



a report from

2nd congressional district of arizona

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U.S.-MEXICO FORUMS

Sharing More Than A Border

The citizens of Arizona and Mexico have a lot in common. We share a common border; many of us share a common ancestry; and our lives and futures are in many ways intertwined. Changes in the Mexican government or economy can have a direct impact on Arizonans, just as what happens in this country can affect our friends and neighbors to the south. With this in mind, I recently hosted a series of public forums in the second congressional district to hear what Arizonans had to say about the state of U.S.-Mexico relations. I want to report to you my findings and share with you some of the observations made by panelists and others at the hearings.

Background

Many of us in Arizona have witnessed firsthand the effects of the recent troubles in Mexico. The recent peso devaluations have led to widespread business failures in border towns like Nogales and San Luis. Immigration officials report the flow of illegal immigrants has increased sharply as a consequence of Mexico's economic woes. U.S.-Mexico trade has also suffered. We have already seen the results of Mexico's current problems. But Mexico may have larger problems in the future . . . problems that will also affect us.

During the 1970's, Mexico embarked on a number of industrial modernization projects which were to be paid for by future Mexican oil revenues. At the time, it appeared that oil prices would continue their upward spiral, and the Mexican government borrowed heavily from American and other foreign banks to finance its programs. The combination of declining world oil prices and the recession, however, has pulled the rug out from under the Mexican economy.

Make no mistake about it. Mexico's economic problems are both real and serious. Inflation has sky-rocketed in three years, from 20 percent to nearly 100 percent in 1982. Mexico is heavily in debt to foreign bankers for more than \$80 billion. Interest

on the debt alone will cost the American government over \$12 billion this year. Recent extensions of credit from the International Monetary Fund and private banks have helped, but the new money is just a temporary fix. The Mexican government has been forced to undertake some harsh austerity measures, including sharp restrictions on currency, trade, credit, and government spending. We have been hurt by some of these measures, and we could be hit even harder in the near-future.

In 1981, Mexican customers accounted for about 48 percent of the sales made by American merchants along the border. Since the peso devaluations though, most American goods are now priced beyond the reach of our Mexican neighbors. Along the border, in towns like San Luis, Douglas and Nogales, unemployment rates are 20 percent or higher.

In the larger picture, U.S.-Mexico trade has suffered a tremendous setback. Only two years ago, the U.S. exported \$17.8 billion worth of goods to Mexico, and imported only \$13.8 billion worth of goods. However, last year, for the first time since World War II, the U.S. had a negative trade balance with Mexico. The situation shows no signs of improving either.

So we do have problems -- problems that I wanted to hear about from the folks in Arizona. We invited a number of experts in the field of U.S.-Mexico relations to join me at the public forums and give me their counsel. As usually happens, it was much easier to identify the problems than the solutions.

Still, I found these hearings to be informative and the comments by the panelists and audience participants to be thoughtful and helpful. For those of you who did not have a chance to attend these meetings, I have excerpted portions of the testimony of various participants.

General Remarks

Will Rapp, Vice President and Manager of the International Division of Valley National Bank.

"While many countries in Latin America are now facing a severe liquidity crisis where massive foreign debt must somehow be serviced with dwindling revenues in a worldwide recessionary environment, no country's situation has more significance to those of us who live and work in Arizona than does Mexico's."

Tom Miller, Author of **On the Border**.

"It has been my experience that few officials in Washington or Mexico City have a good understanding of the border. Cables traveling between Foggy Bottom and Los Pinos bypass the border and its officials. When accord is reached, our State Department and Mexico's Foreign Ministry congratulate each other and move on to the next crisis, leaving us in the borderland to suffer their ignorance."

Elias Bermudez, Mayor of San Luis.

"Mexico is going through a crisis created for whatever reasons and by whomever -- that does not matter. What matters is that unless the leadership of Mexico and the United States take action to correct a critical situation, the results will be a situation ideal for the powers of socialism or communism."

Trade

Trade is an important aspect of Arizona's economy. Approximately 50,000 jobs statewide depend on exports. The export economy accounted for about \$2.5 billion in Arizona in 1981. Due to our proximity to Mexico much of our trade, of course, is done with businesses south of the border.

