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## THE PRESIDENT'S TRIP TO MEXICO June 29 - July 1, 1962

BRIEFING BOOK

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THE PRESIDENT







# THE PRESIDENT'S VISIT TO MEXICO June 29 Well 1, 1902

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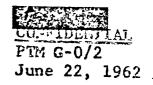
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# PRESIDENT'S TRIP TO MEXICO June 29-July 1, 1962

### Scope Paper

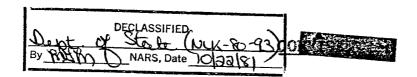
The primary problems that the United States faces in Mexico are: (1) philosophy on the Government's role in economic development which discourages private foreign and domestic investment, and (2) an approach to international relations and Sino-Soviet bloc (including Cuba) subversive activities which is not always consistent with the fundamental security interests of the United States.

### I. Mexican-American Relations

Relations between the United States and Mexico are basically friendly. Mexico is traditionally wary of the influence of the United States on its political and economic life but is also pragmatic in its approach to its relations with the United States and recognizes that its future is tied closely to ours. Although Mexico vigorously insists on meticulous respect for its sovereignty and its position as an equal, it emphasizes its economically weaker position in seeking concessions and assistance from the United States or applying restrictions on United States trade or investment. Nevertheless it should be recognized that Mexico generally demonstrates a much more responsible attitude in almost all particulars than most other Latin American countries.

### II. Political Situation

The <u>Partido Revolucionario Institucional</u> (PRI), which has dominated the country's political life for thirty years, is increasingly showing signs of strain from trying to compromise widely divergent ideologies within its membership



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and from holding the reins of office so long. The PRI by our political standards is generally left-of-center, and would probably move further to the left but for the concern of Mexican leaders over the reaction of the United States and the adverse effect it would have on Mexico's ability to obtain foreign private and public capital to promote its economic and social progress. The impact of the Cuban revolution tended to polarize the political factions within the PRI and has stirred general public debate on political issues and principles. There has been an undercurrent of political strife punctuated by occasional outbursts of violence usually fomented by the Communists or Castro followers. Discontent among the campesinos because of generally depressed economic conditions in the rural sector, which were aggravated by a decline in the rate of economic growth in 1961, has been a point of special concern to the Government. The population pressures in Mexico and the economic decline have also had the side effect of swelling the flood of Mexicans seeking entry into the United States, thereby adding to our own unemployment problems.

Former President Lazaro Cardenas is the apparent leader of the National Liberation Movement (MLN) which is a front for the Communist Party. The MLN seeks to bring within its organization all of those on the far left, including the left-wing of PRI and has as a major objective exerting sufficient political influence on the President and PRI to secure the nomination of a President favorable to it in 1964. The Frente Cívico, under the acknowledged leadership of former Presidents Miguel Alemán and Abelardo Rodríguez, seeks to organize the moderate elements of the PRI as a counterpoise to the ambitions of the Communists and extreme leftists.

The Catholic Church, a political force in Mexico before





the Revolution, has sought to rally the Mexican people against Castro-Communism in a campaign under the banner of "Cristianismo, si-Comunismo, no", while at the same time protesting that its activities are strictly non-political. López Mateos is said to have had these demonstrations in mind when he said on June 7, 1961, that he would not tolerate political agitation either the right or left. He may even consider the Catholic Church a greater threat to his political position and the dominance his party wields in Mexico than the Communists and like-minded parties in Mexico.

President López Mateos personifies the present equivocation in Mexican political life, and many observers consider him weak and ineffective. However, it seems more likely that he has designed his tactics to ensure his personal control of Mexican political life to the maximum extent possible and that he is closely directing the present course of Mexican political and economic policies. Lopez Mateos has been schooled in the Mexican Revolution, which is anti-clerical in religion, paternalistic on social problems, and centralist in politics, with a strong disposition towards government control and operation of the economy. The Markian approach to economic philosophy, in which Government ownership, control or direction of the means of production is considered necessary and foreign investment is viewed as imperialistic domination of the economy has found rather wide acceptance. However, the Mexican economy is still based primarily on private initiative and most Mexican leaders can be regarded as non-Communist in outlook.



