The reason responsible people in both public and private sectors have made so many errors in oil policy is that they do not understand the fundamentals and dynamics of OPEC and oil markets. This is unfortunate because consuming countries can take action to mitigate a possible crisis around 1984 or 1985. What should be done includes: (1) holding private oil stocks at near capacity levels; (2) building public stocks as rapidly as possible -- now, while oil is abundant and "cheap"; (3) developing policies which will require inventory drawdown and/or penalize inventory buildup by the private sector during a crisis; and (4) utilizing public stocks during a crisis. Other contingency plans should also be developed, but these are the minimum requirements with respect to inventories.

Earlier it was stated that OPEC is a price-fixing cartel. This is the weakest form of cartel arrangement but the easiest to establish. A market-sharing cartel is stronger because quotas on output that are set to share a market are easier to monitor than prices. But the establishment of such a cartel requires the surrender of sovereignty over the exploitation of reserves. Thus far the various OPEC countries have been unwilling to surrender their individual sovereignty. That OPEC is a relatively weak cartel may surprise many; but the fact is amply demonstrated by what most people consider evidence of its strength -- that is to say, the sharp price increases of 1974 and 1979. A strong cartel would increase prices gradually in order to minimize shock effects associated with crises. A weak cartel must behave opportunistically.

The consuming countries were ill-prepared for an oil crisis in 1973 and 1974. They are ill-prepared now. It should come as no surprise if there is another severe oil crisis in 1984 or 1985. If we are caught with our inventories down and the Middle East experiences another political crisis, we may be treated one more time to an OPEC extravaganza. OPEC will again be in the center ring.

-----Albert Danielsen
The Rusk Center Briefings will be discontinued as of the end of December 1982.

We sincerely regret this development but have no other viable option in meeting budget reductions mandated by the Governor and Board of Regents.

NOTICE
Corporate insiders have been subject to stiff penalties for not disclosing corporate events which could affect stock prices while at the same time trading or advising others to trade in company stock. Over the years insider disclosure requirements expanded dramatically until the Supreme Court placed some limits on the extension of the "disclose or abstain" principle (Heller, 1982). With the truncation of growth in disclosure obligations the Securities and Exchange Commission (SEC) and other agencies are pursuing alternate and perhaps more rational, disclosure policies to facilitate efficient capital markets. The SEC has expanded the details to be disclosed by companies just entering the capital markets while relaxing the heavy routine disclosure burdens of highly public companies that are constantly subject to mass media scrutiny (Bus. Week, 2-22-82, pp. 42+). Earlier the FTC had sought unsuccessfully to require companies to report their financial activities by product lines, rather than in more generalized terms, to improve disclosure on their performance in particular product markets despite the adverse competitive implications for reporting companies.

A new dimension of disclosure was presented by the Manville Company's bankruptcy petition, which publicly declared the serious financial conditions that could be predicted for the company based on projections of the results of future litigation concerning asbestos-related illnesses (Bus. Week, 9-13-82, pp. 34+). In essence, Manville seeks to legitimize public disclosure of potential future events in order to obtain government protection from various creditors now and in the future.

In addition to these public and private efforts to increase industry disclosure to the public, evolving computer technology will enable the public to extract private information systematically through extensive cross-correlation of traditional public disclosures. Over 300 computerized data bases now permit interested individuals electronically to query a wide variety of public records, mass media information, general trade literature, and many financial analysis services focused on companies, industries, and markets. This technique of securing essentially private information by careful cross-correlation of public material has long been a major activity of the CIA and the National Security Agency. This capacity calls for a reevaluation of the need and utility of public sector regulation of private information disclosures.

The touchstones for government disclosure policies regarding business finances have long been diffuse and changing. Initially, common law concepts of fraud interwoven with moral overtones of fair play shaped these policies. As commerce among strangers grew and the morals of small communities gave way to more flexible state and national standards, the jurisprudence of fiduciary relationships guided the development of financial disclosure principles. Even these more universal concepts, however, provided uneven guides for evolving disclosure standards affecting large and small businesses as well as novice and sophisticated investors. As the forms of securities proliferated, as the disparities among participating parties increased, and as the mediums for disclosure became more efficient, conflicts in fiduciary obligations became unavoidable. Moreover, some participants desiring disclosure from the perspective of market efficiency were not well served by fiduciary principles. These inadequacies, in part, prompted a search during the seventies for a disclosure framework that would better serve the disparate interests of business, government, and the public at large.

