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THE OUTLOOK FOR MEXICO

Submitted by the

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Concurred in by the

INTELLIGENCE ADVISORY COMMITTEE

on 13 August 1957. Concurring were the Special Assistant, Intelligence, Department of State; the Assistant Chief of Staff, Intelligence, Department of the Army; the Director of Naval Intelligence; the Assistant Chief of Staff, Intelligence, USAF; and the Deputy Director for Intelligence, The Joint Staff. The Atomic Energy Commission Representative to the IAC and the Assistant Director, Federal Bureau of Investigation, abstained, the subject being outside of their jurisdiction.

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THE OUTLOOK FOR MEXICO

THE PROBLEM

To estimate the situation and probable developments in Mexico over the next few years.

SUMMARY AND CONCLUSIONS

1. Unlike most states in Latin America, Mexico has in recent years developed a reassuring degree of political maturity and economic viability. Organized along federal lines, the country is in fact run by an administration which is highly centralized and controlled by a president elected under virtually a one-party system. The party is organized in such a way as to be responsive to most of the important groups in the country. In addition, it has gained wide support through a moderately progressive program of economic and social improvement.

2. The political outlook is one of continuing stability and moderation. This pattern is supported by the small but rapidly growing middle class which is exerting increased political influence. Although there is still strong contrast between the poverty of the majority and the wealth of the few, labor has so far accommodated itself to the government's program of balanced economic development. The army, which does not play an active role in politics, accepts the constitutional processes.

National elections are scheduled for July 1958, when the presidential candidate selected by the incumbent (Ruiz Cortines), in consultation with the two ex-presidents (Aleman and Cardenas), is virtually certain to be elected.

3. The economic outlook is also good. Minerals continue to be an important export, but in recent years the increase in the export of cotton and coffee is especially noteworthy. In 1956, the latter accounted respectively for 45 percent and 15 percent of total exports. The bulk of Mexico's foreign trade is with the US. In the last few years tourism has made up the deficit in Mexico's balance of payments.

4. The Mexican government adopts a tolerant attitude toward Communism. This toleration, which in large part reflects the combination of liberalism and Marxist socialism of the Mexican Revolution, would probably change if Communism became a serious internal threat. While Bloc activities in Mexico are on

the increase, the local Communist movement is only a negligible factor in the country's political life.

5. Mexico supports the idea of hemisphere defense. However, unless Mexico considered that its national security were threatened, it probably would not agree to the use of its territory by US forces.

6. Mexico will face certain economic and political problems during the next few years:

a. In the economic field Mexico will have to contain incipient inflationary pressures. It may have difficulty in securing a continuing ready market for Mexican exports. A rapidly increasing

population will probably strain Mexico's resources.

b. Mexico is a haven for Latin American exiles and a principal center of Bloc activities in Latin America. Its tolerant attitude toward this situation will probably cause friction with other countries in the hemisphere.

c. While Mexico will remain generally cooperative with the US, there are certain sources of irritation between the two countries. The most important of these arise out of the seizure of US vessels fishing in waters claimed by Mexico, the proposed increase in US import duties on Mexican minerals, and the migration of Mexican agricultural laborers for temporary employment in the US.

DISCUSSION

INTRODUCTION

7. Politically and economically, Mexico is one of the most mature countries in Latin America. About one-fourth the size of the continental US, it is the third largest country in Latin America, ranking after Brazil and Argentina; it is second in population (over 31 million). Mexico's economy is rapidly becoming diversified. Manufacturing is now joining agriculture and the extractive industries, the hitherto traditional bases of the economy. About half of the country's inhabitants now live in urban centers. The country has natural resources of power, minerals, and timber, but economic development is handicapped by climatic conditions, rugged topography, and a limited amount of arable land. As in all semideveloped countries, there is also a lack of adequate capital and effective human resources, although Mexico is more favored in these respects than most other Latin American countries. The population is growing at the rate of about three percent per annum.

It consists mainly of mestizos and Indians, is about 50 percent illiterate, and is in poor health generally. While there is a rapidly growing middle class, there is still a strong contrast between the poverty of the majority and the wealth of the few.

