

Mexican Economic Restructuring and the  
Contadora Peace Initiative, 1983-1986

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## ABSTRACT

### Mexican Economic Restructuring and the Contadora Peace Initiative, 1983-1986

John E. Szekula

Mexican foreign policy during the presidency of Miguel de la Madrid Hurtado (1982-1988) reflected the interests of the ruling party, the *Partido Revolucionario Institucional* (PRI). Following the financial collapse and debt crisis of 1982, these interests were, first, restoring economic stability to Mexico and restructuring the economy to maintain stability and prevent further crisis, and second, the perpetuation of PRI political rule. The PRI pursued a policy of *rapprochement* with the United States during this time, because Mexico was dependent upon American capital and technology in order to carry out her stabilization and re-structuring plans. As a result, the PRI faced significant constraints in her participation in the Contadora initiative for peace in Central America (1983-1986), which was not supported by Washington, and thus contributed to the ineffectiveness of the movement.

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## INTRODUCTION

In January, 1983, the ministers of external relations for Mexico, Colombia, Venezuela, and Panama, met on Contadora Island in the Gulf of Panama to discuss solutions to rising tensions in Central America, and formed the *Grupo de Contadora*, a body devoted to a negotiated settlement to the Central American question. Years of poverty and social injustices furthered by repression by military backed governments had resulted in insurrectionary movements in the isthmus during the 1970s. The situation was complicated by the presence of the United States in Central American affairs. The United States government saw the region as part of its "sphere of influence," a view which dated to the first years of Latin American independence and the Monroe Doctrine of 1823. Washington was concerned for its own interests in the region, in the belief that the revolutionary Sandinista government in Nicaragua, which had seized power in 1979, was a close ally of the Soviet Union and Cuba. Counter-revolutionary forces funded by the United States, the *Contras*, were placed in Nicaragua to stem the alleged tide of communist

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<sup>1</sup> Venezuela was represented at the conference by Dr. José Alberto Zambrano Velasco; Panama by Juan José Amado III; Colombia by Dr. Rodrigo Lloreda Caicedo; and Mexico by Bernardo Sepúlveda Amor. Víctor Flores Olea, ed., *Relación de Contadora* (México, DF: Fondo de Cultura Económica, 1988), p. 21.

revolution in Central America, which some in the United States State Department believed to have begun with the Nicaraguan revolution.

From the beginning, however, the *Grupo de Contadora* was plagued by problems caused by differences in the foreign policies of each of its member countries, and the agendas of the four states -- Venezuela, Panama, Mexico, and Colombia -- in pacifying the region. This essay examines how the foreign policy of Mexico in the Contadora process under President Miguel de la Madrid Hurtado (1982-1988) was driven by the combined constraints imposed by the economic crisis of 1982 and of the interests of her ruling party, the *Partido Revolucionario Institucional* (PRI).

There has been considerable debate regarding the defining elements of Mexican foreign policy. These have been portrayed in two ways in the literature, which are explained here. The first, which I shall call the "legalist," or "revolutionist," perspective, posits that Mexican foreign policy has, since the revolution, promoted and supported the principles of self-determination, non-intervention, and the sovereignty of Latin American nations, a set of ideals stemming from Mexico's revolutionary tradition.<sup>1</sup> The term "legalist" originates from the fact that this approach maintains that foreign policy is formulated strictly according to these principles, and

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<sup>1</sup> Modesto Seara Vázquez, *Política exterior de México*, 2nd ed. (México, DF: Harper & Row Latinoamericana, 1984), p.88.

therefore is "defensive, reactive and relatively independent... [and] characterized by continuity and predictability." Those writers that espouse the legalist/revolutionist tendency, such as the political scientists, Jeanne Hey and Lynn Kuzma, believe that Mexican foreign policy has, since the revolution, followed a strict code of conduct which is a direct outgrowth of Mexico's "revolutionary heritage." The legalist/revolutionist view of foreign policy underscores that Mexico's revolutionary ideals govern the formulation of the country's foreign policy, regardless of the international environment.

The second view, hereafter the "pragmatist" perspective, holds that the revolution plays only a very small role in matters of foreign policy, and that foreign policy is formulated with the stability of the state in mind, rather than according to the spirit of revolutionary ideology. This approach depicts the formulation of Mexican foreign policy as a primarily pragmatic exercise. The pragmatists stress that

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<sup>3</sup> Mónica Serrano, "Shifts in Mexican Foreign Policy in the 1980s," Neil Harvey, ed., *Mexico: Dilemmas of Transition* (London: University of London and British Academic Press, the Institute of Latin American Studies, 1993), p. 122.

<sup>4</sup> Jeanne A.K. Hey and Lynn M. Kuzma, "Anti-U.S. Foreign Policy of Dependent States: Mexican and Costa Rican Participation in Central American Peace Plans," *Comparative Political Studies* 26 #1 (April 1993), pp. 50-53.

<sup>5</sup> Elizabeth G. Ferris, "Mexico's Foreign Policies: A Study in Contradictions," in Jennie K. Lincoln and Elizabeth G. Ferris, eds., *The Dynamics of Latin American Foreign Policies* (Boulder, CO, and London: Westview Press, 1984), pp. 213-218; Humberto Garza Elizondo, "Desequilibrios y



Mexican foreign policy does not function in a self-contained ideological construct, that is, adhering strictly to the letter of the law, or in this case, of revolutionary ideology; it is formulated according to the domestic and international situations in which Mexico finds herself at any given time.<sup>6</sup> This view undermines the importance of the "revolutionary heritage" in Mexican foreign policy, by stating that Mexico's "revolutionary" assertions have never consisted of more than vocal disapproval of the actions of international aggressors upon which Mexico is dependent, namely, the United States. The Mexican historian, Mario Ojeda, points to the fact that Mexico has never acted in such a way as to frustrate the interests of the United States. This "tacit understanding" permitted Mexico to retain economic ties with Cuba since the 1960s, in spite of the American embargo on that country. This was not because Mexico had revolutionary ideals to uphold, but because relations between Mexico and Cuba represented no threat to United States interests, and therefore did not strain the relations with the United States.<sup>7</sup>

Mexico's role in Contadora, of course, may be examined

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contradicciones en la política exterior de México," *Foro Internacional* 24 #4 (April-June 1984), pp. 443-444.

<sup>6</sup> Federico Salas L., "La política exterior de México en tiempos de la crisis del multilateralismo: la búsqueda de la paz, el desarme y el desarrollo," *Foro Internacional* 30 #3 (January-March 1990), p. 468.

<sup>7</sup> Mario Ojeda, *Alcances y límites de la política exterior de México*, 2nd ed. (México, DF: El Colegio de México, 1984), pp. 92-93.

from both the revolutionist legalist and the pragmatist perspectives. Her involvement in the Central American peace process provides the ideal proving-ground for both views, as it was here that her foreign policy mechanism was put to a critical test.<sup>8</sup>

Those who espouse the legalist view point to the emergence of multilateralism and international collaboration in foreign affairs under de la Madrid, evidenced by Mexico's membership in Contadora, as an important milestone in the "revolutionary" foreign policy. According to Rosario Green, multilateralism permits Mexico to exercise a subtly revolutionist foreign policy, hidden among the intricacies of a multi-national initiative.<sup>9</sup> Hey and Kuzma agree, stating that, since the *Grupo de Contadora* never sought the guidance of the United States, it may be seen as anti-American, and therefore another example of a revolutionist foreign policy by Mexico.<sup>10</sup> For some, Contadora even represented a modern-day incarnation of Simon Bolivar's dream of "Latinamerica para los latinamericanos," or a united body of Latin American republics

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<sup>8</sup> Mónica Serrano points to three elements which the PRI must assess before formulating foreign policy. These are (1) the rigidity or flexibility of the international environment, (2) Mexico's relative power, and (3) the domestic political situation. Serrano, "Shifts," p. 133.

<sup>9</sup> Rosario Green, "La concertación en la política exterior del presidente Miguel de la Madrid: ¿Hacia una nueva diplomática multilateral?" *Foro Internacional* 30 #3 (January-March 1990), pp. 420-424.

<sup>10</sup> Hey and Kuzma, "Anti-U.S. Foreign Policy," pp. 38-39.

solving their own problems and dictating their own future.<sup>11</sup>

It is the perspective of the pragmatists, however, which examines more closely Mexico's behaviour in Contadora as a reflection of the pressures that she faced on both the domestic and international fronts, that is perhaps better suited for an understanding of Mexico's foreign policy stance during this period. This perspective supports the argument that the proximity of the Central American crisis, combined with the economic disaster of 1982, blurred the once-clear line between Mexico's foreign and domestic policies, and caused the Mexico's ruling party, the PRI, to implement the most conservative foreign policy the government had espoused to date. An international peace initiative, Contadora, reflected Mexico's realization that her own well-being depended on peace in the isthmus and the non-intervention of the United States in Central America. The pragmatic approach permitted Mexico to weigh carefully her options, and to consider the positions of the United States and the Central American countries, before formulating foreign policy.<sup>12</sup> According to this approach to understanding Mexican foreign policy, Mexico took part in Contadora not to uphold the spirit

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<sup>11</sup> Pedro Manuel Rincon, Jaime Ruiz Londoño, José L. Diaz Granados, William Ospina García, and Benjamin Herrera Ch., *América Latina: entre la OEA y Contadora* (Bogotá: Editorial Presencia Ltda., 1989), pp. 15-16, 58-59.

<sup>12</sup> René Herrera and Mario Ojeda, "La política de México en la region de Centroamérica," *Foro Internacional* 23 #4 (April-June 1983), pp. 428-429.

and principles of revolutionary ideology, but to maintain and protect national security and stability.<sup>13</sup>

Like Mexico, each of the other member states in the *Grupo de Contadora* -- Venezuela, Panama, and Colombia -- had their own agendas in the peace initiative, and each of these sought more than simply to bring peace to Central America.<sup>14</sup> More important for these countries were the political rewards to be gained from such a large-scale international initiative, since the possibility of warfare spilling over into their own countries was only a distant threat.<sup>15</sup> Of the four countries in Contadora, Mexico was the most threatened by the prospect of war in Central America, for a number of reasons. Mexico was the most populous, and most developed, of the Contadora states. She shares a long border of jungle terrain with Guatemala, an ideal route by which refugees could escape into more peaceful territory, from a country in which insurrection had already engaged much of the population beginning in the 1970s.

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<sup>13</sup> Guy F. Erb and Cathryn Thorup, "Las relaciones entre México y Estados Unidos: cuestiones futuras," *Foro Internacional* 26 #4 (April-June 1986), pp. 490-491.

<sup>14</sup> For an explanation of each country's objectives in Contadora, see Susan Kaufman Purcell, "Demystifying Contadora," in Bruce M. Bagley, ed., *Contadora and the Diplomacy of Peace in Central America, Volume 1: The United States, Central America, and Contadora* (Boulder, CO, and London: Westview Press, 1987), p. 163.

<sup>15</sup> Geographically speaking, Panama is the only country of the three that can be considered part of Central America, but she shares a border with Costa Rica, which, by the 1980s, did not appear headed the same way as her isthmian neighbours.

In addition to the threats to Mexico's borders of the spread of insurrectionist warfare, two major domestic issues faced the PRI in 1982. These were, first, the stabilization of Mexico's foundering economy, and, second, the perpetuation of PRI political power. Their management became both the impetus behind, and the force constraining, Mexico's foreign policy in the 1980s. First, and most importantly, Mexico was near economic ruin by the early 1980s. Years of meagre development, high public spending, and an increased dependence on the international oil market during the late 1970s culminated in an economic crisis of unprecedented proportions in the summer of 1982, in the final months of the presidency of José López Portillo (1976-1982).<sup>16</sup> Growth in Mexico's gross domestic product (GDP) plummeted from 8 percent in 1981 to a slightly negative value in 1982, and inflation soared over the same period to reach an annual high of close to 100 percent.<sup>17</sup> A worldwide collapse in the price of oil emptied the PRI's coffers, to the extent that, by the summer of 1982, credit-maintenance payments on the national debt had become

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<sup>16</sup> For an historical look at the factors leading to debt crises in Latin America, see Carlos Marichal, *A Century of Debt Crises in Latin America* (Princeton, NJ: Princeton University Press, 1989); a detailed analysis of the 1982 crisis is Miguel D. Ramírez, *Mexico's Economic Crisis: Its Origins and Consequences* (New York: Praeger, 1989).

<sup>17</sup> This rate reached its peak of 150 percent toward the end of the year, but the average value for 1982 was considerably lower. See Pedro Aspe, *Economic Transformation the Mexican Way* (Cambridge, MA, and London: The Massachusetts Institute of Technology Press, 1993), tables 5.10 and 5.11, pp. 244-245.

impossible to shoulder. Mexico's minister of finance, Jesus Silva Herzog, announced a three-month moratorium on debt repayments to private banks in June, at which time the PRI received \$4 billion in emergency funds from the International Monetary Fund (IMF), to help bolster the economy. The moratorium acted only as a temporary stopgap in the further deterioration of the economy, however. A drain on capital ensued, as wealthier Mexicans rushed to stow their money in foreign banks.<sup>18</sup> President López Portillo was left with little option at the end of his term, therefore, but to exert increased controls over his country's financial system. In September 1982, he nationalized Mexico's banks and introduced strict exchange controls on the peso.

The incoming president, Miguel de la Madrid, initiated the *Programa Inmediato de Reordenación Inmediato* (PIRE), a ten-point plan of austerity, developed under the watchful eye of the IMF.<sup>19</sup> The programme aimed to increase state revenue, decrease public spending, diversify exports, and enhance

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<sup>18</sup> Mexico's credit woes initiated a world-wide panic among creditors, and shortly thereafter it was generally accepted that Mexico may claim the "dubious honour of being...the developing country that had initiated the [world] debt crisis." Riordan Roett, "At the Crossroads: Liberalization in Mexico," in Riordan Roett, ed., *Political and Economic Liberalization in Mexico: At a Critical Juncture?* (Boulder, CO, and London: Lynne Rienner Publishers, 1993), p. 1.

