

TOWARDS THE PACIFIC

It is inevitable that countries such as Mexico modify their trading practices in the light of new international relations being opened up by expanding commerce in the Pacific Basin. At stake is the national participation in next century's world community. However, the participation of developing countries in Pacific commercial relations —already dominated by the traditional North American powers and by the new powers of South East Asia— is determined by their financial, technological and productive weakness, as well as by their own internal economic problems. Sara Alatorre informs us here about the internal implications of the Pacific Basin project for Mexico, and analyzes the role of the General Agreement on Tariffs and Trade (GATT), the foreign debt, and above all, their repercussions on the standard of living of our population.

In an attempt to diversify and widen its commercial relations with a larger number of countries, Mexico now opens its doors to the Pacific Basin and thus inaugurates an unprecedented stage in its foreign commerce.

Seen from within by the Mexican businessman as a step towards the future, the Mexican incorporation into the Pacific is part of a modernization policy that, announced since the end of the last administration, constitutes one of the pillars of the administration of President Carlos Salinas de Gortari.

The less optimistic social sectors of the country fear that the commercial aperture may not be advantageous for Mexico, in that the country neither has the infrastructure capable of

We glimpsed the future of the Pacific region as fulfilling an important role in next century's economic and political changes

responding to the challenge presented by the competition with developed countries nor a strong tradition of exportation. At any rate, the new strategy of the Mexican government in terms of world economic exchange was shaped in 1986 with the passing of the Law of Foreign Commerce, and it began to be expressed in practice with the country's participation in the General Agreement on Tariffs and Trade (GATT). After only one year of participating in the

Pacific project, there are questions and expectations about the results for Mexico from this commercial aperture as well as regarding the meaning of changing international relations.

The Mexican Commission on the Pacific Basin

More than 15 years ago, when the idea that we live in a world of interdependence began to gain acceptance, the Pacific project began its work in a reunion held in September 1980 in Australia, in the first Conference on regional economic cooperation. Since then there have been five more reunions but it was not until the last one that Mexico proposed participating in this project. Thus, on April 15, 1988, our country formed the Mexican Commission on the Pacific Basin.

In forming this organism, considerations regarding the need to diversify economic international relations in order to conserve sovereignty were taken into account; also, we foresee that the pacific region will play an important role in next century's political and economic changes. And, above all, we consider that the most important world markets are to be found in this zone, to which Mexico could export hydrocarbons and manufactured products, among others, and conduct shared investments and touristic exchanges.

The Mexican Commission is formed by representatives of the following sectors: government, social (business people and organized labor) and academic (National University of Mexico and the College of Mexico). The

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academic participation is an indispensable endorsement for consulting, staff formation, and theoretical and ideological backup.

This tripartite Commission has participated as an observer in the six conferences on the Pacific Basin held since 1980 to date; all of these have been meetings of 90 interested countries.

The Mexican Commission on the Pacific Basin proposed, since its creation, and taking into account previous

discussions, a work plan based on the country's realities, its needs and expectations, and it has approached the analysis of Mexico's relations with each country of the region. The proposal includes the formation of a center for interdisciplinary studies by the academic sector, intended to function as a research body. The Commission divided its program of action into the following five large sections: financial diagnosis, domestic investment, foreign investment, natural resources, and research.

At the same time, this tripartite commission should propitiate the short and long term strengthening of Mexico's political, economic, and cultural relations with the countries of the region through the sustained exchange of information and has

