

# Mexican Businessmen Seek New Understanding with the United States

Trade with the U.S. is fundamental to Mexico's economy. The relationship is complex and is conditioned by issues of foreign policy, drug traffic and undocumented workers, for example, which are outside the realm of economics. In addition, cultural differences exist between these neighboring trade partners which often cause misunderstandings and distorted perceptions. *Voices* interviewed a leading Mexican businessman for his points of view on U.S.-Mexico relations. René Ortiz is a member of Canacindra's (National Chamber of Manufacturers) Board of Directors and was interviewed by Jorge Luis Sierra.

*Mexican industrialists have come to the conclusion that an atmosphere of respect and shared opinions should exist in commercial relations between Mexico and the U.S. Trade should in fact exist as a means to favour peace and progress and not as an element of discord between commercially powerful countries and as a way for these to exert pressure on developing countries.*

René Ortiz, a Mexican businessman, has been on the Board of Canacindra, one of the most influential business organizations in all Mexico, for six years. At the moment, as President of the Special Commission for Bilateral Affairs, he participates in all commercial deals Canacindra makes with foreign countries. He also represents Canacindra at the government's Foreign Trade Department.

His statements focus on the possible danger of deteriorating commercial relations between Mexico and the U.S. What is more, he is definitely against some in the U.S. who wish to sanction the question of drugs, undocumented workers and foreign debt with commercial retaliations. Yet he is also clearly representative of many Mexican industrialists in his desire to come up with new proposals and to further understanding between these two countries.

According to René Ortiz, a shareholder in a number of corporations which produce capital goods both in Mexico and Central America, trying to get Mexico and the U.S. to reach some sort of trade agreement has not been too much of a success. Protectionism, goods eliminated from the Generalized System of Preferences, bans on certain imports or tax increases on things such as petroleum are problems that can be solved by means of a general agreement that establishes special negotiation strategies for each case. Relations with the U.S. —says Ortiz— are vital not only for the future of industry but for Mexico's future as well.

**As head of Canacindra, could you tell us about your experiences as a businessman regarding trade issues with the U.S.?**

The need to create a specific department to deal with bilateral affairs appeared seven years ago. The most important country we had to work with was obviously the U.S., and I say obviously because between 65 and 70 per cent of all our trade exchanges take place with the U.S. So Canacindra established this Commission for Bilateral Affairs, as it was generally felt that Mexican industrialists weren't consulted on many of the agreements reached. Also, we needed to know more about the problems in this sort of situation. We began by pinpointing the ones which affected our industry and we have been dealing with them in Canacindra's Foreign Trade Department.

## What Is Canacindra?

Mexican businessmen are organized in chambers. Every industry has its own association and these are then grouped in confederations. The National Chamber of Manufacturers (*Canacindra*), created in 1941, is one of the most powerful and important industrial organizations. It has 76 thousand members and is divided in 68 districts which include most of the country except the states of Nuevo León and Jalisco. There are various different types of industries such as foodstuff, furniture, automobile, capital goods, paper, chemical, building and metal industries grouped together in *Canacindra*.



**This Commission for Bilateral Affairs was created when the present economic crisis was just beginning. What premises do you use now when working on commercial relations between Mexico and the U.S.?**

We've worked very hard at this. As I've already mentioned, this relationship is vital for us. We really believe relations with the U.S. are central for our future, not only for industry but for Mexico as a whole. Because of the crisis we are going through in developing countries, plus the serious deficit the U.S. has, commerce is frankly very difficult and more and more problems tend to appear.

There doesn't seem to be much hope for a rosy future. In fact, friction and problems will most surely continue to arise. Therefore, as businessmen it is our responsibility to try and understand our times so as to further the interests of Mexican industry.

One of our basic principles is that the U.S. must understand that trade between our countries has nothing to do with other problems we may have. If Mexican industry is to sell and develop, it is of the greatest importance that the developed countries don't close their markets to our goods.

**Which are the other problems you just mentioned and how do they affect commercial development?**

There are extremely important issues which don't always appear to be the same. To be quite frank, the basic issue is the pressure the U.S. exerts on Mexico. It is so evident that we have all read about it in the newspapers and sensed it in our daily activities. We are constantly feeling this pressure which stems from problems which have nothing to do with trade activities. The most serious issues are the recently applied Simpson-Rodino Immigration Bill, the pressure exerted because of drug traffic, the commercial demands present in the agreements with the International Monetary Fund and the pressure of protectionist measures which empower those in charge of U.S. commercial issues to reduce imports.

