Neither sovereignty, nor justice, nor democratic culture can prosper under the arbitrary exercise of power, or the failure of citizens to cultivate civic virtues and of parties to comply with their political responsibility to the nation. Finally, familiarizing ourselves with the law and applying it is the straightforward, simple response that we must all seek.

Political change is not aimed at destroying our institutional foundations or violating social peace, both of which are requisites, here and everywhere, for accomplishing national objectives. Mexicans do not seek adventures, abrupt changes, or unnecessary risks. They want dialogue, respect and responsibility to be the means of improving the nation's political life. Electoral democracy cannot be attained by engaging in practices that jeopardize the country's stability or the continuity of its institutions. We have reason to be proud of the new legal instruments that have been approved by a multiparty majority in Congress. The electorate and political parties alike must adhere to the new legal frameworks and adopt the new attitudes that they entail.

The participative, everyday aspect of democracy has been tested through the government's efforts to give increased attention to all social groups and through the latter's participation in finding solutions to the problems that concern them. I make constant visits to all parts of the country. I listen to demands, take on commitments and fulfill them. Tolerance and

programs. The values of democracy lie in the new involvement of people, in the strengthened autonomy of individuals and groups, in agreement and negotiation, and in clear rules and specific responsibilities.

Mexico's sovereignty is based on a community and collective virtue that has been translated into an untiring pursuit of social justice and the eradication of poverty and the establishment of institutional means to ensure shared well-being. Sovereignty based on solidarity, however, is nourished and strengthened by consensus and participation. In this sense, sovereignty also means democracy: participative democracy, tolerance and dialogue, agreement and concerted action.

B. Accomplishments

DEPUTIES AND SENATORS OF THE REPUBLIC:

The content of this report focuses on providing an account of what society and government have accomplished in the course of the past year, viewing it in light of major worldwide changes, and outlining the national tasks that will engage our efforts during the year to come.

1. Defense of sovereignty and promotion of national interests

Foreign policy is a basic instrument for conducting sovereign relations with all other nations. Respect for the right of

self-determination of peoples and nonintervention in their internal affairs govern our international actions. We are unwaveringly in favor of reaching peaceful solutions to conflicts and the juridical equality of states. We are aware that development is only possible through international cooperation, without the threat or use of force.

Our response to worldwide change has therefore been a resolute determination to diversify our relations and engage in a progressive strengthening of our links with new regional blocs. We received visits from 12 Heads of State and Government, and I also held talks with 34 world leaders. We have opened up to the world, to the most dynamic centers, and also to the regions with which we share a natural affinity, where our efforts have historical and cultural significance.

With the United States of America, we seek interaction that recognizes the importance of this bilateral relationship to both countries, emphasizing dialogue, respect and reciprocity. We have insisted on balance in trade and financial relations and better cooperation in the battle against crime and drug trafficking, together with scrupulous respect for sovereignty, national law and good faith. We have demanded fair and humane treatment for undocumented workers, and have created the Program for Mexican Communities Abroad. I visited Washington in June. While there, I discussed with President Bush the subjects of the bilateral agenda, and, in particular, the more encouraging aspects of trade.

We have begun talks aimed at finding mechanisms to permit a vigorous development of our economic relations that will benefit both nations. The National Consultation Forum on Mexico's trade

relations organized by the Mexican Senate came to the conclusion that a Free Trade Agreement with the United States was desirable. The Forum demanded reciprocity for our unilateral trade opening, the elimination of tariff and nontariff barriers, recognition of different degrees of development, elimination of unilateral measures and subjective interpretations, and the use of objective mechanisms to settle differences. We are currently engaged in talks along these lines.

We are now at the stage of analysis and consultation. As we anticipated, formal negotiations will not begin until the first half of next year. Mexico will present a united front that takes into account the interests of business and the middle classes, workers' rights, campesinos' concerns and expert opinion. We will proceed responsibly--with strength garnered from what we are accomplishing domestically--intensively, but without haste, taking as much time as is necessary to obtain the greatest benefits for Mexico.

We will take care to ensure that the transition period will be long enough to allow changes to occur gradually, to establish appropriate adjustment mechanisms for the most vulnerable sectors, and to ensure the access of small and medium-sized companies to the supports needed to integrate them advantageously into chains of production.

Negotiation of the type of agreement that we seek to reach with the United States will not entail any topic that is not strictly limited to the sphere of trade. This is the difference between a free trade agreement and a common market treaty. We shall keep our autonomy in dealing with third countries intact. I

want to confirm the fact that Mexico will maintain its ownership and complete dominion over hydrocarbons and that the State will continue to fully exercise the powers conferred on it by Article 28 of the Constitution to develop strategic areas under its exclusive domain.

In March, I received a visit from the Prime Minister of Canada. At that time, we signed agreements regarding agriculture, tourism, trade and investment. The meeting has turned out to be particularly beneficial. Canada is a potential participant in the free trade agreement. We are keeping in close touch, and are creating favorable conditions for progress in that direction.

Relations with countries at our southern border are of special importance. The ties established with Guatemala and Belize have achieved the highest degree of political flexibility we have known in recent years. We received a visit from President Cerezo; and through the work of the binational commission, we have made progress in solving problems of trade, immigration and joint investment in the border zone. The agreements with Belize to combat drug trafficking and to supply electric power to that country that were established during Prime Minister Price's visit are worthy of note. By the same token, the Caribbean--our third border--merits the increased presence of Mexico. The government has taken action accordingly. We made progress in establishing substantive projects with Prime Minister Manley, and, during my visit to Jamaica, Mexico's participation as an observer in the Caribbean Community was formally ratified.

Mexico supports efforts to overcome the grave economic and social situation prevailing in Central American countries,

because this is consistent with our principles and serves our interests. Peace must be nourished by the region's development. Therefore, Mexico has already become part of the Central American Bank for Economic Integration; we are encouraging a renewed San José Pact; and, in conjunction with Colombia and Venezuela, we are devising formulas for cooperation with Central American countries. We have found new mechanisms for negotiating past debts and promoting trade with Mexico. Through the visits of the Presidents-elect of Honduras and Costa Rica, the Presidents of El Salvador and Nicaragua, and my visit to Honduras a few days ago, we advanced a new, direct, and intensive initiative with this area, which is vital to Mexico. Our proposal is aimed at increasing the region's level of export supply, ensuring reliable energy supplies, and securing technical assistance and financing both for Central American imports and for joint investment projects. We have created a greater appreciation of Mexico in Central America.

An equally strong sense of solidarity links us with the Latin American region of which we form part and with which we maintain the ties of a common history and cultural affinity. Today, circumstances favor greater realism, authentic exchange, and a renewed collective consciousness. With the formation of democratic governments and the opening of its economies, Latin America affords potential for effective integration. We must realize this potential in a gradual, clear and orderly process, progressing toward freer trade so as not to be left at a disadvantage relative to other regions. We must avoid unattainable proposals, which would again lead us to disenchantment and frustration.

Chile's return to democracy made possible a long-awaited rapprochement with this well-loved and closely related country. Through reciprocal State visits, we have reestablished ties and are preparing the foundation for a Free Trade Agreement with Chile. I went to Ecuador to formalize our long-standing friendship, and we signed agreements specifically related to the trade, fisheries, and energy sectors. In the same spirit, I visited the Republics of Bolivia, Argentina, Uruguay and Brazil. In these meetings, we defined practical means for improving relations among our countries. Twenty-five cooperation agreements were signed. Mexico participated in the Fourth Meeting of Presidents of the Group of Rio held in Caracas, Venezuela, where new members were admitted. The Group is expected to serve as a source of political coordination in the pursuit of integration and dialogue with new economic blocs. In this context, Mexico proposed guidelines for putting the trade agreements within the region into action. The ten points I proposed to the Latin American Integration Association (ALADI), which were also based on the Senate's National Consultation, have been adopted by the Group of Rio. Following the visit of President Gaviria, proposals were made for agreements with Colombia regarding the development of Colombian coal mines. Our country has become a member of the Andean Development Corporation. Thus, we are proving in actions and in effective initiatives Mexico's clear ties with Latin America. We shall maintain our position in support of integration, and we shall continue to be its most determined promoters.

Because it belongs to the Pacific Basin, Mexico seeks to play a part in the technological development and financial capacity of the Asian region of the Basin. It was for that purpose that I visited Japan. Australia and Singapore and new embassies were

established in the latter country and in Thailand. We promoted Mexico's entry into such regional movements for concerted activities, such as the Pacific Economic Cooperation Conference. Prime Minister Kaifu's visit to this country and my trip to Japan brought concrete results in the form of financial support for such specific purposes as combatting pollution, rebuilding locomotives, obtaining equipment for thermoelectric power plants and promoting our exports to that country. We made progress in establishing closer ties between our two cultures, both jealous guardians of our age-old traditions. The visit of the President of the People's Republic of China permitted the establishment of a bilateral consultation mechanism that will lead to improved understanding and collaboration.

On my working trip to Europe I visited Portugal, the United Kingdom, the Federal Republic of Germany, Switzerland and Belgium for the purpose of increasing our trade with those countries and attracting investments. There is growing support within this community for Mexico's transformation efforts. We participated, as a founding member, in the establishment of the European Bank for Reconstruction and Development; in this way we shall achieve an improved presence in and closer ties with the economies of the countries of Central Europe. As regards our relations with GATT, I made our position clear during the Uruguay Round of negotiations: we call for an end to unilateral interpretations, the dismantling of nontariff barriers, the recognition of differences in development and, in particular, for reciprocity for Mexico's opening of its economy. The success of the Round is of fundamental importance to promoting a worldwide open trade system, preventing the growing frictions between blocs, and obtaining shared benefits. Mexico thus both supports and hopes for a positive conclusion to this year's

negotiations. So far, it has proved easier to reconcile the viewpoints of developed and developing countries than to resolve the differences between the United States and the European community on agricultural matters. This is a paradoxical and risky situation, to which a solution must be found.

The visits to Mexico of the King and Queen of Spain and of Premier Andreotti of Italy were of marked importance. Bilateral Cooperation and Friendship and Economic Cooperation Agreements were signed with the respective countries. The presence in Mexico of President Havel, of the Czech and Slovak Federative Republic, allowed us to establish much closer contact with the current processes of opening and change in the countries of Central Europe. We also improved our presence in Africa, opening new embassies in Morocco and Zimbabwe to take advantage of the trade opportunities offered by those countries.

At the World Summit for Children, attended by more than 70 Heads of State and Government, which Mexico joined in sponsoring, we emphasized not only the priority that the world should place on children, but also the promotion of a keener awareness of the serious abuses suffered by the children of migrant workers' families, those who are refugees and the many children who live in poverty. Only a global initiative for development can begin to provide true hope for the world of the twenty-first century.

The people of Mexico received Pope John Paul II with affection and respect. In his visit, the "Pilgrim of Peace" was met on all sides by faith and joy. It was a visit that left an enduring memory of encouragement; we Mexicans will always think fondly of him.

In the General Assembly of the United Nations, our country expressed its desire to strengthen diplomacy and the primacy of international law during this historic opportunity offered by the end of the cold war. I affirmed that sovereignty and democracy are indispensable in a world of interdependence. They are essential to self-government that permits commitments, links and greater openness to the community of nations to be formed. Consequently, the future must lie in more, rather than less, respect for States, and in stricter and more effective compliance with international law.

One of the firmest pillars of the nation's sovereignty and security is its Armed Forces. Identifying fully with the interests of the society they serve, the Mexican Army, Air Force and Navy have fulfilled their responsibilities. They have also shown exemplary solidarity with communities when this was most needed. That was the case with the victims of hurricane Diana, when they put the DN-III-E Plan and the SM-AM-90 Plan into operation. Modernization of the Armed Forces' institutes has already had a notable effect on their day-to-day performance. Their response capacity has improved as a result of adjustments in the distribution of forces, development in their training and improvements in installations, weapons and equipment. The acquisition of scouting helicopters, electronic and telecommunications equipment, spare parts and modern accessories has been noteworthy. Military and navy centers have been built and remodeled. Today, the Armed Forces are better equipped to fulfill their high calling.

We recognize that their operations against drug trafficking are of vital importance to the security of the nation and to our institutional life. The Army, Air Force and Navy have shown

marked efficiency in destroying drug crops, seizing drugs and narcotics, and closing down clandestine air strips. Phase II of the Detection and Control System has begun and new Mexican radar equipment will enable us to detect aircraft that attempt to enter the country with drugs. In carrying out their noble mission, they bring all their experience and capability into play when circumstances so demand, and offer their lives as well. I proudly convey the recognition and appreciation of the people they serve to our soldiers and sailors. Their courage and loyalty are exemplary.

2. Expansion of our democratic life

Mexico is experiencing a climate of expanded freedoms. We are adapting our political institutions and practices in order to permit the orderly direction of our own domestic changes. Our goal is to build a democracy that is born of our experience and strengthened by changes in our society. This accounts for the value placed on unity and stability. The developed nations have required long periods of institutional continuity to reach their present level. We promote change to foster general respect for the law among all our people, to encourage broader citizen participation and modern governmental action, and also to stimulate civic competition among parties, within the framework of law, as the product of responsible agreement among them.

Our duty and our convictions oblige us to seek the greatest possible protection of fundamental human rights and of the individual guarantees set forth in our Constitution, to fight crime and to eradicate impunity. Consequently, in defense of their rights, more than 12,000 prisoners have also been released on parole, in strict compliance with the law.

The National Human Rights Commission has been established. With the participation of society and firm political will, its work will increase the protection accorded to the rights of all who live in Mexico. The response has been prompt. Attention has been given to 297 reports of alleged violations of rights. One of our goals is a Federal Judicial Police Force that is professional, ethical and exemplary. Respect for individuals, even for those who commit crimes, is the goal it must pursue. Therefore, evaluation and incentives systems, and control and sanctions systems in particular, are being reinforced. During this regular session, I will submit bills designed to protect the rights of individuals during the investigation of offenses, preliminary interrogation and all proceedings. Let there be no doubt: we are firmly committed to protecting human rights and we shall act accordingly.

Mexico reaffirms its humanitarian principles and ratifies the observance of its traditional policy of aiding refugees and extending the right to asylum. I submitted to the Congress of the Union a bill that was voted into law and took effect on July 18, 1990, resulting in the amendment of Article 42 of the General Population Law and the establishment of refugee immigration status. This step has updated one of our country's long-standing political traditions, adapting it to the current circumstances of international life. The Paisano Program established to guarantee decent treatment for returning Mexican migrant workers, warrants special mention. Today our consulates have provided 350,000 cards for the identification and protection of Mexicans both outside our country and upon their return to it. In Mexico, we cannot tolerate a situation in which our own citizens are afraid to return and fear abuse by low-level officials.

The relations between the different branches of government have been respectful and cooperative. This has made it possible for each branch to carry out its assigned functions more effectively. Timely attention has been given to the means required for the legislators to exercise their powers, and those means have been placed at their disposal. In a climate of respect, we have complied with the resolutions of the Supreme Court of Justice of the Nation and of the pertinent tribunals; at the same time, we have made every effort to provide them with the necessary means for the faithful performance of their difficult and highly important duties. By the same token, inter-institutional coordination of the Federal Executive Branch with the state and municipal governments is being strengthened.

There has been no letup in our battle against drug trafficking. We have carried out the destruction of more than 6,000 hectares of drug crops, arresting more than 18,000 people suspected of committing crimes against health, and seizing weapons, boats and vehicles used in these unlawful activities. In 1990, more than 45 tons of heroin and cocaine base equivalent to 800 million doses have been seized. Their market value would be on the order of 120 billion dollars. Our commitment to wipe out drug trafficking is irrevocable, as is our firm conviction that, in our territory, this serious evil must be fought only by Mexicans. We have enforced the legal commitments that afford security for international extradition procedures, the execution of sentences, legal cooperation and the recovery of goods. The government will continue to take decisive action to combat drug trafficking, but its action alone does not suffice; to effectively combat that traffic the participation of society as a whole is required.