#### III. Economic Situation

The Mexican economy experienced spectacular economic growth over the last two decades but the annual economic growth rate levelled off in 1956 to around 5%, and dropped to 3.5% in 1961. Gross national product is about \$12 billion. Per capita income in Mexico is about \$300, but the average in Mexico City, Monterrey and the cities bordering on the United States is \$600 or more. Manufacturing has gradually increased as a component of GNP and in 1961 accounted for 25.7% of the total. The contribution of agriculture to GNP has dropped to 20.3%, but 53% of the population is engaged in agriculture. Commerce accounts for 20.8% of GNP and other activities 33.2%.

With a population growth rate of over 3%, per capita growth rate in Mexico in 1961 was near 0. The levelling off of the growth rate over the last several years to an average of 5%, and the sudden drop in 1961, can be traced to a decline in private investment, which for the first time in twenty years fell in absolute terms in 1961. Public sector investment has been increasing in both relative and absolute terms and accounted for 47% of all investment in 1961.

Private investors have been disturbed primarily by what they consider encroachment by the Government in fields here-tofore reserved exclusively to private investors and by the Government is attitude towards Cuba and Communism. They have complained that this encroachment on the private sector is financed by taxes paid by the private sector, and by deficit financing which accounted for about 7% of government expenditures in 1961. In order to hold down the inflationary effects of its deficit financing the Government has restricted credit to the private sector. Finally, recent constitutional changes requiring profit sharing and severely restricting the



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right to discharge workers, both changes being made without any consultation with business, have led to widespread criticism and mistrust of the López Mateos administration in business circles.

The amount of private foreign investment in Mexico dropped off in 1961 to less than \$75 million, as opposed to an average of about \$100 million. In addition to the policies of the Government which have concerned Mexican investors, foreign investors have been reluctant to invest in Mexico because of a policy of "Mexicanization" aimed at having majority ownership of all private enterprises in Mexico in the hands of Mexicans. This is a policy urged by Mexican businessmen, but also encouraged by those who are opposed to foreign investment on ideological grounds.

Imprudent statements in the summer of 1960 by Mexican political leaders in support of Fidel Castro, and investors' concern as discussed above, sparked a flight of capital out of Mexico which did not slacken until September 1961. There was another large outflow in December 1961 following Mexico's vote in the OAS favorable to Cuba. Mexico lost at least \$150 million in capital flight in 1961. Mexico's foreign exchange position has suffered seriously because of capital flight. In April 1962 real net foreign exchange holdings were almost \$100 million less than in April 1961.

In June 1961 the Mexican President assured the public that he would curb political agitation in Mexico over the Cuban issue. In September 1961 he promised that the Mexican economy would continue to be developed primarily by private enterprise. In January 1962 at Punta del Este, Mexico took a public stand against the Castro regime, holding





it to be "incompatible with the inter-American system"; but Mexico refused to accept a stronger resolution condemning Cuba and excluding Cuba from the OAS. In April 1962 the Government actively sought the cooperation of private investors in the development of some 500 new industries in Mexico. This move was part of a Plan of Immediate Action to cover the remaining three years of the López Mateos administration. It calls for increasing internal gross investment from 15.5% of GNP in 1960 to 18.4% by 1965. It proposes an increase of \$200 million annually in foreign public credits over the present annual level of \$300 million. It also envisages a doubling of private foreign investment to \$200 million. These public statements and actions have helped restore confidence, but they have not been sufficient thus far to generate a resurgence of economic activity.

### IV. Foreign Policy

Internationally Mexico has traditionally sought to avoid appearing a follower of the United States. has forcefully asserted its national identity and advanced its own national policies, sometimes to the detriment of the United States, as in the case of UN consideration of Cuba in 1961. It is one of only five Latin American countries that still have diplomatic relations with Cuba. Prior to the Cuban Revolution it was almost alone in espousing an independent foreign policy within the hemispheric family, but it now apparently feels it has found a kindred spirit in Brazil, and possibly also Chile, Ecuador and Bolivia. Mexico is seeking to develop a new relationship with Brazil in which both assert an independent policy and non-alignment with politico-military blocs. Mexico insists, however, that it is not neutral in its basic commitment to the Western Christian civilization and its fundamental ideals and to the inter-American system.