<sup>19</sup> De la Madrid outlined the PIRE in his inaugural address, reproduced in part in Banco Nacional de Comercio Exterior, SA (BANCOMEXT), *Comercio Exterior de México* 28 #2 (December 1982), pp. 439-440.

credit programmes for Mexican industry and private enterprise. The PIRE was the beginning of a major reorganization of the Mexican economy, which aimed to return what de la Madrid termed "economic sovereignty" to a country plagued by spiralling debt, high inflation, and foreign commercial domination.<sup>20</sup> Paradoxically, "economic sovereignty" was heavily dependent on American investment and support. For example, Mexico required heavy American technological and capital investment in order to develop and diversify her export economy; as well, she would need continually to re-negotiate her steadily rising debt, in order to prevent a repeated debt crisis. As a result of Mexico's austere budget, the government would not be able even to afford such basic necessities as increased border defences and refugee camps in her southernmost regions, in the event that insurgency in Central America should spill into her territory. Mexico's dependence on the United States for economic assistance during the PIRE, and the increased American involvement in Central America, also meant that the PRI had to tread carefully in isthmian affairs and in her relationship with the United States, so as not to endanger the aforementioned "tacit understanding," thereby shifting American support away from the ruling party and jeopardizing Mexico's course of economic

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<sup>20</sup> This is the term used by de la Madrid in his "General economic policy guidelines for the Revenue Bill and the proposed Federal Expenditures Budget for 1983," *Comercio Exterior de México* 28 # 12 (December 1982), pp. 447-458.

recovery.

The second domestic issue which faced the PRI in the early 1980s was that of self-perpetuation as the ruling party; the PRI's power-base is comprised largely of members of Mexico's bourgeoisie, who are closely tied to foreign capital, and therefore the PRI's grip on domestic power is directly affected by Mexico's position in international affairs. The economic crisis, therefore, explains the urgency of the situation for the PRI between 1983 and 1986. Here, a brief comment on the nature of the Mexican political system is necessary, for it helps to demonstrate the relationship of the PRI to the Mexican state, and to explain, from the perspective of domestic politics, the constraints in which the PRI must function in formulating foreign policy. In Mexico, the electoral system is such that the winning party receives 60 percent of the seats in Congress, regardless of the popular vote, while the opposition parties, that is to say, all others, share the remaining 40 percent. Stories of graft and electoral fraud abound in Mexico, since the PRI, in its various forms, has won every presidential election held since 1928, regardless of public opinion.<sup>21</sup> The fact that the PRI,

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<sup>21</sup> The 1988 election, in which Carlos Salinas de Gortari succeeded de la Madrid, was a close contest between the PRI and the Frente Democrático Nacional (FDN), led by Cuauhtémoc Cárdenas, and provides a good example of electoral fraud in Mexico. The PRI won the election with less than 51 percent of votes. Later scrutiny of the electoral list, however, revealed that in some regions, a full twenty percent of the voters were deceased, too young to vote, or "figments of Priísta imagination." Ramón Eduardo Ruiz, *Triumphs and*



under all of its previous names, has ruled Mexico since the revolution, has led to the image of Mexico as the "PRI State," rather than an open democratic system.<sup>22</sup> The party not only dominates Congress, and therefore also the government, but also controls the payroll for all public employees, including all elected officials, regardless of their party. One begins, therefore, to understand why the Mexican political system is viewed more as a technocracy than a democracy. The president is normally chosen for his ability to manage the bureaucracy, rather than for his capacities of political leadership. Miguel de la Madrid is a perfect example of the Mexican technocrat. De la Madrid, a lawyer, never held an elected position prior to 1982, but instead worked his way to the top of the civil service and was appointed *subsecretario de programación y presupuesto* in Portillo's cabinet before being selected as Portillo's successor.<sup>23</sup> The policy of choosing a successor to the presidency is a long-standing tradition,

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*Tragedy: A History of the Mexican People* (New York and London: W.W. Norton and Company, 1992), p. 479.

<sup>22</sup> The Partido Nacional Revolucionario (PNR) was founded during the election campaign of 1928. In 1938, during the presidency of Lázaro Cárdenas, its name was changed to the Partido de la Revolución Mexicana (PRM). It received its current moniker, PRI, in 1946. Perhaps with the exception of the Cárdenas *sexenio* (1934-1940), these changes reflected no fundamental transformation in policy or party structure. The concept of the "PRI State" is further examined in Michael W. Foley, "Agenda for Mobilization: The Agrarian Question in Contemporary Mexico," *Latin American Research Review* 26 #2 (May 1991), p. 39.

<sup>23</sup> Ruiz, *Triumphs*, p. 448.

carried out behind closed doors, to ensure that the interests of the ruling oligarchy will be maintained, thus aiding the perpetuation of the PRI as the ruling party.

For these reasons, the state is often viewed as an "actor," or an exclusive club of the wealthy elite, rather than as a body which is representative of the populace, a view which reflects the skewed class structure of most of Latin America. One result of this unequal distribution of power and wealth is that the ruling party is rarely faced with opposition in Congress. Likewise, the general public has traditionally wielded no influence over the formulation of foreign policy. The oligarchy functions to preserve its own position, as both the leadership of the country and the pinnacle of society, representing the class interests of the Mexican bourgeoisie.

The economic collapse of 1982 had serious consequences on foreign policy because of the aforementioned dependence on the United States for investment and technological assistance. René Herrera Zúniga and Manuel Chavarría claim that Mexico's dependence upon the United States, combined with the PIRE's emphasis on regenerating the industrial sector, provided middle-class entrepreneurs with more political influence than they had previously possessed.<sup>24</sup> The need for American

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<sup>24</sup> René Herrera Zúniga and Manuel Chavarría, "México en Contadora: una búsqueda de límites a su compromiso en centroamérica," *Foro Internacional* 24 # 4 (April-June 1984), p. 460.

technological and economic assistance dictated that Mexico could do nothing in the international arena which would appear to be "anti-American," for fear of straining relations with the United States, and thus jeopardizing development. Private enterprise in Mexico, and the fledgling political parties that have come to represent it in recent years, like the Partido Acción Nacional (PAN), thus exerted an indirect influence upon the direction of government policy. An American reaction against an independent Mexican foreign policy which did not accommodate U.S. interests would endanger the oligarchic rule of the PRI, given that a public boycott or other form of sanctions imposed in the United States would jeopardize plans to restore economic stability, thereby resulting in increasingly less support from Mexico's bourgeoisie for the PRI.

This essay interprets Mexican foreign policy in Contadora as an expression of political pragmatism, since this approach better accommodates the situation in which the PRI found itself, both domestically and internationally, in the early- to mid-1980s. The debt crisis turned the emphasis of the government inward beginning in 1982, to restructure and revitalize the economy, and this was a significant task that required the support of the United States. Herein it is demonstrated that Mexican foreign policy became less strident over the life-span of the Contadora initiative, mainly because Mexico could not put at risk the close cooperation between

herself and the American financial community. De la Madrid's foreign policy can be characterized as one of *rapprochement* with the United States, very much due to Mexico's dependence upon American economic assistance.

The current also acknowledges the nature of the Mexican political system and the "PRI State." Since Mexico is democratic in name only, and since popular opinion figures so slightly in government policy, then it can also be assumed that the "revolutionary psychology" in Mexico fails to bridge the gap between the populace and the ruling elite.<sup>25</sup>

The current essay is divided into three chapters, each of which analyzes a distinct phase in Mexico's involvement in Contadora. The first considers the initial ten months of Miguel de la Madrid's presidency, spanning the period between the formation of the *Grupo de Contadora* in January, 1983, and the release of the initiative's first major document, the "Document of Objectives," which outlined the course which peace negotiations would take, in September of that year. During this time, the PRI's focus was on stabilizing the domestic economy, and the president introduced two important economic plans, the PIRE and the *Plan Nacional de Desarrollo* (PND). The new administration espoused a pragmatic, consultative approach in many areas government. Concurrent

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<sup>25</sup> The rise and fall of revolutionary ideology in Mexico are discussed in a number of essays in Stanley R. Ross, ed., *Is the Mexican Revolution Dead?* (New York: Alfred A. Knopf, 1966).

personnel shuffles in Washington demonstrated that the approach which the United States government was forming toward Central America would be severe toward isthmian revolutionary movements. Not wanting to strain its own relations with Washington, the PRI assumed a very cautious role in this first phase of Contadora. Chapter two demonstrates how increasing American pressure was exerted on Mexico beginning in the autumn of 1983, after the United States invasion of the Caribbean island of Grenada. Between October of that year and September, 1984, the *Grupo de Contadora* formulated its first comprehensive peace plan, which was circulated in early autumn, 1984. During this second phase of the Contadora initiative, the PRI was forced to balance carefully her efforts between working toward peace in Central America, and maintaining what economic improvements its re-structuring programmes had achieved in the first year of de la Madrid's presidency. This included close cooperation with American creditors during a period of rising inflation rates, in order to stave off a further debt crisis. All of this, furthermore, occurred as Washington appeared poised to mount an invasion into Central America, the likes of which had been proven feasible by the invasion of Grenada of October. Throughout this period, the Mexican leadership became increasingly less convinced of the ability of Contadora to deal with the mounting tensions in Central America. The third, and final chapter, considers the period between the publication of the

first Contadora peace plan, in September, 1984, and the demise of the Contadora movement, in the summer of 1986. The outright rejection of the first treaty by the United States began a stalemate, during which Contadora produced two more revised draft treaties, but failed to please both sides of the crisis at once. The impasse was reinforced by a severe downturn in the Mexican economy, which began with a drop in state revenue in early 1985 and was compounded when earthquakes struck Mexico City later that year. In spite of renewed Latin American support for Contadora in 1985, domestic questions caused Mexico almost to become a mere bystander to the peace process, thus further weakening the initiative.

The interpretations of this essay are reached in part by cross-referencing the official statements of the Mexican president and government, and of the *Grupo de Contadora*, with economic figures of the 1980s. With respect to the latter, although the Mexican government publishes annual financial statements, the analyses of outside observers are also taken into consideration in order to provide a more comprehensive perspective, which a sole reliance upon government publications would tend to undermine. A number of contemporary analyses, mainly from periodicals, are also pertinent here, in addition to the sparse collection of books which have been published on the subjects of Contadora and Mexican economic restructuring. Also valuable to this study are the various diaries, reports, and plans published by the

Mexican government during the de la Madrid presidency. A small collection of contemporary newspaper articles are consulted in this essay, most of which consist of transcripts of pertinent addresses given by the presidents of Mexico and the United States, as well as the leaders of the other Contadora member states and of Central American countries, during the period in question.

The current research intends to help clarify the nature of foreign policy in Mexico. This study has been carried out not only to demonstrate the pragmatic nature of Mexican foreign policy in the 1980s, however, but also because it is only recently that the *sexenio* of Miguel de la Madrid has made its way into Mexican historiography. It is hoped that this essay will add one more facet to the complicated and turbulent picture which has begun to emerge of this period in Mexican history.

During the first ten months of Miguel de la Madrid's presidency, the new administration began a concerted effort to consolidate its international economic, political, and diplomatic relations under the aegis of a moderate and pragmatic approach to government, which would, it was hoped, permit for economic re-structuring to take place as swiftly and as effectively as possible. Contadora fit in with the new administration's prudent and consultative style of government. At the same time, the Central American policy of the United States entered an important formative stage during early 1983, which witnessed the rise of a more conservative, hard-line approach to isthmian affairs. Finally, the *Grupo de Contadora's* first important document, the "Document of Objectives" of September, 1983, concurred with the PRI's first concrete approach at foreign policy since the beginning of de la Madrid's presidency.

The combination of the effects of the 1982 financial collapse, and rising tensions in Central America, caused Mexican foreign policy during the first months under Miguel de la Madrid to be prudent. The new government was forced to formulate its foreign policy in the midst of severe economic austerity, rising dependence on American technological and financial assistance, and a hardening of United States policy toward Central America.

From the beginning of de la Madrid's presidency,



therefore, the PRI, and especially Mexico's Minister of Foreign Affairs, Bernardo Sepúlveda Amor, expressed faith that a negotiated settlement in Central America was the safest avenue. At a luncheon held for the foreign diplomatic community in Mexico on December 17, 1982, two weeks after de la Madrid assumed the presidency, de la Madrid and Sepúlveda stated that Mexico would stand only for the "self-determination of peoples, a peaceful solution to the conflicts, the equality of states under international law, disarmament for the preservation of peace, and equal and efficient [international] cooperation."<sup>1</sup> In addition to avoiding outlining a concrete Central American policy, the December address highlighted the importance of international cooperation and negotiation with regard to the Central American question. De la Madrid believed that the PRI's domestic objectives would be better served by a foreign policy which resembled that of the rest of Latin America; this "front" of Latin American countries would, he believed, fortify Mexico's position in other negotiations, presumably those more closely related to domestic issues, such as debt-renegotiation.<sup>2</sup> According to the political scientist, Ricardo

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<sup>1</sup> Presidencia de la República, *Las razones y las obras, gobierno de Miguel de la Madrid: crónica del sexenio 1982-1988, primer año*, second edition (México, DF: Fondo de Cultura Económica, 1985), p. 52.

<sup>2</sup> Miguel de la Madrid, "De la política exterior: México, América Latina y el Caribe" (México: PRI Comisión de Asuntos Internacionales, 1982), p. 125.

Macouzet N., de la Madrid was also desperate for a new approach to the Central American question, and multilateralism appeared to be the option which least endangered the interests of the PRI.<sup>3</sup>

A pragmatic and moderate approach was espoused in many sectors of the government under de la Madrid. In foreign trade, for example, a number of inquiries and study-groups were formed under the new administration to discuss Mexico's options for diversification in her export sector. An umbrella group, the Foreign Oil Trade Committee (COCEP), was formed in December, 1982 by the newly-appointed head of Petroleos Mexicanos (PEMEX), Mario Ramon Beteta, a career civil servant with the PRI. One offspring of COCEP was an inquiry, to be led by the undersecretary for economic affairs at the Foreign Ministry, Jorge Eduardo Navarrete, into restructuring the country's oil industry.<sup>4</sup> The inquiry began shortly after the meeting at Contadora. The emergence of a number of similar *ad hoc* commissions demonstrated a new pragmatic, market-oriented approach to Mexico's economy; one result, in the oil industry, was that PEMEX gradually shied away from the monolithic OPEC

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<sup>3</sup> Ricardo Macouzet N., "La diplomacia multilateral de México en el gobierno de Miguel de la Madrid: Contadora, Grupo de los Ocho y Grupo de los Seis," *Foro Internacional* 30 # 3 (January-March 1990), pp. 454-455.