While the merits of more enduring, utilitarian disclosure policies are obvious, many features of government alone present major barriers to progress. The SEC has already fashioned a Byzantine disclosure framework that dwells on shareholder interests, damps insider trading (now believed by some economists to be one of the most efficient disclosure methods, since insider trading is regularly reported in such publications as the Wall Street Journal), obscures the distinction between dissemination and comprehension, and underestimates the cost and complexity of organizational decision making associated with information disclosure. While the Commission is now attempting to rectify some of these problems, the burdens of previous rules and interpretations are severe impediments to prompt action. The Federal Reserve and many other agencies, for their part, have a proprietary interest in suppressing public disclosure of financial information which can stimulate short-
term speculation by investors and businesses. They do mandate extensive consumer credit disclosures, but their policies on publicizing financial information concerning specific enterprises are quite restrictive. Finally, the Congress and its associated research institutions engage daily in a massive disclosure process enhanced by analysis and adversarial debate. This should be a model for integrating diverse policies in the future, but presently the political and partisan softness behind disclosure through congressional channels erode its value. The fiscal and economic debates of the last year provide ample evidence of the routine propensity toward "selective" disclosure.

These different spheres of disclosure policies have coexisted somewhat independently, but current conditions demand they progress toward integration. Fiscal and monetary issues are now of paramount concern to the public as well as to government officials (Wall St. J., 11-8-82, pp. 31+). These issues, primarily controlled by Congress and the Federal Reserve, have a major impact on business activity and capital markets. Moreover, the eroding distinctions between banking and other commercial functions will make it difficult to maintain a duality in disclosure policies. In light of these realities, it is now, or will soon be, time to reconcile government's many different approaches to disclosure of banking operations, industrial activities, and government affairs.

While reconciliation is essential, it is not easily achieved. Debate surrounding the expansion and subsequent limitation of the Freedom of Information Act produced volumes of literature, and partisan argument in 1979 over the scope of mandated disclosures concerning U.S. business compliance with Arab boycotts of Israel illustrates the complexity of the issues and attitudes involved. More recently, the analysis of a recent SEC decision demonstrates that the pursuit of particular policies through one disclosure requirement can undermine other important policy objectives (Holler, 1982). But despite the clear difficulties associated with reconciliation, the need to achieve additional industrial and governmental efficiencies makes it imperative that efforts toward this end be initiated immediately.

The institutions and procedures involved in this process of reconciliation will materially shape the final results. Consequently, debate on these matters will at times eclipse the importance of the ultimate objective of consistency in reinforcing disclosure policies among government units like the Federal Reserve, the SEC, and Congress. Fortunately, new information processing technology will significantly limit the range of credible alternatives and give the public an opportunity for self-help, should government bickering preclude timely decisions. Even if government policymakers are unenthusiastic about these new technologies, they will no doubt see the need to embrace them, since they are central to the competitiveness of our most rapidly growing industrial sector, the services industry. Enlightened, coordinated disclosure policies should stimulate development of the services industry by presenting it with challenges already within its technical competence.


II. INTERNATIONAL ARRANGEMENTS

ECONOMIC/COMMERCIAL - EXPORT OF HAZARDOUS PRODUCTS

One of the promises Ronald Reagan made when he campaigned for the presidency was a reduction in government regulation on the exporting of certain products that cannot be sold or distributed in the U.S. because they have been banned or restricted as hazardous. In implementing that promise, the Reagan administration revoked an executive order issued by President Carter increasing government review of certain exports and ordered a cabinet-level committee to examine the regulation of hazardous exports and make recommendations for reducing the degree of regulation (Ahmed & Scherr, 1981/1982; Wash. Post, 5-27-82, pp. C1+).
Under current regulations, products considered hazardous can be exported only after U.S. officials have notified or obtained consent from the importing country. The U.S. is currently the only country following this practice (St. Louis Post-Dispatch, 8-31-82, p. A10), but that will be changed if the committee recommendations are followed. The draft proposals would lift the ban on export of products not approved for use or sale in this country and eliminate the requirement of notifying the importing country of the hazardous nature of the product. In place of notification, exporters would have to forward all regulatory information regarding their products to the Washington embassies of importing countries, along with an annual report on agency decisions.

The committee justifies these changes on economic grounds. Other countries have no similar restrictions, so that hazardous products reach third world consumers whether or not the U.S. restricts its exports. American companies that manufacture products considered hazardous by the U.S. but not by other countries have been forced into the economically undesirable position of having to move their plants, resulting in the loss of U.S. jobs and reflecting adversely on the balance of trade (St. Louis Post-Dispatch, 8-31-82, p. A10).

Another justification for decreased U.S. regulation of hazardous exports is the desire of the U.S. not to infringe on the sovereignty of importing countries. By providing relevant regulatory information, the U.S. allows other nations to make their own decisions about whether particular products should be used within their borders (Nash Post, 5-27-82, pp. C1+C2).

Proponents of U.S. regulations on hazardous products argue that less developed countries (LDCs) are not in a position to exercise their sovereignty in this area. Many developing nations do not have the capability — i.e., the funds or expertise — to regulate hazardous imports and assure their safe use. In addition, LDCs commonly depend upon manufacturers or distributors to disclose harmful effects of consumer goods. Since no international laws require uniform information disclosure or cautionary labeling, multinational corporations are free to export adulterated, misbranded, contaminated, and banned products if they choose to do so. It is questionable whether an information release from regulatory agencies can provide sufficient data for controlling imports in the case of mislabeled goods (Ahmed & Scherr, 1981/82).