We are making every effort to strengthen monitoring and control systems for public spending and legal, honest and efficient governmental management. Resources must be forthcoming, tasks must be accomplished and works must be completed and serve the public as they should. We must recognize the enormous harm done by unfulfilled promises, interrupted service and unfinished construction. The people's support is crucial to our efforts to keep such things from happening.

In electoral matters the Congress of the Union has approved a new and completely renovated legal framework. The democratic agreement that made it possible to amend the Constitution and win approval of the Federal Code of Electoral Institutions and Procedures constitutes a mature innovation, an admirable political action. For the first time in our country's modern history, legislators from parties representing the full spectrum of political thought approved the new electoral rules. The initiative of the political parties and the intense--sometimes impassioned--discussion of their content have made it possible for us to have a better instrument for conducting elections today. Many ideas and proposals were set forth, not only in Congress, but also in academic life and in public opinion media. Days, and even entire nights, bore witness to the power of the debate, and, in the end, the power of reason. Eighty-five percent of the federal deputies voted to approve the Code. Five of the six political forces represented here considered it to be better, on the whole, than the code that was previously in force.

The new electoral legislation is now positive law and, consequently, applies to all of us. It creates new authorities in which no party or coalition of parties has primacy.

Appointments are subject to objective, not arbitrary, procedures and requirements. In the highest body, the counselors represent more than a single parliamentary faction. All the parties have representatives; and, the new office of magistrate-counselors, whose term lasts eight years in order to give continuity to decisions, was created. The new Federal Electoral Court has full jurisdiction, and its resolutions may be modified only by a two-thirds majority of the Electoral College; that is to say, only through a broad consensus among the different political forces. The parties now have more prerogatives, and also more obligations. A section on electoral offenses has been established. Electoral services are being professionalized. A totally new and reliable voter registration list is being drawn up, on the basis of which new voter registration cards will be issued.

I have fulfilled my obligation to submit the nominations for magistrate-counselors of the new electoral body, and during a special session of the Chamber of Deputies the nominations were approved by a two-thirds majority as established by law: in other words, the electoral officials and the members of the Electoral Court were approved by legislators representing political parties of the most diverse persuasions. The activities required for creating and putting into operation the institutions called for in the Code have been completed. The government has allocated substantial budgetary resources for this purpose. It is now up to the political organizations, the new institutions themselves, and all federal officials to strictly observe the new law and to promote the widest possible citizen participation. Everyone must be committed to ensuring the honesty of the electoral process. The results will depend

on the ability of each political organization to convince the Mexican people and win their votes.

During the period covered by this report, constitutional elections were held in 11 states of the Republic, resulting in the designation of new authorities in 517 municipalities and renewing the membership of 9 state legislatures. These elections attested to the vitality of our country's current system of political parties. Democracy involves recognizing pluralism and peaceful competition. Violence is an irrational recourse that saps the strength of the nation. The occasional outbreak of partisan passions that result from electoral controversies has been overcome, thanks to the willingness of political forces to engage in dialogue and conciliation.

3. Economic recovery with price stability

Almost two years ago, we set as our task the consolidation of economic stability and promotion of the recovery of productive activity. The Pact has been the primary means of reducing inflation and of preventing it from getting out of hand. In 1989, the gross domestic product grew by slightly more than 3 percent. Despite a pause in the growth of economic activity at the beginning of this year, in 1990 the gross domestic product will rise at a rate greater than the rate of population growth for the second consecutive year. Although inflation remains in the region of the 20s in terms of percentages--significantly below the levels observed in previous years--in 1990 it will be higher than projected. At the beginning of this year, price lags that undermined fiscal efforts and endangered the supply of essential goods were corrected. We could have ignored th

lags and avoided the corresponding surge of inflation that occurred during the first part of this year. But we preferred to go to the root of problems in order to strengthen the future viability of our economic program. Any other response would have been counterproductive.

In 1989, we cut the fiscal deficit in half in real terms. During the first 6 months of 1990, even without including the reduction in the balance of the foreign public debt we negotiated, the deficit was again less in real terms than during the same period last year. If we take the renegotiation into account, we obtained a financial surplus. In this way, for all of 1990, the goal of reducing the fiscal deficit to about one percent of the gross domestic product will be achieved, and we will have the lowest deficit in a quarter of a century. Fiscal discipline is the fundamental cornerstone of economic stability.

Tax policy has sought to distribute the tax burden more equitably, and at the same time has established lower rates, which are competitive at the international level. Privileged treatment and exemptions enjoyed by certain groups of taxpayers were eliminated, and the tax base was broadened with regard to income taxes, taxes on assets, and value-added taxes. Tax provisions were simplified and the handling of goods in customs was streamlined. The results have been encouraging. So far this year, tax revenue, and particularly those from value-added taxes, have increased significantly in real terms. Additional revenues from oil exports create an even more favorable environment for accomplishing these ends. As a result, the margins of the nation's economy are being expanded. Nonetheless, our country's program is neither based on nor

dependent upon fortuitous events, but relies on the determined efforts of all Mexicans.

As expected, the reduction in interest rates, together with the more selective allocation of public expenditures, made it possible to simultaneously reduce the deficit and increase public spending for strategic items and social priorities. We continue our restructuring of subsidies so as to make them selective, clear, and of benefit to the people who need them most. Lower interest rates reflect the favorable outlook for the Mexican economy. The rate for 28-day CETES (Treasury Certificates) dropped from more than 47 percent in March to less than 27 percent today. At present, personal savings in financial institutions is equivalent to almost 40 percent of domestic income, the highest level achieved in our history. This is the result of confidence and not of an excessive expansion in central bank credit.

Efficiency in channeling credit to productive investment has improved. However, Mexico needs a more modern financial system. To that end, I submitted a bill for reform of the financial system to Congress last December, and in May I submitted a bill for the amendment of Articles 28 and 123 of the Constitution. Thus the state is leaving behind its role as a majority owner of commercial banking institutions, without prejudice to its ability to guide their activities, because the circumstances that led to state ownership of banks in the past have undergone a fundamental change.

My initiatives were motivated by the need to defend the fundamental commitments set forth by our Constitution: to strengthen strategic areas, a vital part of the people's

convictions, and to change in order to better fulfill the State's responsibilities for ensuring justice. Therefore, the reestablishment of a mixed regime for the banking system, as set forth in the Constitution for more than 65 years, is in the national interest. Excessive state ownership, which immobilizes so many resources in the banking system, cannot be allowed when there are so many needs that require attention. Now, those resources, together with the funds that will no longer have to be spent on modernizing the banks, will foster stability and can be used to respond to the people's most pressing demands. At the same time, the state is reinforcing its supervision of the new financial institutions and its ability to orient credit.

Certainty and stability in the foreign exchange market have increased. As a result, the disparity between the free and controlled rates of exchange has narrowed, and the cost of hedging has come down. The favorable evolution of the market and renegotiation of the foreign debt have enabled us to reduce the peso's slippage to an average of 80 centavos a day. Along these same lines, the index of real foreign exchange rates relative to producer prices--the most relevant measure for this comparison--have been maintained without any major fluctuations throughout last year and this year to date. Our competitiveness has been preserved. The major depreciation of the U.S. dollar relative to European and Japanese currencies has even increased the comparative advantage of our exports.

In my first State of the Nation Report, I indicated that the renegotiation of the foreign debt was an accomplished fact. We still had to determine which options the more than 500 creditor banks would select: reduction of principal, reduction of interest rates, or provision of fresh resources. With the

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signing of the restructuring agreement for our foreign debt on February 4th of last year, 43 percent of the eligible debt was oriented toward the principal reduction option, 47 percent toward the reduction of interest rates, and the rest will provide new money. The negotiations were consistent with the requirements we set. Net transfers abroad have been reduced. The economic value of the debt accumulated in the past has been reduced by more than 20 billion dollars. This means that the amount we owe relative to the amount we produce has been reduced. The balance, in terms of its net economic impact, has gone from the equivalent of 60 percent of the gross domestic product (GDP) at the end of 1988 to about 40 percent of GDP as of March 1990. The long-term character of the debt renegotiation eliminates the uncertainty created by periodic annual negotiations.

The evolution of the balance of payments as a whole has been favorable: savings in debt service, the increase in export revenues--which have benefited in the last three months from rises in the price and volume of oil exports--were added to greater foreign investment, foreign credit, and the repatriation of capital. This meant that, despite the use of 1 billion 374 million dollars to establish guarantees as a part of the debt renegotiation and the payment of 1 billion 336 million dollars for supports--called bridge loans--from the financial authorities of foreign countries, the country's international reserves amounted to 8 billion 415 million dollars as of yesterday. All this is occurring within a macroeconomic framework with increasingly solid foundations.

This year, the instability of oil prices was again evident. Despite a good beginning, prices dropped to worrisome levels in May. Due to the Persian Gulf crisis, prices have now registered

a substantial rise. We recognize that today's prices are the result of uncertainty in the Gulf area, and their future is unpredictable. Very low prices foster waste by consumers and discourage producers; prices that are too high create inflationary pressures and a tendency toward recession in the most industrialized countries, which harms everyone and affects our ability to export. Therefore, we are promoting stability in the oil market and reasonable price levels. In the meantime, we are keeping in mind that the major additional revenues we are receiving are transitory in character and, as such, cannot be devoted to ongoing expenses. We will channel them primarily toward fiscal and financial consolidation. Surpluses will be used to strengthen PEMEX's drilling and development investment program, since it is in the country's interest to have added capacity to better meet domestic needs and to open new options for export.

The Federal Electricity Commission has continued its expansion programs, which have made it possible to increase power generation by more than 6 percent this year. The growth in installed capacity means that the number of users will grow by more than 6 percent. As regards infrastructure, more than 2,000 kilometers of concessionary toll roads are under construction--always in circumstances in which a toll-free alternative route is available. These works are equivalent to twice the total length of 4-lane highways built over the last 20 years. When the privately held concessions expire, ownership of these highways will revert to the nation. Private sector participation has made it possible to reorient fiscal resources to highway maintenance and construction, and this year, to more than 3,700 kilometers of rural and feeder roads. Containerized freight has been promoted for the railways and we are redoubling our efforts to improve their efficiency. Work on modernizing

ports on both coasts has been stepped up. The private sector has made heavy investments in specialized cargo terminals, docks for cruise ships, marinas, and tourist ports.

Deregulation is in line with the spirit that has prompted the reform of the state. With the passage of time, laws, regulations, and rulings have accumulated that have come to constitute definite barriers to the development of economic activity, since some standards have become obsolete and others are clearly contradictory. Thus, we eliminated exclusive route concessions and other unnecessary motor transport regulations. As a result, rates have dropped by an average of 25 percent and, in some cases, up to 50 percent. Restrictions on airlines were lifted, bilateral agreements were updated, and new agreements were negotiated. We strengthened the regulatory framework of Teléfonos de México before proceeding to its divestiture. Especially noteworthy are the 11 percent growth in the telephone network, the start of mobile cellular phone operation, the advances made in the digital network, and the fiber optics project that will significantly expand the capacity of our communications system. The Morelos I satellite is operating at full capacity and Morelos II is practically at capacity. Therefore, a new generation of satellites are now being designed.

Customs regulations were modified in order to streamline the operations of importers and exporters. We annulled the decrees that overregulated the industrial and commercial activities of corn dough and tortilla manufacture, and of the salt, match and henequen industries. In the first case, our purpose was to increase supply, and in the latter cases it was to eliminate oligopolies. We eliminated planting and export permits for

fruits and vegetables and marketing permits for cocoa, sugar, and coffee. Thanks to these measures, coffee export earnings rose 70 percent, and we are currently the second largest supplier of the U.S. market.

New provisions promote specialization and larger scale production in the automotive industry. In the computer industry, we are making it easier for producers to incorporate domestic inputs and to specialize their production, and users now have access to modern technology. We are coordinating a modernization program for the pharmaceutical industry, as well as measures aimed at the gradual elimination of import permits. We are promoting the sectoral and geographical diversification of the maquiladora (in-bond processing) industry, as well as its greater integration into the national economy. It is estimated that this year the number of maquila plants will increase by 15 percent, and the number of their workers by 10 percent. In order to make border areas and free trade zones more competitive, new provisions are boosting the supply of domestic products and replacing the quota system by a system of free imports. The Joint Commission for the Promotion of Exports has taken effective action to refund Value Added Tax within five working days, to eliminate restrictions on livestock export, and to furnish information on locating markets abroad.

I want to point out that the Federal Government will give special support to the owners of small and very small businesses through a revolving fund without burdensome procedures that will give them access to institutional financing.

The promotion of foreign investment is based on the regulatory adjustments approved last year. Since the regulations were

published in May of last year, the amount of foreign investment in approved and registered projects has reached the unprecedented level of 5 billion dollars. In addition to responding to the positive prospects for the domestic market, foreign companies find in Mexico a suitable location for exporting to the United States and also to Japan. Furthermore, to obtain more foreign exchange, jobs and regional balance, we can and we want to be a major force in the tourism industry. We have therefore authorized the swap of public debt for infrastructure investment in seven new tourism projects. By selling properties, the National Tourism Promotion Fund (FONATUR) increased the financing allocated to tourism promotion by 91 percent. We estimate that to date, the number of foreign visitors has risen by more than 7 percent, while domestic tourism has grown by 4 percent.

My administration is dedicated to promoting scientific and technological progress. We are trying to keep our technicians and scientists here in Mexico, to modernize the productive apparatus, and to link it with research institutions.

The budget for the National System of Researchers has been increased by 20 percent in real terms, and there has been a 24 percent rise in the total number of its members, who, since March, have received increases in income based on a merit evaluation conducted by the System itself. In institutes of higher learning, grants for academic performance were established. All of this is still not enough. We must devote more resources to such purposes and be able to count on more community participation and responsibility. Progress in science and technology is essential to the well-being of the Mexican people.

One of Mexico's highest priorities is to overcome backward conditions in the countryside. One of the Revolution's basic tenets was to ensure social justice for campesinos. Nevertheless, the state of Mexican agriculture gives cause for serious concern. It suffers from increasing and rapid decapitalization, excessively small landholdings, and grinding poverty. I believe that it is imperative for Mexico to find dignified solutions for the life of campesinos, and ways to integrate them into a society that respects their roots and their traditions. Let us recognize present realities. Let us discuss the problems of absentee ownership and tenant farming and their causes, of parcels too small to sustain a family, and of unemployment, in order to find organizational formulas to solve them, while maintaining complete respect for the constitutional forms of ownership. We cannot accept that present conditions are the best we can provide for our campesinos. Mexico's self-sufficiency in food, as well as the well-being of its producers and their families, depend on increasing production and productivity.

We are making progress in securing land tenure and attending to the needs of campesinos. In the period covered by this report, 600 executive orders were executed covering 1,250,000 hectares which were brought into production. A total of 162 executive orders were signed that granted 175,000 hectares to groups of petitioners; 123,000 certificates of inalienability for agriculture and livestock raising were issued. We are distributing nearly 250,000 hectares of property confiscated from persons who had been using the land to grow illegal crops.