8. Mexico's history in the 20th century has been marked by profound changes in the political, economic, and social structure of the country brought on by the "Mexican Revolution." This revolution, which began with the overthrow in 1911 of the 34-year dictatorship of Diaz, originated in popular resentment against domination and exploitation by an elite minority of politicians, army officers, landowners, financiers, and ecclesiastics. Fomented by intellectuals, the revolution focused on improving the lot of the lower class and the rapidly rising middle class. In ideology, it combined elements of socialist, including Marxist, and traditionally liberal concepts; it was strongly nationalistic and secular. Revolutionary leaders envisaged the

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curtailment of foreign interests, freedom from dependence on foreign capital and markets, the growth of native industry, and agricultural self-sufficiency. They also exalted the Indian heritage and sought the material and cultural improvement of the Indian and his incorporation into national life. Moreover, they were determined to reduce the role of the church and to eliminate illiteracy.

9. Political and social ferment continued for a decade after the overthrow of Diaz as the old order fought reform and the revolutionaries fought among themselves. During the twenties and early thirties, the power of the revolutionary regimes rested upon colorful and autocratic military presidents and the army. Erratic progress was made toward reform until the administration of Lazaro Cardenas in 1934, when the impulse of the revolution reached its peak. Cardenas made the first extensive effort to implement socio-economic reforms embodied in the 1917 Constitution. The role of government in the economic life of the country was expanded rapidly; the petroleum industry and most of the railroads were nationalized. Considerable progress was made in agrarian reform as many large estates were broken up into small individual farms and communal or collective holdings. Urban labor, organized under official auspices, gained substantial increases in material benefits and political power. The revolutionary educational program was intensified and the *modus vivendi* with the church, whose political and social position had been successfully attacked by the revolution, was broadened.

10. Although all Mexican political leaders feel compelled to profess adherence to the "Mexican Revolution," the aggressive and combative phases of the revolution ended with Cardenas' term in 1940. Revolutionary ideals are still loudly proclaimed, but the pace of social welfare programs has been slowed in order to expand the industrial plant, to increase production, and to check inflation. The government and certain business interests have encouraged domestic, and, to some extent, foreign capital to enter industrial and commercial enterprises. Mexicans have be-

come increasingly receptive to US policies designed to reduce tensions between the two countries, and anti-Yankee sentiment has somewhat abated.

POLITICAL TRENDS

11. *Predominant political groups.* The political life of Mexico has for several decades been characterized by one-party rule, executive dominance, and a government which, though federal, is highly centralized. The dominant political party, founded in 1929 and dedicated to the principles of the 1911 revolution, is now known as the Institutional Revolutionary Party (PRI). Although far from democratic in operation, the party has been demonstrably representative of, and responsive to, the needs and wishes of most social and economic groups. The extremely efficient party machine is organized on a functional basis both nationally and at the regional level. This functional structure comprises three organizational sectors: an agrarian, a labor, and a so-called popular group that includes the government bureaucracy, the professional classes, intellectuals, small businessmen. Leaders of these sectors play important roles in the determination of party and, to some extent, government policy.

12. It is now established that the president, as supreme executive of the nation and leader of the PRI, is the most powerful political figure in the country. Although ineligible for another term, he has the strongest voice in naming his successor, whose selection is arranged through close executive consultation with PRI leaders, especially those ex-presidents who are still national political powers (Cardenas and Aleman). The president must be responsive to the ideology of the revolution and the interests of power groups within the government, the party, and the nation, but he has the power and responsibility to make major policy decisions. The role of congress is for the most part reduced to the formality of approving the president's program. The federal courts generally do not interfere with the executive's will on major problems of national policy. Some state governors are the president's men, and local political bosses must in

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practice conform to basic federal and party policy.

13. Unlike most of its Latin American counterparts, the Mexican army has in the past 20 years experienced a considerable decline in political influence as an organization. It is a professional corps whose mission includes the maintenance of internal peace and the defense of constitutional authority.¹ The army as such does not now take an active role in politics. Nevertheless, military leaders of revolutionary background occupy important government posts, including that of Secretary of Defense. Some individual officers exert influence in the PRI both as party members and through association with leading politicians. PRI leadership, aware of the latent power of the army, probably would not select a presidential candidate not acceptable to the military.

14. Along with the decline of the role of the army in politics, there has been a gradual shift in the relative influence of the various economic and social groups who support the party. The demagogues, extremists, and revolutionary political generals who dominated until the late thirties have lost most of their power; the agrarian elements never were important, and urban labor leaders have tended to support the more moderate orientation of the government. Lawyers and civil servants have become increasingly powerful. The business community is growing in influence; it has received some encouragement from recent presidents and has come to accept, at least to some extent, the social and economic principles of the revolution. Despite competition from other groups, urban labor still plays a major role in party policy. The relations between government and labor are extremely close; aspirants to political leadership can expect little success if they are opposed by labor.