The extent to which third world nations can exercise their sovereignty over hazardous imports is also limited by their economic power. For example, in 1979 a U.S.-based multinational corporation offered the government of Sierra Leone up to $25 million for rights to dispose of hazardous wastes produced in the U.S. Widespread international sentiment against the move caused it to be abandoned, but the incident illustrates the problem. In countries starved for capital resources and searching for ways to reduce unemployment, a strong tendency exists to take financial benefits and ignore the potential for future adverse effects. This is one reason developing nations have pushed for international controls on hazardous products (Ahmed & Scherr, 1981/82).

Some developing nations are beginning to regulate the importation and sale of products they consider hazardous. Bangladesh has banned a number of drugs it deems ineffective, unnecessary, or hazardous. The Pharmaceutical Manufacturers Association, a trade organization for the U.S. drug industry, has pressed the U.S. government to ask Bangladesh to alter its decree (Mother Jones, 11-82, pp. 11+). It seems questionable, based on current justifications for decreasing export regulations, that the U.S. could engage in efforts to influence developing countries in making decisions about what they wish to ban; but another question as yet unanswered is the extent to which unilateral actions by nations might violate international trade agreements.

The hazardous products issue involves a general unwillingness on the part of most actors to accept the moral and economic responsibility attached to the adverse effects of these products. Each participant claims to have valid reasons for not accepting responsibility. The U.S. government cites economic problems and infringement upon the sovereignty of other nations; developing nations cite economic problems and lack of regulatory capability; and multinational corporations (according to many
experts) operate only within the context of their production and sales capabilities and needs, and cannot rationally be expected to act otherwise. When the U.S. bans or restricts the use of products, companies may be left with large stockpiles representing a large investment. Without a place to sell those products, companies may face economic ruin (J. of Bus. Ethics 1(3):227-37, Aug. 1982; Feid, 1980).

The solution would seem to be sharing responsibility through international agreements. Such agreements have already been suggested by various agencies of the United Nations. Outside controls are essential if the U.S. and developing countries cannot bear the responsibility alone and if multinational corporations cannot rationally be expected to assume responsibility, either. The question becomes whether producing nations will submit to regulation. One effort has already been instituted. The World Health Organization's recommendations on the marketing of infant formulas in developing nations have been approved, and formula producers seem to be abiding by the guidelines. The Nestle Corporation is funding an audit commission to monitor compliance.

In the absence of international regulation, products whose use is banned or restricted in the U.S. often come into this country in imported goods. According to the U.S. Department of Agriculture, 50% of the coffee beans imported into the U.S. contain measurable concentrations of banned or severely restricted pesticides. As another example, U.S. production of dyes containing benzidine, a potent human carcinogen, has been curtailed by stringent federal regulations. But during 1980, imports of benzidine-based dyes were 20 times higher than in 1976 (Ahmed & Scherr, 1981/82). Concern for the safety of U.S. citizens is thus a significant reason the U.S. should push for international regulations. However, because of the worldwide effects of these products, responsibility must be accepted worldwide. If corporations are to be expected to act in a socially desirable manner around the world, then the world must define for the corporations what actions are and are not socially desirable (J. of Bus. Ethics 1(3):219-25, Aug. 1982).


III. DOMESTIC ISSUES

HUMAN DYNAMICS - RUNNING AWAY IN AMERICA

In October President Reagan signed into law a bill creating a national clearinghouse for information about children missing in America, to be run by the FBI. Grieving parents of lost children have worked long and hard to obtain a system through which information about them could be shared by law-enforcement personnel around the country in the same way as information about stolen cars. About 50,000 children disappear completely each year (10,000 or so as a result of foul play), an estimated 2,000 are killed, and 1,000 bodies are never identified. The number of children who run away is vastly larger: 1.8 million under age 18 were reported to have left home in 1981; but many more, perhaps more than twice that number, are thought to go unreported. While 90% of the children return within a few days, half have run away more than once, often from intolerable home environments. Those who stay away for long periods face serious dangers and are likely to engage in a variety of illegal activities, from petty theft to prostitution and drug pushing, in order to survive (Economist, 10-23-82, p. 30).

At the same time that the way has been opened for an information clearinghouse for missing children, the Reagan administration is also moving to activate its concept of federalism, whereby state and local governments accept more responsibility for decision making in the provision of social services. Since the enactment of the Runaway Youth Act of 1974, the federal government has been involved to some extent in providing temporary care for runaways. In 1981, $18 million in federal funds went for the support of some 170 homes that provided shelter, food, and advice to runaways. When that money runs out on December 15,
however, the administration wishes to cut funding to under $7 million (Economist, 10-23-82, p. 30). Such matters are viewed as falling under state and local purview, with federal assistance limited to the provision of funds through block grants.