Enterprises like Mexican Tobaccos (TABAMEX), the Mexican Coffee Institute (INMECAFE), the National Seed Producers' Association

(PRONASE), and the national sugar company (AZUCAR) are in the process of being restructured, liquidated, or transferred to producer organizations. The participation of both social and private sectors in these activities will increase earnings from this sector; it will also encourage capitalization of the countryside and will free public resources for assisting those who have the least. In addition, we are reforming the rural credit system. Those who live in marginalized areas or who are at high risk of losing their production because of disasters will be given assistance through the mechanism of unsecured loans granted under the National Solidarity Program. Those who have low incomes but have productive potential will be given financing through the National Rural Credit Bank (BANRURAL) and the Credit Trust for Irrigated and Dryland Farming Areas (FICART); and those who are engaged in agriculture, livestock raising, and commercial forestry will be given support by Agriculture-Related Trust Funds (FIRA) and the national credit institutions. We know that there have been occasions when it was more profitable to cause a disaster and collect the insurance than to fully exploit the productive potential of the land. The Mexican Farm Insurance Company (AGROASEMEX) is starting operations and is designed to correct the flaws of the previous insurance agency. Opportunities have been provided for private insurance companies to offer their services in this area.

Corn and beans are still under the price-support system and their marketing is supported by the National Basic Commodities Company (CONASUPO). Price guarantees to campesinos have increased significantly in real terms, and quality differentials have been introduced. For all other products, producers,

industrialists, and merchants have reached agreements to adjust their prices to the context of a more open economy. In addition, import duties on agricultural inputs have been lifted, and there has been broader private and social sector participation in the production and marketing of improved seeds. Progress has been made in rehabilitating irrigation districts, with farmers taking a more active role. Because of its great potential benefits, this course of action has top priority.

This year we will harvest a total of over 25 million tons of the ten principal crops, 14 percent more in volume than last year. This demonstrates the sector's vigorous capacity for recovery when the surrounding conditions improve. The results obtained encourage us to redouble our efforts. The supply of beans was guaranteed by the success of the emergency program. I would like to emphasize the noteworthy response of campesinos and small landowners. We will harvest the largest corn crop in our history. In the production of corn and beans, basic foods in the Mexican diet, we are practically approaching self-sufficiency--an achievement without precedent in the last 20 years. This effort deserves the gratitude of all Mexicans.

In the livestock sector, the production of eggs and meat has increased and recovery of the dairy industry has begun, with imports to be reduced by 10 percent this year. In order to augment our forested land area and help save our tropical forests, we launched the National Reforestation Program.

Fisheries continue to show positive growth. Aquaculture will become more dynamic as a result of modifications in the Federal Fisheries Law which permit the participation of campesinos and private investment in the production of species of high economic

value. We can recover our leading role in this field. We are channeling credit in a more flexible and timely manner. The cooperative workers' association was unified, providing an example of real maturity and social consciousness. With regard to tuna, we are strengthening our commitment to sound ecology and will, at the same time, defend our exports with the voice of reason.

4. Productive improvement of living standards

4.1. Social policies

We are reforming the State in order to set in motion the social transformation of Mexico--an arduous task, in which the dictates of time oblige us to maintain both sustained effort and unflagging hope. There is no other way than work, by everyone, everywhere, at all times. When the economy grows stronger, when opportunities multiply and differences diminish, our nation becomes more sovereign. This does not result solely from the creation of more wealth, nor even from a better distribution of wealth. It demands that and more: a conviction and a feeling shared by all of society that belonging to the nation means making our collective destiny part of one's own. That is an ethical commitment and a political responsibility that the State can never neglect.

Our country's population has doubled over the past 25 years. In March, we verified that there are more than 81 million Mexicans, which makes us the eleventh most populous country in the world, according to the results of the General Population and Housing Census. The census was conducted using the most

advanced technology to ensure maximum coverage and quality. It is unquestionably the most accurate census in our country's history. It is encouraging to note that the population growth rate has dropped to 2.1 percent annually, according to recent estimates. Nonetheless, population growth is still high. During my administration alone, 10 million Mexicans will be added to our population, who will add their demands to those already accumulated. This poses a formidable challenge and requires more effective and permanent solutions to the problem of demographic growth.

The answer for society is more jobs. Today, we can state that overall conditions for sustained growth are being consolidated. Increased investment means an increased supply of jobs, which, though still insufficient, in turn fosters productivity and higher wages. This is the context in which we launched the National Training and Productivity Program. Furthermore, the National Employment Service has become an effective link between supply and demand, between training and productive employment.

In the past two years, average wages have increased in real terms, even though they have not yet regained the levels that prevailed before the crisis. Contract wages, which are the most common type in the formal economy, have been renegotiated in accordance with the individual circumstances of the different branches of activity and enterprises. Minimum wages, for their part, have evolved less favorably; in order to raise the real minimum wage, we must take particular care to ensure that it will not cause a new surge of inflation. We have seen that wages have improved when inflation is low, more than when nominal increases have been high. Therefore, controlling inflation is not only an economic goal but a social obligation.

The Federal Conciliation and Arbitration Board has improved its services through the training of personnel and the unification and dissemination of criteria for resolving demands and strike calls. It is worth noting that of the 5,600 strike calls received by the Board between November 1989 and August 1990, only 2.4 percent resulted in strikes, and there was a 47 percent reduction in the number of workers involved.

The Federal Government has responded to the demands of its workers within available margins. Particular attention has been given to the demands of teachers, doctors and nurses. Given the fact that in previous years teachers had suffered the greatest deterioration in salary levels, during my administration they have received cumulative salary increases of 89 percent. We will continue to seek an improvement in their standard of living through dialogue, so that they in turn may improve the quality of their noble educational task.

The priorities of a just State are those that foster the well-being of society. Education is one of its components, and is a key part of our country's modernization. In accordance with constitutional mandates, we are trying to add a productive dimension to the spirit that has governed Mexican education. We need to strengthen the links between the different educational levels and between the school and the community. Education will be an essential element that will enable us to face the world strengthened and sure of ourselves.

As a consequence of the participation of teachers, parents, professionals, intellectuals and the various sectors of society, the first results of the Program for Educational Modernization are now at hand. Programs were drawn up for each of the states

and were adapted to the diverse characteristics of our country. The services of the National Educational System have been extended and diversified throughout the country. The 8 percent annual increase in pre-school enrollment, especially in Indian communities, is noteworthy.

Our cultural policy has been aimed at decentralization and joint responsibility in carrying out activities for the preservation, promotion and dissemination of art and culture. Economic incentives have been granted to well-known figures, talented young people, interpreters and performers in the realm of the Arts. At the same time, support has been provided for 360 popular culture projects conceived and carried out by the communities concerned. Private resources are channeled toward efforts to preserve our cultural heritage. To broaden our cultural exchanges, we promoted high-quality festivals within the country and abroad, and major expositions such as the one now at the Metropolitan Museum in New York. We will continue to review excessive administrative structures and inflexible attitudes in official cultural institutions. This is the pre-eminent area for free expression in which no bureaucracy should restrain creativity.

Mexico has been delighted and has felt that our language, imagination and sensitivity have gained world esteem through the work of an outstanding poet. The Nobel Prize does justice to his talent and extends its benefits to our literature and to a shared appreciation of what is born, nourished and accomplished in Mexico. May this event, in addition to recognizing the talent of Octavio Paz, act as a stimulus to us all in our future endeavors.

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Raising the quality of health-care and social security services continues to be a priority of the Mexican State. Coverage has been increased through the inauguration of Health Secretariat, Mexican Social Security Institute (IMSS) and Social Security and Services Institute for Government Workers (ISSSTE) hospitals and primary care centers. Support was also given to the activities of health-care workers, traditional midwives, mobile brigades and outpatient surgery. The incidence of infectious diseases has been brought down and the outbreak of measles has been under control since May. Teachers and society in general have been encouraged to participate in taking care of their own health. In preventive medicine we are making progress with immunization programs and campaigns at the national level. This year 69 million vaccinations were administered.

The National Sports Commission has broadened the scope of its activities in order to continue offering alternatives for individual and social development, particularly for youth. Sports leagues have been created, and playing fields and facilities have been built or renovated. There is a keen demand for sports in villages, and this is a particularly appropriate sphere for community participation.

We must strengthen policies aimed at decentralizing our population, services and productive activities. The will of the government alone is not enough; the effective participation of social and productive sectors is also required. Hence the impetus being given to the creation and strengthening of industrial, commercial, tourism and agricultural corridors, and to the promotion of regional urban systems that relieve areas now suffering from high levels of population density. The aim is to encourage the renovation of urban life and to improve

communications between the scattered rural communities that still exist. We have extended the coverage of drinking water and sewerage services. New land reserves support more orderly urban growth. A special program to regularize settlements on federal lands has also been launched.

In Mexico City the commitments we have assumed are being carried through: the Program to Combat Air Pollution is already in operation; it will be complemented with new decisions on water and on waste control. Work on the subway system has been resumed and all the vehicles on the Ruta 100 transportation system are being replaced. Large-scale investments are being made to install drainage and services in low-income neighborhoods. Serious problems in regularizing land tenure have been resolved. Work is under way on far-reaching social programs for the protection of children. Progress has been made on law enforcement and public safety, and efforts in this field will be redoubled. The new impetus that has been given to public investment and maintenance of the city's services has been made possible through effective tax contributions by residents to improve the Federal District's public finances. Its inhabitants have shown impressive solidarity with the city's causes and far greater respect for the norms than some people expected.

A city government that respects plurality, the responsibility of all the social and political forces and the important role played by the Federal District Representatives' Assembly, have contributed to creating a climate of respect for human rights and the full exercise of freedoms. It is a source of encouragement to know that Mexico City residents are finding answers to the city's most pressing problems.

Housing construction in our country continues to lag behind demand. Decent and proper housing is one of the people's most pressing demands and an essential element for improving their well-being. Major efforts have been made by the National Fund for Workers' Housing (INFONAVIT), which has distributed 70,000 housing units and extended 15,000 loans this year, the highest number in its history; the Housing Fund of the Social Security and Services Institute for Government Workers (FOVISSSTE) has redoubled its efforts to benefit workers. The activities of the Low-Income Housing Fund (FONHAPO) and the Working Capital and Bank Financing Fund for Housing (FOVI) have been stepped up. We are providing support for owner-built housing through programs to reduce the cost of inputs, and the establishment of building material depots and supply centers. We are continuing to simplify procedures for granting licenses and permits.

Our development is taking place within a process of growing respect for the environment. We continue to work on priority needs, while at the same time, society is establishing a new relationship with its natural surroundings. As a result, emphasis is being placed on the fight against pollution in critical zones such as the northern border area, the country's main industrial ports and the Mexico City Metropolitan Area, where comprehensive actions are under way. This year, the first phase of the program to clean up the Lerma-Chapala Watershed was completed and work on the program continues unabated, as it does at Lake Pátzcuaro and on the Blanco, Balsas and Coatzacoalcos Rivers.

In all these tasks our own efforts have been reinforced by technical and financial cooperation from Japan, the United

States, France, Germany and other nations. We are most grateful for their support.

My administration has continued its determined efforts to protect our natural resources. Progress has been made in protecting the vital nuclei of the Lacandón jungle, while at the same time property and production systems for its inhabitants are being consolidated. We have also launched a frontal attack on traffic in endangered species and we have promoted our adhesion to the Convention on International Trade in Endangered Species of Wild Fauna and Flora. Our country's ecological commitment was confirmed when it hosted World Environment Day last June 5th.

4.2. The National Solidarity Program

Poverty is not decreed by fate. We are channeling more resources to address the problem, and we have more opportunities to do so. There is the mandate of our laws to eradicate it. A major demand of society is that the fight against poverty be made a national priority. We have enormous productive capacity in the imagination and initiative of all Mexicans, and their tradition of solidarity is alive and real. There is national resolve and a clear decision on the part of the Government of the Republic to confront inequality and combat it with determination and vigor. That is the basis of the National Solidarity Program.

In Mexico, solidarity is a deep-rooted reality among families and in the life of all its communities. It is a hallmark of the Mexicans' character. The Government of the Republic promotes,

supports and coordinates the solidary currents within our society and the institutions that put solidarity into practice. The state joins forces with them in undertaking new and more far-reaching tasks. Solidarity means putting the country on a different footing: it is the opportunity to build a new society. A new way of doing things is emerging.

Eliminating poverty cannot, of course, be limited to a government program; it is a task that falls to the nation as a whole. The program therefore welcomes proposals from participating groups--Indian communities, campesinos and residents of low-income neighborhoods--for projects in which they supply the labor; it encourages and promotes their organized participation. I have gone on more than 46 working tours of the states of the Republic and visited more than 300 low-income communities and neighborhoods. I have established an ongoing dialogue with those who have least. This has made it possible for the proposals that gave rise to the Program to be enriched by the experience in implementing them. The transition from words to deeds has been based on the four general principles governing all solidarity actions:

The first is respect for community initiatives. The Program turns the community demands it receives into projects which, however modest they may appear, increase their well-being.

The second is full and effective participation and organization in all the Program's activities. Communities contribute resources and take part in decision-making and in the execution and evaluation of works, thereby creating an actual social comptrollership. The people's interests are recognized and no solutions are imposed from above. Solidarity unites the efforts of the participants without denying anyone a role. The

strengthening of their organizations by making them freer and more autonomous is something that is not only accepted, but explicitly sought.

The third is joint responsibility. The Program does not offer anything for free. Those who participate in it neither solicit nor accept handouts; our people have great dignity and ask only for support for their legitimate initiatives. Affiliation or subordination has never been a condition for participation, and the entire community has benefited without reservations. These are the facts.

The fourth is clear, honest and efficient management of resources. The Program utilizes budgetary resources and operates within the framework of the struggle against inflation, the worst enemy of the interests of the majority. The Program does not provide unilateral or indefinitely prolonged subsidies, nor does it create relations of dependence. Concerted agreement is a constant and invariable working tool, serving to combat discretionary decisions, authoritarianism and bureaucratization. Strict norms prevent excessive administrative apparatuses, without detriment to control. The resources are invested in their totality and are not diverted to other purposes. That is what is required to fulfill the aspirations of the people, who do not accept that rigid, alien or distant institutions be set up in their name. No one is neglected by the Program.

Strict application of these four principles protects us from both populism and its unsavory twin, paternalism. The activities carried out under the National Solidarity Program are viewed as an investment in physical and social welfare infrastructure that by their very nature promote justice and

democracy. A special place is occupied by law enforcement, which translates into security and therefore has a meaningful impact on well-being. All these proposals are already being clearly expressed in accomplishments that can be verified. Let us use a sampling of those accomplishments as examples to illustrate the extent and the purpose of solidarity.

In the health-care area, construction has begun in 1990 on 490 new medical units, 4 general hospitals and 6 rural hospitals, and the construction of 16 regional hospitals will be completed. As a result, health-care services will be extended to more than 2 million Mexicans without institutional coverage. To address food and supply needs, more than 1,700 new stores were set up in rural and urban areas; 348 community kitchens were also put into operation.

With regard to urban services, more than 1,600 low-income neighborhoods throughout the country and more than 1,000 systems in rural areas will have direct access to drinking water and drainage services, which means that this year 3 million of our fellow-countrymen will no longer suffer the hardship of having to carry in water that in many cases is unfit for drinking and has to be shouldered for long distances. In every case, participants have willingly contributed their own initiative and manpower to make the installation of those services possible.

Since the outset of this Program, electric power lines reaching more than 3,500 low-income neighborhoods and rural communities have been installed, providing 5 million Mexicans with light and power. Special efforts by power company linemen have made it possible to provide the population of Chalco and Chimalhuacán,

equal to that of two Mexican states, with electricity in less than 12 months.

With the enthusiastic participation of telephone and postal service workers, 1,300 rural towns of more than 500 inhabitants are being provided with telephone service this year and 31,000 long distance (LADATEL) telephone booths are being installed, in addition to 33,000 conventional phone booths in low-income urban areas, benefiting a total of 2.5 million Mexicans. More than 5,000 postage stamp and mailing facilities are being installed in low-income neighborhoods, and more than 2,500 in rural communities.