The foreign debt is important because it affects commercial issues. And I say affects because in the agreements reached regarding the financing Mexico needs, a commercial opening was demanded. Obviously, this financial fix we're in is placing an additional pressure on the national situation.

The other important source of pressure is the drug question. A lot has been said about this in the U.S. Congress and retaliatory measures have been demanded. This has also caused a series of problems, some related to trade, as

## Profile of a Businessman



Photo by Rafael Bonilla

René Ortiz, President of Canacindra's Bilateral Affairs Commission.

René Ortiz Muñiz is a Mexican businessman, but not the traditional rough, serious and authoritarian type. He's an expert on international affairs for *Canacindra* (National Chamber of Manufacturers) and he's also on the board of many of his own firms. He started off as a businessman with the powerful ACES corporation which makes equipment and machinery. It also produces chemicals used for manufacturing industrial equipment. René Ortiz, together with other Mexican businessmen soon realized how vital it was to use the country's resources, labour and technology to produce capital goods. At present ACES is important in the consumer market and has invested and expanded in Central America. In spite of competition with U.S. firms, it has progressed technically. ACES' principal aim is to preserve the country's industry and the jobs it generates.

### Fob Imports From Individual Countries and Economic Blocks

January to September<sup>a</sup>  
(In millions of dollars)

COUNTRIES AND ECONOMIC BLOCKS	1985		1986	
	AMOUNT	%	AMOUNT	%
TOTAL	10016.5	100.0	8794.0	100.0
United States	6695.8	66.8	5764.6	65.6
Japan	529.3	5.3	534.8	6.1
LATIN AMERICAN INTEGRATION ASSOCIATION				
Brazil	393.9	3.9	233.4	2.7
	132.4	1.3	117.0	1.3
EUROPEAN ECONOMIC COMMUNITY <sup>b</sup>				
West Germany	1234.4	12.3	1320.4	15.0
France	371.1	3.7	533.7	6.1
United Kingdom	182.8	1.8	184.4	2.1
Spain	185.0	1.8	148.7	1.7
	164.3	1.6	147.3	1.7
OTHERS	1163.1	11.6	940.8	10.7

<sup>a</sup> Preliminary figures

<sup>b</sup> Spain and Portugal joined the EEC on January 1, 1986.

SOURCE: INEGI, SPP, SHCP and Bank of Mexico Working Group.



for example, the closing of the border and all the obstacles for Mexicans to enter the U.S. in 1986.

The U.S. Congresses' protectionist tendency is also a serious problem. Because of the trade deficit this country has, a group in Congress wishes to pass a number of protectionist laws, such as a tax on imported oil-barrels, a measure which was even criticized in the GATT.

**Nevertheless, it is surprising to find a trend towards an increase in exports. Tentative figures for the first two months of 1987 show a 30 per cent rise compared with that same period in 1986. This clearly shows that Mexican industry has a strategy for dealing with these problems. How do you deal with this pressure? What strategies do you use?**

I'm pleased about this increase in exports. I think it's a good thing. But we also have to take a look at the problems we are living through here in Mexico. We must carefully analyse what is causing this increase in exports. Whether it is due to an increase in production, a greater degree of efficiency, or whether it is caused by a drop in the Mexican consumer market.

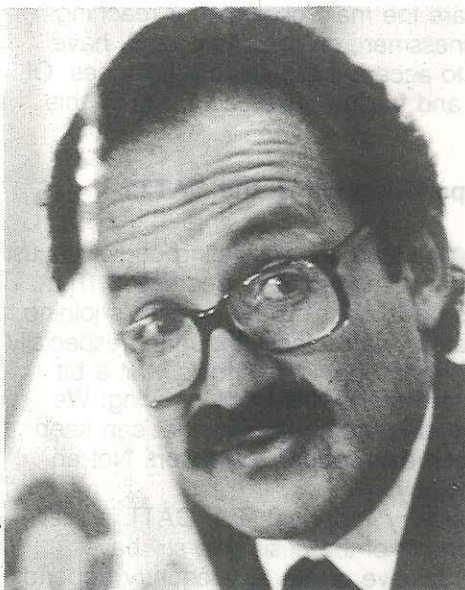
To put it clearly, we may be selling what people here in Mexico can't buy, we may be sending goods out of the country at very low prices, without really having created a profitable market for them. I believe that unfortunately, all these exports are due, not to a stronger industry but to a series of other factors, for example, the undervalued peso and the drop in the consumer market. We are forced to export these goods. I think we must analyse this and find a reason for these figures. According to the National Foreign Trade Bank (Banco Nacional de Comercio Exterior) exports totalled 9.904 billion dollars in 1985 and 7.583 billion dollars in 1986. That means that there was a drop in exports to the U.S.; this is an interesting point to consider.