SOME SOCIOECONOMIC INDICATORS OF THE PACIFIC BASIN COUNTRIES

Country	Population (millions)	Per capita income (US dls 1985)	Exports (Billions of dollars)	Imports (Billions of dollars)	Trade Balance (Billions of dollars)	Foreign debt (Billions of dollars)	Surplus (+)/ deficit (-) with the United States
<i>Association of SE Asian Countries</i>							
Indonesia	165.4	510	14.8	10.7	4.1	37.0	n.d.
Philippines	56.0	560	4.8	5.4	-0.6	27.8	n.d.
Thailand	52.6	810	8.8	9.2	-0.4	15.0	n.d.
Malaysia	15.9	1 860	13.9	10.8	3.1	19.0	n.d.
Singapore	2.6	7 420	22.0	25.3	-3.3	0.0	+ 1.3
<i>NE Asia</i>							
Japan	121.5	16 300	211.0	127.0	83.0	n.d.	+ 59.0
South Korea	41.6	2 370	35.8	32.3	3.5	39.0	+ 7.5
Taiwan	18.0	3 230	39.8	24.2	15.6	11.6	+ 13.4
Hong Kong	5.5	6 330	34.5	34.9	-0.4	0.9	+ 8.1
China (Pop Rep.)	1 054.8	280	31.1	43.2	-12.1	7.0	-
<i>Australasia</i>							
Australia	16.0	11 630	22.6	26.2	-3.6	39.5	-2.6
New Zealand	3.2	7 592	5.9	6.0	-0.1	n.d.	n.d.
<i>North America</i>							
Canada	25.6	11 673	89.7	85.6	5.6	n.d.	+ 11.0
United States	241.6	17 400	224.0	369.0	-145.0	n.d.	-
Mexico	80.7	1 850	16.0	11.4	4.6	101.4	+ 3.1

Source: FMI, International Financial Statistics, July-87 & Dec-86 The World Bank, World Development Report, 1986; World Financial Markets, The Asian NICS and US, 1/1/1987; World Financial Markets, LDC debt: debt relief or market solutions, Sept. 86 Published in *El Mercado de Valores*, No. 5, March 1, 1988, pp. 12.

the power to request full cooperation of state governments within the country. In formal terms such are the objectives of the Mexican Commission in charge of affairs related to the country's incorporation into the Pacific Basin project.

Diversification of Exchanges

It is said that one of the principal considerations regarding the country's entrance into the Pacific Basin was the need to diversify trade exchanges. Currently, Mexico conducts 70% of its trade with the United States, 10% with Japan and about 5% with Canada. By typifying the nations that compose the region, it can be seen that they are quite diverse and with widely varying economic perspectives; thus, we can set to rest the myth of homogeneity. However, economic and commercial exchange with other Pacific countries is marginal and is it likely that it will continue to be so, among other reasons due to the distance of the Asiatic countries and the lack of competitiveness of Mexican products.