This year 450,000 deeds in low-income neighborhoods have been issued by the Commission for Land Tenure Regularization and by the state governments. Taking into account the deeds issued the previous year, this means that 45 percent of the land area held without proper title at the beginning of my administration has now been regularized. On the basis of this security, investment is being made in urban infrastructure such as paving, sidewalks, plazas and sports areas in response to the demand for proper and more livable cities.

Regularizing urban land tenure is a social commitment of the Government of the Republic. In doing so, we want to recognize the legitimate and unpostponable rights of the urban world that our development has created, and to lay the fundamental groundwork of justice, security and stability for this new Mexico that is already upon us. We recognize the millions of our fellow countrymen who live in low-income neighborhoods as the true heirs of those who waged the Mexican Revolution for land. And we respond to them today as the Agrarian Reform

responded to their campesino grandparents. As a sign of solidarity and political commitment, we are regularizing, within the framework of the law, the urban land they have lived on for many years, the land where they dream and struggle.

We want long-term social stability in the Mexico of the future, stability equivalent to that once implanted for all Mexicans by agrarian land distribution.

In the field of education, 16,860 schools have been renovated in less than one year with the active participation of teachers, parents, and associations of engineers and architects, who joined forces to undertake this urgent national task. Municipal governments were in charge of administering the Program, while its implementation remained completely in the hands of the Solidarity Committees in each school. Additionally, 12,000 new educational facilities were built to meet new or unsatisfied demands.

Meeting the needs of children occupies a special section in the Program. We have initiated support for children in disadvantaged families to ensure that they complete their primary education by providing scholarships and basic food supplies for a quarter of a million children; furthermore, we have established 450 new milk outlets, a 50 percent increase over the number that existed at the beginning of my administration. They provide almost one million children with subsidized milk. The Integral Family Development (DIF) system has also reinforced its activities, which have provided comprehensive assistance to more than 1 million 250,000 people in its nursing homes, nurseries, youth homes and camps. I also want to express our appreciation for the work frequently done

without fanfare by thousands of women who are genuinely and voluntarily contributing to our well-being.

With the participation of farmers, the Program assists farm day laborers, who suffer severe deficiencies in their living and working conditions. Through Women in Solidarity, the Program also promotes 3,000 projects designed to benefit its participants in their roles as producers, workers and homemakers. Among those participating in these solidarity tasks are 115,000 young graduates of institutions of higher learning, who receive support in the form of grants that enable them to fulfill their social service obligation in its fullest meaning.

Attention to the needs of Indian communities occupies a special section. A fund was established in 1990 to support the productive activities of Indian communities and to protect and promote their cultural heritage. The fund is entirely under the management of their elected representatives, without the intervention of outside authorities, and it benefits 50 ethnic groups. Thus, the fund demonstrates respect and shared responsibility, and is also an expression of our confidence in each other and in our future.

In 1,350 municipalities across the country, more than 400,000 farmers who cultivate land of low productivity in high risk areas have received support for production from the Solidarity Fund. These resources are administered by municipal governments and are given directly and individually to farmers. Their decisions are respected. Neither farming practices nor technical packages are imposed; instead, they are encouraged to embark on new activities that tap the experience of Mexican campesinos. As investment resources are recovered, they are

retained for use in production projects or works of community benefit decided on by the communities themselves. This Fund enables us to break the vicious circle that linked farm credit to crop failure and overdue loan payments, and fostered corruption, concealment and paternalism. In this manner, the State is openly resuming its support for areas of high risk and extreme poverty. We do so trusting in the word of farmers.

As direct support for mayors, the Program has granted funds to 1,426 municipalities in 13 states of the Republic to strengthen their ability to meet the urgent needs of their inhabitants. These resources are all invested in projects endorsed by the community and involving its direct participation. These projects are almost always small, but they meet great needs of day-to-day existence and the most crucial aspects of daily life in the community.

The Solidarity Program operates throughout the year; but in an effort to encourage the participation of the different sectors of society, we also held the First National Solidarity Week. During that week we kept our pledge to make our word as good as our bond. It was an endeavor which mobilized broad groups and sectors of society and demonstrated that solidarity is a way of being of the Mexican people, and not merely a government program. It was also an excellent opportunity to appraise our progress and the challenges we must confront. In all, more than 50,000 activities were included, in which 10 million Mexicans took part.

The Solidarity Program will continue to work hardest for those who have less, and will do so in a spirit and in ways that are pluralistic. The Program is open to all and there is no need

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for anyone to change affiliation or ideology. This is shown by the facts, which are the basis for what I repeat today. I respect criticisms of the Program, and I study them carefully. Nevertheless, I ask that before rejecting the Program, its critics visit at least one of the low-income neighborhoods or one of the rural or Indian communities in which it is operating. Live with those who are participating, listen to them; allow a group of women to tell you with pride how they shared in the electrification project by helping to carry a light pole up the hillside where their houses lie; or hear the men describe how they organized as a group to dig a trench for the pipeline that would carry drinking water; listen to a teacher tell how they got together to put their school back into proper condition, or let a local youth tell you straight out that the program is his, not the government's.

Look into the bright eyes of a child who no longer needs to read his school books by candlelight or witness the pride of a campesino who has kept his word by repaying a loan. Go to the modest home where the Solidarity Committee meets, where they supervise the use of resources and reach an agreement on which works to undertake. Share the simple but moving celebration of a street they have paved, or the tranquility that a family feels on receiving the property deed they had sought for many long and anxious years. Help get out the grass-roots vote to elect community representatives. Share the new culture of respect and self-esteem, of the dignity and pride that comes from being the authors and not just the objects of change. Aspects of daily life that are commonplace for most Mexicans and that for many were mere aspirations, have today become reality.

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There is much to be learned from Mexico's people. You must live with them to experience them outside your own sphere of activities. You will be surprised by the significance Mexicans attach to small actions that are major accomplishments, capable of converting a local undertaking into an epic event for the community.

I am very proud to serve as the President of the people of Mexico.

C. Message to the Nation

HONORABLE CONGRESS OF THE UNION;

Fellow Countrymen:

Mexico has made significant progress. The economy is recovering and has remained stable. The political system, despite the pressures to which it has been subjected, has maintained internal order and been able to accomplish major tasks. Mexico now occupies a more respected and prestigious place in the world. We are finding ways to address the difficult social problems the country is experiencing, without making them worse. Corrective measures have been taken to protect human rights, and drug trafficking has not weakened our institutions. Let this reflection serve to confirm our confidence in the Mexican people's ability to win out over difficulties.

In Mexico, we can solve our problems and occupy a dignified place among nations. Present circumstances are very different from those of just two years ago. The terms of political contest now have a new legislative framework, the result of agreement among the parties. Dialogue prevails in public life. There are new conditions, arrangements, and democratic practices. Today, we have left behind the most serious aspects of the crisis, such as the foreign debt, and we are focusing our attention on growth and justice. Solidarity is reaching rural and indigenous communities and low-income neighborhoods, inspiring hope, participation and initiative.

I have heard in other countries, in Europe, in the Pacific and on our own American continent, that mention of Mexico brings to mind not only the magnificent cultures that preceded us, the complex history of our past, or the country's consistent international stance. Today, Mexico is also viewed as an example of viable and promising change, with a dynamic modernization process that is worth watching, and as a responsible interlocutor with whom to deal in matters that have to do with regional affairs and the future of the world. The reason for this is that we have managed to accomplish what we have set out to do, we have turned words into deeds and fulfilled our commitments. It is the country's new open, confident attitude that is at work within our borders and that is seeking opportunities in the new world order.

The international scenario will continue to be fraught with uncertainty for all in the coming months. Oil markets remain unstable; at the same time, the lessened dynamism of the U.S. economy is being confirmed. We will husband the additional resources obtained from higher oil prices in order to protect ourselves from future fluctuations. We must ensure that the agreed upon opportunities for exchange with all the blocs are actually forthcoming, so that international trade will continue to be beneficial for Mexico. The consolidation of such objectives will be among our top priorities in foreign affairs.

Respect for the law and for human rights is vital if we are to build a better democracy affording the security that lies in being able to speak and act freely within the framework of the law. It is up to each of the political parties and the

Stronger measures have been adopted to bring about structural change. The State is confirming its reform; with the privatization of the banking system, it can better meet its obligations of justice, concentrate its resources and attention on fundamental needs, and create opportunities for social-sector initiative. We began talks with the United States and Chile to reach free trade agreements that guarantee reciprocity and access for our products and promote employment in our country.

We have diversified our foreign relations, stressing our proximity to Latin America, and we have strengthened the bonds between all the social groups within our country. Mexico is modernizing; these are necessary changes; they are welcome changes.

The image we project to the world is that of a country determined to modernize its structures, that of a civilization with roots going back thousands of years, which is forging a proud identity, enhanced by our rising nationality at the dawn of the nineteenth century and reaffirmed by the Mexican Revolution and by a consistent system of social and political life. Revolution and identity are ongoing movements that testify to our ability to change.

To understand what we have accomplished, we must look beyond our personal and group circumstances in order to see the nation as a whole. We are now a healthier and more hopeful nation than in years just past. We are aware of what remains to be done, and of the aspirations of many Mexicans that we still want to see fulfilled. There is no air of triumph, but neither is there anguish. There is, however, reasonable optimism, based on definite grounds.

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Respect for the law and for human rights is vital if we are to build a better democracy affording the security that lies in being able to speak and act freely within the framework of the law. It is up to each of the political parties and the

authorities to ensure that electoral competition represents a genuine step forward for the country. In these processes, as in all other fields, I shall continue to govern for all Mexicans alike. I shall continue to strive at all levels and through every channel for an increasingly mature dialogue with all political currents. The process itself has already served to prevent the debilitation of our common efforts; I will continue to use it as a means for mitigating confrontations and building agreements, in order to consolidate a climate of respect and political ethics. We all need to keep our course clearly in mind; nothing is riskier than confusion.

We must redouble discipline and strengthen the accords that have enabled us to reduce inflation. We shall therefore maintain strict control of public finances and spending. If we are to achieve lower rates of inflation next year, we must moderate price adjustments and make sure they contribute to permanent stabilization. We shall redouble efforts to ensure everyone's scrupulous compliance with the Pact. There is a demand for the Pact to remain in force, but for it to function more effectively. We cannot overemphasize the importance of reducing excessive price increases. It is a necessary condition for raising the levels of well-being of Mexicans and for maintaining the economic recovery. Lower inflation in 1991 will allow us to concentrate our actions. We will demand that government enterprises, and particularly the largest of these, make a special effort to increase their productivity, in view of the impact this will have on the general efficiency of the economy. We will continue to deregulate areas in which stronger competition implies lower costs. We will take pains to stimulate exports and to prevent unfair competition between imports and domestic products.

Many activities that have been undertaken to address needs for drinking water, roads, electric power, property titles and housing, supply and schools must be completed; many others must be initiated as soon as possible. A case in point is health-care centers, which must function more efficiently, always have the necessary medicines and equipment on hand, and provide quality attention in a caring manner. Our fellow Mexicans, those who have the least, legitimately demand more and better, and sooner rather than later. We shall work for children in particular, to improve their surroundings, their reality and their future, which is also our own. We will see to it that an even larger share of public expenditures is used to benefit society, and that more resources are allocated to the National Solidarity Program so that it can operate at the pace that Mexicans demand. We are committed to the well-being of the Mexican people. That is how we will determine our future: through our ability to deal with poverty and to counteract trends toward the excessive concentration of wealth.

We will make every effort to guarantee full respect for human rights. This is the most sensitive and most important task in the field of justice. Using law as our instrument, we will attack impunity and the lack of security alike. Mexicans have, in many ways, expressed their steadfast desire to live in a hard-working, responsible society that respects rights and is resolved to offer more opportunities. We will fulfill that desire.

Mexicans:

Mexico's characteristics are not those of a weak and exhausted country. Ours is a young nation, on the move. Mexico is also

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a nation with a multifaceted history, formed by civilizations that measured their existence in centuries. Thus, ours is no makeshift country. Our present joins together the energies of a young nation, only 200 years old, with a population made up primarily of children and adolescents, and memory of many legacies that lies in our collective consciousness. We must take advantage of the balance struck between the vigor of change and the wisdom of those who have preceded us. This is what enables us to clearly see what is required of each and every one of us: to defend our nation in the world of the twenty-first century which is soon to dawn.

Our longing to be a free nation, moderate in its differences, in which the law takes precedence over all individuals, has signified an arduous struggle for us. Mexico's destiny is as magnificent as its epic past. We live now in different times, but with the same pride as before. Individual well-being will not be achieved by cutting oneself off from the strength of our homeland. The best defense of the nation today necessarily lies in strengthening the production and culture of each and every region, of all the states of the Republic. The actions I have mentioned for the immediate future are only examples of what we must do. No time should be lost and no effort should be ignored. This is a call to action in which work will produce well-being because we do it together and its benefits are for all. The nation survives because of our efforts and our unflagging enthusiasm.

Today, new channels are open to Mexican nationalism. Sovereignty is no longer rigid: we must devote ourselves to its cause. Its essence, social justice, requires a dynamic economy,

which will not come into being on its own. The growing globalization of trade relations in the world makes ties with the major economic centers essential. Without interrelationships, we run an even greater risk, the risk of disintegration.

We will, no doubt, be subjected to new influences and attitudes, but we can cope with them through the strength of our culture and our identity, proven in the intense communication processes in which we are already engaged. Only by venturing out in the world can we move more quickly toward domestic justice and strengthen Mexico. Only more decisive solidarity among us will give us the energy to command respect for our sovereignty. Sovereignty and justice do not occur by happenstance; they are achieved through a Plan and a national project. The winds of change will favor us only if we stay on our own course.

We know this here in Mexico. Let others abroad take note as well. In this land, a nation of tremendous stamina and great and proven abilities has existed and continues to exist today. The Mexican people have character and enormous vitality. Therefore, no challenge overwhelms them nor can any circumstances defeat them. Ours is an authentic nation; and that is the past and present foundation of our sovereignty. That is why we have confidence in our future and faith in our ability to surmount problems, regardless of their magnitude or depth.

We have left fear and weariness behind. We must maintain our efforts, redouble our labors, and continue to take decisive action, without ever relinquishing our identity, standing

proudly as a country that is independent in its decisions, sovereign in its laws, with domestic order and its own institutions that foster justice. Mexicans have a legitimate faith based historically on the nation's reality. Let us draw our courage and hope from who we are.

Let us wage a battle for justice, the deep-rooted cause that runs through our history, so as to gain a more effective presence in the world that will benefit all Mexicans. Let us live our democracy to the full and produce more and better. May what we do express our freedom, and may freedom have greater material sustenance. Freedom, let us not forget, is the purpose of this great nation.

As President of the Republic my only loyalty is to Mexico, and nothing will distract my attention from the goal of strengthening the nation and making it more just. I shall govern for all and continue to work hardest for those who have the least. My commitment is irrevocable and my will is inspired by millions of voices throughout the country and by the recognition being given in the world today to all Mexicans. This is the modernization of Mexico, allowing it to build its own future. With the solidarity of us all, we shall build a future better than all our past. Mexico's time has come. Together, we will make it a reality.

¡Viva México!

CITY THEATER
MONTERREY, MEXICO
TUESDAY, NOVEMBER 27, 1990
10:40 A.M.

PRESIDENT AND CECILIA SALINAS, SECRETARY SOLANA,
AMBASSADORS PETRICIOLI AND NEGROPONTE. SECRETARY BRADY
ATTORNEY GENERAL THORNBURG, SECRETARY MOSBACHER,
AMBASSADOR HILLS, AND DEPUTY SECRETARY EAGLEBURGER.