A common tactic of Mexican representatives, at which they have been relatively successful in both the United Nations and the Organization of American States, is to seek compromise at the lowest common denominator on which they feel Mexico can agree. This very often results in resolutions much weaker than the U. S. desires. is only occasionally in open opposition to the United States. At the 16th session of the General Assembly the only significant issue on which Mexico voted in opposition to the United States was that of banning nuclear experiments and establishing nuclear-free areas. In the Law of the Sea Conference, Mexico took the leadership in opposing the efforts of the United States to obtain a resolution establishing the territorial sea at three or six miles. Mexico seeks a nine-mile territorial sea. At the Foreign Ministers' meeting on Cuba, Mexico opposed our efforts to obtain a resolution condemning Cuba.

### V. United States Objectives

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Our immediate objective should be to encourage such modification in policies of the López Mateos Administration as will promote more rapid economic and social progress. After considerable urging by us, the López Mateos Administration has developed a three-year Plan of Action to spur the growth of the economy. This Plan has clearly identified the requirement for substantial additional domestic and foreign private capital if Mexico is to achieve an average annual economic growth rate of 5% over the next three years. The Mexican Government has taken limited steps to adjust its policies with the objective of obtaining such investments and it should be assured of our cooperation, to the extent feasible, in achieving that objective. The philosophy which President Kennedy expressed in his speech to the





United States Chamber of Commerce is the line we should seek to have the Mexicans follow.

Although there are some cases where Alliance for Progress funds would be helpful, promises of large-scale assistance at this time unless made conditional upon greater self-help and necessary reforms would only serve to relieve the pressure on the administration to pursue vigorously its efforts to mobilize capital from private sources.

Our secondary effort should be to encourage Mexican support of our foreign policy objectives on the United Nations, Berlin, Cuba, disarmament and other issues, and to dissuade Mexico from efforts to pursue an increasingly "independent" position, which may take on some of the characteristics of non-alignment.

Third, the President may wish to consider taking up with the Mexican President specific bilateral issues which are of particular timeliness. These include: (a) our efforts to get Mexico to agree to consider promptly and dispose of numerous outstanding claims, (b) the desire of NASA to expand its tracking operation in Mexico for phases of development beyond the Mercury project, (c) our interest in improving Mexico's air traffic control system in northern Mexico as an aid to our Air Defense System, and (d) our desire to have expanded cooperation with Mexico in the control of narcotics traffic from Mexico.

### VI. Mexican Objectives

Mexico will be seeking: (a) assurances of large-scale financial assistance to promote its economic growth, (b) what it calls "just prices" for its primary products such as lead and zinc, coffee, cotton, etc., and (c) removal of



restrictions on Mexican exports to the United States. Mexico will seek such concessions while avoiding any significant commitment on its part to pursue vigorously domestic policies which would support any program in which we might agree to cooperate.

Closely linked to these fundamental objectives will be the Mexican effort -- through adroit publicity, any joint statement by the two Presidents, and otherwise -- to utilize the visit to prove to the Mexican people that the United States approves of all of the Mexican President's domestic and foreign policies. The Mexicans realize that it will be almost impossible for the United States to avoid conveying that impression without destroying the value of the visit itself.

President López Mateos will also be seeking commitments that will help him politically during the remainder of his term and focus public opinion on something else than the stagnant economic situation. In pursuance of this objective Mexico has proposed discussing Mexico's outstanding territorial claims and its claim to a nine-mile territorial sea. Actually, Mexico hopes we can accept Mexico's claims before the visit and simply have President Kennedy provide confirmation. Acceptance of the 1911 Chamizal award would provide the best single commitment of this nature for which the Mexican President could hope. Mexico will also seek definite assurances on our part regarding a program to solve the Colorado River salinity problem.

The Mexican President would prefer to avoid any discussion of Cuba. Mexican policy is to ignore the Cuban situation, because the President and his advisers believe that the Cuba problem will eventually solve itself. With

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a history of intervention in Mexico by the U.S., Mexico also feels that any acquiescence on its part on intervention in Cuba might later be used to justify interference in Mexican affairs. López Mateos will also prefer to avoid any discussion of Sino-Soviet intervention in the Hemisphere or the threat that such intervention poses to the security of Mexico, the United States or the Hemisphere in general.