Likewise, Mexico depends upon Arizona and the U.S. when it comes to trade. Mexico is the United States' third largest trading partner. Both economies are heavily dependent upon their mutual abilities to trade freely and trade fairly. We have had our trade "problems" with Mexico lately -- problems ranging from cement to vegetables. Still, it is vitally important to both the U.S. and Mexican economies to seek solutions to our disputes. Following are some of the comments that were made on the trade issue.

George H. Uribe, Executive Vice President of the West Mexico Vegetable Distributors Association.

"Mexico on one hand, has protectionist policies that severely affect our operations. On the other hand, in the United States we have duties which have the same effect as trade barriers. . . . What are the possible solutions? Get Mexico to alleviate some of their protectionist policies. It seems to me that the U.S. being the principal customer of Mexican products could or should exercise as much influence as possible in order to achieve some relief."

Jerry R. Ladman, Director, Center for Latin American Studies, Arizona State University.

"The lack of (Mexican) income and the new exchange controls have caused a drastic cutback in the sales of U.S. products to Mexico. Likewise, Mexican tourism in the U.S. has dropped sharply. On the positive side for the U.S. has been the Mexican demand for grains. This has created a new dimension to U.S.-Mexican relations."

Will Rapp, Vice President and Manager of the International Division, Valley National Bank.

"Exports from the U.S. into Mexico dropped to \$1.8 billion through the first five months of the year, compared to \$4.1 billion for the comparable period last year. While we cannot measure with any precision the impact on Arizona firms, many of you in this room have been directly and severely hurt . . . I would urge the Congress to examine this situation carefully and look for ways to help. One possibility might be to strengthen the loan guaranty program of the Export-Import Bank with special lines of credit for small businesses selling to Mexico."

Victor L. Heller, Director of Travel and Tourism Studies, Arizona State University.

"In 1981, over 15 million Mexican visitors came to Arizona spending \$622 million. A//, however, is not well with this major market. It is estimated that the spending patterns of these visitors decreased by 50-66 percent in 1982. Particularly hard hit were the small businesses in the non-metropolitan areas outside of Phoenix and Tucson."

Immigration

Another topic that caused a great deal of discussion was immigration and the Simpson-Mazzoli bill in Congress. Briefly, the Simpson-Mazzoli measure would attempt to tighten our immigration laws and to provide amnesty for illegal immigrants who have lived here awhile. Just recently, House Speaker Thomas P. O'Neill announced there would be no formal consideration of the bill this year. Still, the issue is likely to be with us in the years ahead.

In the United States and Arizona, the undocumented alien population continues to grow. Firm numbers are hard to come by, but it is estimated that there are between 3.5 and 10 million undocumented aliens in the U.S. today. In Arizona, the Tucson Border Patrol reports a 12% increase in the apprehensions of undocumented aliens in 1983.

The Yuma Border Patrol has reported 10 consecutive record months in terms of apprehensions -- from September of 1982, through June of 1983. Overall, from January through mid-August of this year, Yuma officials report a 36% increase in arrests of undocumented aliens over the same period last year. Although opinions on the immigration issue were sharply divided, I found the comments by the audience and panelists to be very informative.

Margarita B. Bernal, Board of Directors, El Consilio Manzo, citing from a paper by Peter Shey.

"Congress would do well to proceed cautiously before adopting the type of wide-ranging proposals contained in the Simpson-Mazzoli bill. While there is general agreement on the right of nation states to control the movement of people across their borders, the manner in which such control is exercised has international repercussions between states and global conditions."

Tom Miller, author of **On the Border**.

"My suggestion is simple. We should do nothing. Maintain the status quo. Don't waste time tinkering with the inevitable. The Simpson-Mazzoli bill is symbolic and nothing more. Patterns of migration from Latin America to the United States were established before a Border Patrol existed, and long before the INS came about. Previous "reforms" have done nothing to change land migration. Migration is brought about for reasons of economic hardships, political oppression and tradition. An Act of Congress will change none of these. . . . If you lined up Border Patrol men shoulder to shoulder from the Gulf of Mexico to the Pacific Ocean -- that's 2.5 million border guards, by my calculations -- you would still have a problem."

Ramona Jean Corrales, Director of Chicanos Por La Causa, Somerton.