MR. PRESIDENT, BARBARA AND I ARE TOUCHED AND
DEEPLY IMPRESSED BY THE WONDERFUL RECEPTION WE'VE BEEN
GIVEN BY THE PEOPLE OF YOUR HOME STATE, FROM A
CHARREADA IN AGUALEGUAS TO THE BUSTLING CROWDS OF
MONTERREY.

FOR OUR PART, IT'S GREAT, TO SEE SADDLEBACK
MOUNTAIN, AND TO BE WITH THE CIVIC LEADERS OF THIS
TRULY MAGNIFICENT CITY. ///

AND IT'S ALSO A PLEASURE TO AGAIN SPEND TIME WITH
YOUR PRESIDENT. FROM THE CHAMBERS OF THE UNITED
NATIONS, TO THE HALLS OF THE KREMLIN, TO THE PALACES OF
PARIS AND PRAGUE -- THE WORLD RECOGNIZES THAT MEXICO
HAS ONE THE MOST DYNAMIC AND CREATIVE LEADERS OF OUR
GENERATION -- YOUR PRESIDENT -- PRESIDENT SALINAS.

LITTLE SURPRISE, THEN, THAT ONE OF MY FIRST ACTS AS PRESIDENT-ELECT WAS TO MEET WITH YOUR PRESIDENT IN MY HOMETOWN OF HOUSTON. YESTERDAY, PRESIDENT SALINAS RETURNED THE FAVOR BY SHARING WITH US THE BEAUTY OF HIS HOMETOWN. AND IT WAS THERE, IN AGUALEGUAS, THAT I SAW MANY SIMILARITIES IN OUR BACKGROUNDS. BOTH OF US ARE THE SONS OF SENATORS. BOTH OF US WERE RAISED TO BELIEVE IN PUBLIC SERVICE. AND BOTH OF US KNOW THAT WHAT IS TRUE FOR TWO PEOPLE IS TRUE FOR TWO NATIONS: FRIENDSHIP MAKES US STRONGER. \\\

I KNOW THAT MY COUNTRY IS ALSO STRONGER BECAUSE OF MEXICO'S CONTRIBUTION TO OUR CULTURAL HERITAGE -- A RICH BEQUEST OF ARCHITECTURE, LANGUAGE AND CULTURE. AND IN A MORE PERSONAL WAY, IT IS A HERITAGE BESTOWED ON THE BUSH FAMILY. MY SON JEB HAS LIVED IN YOUR COUNTRY; HIS WIFE COLUMBA WAS BORN IN YOUR COUNTRY; AND THEIR UNION HAS GIVEN BARBARA AND ME THREE BELOVED GRANDCHILDREN. SO WHEN I SPEAK OF AMERICANS AND MEXICANS, I CAN ONLY SAY: "SOMOS UNA FAMILIA." WE ARE ONE FAMILY. ///

OF COURSE, WE ARE STILL DISTINCT SOCIETIES WITH VERY DIFFERENT IDENTITIES, AS WE SHOULD BE. BUT WE HAVE, AT LONG LAST, DISCARDED HOLLOW FEARS AND WORN-OUT CLICHES. AND AS THE WORLD WATCHES, WE ARE WORKING TOGETHER IN A SPIRIT OF MUTUAL RESPECT. ///

THE WORLD IS ALSO WATCHING BECAUSE PRESIDENT SALINAS IS LEADING MEXICO THROUGH AN ERA OF EXCITING, UNPRECEDENTED REFORM. LIKE THE AZTEC EAGLE, MEXICO IS RISING AGAIN AS A 21ST-CENTURY GIANT, GREATER THAN EVER. THE MEXICAN RENAISSANCE HAS BEGUN.

RIGHT FROM THE START, PRESIDENT SALINAS, HIS FELLOW LEADERS AND THE MEXICAN PEOPLE HAVE SHOWN UNFLAGGING COURAGE, EVEN IN THE MIDST OF A GRAVE FINANCIAL CRISIS, HIGH INFLATION AND A DEVASTATING HURRICANE. SUCH COURAGE DOES NOT GO UNREWARDED. AND THAT IS WHY MEXICO IS GROWING STRONGER BY THE DAY.

THE WORLD CELEBRATES THE IMPRESSIVE SUCCESS MEXICO HAS ACHIEVED IN OPENING ITS ECONOMY SO QUICKLY, IN RESTRUCTURING ITS DEBT MORE INTELLIGENTLY, AND IN REFORMING ITS NATIONAL ECONOMY MORE WISELY. THESE ARE BOLD MOVES. BUT WE LIVE IN A TIME THAT DEMANDS BOLD ACTION.

THE WORLD HAS NOT SEEN SUCH RAPID CHANGE SINCE THE LAST MEETING IN MONTERREY BETWEEN A U.S. PRESIDENT AND A MEXICAN PRESIDENT. IN 1943, WHEN PRESIDENT FRANKLIN DELANO ROOSEVELT CAME HERE TO CONSULT WITH PRESIDENT AVILA CAMACHO, WE WERE ALLIES IN A LIFE-OR-DEATH STRUGGLE AGAINST TYRANNY.

THAT WAR ENDED IN 1945. ANOTHER STRUGGLE, A COLD WAR, CAME TO A PEACEFUL END IN 1990. YET EVEN AS THE CHALLENGES CHANGE, THE NATURE OF OUR RELATIONSHIP AS COLLEAGUES, NEIGHBORS AND FRIENDS ENDURES AND GROWS. THIS IS WHAT WE MEAN BY THE SPIRIT OF HOUSTON AND MONTERREY.///

AND IT IS IN THIS SPIRIT OF FRIENDSHIP THAT WE CAN WORK TOGETHER TO CONFRONT NEW CHALLENGES: TO ADVANCE DEMOCRACY AND HUMAN RIGHTS, TO PROVIDE FOR THE ECONOMIC PROSPERITY AND WELL-BEING OF OUR CITIZENS, TO STRUGGLE TOGETHER TO PROTECT OUR YOUTH FROM DRUGS, AND TO PROTECT OUR COMMON ENVIRONMENT FROM POLLUTION.

AS WE MEET, WE ARE POISED TO CONCLUDE NEGOTIATIONS ON INTERNATIONAL TRADE THAT WILL BRING GREATER OPPORTUNITY TO OUR PEOPLES. WE MUST PRESS NOW FOR THE SUCCESSFUL CONCLUSION OF THE WORLD TRADE TALKS KNOWN AS THE URUGUAY ROUND OF GATT. THE CRITICAL MOMENT IS AT HAND. WE MUST NOT LET THE URUGUAY ROUND FAIL.///

AS TWO OF THE WORLD'S LARGEST ECONOMIES, WE MUST INSIST THAT ALL OUR TRADING PARTNERS ACT IN A SPIRIT OF FAIRNESS AND OPENNESS./// WE KNOW ALL TOO WELL THAT TRADE-DISTORTING SUBSIDIES AND ARTIFICIAL BARRIERS CREATE WINNERS AND LOSERS BEFORE THE GAME EVEN BEGINS. WE MUST INSIST THAT TRADE WITH THE NATIONS OF EUROPE, ASIA AND ELSEWHERE, AT THE VERY LEAST BE CONDUCTED ON A LEVEL PLAYING FIELD.///

CERTAINLY, WE HAVE SEEN WHAT TRADE LIBERALIZATION CAN DO JUST BETWEEN TWO COUNTRIES. SINCE MEXICO ENTERED GATT AND LOWERED ITS TARIFFS, OUR TWO-WAY TRADE HAS BOOMED; FROM \$37 BILLION IN 1987, TO OVER \$50 BILLION IN 1989 AND FIGURES ARE STILL CLIMBING IN 1990.

USTR
X4866
X5663

Commerce figures
end of '86 ~ 29.7 bil
end of '87 ~ 34.8 bil
in goods

Don Nelson
will call back
w/ figure today

+ double-check
acknowledgments

THE MAQUILADORA INDUSTRY ALONE BOASTS OF MORE THAN 1,700 PLANTS, ALL GENERATING FOREIGN EXCHANGE FOR MEXICO. THE REASON? GO TO THE LEADING AUTOMOTIVE OR ELECTRONICS PLANTS HERE IN NORTHERN MEXICO, AND YOU WILL FIND STANDARDS THAT ARE NOT EXCELLED ANYWHERE IN THE WORLD. THE WORLD DEMANDS QUALITY, AND U.S. AND MEXICAN WORKERS CAN PROVIDE IT.///

BUT THE SIZE AND SOPHISTICATION OF U.S.-MEXICO TRADE TODAY ONLY HINTS AT OUR POTENTIAL. WE CAN CREATE AND SHARE UNPRECEDENTED PROSPERITY AND JOBS. THAT IS WHY WE BOTH WANT TO CONCLUDE A BILATERAL FREE TRADE AGREEMENT.///

THIS AGREEMENT WILL NOT ONLY ALLOW US TO EXPAND MARKETS. IT WILL ALLOW US TO EXPAND OPPORTUNITY. TOGETHER, WE CAN ALLOW TWO ECONOMIES TO WORK IN COMPLEMENTARY WAYS. TOGETHER, WE CAN PRODUCE GOODS AND SERVICES THAT ARE WORLD-CLASS COMPETITIVE. FREE TRADE IS GOOD FOR THE UNITED STATES AND GOOD FOR MEXICO. GOOD FOR AMERICAN WORKERS AND GOOD FOR THE WORKERS OF MEXICO.///

I LOOK FORWARD TO THE DAY WHEN WE WILL MEET TO SIGN OUR NAMES TO A FREE TRADE AGREEMENT THAT WILL WRITE A NEW PAGE IN NORTH AMERICAN HISTORY.

BUT WHILE WE ENDORSE A COMMON MARKET, WE REJECT THE IDEA OF A WORLD DIVIDED INTO ISOLATED TRADING BLOCS. THE UNITED STATES AND MEXICO MUST SET AN EXAMPLE FOR ALL NATIONS. IN MY ENTERPRISE FOR THE AMERICAS INITIATIVE, I SKETCHED OUT A VISION OF A HEMISPHERE OPEN TO THE FREE MOVEMENT OF GOODS, SERVICES, AND IDEAS FROM ANCHORAGE TO MONTEVIDEO. THIS IS A VISION THAT PRESIDENT SALINAS SHARES, FOR HE KNOWS THAT MEXICO IS A CRITICAL LINK IN THIS CHAIN OF PROGRESS.

YOUR GREAT POET AND 1990 NOBEL LAUREATE, OCTAVIO PAZ, WROTE THAT: "MEXICO HAS BEEN, AND IS, A BOUNDARY BETWEEN PEOPLES AND CIVILIZATIONS . . . BOUNDARIES, HOWEVER, ARE NOT ONLY DISJUNCTIVE OBSTACLES, THEY ARE ALSO BRIDGES." LET OUR WORK TOGETHER BUILD EVER MORE BRIDGES TO JOIN NORTH AND SOUTH.///

BUT OF COURSE OUR BILATERAL COOPERATION EXTENDS FAR BEYOND COMMERCE. OUR PEOPLES LIVE IN PEACE AND FREEDOM; BUT HALFWAY AROUND THE WORLD, A BRUTAL UNPROVOKED AGGRESSION SHATTERED THE PEACEFUL DESERT SKY.

ONCE AGAIN, MEXICO AND THE UNITED STATES STAND UNITED IN REJECTING AGGRESSION -- THIS TIME, THAT OF THE DICTATOR OF IRAQ. MEXICO IS OPPOSING THIS AGGRESSION WITH A STRONG AND RESPECTED VOICE IN THE UNITED NATIONS, AND BY INCREASING ITS CONTRIBUTION TO THE WORLD OIL MARKET. AND SO I AM HERE TODAY TO THANK MEXICO AND THANK YOUR PRESIDENT -- AND TO SALUTE THE MEXICAN PEOPLE FOR YOUR LEADERSHIP -- YOUR WORLD LEADERSHIP.///

WHAT COULD NOT BE DONE IN THE PAST CAN BE DONE TODAY. THE WORLD OF GLOBAL CONFLICT IS GIVING WAY TO A NEW WORLD ORDER OF GLOBAL COOPERATION.

NEXT WEEK, WHEN I VISIT YOUR SISTER REPUBLICS IN SOUTH AMERICA, I'LL DISCUSS THE HISTORIC NUCLEAR NON-PROLIFERATION TREATY PIONEERED BY MEXICO IN 1967. THIS TREATY HAS PLAYED AN IMPORTANT ROLE IN KEEPING THIS HEMISPHERE FREE OF THE DANGEROUS COMPETITION OF NUCLEAR WEAPONS THAT THREATENS SO MANY OTHER REGIONS OF THE WORLD.

BUT THERE IS ANOTHER THREAT TO THE PEACE, ONE THAT IS MORE SUBTLE, ONE THAT KNOWS NO NATIONALITY AND RESPECTS NO BORDER -- I'M TALKING ABOUT DRUGS AND THE VIOLENCE THEY BRING. BOTH PRESIDENT SALINAS AND I HAVE COMMITTED OUR GOVERNMENTS TO A DECISIVE VICTORY OVER DRUG TRAFFICKING. WE MUST NOT FLAG OR FAIL. WE MUST AND WE WILL WIN THIS WAR.///

LIKE ALL CONFLICTS, THE DRUG WAR CLAIMS CASUALTIES. EACH TIME A HERO FALLS, IT DOESN'T MATTER IF HE LOSES HIS LIFE ON MY SIDE OR YOUR SIDE OF THE BORDER. LET NO ONE DOUBT OUR RESOLVE. WE WILL NOT BE DIVIDED AGAINST EACH OTHER, DISSUADED FROM SEEKING JUSTICE, OR FRIGHTENED INTO SUBMISSION.

WE KNOW THAT WHAT AFFECTS ONE OF US, AFFECTS BOTH OF US. THIS NO LESS TRUE WHEN IT COMES TO OUR COMMON ENVIRONMENT -- CRITICAL TO THE FUTURE OF BOTH OUR NATIONS. A FEW WEEKS AGO, I SIGNED THE FIRST COMPREHENSIVE CLEAN AIR LEGISLATION IN THIRTEEN YEARS -- NEW LEGISLATION THAT WILL BENEFIT NOT JUST MY COUNTRY, BUT THE WORLD. WE ARE ALSO WORKING WITH YOU TO IMPROVE AIR QUALITY IN OUR LARGE CITIES AND REDUCE POLLUTION ALONG OUR COMMON BORDER. IF I MAY PARAPHRASE YOUR PRESIDENT, THE CHILDREN OF LOS ANGELES AND MEXICO CITY DESERVE BLUE SKIES BY DAY AND STARS TO WISH UPON BY NIGHT. AND THEY DESERVE NOTHING LESS.///

YOUR PRESIDENT AND I ALSO UNDERSTAND THAT OUR TWO NATIONS HAVE MUCH TO SHARE IN A GREATER MARKETPLACE -- THE MARKETPLACE OF IDEAS. THAT IS WHY WE HAVE CREATED THE U.S.-MEXICO COMMISSION FOR EDUCATIONAL AND CULTURAL COOPERATION, A NEW WAY TO PROMOTE A DIALOGUE AMONG OUR SCHOLARS, OUR ARTISTS, OUR EDUCATORS. AND WHEN OUR BRIGHTEST MEN AND WOMEN CONFER, I BELIEVE ONE OF THE THINGS THEY WILL TELL US IS THIS: WE ARE FACING A NEW CENTURY. SO LET US BEGIN THIS NEW CENTURY NOT SIMPLY AS NEIGHBORS, BUT AS FRIENDS. LET US BEGIN THIS NEW CENTURY NOT AS MERE PARTNERS IN TRADE, BUT AS PARTNERS IN LEADERSHIP.///

STANDING ALONE, WE ARE STILL THE NATIONS THAT PRODUCED GIANTS OF LEADERSHIP LIKE WASHINGTON AND HILDALGO, GIANTS OF FREEDOM LIKE LINCOLN AND JUAREZ, AND GIANTS OF THE SPIRIT LIKE CARL SANDBURG AND OCTAVIO PAZ. BUT AS GREAT AS OUR TWO NATIONS ARE WHEN WE STAND TOGETHER, WE ARE NEVER TALLER THAN WHEN WE STAND FOR PRINCIPLE.