15. *Rightist opposition.* The only opposition party of any importance is the National Action Party (PAN), whose chances of winning a presidential election are practically nil. With its program of conservative economic,

political, and religious principles, it appeals largely to upper-class Catholics and to certain business interests. It has little nationwide popular following. However, in an election free from PRI manipulation, the PAN might win a sizable minority in the federal legislature and gain control of several state governorships and legislatures.

16. *Communism.* In Mexico Communism operates in a climate of toleration which stems in large part from the mixture of democratic liberalism and Marxist socialism inherited from the revolution. This toleration extends to the international operations of Communism; Mexico is one of the most important centers of administration, propaganda, and liaison for international Communism in Latin America. The local Communist movement presently is a negligible factor in the political life of the country. However, it probably would become an influential factor under conditions of grave economic and social deterioration which would check the growing force of the middle class and reverse present trends toward moderation in class relations. The local Communists have some capabilities for embarrassing the government, arousing ultranationalist sentiments, provoking public disturbances, and effecting sabotage. They have no prospect of seizing power by a coup or of gaining control through democratic procedure. Communists have obtained positions in various government ministries, notably those of education and foreign affairs, but the extent of their influence is difficult to assess. It is apparent, however, that they have been unable to arrest the orientation of Mexico's policies, which have become increasingly moderate since 1940.

17. The Communists in Mexico are divided into three groups. The Communist Party of Mexico (PCM) numbers slightly under 4,000 members, while the splinter group, the Mexican Workers and Farmers Party, has about 1,000 members. The more influential People's Party (PP), a Communist front led by Vicente Lombardo Toledano, registered about 75,000 members for the 1958 presidential election. The PP has adherents in student and intellectual circles, primarily among teachers.

¹ See Appendix on Armed Forces Capabilities.

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It is in these categories that Communist influence is most observable. The greatest numerical Communist infiltration has been in labor and agrarian organizations, notably the organized farm workers, the electrical and petroleum workers, and the federal bureaucracy. This has been of slight consequence to the whole organized labor movement, which is dominated by the progovernment, anti-Communist Labor Unity Bloc. Communist propaganda organs in Mexico have increased in number, but only reach a small segment of the population. There are numerous front groups, a few of which are of considerable importance as centers of Communist operations.

18. All three parties are tied to the international Communist movement, although only the Communist Party of Mexico admits fraternal bonds with the Communist Party of the Soviet Union. Lombardo Toledano, a frequent traveler to the Bloc, is a vice president of the World Federation of Trade Unions (WFTU) and president of its affiliate, the Communist Latin American Labor Confederation (CTAL), which has its headquarters in Mexico City. The Communist and pro-Communist organizations maintain active contacts with Communists elsewhere in Latin America, primarily in Central America and the Caribbean Republics, supplying them with propaganda, training, and travel support.

19. Mexico has no anti-Communist legislation nor a serious program to weed Communists from public office. Mexico is the only Latin American country which has failed to endorse the anti-Communist resolution adopted at the Inter-American Conference at Caracas in 1954. Since 1954 the administration has adopted a somewhat firmer attitude toward the two smaller parties and foreign Communists. On the other hand, the government tolerates within limits the People's Party probably as a counterbalance to the National Action Party, the party of the right, and as a factor contributing to the appearance of multiparty democracy in Mexico.

20. *Present government policies.* Government policy currently is dedicated to a methodical and unspectacular consolidation and

extension of the revolutionary gains of previous years. President Ruiz Cortines — competent and honest, but colorless — better characterizes modern Mexico than does the *caudillo*, the demagogue, or the radical of the earlier period. Early in his regime, which began in 1952, Ruiz Cortines announced policies aimed at improved government operations and bureaucratic reform, but little has been accomplished. Graft in Mexican governmental agencies is a widely accepted institution. It remains a burden on the country's economic life, although it has been somewhat restrained in the higher government levels. Programs of health, social welfare, and education — identified with the revolution — are permitted only moderate expansion in order to hold down government expenses and dampen inflation. The social security system has been extended to a few rural areas, and the health program has been modest. The government has made impressive outlays for education, but has barely been able to keep pace with population growth: the literacy rate has not been significantly increased. In line with the administration's anti-inflationary policies, only modest wage increases and other benefits have been conceded to labor. Although the present government has slowed the pace of social reform, this has resulted in little popular dissatisfaction thus far.