Yet the problems these funds address seem to be growing. In Philadelphia, for example, reported cases of child abuse have doubled in the last year, and child abandonment is up 150% (Philadelphia Inquirer, 9-9-82). Observers relate such increases to the added stress on families caused by a lengthening recession. Since running away is frequently a response to abuse or neglect, the number of children leaving home can be expected to rise as well. Regardless of the long-term goals of federalism and even the severe budgetary exigencies under which the federal government is now operating, removing funds from programs that provide basic services to such desperate young people at a time when their numbers may be growing seems worthy of second thought. This is especially so given the circumstances surrounding their departure from home or an institution, the circumstances awaiting them as they try to make it on their own, and the future that can be predicted for them.

A recent book (Miller et al., 1980:22-57) reporting on an in-depth study of runaway adolescents has delineated six categories of runaways:

1. Victims - those who flee out of fear that they will be assaulted or otherwise severely abused.
2. Exiles - adolescents who feel they are unwanted or have been thrown out of the house.
3. Rebels - those who leave because of authority struggles with parents.
4. Fugitives - those who feel they must escape from some sort of punishment for a transgression they have committed.
5. Refugees - youths who are escaping from the social control of a foster home or an institution.
6. Immigrants - independent runaways who have decided to strike out on their own.

"Victims" and "exiles" together comprised 30% of those participating in the study. If "refugees" are added, at least 50% of the runaways were escaping from situations in which parental caring was very much truncated. In addition, some 70% had been expelled or suspended from school at least once. Runaways tend to think their parents and teachers view them as "trouble" in school, and they themselves often concur with this view. Many have already had run-ins with the law and must contend psychologically with the negative labeling this implies. They thus commonly face a multitude of serious problems and are not making a go of it as students -- the occupation our society has mandated for them. Runaways tend to feel out of control of events and have a sense of worthlessness. The act of leaving home becomes a logical response to a situation that seems no longer tenable (Miller et al., 1980:54; Child Welfare, 60(2):89+).

When children run away, however, what they have to run to can also be unsavory. A salient characteristic of runaways is that they are "illegal aliens in their own land" (Miller et al., 1980). That is, the act of leaving home is for children under the age of 18 an illegal act. Although two federal laws are specifically designed to offer some assistance to runaways without regard to the illegality of their status, these are in conflict with state and local laws under which the juvenile runaway formally falls. Miller and her colleagues found that only a small proportion of runaways made use of the social services available to them. Many of the adolescents they talked with simply were not aware of these services; and when they were aware, they avoided organizations they suspected would turn them in. Public social service agencies were almost never used by runaways unless they had already been picked up by the police. Given that the underlying intent of laws governing runaways at both the state and federal level is to return them to their parents, it would be unreasonable for adolescents who have made so dramatic a break with their past life to seek help from people whose primary aim is to return them to it without regard to the viability of this as a solution to the underlying problems (Miller et al., 1980:70+).
The lack of permissible options to these illegal persons forces most of them to use illegal means at one time or another to survive on the road; one-quarter use them as their primary source of support. It is now well known that pimps frequent bus stations on the lookout for frightened, disoriented runaways who are easy targets for being picked up and put in business. Social service people familiar with this situation believe that once adolescents have been taken into the underground in this manner, they are nearly impossible to extricate. Some organizations offering shelter to runaways now also frequent bus stations in hopes of reaching the children first (Economist, 10-23-82, p. 30).

Under these circumstances, the prognosis for many runaways is poor. Those who have been subject to abuse and are returned to their home can expect more of the same. They are likely to become the abusing parents of the next generation (Polansky et al., 1981). The alternatives of foster homes or juvenile institutions also have many negative aspects and can confirm adolescents in their incipient delinquent ways (Briefings, 9-6-82, pp. 9+). Those who do not return home are subject to becoming part of the world of drugs and prostitution.

This is not to suggest that these fates await all runaways. With proper help and counseling, troubled families can develop positive ways of dealing with their difficulties and frustrations. The families of "rebels" may be especially amenable to help. Some "re-parenting" programs aimed at altering the behavior of abusive parents have reported considerable success, especially if they have occurred in conjunction with counseling of affected children (J. of Consulting & Clinical Psych. 49[5]:653+, 1981). If the child/parent relationship could legally be terminated in intractable cases and the child adopted by a caring family, the child's chances of having a normal, productive life would be much improved. Unfortunately, after about the age of five, children are seldom adopted. The alternative home environment -- foster homes -- can sometimes be helpful, but this arrangement is inherently unstable for the children. In addition, the numbers of foster homes where troubled adolescents can receive the kind of attention and support they need are all too few.

