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NATIONAL SECURITY STUDY
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Mexico (S)

This directive sets forth the terms of reference for an interagency review of the situation in Mexico and our policy toward that nation, now and in coming years. (S)

Mexico is entering its fifth year of serious economic difficulties. Social, political, administrative, and criminal problems also increasingly afflict it. Relations between our two governments are relatively friendly, but they are subject to periodic aggravation, reflecting a tension which makes frank, in-depth discussion of common concerns difficult. (S)

Mexico is now in the process of absorbing substantial new loans acquired in the context of a wider debt restructuring package, with the avowed intention to undertake basic structural reforms. On the political front the PRI system continues its dominance but faces growing pressure for reform from within and increasing disenchantment, even opposition, from segments of the population. Attention is rapidly turning now to the succession to President de la Madrid in September 1988. (S)

The prospects for stability in Mexico depend mainly on the PRI's ability to be flexible in meeting new challenges. They also depend on continued support by the U.S. government, our banks, our private sector, and the international financial community. But certain practices and policies of the Mexican system impede economic recovery and hazard foreign support. Mexican foreign policy, particularly with regard to Central America, is a continuing irritant in our relationship; issues arising from our common border, most particularly drugs and immigration, are also matters of concern. (S)

An interagency review should therefore consider, inter alia:

- the future course of the Mexican economy and the prospects for basic economic reform; the prospects for continued external support from oil earnings, trade, investment and loans;
- social and political trends in Mexico, with particular attention to the presidential succession, the pressures for reform, the coherence and efficacy of the PRI system, and

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the degree of popular opposition to it; PAN's prospects for becoming a national as distinguished from a regional political force;

- Soviet/Cuban intentions toward and capabilities in Mexico; the extent to which the Soviet presence is directed toward the United States;
- the roles and attitudes of key institutions: the parties, the bureaucracy, the Church, the armed forces, etc.;
- the prospects, if any, for political violence, the spread of Central American violence, or armed opposition to the government;
- drug production and trafficking, as well as pervasive bureaucratic corruption, and their impact on Mexican government and politics;
- future immigration trends, and prospects for U.S.-Mexican difficulties over U.S. efforts to control the flow; third-country immigration through Mexico to the United States (e.g., Cuban); and
- trends in Mexican foreign relations, with particular attention to policies toward the United States, Central America, and the Soviet-Cuban entente. (S)

The review should offer policy recommendations on the following:

- How can we improve effective cooperation with Mexico in economic matters and encourage the Mexican government to undertake necessary reforms?
- How, and how long, can we continue to muster support for Mexico in the private sector, among our banks, and in the international financial community?
- What should be our posture toward internal political developments in Mexico? What attitude should we adopt toward the upcoming presidential succession?
- How can we improve cooperation with Mexico on drug trafficking, immigration and border issues?
- How can we moderate those elements of Mexican foreign policy that we find objectionable? What options do we have with respect to Mexican actions harmful to our interests and policies?

- What indicators would lead us to conclude that the present Mexican system will not remain stable but rather is headed for profound change or disintegration?
- What are our options in the event the PRI system seems headed toward demise or fundamental change?
- How could U.S.-Mexican military relations be improved? Should a significant U.S. security assistance program be considered?
- How important are Mexican energy resources to us, and how can we strengthen the U.S.-Mexican energy relationship? What circumstances would jeopardize U.S. access to these resources? (S)

This study should be conducted by the Interdepartmental Group chaired by the Assistant Secretary of State for Inter-American Affairs and should be completed by February 27, 1987. (C)

Ronald Reagan