<sup>4</sup> These commissions are explained in George W. Grayson, *Oil and Mexican Foreign Policy* (Pittsburgh, PA: University of Pittsburgh Press, 1988), pp. 70-74; "A new look to foreign policy," *Latin America: Weekly Report* (January 21, 1983), p. 9.

cartel after 1983, in order to exert greater control over pricing, in the hopes of gaining access to markets farther afield than the United States.<sup>5</sup> These commissions constituted major steps in the process which would eventually change foreign investment regulations in Mexico and permit her a full membership in the Global Agreement on Tariffs and Trade (GATT) by mid-decade.

The January, 1983, meeting on the Isla de Contadora, therefore, fit well with de la Madrid's prudent approach to international affairs. At Contadora, the four foreign ministers agreed primarily upon the course which peace negotiations should pursue. The four agreed that a peace plan needed to emphasize a dialogue among the Latin American and Central American states, that foreign military intervention should be prevented in the region, and that the concepts of self-determination of the Latin American peoples and the autonomy of states in the isthmus should be preserved. Thus began the *Grupo de Contadora's* quest to develop a comprehensive plan which would, while establishing peace in the region, also address the political, social, and economic inequalities which plagued Central America.<sup>6</sup>

The approach of the *Grupo de Contadora* was threefold.

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<sup>5</sup> Official PEMEX policy prevents any country from buying more than 50 percent of Mexico's oil exports. Because of this, Mexico offered cut-rate prices to Eastern European countries in 1985, in order to diversify from heavy dependence on the United States. Grayson, *Oil*, pp. 70-74.

<sup>6</sup> Flores Olea, *Relación*, pp. 21-22.

First, it discussed the internal political, economic, and social problems which faced the isthmian countries. Second, it underscored the importance of intra-regional communication and relations, which were endangered as a result of the counter-revolutionary movement in Nicaragua and civil war in El Salvador. Third, it considered foreign intervention, especially if such intervention was framed in the context of conflict between the superpowers, as the most dangerous element of the rising strife; the *Grupo* therefore stressed that the need to limit foreign influence in Central America was a prerequisite to peace.<sup>7</sup>

For the PRI, Contadora suggested an option by which a negotiated settlement could be reached in Central America that would not require Mexico to state her commitment to either side of the conflict. In contrast to the Franco-Mexican declaration of 1981, in which the PRI, under president José López Portillo, expressed complete Mexican support for Salvadoran revolutionaries, the Contadora declaration left open all options in matters of foreign policy.<sup>8</sup> Although it called for a "Latin American" approach to the tensions in the isthmus, the January 1983 declaration proffered no concrete

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<sup>7</sup> "First Statement of the *Grupo de Contadora*," published in full in Bruce Michael Bagley, Roberto Alvarez and Katherine J. Hagedorn, eds., *Contadora and the Central American Peace Process: Selected Documents* (Boulder, CO: Westview Press, 1985), pp. 164-166.

<sup>8</sup> The Declaration is reproduced in Bagley *et al.*, *Contadora*, pp. 156-160.

solutions or objectives for change. Mexico did not pursue a leading role in Contadora, and instead, Belisario Betancur, the president of Colombia, assumed *de facto* leadership of the initiative during its early months. At the time, the PIRE and negotiations to help re-structure Mexico's foreign debt acted as domestic constraints that prevented Mexico from taking a leading role in Contadora.<sup>9</sup> A less strident role in Contadora, however, provided Mexico with, at once, a regional mechanism which would permit her to assume a flexible international position, and allow her simultaneously to focus on reorganizing her foreign debt requirements and international commercial ties.<sup>10</sup>

The new administration's pragmatic approach was developed simultaneously with a transformation in Washington's Central American policy, during which time it became increasingly dominated by a right-wing, anti-communist stance. As early as October, 1982, the United States had put forth a peace initiative, the "Forum for Peace and Democracy," outlined in the "Declaration of San José;" it called for an end to foreign military assistance to Central America, a limitation of the arms trade to and within the isthmus, the re-establishment of

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<sup>9</sup> See, for instance, "Belisario heads peace moves," *Latin America: Weekly Report* (April 15, 1983), p. 2.; also "De la Madrid's five-year Plan," *Latin America: Weekly Report* (June 3, 1983), p. 3.

<sup>10</sup> René Herrera Zúniga and Manuel Chavarría, "México en Contadora: una búsqueda de límites a su compromiso en Centroamérica," *Foro Internacional* 24 #4 (April-June 1984), pp. 458, 461.

"democratic" governments to Nicaragua, El Salvador and Guatemala, and the creation of a Central American common market.<sup>11</sup> On the one hand, the Forum stressed the need for a negotiated settlement and aimed to prevent foreign military intervention in the region. On the other hand, the United States could exercise considerable influence in the initiative, in that the task of defining which style of "democratic" government was to be left to the United States; as a result, therefore, the fact that the United States did not approve of the Sandinistas in Nicaragua made it likely that the Sandinistas would not be recognized by the Forum. Under such an agreement, the United States would have to surrender only a very small degree of her influence in the isthmus, while retaining the economic and political ties which had permitted her to become a dominant force in Central America.<sup>12</sup> Although the Forum was initially well-received in

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<sup>11</sup> The "Declaration of San José" was signed by representatives of Belize, Colombia, Costa Rica, Honduras, Panama, El Salvador and Jamaica, at San José, Costa Rica. It is reproduced in Bagley, Alvarez and Hagedorn, *Contadora*, pp. 156-160.

<sup>12</sup> By late 1981, the American Central Intelligence Agency (CIA) had already begun covert intelligence and "interdiction activities" throughout Central America, and especially in Guatemala, El Salvador, and Nicaragua. The Forum for Peace and Democracy offered the State Department an option by which it could better achieve its own objectives of undermining the Sandinista government in Nicaragua, and maintain support from other Central American states, without the loss of domestic Congressional and public support which, it was feared, would accompany any invasion of the isthmus with American troops. Laurence Whitehead, "Explaining Washington's Central American Policies," *Journal of Latin American Studies* 15 #3 (October 1988), pp. 332-333.

much of Central America, it never grew to maturity, since it was replaced by Contadora.

Just as the Forum for Peace and Democracy was meant to permit the United States to consolidate alliances in Central America, and thus to provide Washington with an inroad for implementing its own Central American policy, the United States began to use the guise of "humanitarian assistance" to Central America to form the basis of a more aggressive stance toward Central America in 1983. In February, the United States ambassador to the United Nations, Jeanne Kirkpatrick, visited Costa Rica, El Salvador and Honduras to discuss "democratic reforms, economic assistance and assistance in matters of security" in the region.<sup>13</sup> Increased funding for isthmian regimes that supported the United States would more readily permit American President Ronald Reagan to eradicate from the region what he viewed were communist revolutionaries, the Sandinistas in Nicaragua and the *Frente Democrático Revolucionario-Frente Farabundo Martí para la Liberación Nacional* (FDR-FMLN) in El Salvador. On March 10, Reagan announced to the National Association of Manufacturers that, while economic assistance could improve the quality of life for Salvadorans, it was mainly through American military assistance that Salvadorans would be able to protect their

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<sup>13</sup> Flores Olea, *Relación*, p. 22.

standard of living.<sup>14</sup>

The hardening stance of the United States' Central American policy became more obvious during the month of June, when a number of State Department officials were replaced by rightist, conservative hard-liners. At the same time, however, the personnel changes also alluded to deep divisions within Washington. Namely, the early months of 1983 marked the ascendancy of the "ideological right" in Washington, that is, of the Defence Department, the National Security Council (NSC), and religious fundamentalist groups -- the "Moral Majority" -- who wanted to see the United States assume a more vehement anti-communist stance in Central America.<sup>15</sup> Kirkpatrick herself was part of the ideological right, which "view[s] Soviet expansionism as the theme that unifies all America's apparently disparate international difficulties."<sup>16</sup> A more moderate stance, on the other hand, existed among Congress Democrats, the Catholic church, and an electorate wary of another Vietnam-like quagmire.<sup>17</sup> By the spring of 1983, the split resulted in sweeping changes in United States foreign affairs, and specifically to the roster of officials

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<sup>14</sup> See "Excerpts from Reagan's speech outlining proposals for Central America," *New York Times* (March 11, 1983), p. A-8.

<sup>15</sup> Whitehead, "Explaining U.S. Central American Policies," p. 335.

<sup>16</sup> *Ibid.*, p. 352.

<sup>17</sup> Public opinion, in 1982, had been gauged at more than a two-to-one ratio against American involvement in Central America. *Ibid.*, p. 339.



who handled them. Reagan-era patronage, furthermore, was handed out to conservative figures who would support the president's actions, and Reagan's increasingly aggressive stance toward Central America dictated that like-minded advisors and representatives were to be given posts. For example, Thomas Enders, whose Forum for Peace and Democracy represented a more moderate approach, was replaced by Longhorne Motley, previously the American ambassador to Brazil. Deane Hinton, ambassador to El Salvador, was replaced by Thomas Pickering; Wallace Nutting, the leader of the Southern Command military unit, was replaced by General Paul Gorman, a commander more open than his predecessor to American intervention in the isthmus. Each of these new appointees agreed upon the necessity for greater American military presence in Central America.<sup>18</sup> If the previous split between the State Department and Reagan's cabinet had prevented progress on matters of hemispheric security, according to the president, Reagan now stated in an April 27 address to Congress that the increasingly aggressive American stance toward Central American revolutionaries offered to Central Americans an "alternative" which would "protect each country of Central America from the danger of war."<sup>19</sup>

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<sup>18</sup> Zúniga and Chavarría, "México en Contadora," p. 466.

<sup>19</sup> "President appeals before Congress for aid to Latins," *New York Times* (April 28, 1983), pp. A-1, A-11; "President Reagan's address on Central America to Joint Session of Congress," *Ibid.*, p. A-12.

This increasingly hard-line approach of the United States toward Central America materialized as de la Madrid's administration delivered on a major election platform of the previous year's campaign, the *Plan Nacional de Desarrollo 1983-1988* (PND), in June.<sup>20</sup> This was a broad five-year plan for political and social reform in Mexico, and it addressed mainly domestic issues. An important section on international affairs, however, linked the peace in Central America and in Latin America in general to sovereignty and peace within Mexico's borders, and so the PND set down some basic guidelines for Mexican foreign policy. Prior to the publication of the PND, de la Madrid's administration had permitted itself time to consider the ramifications of the country's foreign policy, and the PND was also geared to permit the government similar latitude in foreign policy formulation. The PND stated plainly that, due to geographic proximity, Mexico was inextricably linked to, and directly affected by, events in Central America, and that peace should be maintained "at all costs" in order to maintain stability in Mexico.<sup>21</sup> The PND did not outline a method for achieving

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<sup>20</sup> In late 1981, the promises to streamline the administration, to initiate dialogue among all levels of society, and to address problems resulting from centrifugal forces in the federal system, among others, resulted in one of the main campaign platforms. Presidencia de la República, *Las razones y las obras: crónica de la campaña electoral de Miguel de la Madrid* (México, DF: Fondo de Cultura Económica, 1988), p. 150. See also *Plan Nacional de Desarrollo 1983-1988* (México, DF: Secretaría de Programación y Presupuesto, 1983).

<sup>21</sup> PND, pp. 83-84.

peace, other than calling for a negotiated settlement to the Central American crisis. The implication that national development was largely dependent on international peace -- and therefore a foreign policy which would help to achieve and maintain it -- was unprecedented in the sense that it brought new influences, as well as new constraints, to foreign policy formulation. The approach of the PND included a new dynamic which incorporated intense consultation in policy-formulation between private enterprise, regional governments, and the PRI. This "new instrument" in foreign policy was deemed necessary in order not to jeopardize development, foreign aid, and international investment and trade.<sup>22</sup>

By the summer of 1983, the first two parts of the PIRE, which were geared toward domestic economic stability, had resulted in rapid change in the economy. A comparison of figures for 1982 and 1983 reveals that the effects of austerity appeared positive, at least in the short-term. The new administration reduced public-sector spending by slightly less than five percent, while revenues jumped by more than two percent over the same period. By easing price controls on goods like petroleum, cutting subsidies on basic foodstuffs, and changing the goods tax structure to increase revenue from luxury items, the PRI reduced the 1983 public-sector deficit to less than nine percent of the GDP, a drop of more than

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<sup>22</sup> Jorge Chabat, "Los instrumentos de la política exterior de Miguel de la Madrid," *Foro Internacional* 30 #3 (January-March 1990), pp. 415-417.

eight percentage points over 1982 figures.<sup>23</sup> De la Madrid's methods, however, resulted in increased hardship for the struggling lower-income sectors of the population. One of the public organizations that suffered under austerity was the *Compañía Nacional de Subsistencias Populares* (CONASUPO), which directed food provisions for the urban poor. By slashing subsidies to CONASUPO, the PRI caused food prices to rise in poorer regions, which placed the country at risk of spiralling inflation from the already-high 99 percent annual rate for 1982. The general slowdown in the economy caused workers' wages to rise by only 43 percent in the same period, however. Inflation for 1983, therefore, remained at a relatively "low" 80.8 percent in part because the majority of the population, that is, the lower end of the national income scale, could afford considerably less by late 1983.<sup>24</sup> De la Madrid also reduced public spending by ridding the government of close to half of the public enterprises, formerly owned by Mexican banks, that the government had acquired in the bank nationalization of the summer of 1982.<sup>25</sup> The PRI sold off many of the companies the government had acquired in 1982, for two reasons. First, much political support needed to be regained

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<sup>23</sup> Figures cited in Armen Kouyoumdjian, "The Miguel de la Madrid Sexenio: Major Reforms or Foundation for Disaster?" George Philip, ed., *The Mexican Economy* (London and New York: Routledge, 1988), p. 81. The reforms in value-added-tax (VAT) are outlined in Ramírez, *Mexico's Economic Crisis*, p. 123.

<sup>24</sup> Ramírez, *Mexico's Economic Crisis*, pp. 82-83.

<sup>25</sup> *Ibid.*, p. 100.

from the private sector, alienated by the PRI under previous governments bent on populist spending to appease lower-income sectors. Second, and perhaps most importantly, is that under de la Madrid, Mexico's domestic economy was guided toward privatization, and reduced state meddling in the private sector was better suited to the liberalized market structure.