Interestingly, problems of dealing with runaways are in some respects a function of the very rules of our society. As Miller and her colleagues point out:

"In a period when the country still had a frontier, the runaway would more likely be accepted as simply a young pioneer. The modern argument for extending the wardship over the adolescent coincides with the passage of child labor laws and compulsory school attendance. It has been widely advocated since the passage of child protection legislation that a prolonged apprenticeship into adulthood is necessary where the complexities of a postindustrial society are too great to negotiate without a guardian. Along with this theory is the analogous concept that if the parent cannot raise the child, the state must. (1980:139)"

But the state social welfare system has proved inadequate to handle the multitude of problems arising out of the "youth boom" of the last two decades. The strain on the system -- and the environment in which many children are caught -- is now exacerbated by the social changes that have seriously weakened the institution of the family. By insisting on this "apprenticeship" even when it is woefully inadequate to produce young people who will contribute to the stable functioning of the society, we may be closing off options that would be preferable to the ones now available.

People who have spent much of their time with adolescents have noted their need to feel loyalty toward someone or something. Others have commented on the fact that in modern industrial society children no longer have the utility they once had in agricultural communities. Intuiting that they have little "value" to their parents may contribute to their feelings of worthlessness (Johnson & Carter, 1980). Whatever negative aspects there were to the nurturing provided runaways by the counterculture during the height of the Haight-Ashbury days in the 1960s, certain features may be worthy of note. One is that kids were given work to do, which made them feel useful and helped them learn a
trade. In exchange for work on a counterculture publication, for example, adolescents might be given floor space on which to sleep. Similar policies are followed by religious sects that are sometimes a terminal point for runaways. In these sects, young people, having acquired a completely new identity, may be put to work in some enterprise run by the sect or selling on the streets. The resultant loyalty to the group felt by these young people can be great (Miller et al., 1980:123).

Several implications for policy flow from the discussion. First is the need to give consideration to changing the illegal status of runaways so that nonthreatening, positive help can more easily be extended to them. Second is the possibility that temporary homes for runaways providing such basic needs as food and shelter may in fact be the least expensive stopgap way of handling a very difficult social problem with ripple effects that ultimately go far beyond the families involved. For the longer term, greater emphasis needs to be made on locating and encouraging competent people to serve as foster parents. To that end much more recognition and respect must be accorded those who do serve in this capacity. Finally, some professionals have suggested that thought be given to relaxing compulsory education requirements and child labor laws for adolescents who cannot or should not be confined in their homes or in a state institution. It is felt that if these young people were given the right to be on their own, as the least of many evils, and could be provided a means to acquire skills and support themselves through nondelinquent activities, they perhaps would have a better opportunity to develop into useful citizens than they presently do. With more perspective and maturity, many might later return to finish the education that presently seems so fraught with failure.


IV. NORTH AMERICA

DEVELOPMENT IN MEXICO: PLANS FOR THE ISTHMUS OF TEHUANTEPEC

On December 1, 1982, Miguel de la Madrid Hurtado — lawyer, economist, and public administrator — will take over as the twenty-first president of Mexico since the Revolution of 1910. He will enter office at a time when Mexico is undergoing one of the worst crises in its history. Predictions are that during December the negative economic impact of the huge international debt and multiple peso devaluations will be greater than ever, with the unemployment rate rising to staggering proportions as plants lay off or fire more than a million workers (J. of Commerce, 11-1-82, p. 23B).

Mr. de la Madrid’s predecessor, Jose Lopez Portillo, had envisioned and was attempting to implement the National Industrial Development Plan for Mexico, running into the 1990s. The Plan was to create new jobs for the unemployed and develop an atmosphere of growth and stability in Mexico. Major parts of the plan were the improvement of ports on both the Pacific Ocean and the Gulf of Mexico and a landbridge, consisting of a highway and railway, across the isthmus of Tehuantepec connecting the ports of Saline Cruz and Coatzacoalcos (Mexico, 1979).

The landbridge idea is not new. In 1902 a British businessman built 100 miles of railroad track traversing the isthmus of Tehuantepec, the narrowest part of Mexico. For a time, as many as 20 trains a day crossed the isthmus; but with the Revolution of 1910 and the completion of the Panama Canal in 1914, the trains stopped running. Because the railway passes through swampy areas and areas prone to mudslides, it quickly fell into a state of disrepair (Mexican-American Review, 2-82, pp. 21-1). The ports have also been deteriorating from neglect and lack of use over the years, as two-thirds of Mexican foreign trade has been conducted overland with the U.S. (Current History, 11-81, p. 399).

When fully operational, the landbridge was to have a capacity of 40,000 containers per year, with plans to expand to 500,000 moving across the isthmus in an estimated 6 hours by truck and 12 hours by
train (Mexican-American Review, 2-82, pp. 21+). Although the Mexican government stated from the first that it had no intention of replacing the Panama Canal, which has a capacity of 40,000 containers every two days, the landbridge was to provide an alternate route for shipments to and from the Far East in competition with the canal and the U.S. landbridge linking the Gulf Coast and California. Given the uncertainties surrounding the U.S. surrender of control over the canal and rate increases for passage through it, the Mexican landbridge seemed sure to provide an attractive alternative (U. S. Commerce, 10-27-82, p. 248).