Now, what strategy do we, in Canacintra, believe should be put into practice to cope with the problems we mentioned before? I think that this is a very complex question because it involves relations between two independent countries that must respect each other. In this case the basic thing is to come to some sort of understanding, to create an undercurrent of understanding between Mexico and the U.S. When foreign businessmen (including those from the U.S.) visit our country, we ask them to take a look at what Mexico really is, to see what we are like. It has been a pleasant surprise to discover that the people who come into contact with Mexicans go home with a different view about this country.

Obviously this contact is going to result in a series of consultation

**Protectionist trends will start to disappear if we can get the United States to understand Mexico's position.**

Photo by Francisco Mata Rosas



Juan José Moreno Sada, President of Canacintra.

Exports by Country and Economic Block				
January to September <sup>a</sup> (In millions of dollars)				
1985			1986	
COUNTRIES AND ECONOMIC BLOCKS	AMOUNT	%	AMOUNT	%
TOTAL	16123.5	100.0	11284.4	100.0
United States	9904.2	61.4	7583.4	67.2
Japan	1160.8	7.2	767.7	6.8
LATIN AMERICAN INTEGRATION ASSOCIATION				
Brazil	429.4	2.7	426.2	3.8
	219.7	1.4	115.0	1.0
EUROPEAN ECONOMIC COMMUNITY <sup>b</sup>				
Spain	2971.0	18.4	1413.5	12.5
France	1168.1	7.2	533.7	4.7
United Kingdom	628.3	3.9	272.8	2.4
	600.7	3.7	99.0	0.9
OTHERS	1658.1	10.3	1093.6	9.7

<sup>a</sup> Preliminary figures

<sup>b</sup> Portugal and Spain joined the EEC on January 1, 1986.

SOURCE: INEGI, SPP, SHOP and Bank of Mexico Working Group.



mechanisms. These can't, of course, question a country's right to protect its own interests, but they ought to help establish a mechanism for discussing measures which might also affect the other country. In this sort of situation it is very important to discuss and explain each of the steps taken, to avoid possible misunderstandings.

**This sounds like a diplomatic approach, as if the two parties involved were searching for an agreement, searching for bilateral solutions; the same thing occurs with the problem of undocumented workers. But in all these negotiations based on this sort of approach, what has actually been achieved that will favour Mexican foreign trade?**

Unfortunately, no real agreement has been reached. This sort of mechanism has not been established yet. I wasn't talking only about diplomatic spheres, about relations at government level. I was talking about relations at all levels. We industrialists have many connexions with businessmen in the U.S. There are many firms with joint Mexican-U.S. investment or which receive technology from U.S. firms. There is a lot of exchange, of understanding there. Joint-capital firms are an important example of this.

This sort of agreement results in a better understanding between people. Many of the protectionist measures stem from the very base of U.S. society, from worker unions, from farmers. They are the people who ask their government, through Congress, to pass these laws.

If we can get Mexico's position understood in the U.S., if we can persuade the people of the U.S. that it is in their best interest to have a strong, prosperous and independent neighbor, then this protectionist tendency towards Mexico will start to disappear.

**Would you say that U.S. industrialists treat Mexico differently from the way the U.S. government treats this country?**

Yes, I would say that there is a difference. U.S. industrialists have found that Mexico is good business. As proof of this I'd like to mention the great amount of joint-investment firms that exist. Many U.S. firms have successful co-investments in Mexico which work well and are good business. They've achieved an important level of production, they export to other countries and that is proof enough of the greater degree of integration between firms. Of course I think this is much more difficult to achieve between countries.