21. *Domestic political outlook.* The outlook is one of continuing stability and moderation. The national elections, scheduled for July 1958, will intensify political maneuvering, but are unlikely to cause serious and widespread unrest. Elections will be orderly and the constitutional succession of a new administration under PRI leadership is virtually certain. In the Senate and the Chamber of Deputies the PRI will assure itself an overwhelming majority, and allow a few seats to two or three opposition parties. There probably will be no major shift in policy away from the moderate course of the Ruiz Cortines government.

22. Labor and the business community are the most likely challengers to the *status quo*. Within the next two or three years labor may seek a greater share of Mexican prosperity through increased wages and other benefits,

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but it is unlikely that in the near future labor leadership will seriously embarrass the PRI by making extreme demands. The business community will persist in seeking to transform its growing economic power into political power, and probably will press for formal recognition as a sector in the PRI. However, labor and its allies within the party probably will be able to obstruct such a bid. Nevertheless, even without formal political recognition, business will continue exerting a growing influence upon the government.

ECONOMIC TRENDS

23. Mexico's economic growth since 1939 has been rapid. With the decline of internal conflict, the country was able to benefit from the general resurgence of economic activity during and after World War II. In the period 1948-1956, the volume of agricultural production rose 78 percent; manufacturing and petroleum, about 56 percent; and mining nearly 21 percent. In terms of constant 1950 prices, GNP between 1945 and 1955 grew from \$3.7 billion to \$6.2 billion, while on a per capita basis, it rose from \$167 to \$210. In 1956 GNP increased seven percent in terms of constant 1950 prices and on a per capita basis rose four percent. Agriculture contributed about 20 percent of Mexico's GNP; manufacturing, mining, and power industries, 23 percent; commerce, 29 percent; and transportation, service, and other activities, 28 percent. Moreover, problems arising from power and transport bottlenecks and other dislocations have been met more effectively than in other major Latin American countries.

24. Shifts in national economic policy have accompanied and contributed to this growth. Agrarian reform has lost its militant character, and the redistribution of lands, having proved economically disadvantageous, for the most part ceased after 1946. Since then, the government's agricultural policy has concentrated on increasing and balancing production. At the same time, the government has played an important role in the promotion of industrial growth. Increased government revenues generated by wartime prosperity permitted a considerable expansion in the pro-

ductive base of the economy. After World War II, the government devoted a larger share of its growing revenues to public investments in power and irrigation projects, rail and highway improvement, and petroleum production. In the decade 1945-1955, of total investment (about 14 percent of the GNP), 40 percent came from the government and various government agencies which own and control the petroleum industry, the highway and major railway systems, a considerable part of electric power facilities, and the major irrigation system. Private investment was also encouraged by large-scale expansion of government credit to agriculture and industry, by direct and indirect subsidies, taxes and import duties catering to domestic industry, and by the general inflationary trend.

25. Mexico's chief problem is to maintain a rate of economic growth exceeding the rapid population increase while at the same time resisting inflationary pressures. The high rate of public investment and excessive expansion of public and private credit have contributed significantly to inflation crises in 1948, 1949, and again in 1954. Living costs and wage demands became difficult problems, Mexican products became noncompetitive on world markets, industry stagnated, and imports caused severe drains on foreign exchange reserves. Peso devaluation, capital flight, and renewed discouragement of foreign investment followed. However, since the last devaluation in 1954, the government has succeeded in dampening inflation by reducing the scale of public investment, restricting private credit, and holding down wage increases.

26. Despite large manpower and resource potentials, the government will have difficulty in maintaining a satisfactory rate of economic growth. Power and transport facilities must be enlarged and improved before other production facilities can be expanded significantly. An increase in agricultural production is largely dependent on the costly development of new acreage. Moreover, investment at a rate necessary to bring expansion bears heavily on the economy, requiring a continued sacrifice of consumption levels to pro-

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vide investment funds. A disproportionate part of this burden has fallen on wage and salary earning groups through indirect taxes, controlled wages, and high profit levels. There is considerable potential for development in petroleum. However, this nationalized industry (PEMEX), because it has maintained low domestic petroleum prices, has not accumulated investment funds needed to keep its reserves, refining capacity, and distribution facilities in line with economic expansion.

27. No immediate crisis threatens the Mexican economy, although the government is faced with the problem of controlling inflationary pressures. Mexico's financial position is good. While the public debt has grown at a moderate rate as a result of borrowing for public investment, carrying charges are within the capabilities of the economy. Public revenues have mounted rapidly at a pace comparable to national income, and in 1955 and 1956 modest budget surpluses were used to reduce the debt. The 1957 budget envisaged expenditures totaling about \$600 million distributed as follows: investment, 47 percent; education, 13 percent; other social services, 11 percent; public debt, 12 percent; military, 10 percent; general administration, 6 percent. It is probable that actual revenues and expenditures will exceed the anticipated budget.