"The main Problem with the present immigration law is that Mexico is only allotted 20,000 visa numbers per year. The 20,000 is inadequate for the visa demand from Mexico. We are too close in proximity to Mexico to expect a family to leave a newborn, a spouse or minor child in Mexico until visa numbers become available in 11 or 15 years."

The Border

Arizona's common border with Mexico stretches 372 miles from California to New Mexico. This international boundary is an important and unique aspect of our state.

Our Mexican neighbors contribute significantly to Arizona's economy. In 1981, Mexican visitors spent over \$622 million in Arizona. The recent peso devaluations have severely damaged the economies of our border communities. Sales revenues in Nogales for December of last year were down 62% from 1981. At the same time that sales revenues were plummeting, unemployment was rising. The unemployment rate for July of this year was over 27% in both Santa Cruz and Yuma counties. San Luis continues to be a major entry point for migrant labor and Nogales continues to be a major entry port for Mexican produce.

We have a whole range of common interests along the border. Many people have extended families and conduct business on both sides of the border. Some comments and concerns about the border raised during our forums:

Dr. Carlos G. Velez-Ibanez, University of Arizona.

"What I suggest is that we need to establish a private or quasi-public foundation which addresses the long range developmental needs of the borderlands with resources from the private, public and labor sectors. Public agencies and governmental institutions alone cannot be relied upon since most are financially overburdened while legal restrictions greatly limit the utilization of public monies. A Borderlands Development Foundation could be an attractive alternative since its resources would not be dependent on either public budgets nor restricted by legal boundaries."

Humberto S. Lopez, President, HSL Properties.

"Here in Arizona we can appreciate the fact that Mexico has not suffered in isolation. With each devaluation our border towns have been devastated. . . . Unfortunately, it is my opinion that in the short run there will have to be another correction in the monetary exchange."

Tom Espinosa, Executive Director, Chicanos Por La Causa.

"There are many industries which I feel we could discuss tonight in reference to Mexico, but I would like to zoom in on the tourism industry and hotel business. I feel it would behoove our country to create a partnership of both government and private

(industry) on both sides assessing the potential of expanding (the) tourism industry along vast miles of ocean fronts in northern Mexico."

These small excerpts just touch the surface of these hearings. I know that I gained, and I think most of the people who attended gained a greater understanding of the myriad of troubles facing Mexico.

What do we do in the future? How can the U.S. and Mexico work to solve our joint problems? We are pulling together on some matters. The U.S. has agreed to buy more oil from PEMEX for the U.S. strategic petroleum reserve, and Mexico is continuing to purchase excess U.S. grain products.

Still, this is not enough. Central America primarily, and El Salvador specifically, have been the main focus of the Administration. This is unfortunate. What happens in Mexico over the next several years is as important as the outcome of the events in El Salvador.

The Administration needs to refocus attention on Mexico. We need to look at long-term solutions to our mutual problems, and work in close consultation with the Mexican government. Several items need to be considered closely:

- * Long-term oil agreements;
- * Barter arrangements involving the swap of U.S. excess wheat for Mexican oil;
- * Joint economic border development;
- * Diplomatic cooperation in dealing with the problems in Central America;
 - * The relaxation of Mexican trade barriers;
 - * The liberalization of U.S. trade restrictions on Mexican exports, including produce.

These are just a few of the possible actions that need to be looked at and there are, of course, many interests and factors to consider. That's why I recently urged the President to form a bi-partisan commission to study U.S.-Mexico relations and to establish regular meetings with Mexican President de la Madrid.

I was approached at the Yuma public forum by a woman who asked me "Why are you so concerned about Mexico? Don't you realize that we have problems of our own at home?" Why, indeed? Because Mexico's troubles can become ours. More importantly, Mexico is a valued friend. The U.S. has always stood by its friends in times of need, and Mexico needs our help. And it is in our own best interest to give

it now, before a major economic or political crisis in Mexico demands even greater assistance.



FLOOD RELIEF

As this newsletter is going to the printers, I have just returned from a tour of the flood areas in Tucson, Marana and other parts of Arizona. The damage is a great natural disaster, the worst that I have ever witnessed. In response to this tragedy, I have been working with other members of the Arizona Congressional delegation to make available disaster relief and other forms of federal assistance to the victims.

For those who have questions regarding federal disaster relief programs, I urge you to call the Federal Emergency Management Agency (FEMA) HOTLINE: 1--800--232-3362.

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