On the international scene, the Mexican economy also appeared promising by the summer of 1983. At that time, growth in exports of non-petroleum products looked set to top 30 percent, which, it was believed at the time, demonstrated that de la Madrid's efforts to diversify production through credit programmes for manufacturing and agricultural entrepreneurs had been successful in the short term.<sup>26</sup> The noted change in the structure of exports can be linked to efforts like the commission headed by Jorge Navarrete in January 1983, to diversify the country's exports and help de-"petrolize" the economy, but the effects of a decline in the value of the peso must also figure to the equation.<sup>27</sup> The value of the peso had plunged by more than 85 percent in value on international markets, so that, while exports registered marginal growth in 1983, imports dropped by close to a third over the course of the year, permitting export ventures to

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<sup>26</sup> By the end of 1983, the actual figure surpassed initial predictions, and had risen to 32,5 percent growth. See *La Economía Mexicana en Cifras* (Mexico, DF: NAFINSA, 1982, 1983).

<sup>27</sup> The Navarrete Commission is described above, on p. 72.

enjoy rapid growth. Consequently, the relative weakness of the peso permitted Mexico to register a trade surplus of more than 13 billion dollars in the first year of PIRE.<sup>28</sup> The PRI also achieved her first short-term debt rescheduling agreement with American creditors by June, 1983. Although Mexico's economic situation would require continued change and improvement, the United States Treasury believed that the Mexican economy was on a gradual path to recovery.<sup>29</sup>

Because domestic economic stability remained precarious throughout early 1983, Mexico participated gingerly in the Contadora initiative, all the while maintaining communication with the increasingly bellicose and hard-line United States. Mexico had not yet escaped the constraints of the 1982 collapse, and considerable support from the United States was necessary to continue the course of stabilization. On July 19, the *Grupo de Contadora* issued letters from its meetings in Cancún, Mexico, to both Ronald Reagan and Cuban president, Fidel Castro, calling for both to exercise caution in their Central America policies, and for each to acquiesce in Contadora's calls for multilateral peace negotiations. These letters, for Mexico, provided some feedback by which de la

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<sup>28</sup> Ramírez, *Mexico's Economic Crisis*, p. 123.

<sup>29</sup> "Prepared Statement by the Assistant Secretary of the Treasury for International Affairs Before a Subcommittee of the House Banking, Finance and Urban Affairs Committee, September 13, 1983," *American Foreign Policy Current Documents 1983* Document 607 (Washington: Department of State, 1985), pp. 1264-1265.

Madrid and Sepúlveda could gauge international opinion on the proposed peace initiative.<sup>30</sup> Both Washington and Havana signalled support for Contadora in their response. Reagan, for his part, wrote,

[the issues which the *Grupo de Contadora* addressed] are inextricably inter-related, and must be addressed on a comprehensive, regional basis which treats simultaneously the concerns of all the states affected by the Central American conflict. An attempt to resolve these issues sequentially, or on a piecemeal basis, will not achieve the goal we all share of a lasting peace for all of Central America.<sup>31</sup>

Additional support for the initiative was also expressed by a number of Latin American countries, most notably Peru, Ecuador, Argentina and Bolivia. The *Grupo de Contadora* received further unanimous support in the closing days of July, at a conference in Panama, when representatives from the five Central American republics offered to take part in the Contadora peace initiative.<sup>32</sup>

The backing expressed by most of Latin America during July, therefore, signalled to the PRI that the multilateral approach of Contadora was acceptable to both Latin American leaders and to the United States. Assertions by the American

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<sup>30</sup> See "Cancún Declaration on Peace in Central America," in Bagley, *et al.*, *Contadora*, pp. 170-174.

<sup>31</sup> "Letter from U.S. President Ronald Reagan to the Presidents of Colombia, Mexico, Panama, and Venezuela dated July 26, 1983," *Ibid.*, p. 13.

<sup>32</sup> Flores Olea, *Relación*, pp. 38-42.

president that a peaceful solution in Central America was possible, combined with growing resistance in the United States Congress to American military support for counter-revolutionaries in Nicaragua, was further proof to de la Madrid that Contadora would be a safe venture for Mexico.<sup>33</sup> The "front" envisioned by de la Madrid the previous November, which he had hoped would be valuable in other areas of negotiation, appeared to have materialized by autumn of 1983.

Washington's Central America policy, however, remained in a state of transition; that is to say, it was gradually acquiring the standpoint of the aforementioned "ideological right." The changes in the State Department in the spring had left a policy vacuum to be filled by new members, who were forced to piece together a new Central America policy as events transpired. As a result, inconsistencies and contradictions littered American pronouncements during the spring and summer of 1983. For example, during a visit to Mexico, Special Representative Richard Stone announced that "we [the United States] want to support their [the *Grupo de Contadora*] agenda rather than trying [sic] to impose our agenda;" this statement, however, was quickly qualified by Washington: "the Administration continues to qualify its support for [Contadora] by linking it to...the Forum for Peace

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<sup>33</sup> Zúniga and Chavarria, "México en Contadora," p. 470.



and Democracy," stated one news report.<sup>34</sup> Likewise, and in spite of renewed calls for peace from Washington, on August 6, General Gorman, the new head of the American Southern Command, met with the Ministers of Defence for El Salvador, Honduras and Guatemala on the aircraft carrier U.S.S. Ranger off the Pacific coast of Central America. By the early 1980s, Guatemala was the least dependent on the United States for foreign aid among the Central American countries, aside from Nicaragua: a *coup d'état* in Guatemala, three days after the meeting on the U.S.S. Ranger, and led by General Mejia Victores, the Minister of Defence for that country, made Guatemala more accessible to the United States.<sup>35</sup> On August 17, Jeanne Kirkpatrick boldly stated that a military solution was not only feasible in Central America, but "necessary."<sup>36</sup> It is clear, therefore, from the communications between the United States and the governments of her three closest Central American allies, and from Kirkpatrick's pronouncement, that the United States was in the process of garnering support for her own initiatives while simultaneously trying to change the direction of discussion with de la Madrid to emphasize economic and border issues.<sup>37</sup> In order to establish a fixed

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<sup>34</sup> "U.S. envoy backs Latins' peace bid," *New York Times* (June 15, 1983), p. A-9.

<sup>35</sup> See, for instance, Zúniga and Chavarría, "México en Contadora," p. 471.

<sup>36</sup> Flores Olea, *Relación*, p. 45.

<sup>37</sup> "Excerpts," p. A-8.

policy, furthermore, the rifts between the ideological right and its detractors required most of the summer of 1983 to be smoothed out.<sup>38</sup>

It was in this context of transition that de la Madrid met with President Reagan on August 14 at La Paz, Mexico. At this first meeting of the two heads of state,<sup>39</sup> de la Madrid explained to Reagan how he believed that Mexico should play the role of a mediator between the United States and Latin America. Although he did not refer directly to the Contadora initiative, de la Madrid warned the American president that military force would only complicate an issue of social and political underdevelopment in Central America.<sup>40</sup> De la Madrid noted the similarities between Mexico and the other countries of Latin America, and drew comparisons between the region's troubles and Mexico's "history of bitter struggle for national independence."<sup>41</sup> He concluded that, above all, negotiations had the potential to relieve the region's tensions, while military intervention could only inflame them.

Reagan's response to de la Madrid's message was cordial,

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<sup>38</sup> Leslie H. Gelb, "Central American policy: 3 theories," *New York Times* (August 19, 1983), p. A-12.

<sup>39</sup> The two had actually met in the Fall of 1982 at Tijuana and San Diego, before de la Madrid's inauguration. "Excerpts from the text of remarks by Reagan," *New York Times* (August 15, 1983), p. A-8.

<sup>40</sup> "Mexican cautions Reagan on using 'shows of force'," *New York Times* (August 15, 1983), p. A-1.

<sup>41</sup> *Ibid.*, p. A-8.

but skirted the issue of Central America. Instead, Reagan emphasized the cooperation the two countries had established as a result of their shared border, such as the efforts to stem the growing international narcotics trade, and the economic support the United States had provided since the financial collapse of 1982. Reagan concluded his address by very briefly reiterating his position on the crisis in Central America; for Reagan, the isthmian crisis was not the most pressing issue between the United States and Mexico. The president maintained that a solution existed in the return of democracy to the region, the maintenance of non-intervention and self-determination of peoples, and sustained economic growth and development.<sup>42</sup>

The meeting at La Paz was, for de la Madrid, a deadline of sorts. In contrast to his government's monumental plans for economic restructuring, Mexican foreign policy by the ninth month of the new *sexenio* remained vague, half-heartedly involved in Contadora in spite of growing conflict south of her border and escalating pressure to the north. At La Paz, de la Madrid expressed his first firm commitment on Central America. As a middle-power, he believed Mexico would be able to bridge the gap between Latin America and the United States, which, according to the sentiments expressed in the preceding month, apparently supported similar solutions to Central America's woes, yet viewed them from a radically different

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<sup>42</sup> "Excerpts," p. A-8.

perspective. Most importantly, however, and in keeping with its mediatory and pragmatic stance, Mexico's willingness to become a mediator in the conflict maintained open the lines of communication with both sides of the Central American issue. This would, the new administration believed, permit Mexico to extend her domestic economic policies to the international level, in the form of continued debt-restructuring and an overhaul of Mexico's foreign commercial relations.

Within a month of the meeting at La Paz, on September 9, de la Madrid, along with the other leaders of the member states of the *Grupo de Contadora*, proudly displayed Contadora's first major proposal, the "Document of Objectives for Central American Peace." The document was forged over the course of a number of meetings held during the summer months, and it proposed the major elements of the planned peace treaty. The objectives concentrated, for the most part, on restoring national integrity and autonomy to Central America by eliminating foreign military representatives, halting the arms trade, supporting the governments in power and establishing democratic mechanisms.<sup>43</sup> In this proposed scenario, the United States would be kept out of the fold of the peace process, and her military representatives in Honduras and El Salvador would be forced to return home.

By early September, the United States outwardly expressed

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<sup>43</sup> See "Document of Objectives," in Bagley, *et al.*, *Contadora*, pp. 176-180.

support for a negotiated settlement, but this support was nothing more than spoken. On September 5, for instance, the American envoy, Richard Stone, visited Sepúlveda after an official visit to Central America. Stone reiterated the American government's support for Contadora, in spite of the actions which his country had taken the previous month in Central America.<sup>44</sup> Following the publication of the Document, representatives of the Contadora nations solicited the support of the international community at the United Nations. At the same time, Sepúlveda visited with American Secretary of State George Shultz, who also stated his own president's support for the initiative.<sup>45</sup>

Reagan's trite response to de la Madrid's first attempt at outlining Mexican foreign policy at La Paz was meant to prevent Mexico from tampering with rising American influence south of her borders. The United States, in effect, had the power to all but shut down the Mexican foreign affairs machinery if it should stand in the way of her own efforts in Latin America. Mexican foreign policy was bound by the fact that, by 1983, much of that country's debt requirements were to American financial institutions. Debt renegotiations, therefore, had become a recurring theme in Mexican economic policy beginning in 1983, and the United States could exercise her economic might in negotiations with Mexico should the

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<sup>44</sup> *Razones. primer año*, p. 245.

<sup>45</sup> *Ibid.*, p. 246.

situation warrant it. However, the PIRE, and the austerity plan imposed by de la Madrid, had given Mexico the appearance of a "model debtor" by the autumn of 1983.<sup>46</sup> In spite of the fact that the new money was meant to help Mexico through her time of austerity, it was partly through the loan guarantees that the United States began to consolidate her influence over the foreign affairs of de la Madrid's government. The "Contadorization" of Mexican foreign policy, therefore, exacted a significant political and economic cost to Mexico, and thus the Mexican government had to evaluate each step so as not to jeopardize the country's volatile economic situation.<sup>47</sup>

Problems with Contadora itself were also beginning to be noticed by the fall of 1983. From the outset, a major weakness of the initiative was that it lacked the participation of either of the opposing sides of the Central American crisis, namely, the United States and the Sandinista government in Nicaragua. In spite of the fact that support for the initiative had been expressed by both Managua and Washington, this support had not been more than vocal, on the

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<sup>46</sup> Esperanza Durán, "Mexico's 1986 Financial Rescue: Palliative or Cure?" George Prilip, ed., *The Mexican Economy* (London and New York: Routledge, 1988), p. 96.

<sup>47</sup> Claude Heller, "Tendencias generales de la política exterior de gobierno de Miguel de la Madrid," *Foro Internacional* 30 #1 (January-March 1990), p. 385.

part of the United States government.<sup>48</sup> During the crucial autumn of 1983, tensions rose between the United States and the revolutionary government in Nicaragua, with the Nicaraguan president, Daniel Ortega Saavedra, even complaining that the United States Central Intelligence Agency had sabotaged Nicaraguan roads and infrastructure projects, and had mined the country's main harbour.<sup>49</sup>

In the belief that Contadora would be sufficiently prudent not to endanger Mexico's current domestic situation, which appeared to be stabilizing, de la Madrid had unwittingly permitted his country to fall into a dangerous predicament in foreign affairs. As one of the four main pillars of the Contadora initiative, Mexico was committed to settling the conflicts in Central America through negotiation. The PRI was dependent upon the constant support of the United States for the survival of its development and re-structuring plans. As a result, therefore, Mexico's participation in Contadora would remain prudent at best, but open to accommodation of United States interests. This failure of the "new instruments" of the Mexican government to gauge properly the situation in which the PRI found herself, with respect to the hardening stance of the United States, endangered both continued development and restructuring under the PND, and the political

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<sup>48</sup> "Latin peace units gains few results," *New York Times* (October 2, 1983), p. A-9.

<sup>49</sup> Flores Olea, *Relación*, p. 49.

support of private enterprise.



De la Madrid's government made its first attempt at formulating a concrete foreign policy, which was aimed at creating for Mexico a mediatory position between the United States and Central America, after the summer of 1983, and this coincided with the release of the *Grupo de Contadora's* "Document of Objectives." The period between the release of the "Document of Objectives," to the publication in September, 1984 of Contadora's first draft peace treaty, illustrates how the PRI's foreign policy returned to its prudent stance of earlier in 1983 as a result of the combination of three factors. First, an American invasion of Central America appeared imminent following the United States invasion of the Caribbean island of Grenada in October, 1983, thus threatening to place added constraints on both the Mexican economy and the PRI's foreign policy position. Second, Washington's Central America policy appeared to have congealed by the time of the invasion, with the aggressive stance of the ideological right in ascendance. Third, rising interest rates and renewed stagnation in Mexico's economy caused the PRI to concentrate on Mexico's debt, in order to prevent another debt crisis.