### THE PRESIDENT'S TRIP TO MEXICO June 29 - July 1, 1962

### BACKGROUND PAPER

### Communism in Mexico

### Summary

Merican officials have long tried to belittly the communist problem in Mexico on the ground that the number of known Communist Party members is relatively small, and that the Mexican Revolution offers an acquate medium to satisfy the aspirations of the Mexican masses for social and economic improvement. While he communists are not numerically strong, they wield a disproportionate influence in the country by their presence in schools and universities, in the Government itself, in some labor unions and in farm associations. The administration of President Lopez Mateos has jailed some of the most active Communists when they have directly attacked the Government.

### Background.

Mexico has a significant communist problem but, in its desire to be liberal and tolerant of minority opinion, it frequently fails to take effective action to protect itself from internal communist influence and aggression. There is also a widespread belief among intellectuals and officials, apparently including the President of the Republic, that some ill-defined type of socialism is now the wave of the future. The Mexican Revolution's postulates, now largely embodied in the Constitution of 1917, are also believed by many Mexicans to be so advanced as to give their country a certain degree of impunity from the social and economic appeals of communism.

The communist effort in Mexico is two-pronged. On the one hand, there are the Mexican communist parties and front-organizations working to spread communist influence through national institutions. On the other, there is the presence of Soviet bloc diplomatic missions directing their efforts against the United States and giving direction to the national communist elements of Mexico and Central America.

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E.O. 12958, Sec. 3.5(b)

Department of State Guidelines

By NMK\_NARA, Date 12/39/78

COMPENSATION

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The parties that openly avow communist affiliation are:

The Mexican Communist Party (Partido Communista Mexicano -- PCM), of about 5,000 members and an additional 5,000 known sympathizers; this is a legally recognized political party but of insufficient strength to meet minimum membership requirements for having its candidate placed on ballots. (In the July 1958 Presidential election the PCM ran a candidate, but on a write-in basis).

The Mexican Workers' and Peasants' Party (Partido Obrero-Campesino Mexicano - POCM), of only 50 to 200 members and 600 known sympathizers, but highly vocal and claiming to represent the interests of tens of thousands of workers and peasants; a legally constituted party but too small to meet the requirements for placing candidates on a ballot.

The Popular Socialist Party (Partido Popular Socialista PPS), of about 75,000 members and an estimated 150,000 sympathizers; the personal party of Vicente LOMBARDO Toledano, long-time pro-communist labor figure; a legal party with a large enough membership to meet minimum requirements (75,000 registered members) for placing candidates on ballots for Presidential and other elections.

Finally, the National Liberation Movement (Movimiento de Liberation National - MLN), which is not a political party, but rather claims it is simply a "civic organization;" created in mid-1961 by a number of prominent pro-communists, notably ex-President Lazaro CARDENAS, the MLN is a violently anti-United States, pro-Castro organization which, for the first time in Mexico, provides a common meeting ground for all communist and pro-communist groups; members of the PCM, the POCM and the PPS have also joined the MLN, which advances claims of as high as 300,000 "members" or adherents, undoubtedly exaggerated; the PCM is making a determined effort to gain full control of the MLN.

Mexican communists probably exert their largest influence in the field of education, both at the secondary and university level. The Normal School, which prepares teachers for the public school system, is also a center of communist activity. In the University, certain schools and principally those of Economics, and Political and Social Sciences, have well-known Communists on the teaching and administrative

staffs. Among labor unions, two of the three electrical morkers' groups and the Teachers Union are Communist influenced. There are Communists employed in some Government ministries, for the most part on the working level. In the state of Nuevo Leon, the Governor is a Communist sympathizer and has appointed several aides who are known Communists.