ONCE AGAIN, THANK YOU FOR YOUR GRACIOUS
HOSPITALITY. MAY GOD BLESS YOU ALL, AND THE PEOPLES OF
THE UNITED STATES AND MEXICO.

#

THE WHITE HOUSE
WASHINGTON

October 28, 1990

MEMORANDUM

TO: DAVID DEMAREST
CHRISS WINSTON

SPEECHWRITER/RESEARCHER TO BE ASSIGNED

FROM: CAROLYN CAWLEY

SUBJECT: PREADVANCE TO MONTERREY, MEXICO

President Bush will be traveling to Monterrey, Mexico November 26 -27, 1990. Mrs. Bush and Secretary Baker will accompany him.

The proposed schedule is as follows:

November 26, 1990

11:45 a.m.	Arrive Monterrey, Mexico. Welcomed by Foreign Minister Solano
12:00 p.m.	Helicopter departure to Agua Leguas, hometown of President Salinas
12:30 p.m.	Meet President and Mrs. Salinas at an informal arrival
12:50 p.m.	Rodeo demonstration at the local corral
1:45 p.m.	<u>Barbecue for the townspeople hosted by President Salinas. 5000 attendees expected. Very brief remarks -- Hello, thank you for the hospitality, etc.</u>
3:15 - 5:00 p.m.	Downtime and private meetings
5:00 p.m.	Depart for Monterrey

5:30 p.m. POTUS and President Salinas arrive Monterrey for official arrival ceremony with full honors

5:40 - Government Palace -- they'll be received by
6:30 p.m. thousands of citizens in the Plaza. Firework displays and brief remarks by both Presidents.

6:30 p.m. End of official day

November 27, 1990

9:00 a.m. Private One on One Meetings between the two Presidents. Photo opportunities.

9:20 a.m. Expanded bilateral meetings

10:40 a.m. City Theatre -- 15 minutes of remarks by each President. 1400 attendees representing a cross section of the citizens of Monterrey.

11:45 a.m. Casino Monterrey -- join the end of a meeting between Mexican business leaders hosted by Secretary Mosbacher and Trade Representative Hills. 250 attendees. Very brief remarks.

12:30 - Palacio Gobierno -- Dedication Ceremony for a
12:45 p.m. new Mexican - American Studies Institute. Very brief remarks.

1:00 - Palacio Gobierno -- Official Luncheon. 150
2:05 p.m. attendees. Toasts.

2:30 p.m. Arrive Airport

2:45 p.m. Depart Monterrey, Mexico for Andrews AFB

PREADVANCE NOTES -- MONTERREY, MEXICO

Contacts:

** Bob Earle, Embassy PAO (Mexico City) **
Bob Gibbons, US Consulate in Monterrey

On economics: Paul Trivelli, US Embassy in Mexico City
Don McConnell, US Embassy in Mexico City

Notes of Interest:

The Agua Leguas Rodeo and Barbecue:

Agua Leguas means "Far Waters". It is President Salinas' ancestral home. It's located about 1 1/2 hours from Monterrey by car. Extremely rural small town. The town square is about all there is.

The BBQ is expected to draw 5,000 people, many of whom will be Mexican children. This is really down home entertainment by President Salinas -- any remarks should acknowledge POTUS' pleasure at having been invited to this small town, the wonderful hospitality, etc. Draw on the years he spent in Texas etc.

The BBQ plaza is down the street one half block from the Salinas home.

- Benito Juarez is known as the Father of Mexico. The dedication ceremony room at the Palace is named for him.
- You may also want to check up on Octavio Paz, recent Nobel Prize winner for literature. I was told he is very popular with the Mexican people and also very quotable for POTUS.
- A major landmark in Monterrey is Saddle Mountain. It does resemble a saddle and is visible from virtually everywhere. See photos.
- Note that Monterrey is a very small city that is far from everything else in Mexico. It's flat, but surrounded by hills. The countryside around it is almost desert-like, strewn with sagebrush and tumble weed. The land between Monterrey and Agua Leguas is virtually unpopulated, except for shack once in a great while.

Monterrey is located in "Estado de Nuevo Leon"...
the state of the new lion. (check this translation!)

Though it's far from everything else, Monterrey is Mexico's #2 industrial center. It's the home of a group of 10 conglomerates in steel, glass, and beer. The story says two guys decided to produce beer and decided they should also produce the bottles, then the caps, etc. All of Mexico's major brands of beer are made here.

It's boom came in the 1890's with the railroad, though it has been a trading center since the 16th century.

- The national symbol, seen in all the government buildings including the facade above the podium for the Palace/ firework speeches is: an eagle landing on a cactus. It is an Aztec symbol for the founding of Mexico.
- I was told that FDR was the last US President to visit Monterrey, in April 1943. Reagan visited Mexico, though not Monterrey. Check on Bush's visits as VP.
- You may want to look into Lincoln quotes for these speeches. I saw several quotations of his displayed in various buildings, though they were in Spanish and I didn't have time to write them down.

The City Theatre is a very modern structure. The main auditorium, site of the speeches, is gray and black and fairly nondescript. It's mainly used for performing arts. There are two tiers of seats, just like any performance hall.

Palacio Gobierno is a huge and magnificent structure at one end of a major plaza. The plaza has a big fountain in the center and has 4 statues of historical figures. See photos. The mountains in the distance appear larger than life. The two Presidents will appear on the front steps of the Palace and will make brief remarks there following a fireworks display.

Palacio Gobierno Luncheon. Luncheon for 100-150 guests. It will be held either in an open courtyard or an enclosed one topped with stained glass.

Salon de Benito Juarez. Room for the dedication ceremony
for the Mexican-American Studies Institute. The program
is a joint venture between the University of Nuevo Leon/
the Monterrey Technical Institute and US Universities.
I couldn't find anyone to tell me more. Best to check
with Bob Earle, PAO at the Embassy in Mexico City!

Jim Huff, Dep. Dir. of
Mexican Affairs @
State

SEE BACK

Davis/Blymire
Title: Bueno
Date: Nov. 15, 1990
Draft: One

PRESIDENTIAL ADDRESS: CITY THEATER, MONTERREY, MEXICO
10:40 a.m., TUESDAY, NOVEMBER 27, 1990

~~Handwritten scribble~~
Do Mon.
((Acknowledgements -- President and Cecilia Salinas,
Secretaries Solana and Baker, Ambassadors Petricioli and
Negroponte.)) Dep. Sec. Eagleburger Mosb & Brady.

Dick Howard
State Mex. Desk

((When my press secretary, Marlin Fitzwater, learned that we
would be in Monterrey today, he expressed the hope that we are
not arriving too early in the year to pick up a couple of bottles
of Noche Buena [[NO-chay Bway-nah]].)) \\\

But I think that the goodwill here today involves more than
just the beginning of the Christmas season. Mister President,
Barbara and I are touched and deeply impressed by the wonderful
reception we've been given by the people of your home state, from
a village rodeo to the bustling crowds of Monterrey.

Schedule + + + + +
For our part, it's great to be back, ~~to see Saddle Mountain~~
~~again~~, and to be with the civic leaders of one of the truly
magnificent cities of North America. \\\

back OK again

DR

Archives

Doug Thurman
2501-5705

And it's also a pleasure to again spend time with your
President. From the chambers of the United Nations, to the halls
of the Kremlin, to the palaces of Paris and Prague -- the world
recognizes that Mexico has one of the most dynamic and creative
leaders of our generation -- your President -- President Salinas.

\\\

Agua-~~leguas~~

2

4

Little surprise, then, that one of my first acts as President-elect was to meet with your President in my hometown of Houston. Yesterday, President Salinas returned the favor by sharing with us the simple beauty of his home village. And it was there, in ~~Agua~~⁹leguas, that I saw many similarities in our backgrounds. Both of us are the sons of senators. Both of us were raised to believe in public service. And both of us know that what is true for two people is true for two nations: Friendship makes us stronger. \\\

I know that my country is also stronger because of our Mexican heritage -- a rich bequest of architecture, language and culture. And in a more personal way, it is a heritage bestowed on the Bush family. My son Jeb has lived in your country; his wife ~~Colomba~~⁴ was born in your country; and their union has given Barbara and me ~~two~~³ beloved grandchildren. So when I speak of Americans and Mexicans, I can only say: "Somos una familia." We are one family. \\\

Of course, we are still distinct societies with very different traditions, as we should be. But this is no excuse for us to act as distant neighbors. We have, at long last, discarded hollow fears and worn-out cliches. And we are, at long last, working together in a spirit of mutual respect. \\\

And we had better. After all, the world is us watching what we do. The world is also watching because President Salinas is leading Mexico through an era of exciting, unprecedented reform. Like an Aztec eagle, the Mexico of legend is rising again as a

Jim Huff
Mexico Desk
647-9894

Don Rhodes
x7500

21st-century giant, greater than ever. This is now a Mexican renewal: It is becoming a Mexican Renaissance. \\\

Right from the start, President Salinas, his fellow leaders and the Mexican people showed unflagging courage, even in the midst of a grave financial crisis, high inflation and a devastating earthquake. Such courage does not go unrewarded.

And that is why Mexico is growing stronger by the day.

No nation on earth has opened to the world so quickly, restructured its debt so intelligently, or reformed its national economy so wisely. These are bold moves. But we live in a time that demands bold moves.

The world has not seen such rapid change since the last meeting in Monterrey between a U.S. President and a Mexican President. In 1943, when President Franklin Delano Roosevelt came here to consult with President Avila Camacho, we were allies in a life-or-death struggle against tyranny.

That war ended in 1945. Another struggle, a cold war, reached a peaceful conclusion in 1989. Yet even as the challenges change, the nature of our friendship as neighbors and colleagues endures and grows. This is what we mean by the spirit of Houston and Monterrey. \\\

And it is in this spirit of friendship that we can work together to confront new challenges: to advance democracy and human rights, to meet economic and technological competition, to struggle together to protect our youth from drugs, and our common environment from pollution.

Jim Huff,
Mexico Desk
647-9894

As we meet, we are on the eve of major advances in international trade that will bring greater opportunity to our peoples. We must press now for the successful conclusion of the world trade talks known as the Uruguay Round of GATT.

As two of the world's largest economies, we must insist that all our trading partners deal with us in a spirit of **fairness and openness**. \\\ We know all too well that trade-distorting subsidies and artificial barriers create winners and losers before the game even begins. So it's not unlike soccer. And if we are to play with the nations of Europe, Asia and elsewhere, **at the very least we expect a level playing field.** \\\

Certainly, we have seen what trade liberalization can do just between two countries. Since Mexico entered GATT and lowered its tariffs, our two-way trade has boomed; from \$37 billion in 1987, it appears headed for an all-time high of almost \$60 billion in 1990.

The maquiladora industry alone boasts of more than 1,700 plants, all generating foreign exchange for Mexico. The reason? Go to the leading automotive or electronics plants here in Northern Mexico, and you will find standards that are not excelled anywhere in the world. The world demands quality, and **U.S. and Mexican workers can provide it.** \\\

But the size and sophistication of U.S.-Mexico trade today only hints at our potential. We can create and share unprecedented prosperity and jobs. **That is why we must negotiate a Bilateral Free Trade Agreement.** \\\

This agreement will not allow us to exploit markets. It will allow us to exploit opportunity. Together, we can allow two economies to work in complementary ways. Together, we can produce goods and services that are world-class competitive.

**Together, we can create the world's largest common market. **

But while we endorse a common market, we reject the idea of a world divided into isolated trading blocs. The United States and Mexico must set an example for all nations. In my

POTUS interview
4 NOTING
JH
Enterprise for the Americas initiative, I sketched out a vision of a hemisphere open to the free movement of people, goods and ideas from Montreal to Montevideo. This is a vision that President Salinas shares, for he knows that Mexico is a critical link in this chain of progress.

JH
Your great poet and recent Nobel laureate, Octavio Paz, wrote that: "Mexico has been, and is, a boundary between peoples and civilizations . . . Boundaries, however, are not only disjunctive obstacles, they are also bridges." **Let our work together build the bridge that joins North and South. **

But of course our bilateral cooperation extends far beyond commerce. We live in peace and freedom and **we want to keep it that way. **

JH
Once again, Mexico and the United States stand united in rejecting aggression -- this time, **the aggression of a brutal dictator in Iraq.** Mexico is opposing this aggression with a strong voice of objection in the United Nations, and by contributing to the world oil market. **And so I am here today to**

thank your President -- and to salute the Mexican people for your leadership -- your world leadership. \\\

«Next week, when I visit your sister republics in Latin America, I'll discuss the historic nuclear non-proliferation treaty pioneered by Mexico in 1967. We remain determined:

((There is no excuse for introducing weapons of mass destruction among friendly nations. The last thing we need is a balance of terror in the Americas.)) \\\

There is another threat to the peace, one that is more subtle, one that knows no nationality and respects no border -- drugs. Both President Salinas and I have committed our governments to a decisive victory over drug trafficking. We must not flag or fail. We must win this war. \\\

Like all conflicts, the drug war claims casualties. Each time a hero falls, it doesn't matter if he loses his life on my side or your side of the border. We will not be divided against each other, dissuaded from seeking justice, or frightened into submission.

Let no one doubt our resolve. When it comes to fighting drugs, the President of Mexico and the President of the United States stand together. \\\

We know that what affects one of us, affects both of us. This is no less true when it comes to our common environment. A few weeks ago, I signed the first comprehensive Clean Air legislation in thirteen years -- new laws that will benefit not just my country, but the world. We have also worked with you to

Clean Air
Act Signing
Ceremony

MD

investigate air pollution in our large cities. If I may
paraphrase your President, the children of Los Angeles and Mexico
City deserve blue skies by day and stars to wish upon by night.

And they deserve nothing less.

Your President and I also understand that our two nations
have much to share in a greater marketplace -- the marketplace of
ideas. From Aqualeguas to Houston, from Monterrey to San
Antonio, a vigorous new culture is being born, a culture
unbounded by borders. A few, in both countries, find that
threatening. **We find it invigorating. **

That is why we are creating today the U.S.-Mexico Commission
for Educational and Cultural Cooperation, a new way to promote a
dialogue among our scholars, our artists, our educators. And
when our brightest men and women confer, I believe one of the
things they will tell us is this: We are facing a new century.
And let us not begin this new century simply as neighbors, but as
friends. Let us begin this new century not as mere partners in
trade, **but as partners in leadership. **

Standing alone, we are still the nations of Washington and
Hidalgo, Lincoln and Juarez, Carl Sandburg and Octavio Paz. But
as great as our two nations are, we are never taller than when we
stand for principle, when we stand together.

Once again, thank you for your spectacular hospitality. May
God bless you all, and the peoples of the United States and
Mexico.

Pres. Does.
10/3/89
p. 1500

J. Huff

J. Huff

JH

Check Acknowledgements

Mosbacher?

Brady?

DRAFT PRESIDENTIAL SPEECH

Sally

MONTERREY, MEXICO

November 27, 1990

Introduction

President Salinas, distinguished guests, friends and neighbors:

As I stand before you today, my mind is full of images that perhaps only my heart can understand.

I see the small town of Agualeguas on the border of our two great countries, and I feel the pulse of a Mexico that is alive with rich rhythms: the motion of the charreada, the music of the mariachis.