Calls from the international community for a negotiated settlement to the Central American conflicts were stepped up in October of 1983, after the United States invaded the Caribbean island of Grenada, allegedly to rescue American students who were trapped in the midst of a revolution on the

island. Following a coup by the People's Revolutionary Army (PRA), and their replacement of the Grenadian government with a military council, a multinational force led by the United States invaded the island nation on October 23. Following the invasion, Mexico, alongside Britain, France, and Brazil, condemned the American actions. In this case, Mexico's opinions were supported by the international community, and more importantly by the United Nations (the United States excluded).<sup>1</sup>

The events in Grenada made the rising tensions in Central America appear more pressing to Miguel de la Madrid, however, since

President Reagan and his advisers have made it clear that the United States can and will use force (either direct or indirect, covert or overt) [and in spite of that country's continued outward support for negotiations in Central America] to secure outcomes compatible with their view of United States vital interests.<sup>2</sup>

Washington also outlined a number of similarities between the military coup in Grenada and the Sandinistas in Nicaragua. American president Reagan pointed to the fact that a number of Soviet and Cuban military advisors were on the island at the time of the invasion, and that "[Cuban President Fidel] Castro

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<sup>1</sup> "U.N. Security Council Draft Resolution, October 27, 1983," *Current Documents 1983*, Document 662, pp. 1412-1413.

<sup>2</sup> Bagley, "Mexican Foreign Policy," p. 437.

ordered his men to fight to the death [in Grenada]."<sup>3</sup> Thus, by late October, very little appeared to stand in the way of an American invasion of Central America.<sup>4</sup> By that time, United States support for *Contra* counter-revolutionary rebels in Nicaragua was growing, and repeated military exercises were held in the region. Some \$24 million in American aid was awarded to CIA-backed *Contra* rebels in November, and tension between Nicaragua and Honduras had risen considerably. For instance, the Sandinista government complained that Honduran military aircraft had violated Nicaraguan airspace, and that naval craft from that country had captured and burned a Nicaraguan fishing boat. Two Nicaraguan diplomats had also been taken prisoner in Honduras in November, for which the Sandinista government approached the Organization of American States to punish Honduras.<sup>5</sup> The prospects for a negotiated settlement had worsened since the *Grupo de Contadora* had produced its Document in September.

The fact that Mexico would, in the event of a large-scale

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<sup>3</sup> "Address by President Reagan, October 27, 1983," *Current Documents 1983*, Document 661, p. 1411.

<sup>4</sup> An historical consideration of the phases of American interventionism in the Caribbean can be found in James L. Dietz, "Destabilization and Intervention in Latin America and the Caribbean," *Latin American Perspectives* 11 #3 (Summer 1984), pp. 3-10. For a closer consideration of Marxism in the Caribbean Basin, and a comparison of Cuba, Grenada, and Nicaragua, see Colin Henfrey, "Between Populism and Leninism: The Grenadian Experience," *Latin American Perspectives* 11 #3 (Summer 1984), pp. 15-19.

<sup>5</sup> *Razones, primer año*, pp. 295-296.

American invasion beyond her southern borders, be forced to devote much-needed capital to a defensive armed force along her border with Central America, did not bode well with her austerity-minded government. The growing threat of a war led by the Americans would have resulted in the need for increased border patrols, for Mexico to prevent foreign factions from using her territory for training grounds and safe havens, and so that the thousands of war refugees who had already crossed the border into Mexico could be more efficiently organized and processed.<sup>6</sup> The additional numbers of refugees who would eventually seek protection in Mexico in the event of a wider conflict, furthermore, would have placed immeasurable constraints on Mexico's finances.

For the first time since his government took power, de la Madrid was faced with the threat of increased military spending, should the effects of war spread into his own territory. Although the PIRE had allowed the PRI to avoid defaulting on close to \$80 billion in international loans in 1983, Mexico had not yet experienced all of the cutbacks necessary to stabilize her economy. De la Madrid expressed to Mexican business leaders in November, 1983 that "extremely tough and at times bitter" steps remained to be taken to ensure that the country would emerge from her economic

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<sup>6</sup> *Ibid.*, p. 37.

quagmire.<sup>7</sup> Increased emergency military spending, therefore, threatened to stress the Mexican economy in a way which had not been part of the original austerity plan.

By the time of the invasion of Grenada, the transformation in Washington's Central America policy had become complete, with the views of the ideological right having taken precedence. Following the invasion, and upon his realization that the United States's position had become more aggressive since the beginning of 1983, de la Madrid's faith in Contadora appeared to begin to wane, prompting him to attempt to initiate communication between Washington and Managua. On November 10, he met with both the American envoy to Central America, Richard Stone, and Nicaraguan president Ortega, albeit in different meetings, to discuss ways of alleviating the rising tensions in the isthmus. Talks between Washington and Managua had reached an impasse earlier in the year and did not appear ready to resume.<sup>8</sup> Although little was accomplished between Nicaragua and the United States in November, the meetings may be viewed as an early acceptance on the part of de la Madrid that Contadora was in trouble. At a meeting of the Organization of American States, de la Madrid expressed his concern that the invasion of Grenada had compounded the pressures which faced Central America, and that

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<sup>7</sup> Cited in "Mexican faces more tests in 2d year," *New York Times* (December 1, 1983), p. A-16.

<sup>8</sup> "Proposal from the United States to Nicaragua," in Bagley, Alvarez and Hagedorn, *Contadora*, pp. 32-34.

diplomatic discussions needed to be "accelerated" in order to deal with the worsening situation.<sup>9</sup> The invasion of Grenada, as well as military exercises, planned by the United States to take place in November on Honduran territory, known by the code name, *Ahuas Taras II*, made an American invasion of Nicaragua seem probable, if not imminent.<sup>10</sup> In an address in New York on November 15, American vice-president, George Bush, linked the revolution in Grenada to the events which had led to the 1979 hostage taking in Iran of American diplomats, thus justifying his country's invasion as a pre-emptive strike.

The PRI had embarked on a comprehensive approach to financial stability, outlined in the PIRE in late 1982, but had failed to establish a concrete foreign policy that reflected the improvement and stability that the PIRE and the PND had helped to create. De la Madrid admitted, by the end of the year, that the quest for peace upon which Mexico had embarked hovered precariously close to failure, and that this, in turn, threatened to complicate his country's economic recovery. The president believed that Contadora was endangered not only by the problems within Central America, but also by rising tensions outside of the region.<sup>11</sup> By the

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<sup>9</sup> Zúniga and Chavarria, "México en Contadora," p. 477.

<sup>10</sup> *Ibid.*

<sup>11</sup> Presidencia de la República, *Las razones y las obras, gobierno de Miguel de la Madrid: crónica del sexenio 1982-1988, segundo año* (México, DF: Fondo de Cultura Económica, 1988), p. 34.

beginning of 1984, this remained a hindrance to foreign policy formulation in Mexico.

Precisely one year after the first meeting of the *Grupo de Contadora*, the four member states of the *Grupo* held discussions at Panama City, Panama, and produced a document entitled "Norms for the Implementation of the Commitments of the Document of Objectives."<sup>12</sup> The "Norms" was a list of requirements which were to be met by the Central American nations before a peace treaty could be drawn up. It addressed international security, regulations for the imposition of democratic governments in Central America, and issues of social and economic reform to help alleviate the problems associated with the social inequalities and disparities in the isthmus. For example, the "Norms" demanded that a system for recording military inventories be created in order to regulate the international arms trade, and to limit and eventually eradicate foreign military advisors from the region.<sup>13</sup> According to this latest document, therefore, Contadora would concentrate on confidence-building mechanisms such as these in order to maintain intra-regional peace. More importantly, however, its focus was on the countries of the region, and on the actions which they could take to help maintain the peace, and devoted very little consideration to those groups it

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<sup>12</sup> "Norms for the Implementation of the Commitments of the Document of Objectives," in Bagley, *et al.*, *Contadora*, pp. 180-182

<sup>13</sup> *Ibid.*, pp. 180-182.

termed "irregular forces," most evidently, American-backed Contra counter-revolutionaries.<sup>14</sup> Each of the five Central American countries was then provided with a list of tasks to carry out, on a strict schedule, so that the *Grupo de Contadora* could begin work on a draft treaty by the beginning of May.

During January, 1984 the aggressive stance of Washington's Central America policy became increasingly clear. The *Report of the President's National Bipartisan Commission on Central America*, also known as the "Kissinger Report," was published, which stated plainly that, while many of the problems in Central America were due to the social inequalities which had plagued the isthmus since independence,<sup>15</sup> the problems had only most recently risen to crisis levels because of the presence of communist advisors from Cuba and the Soviet Union. According to the Kissinger Report, the countries of the isthmus were in danger of falling, one by one, to communist influence, and Soviet-supported rebels working in Nicaragua and El Salvador needed to be eradicated in order to prevent Soviet influence from spreading in the continent.<sup>16</sup> The U.S. Assistant Secretary for

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<sup>14</sup> *Ibid.*

<sup>15</sup> The economic crisis in Central America is outlined in "The Crisis in Central America: its Origins, Scope and Consequences," *CEPAL Review* 22 #1 (April 1984), pp. 53-80.

<sup>16</sup> *The Report of the President's National Bipartisan Commission on Central America* (New York: Macmillan Publishing, 1984), conclusion, esp. p. 152.



Inter-American Affairs, Langhorne A. Motley, addressed the Foreign Policy Association shortly after the publication of the Kissinger Report, at which time he provided an analytical summary of the events of 1983. During the speech, Motley explained that the Sandinistas in Nicaragua had prevented peace initiatives from taking hold, since they had purged the country of all those who opposed them, and who, according to Motley, would play a vital role in a democratic system. Motley stressed, therefore, that while a Contadora-style plan could be made to work in the area, there were elements in Central America -- like the Sandinistas -- who could not be trusted, and therefore a greater American involvement in the region was necessary:

[I]t is certainly too soon to conclude that an effective regional agreement can be achieved. The most difficult negotiations lie ahead. Substantive balance and effective verification and enforcement will be essential to move beyond a document of exhortation and good intentions. But it is encouraging that the Central Americans are pursuing their dialogue with persistence and realism.<sup>17</sup>

On January 26, 1984, after the publication of the Kissinger Report, de la Madrid was interviewed on the American Public Broadcasting Service (PBS), in which he stated his concerns over the American perspective on Central America, yet at the same time made clear that his views of the Central

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<sup>17</sup> "Address by U.S. Assistant Secretary for Inter-American Affairs," in Bagley, Alvarez and Hagedorn, *Contadora*, pp. 14-22.

American crisis had changed. He agreed with Kissinger's fact-finding mission that the severe social and economic inequalities in Central America would hamper peace negotiations, and would perpetuate instability among the isthmian countries. On the subject of East-West tensions in the region, de la Madrid signalled for the first time that he believed these to have played a major part in the conflicts. While he reiterated the often-stated Contadora ideal that extra-regional subversive activities needed to be stopped in the isthmus, his statement was not only directed toward the United States, but also against what he believed were covert activities by Cuban and Soviet forces.<sup>18</sup> The PBS interview marked the first time that a Latin American leader had notioned that the Central American conflicts needed be viewed in the context of a conflict between the East and the West, in addition to being viewed as an outcome of poverty and social inequality within the isthmian countries. De la Madrid had clearly become more open to the American views on the Central American conflicts by early 1984.

The change occurred as de la Madrid's government quietly began a second phase of economic restructuring, one which permitted integration with the United States to increase at an unprecedented rate. On February 16, 1984, Héctor Hernández, speaking on behalf of the Comisión Nacional de Inversiones Extranjeras (CNIE), announced that the PRI had reversed its

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<sup>18</sup> *Razones, segundo año*, p. 104.

foreign investment regulations which prevented foreign ownership of more than 50 percent of a private enterprise. In order to set up shop in Mexico, foreign-owned corporations were required to forego official ownership of the majority of their shares to Mexican investors, thus complicating trade. For example, the Mexican automobile industry, a sector of the economy dominated by transnationals, was by mid-decade among the largest employers in northern Mexico, yet, at the time, companies like Volkswagen were not permitted majority ownership of their operations.<sup>19</sup> In addition to setting a course for later free trade agreements with the United States and Canada, increased foreign ownership in Mexican industry sparked an explosion in investment along the northern border, especially in the *maquiladora*, or in-bond, industries.<sup>20</sup>

The liberalization of international trade regulations, and the increasingly flexible stance of de la Madrid regarding the nature of the Central American crisis, were matched by an intensification of pressure from Washington. In early April, the American magazine, *Newsweek*, reported on the "National

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<sup>19</sup> National Commission for Foreign Investment. *Ibid.*, p. 185.

<sup>20</sup> The change in policy also opened the way for de la Madrid's successor, Carlos Salinas de Gortari (1988-1994), to reverse Article 27 of the 1917 constitution, which was the part of the constitution that had previously allowed for land-redistribution to take place. In effect, Salinas's actions were a continuation of the process of liberalization begun under de la Madrid in the early 1980s. For a more in-depth historical analysis, see Dana Markiewicz, *The Mexican Revolution and the Limits of Agrarian Reform, 1915-1946* (Boulder, CO: Lynne Rienner Publishers, 1993), ch. 1.

Security Decision Directive #124," a document signed by President Reagan, which ordered the State Department to create "a communication and diplomacy master plan" which would demonstrate to de la Madrid the validity of the Reagan administration's fight against communism in Central America. It also called upon the leaders of the Central American states which were supported by the United States, namely Costa Rica, El Salvador, and Honduras, to pressure the Mexican government to keep its role in the region to a minimum.<sup>21</sup> *Newsweek* reported,

the administration's game plan [also] calls for Reagan to brace de la Madrid when [he] visits Washington in May. The price for continued U.S. economic aid to Mexico is support for Washington's policies in Central America.<sup>22</sup>

Washington was clearly in a position of ascendance over the PRI by the spring of 1984, just as the latest round of agreements were achieved by the *Grupo de Contadora*. After a period of study under the guidelines set under the "Norms," and with the help of the Technical Group of Contadora, which had been established to ensure that the *Grupo's* guidelines were followed, the initial framework for a draft Contadora treaty was set out throughout the spring. The structure for the confidence-building guidelines which would set limits on military action in the treaty was established in late April.

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<sup>21</sup> *Newsweek* (April 2, 1984), p. 21.

