

## I. MEXICO: HIGHLIGHTS

### I. Economic

- A. A serious economic problem is its current account deficit which was in the neighborhood of \$2.8 billion in 1974. This situation may ease slightly in 1975 depending on GOM ability and willingness to increase oil exports.
- B. Inflation continues to be a serious problem for Mexican Government which hopes to reduce the 24% rate of inflation in 1974 to about 15% in 1975.
- C. Agricultural sector's low rate of growth continues to place a strain on the Mexican economy.
- D. High population growth rate and the unemployment/under-employment situation continue to pose economic problems for Mexico.

### II. Political

- A. Echeverria's term expires December 1976 and speculation is rife about whether the next administration will follow his innovative example in both domestic and foreign policy, which has prompted a cautious mood among Mexican and foreign businessmen, or be more conservative, trying to consolidate some of Echeverria's better domestic initiatives while letting others wither, and generally steering a less activist course in foreign policy and in those domestic fields where the resurgence of buoyant business confidence hangs in the balance.
- B. Undesirable anti-U.S. rhetoric for domestic political purposes is a smokescreen for untrammelled and basically cooperative and mutually beneficial relationship.
- C. Grasping for a more influential world role, Mexico under Echeverria ingratiates itself with Third World and promotes unity of LDC's as a means to achieve leverage against developed nations, particularly the U.S., from whom Mexico would like to extract acquiescence in a redistribution of the benefits of world economic relations. Charter of Economic Rights and Duties of States and Latin American Economic System are two most important Mexican initiatives toward this objective.

### III. Key Statistics

GDP growth rate:	6% (1974)
GDP per capita income:	\$1,153 (1974-constant prices)
Foreign exchange rate:	12.50 pesos = U.S. \$1.00
Population growth rate:	3.4%
Gross reserve holdings:	\$1,444 million (Feb. 28, 1974)

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A little less than two years remain of the six-year Echeverria administration. Echeverria has been an activist and reformist-oriented presidency, devoting more attention to international affairs than have preceding administrations, but also stressing that Mexico's remarkable record of sustained growth must be balanced by social justice. Internal policy has focused on the problems of income distribution, assistance to depressed rural areas, housing and governmental health and education facilities. Mexico has offered a very favorable climate of investment during the last thirty years due to its political stability and has consequently enjoyed an excellent external credit rating with international agencies and from public and private sector sources in the U.S. Due to criticism of the private sector in Mexico by the Government and a general direct investment law that came into force in 1973, the climate will probably not be as good as in the past.

Although the Mexican Presidential succession is nearly twenty months away (December 1976), the media, politicians and the public are showing unusual early interest in who will be the candidate of the Institutional Revolutionary Party, and therefore the inevitable next Chief of State, due to the party's predominant position in Mexican politics. Although the process of selection rarely provokes controversy (the President names the PRI candidate, and hence, his successor), speculation on whom it will be dominates political interest for months until the President makes the announcement. The several small and ineffective political parties that face the PRI on both the left and right are unlikely to exert significant influence on the generally middle-of-the-road policy of PRI administrations for the foreseeable future.

Two-digit inflation, uncommon in Mexico, has caused considerable concern among both public and businessmen, for it has bred unsettling wage demands from labor and complaints from pensioners. The administration is faced with the dilemma of balancing its goal of greater social justice by preventing the erosion of the average Mexican's living standard against the need to keep new inflationary pressures to a minimum and the desire that Mexican industry maintain its competitive international position.

Several kidnappings of prominent Mexicans and a U.S. diplomat within the last year and the intense publicity surrounding the activities of a guerrilla group have highlighted the issue of control of terrorism, but it does not present a threat to Mexico's reputation for stability and a favorable investment climate.

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