The port improvement plan called for dredging the ports, building larger slips and cargo storage areas, and installing new container lifting cranes. A new government agency, the Sistema Multimodal Transistmico (SMT), was created to oversee the development of the entire project (Mexican-American Review, 2-82, pp. 21+). A variety of delays have occurred. Major problems have arisen, for example, in the construction and erection of cranes. Although the SMT has been quick to defend its acceptance of an East German company's bid for crane construction, accidents in both ports have caused costly delays in opening the landbridge system.

The ports and landbridge program is one of great importance to Mexico. Its designers hoped to achieve with it a number of national goals. First, the program was to enhance trade possibilities in terms of trade routes and potential trading partners. It would help Mexico become what the country logically could be, given its thousands of miles of coastline — a maritime nation. In so doing, Mexico would diversify its trading partners to reduce its heavy dependence on the U.S. Of particular interest was the possibility of reorienting its trading patterns to the Pacific Basin. Moreover, if trade could be directed outward from Mexico's shores, the transportation bottlenecks that have developed along the north-south overland route would also be alleviated.

Second, through the ports and landbridge program Mexico hoped to correct the nation's unfavorable balance of trade and reduce its dependence on oil exports by increasing the processed and finished goods

among its exports. Following initial port development, the coastal areas were to become the site of the nation's principal plants for the production of steel, aluminum, capital goods, metallurgical products, and petrochemicals. These areas, abundant in natural resources, ensure industries located there an advantage over similar industries elsewhere because of the proximity of resources and ports (Ports and Harbors, 5-82, pp. 20+). Once heavy industry was firmly established, lighter industrial and assembly plants were to be constructed at the ports. Mexico wished especially to establish maquiladoras, plants which import parts manufactured in another country, assemble them, and ship out the finished goods without the imposition of tariffs or duties.

Third, the ports and landbridge program was to serve two specifically domestic purposes: It was to alleviate the problem of a burgeoning population without jobs and to assist in reducing the extreme concentration of population in the central part of the country, where the carrying capacity of the environment is on the verge of being exceeded. The massive construction projects have been a source of employment for several years and have resulted in some relocation of population. But these projects must finally lead to viable productive activity in order to be anything other than short-term employment strategies. If the ports enjoyed the level of activity envisioned for them, they would provide 1,000 jobs for stevedores alone. In addition, employment would have been available for workers needed to maintain the ports and the rail and road beds, which require constant repair (Mexican-American Review, 2-82 pp. 21+). These jobs and the money that were to follow in nearby labor-intensive industrial plants would be appropriate for the masses of unemployed who have few skills and little education. By providing a core of industrial activity, the government hoped that redirection of the population toward the coastal areas of the country would gather its own momentum as families wishing or needing to migrate began to have personal ties to people already in the area.

Finally, the ports program included emphasis on improving the quality of life for Mexicans, with large expenditures planned for parks, schools, health services, and other public projects. When the potential
of what all could do for Mexico began to be realized in the mid-1970s, massive rising expectations occurred in all Mexicans, including the humblest citizens. While benefits have indeed accrued to certain groups of Mexicans, the disparity in income between rich and poor is now greater than ever (Griehlgs, 10-18-82, pp. 15+). The ports program sought to realize some of the expectations of ordinary Mexicans through its public works projects.

The plans for port and landbridge development had progressed sufficiently prior to the onset of Mexico's financial crisis in August that container transport is possible. However, the country now does not have the money necessary to complete the ports projects. Last year $650 million (U.S.) was invested, and this year investment was projected to be $1 billion (J. of Commerce, 10-21-82, p. 24B). Should Mr. de la Madrid finalize the IMF loan -- and few observers see how he can do otherwise -- most of Mexico's longer-term projects, including the ports program, will have to be postponed indefinitely or cancelled altogether (J. of Commerce, 10-21-82, p. 24B), since the IMF's austerity contingency policy will require Mexico, among other things, to reduce the government deficit from 16.5% to 8.5% of gross domestic product in the first year.

Unfortunately, the problems the ports program was to solve cannot be so easily cancelled. The population is growing faster than available jobs and will continue to do so for some time to come. Until recently the growth rate was 3.5% per year, but massive government programs to encourage birth control have reduced the rate to 3.0%. There are hopes of getting the rate down to 1% by 1990 (Current History 2-82, p. 784). Even so, the population of Mexico is expected to rise 50% by 1990, from 72 million to 100 million. Mexico City, where an estimated 17 million people now live, faces shortages of water, electricity, garbage collection, housing, and transportation. On the outskirts of the city lies the festering area of Netzahualcoyotl, where over 2.5 million people live in absolute poverty. There are few jobs, little money or food, a near epidemic problem of lung congestion from burning garbage, and a death rate of more than 50% among young children (Looney, 1978:159; Current History, 11-81, p. 372).