<sup>22</sup> *Ibid.*

It was agreed that foreign military advisors and subversive forces needed to be eradicated from Central America, but the *Grupo's* representatives left details such as the method and timing by which these would be required to leave to the final treaty.<sup>23</sup>

The representatives present at the spring, 1984 meetings of the *Grupo* were conscious that, in spite of their efforts to set the peace process in motion, war loomed closer. Washington continued to express concern that peace continued to be undermined by "external forces," and that, in addition to financial aid, Central America required the means to protect the projects and developments which aid would afford.<sup>24</sup> In spite of the concrete plans set down by Contadora the previous year, Washington was determined that very little more could be done to alleviate the tensions which had come as a result of the Nicaraguan Sandinistas "export[ing] terrorism" to the other isthmian countries.<sup>25</sup> In his address to the American public on May 10, Reagan drew Central America and Contadora into the fold of his 1984 campaign for re-election to the presidency. In order to bolster his administration's image as a regional protector against communist subversion,

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<sup>23</sup> *Razones, segundo año*, p. 364.

<sup>24</sup> "Address by the Secretary of Defense Before the Council on Foreign Relations, Miami, March 16, 1984," *American Foreign Policy Current Documents 1984*, Document 509 (Washington, DC: Department of State, 1986), p. 1043.

<sup>25</sup> "Transcript of Reagan's speech on Central America policy," *New York Times* (May 10, 1984), p. A-16.

and against global war. moreover, Reagan needed to intensify his involvement in Central America as election day approached.<sup>26</sup> Throughout early 1984, foreign aid for El Salvador, and military assistance for the *Contras* in Nicaragua, continued to pour out of Washington, but Reagan found himself increasingly hard-pressed to justify his demands for financial support. In this context, therefore, military assistance to Central America threatened to become a major election issue. Reagan's hand was forced -- so to speak -- to act on Central America.

On May 15, de la Madrid held his second official meeting with Ronald Reagan as head of state. The welcome given by Reagan that day was cordial, but contrasted starkly with the discussions which were held at La Paz between the two leaders the preceding summer. Reagan stated that the United States and Mexico shared more than a common border; they shared a common "American heritage" and the "values and culture of the New World."<sup>27</sup> The American president tackled the Central American issue without hesitation, unlike the year before when he directed the discussion toward issues of drug-trafficking and illegal immigration. De la Madrid, in his address to the United States Congress the following day, stated that a

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<sup>26</sup> "The Reagan speech: President reaches beyond Congress to defend Latin policy before voters," *New York Times* (May 10, 1984), p. A-18.

<sup>27</sup> "Excerpts from remarks by the two presidents," *New York Times* (May 16, 1984), p. A-4.

negotiated settlement under a Contadora-like group could be the only solution to the isthmian tensions. In hopes that Congress could block a move by the president to increase military activity to Central America, de la Madrid pleaded to the members that they

insure that the future of your country is based on tolerance, understanding other interests, recognizing foreign identities and respecting the wishes of others. We are confident that the American people will invariably prefer the limited exercise of power to the use of force, and reason to domination.<sup>28</sup>

In a closing meeting with Reagan, de la Madrid discussed with the American president a number of new trade and investment programs. According to American Trade Representative, Bill Brock, who spoke for the two leaders after the meeting, one of the major deals discussed was that of the "injury test," a programme which would allow Mexican products significant trading protection in United States markets. In return, however, Mexico would be required to stop subsidizing most of her export programmes, so that the price of her products on international markets would rise to a level on par with those produced in the United States.<sup>29</sup> This was, for de la Madrid, in line with the policies his government had imposed earlier in the year, when international investment

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<sup>28</sup> "Excerpts from address by Mexican to Congress," *New York Times* (May 17, 1984), p. A-14.

<sup>29</sup> "Mexico president ends visit to U.S.," *New York Times* (May 18, 1984), p. A-6.

regulations were dropped, thus permitting increased foreign ownership within Mexico. By de-emphasizing manufacturing policies in favour of facilitating trade relations with the United States, the PRI during the 1980s hoped to stimulate productivity and labour intensity in Mexican industry through imports of capital goods. The United States could also profit from such a deal, since goods which American entrepreneurs would produce in Mexican *maquiladora* factories would be free of trade restrictions, and the lack of subsidies would prevent Mexican entrepreneurs from gaining an unfair advantage, from the American standpoint, over American businesses.<sup>30</sup>

During his meetings with American officials, de la Madrid's discussions on Central America took second place to his country's continually expanding international debt. Two months earlier, the First National Bank of Chicago raised its preferential interest rate from 11 to 11.5 percent. This, in turn, forced most other American banks to do the same. For the first time since August of 1983, the interest rate for most of the Mexican -- and Latin American -- debt, was raised; the interest hike reverberated throughout Latin America and resulted in serious budgetary consequences for most of the governments of the region. The rise of one-half of one percent, in Mexico's case, would result in an additional expenditure of \$300 million in interest payments alone through

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<sup>30</sup> Edward J. McCaughan, "Mexico's Long Crisis: Toward New Regimes of Accumulation and Domination," *Latin American Perspectives* 20 #3 (Summer 1993), pp. 19-20.



the remainder of the year.<sup>31</sup> In January, the leaders of a number of Latin American and Caribbean countries had met at Quito, Ecuador, to discuss the problems of international debt and to attempt to create a common front against financial hijacking by creditors; the principle of the Quito Agreement was that Latin American debtor countries would work together to negotiate better terms of debt and to lower the interest rate awarded to developing nations. By April, however, the PRI was not convinced that a "club" of debtor nations could negotiate better conditions with their creditors, largely because the debt burden was distributed unequally throughout Latin America. Nor did the idea of a debtors-front receive support in Washington. A single body, according to the United States Treasury, did not correspond to the "realistic and pragmatic" approach necessary to accommodate the "different constraints" under which each country operated in administering its international debt.<sup>32</sup> In addition to this, an assistance package worth \$3.8 billion in long-term aid payments was simultaneously nearing completion between the Mexican government and a consortium of its American investors. The package was in reaction to a further interest hike, which saw the preferential rate rise from 11.5 to 12 percent on

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<sup>31</sup> *Razones, segundo año*, pp. 268-269.

<sup>32</sup> "Statement by the Assistant Secretary of the Treasury for International Affairs Before a Subcommittee of the House Foreign Affairs Committee, July 31, 1984," *Current Documents 1984*, Document 491, p. 977.

April 5; the agreement was announced on April 27.<sup>33</sup> By the time of de la Madrid's meeting with the American president, this rate had again risen, this time to 12.5 percent.<sup>34</sup> The rising rates were the direct result of a spiralling deficit in the United States, as well as what were believed to have been unrealistically low interest rates throughout early 1984.<sup>35</sup>

The change in the PRI's stance, away from the common-front approach to international debt, was a clear contradiction to de la Madrid's report on foreign policy, outlined at the Commission of International affairs in November, 1982. De la Madrid no longer seemed convinced that a unison of Latin American leaders could work effectively in the face of the United States, or to balance the "terrain" of negotiations in favour of Mexico.<sup>36</sup> Likewise, the focus of the PRI turned toward a debt-renegotiation package which would secure Mexico in the face of rising interest rates and help prevent another debt crisis. Despite the degree of security offered in the assistance package announced April 27, the new

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<sup>33</sup> Fears among American banks of another default by the most indebted countries, Brazil and Mexico, influenced creditors to soften credit requirements to these countries, which, in turn, lessened the need for concerted action on Mexico's part. Robert Devlin, "The burden of debt and the crisis: is it time for a unilateral solution?" *CEPAL Review* #22 (April 1984), p. 114.

<sup>34</sup> *Razones, segundo año*, pp. 273-275.

<sup>35</sup> *Ibid.*

<sup>36</sup> See ch. 1 of this essay. De la Madrid, "De la política exterior."

burden on Mexico's coffers amounted to an additional \$900 million in interest payments, due between May and the end of 1984.<sup>37</sup>

The *Grupo de Contadora* continued to meet throughout the spring and summer of 1984, in spite of the frustrating international situation. Pursuant to the agreements reached in January and February, representatives of the Contadora member states decided that a draft treaty was required immediately, and that the formulation of such a document would have to progress swiftly, since the support from the United States for Contadora was waning rapidly.<sup>38</sup> For the PRI, the difference between the summer of 1983, when the *Grupo de Contadora* formulated its "Document of Objectives," and the summer of 1984, which was devoted to formulating the first draft treaty, was that the country's economy did not appear to be improving as quickly as it had been in the first year of de la Madrid's presidency. The rising costs of her international debt limited Mexico's options for action in Central America, and *vis-à-vis* the United States. The resources available to her the preceding summer, namely her improving record as a debtor nation, were strained by the following year.

Such was Mexico's perspective on international affairs by the summer of 1984, when she witnessed completion of both her second major debt renegotiation with foreign creditors under

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<sup>37</sup> *Razones, segundo año*, pp. 273-275.

<sup>38</sup> *Ibid.*, p. 367.

president de la Madrid, and the realization of the *Grupo de Contadora's* first *Acta*, or draft treaty for peace in Central America.

On September 7, Mexico's Minister of Finance, Jesus Silva Herzog, announced that he had concluded negotiations with foreign -- primarily American -- creditors, to re-schedule Mexico's payment structure on more than \$48 billion in foreign credit. The new agreement permitted Mexico to take advantage of significantly lower interest rates than she had weathered since they had begun to rise earlier in the year, and to spread out her payment requirements on the current amount through 1998.<sup>39</sup> After 1998, Mexico would be required to undertake further negotiations with her creditors.

The *Grupo de Contadora* produced its first complete *Acta*, or draft treaty, which embodied the twenty-one points of the "Document of Objectives," outlined one year earlier, the same day as Herzog announced Mexico's debt renegotiation triumph. The *Acta* was the result of a number of meetings throughout the summer between the foreign ministers of the *Contadora* member states. These meetings revolved, furthermore, around comments made by the Central American leaders to a primary draft proposal circulated on June 8.<sup>40</sup> At first, the reaction to the

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<sup>39</sup> The intricacies of the debt re-negotiation are too complex for this study of foreign policy. A more complete outline is published in *Ibid*, pp. 588-592.

<sup>40</sup> "Contadora Act for Peace and Cooperation in Central America (Revised Version)," in Bagley, *et al.*, *Contadora*, pp. 190-211.

*Acta* appeared positive. On September 21, Nicaragua's President, Daniel Ortega Saavedra, accepted the draft Contadora treaty without modification, and this placed the onus on the other players in the region to react. Ortega wrote to the presidents of the Contadora nations, stating that the economic and social hardships which his people had endured as a result of the actions of the United States against his country forced him to try to quicken the peace process, in order once again to focus his government's efforts on development and social equality.<sup>41</sup> He attempted to show through his acceptance of the treaty that the benefits afforded to the people of Nicaragua by peace and security far outweighed the new restrictions the *Acta* imposed on his country's armed forces.

Almost as swiftly as Ortega accepted the *Acta*, however, the United States rejected the treaty outright. The draft treaty stated that foreign -- viz. American -- troops, along with foreign military advisors and assistance, were to be withdrawn from Central America. Judged from the perspective of the Monroe Doctrine and the long tradition of American "sphere of influence" policies during the twentieth century, the *Acta* seemed as though it could begin the process which would unseat the United States as the hemispheric hegemon. According to the American political scientist, William

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<sup>41</sup> Comandante Daniel Ortega Saavedra to the presidents of Panama, Colombia, Mexico and Venezuela, September 21, 1984. Bagley, Alvarez and Hagedorn, *Contadora*, pp. 83-85.

LeoGrande, it is also possible that the Reagan administration ignored the progress made by the *Grupo de Contadora*: American diplomats were caught by surprise when the document was released.<sup>42</sup> The following month, the Tegucigalpa Bloc, consisting of the leaders of Costa Rica, Honduras, El Salvador, and the United States, released a list of changes which they wanted made to the *Acta*, in the "Tegucigalpa Revision." The main problem that the Tegucigalpa Bloc saw with the *Acta* was that the Sandinistas were to remain in power, thus giving the appearance that "communist" revolutionaries had won a decisive victory over American attempts to contain and eradicate them.<sup>43</sup>

The timing of the *Acta*, its acceptance by Nicaragua, and its rejection by the Tegucigalpa Bloc, contributed to a stalemate in the Contadora process, for two reasons. First, in addition to the disagreement between Managua and Washington with regard to the *Acta*, the *Grupo de Contadora* itself believed that changes to the *Acta* would "upset the balance" achieved in the treaty, a balance Contadora hoped to achieve by eliminating all foreign intervention in the isthmus.<sup>44</sup>

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<sup>42</sup> William M. LeoGrande, "Roll-back or Containment? The United States, Nicaragua, and the Search for Peace in Central America," in Bruce M. Bagley, *Diplomacy of Peace*, p. 97.

<sup>43</sup> H. Rodrigo Jauberth, Gilberto Castañeda, Jesús Hernández and Pedro Vuskovic, *The Difficult Triangle: Mexico, Central America, and the United States* (Boulder, CO: Westview Press, 1992), p. 66.

<sup>44</sup> "Joint Communiqué Issued by the Foreign Ministers of the Contadora Group, Brasilia, November 14, 1984," *Current*

The second cause of the stalemate was Ronald Reagan's re-election to the American presidency in November, which appeared to provide him with the added leverage of domestic support for his hardline policies. In part because of the apparent public support for Reagan's policies expressed in the 1984 election, the member states of the *Grupo de Contadora* were met with increasingly less cooperation from the United States. Between October 1984 and March 1985, Washington heightened its campaign against the Sandinistas, and the Contadora process remained at a standstill.

In spite of its recent successes in debt-renegotiations, and its involvement in creating the *Acta*, the PRI also contributed to the impasse. In an interview with the Mexican newspaper, *Excelsior*, de la Madrid confirmed that his own views on the Central American crises had changed considerably since his election in 1982. He stated in this interview that Central America had in fact become a battle-zone for East-West conflicts, and while he did not support calls for American intervention, he admitted that Soviet and Cuban intervention had complicated and intensified the conflicts.<sup>45</sup> Mexico also echoed the American support for the centrist Christian Democrat, José Napoleón Duarte, who had been elected to the presidency in El Salvador earlier that year. A shift in

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*Documents 1984*, Document 548, pp. 1110-1111.

<sup>45</sup> "De la Madrid signals policy shift: First admission of East-West conflict," *Latin America Regional Reports: Mexico and Central America Report* (July 13, 1984), p. 4.

Mexico's Central American policy was recognized throughout the international community; de la Madrid's stance regarding Central America by the autumn of 1984 was very flexible, supportive of an approach to peace which accommodated the policies of the United States, so as not to endanger the precarious economy in increasingly dangerous times.