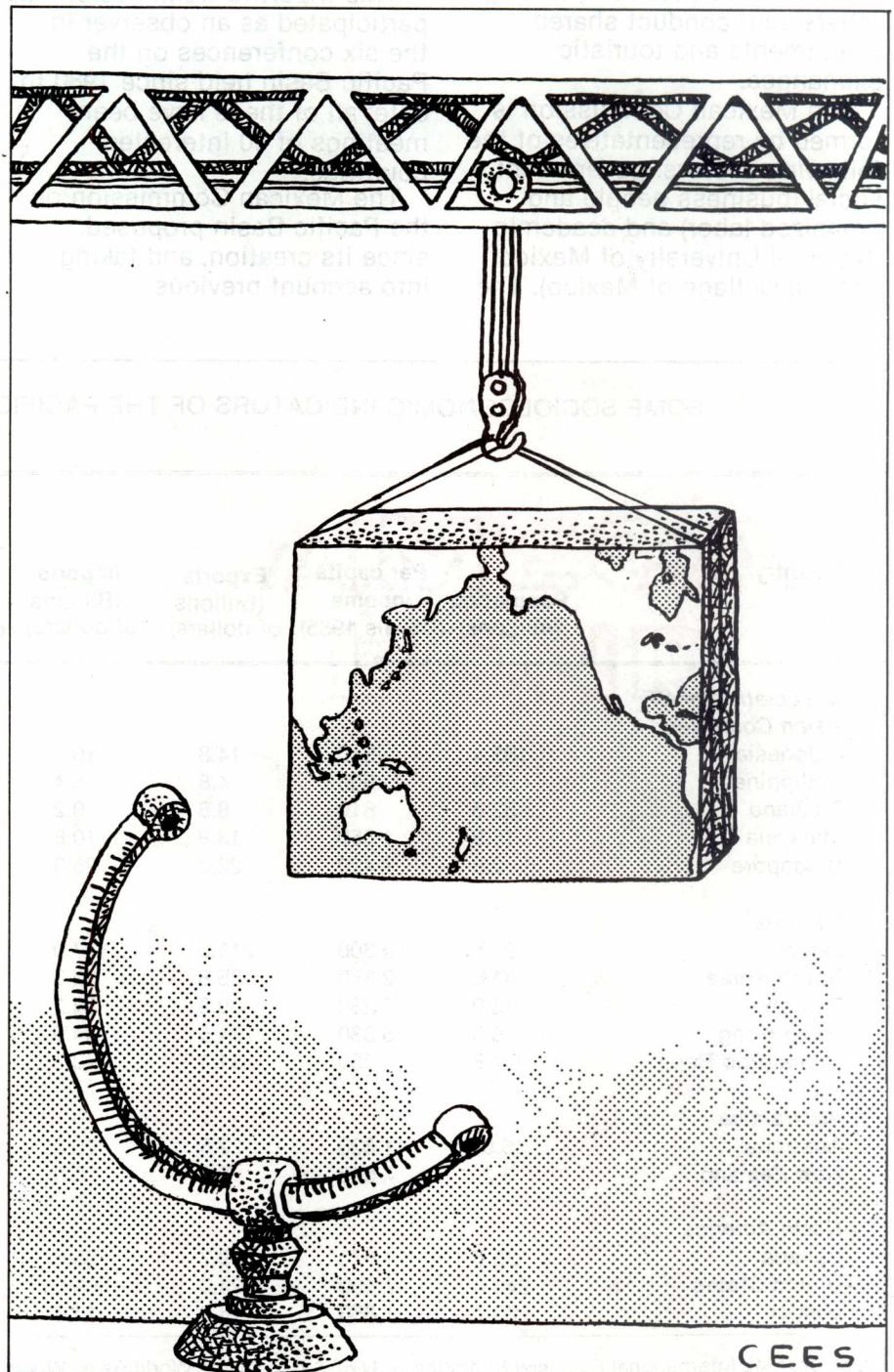
A de-capitalized Mexican industry would have to face a relationship of equality with countries possessing a high degree of technological speculation and automation of its productive process

Mexico has 7000 kilometers of Pacific coastline and four important ports which are the following: Salina Cruz, in Oaxaca; Acapulco, Guerrero; Lázaro Cárdenas, Michoacán; and Manzanillo, Colima. The export possibilities include principally raw materials (petroleum, zinc, salt) and manufactured products, while

the large majority of imports are non-perishables, high technology, and capital goods. To this we can add the large majority of countries which export raw materials and which are becoming food importers, especially of grains, which are mostly harvested in the highly developed countries. Besides, the economic and international tendency is towards an increasing transnationalization:

multinational companies today control 40% of world commerce and 30% of production, and are the source of about 60% of industrial investments.

On the other hand, the Mexican economy appears to be sunken in a stagnation in agriculture and industry, the weight of the foreign debt and unemployment. Inside the country there is a process of re-privatizing the economy, which



MEXICO'S EXPORTS TO SELECTED COUNTRIES (thousands of dollars)

Country	1980 (A)	1981 (B)	1982 (C)	1983 (D)	1984 (E)	1985 (F)	1986 (G)
Japan	738 217.6	412 494.7	1 171 923.3	1 534 619.2	1 903 783.3	1 718 439.3	889 183.9
China	96 174.1	169 203.0	76 880.9	58 412.1	98 677.9	85 167.2	110 357.5
North Korea	28 340.1	36 282.7	21 120.2	42 437.2	41 519.5	30 221.3	21 263.5
South Korea	15 900.2	13 239.8	11 713.9	134 819.2	157 122.4	102 556.5	80 197.8
Australia	8 094.5	13 411.0	13 086.7	7 939.8	14 879.8	18 023.5	17 061.6
Indonesia	5 676.4	6 643.2	3 011.7	6 727.1	2 298.8	2 319.3	1 296.5
Philippines	5 621.4	88 920.4	29 295.2	76 627.9	765.2	4 221.0	5 250.8
Hong Kong	3 818.9	7 611.5	5 040.5	19 248.1	24 921.6	15 002.2	11 154.6
Malaysia	1 963.9	786.8	3 411.8	4 368.1	3 700.7	1 522.2	1 614.7
Singapore	1 438.0	2 488.6	1 227.2	2 147.2	4 360.3	7 482.4	2 625.3
New Zealand	963.1	1 740.1	1 498.6	3 100.6	7 145.8	9 291.4	6 995.9
Thailand	738.5	9 160.9	1 813.2	12 057.5	16 882.5	24 836.4	33 250.7
Taiwan	0.0	1 386.2	1 953.7	6 310.9	3 430.3	2 162.7	11 285.7
Total of selected countries	906 945.7	763 368.8	1 441 976.9	1 908 814.9	2 279 398.7	2 021 245.5	1 191 538.5
TOTAL	15 441 685.8	19 362 614.0	21 053 630.6	21 774 776.6	23 578 407.2	21 722 898.3	16 195 478.4