28. The country's international financial position has improved considerably since the 1954 devaluation. The inflow of foreign capital, the repatriation of Mexican capital, and modest surpluses in the balance of payments were responsible for the rise in exchange reserves from about \$200 million in 1954 to over \$469 million at the end of 1956.

29. Mexico normally has an unfavorable balance of trade. Last year this imbalance increased. The rise in imports, generated by investment programs and growing prosperity, has come at a time when the prices of imports have been increasing. On the other hand, quantities exported and export prices have not increased correspondingly. In 1956, imports totaled about \$1,070 million, of which the US furnished 78 percent; exports totaled, after adjustment for undervaluation, about \$855

million,² of which the US purchased an estimated 75 percent (including 20 percent of US requirements of such vital defense materials as antimony, graphite, lead, zinc, and cadmium). The imbalance of \$215 million was financed, as in 1955, primarily by receipts from tourism (which have been increasing) and from inflows of direct investment capital. While mineral exports are still important to Mexico, cotton and coffee have recently assumed great importance, the former accounting for 45 percent of Mexico's exports in 1956, and the latter for some 15 percent. The main imports continue to be capital goods and industrial raw materials.

30. Assuming no serious adverse shocks from outside, the outlook for Mexico's economy is good although there is some prospect for a further slow-down in the rate of economic growth. It seems likely that a new moderate government will also subordinate social reform to a policy of economic progress and emphasize economic stability along with growth. Government policies will to some extent be determined by economic nationalism. It is highly unlikely that any new government will retreat to any significant degree from the established monopolistic policy on petroleum. Any conspicuous increase in foreign investment is likely to bring about additional restrictions. There will be growing demands to raise wages and prices, to ease credit, and to expand public investment, but over the short term at least, the government will resist these pressures or neutralize them by making modest concessions. Over the longer run, these demands may develop into a serious political problem.

INTERNATIONAL RELATIONS

31. Mexico's conduct of its international relations reflects a strong desire to demonstrate its national independence. Largely as a result of having suffered foreign influence and intervention in its affairs during the 19th and early 20th centuries, Mexico is a strong advo-

² Declared export prices of metals, livestock, and agricultural commodities usually reflect undervaluation and require adjustment to reflect the actual values.

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cate of the doctrine of nonintervention of one state in the affairs of another. While seeking to avoid specific commitments in disputes involving the major powers, it is generally aligned with the West.

32. *With the US.* Although distrust of the US lingers in the public mind, as well as in the government, the Ruiz Cortines administration has been friendly and generally cooperative with the US. However, there are certain sources of irritation between the two countries:

a. The migration of Mexican laborers to the US has injured national pride, and has led to Mexican complaints of maltreatment of the workers by US employers and officials. The regulation of this traffic is now relatively effective under the terms of a "bracero agreement" which was reached in 1951, and subsequently amended. The dollar remittances of the braceros have become an important factor in Mexico's current balance of payments and the government is unlikely to press for substantial alteration of the agreement. However, it will continue to seek increased benefits for the braceros.

b. Mexico claims nine miles as the extent of its territorial waters in contrast to the US claim of a three mile limit. Both the Mexican government and the press have been aroused over the alleged violation of their waters by US fishermen. In 1956 the Mexican navy seized and fined numerous US vessels, confiscating their catch and gear.

c. The Mexican mining industry, with government support, strongly opposes the recently proposed increase in US import duties on lead and zinc and fears severe retrenchment if the increase is effected. Lead and zinc have accounted for about 12 percent of the value of Mexican exports, and 75 percent of these metal exports have been sold in the US.

d. The tolerant attitude of the Mexican government has permitted the use of the country as a center for Bloc activities in Latin America.

Combined with a certain historical antipathy for the US, these problems are both periodic causes and excuses for anti-Americanism. Mexico has rejected a bilateral military agree-

ment with the US, and leftist agitation, primarily among students, has led the government to be cautious in expanding the small US-sponsored technical assistance program.

33. Even though Mexico's cooperation within the US-Mexican Joint Defense Commission is only nominal, military relations with the US have become closer in recent years and the army has adopted US training techniques as well as US doctrine. However, the government, somewhat suspicious of US motives and sensitive to opposition from extreme nationalists, has repeatedly declined to negotiate a bilateral defense pact with the US. Short of a major war directly affecting Mexico, it will probably refuse a military agreement with the US. It probably will also continue to refuse foreign military missions. However, Mexico has recently received a \$10 million reimbursable credit for the purchase of military supplies and equipment.