Changes in Mexico's official position were not entirely the result of domestic difficulties, however. The increasingly aggressive stance of the United States, from the findings of the Kissinger Report to the American rejection of the *Acta*, made the situation which de la Madrid faced in the autumn of 1984 appear ever more pressing. In the Mexican president's second state-of-the-nation address, in September 1984, he admitted that his Central America policy had become "deliberately low-key," but that it needed to be, in order to avoid "fruitless confrontations" in international affairs.<sup>46</sup> The president was conscious of the fact that many viewed him as having acquiesced in the demands of the United States, and after his address he demonstrated his frustration with his northern neighbours. He admitted that the United States had *de facto* imposed the East-West paradigm on Central American affairs, such that the Sandinistas had been forced to cooperate with communists in Cuba since the Americans would

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<sup>46</sup> As cited in "State of Nation; Low-key balance by de la Madrid: president dampens hope of policy relaxation," *Latin America Regional Reports: Mexico & Central America Report* (September 21, 1984), p. 2.



not have it any other way.<sup>47</sup> In effect, de la Madrid was left with little choice in foreign policy by late 1984, since Contadora and the events which transpired after the publication of the *Acta* had the potential to undermine what progress Mexico had made in the preceding two years.

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<sup>47</sup> *Ibid.*

Following the publication of the *Acta*, Contadora entered an impasse from which it never recovered. Although new figures in the Central American political scene offered new approaches to peace beginning in the autumn of 1984, an important reason why Contadora reached its impasse is that increasingly pressing domestic issues beginning later that year and continuing in 1985 forced the PRI to become a mere bystander to the initiative. In spite of the fact that Latin American support for Contadora appeared stronger than ever by this period, with the formation of the *Grupo de Apoyo*, or Contadora Support Group, the initiative failed to produce a treaty acceptable to both sides in the Central American crisis, the United States and Nicaragua. The rise of another peace movement, Esquipulas, led by Costa Rica, gradually replaced Contadora after the summer of 1986.

Although it appeared in October, 1984 that the Tegucigalpa Bloc, the detractors to Contadora's *Acta*, acted simply as a result of political pressure from the United States, and therefore could be blamed for the initiative's problems, changes within El Salvador had also introduced a new approach to peace by that time. The new Salvadoran government, led by the centrist president José Napoleón Duarte, who enjoyed the full support of the United States, offered its own peace proposal to the FDR-FMLN less than one month after the Contadora *Acta* was released. In spite of his

continued support for Contadora, Duarte believed that Central America was stuck in the quagmire of East-West relations, a problem from which it needed to escape before a Contadora-like mechanism could be fully operational.<sup>1</sup> Duarte's proposed arrangement treated El Salvador's internal affairs in isolation, leaving out any consideration of foreign intervention. He offered to the FDR-FLMN to create a special commission, in which sixteen representatives of both his government and the FDR-FMLN could negotiate a settlement to the civil war. It was a purely domestic treaty, to bring to an end the civil war which had ravaged his country.<sup>2</sup> This permitted a new, national, approach to peace negotiations to emerge, making obsolete the international negotiations proposed under Contadora. More importantly, however, it made less attractive the international approach of the *Grupo de Contadora*. The onus, after October, would therefore fall increasingly on the Nicaraguan government, and not on the Salvadorans.

In Mexico, meanwhile, de la Madrid's foreign policy was increasingly dictated by the domestic re-structuring which his country was experiencing in late 1984. In an article

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<sup>1</sup> "Speech by Salvadoran president José Napoleón Duarte before the UN General Assembly on October 8, 1984," in Bagley, Alvarez and Hagedorn, *Contadora*, p. 93.

<sup>2</sup> "Negotiating proposal presented by Salvadoran president J.N. Duarte to the FDR-FMLN at La Palma. Chalatenango, El Salvador, on October 15, 1984," in *Ibid.*, pp. 96-100.

published in the American journal *Foreign Affairs*. in December 1984, de la Madrid stated that Mexico's once-separate domestic and international affairs had been fused together by the Central American conflict, and resulted in a new dynamic which was integral to national development. He admitted, furthermore, that

today, Latin America's economic relationship with the world is going through one of its darkest moments. In Mexico we have a clear idea of what we face and where we are going. We have a national project based on a strong nationalism which is committed to furthering social justice and to perfecting our democracy. We have an institutional setting that has shown its capacity to carry out reforms, to adapt to new circumstances and promote national development.

De la Madrid's article demonstrated the changing consistency of Mexican foreign policy. Latin America, according to de la Madrid at the end of 1984, was more than a cohesive regional identity with a shared history. Rather, it was an identity in transformation, in which close cooperation with its northern neighbours, Canada and the United States, was necessary to ensure continued stability.<sup>4</sup>

Early 1985 witnessed continued steps toward closer integration between Mexico and the United States; at the same time, the focus on integration made Contadora a very small priority for de la Madrid. In 1985, Mexico bowed to the

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<sup>3</sup> de la Madrid H., "Challenges," p. 75.

<sup>4</sup> *Ibid.*, p. 74.

realities of late-twentieth-century world trade, and applied to become a full partner in the General Agreement on Tariffs and Trade (GATT), in spite of the fact that, as recently as March 1980, President López Portillo had opposed outright a Mexican membership in GATT.<sup>5</sup> Mexico's acquiescence in GATT's regulations signalled a more profound change in the structure of state-business relations in Mexico. By significantly lowering tariffs in Mexico's once-protectionist economy, de la Madrid placated the larger, well-established enterprises and multinational corporations. The collapse of 1982 had left the Mexican domestic market in a shambles, and had reinforced an "export mentality" among Mexican business.<sup>6</sup> GATT, and the revamped foreign investment allowances, contributed to a jump in trade with the United States from an already-high 57 percent of total Mexican exports in the early 1980s to slightly more than 61 percent by the end of the decade.<sup>7</sup> In late April, Mexico signed a key export agreement with the United States, which placed new limits on Mexican subsidies for private industry. Since one of the main objectives of the

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<sup>5</sup> *Ibid.*

<sup>6</sup> Armen Kouyoumdjian, "The Miguel de la Madrid *Sexenio*: Major Reforms or Foundation for Disaster?" George Philip, ed., *The Mexican Economy* (London and New York: Routledge, 1988), p. 93.

<sup>7</sup> Roberto Bouzas. "U.S.-Latin American Trade Relations: Issues in the 1980s and Prospects for the 1990s," Jonathan Hartlyn, Lars Schoultz and Augusto Varas, eds., *The United States and Latin America in the 1990s: Beyond the Cold War* (Chapel Hill, NC, and London: The University of North Carolina Press, 1992), p. 157, table 5.

restructuring plans of 1983 had been to diversify the country's export sector, Mexico had attempted to bolster enterprises in her northern regions with preferential tariffs and subsidies. One industry which profited under this programme in the early 1980s was the pharmaceutical industry. In the United States, however, these subsidies had resulted in import duties, since the Mexican products had the potential to undercut drastically their American counterparts in price. As a result, sales were no longer as profitable north of the international border, and so the program had begun to collapse under its own weight by early 1985. The April 1985 trade agreement assuaged pressures from business leaders in the growing export sectors, and, according to one analyst, demonstrated to the Mexican government that Mexico's non-membership in GATT, and remnants of an old-style protectionist economy, threatened to slow the diversification and development program begun under de la Madrid.<sup>8</sup>

While the structure of trade between Mexico and the United States became more intricate, and more intense, Mexican economic relations with the Sandinistas in Nicaragua had become strained. In February, 1985, Mexico suspended petroleum shipments to Nicaragua, stating that the Sandinistas owed \$15 million on earlier oil shipments. Nicaragua,

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<sup>8</sup> "Cervantes signs US exports agreement: compromise mollifies drugs companies & local exporters," *Latin America Regional Reports: Mexico & Central America Report* (May 3, 1985), p. 2.

however, had neglected to maintain a payment schedule which was acceptable to the PRI, and so the Sandinistas' debt had exceeded acceptable limits for Mexico.<sup>9</sup> The PRI lifted the moratorium later in the year, but additional shipments were made to Nicaragua only on cash payments.<sup>10</sup>

The Contadora initiative remained at an impasse by early 1985, and support from within Central America had waned since the previous September. The *Acta*, having taken considerable effort to put together in the spring and summer of 1984, required considerable change in order to be accepted by the parties involved, namely, the Tegucigalpa Bloc. The pressures of the Tegucigalpa Bloc, which was led by the United States, made it clear that Washington would accept only a settlement negotiated on its government's own terms, and this did little to bolster Contadora's viability within Central America.

In July, 1985, the *Grupo de Apoyo*, or support group, for Contadora, was created. The governments of Argentina, Brazil, Peru and Uruguay, affirmed their support for Contadora and their desire to achieve a negotiated settlement in Central America; in so doing, the leaders of more than ninety percent of the total population of Latin America had now thrown their

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<sup>9</sup> George W. Grayson, *Oil and Mexican Foreign Policy* (Pittsburgh, PA: University of Pittsburgh Press, 1988), pp. 147-148.

<sup>10</sup> *Ibid.*

support behind Contadora.<sup>11</sup> Thus, while the original momentum of Contadora appeared to be failing, the group received symbolic yet significant backing from an area which, for the most part, had previously kept its distance from the initiative. Although Contadora had by this time met with little success, and had remained inactive since the resurgence of American threats the previous year, negotiation was still viewed by many as the only viable solution to what Latin American leaders believed was a regional conflict, related not to the clash of global superpowers but to the severe inequalities and poverty which faced these developing nations.<sup>12</sup>

In August, the eight countries of the *Grupo de Contadora* and the *Grupo de Apoyo* met at Cartagena to renew and reaffirm their call for a negotiated settlement in Central America; on September 12, a new draft treaty was produced.<sup>13</sup> The new treaty attempted to accommodate both the groundwork put forth in the *Acta* of the previous year, as well as the recommendations made by the Tegucigalpa Bloc. It contained an

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<sup>11</sup> The *Grupo de Apoyo* did not assume a direct role in the initiative, but was rather a symbolic gesture to try to revitalize the movement. Sandor Halebsky and Susanne Jonas, "Obstacles to the Peace Process in Central America," in John M. Kirk and George W. Schuyler, eds., *Central America: Democracy, Development, and Change* (New York and London: Praeger, 1988), p. 171.

<sup>12</sup> Points cited at Cartagena, Colombia, 24-25 August, 1985, by ministers of foreign relations of Contadora and Support Group countries. Flores Olea, *Relación*, pp. 147-148.

<sup>13</sup> Reproduced in Bagley, *Contadora*, pp. 213-266.



attempt to satisfy the United States by lessening restrictions on military maneuvers and broadening regulations regarding military advisors in the isthmus. in order to apply more clearly to Soviet and Cuban advisors in Nicaragua.<sup>14</sup> Given the reaction of the Tegucigalpa Bloc -- and of the United States -- the previous October, there was little surprise that Nicaragua rejected the treaty, out of the fear that the second draft favoured Washington's demands. Nicaragua's rejection of the treaty permitted Washington to reiterate its claim that it was in favour of Contadora, in spite of the fact that the new treaty had been transformed better to suit American demands. The onus, by December of 1985, fell upon the "Central American countries...to initiate talks to resolve the disputes deriving from border incidents and tensions," regardless of earlier American resistance to Contadora.<sup>15</sup>

In the midst of renewed stalemate in Contadora, Mexico could no longer afford to divide her time between political and economic restructuring and playing the role of mediator in Central America. By the autumn of 1985, the positive economic momentum of the first years under de la Madrid was clearly

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<sup>14</sup> Jack Child, *The Central American Peace Process, 1983-1991* (Boulder, CO, and London: Lynne Rienner Publishers, 1992), pp. 33-34.

<sup>15</sup> "Communication From the Foreign Ministers of the Contadora Group to the General Assembly of the Organization of American States, Cartagena de Indias, Colombia, December 6, 1985," *American Foreign Policy Current Documents 1985*, Document 585 (Washington, DC: Department of State, 1986), p. 1072.

waning. The changes in economic policy and the resulting growth witnessed in Mexico in 1983 and 1984 turned out to be little more than palliatives for the structurally weak economy. Inflation spiralled once again during 1985, and the growth rate of the GDP failed to match the 3.7 percent achieved the previous year.<sup>16</sup> Mexico teetered on the brink of economic collapse, and the PRI's energies became increasingly focussed inward, as they had been in late 1982, to help stave off another serious financial crisis. In addition to the already difficult situation she faced by the end of the summer, two major earthquakes rocked Mexico City in September, thus adding to the country's woes. The death knell of Contadora was sounded as Mexico's economy showed the signs of rapid deterioration.

An examination of the first three years of economic restructuring under de la Madrid reveals that the programs which his government initiated had exacted only surface improvements to a structurally unsound economy. Under the PIRE, and in a number of other Latin American governments' economic policies in 1983, increased state revenues were intended to minimize external current-account deficits. This approach, however, depended on a considerable improvement in the world economy to take place, which had not occurred; the greater revenues that could have been derived from Latin

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<sup>16</sup> Kouyoumdjian, "The Miguel de la Madrid Sexenio," p. 83.

American exports, and that would have permitted the Latin American economies to develop and prosper, did not take place.<sup>17</sup> Nor had the attempts to diversify Mexico's economy produced concrete results. For example, in spite of the marked change in Mexico's export economy in 1983 and 1984, proof that petroleum still played a major role in state revenues came in late 1985. A glut in the world oil market forced prices down by more than two-thirds between the end of 1985 and the spring of 1986, and Mexico suffered greatly for it. Inflation skyrocketed to an annual rate of 105 percent at that time, and the economy registered contraction in all production sectors. To summarize the hardships wrought on Mexico by the severe drop in oil prices and the natural disasters of the previous year, the year-end calculated GDP dropped from a positive growth of 2.8 percent in 1985 to a low of -3.8 percent in 1986. Although this rate was slightly better than the contraction experienced in 1983, at which time the GDP had shrunk to -5.3 percent, the severe drop in petroleum revenues demonstrated that Mexico remained dependent on her oil exports at mid-decade.<sup>18</sup> The changes introduced in the beginning of de la Madrid's presidency resulted in only

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<sup>17</sup> Lucio Geller and Víctor Tokman, "From austerity measures to structural adjustment," *CEPAL Review* 30 (December 1986), pp. 36-37.