Country	1987	Variations in percentages					
	Ene.-Jul.	B/A	C/B	D/C	E/D	F/E	G/E
Japan	759 493.0	-44.12	184.11	30.95	24.06	- 9.74	- 48.26
China	74 535.9	75.93	- 54.56	- 24.02	68.93	- 13.69	29.58
North Korea	23 912.1	28.03	- 41.79	100.93	- 2.16	- 27.21	- 29.64
South Korea	30 441.8	-16.73	743.77	20.68	16.54	- 34.73	- 21.80
Australia	9 282.3	65.68	- 2.42	- 39.33	87.41	21.13	- 5.34
Indonesia	3 098.0	17.03	- 54.66	123.37	- 65.83	0.89	- 44.10
Philippines	4 034.4	1 481.82	- 67.05	161.57	- 99.00	451.62	24.40
Hong Kong	19 292.5	99.36	- 33.78	281.87	29.48	- 39.80	- 25.65
Malaysia	2 094.1	-59.4	333.65	28.03	- 15.28	- 58.87	6.08
Singapore	2 208.7	73.07	- 50.69	74.97	103.07	71.60	- 64.91
New Zealand	7 801.6	80.68	- 13.88	106.90	130.47	30.03	- 24.71
Thailand	26 131.4	1 140.55	- 80.21	564.98	40.02	47.11	33.88
Taiwan	935.0	-	40.94	223.02	- 47.07	- 35.25	421.83
Total of selected countries	963 710.9	-15.83	88.90	32.37	19.41	- 11.37	-41.05
TOTAL	14 541 740.0	25.39	8.73	3.43	8.28	- 7.87	-23.45

SOURCE: SHCP, DGAHI. Information System on Foreign Commerce.
Taken from *El Mercado de Valores*, No. 5, March 1, 1988.

implies reducing the State's participation in the productive sectors. At the same time, the country is going through serious regional and social disequilibrium with marked social inequalities. By way of example, during the present decade, the exchange price of products has deteriorated 16.4%; interest rates to creditors are nine times that of the previous decade; the net payment of utilities and interest

on the foreign debt surpasses 28 times the net entrance of capital into the country, all of which are factors that together propitiated

The Pacific region has 46.5% of the planet's population, 50% of the Gross Internal Product, and 40% of world commerce

the net transfer of resources outside the country to the tune of 51.4 million dollars from 1982 to 1987, a figure that represents 35% of the total transferred from all of Latin America to the rest of the world.

In summary, a de-capitalized Mexican industry in the Pacific Basin would have to face a relationship of equality with countries possessing a high degree of technological speculation and automation of

COMMERCIAL BALANCE OF MEXICO WITH SELECTED COUNTRIES
(thousands of dollars)