34. Mexico is a signatory to the Rio Treaty and supports the idea of hemisphere defense. Realizing its strategic importance to the US, Mexico relies on US military strength for protection against armed aggression by a major power. Unless Mexico considered that its national security were threatened, it would probably not agree to the use of its territory by US forces.

35. *With Latin America.* In general, Mexico's relations with other Latin American countries are friendly. These relations have been disturbed in recent years only by occasional flare-ups of the old dispute with Guatemala over British Honduras (Belize), where the two countries have overlapping claims, and by protests of countries whose exiles Mexico harbors. Mexico has been more faithful to the widely accepted Latin American doctrine of the right of political asylum than any other country except Uruguay; as a consequence, it has long been a haven for numerous exiles, some of whom are Communists. Hence, although Mexico has not supported these revolutionary groups, it has been the center of revolutionary plotting, which has indirectly contributed to unsettled conditions in Central America and the Caribbean.

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36. *With the Soviet Bloc.* Mexico maintains diplomatic relations with the Soviet Union, Czechoslovakia, and Poland.³ Within Mexico overt activity by Bloc missions has increased markedly in recent years. However, operations designed to promote closer cultural ties through special Bloc missions, subsidized travel to the Sino-Soviet Bloc, and active binational centers have met with only limited success. Economic operations have resulted in a net increase in trade, but the Bloc's share of Mexico's total foreign trade is still negligible. Mexican officials have turned down Soviet suggestions of economic assistance. Moreover, the Mexican government and most of the press continue suspicious about ties with the Bloc; Soviet intervention in Hungary provoked a vigorous popular condemnation. In general, the Mexican government probably is wary of courting relations with the Bloc for fear its relations with the US might be adversely affected.

37. Mexico is a major base for Bloc operations in Latin America. These have included

³ The size of the Soviet Embassy, employing about 50 Russians, is second only to that of the US. The Soviet military attache staff, which has come under sharp Mexican press attack for espionage activities, was until recently the largest. The Czech Legation staff including 38 Czechs is more than double that of the Polish Legation.

support and guidance for local Communist movements and intelligence and espionage activities directed against the US. In addition the Bloc missions have been particularly active in the commercial and propaganda fields. The Poles and the Czechs have been more active in the Central American and Caribbean areas than have the Russians. Poland is the only Bloc country with diplomatic relations in Central America. Czech commercial officials from Mexico stepped up their efforts considerably in 1956, and were instrumental in promoting a sizable increase in Czech trade with a number of Central American and Caribbean countries. Moreover, Soviet commercial officials made visits throughout Latin America. However, trade between these countries and the Bloc remains negligible. Within the last two years the Soviet ambassador and members of his staff travelled to several South American countries.

38. Over the next few years, Mexico is likely to maintain a friendly attitude toward the US, and continue to support the West generally. Closer military cooperation now appears possible, but in any event will remain limited. Continued cooperation in controlling informally the acquisition of strategic materials by the Bloc can be expected. However, economic expediency may lead to a limited increase in Mexico's trade with the Bloc.

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APPENDIX

Armed Forces Capabilities

1. *Army.* The Mexican army, numbering 50,000 officers and men, is capable of maintaining internal security and of defending its borders against invasion by any Latin American power. However, by US standards its combat effectiveness is negligible. It is not likely that there will be a significant improvement in army capabilities, which are limited by the low quality of manpower, inferior equipment, training deficiencies, and low pay.

2. *Navy.* The navy's capabilities are limited to coastal patrol. Its personnel strength is about 5,500. No significant improvement in naval capabilities is likely during the next few years.

3. *Air Force.* The Mexican air force, is capable only of supporting the ground forces in maintaining internal security. Current air

force inventory totals approximately 140 piston aircraft, all of US manufacture and a number of which are not operational. Personnel strength is about 3,000 officers and men, including 328 pilots.

4. The armed forces are supplemented by three security forces: the Federal District Police (7,000 policemen), the Rural Defense Units (45,000 unpaid volunteers used exclusively as local security units), and the Federal Highway Police, all three constituting part of the army reserve. With a little additional military training, the Federal District Police would have the effectiveness of infantry and cavalry troops of the regular army. The Rural Defense Units, already military in character, would have some value as partially trained replacements for the army in an emergency.

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