### Recent Developments

The Government has acted decisively against Communists when the vital interests of the state have been directly threatened. In March 1959 the Communist leader of the Railroad Workers' Union was arrested during a strike that halted service on two major railroads. Two members of the Soviet Embassy were expelled from the country for alleged participation in the planning of the strike. This union leader is now serving a five-year sentence. During the height of pro-Castro student demonstrations in August 1960 attacks were also directed to the Government leader-ship. Famed muralist Alfaro SIQUEIROS, high efficer of the Mexican Communist Party, was arrested. He was recently sentenced to an eight-year term in jail.



MEXICO 1958 CARDENAS DEL RIO, LAZARO.



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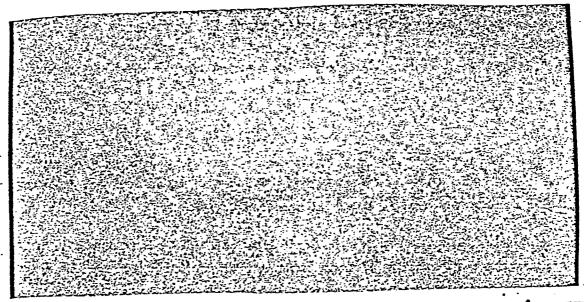
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CARDENAS del Río, Lázero (Pronounced: CAHR-deh-nahs) MEXICO

Former President of Mexico

General Cardenas, former President of Mexico (1934-40) and one of Mexico's most controversial personalities, has been indirectly, but very influentially, involved in politics for the last seventeen years. The actual extent of his present power is debatable: many Mexicans believe that he still has great influence in Mexico; while others feel that he has lost much of his power and prestige, since his activities have been rather effectively restricted by the Lopez Mateos government. With Cardenas' retirement from the army in January, however, and his withdrawal from the government's Party of Revolutionary Institutions (Partido Revolucionario Institucional - PRI), Lopez Mateos no longer has direct avenues of control over the ex-President's actions, statements and travels. However, Cardenas continues to hold the position of Executive Director of the Balsas River Development Project, to which he was named in December 1961 when President Lopez Mateos brought the six living ex-Presidents into his government.



Born 21 May 1895, into a predominantly Indian family, Lázaro Cárdenas del Río received only a sixth-grade education and began working at an early age in a printing shop. He joined the revolutionary forces of General Guillermo García Aragón in

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- CARDENAS del Río, larazo (Continued)

MEXICO

- 1913, and participated in many revolutionary campaigns, becoming a captain at the age of 18 and a general ten years later. Outstanding posts he has held include those of Military Governor of the State of Veracruz (1918); Provisional Governor of Michoacan (1920) and Governor of that State (1928-30); President of the Executive Committee of the National Revolutionary Party (Partido Revolucionario Nacional - PRN) (1930); Minister of Interior (August-October 1931); Minister of War and Marine (1933); President of Mexico (1934-40); Commander of Mexican Forces, Pacific Coast (1942); Minister of National Defense (1942-45); Executive Director, Commission for Development of the Tepalcatepec River Valley (1947-57); and Executive Director, Grijalva River Valley Development Commission (1954). In 1948 Cardenas turned down an offer of the Presidency of the UN Food and Agricultural Organization (FAO), and in 1954 offered to resign his post with the Tepalcatepec Commission, after criticism and allegations charging misuse of funds; his resignation was not accepted by the then President, Ruiz Cortines. From October 1958 to February 1959 he made a world tour which covered many Western and Iron Curtain countries, including the USSR and Communist China.

He was listed as a vice president of the World Peace Council at the World Peace Congresses at Helsinki (August 1955) and Stockholm (July 1958) and sponsored the Latin American Conference for National Sovereignty, Economic Emancipation and Peace at Mexico City (March 1961). An organizer of the January 1962 "People's Conference" at Havana, he was prevented from attending the conference by the Mexican Sovernment which declared that if he went to Cuba he would lose his Mexican citizenship. Previously, in April 1961, Cardenas had arranged to fly to Havana to assist in the defense of Cuba at the time of the Bay of Pigs invasion but (reportedly, by direct order of the President) the aircraft which he had chartered was not permitted to take off.

General Cardenas is married to the former Amalia Solorzano, by whom he has a son, Cuauhtémoc, an engineer in his mid-twenties; he also has an illegitimate daughter, Alicia, believed to be in her late twenties or early thirties. He speaks no foreign languages.

June 1962