Country	1980 (A)	1981 (B)	1982 (C)	1983 (D)	1984 (E)	1985 (F)	1986 (G)	1987 (JAN-JUL)
Japan	-280 107.9	-792 285.1	474 305.1	1 161 887.8	1 385 267.1	980 678.6	181 388.7	305 342
China	29 201.8	54 047.4	18 916.7	47 009.5	72 019.1	24 252.5	63 107.6	50 581
North Korea	26 463.8	28 270.8	208 100.2	42 239.4	39 709.3	27 444.3	12 448.7	15 093
South Korea	-16 876.0	-10 482.4	88 512.44	113 110.3	139 184.7	90 374.6	62 271.9	16 013
Australia	-24 625.0	-28 065.9	-4 234.7	-1 377.7	-33 212.0	-62 071.4	-18 430.0	-1 328
Indonesia	-6 296.4	-8 431.9	-15 911.4	-12 282.0	-9 358.3	-7 575.3	-13 982.8	-7 453
Philippines	-2 281.7	86 432.8	24 988.4	57 267.0	-1 295.7	-3 039.3	4 049.4	2 887
Hong Kong	-40 136.9	-75 797.4	-64 315.1	14 498.1	17 308.0	2 091.7	-3 043.3	7 936
Malaysia	-9 478.8	-16 076.3	-1 701.4	1 061.5	209.3	-3 104.3	-12 264.8	-6 862
Singapore	-33 945.4	-18 809.6	-9 600.9	-8 336.3	-14 829.3	-14 232.6	-13 050.3	-5 644
New Zealand	-21 654.1	-28 307.1	-32 360.8	-13 837.2	-28 766.8	-28 655.3	-14 362.4	-3 194
Thailand	353.5	8 868.1	1 715.4	11 746.7	2 793.2	16 236.8	32 913.6	25 929
Taiwan	-869.6	-10 588.5	-3 374.7	5 481.2	2 502.8	-1 770.4	9 518.3	-93
Total of selected countries	-380 252.6	-811 225.2	497 749.3	1 418 467.9	1 571 531.4	1 026 708.7	290 544.5	399 207
TOTAL	-3 433 470.6	-3 333 725.8	6 754 976.7	13 225 127.9	12 318 010.7	8 286 271.9	4 053 477.6	5 957 908

SOURCE: SHCP, DGAHI, Information System on Foreign Commerce Taken from, *El Mercado de Valores*, No. 5 March 1, 1988.

It is an undeniable fact that Mexican rapprochement to the Pacific region will proportionally distance it from integration with Latin America

its productive process. While Japan and the United States possess sophisticated productive processes with a high degree of automation, countries such as South Korea and Singapore, among others, sustain a productive rhythm implying high social costs.

Private Sector and Infrastructure

The Pacific is seen by the private sector as a "long range concept". Businessmen do not scorn the fact that the Pacific zone has 46.5% of the planet's population, 50% of the gross internal product, and 40% of the trade. And they propose that it is indispensable that we increase our exports. The commercial entrance requires that the internal and external market be considered as one only, and as one that the companies should

GEOPOLITICAL AND ENERGETIC POSITION OF THE PACIFIC BASIN COUNTRIES
(Not including Antarctica)

ECONOMIC CATEGORY	COUNTRIES	NATURAL PETROLEUM RESOURCES	PETROLEUM INVOICE	DEPENDENCE ON LIQUID HYDROCARBONS	RELEVANT POSSESSION OF OTHER SOURCES OF STRATEGIC ENERGY
<i>Highly developed</i> 1. exporters	USSR	widely extensive	exporter	73%	coal, uranium, gas, peat, water
	USA	extensive		84%	
<i>Developed</i> 1. self-sufficient & occasional exporters 2. self-sufficient & occasional importers 3. importers	Canada	sufficient	balanced	82%	coal, uranium, gas, water
	Australia	sufficient	balanced	83%	
	Japan, New Zealand	non-existent	importers	93-100% depending on the case	
<i>Neo-industrialized countries (nics)</i>	Taiwan, Hong Kong, South Korea, Singapore, Philippines	non-existent	importer	95-100% depending on the case	nothing important verified
<i>Developing</i> 1. exporters 2. importers 3. self-sufficient	China, Mexico, Indonesia, Ecuador	extensive	exporter	70% for China; 90-95% for the rest	none shown to be important Mexico: gas and geothermal; China: all
	Chile, Colombia	very limited	importer	95% Chile, 89% Colombia	
	Peru	sufficient	balanced	94%	
<i>Importers, low development</i>	all those remaining	non-existent	importer	95-100% depending on the case	nothing important verified



International port in Manzanillo, Colima. Photo by Marco A. Cruz/Imagen Latina

attend to with equal efficiency.