The population of Mexico City, and of areas like Netzahualcoyotl, will continue to grow, both from natural increase and from a rising tide of rural migration. The poor, unemployed, and underemployed of the rural areas are also deeply affected by the nation's poor economy and peso devaluations. An agricultural crisis that has been growing since 1965 was worsened this year by a drought expected to create widespread crop failure throughout the country (Yates, 1981:21+; J. of Commerce 10-27-82, p. 5A).

In addition, the government will have to cut back severely on the recent aid it has provided small farmers. Those who can no longer survive in their villages will come to the nation's cities -- primarily to those in the Central Valley of Mexico -- regardless of whether jobs await them. Their only other option is crossing the border into the U.S., which they are doing in increasing numbers.

Thus, Mr. de la Madrid must contend with serious national problems in every direction. In addition to those already enumerated, he must try to control and reduce the graft and corruption which has been part of Mexican political and bureaucratic life. The recent embezzlement of over $2 million in funds to be used for port dredging has contributed to the failure of full realization of the ports program (J. of Commerce 10-22-82, p. 181). Whatever the new president does to extricate his country from its present malaise, some portion of the investment already made in the isthmus of Tehuantepec and along the coast will unquestionably be lost, along with the momentum that was growing to make the venture succeed. Recently, the Japanese announced plans to dig another canal north of the Panama Canal to guarantee their east-west route (World Press Review, 11-82, p. 89). If this project should be seen through to completion, the potential for development in Mexico's isthmus could be further reduced.


TROUBLED EUROPEAN-AMERICAN RELATIONS - The deterioration of European-American relations is currently the subject of much mutual hand-wringing at conferences of those concerned about that relationship. That such deterioration has taken place seems a widely accepted fact, although a few skeptics insist that the whole postwar period has been characterized by successive crises of confidence between Europe and the United States, each of which has provoked predictions of alienation and ultimate disaster. It is, of course, impossible to measure the intensity of problems with mathematical precision, but many competent observers believe that the present differences reflect a wider range of problems with more emotional content than ever before. They see the situation with the Federal Republic of Germany as particularly disturbing.

There can be little doubt that we live in troubled times -- in a transitional period between the post-World-War-II era and an era still to be defined. Such periods of transition always create special difficulties of mood and comprehension of the causal factors at work. The old certainties seem less sure, and established institutions appear unable to grapple effectively with the problems facing them. To complicate matters further, a major economic factor has been added. Part of the transitional process involves a shift of comparative advantage away from the advanced countries of the West in many old-line manufacturing industries requiring painful structural adjustments, the virtual cessation of significant economic growth, threats to the world trading and banking systems, and possible energy shortages should economic growth resume.

In a time which requires skillful diplomacy of the highest order, both the Europeans and the Americans have bumbled along spoiling personal relationships and exacerbating existing tensions as well as producing new ones. It has more or less become established practice for heads of governments after summit meetings to indulge in mutual recrimination and personal slurs which, no matter how privately meant, inevitably reach their objects.

A special concern of many Americans, including prominent government officials, stems from the belief that the West Germans are on a slippery slope in their policies towards Eastern Europe which could lead to eventual neutralization and withdrawal from the Alliance. As one prominent official of the Carter administration put it, they are engaged in "a process of self-Finlandization." It might be added that some Europeans share this view, including leading French civilian and military figures.

A fundamental source of difficulty cutting across a whole range of specific issues is the perception gap that has developed between the U.S. and its European allies with respect to the Soviet Union. Differences of view regarding the dynamics of Soviet conduct and the appropriate Western response are bound to lead to bitter and self-defeating disputes such as the tug-of-war over natural gas pipeline technology.

Finally, a characteristic of our time has been the breakdown of the network of personal relationships which had developed during the postwar era between Europeans and Americans engaged in the building of the Alliance and the reconstruction of Europe. The process of generational change has removed from positions of influence, both inside and outside government, a group of leaders who could be counted on to be acutely aware of each other's sensibilities and to take action to remove sources of conflict and misunderstanding. There is literally no substitute in this context for a personality such as John McCloy.

All of this adds up to a somber picture. To the pessimists, national leaders have to deal with problems which statistically and operationally seem beyond their capacity to solve. While Europe and the United States drift farther apart, the Germans lead the pack away from the institutional ties which have bound Europeans and Americans together, and the Americans in revulsion begin to pursue once again the chimera of isolationism and neo-Hanssfeudalism.