I see too the grand plaza of Monterrey, and I am swept up in waves of friendship: faces alight with emotion, voices that resonate with joy.

Mr. President, in the span of just a few short hours, your entire nation -- from the small town folk to the crowds of the great city -- has told me with its welcome what you told me in five simple words: Mi casa es su casa.

And for that Barbara and I will always be deeply grateful. No guests could be offered a warmer reception than the one you, your wonderful wife, Cecilia, and your fellow citizens have extended to us here in your home state of Nuevo Leon.

What we have seen is nothing less than the dynamism of a borderland that has never been more alive. And much of this dynamism, Mr. President, owes its energy to you.

The world, as we all know, is a watchful place, and President Carlos Salinas de Gortari has caught its attention with reforms that are as exciting as they are thoughtful. The modernization of Mexico he has launched marries an historic reality -- a great, legendary country -- with what is certain to be an equally historic future. As the President said in his state of the union message, "We want to harness the new winds of change that are blowing beyond our borders."

Mexico is fortunate to have a leader with a vision of the 21st century who is guiding his nation safely, proudly and wisely towards that new world whose outlines we are already beginning to see. Where on the face of this earth is change, positive change, more evident than in Mexico? What other country has dropped its

barriers to trade so far, restructured its debt so intelligently, privatized so much state industry, and built so much of its national budget around investment in the future?

From the depths of a grave financial crisis, President Salinas, his fellow leaders, and the Mexican people showed the tenacity and courage that can only be found in the greatest of nations. Mexico transcended a devastating earthquake, and it throttled inflation. And Mexico did more: it rekindled growth, and that fire now burns as bright as the future of this industrious land.

Historians will detail all the complex factors that contributed to this renaissance, but one thing is certain: these advances were achieved at a critical time. Mexico's achievements are exactly the right answer for a world that is radically different from the one we have known for the last fifty years.

When President Roosevelt came to Monterrey to consult with President Avila Camacho in 1943, a global war raged. We were allies in a struggle against totalitarianism that required every last resource the free world had to offer.

That war came to one kind of a conclusion in 1945. And another war, a colder one, reached its end in 1989. Yet even as the challenges we face evolve, the nature of our partnership as friends, neighbors and colleagues endures and grows. When

President Roosevelt came to Monterrey in 1943 it was, he noted, the first meeting between the presidents of Mexico and the United States in 34 years. This is already the sixth time President Salinas and I have met since we were elected two years ago. And I can assure you that we plan to maintain this pace in our remaining time in office. The spirit of Houston lives. The spirit of Monterrey will sustain us.

We are two great countries, respectful of one another's past and values, who occupy a central place in each other's present and future. And the world we now live in is one of economic and technological competition, the struggle to protect our youth from drugs and our environment from degradation, and the advance of democracy and human rights.

Part I "Modernizing Our Economic Relationship"

As we meet here today, we are on the eve of not just one, but two, major advances in the system of international trade to bring our people food, shelter, jobs, and opportunities for a better life.

Working together, we can and must press for the successful conclusion of the Uruguay Round of GATT. The critical moment is now. As GATT members, and as two of the world's largest economies, we must insist on a simple point. If the global economy is truly as inter-dependent as our experts say, so must be its rules.

Countries in Europe, North America, Asia and elsewhere all must compete on the same playing field. More importantly, they all must have a chance to play. Trade distorting subsidies and artificial barriers create winners and losers before the game begins. Establishing fairness and openness is what the Uruguay Round must achieve. This, I know, is something Mexico believes as firmly the United States. And this, of course, is the basis for our resolve to seek a Bilateral Free Trade Agreement.

We have, after all, seen with our own eyes what trade liberalization can do. [Since Mexico entered GATT and lowered its tariffs, our two-way trade has boomed. From \$37 billion in 1987, it appears headed for \$55 billion or better in 1990. The maquiladora industry alone -- one of the most successful international trade experiments in history] -- now boasts of over 1700 plants that make these enterprises Mexico's second largest generator of foreign exchange.

A Free Trade Agreement is not designed simply to exploit each other's markets. Our aim is more ambitious. Our aim is economies that work together in complementary ways. Our aim is efficiency. In today's interdependent world economy that means we want to ensure that Mexico and the United States produce goods and services that are competitive in global markets as well as our

own. To do that, we need all the benefits of an FTA, including the liberalized flow of investments that will boost our productivity and create more jobs.

Those jobs, I might add, are not the same kind of menial labor our predecessors, Presidents Roosevelt and Avila Camacho, were discussing in 1943. Go to some of the leading automotive or electronics plants found here in Northern Mexico, and you will see standards that are not excelled anywhere in the world. That's the kind of quality the world demands, and that's the kind of quality U.S. and Mexican workers can provide.

I look forward to the day when you and I will meet to sign our names to a free trade agreement that writes a new page in North American history. An agreement which capitalizes in a just and equitable way on the human and natural resources provided by our two vibrant nations.

If we can succeed in these tasks, and I know we can, think what our example can do for our hemisphere as a whole. In my "Enterprise for the Americas" initiative, I sketched out a vision of free trade from Canada to Tierra del Fuego. Mexico's support -- her involvement -- is critical to welding our hemispheric productive capabilities together.

As your great Nobel-prize poet Octavio Paz recently wrote, "Mexico has been, and is, a boundary between peoples and civilizations...Boundaries, however, are not only disjunctive obstacles, they are also bridges." Let our efforts be the keystone, then, in an arch that joins many great nations together, with the freedom to trade, the freedom to compete, lifting that keystone as high as our imaginations will take us.

Part II "Building Bilateral Cooperation"

But of course our bilateral cooperation extends far beyond the marketplace to the type of world in which we want our people and our nations to live.

Mexico and the United States stand united in rejecting Iraqi aggression in the Persian Gulf. With its support in the U.N. and its increased contribution to world oil markets, Mexico is providing the kind of leadership the international community badly needs. Next week when I go to your great sister republics in Latin America, I'll be discussing with those leaders the Treaty of Tlatelolco pioneered by Mexico in 1967. As all Mexicans know, it is that important Treaty which has kept this region's territories free from nuclear weapons.

President Salinas has irrevocably committed the Government of Mexico to a decisive victory over drug trafficking. He understands that narcotics are a scourge that pass quickly from the hands of the criminal to affect the health of entire societies. Drugs know no nationality and respect no boundary. Our fight against traffickers is the equivalent of war, and as in any war, we each have had our casualties and our wounded. The grief we feel is just as real whether the heroes fall on your side of the border or our own. Those who have sought to divide or dissuade us on this issue have failed and will continue to fail. When President Carlos Salinas de Gortari looks you in the eye and says he means to chase drug-runners to the ground, I, for one, believe him. And I know he believes me when I say the same thing.

Putting criminals in jail is dirty and difficult work, yet for all its importance, that's not the ultimate objective. The ultimate objective is to ensure the health, competitiveness, and productivity of the American and Mexican peoples. Our partnership is founded upon nothing if not respect for our peoples. This is something which narcotraffickers may never understand, but it is something on which Mexico and the United States will never yield.

We simply have learned that what affects one of us affects us both. The debt crisis, the war against drugs, and the struggle to preserve our environment all are based on this simple principle.

Our new international sewage plant in San Diego, our air pollution studies in El Paso, Juarez, and Mexico City, and our policing of toxic waste disposal along the border protect Mexico's environment, the United States' environment, and the globe's environment. It's all one precious Earth and we inhabit the same small piece of it.

That is the attitude, I am happy to say, which marks the most heavily crossed international border anywhere in the world. Pardon me for challenging the widespread misperception that it is a troubled dividing line between two countries and peoples in conflict. If that's your view, you can't count. We had over 240 million crossings of that border last year, 240 million legal crossings. The United States and Mexico are passionately and gloriously and routinely involved in each other's lives. And the future will be even more so. President Salinas and I both claim hometowns no more than 200 miles from our common border. Between the U.S. snowbirds flight south, and the Mexican migration to the booming "norte", a new culture is born, firmly rooted in common understandings with a common center of gravity transcending the international boundary.

Part III "A Partnership of Respect and Understanding"

We have had plenty of history together, Mexico and the United States -- much more of it as friends than as enemies, but too much of it as distant neighbors, participants in distinct economic and political evolutions. It is in this critical dimension of who you are and who we are that we both still have so much to learn. Fortunately, one lesson we seem to have finally mastered is to take each other seriously, to look past the stereotypes, and to grapple with the realities of everything we have in common and everything we might some day share.

History gave us, if you will, 12 million Mexican-Americans. It gave us Manuel Lujan and Lauro Cavazos of my Administration. It gave us Lee Trevino of professional golf, and Valenzuela of the baseball diamond, and Antonia Hernandez of the Mexican-American Legal Defense Fund.

But let me not thank history for this gift. Speaking for all the people of the United States, let me thank you, all the people of Mexico. What a precious treasure you have bestowed upon my nation. And no one is more fortunate than I. Thanks to the intelligence and good taste of my son Jeb, we have the honor to

have as part of the Bush family, Columba and our two Mexican-American grandchildren. So when I speak of Americans and Mexicans in general, or of the Bush family, I am proud to say: "Somos una familia". (We are one family).

Today we are creating the U.S.-Mexican Commission for Educational and Cultural Cooperation. We are reaching out to our scholars, artists, and educators, and we are saying, let us build together a new partnership of respect and understanding. Let us infuse it with thought, with wisdom, and with inspiration.

What could not be done in the past can be done today. The world of global conflict is giving way to the world of global cooperation. Freedom, in political systems, in trade, is the watchword of the present and of the future.

A decade from now we will enter the 21st century. Already, we see the shape of the new world to which we will belong. It is a world in which only those nations which can trade, compete, and modernize will enjoy the growth and prosperity on which their people's health and happiness depend. It is a world in which a new generation of challenges that know no borders -- the scourge of drugs, assaults on our air, land, and water, the dangers of nuclear proliferation -- will require greater cooperation among the nations of the world than ever before in our history.

Our partnership is destined to promote these ideals and face these challenges. Let north and south, east and west examine us for how we have matured and modernized a relationship that once was static and now is dynamic.

That vision, in my view, should be our joint gift to our children, our grandchildren, our hemisphere, and our world.

So, to your warm welcome, Mexico, I can only extend my hand and offer my nation's loyal partnership in the extraordinary decades that lie ahead.

Thank you very much and God bless you all.

INTERVIEW WITH NOTIMEX
IN CONNECTION WITH
THE PRESIDENT'S STATE VISIT TO MONTERREY

Q: The relations between Mexico and the U.S.A. are increasingly based on stronger economic ties, underlined by a steady growth in the bilateral trade. But, can your Government deliver the needed consensus for a Free Trade Agreement? What would be the ultimate goal on such a relation? Would it be the creation of a North American region to compete with the European Common Market?

A: Our close economic relations are an established fact.

Mexico is our third largest trading partner after Canada and Japan. Total two-way trade between our countries nearly doubled during the decade of the 1980's, and was over \$50 billion in 1989. This trading relationship is shaped by geography, by economic compatibility, and by the willingness of both countries to look for creative and imaginative ways to improve the economic relationship.

In the frequent consultations that President Salinas and I have maintained, we have committed ourselves to making our economic relations as fruitful as possible. Our overall purpose can be expressed simply-- we want to increase the economic well-being of both our peoples. This must be done in a context of mutual respect and cooperation.

As a result of our private consultations, President Salinas and I concluded that a free trade agreement between our two countries would advance the goals of enhanced prosperity and

economic progress that we both seek. In June of this year, we announced that we would seek to conclude a free trade agreement. In September, following further consultations with President Salinas, I sent a request to the U.S. Congress seeking what is called "fast-track" authorization for negotiation of a free trade agreement with Mexico. Under provisions of our law, two Committees of the U.S. Congress, the Senate Finance Committee and the House Ways and Means Committee, have 60 legislative days in which to consider granting this "fast-track" authority. This 60-day period will end in the spring of 1991, and I am confident that the Congress will look favorably on this FTA proposal.

Now, as you are probably aware, Canada has expressed an interest in broadening our discussions with Mexico from bilateral to trilateral. Mexico and the United States have agreed to discuss this with Canada, to see if a trilateral agreement is feasible. I want to reiterate one point, however; we have made a commitment to Mexico to conclude a free trade agreement. We want to do this as quickly as possible. If we can broaden this agreement to include Canada, that will be fine. If an attempt to broaden the process turns out not to be workable, or would produce unacceptable delays, then we will proceed bilaterally with Mexico.

One final point-- the purpose of a free trade agreement with Mexico (or a broader agreement including Canada) is not to create trading "blocs" to compete with other trading areas. The goal is to enhance world trade by expanding regional trade and making it more effective and efficient.

Q: The United States seems to be the only world Superpower left in an age of regional powers, but there are growing doubts that the U.S. will be able to maintain that role. Do you think that the U.S. will have to adjust and become a regional power?

A: Rather than trying to make comparisons about who is a "superpower" and who is a "regional power," I think it is more productive to consider whether the United States is using the power it has to enhance peace in the world.

On this score, I think that the record is clear. We stood for democracy and decolonization following World War II. We stood firm against post-war expansionism, supporting our allies as they reconstructed and became strong again. We promoted the integration of Europe. We have stood firm in our support for democracy, economic development, and human rights in the western hemisphere and throughout the world. With the end of the Cold War, all countries, including the United States, are looking for new ways to enhance democracy and stability, promote prosperity, and create mechanisms for resolving international disputes. I am just back from a conference in Paris, where we have made another major

advance in our efforts to limit conventional forces in Europe. We have worked on this for years, but our efforts now hold out the promise to reduce significantly the military forces in Central Europe.

I proposed the Enterprise for the Americas initiative because of my special interest in our hemisphere and with the idea that we ourselves needed a new agenda, one based on the vision of a hemisphere-wide free trade zone and enhanced prosperity for our peoples. The free trade agreement with Mexico is an extremely important step in this direction. We hope that it will set an example for the hemisphere, which, after all is our common homeland.

Q: Your biography points out that you were involved in exploration and development of the oil industry in Texas and the Gulf of Mexico. With such an experience, what is your perception of the energy issue in the bilateral agenda? And about the Mexican and Latin American role as clients and providers of energy in a world where the Arabian peninsula is not a stable region any more?

A: As a young man, I moved to Texas and worked in the oil business. I derived several conclusions from my experience: first, a strong belief in the efficiency of private sector approaches to investment and exploration decisions. Second, the need for steady and reliable supplies, both through strong domestic production and through access to reliable overseas suppliers.

Mexico, as a close neighbor and energy supplier, plays a major role in our energy system. We of course want to maintain access to Mexican oil, and we are grateful for Mexico's efforts to insure world oil supplies following Iraq's invasion of Kuwait. We recognize that oil has often been an area of special sensitivity in Mexico, particularly in its relations with the United States. Nevertheless, I believe there are important areas we can work on together that would be mutually advantageous for enhanced investment and exploration.

The United States has applauded the efforts of Mexico and Venezuela to assist the countries of Central America in obtaining oil supplies under terms which promote their development. The San Jose Pact has had an extremely positive impact in the Central American region. Despite its own economic difficulties, Mexico has been willing to stretch out its hand to assist others in this hemisphere. This is the type of cooperation that we admire and would like to build on.

Q: The Initiative for the Americas seems to be a trading answer to the Latin American financial crisis, but can the U.S. absorb the bulk of exports and provide the capital and other goods needed for the exchange? What kind of preferences could your country give to the Latin American partners?

A: As I said earlier, the Enterprise for the Americas initiative was an effort by my Administration to advance a

new agenda in our hemisphere. Democracy made great strides in the decade of the 1980's, but tremendous economic problems remained.