<sup>18</sup> Figures cited in Inter-American Development Bank, *Economic and Social Progress in Latin America 1987* (Washington, DC: Inter-American Development Bank (IDB), 1987), and Ramírez, *Mexico's Economic Crisis*, table 5.1, p. 101.

temporary relief and did not fully address the myriad problems which Mexico faced at the beginning of the decade.

By early 1986, therefore, Mexico was once again at the threshold of severe economic crisis. The 1986 budget, announced the previous November, matched the 1983 budget in severity and austerity; the government planned to slash the previous year's deficit by half and spark a slight recession in order to stave off hyper-inflation, an approach which seemed at that time to have worked in 1983.<sup>19</sup> By March, it was clear that revenue losses resulting in the drop in oil prices would surpass \$8 billion, and so the planned budget was shelved. A moratorium on debt repayments loomed ever closer as government accounts foundered, and in the summer of 1986 a new series of debt re-negotiations began. A new agreement would be signed early the next year, bringing with it more than 13 billion dollars in foreign aid. The Mexican economy, more indebted by 1986 than it ever had been, was mortgaged to foreign creditors well into the twenty-first century.<sup>20</sup> The 1987 solution, moreover, did not afford any protection for Mexico from the whims of the oil market and the demands of foreign creditors, and any sudden changes in the international economy threatened to place Mexico in the same position she had occupied at the beginning of de la Madrid's *sexenio*.

Attempts by the United States to prevent further economic

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<sup>19</sup> Cornelius, *Political Economy*, pp. 6-7.

<sup>20</sup> Kouyoumdjian, "The De la Madrid *Sexenio*," p. 92.

collapse in the major Latin American countries continued throughout 1985 and 1986. In Mexico's case, emergency aid following the September earthquakes flowed from the United States, and a \$950 million repayment of principal to American banks, due at the end of September, was postponed following the disaster.<sup>21</sup> The Baker Plan, proposed in October 1985, was an effort on the part of the United States both to protect her own interests in Latin America and to permit increased freedom for the Latin American governments to pursue development through domestic investment, rather than be preoccupied by overwhelming debt requirements.<sup>22</sup> By the time Mexico approached her foreign creditors for renewed negotiations, the United States financial community had realized that debt negotiation involved concessions not only on the part of the debtors. American creditors acquired a new understanding of the debt situation after 1982 to understand the fact that debt crises would recur unless the issue of development was addressed.<sup>23</sup>

In spite of the relatively clearer understanding achieved between Mexico and her creditors on the international front,

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<sup>21</sup> Much of the September, 1985, aid programme is outlined in "Statement by the Principal Deputy Assistant Secretary of State for Inter-American Affairs Before a Subcommittee of the House Foreign Affairs Committee, October 16, 1985," *Current Documents, 1985*, Document 576, pp. 1039-1042.

<sup>22</sup> "Reagan offers Mexico help on Loans," *New York Times* (January 4, 1986), p. A-3.

<sup>23</sup> Ramirez, *Economic Crisis*, p. 114.

the only major change which de la Madrid managed to promulgate in his policy of domestic reform by 1986 was the liberalization of foreign commercial regulations. De la Madrid's *sexenio* witnessed an explosion in growth among *maquiladora*, or in-bond enterprises, shortly after the foreign investment laws were relaxed in 1984; American companies could, by 1985, enjoy complete ownership of their *maquiladora* enterprises, and reap the benefits of duty-free raw materials and a cheap labour force, and a foreign infrastructure built to suit their demands.<sup>24</sup> During debt negotiations in 1986, investment regulations were relaxed one step further, when Mexico offered foreign creditors the right to exchange credit for investments within her borders, in lieu of traditional loan repayments. This plan was met with both success among foreign lenders and resistance from Mexican business. Within one year, international interest in the new scheme had elicited offers of close to 2.5 billion dollars in investment.<sup>25</sup> Fears within the government, however, that this plan threatened to sell out the country, and would have no positive long-term effects on the economy, put an end to the

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<sup>24</sup> The growth of, and some problems encountered among, the *maquiladoras*, are put into the context of United States-Latin American economic relations in general in Howard J. Wiarda, *American Foreign Policy toward Latin America in the 80s and 90s: Issues and Controversies from Reagan to Bush* (New York, London: New York University Press, 1992), ch. 12, esp. pp. 200-202.

<sup>25</sup> Kouyoumdjian, "The Miguel de la Madrid *Sexenio*," p. 92.

program in November 1987.<sup>26</sup>

De la Madrid and Reagan met twice in 1986, in January and in August, at which time their discussions on Central America and the peace process did not figure prominently on the agenda. Solving the growing problem of the cross-border drug trade between the two countries, and dealing with the emergency economic measures, dominated the meetings held at Washington and in Mexico City; while de la Madrid and Reagan "contrasted sharply" in their opinions of Central America, the tensions in Central America clearly did not receive the emphasis they had in earlier meetings.<sup>27</sup> Instead, acquiring rescue packages and emergency loans was the primary objective of de la Madrid's foreign policy.

It was in this economic and political environment that a final effort to revive Contadora was made. In January 1986, representatives of the *Grupo de Contadora* and the *Grupo de Apoyo* met at Caraballeda, Venezuela, armed with the new self-image as a group more representative of Latin America as a whole. The "Caraballeda Message" reiterated the fact that negotiations like Contadora were viewed by Latin Americans as the only stable solution to the Central American conflicts. The basic ideals of the original Contadora *Acta*, reinforced at Caraballeda, such as the self-determination of states and the

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<sup>26</sup> *Ibid.*

<sup>27</sup> "Reagan and de la Madrid have a 'fruitful' session," *New York Times* (August 14, 1986), p. A-6.

creation of improved lines of communication between Isthmian countries, were furthermore accepted by the leaders of the five Central American countries in a meeting at Guatemala City on January 14, 1986.<sup>28</sup>

On February 10, representatives of each of the eight Contadora countries -- from both the *Grupo de Contadora* and the *Grupo de Apoyo* -- presented their new proposal to Washington. Remarkably, this was to be the first time that the United States was invited to assume a direct role in the Contadora process. The fact that the Americans had been caught off guard with the first Contadora *Acta* in 1984 forced them to stress their role as the dominant force in the region; it was hoped by Contadora representatives in 1986 that this problem could be avoided by permitting the Reagan administration an advance look at the Caraballeda Message. Caraballeda, however, was rejected outright by Secretary of State George Shultz. The timing of the Caraballeda Message, furthermore, coincided with an announcement by the Reagan administration that additional funding for *Contra* rebels would be sought from Congress.<sup>29</sup>

The *Grupo de Contadora*, along with its support group, met once again in April, 1986, in an attempt to salvage the process which had taken negotiators more than two years to put together. This time, however, the stance of the Contadora

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<sup>28</sup> Halebsky and Jona', "Obstacles," pp. 171-174.

<sup>29</sup> See Bagley and Tokatlian, "Contadora," p. 41.



nations was more open to American demands; the Sandinistas were requested to relax their demands for a nonaggression pact with the United States, but to no avail.<sup>30</sup>

By May of 1986, it was widely believed that Contadora had reached the end of its useful life. Because of the constraints that three years of peace efforts had placed on Contadora, it was clear that a new form of multilateral peace agreement was necessary in Central America. A final draft treaty was published on June 6, but was weakened by its over-emphasis on detail, "to the point where the barriers of common sense and good judgment finally seemed to have been breached."<sup>31</sup> More importantly, a new approach to Central American peace had come to the fore, based in Central America, and not dominated by external forces with their own agenda. Oscar Arias Sanchez, who became president of Costa Rica in 1986 in the midst of the Contadora stalemate, formulated a new proposal which he presented to the other four Central American leaders in early 1987. The Arias plan was different in two ways from the Contadora plan. First, Arias aimed to unify the five Central American countries under one treaty, rather than depend upon external mediators like the *Grupo de Contadora*. Second, and more importantly, while the Arias plan called for ceasefires, an end to foreign-led insurgencies, and respect

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<sup>30</sup> *Ibid.*, p 42.

<sup>31</sup> Child, *The Central American Peace Process*, p. 38. The new additions to the treaty are reproduced with the 1985 draft in Bagley, *Contadora*, pp. 213-266.

for territorial integrity, unlike Contadora, the updated draft treaty signed at Guatemala City on August 7 of that year made more direct references than did Contadora to the political, social, and economic changes necessary within the countries of Central America which were required before peace could be established in the Isthmus.

Esquipulas II<sup>32</sup> initiated a new era of peace negotiations in Central America, but while it is generally agreed that Contadora had run its course by mid-1986, it is important to note that the methodological framework laid by the *Grupo de Contadora* between 1983 and 1986 provided the necessary political and diplomatic foundations for the Arias peace plan. Arias's plan must be regarded, therefore, as an outcome of the Contadora initiative. Esquipulas II also witnessed the Contadora nations taking a less visible role in the Central American peace process, as it attempted to provide a purely *Central American* solution to what was now regarded as a *Central American* problem. During its first year, it was unclear whether the Arias Plan would bring sustained peace to Central America. Like Contadora, Esquipulas II encountered external setbacks as early as its first year of existence, not unlike those which had beset its predecessor. It did, however, permit a lasting cease-fire to take hold in the

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<sup>32</sup> The treaty came to be known as Esquipulas II, since it was a revised version of Arias's original plan presented at Esquipulas, Guatemala at an earlier meeting. See Halebsky and Jonas, "Obstacles," pp. 172-173.

isthmus by the end of the decade, under which a number of internationally-supervised elections have taken place since 1989.

## CONCLUSION

Contadora is significant to the history of Mexican international relations because it demonstrates how Mexico's foreign policy is a pragmatic reflection of the domestic interests of her ruling party, the *Partido Revolucionario Institucional*. The concerns of the PRI during Miguel de la Madrid's presidency were those of economic stability and restructuring, and of self-perpetuation as Mexico's ruling elite. Between 1983 and 1986, during which time Contadora was created, lived, and died, Mexico became less dedicated to the initiative, because the aforementioned interests caused the PRI to follow a path of *rapprochement* with the United States, whose leadership was not supportive of Contadora. As a result, Contadora was weakened to the point of ineffectiveness.

In addition to demonstrating how Mexico's foreign policy contributed to the ineffectiveness of Contadora, two important conclusions may be drawn from the preceding essay regarding the interests which faced the PRI during de la Madrid's *sexenio*; these are, first, that Mexico's economy became increasingly open under de la Madrid, and especially toward the United States, and, second, that this economic restructuring and liberalization resulted in a strengthening

of the position of the bourgeoisie in Mexico, and therefore, of PRI rule.

First, the *rapprochement* toward the United States undertaken by the PRI, beginning in the early 1980s, was in direct response to Mexico's own economic collapse in 1982. Over the course of de la Madrid's *sexenio*, Mexico's economy became increasingly open, beginning in 1984 with the reversal of foreign-investment regulations. The new emphasis, in the early 1980s, on Mexico's non-petroleum export market, was part of the greater scheme of the PRI to revitalize the economy and turn it away from the over-dependence on oil which had begun the previous decade, and which had led to the collapse in the first place. American financial domination of Mexico's export sector and infrastructure, however, which dated to the early twentieth century, was reinforced by this diversification and liberalization, as American businesses took advantage of the myriad new opportunities opened by the PRI. The move toward a more liberal international-trade system, and the integration with the United States, were so rapid during this time that, by the end of the decade, negotiations were already underway for the creation of a free-trade bloc with the United States and Canada. Increased integration with, and economic domination by, the United States, however, were part of the trade-off which the PRI was required to make in order to

maintain stability and prosperity in Mexico's economy.<sup>1</sup>

Second, a strengthening of the position of the Mexican bourgeoisie, which was tied to foreign capital, was an important outgrowth of the economic re-structuring and liberalization begun under de la Madrid. The reversal of Mexico's foreign investment regulations opened a set of new opportunities for transnational private enterprise to set up shop in Mexico. One result of the increasingly liberalized economic structure was that the position of Mexico's bourgeoisie was bolstered as it received much-needed capital and investment and trade opportunities. The PRI worked to maintain agreeable relations with the United States during the 1980s, which, in turn, favoured the position of the bourgeoisie. In return, this helped perpetuate the rule of the PRI by mollifying its most influential supporters. Still, while the PRI faced continued challenges from the left, the new areas of opportunity for the bourgeoisie, combined with continued integration with the United States, demonstrate that the political influence of this class survived, and even grew, during the 1980s.<sup>2</sup>

The demise of Contadora in part as an outcome of the predominance of PRI interests also provides a commentary on

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<sup>1</sup> See Pedro Castro Martínez, "México y la política comercial estadounidense, 1982-1988," *Foro Internacional* 30 #3 (January-March 1990), pp. 481-510.

<sup>2</sup> See Edward J. McCaughan, "Mexico's Long Crisis: Toward New Regimes of Accumulation and Domination," *Latin American Perspectives* 20 #3 (Summer 1993), pp. 6-31.

the nature of the international affairs of the Western Hemisphere. It is difficult to imagine, as those writers who espouse the legalist/revolutionist approach to Mexican foreign policy would have it, that the PRI's involvement in Contadora was due to Mexico's revolutionary heritage. The crisis in Central America was only a concern for the PRI because it threatened to undermine its own domestic interests. Likewise, a successful peace initiative in the isthmus was only an objective of the PRI to the extent that it could further Mexican economic stability and restructuring and help to perpetuate PRI rule. The pragmatic nature of Mexico's involvement in Contadora demonstrates that the revolutionary ideals were, at least between 1983 and 1988, existent in name only in Mexican foreign policy. As de la Madrid's government shied away from Contadora, thereby weakening it, peace took a second place to the needs of the Mexican state as defined by the interests of its bourgeoisie. It is ironic that, while international movements like Contadora frequently depend on larger states like Mexico for support in order to succeed, it was in part because of Mexico's economic crisis that Contadora failed to proffer lasting solutions to the crisis in Central America. In the end, it was a Central American initiative, Esquipulas, which brought peace to the isthmus, after the larger, more internationally-supported movement collapsed. Contadora had been formed to create a *Latin American* solution to a *Latin American* problem. Although Contadora may have

provided some of the framework for future progress. Esquipulas proved that it was a *Central American* solution which was necessary, in order to prevent extra-regional countries from imposing "paternalistic" solutions which suited their own needs.<sup>3</sup>

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<sup>3</sup> Child, *The Central American Peace Process*, pp. 38-39.



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