Yet all need not be doom and gloom. There are still many positive factors even today in the European-American relationship to which one can point.
The advent of Helmut Kohl to the chancellorship of the Federal Republic will bring with it a reduced level of rhetoric. Helmut Schmidt was a remarkable leader -- intelligent, decisive, and abrasive. Whether Kohl will live up to his responsibilities is still uncertain, but at the personal level he will try harder to please and to avoid those actions which will damage his ability to deal effectively with American leaders. He is definitely not the big bumbling oaf he is sometimes portrayed as being. He is a shrewd, instinctive politician with a sharp tactical sense. His recent visit to Washington demonstrated that, while he lacks the charisma of Willy Brandt and Helmut Schmidt, he knows how to say the right things and to avoid unproductive debates.

I have never believed that the main political forces in the Federal Republic are inevitably moving toward neutralism. While the intellectual left, including the radical wing of the Social Democratic party, may be anti-American by reflex and opposed to those assumptions which justify continuation of the Alliance, the great majority of Germans today remain generally supportive of the postwar institutional structure. Polls taken by the reputable Allensbach Institute over a period of some 10 years show a remarkable consistency of opinion among all age groups. A more recent poll sponsored jointly in seven countries by the Atlantic Institute for International Affairs and the International Herald Tribune confirmed the impression that, while West Germans are deeply concerned about the implications of nuclear weaponry, their basic support for European-American cooperation remains strong, with little drift towards accommodation with the U.S.S.R. at the expense of German ties with the West. On the whole this is also true of the other principal members of the Alliance.

There is some danger, of course, that frequent repetition in the West of concerns about where the Germans are going could turn into a self-fulfilling prophecy. As long, however, as solid middle class Germans, who constitute a large majority of the population, hold firm to the values underlying the postwar ties between Europeans and Americans, the direction of German policy will not move off on a tangent. The German perspective on Eastern Europe is not the same as that of Washington, and it would be strange if it were. But this difference can be a source of strength if it provides broader awareness of opportunities for the West to achieve its goals.

Given the differences of view between many Europeans and Americans on optimal policy towards the Soviet Union, the designation of Yuri Andropov as secretary general of the Communist party obviously raises a number of directly relevant questions. There has been much speculation, some of it half-baked, about what kind of man he is. What seems reasonably certain is that he will attempt to change the immobilism of the last Brezhnev years, which brought successive agricultural failures and stagnation to the economy as well as deterioration of the Soviet position internationally. No one on the Western side has anything more than casual impressions of Andropov, but those who have not met him seem to agree that he is intelligent, sharp-witted, and relatively knowledgeable about the outside world. If I may be permitted to inject a personal note based primarily on contacts with the man during the 1972 summit meeting in Moscow, he definitely does speak English, if with a heavy Soviet accent, and on that occasion at least went to considerable pains to prove himself a half-fellow-well-met with a sense of humor. He particularly seemed to enjoy twitting Henry Kissinger. At the same time he clearly had the aura of power as head of the KGB. He was somewhat heavier and jollier in appearance in 1972 than the rather dour, lean, bespectacled leader who has appeared on television following the death of Brezhnev. If one can hazard a guess, Andropov is likely to be a more formidable tactician than his predecessor, taking greater advantage of the opportunities which divisions in the West may open up. If this proves to be the case, the need to halt the deterioration of European-American relations will become all the more urgent.

Greater Soviet diplomatic finesse will obviously create special problems for the Alliance, particularly if Moscow comes forward with a smiling face and gestures of accommodation. On the other hand, it seems unlikely that any new flexibility will extend to the kind of fundamental change of position which could raise questions about the continuing need for the Alliance. By any reasonable measure of self-interest, Soviet
ultimate objectives in Europe will probably remain sufficiently antagonistic to warrant the continuation of NATO as the chosen instrument of Western defense. This overriding fact should remain the glue which binds Europeans and Americans together despite their many existing differences and those which will inevitably arise in the future. Nothing is automatically guaranteed, of course, and it could be that short-term conflicts in a worsening psychological atmosphere will obscure this identity of basic interest.

So what is to be done? There are no obvious panaceas. The international economic environment is likely to remain troubled during the 1980s, and the economic complementarities between Europe and the United States which were assumed in the postwar era seem less and less certain. Once this is recognized and accepted, it may be easier to deal with individual cases on a more pragmatic basis. The European-American relationship is definitely not a zero-sum game, but it is clear that neither side of the Atlantic can achieve all that it wants or even think it needs. Some compromise of interests will be necessary. This will call for diplomacy at a higher order than we have been getting. The approach of Secretary of State George Shultz to the natural gas pipeline dispute, which resulted in a solution completely satisfactory to neither the Europeans nor the Americans, should set the standard for the future. It would be sad if recriminations over the typically irritating French position were to set the whole controversy off again.

The more sensitive and flexible diplomacy advocated here could make a significant difference if applied on both sides. Time and again we have seen how the lack of such skills can blow up problems beyond all proportion and how seemingly explosive and insoluble problems can be brought under control by patient and low-key negotiations. Diplomats cannot work miracles, but in the best exercise of their profession they can provide the kind of quiet, dispassionate atmosphere which the European-American relationship needs to prosper.

--- Martin J. Hillenbrand