Furthermore, there was feeling in this hemisphere that as a result of the 1989 changes in Eastern Europe, that the United States would lose interest in this hemisphere and devote all of its energies and financial assistance to Europe. This was never our intention and I wanted to make my special interest in the hemisphere manifest.

The Enterprise initiative has several parts: (1) the vision of a free trade area in the Americas, of which we hope a free trade agreement with Mexico will be the first major step; (2) investment, so that the countries of this hemisphere can compete more actively and effectively in world capital markets; and (3) an innovative approach to debt relief that includes a mechanism to help protect the environment.

I am happy to report that we have made progress on all fronts. We have concluded framework agreements with Colombia, Ecuador, and Chile. We are working on a multilateral framework agreement with Argentina, Brazil, Paraguay and Uruguay. Our Congress has before it the necessary legislation that will allow us to move forward on

investment, debt reduction and protection of the environment.

We are working with the Inter-American Development Bank on ways to stimulate investment reform and greater investment flows to the hemisphere.

The United States did not propose this initiative with the idea of becoming the sole market for hemispheric trade. Much more trade needs to be done and can be done among the countries of our hemisphere. Another important point is that free trade is not a matter of preferences being given by one country to another. Instead, it a way for all countries to maximize their competitive advantages in a system that is unencumbered by trade distorting limitations. It should actually help increase trade between the region and other areas of the world.

We recognize that bilateral economic assistance is still needed by a number of countries, principally in Central America and the Caribbean. We have proposed a special trade preference for four Andean countries to assist them in their fight against drugs. For the long run, however, we must look to trade, not aid, as the engine to drive prosperity in our hemisphere.

Q: For the first time in a long time, the meetings between the Presidents of Mexico and the US are not being held with a dominant contentious issue. What has changed? What has brought about this change in such an uneven relation?

A: Your question is very perceptive. I share your assessment that this summit is not being dominated by "negative" issues. Maybe it's the beginning of the Christmas season, but I think it is also more than that. The United States and Mexico prize their individuality, but they realize that one need not sacrifice one's identity to live in harmony with one's neighbors.

Noche Buena?

Both of our countries are working actively and constructively to address the many issues in our bilateral agenda. President Salinas is widely recognized in the world as a dynamic, creative leader, and I appreciate the opportunity to share ideas with him and search for solutions to our common problems. I am looking forward to President Salinas' hospitality, and the opportunity to review with him this bilateral agenda. We will have an opportunity to do so in private meetings and in expanded meetings with all of our key advisers.

Q: Even in the best case, troubling issues remain largely unresolved in the bilateral agenda, such as immigration, environment, drug trafficking and demand. Is there a way to face them constructively instead of allowing them to become periodic outbursts of self-indulgent nationalism on both sides of the border?

A: No relationship is trouble-free. To pretend that the Mexico-United States bilateral relationship will be totally free of problems is unrealistic. We are large countries,

with big populations, we share a very long border, we speak different languages (although Spanish is our second language in the southwest), and we have different cultural identities.

The challenge to the leaders of both countries is not to avoid issues, but to deal with them forthrightly and constructively. In this regard, I believe that the example set at the highest level in each country has a tendency to "filter down" to the regional and local level.

Maintaining excellent relations with Mexico is one of my highest foreign policy priorities. By quick count, and I may have missed one, this is my fifth meeting with President Salinas since my election in 1988. Besides our frequent meetings, we have been in regular contact by telephone and letter.

I believe that this contact does make a difference. President Salinas knows that if he has an important issue he needs to talk to me about, all he needs to do is pick up the telephone. I know I can do the same. In addition to presidential involvement, however, there is also a need for an institutional framework. Our Binational Commission, which meets ever year, brings together the top Cabinet secretaries of each country to review our agenda. On the

diplomatic side, we maintain large and very capable embassies; Mexico is very ably represented in Washington by Ambassador Gustavo Petriccioli, and I am very pleased to have John Negroponte as our Ambassador in Mexico City.

Finally, I would like to add that in my view greater contact produces greater understanding, and greater understanding makes it possible for each side to anticipate areas of potential friction. That is the direction in which I would like to see our relations with Mexico continue to develop. It is a matter of strong personal commitment on my part.

Mr. Roman POPADUK
Deputy Press Secretary
The White House

Dear Mr. Popaduk:

I have the pleasure to send You some basic questions that NOTIMEX, the Mexican News Agency, would like to pose to President George Bush.

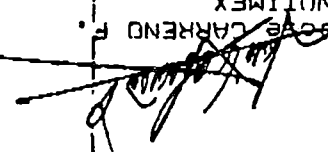
Of course, We are willing to accept written answers or the questions can be the basic issues for a personal interview.

The questions are the following:

- 1.- The relations between Mexico and the U.S.A. are increasingly based on stronger economic ties, underlined by a steady growth in the bilateral trade. But, can Your government deliver the needed consensus for a Free Trade Agreement? What would be the ultimate goal on such a relation? Would it be the creation of a North American region to compete with the European Common Market?
- 2.- The United States seems to be the only world Superpower left in an age of regional powers, but there are growing doubts that the U.S. will be able to maintain that role. Do You think that the US will have to adjust and become a regional power?
- 3.- Your biography points out that You were involved in exploration and development of the oil industry in Texas and the Gulf of Mexico. With such an experience, what is your perception of the energy issue in the bilateral agenda? And about the Mexican and Latin American role as clients and providers of energy in a world where the Arabian peninsula is not a stable region anymore?
- 4.- The Initiative for the Americas seems to be a trading answer to the Latin American financial crisis, but can the US absorb the bulk of exports and provide the capital and other goods needed for the exchange? What kind of preferences could your country give to the Latin American partners?
- 5.- For the first time in a long a time, the meetings between the presidents of Mexico and the US are not being held with a dominant contentious issue. What has changed? What has brought this change in such an uneven relation?

6.- Even in the best case, troubling issues remain largely unresolved in the bilateral agenda, as immigration, environment, drug trafficking and demand. Is there a way to face them constructively instead of allowing them to become periodic outbursts of self indulgent nationalisms on both sides of the border?

Thank you very much.


JOSE CARRERO
NUTIMEX
Mexican News Agency

Washington D.C., October 17, 1990

DRAFT PRESIDENTIAL SPEECH

MONTERREY, MEXICO

November 27, 1990

Introduction

President Salinas, distinguished guests, friends and neighbors:

As I stand before you today, my mind is full of images that perhaps only my heart can understand.

I see the small town of Agualeguas on the border of our two great countries, and I feel the pulse of a Mexico that is alive with rich rhythms: the motion of the charreada, the music of the mariachis.

I see too the grand plaza of Monterrey, and I am swept up in waves of friendship: faces alight with emotion, voices that resonate with joy.

Mr. President, in the span of just a few short hours, your entire nation -- from the small town folk to the crowds of the great city -- has told me with its welcome what you told me in five simple words: Mi casa es su casa.

And for that Barbara and I will always be deeply grateful. No guests could be offered a warmer reception than the one you, your wonderful wife, Cecilia, and your fellow citizens have extended to us here in your home state of Nuevo Leon.

What we have seen is nothing less than the dynamism of a borderland that has never been more alive. And much of this dynamism, Mr. President, owes its energy to you.

The world, as we all know, is a watchful place, and President Carlos Salinas de Gortari has caught its attention with reforms that are as exciting as they are thoughtful. The modernization of Mexico he has launched marries an historic reality -- a great, legendary country -- with what is certain to be an equally historic future. As the President said in his state of the union message, "we want to harness the new winds of change that are blowing beyond our borders."

Mexico is fortunate to have a leader with a vision of the 21st century who is guiding his nation safely, proudly and wisely towards that new world whose outlines we are already beginning to see. Where on the face of this earth is change, positive change, more evident than in Mexico? What other country has dropped its

barriers to trade so far, restructured its debt so intelligently, privatized so much state industry, and built so much of its national budget around investment in the future?

From the depths of a grave financial crisis, President Salinas, his fellow leaders, and the Mexican people showed the tenacity and courage that can only be found in the greatest of nations. Mexico transcended a devastating earthquake, and it throttled inflation. And Mexico did more: it rekindled growth, and that fire now burns as bright as the future of this industrious land.

Historians will detail all the complex factors that contributed to this renaissance, but one thing is certain: these advances were achieved at a critical time. Mexico's achievements are exactly the right answer for a world that is radically different from the one we have known for the last fifty years.

When President Roosevelt came to Monterrey to consult with President Avila Camacho in 1943, a global war raged. We were allies in a struggle against totalitarianism that required every last resource the free world had to offer.

That war came to one kind of a conclusion in 1945. And another war, a colder one, reached its end in 1989. Yet even as the challenges we face evolve, the nature of our partnership as friends, neighbors and colleagues endures and grows. When

President Roosevelt came to Monterrey in 1943 it was, he noted, the first meeting between the presidents of Mexico and the United States in 34 years. This is already the sixth time President Salinas and I have met since we were elected two years ago. And I can assure you that we plan to maintain this pace in our remaining time in office. The spirit of Houston lives. The spirit of Monterrey will sustain us.

We are two great countries, respectful of one another's past and values, who occupy a central place in each other's present and future. And the world we now live in is one of economic and technological competition, the struggle to protect our youth from drugs and our environment from degradation, and the advance of democracy and human rights.

Part I "Modernizing Our Economic Relationship"

As we meet here today, we are on the eve of not just one, but two, major advances in the system of international trade to bring our people food, shelter, jobs, and opportunities for a better life.

Working together, we can and must press for the successful conclusion of the Uruguay Round of GATT. The critical moment is now. As GATT members, and as two of the world's largest economies, we must insist on a simple point. If the global economy is truly as inter-dependent as our experts say, so must be its rules.

Countries in Europe, North America, Asia and elsewhere all must compete on the same playing field. More importantly, they all must have a chance to play. Trade distorting subsidies and artificial barriers create winners and losers before the game begins. Establishing fairness and openness is what the Uruguay Round must achieve. This, I know, is something Mexico believes as firmly the United States. And this, of course, is the basis for our resolve to seek a Bilateral Free Trade Agreement.

We have, after all, seen with our own eyes what trade liberalization can do. Since Mexico entered GATT and lowered its tariffs, our two-way trade has boomed. From \$37 billion in 1987, it appears headed for \$55 billion or better in 1990. The maquiladora industry alone -- one of the most successful international trade experiments in history -- now boasts of over 1700 plants that make these enterprises Mexico's second largest generator of foreign exchange.

A Free Trade Agreement is not designed simply to exploit each other's markets. Our aim is more ambitious. Our aim is economies that work together in complementary ways. Our aim is efficiency. In today's interdependent world economy that means we want to ensure that Mexico and the United States produce goods and services that are competitive in global markets as well as our

own. To do that, we need all the benefits of an FTA, including the liberalized flow of investments that will boost our productivity and create more jobs.

Those jobs, I might add, are not the same kind of menial labor our predecessors, Presidents Roosevelt and Avila Camacho, were discussing in 1943. Go to some of the leading automotive or electronics plants found here in Northern Mexico, and you will see standards that are not excelled anywhere in the world. That's the kind of quality the world demands, and that's the kind of quality U.S. and Mexican workers can provide.

I look forward to the day when you and I will meet to sign our names to a free trade agreement that writes a new page in North American history. An agreement which capitalizes in a just and equitable way on the human and natural resources provided by our two vibrant nations.

If we can succeed in these tasks, and I know we can, think what our example can do for our hemisphere as a whole. In my "Enterprise for the Americas" initiative, I sketched out a vision of free trade from Canada to Tierra del Fuego. Mexico's support -- her involvement -- is critical to welding our hemispheric productive capabilities together.

As your great Nobel-prize poet Octavio Paz recently wrote, "Mexico has been, and is, a boundary between peoples and civilizations...Boundaries, however, are not only disjunctive obstacles, they are also bridges." Let our efforts be the keystone, then, in an arch that joins many great nations together, with the freedom to trade, the freedom to compete, lifting that keystone as high as our imaginations will take us.

Part II "Building Bilateral Cooperation"

But of course our bilateral cooperation extends far beyond the marketplace to the type of world in which we want our people and our nations to live.

Mexico and the United States stand united in rejecting Iraqi aggression in the Persian Gulf. With its support in the U.N. and its increased contribution to world oil markets, Mexico is providing the kind of leadership the international community badly needs. Next week when I go to your great sister republics in Latin America, I'll be discussing with those leaders the Treaty of Tlatelolco pioneered by Mexico in 1967. As all Mexicans know, it is that important Treaty which has kept this region's territories free from nuclear weapons.

President Salinas has irrevocably committed the Government of Mexico to a decisive victory over drug trafficking. He understands that narcotics are a scourge that pass quickly from the hands of the criminal to affect the health of entire societies. Drugs know no nationality and respect no boundary. Our fight against traffickers is the equivalent of war, and as in any war, we each have had our casualties and our wounded. The grief we feel is just as real whether the heroes fall on your side of the border or our own. Those who have sought to divide or dissuade us on this issue have failed and will continue to fail. When President Carlos Salinas de Gortari looks you in the eye and says he means to chase drug-runners to the ground, I, for one, believe him. And I know he believes me when I say the same thing.

Putting criminals in jail is dirty and difficult work, yet for all its importance, that's not the ultimate objective. The ultimate objective is to ensure the health, competitiveness, and productivity of the American and Mexican peoples. Our partnership is founded upon nothing if not respect for our peoples. This is something which narcotraffickers may never understand, but it is something on which Mexico and the United States will never yield.

We simply have learned that what affects one of us affects us both. The debt crisis, the war against drugs, and the struggle to preserve our environment all are based on this simple principle.

Our new international sewage plant in San Diego, our air pollution studies in El Paso, Juarez, and Mexico City, and our policing of toxic waste disposal along the border protect Mexico's environment, the United States' environment, and the globe's environment. It's all one precious Earth and we inhabit the same small piece of it.

That is the attitude, I am happy to say, which marks the most heavily crossed international border anywhere in the world. Pardon me for challenging the widespread misperception that it is a troubled dividing line between two countries and peoples in conflict. If that's your view, you can't count. We had over 240 million crossings of that border last year, 240 million legal crossings. The United States and Mexico are passionately and gloriously and routinely involved in each other's lives. And the future will be even more so. President Salinas and I both claim hometowns no more than 200 miles from our common border. Between the U.S. snowbirds flight south, and the Mexican migration to the booming "norte", a new culture is born, firmly rooted in common understandings with a common center of gravity transcending the international boundary.

Part III "A Partnership of Respect and Understanding"

We have had plenty of history together, Mexico and the United States -- much more of it as friends than as enemies, but too much of it as distant neighbors, participants in distinct economic and political evolutions. It is in this critical dimension of who you are and who we are that we both still have so much to learn. Fortunately, one lesson we seem to have finally mastered is to take each other seriously, to look past the stereotypes, and to grapple with the realities of everything we have in common and everything we might some day share.

History gave us, if you will, 12 million Mexican-Americans. It gave us Manuel Lujan and Lauro Cavazos of my Administration. It gave us Lee Trevino of professional golf, and Valenzuela of the baseball diamond, and Antonia Hernandez of the Mexican-American Legal Defense Fund.

But let me not thank history for this gift. Speaking for all the people of the United States, let me thank you, all the people of Mexico. What a precious treasure you have bestowed upon my nation. And no one is more fortunate than I. Thanks to the intelligence and good taste of my son Jeb, we have the honor to

have as part of the Bush family, Columba and our two Mexican-American grandchildren. So when I speak of Americans and Mexicans in general, or of the Bush family, I am proud to say: "Somos una familia". (We are one family).

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That vision, in my view, should be our joint gift to our children, our grandchildren, our hemisphere, and our world.

So, to your warm welcome, Mexico, I can only extend my hand and offer my nation's loyal partnership in the extraordinary decades that lie ahead.

Thank you very much and God bless you all.