But it is not only a question of will; we need a more vigorous expansion of exports in order to obtain the necessary resources so that financial institutions may grow. This supposes that higher levels of competition must be reached, in particular in the field of manufactured goods. It includes as well, the development of our own technologies. In the same fashion, technological development should be the basis for economic growth in order to avoid that commercial and economic integration of the country is achieved in dependent and subordinate terms.

For the time being, the possibility of sustaining or increasing exports depends largely on port infrastructure. According to the Commission of the National Coordinator of Ports, in Mexico any stowage manoeuvre takes between five and ten times the time it takes in the United States due to the lack of port modernization. Only 11 of the 75 ports that exist in the country are used in foreign trade operations, of which only the four previously mentioned (Salina Cruz, Acapulco, Manzanillo and Lázaro Cárdenas) are located on the Pacific.

As has already been mentioned, public investment has been drastically restricted during the present

administration, and the existing infrastructure has not been greatly modified. With some exceptions, the network of paved roads is the same as it was six years ago. The out-of-date railroad network (80% of which dates from the beginning of the century), has not been modified for a decade and suffers a great lag in technology and equipment, and is noted for its inefficient service. As for the airports, only 10 of these in the whole country have adequate requirements for an intense traffic in merchandise.

The history of commercial relations between developed and under-developed nations is one of inequality and subordination

Economic and Geo-political Integration

Of course, the Pacific Basin constitutes, above all, a wide framework in order to increase and diversify Mexico's foreign trade. The first steps have been taken, Mexico has the political will, and the mechanisms of incorporation are being

formalized in the Commission created for this end. However the obstacles, limitations and requirements are also evident.

Independently of the considerations of an exclusively economic character, some scholars who are closely following the commercial participation of Mexico in the Pacific Basin are making recommendations regarding the geo-political aspects of the phenomenon. An incontrovertible fact is that the Mexican rapprochement to the region will proportionally distance it from integration with Latin America, a traditional relationship in our foreign policy until a few years ago. Also, "for those who observe from Latin America, the nature of the problems and the protagonists in the Pacific scenario are familiar: dependence, material and cultural despoilment, social destruction due to economic and political reasons, racism, violations of human rights, the ethnic and indigenous problems," says Susan B.C. Delvalle, researcher at the College of Mexico.

On the other hand, the rise of Japan as a financial power in the present decade has been felt in our country. Japan has accumulated financial surpluses which convert it into the largest world creditor. The governments of Mexico and Japan formalized the first agreement on the

application of financial protocol last November with Eximbank. The sum of 500 million dollars that came into the country due to this agreement were earmarked for the continuation of the so-called Pacific Petroleum Project. Of this sum, 50% was received in March last year and the rest was programmed over the next 18 months. The program will conclude in about three years and the total investment will be above 700 million dollars, of which 200 million will come from the Mexican Petroleum Company (Pemex). The project includes the construction of an 267 kilometer long pipeline, which will go from the Gulf of Mexico to the Pacific. The pipeline will transport light, medium and heavy petroleum for export to the Oriental markets. The project also includes the construction of storage facilities for crude oil in the Gulf of Mexico and in the Pacific region.

There is nothing that indicates the existence of a true spirit of north-south co-operation, except for the strengthening of economic structures where the incipient industrialized countries continue to respond to the interests of the industrialized states

Conclusion

The history of commercial relations among the developed and underdeveloped countries is full of examples of inequality and subordination. Today we speak of "increasing interdependence", of "qualitative change in international relations", and the participants in such changes are dressed in a halo of equality.

In effect, the international

economy suffers modifications due to changes occurring among the actors. Such is the case of the Japanese economic expansion, that today competes in a condition of equality with North America. But, under the surface of these modifications, there may not be many favorable changes for the economies of countries which, such as a Mexico, suffer from stagnation.

There is nothing that indicates the existence of a true spirit of north-south cooperation, except for the strengthening of an economic structure in which the incipient industrialized countries continue to respond to the interests of industrialized nations, with a consequent deterioration in the prices of raw materials, an increasing toughening of the protectionist instruments of the United States and Japan; and this in the face of the inevitable development of capitalist competition between these two countries. □