**Why? What is this difficulty?**

The problem here is the U.S.' attitude because it has grown used to being the leader of the Western world and because it is the most powerful country. Unfortunately the U.S. feels it is responsible for keeping the developing countries in check.

It is important to clarify that though we are neighbors who share geographical aspects, we are also very different as far as culture, history and character go and that we wish respect for our nationality and for our own way of looking at things. I think these differences are the main obstacle for reaching agreements at government level. U.S. businessmen, on the other hand, have come to know their Mexican partners and to accept these basic differences. Of course, certain adjustments are necessary and friction does occur, but all this can be easily solved.

**How would you sum up Mexico's participation in the GATT?**

It's very difficult to evaluate. We shouldn't start congratulating ourselves just yet on the fact that exports have increased and imports have decreased. That would be a serious mistake. Of course, this trade opening and Mexico's joining the GATT has had some effects, but they aren't particularly important, especially if we take into account the crisis we are going through. We should wait a bit longer to be able to see what's really happening with this trade opening. We want to become efficient, but for that we need a strong industry that can keep going on the internal market and yet produce extra goods for export. Not an industry which exports what Mexicans can't buy.

I think what we do in the future will be very important. The GATT in itself means neither a worsening nor an improvement of the crisis. We still have industrial mechanisms, and what we finally achieve or not as a country depends on how we use them. We chose to join the international game by becoming members of the GATT. Now everything depends on what we do here in Mexico.

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**In order for our industry to export, markets must be open to Mexican products.**

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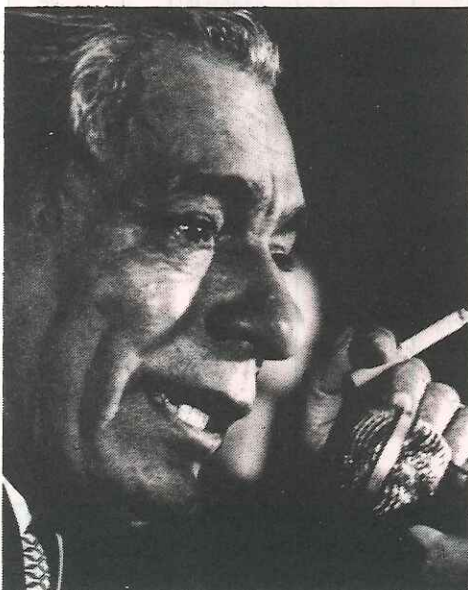


Photo by Francisco Mata Rosas

Gustavo Petriccioli, Treasury Minister.

What is basic here are the policies the industrialized countries are thinking of following. This is why reaching agreements is so important. They will allow us to find a way out for the Third World. Industrialized countries must accept their responsibility in all this. An all round understanding and what we Mexicans do right here in Mexico will determine whether we overcome our problems or not.

**What should be done regarding mechanisms to reach agreements and in relation to practical measures which would help handle relations with the U.S.?**

An agreement between Mexico and the U.S. is important to show that there is a desire to come to terms. Not all groups see eye to eye on all issues. We mentioned a protectionist trend in Congress, but the Reagan Administration has other ideas on U.S. trade, it is more liberal. Also there are different groups within Congress. This is why making contact with sectors which favour Mexico is so important.

In Congress, in the White House, in universities and technical schools, at all levels of U.S. society we find people who are very much in favour of Mexico. Workers, intellectuals, researchers, union leaders and congressmen work and use their influences in our favour. Unfortunately, we also get people who don't care for Mexico at all, who wish to pressure us. And though they are a minority, they make a big fuss sometimes. So we should come to an understanding with the people who care for us and who are working in our favour in the U.S.

Some goods were excluded from the GATT last year but it had nothing to do with trade. This retaliatory measure was the answer to the Mexican government's refusal to modify the Patents Law. That is the sort of thing we must avoid.

Regarding the bills discussed in the U.S. Congress, there are groups which are against protectionism. We should give them our support, and try as industrialists to talk to U.S. congressmen to explain how important it is for them not to take protectionist measures against developing countries. There isn't a single answer to all this. A wide agreement that would allow concrete steps to be taken should be reached, protectionist laws should be cancelled, tariff walls should be pulled down and greater frictions should be avoided. Special meetings must also be held to discuss these issues and come to an agreement.

**It should be understood that we are geographically close neighbors with huge differences in culture, history and temperament.**