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The new U.S. economic diplomacy

The International Monetary Fund issue and the oil-price conjuncture are at the top of the agenda.

The first high-level contacts between U.S. and Mexican officials since the inauguration of the de la Madrid administration last December are now getting under way.

On March 18, the Mexican Commerce Minister Hector Hernández flew quietly into Washington to resume talks on a bilateral trade treaty. A week later, Treasury's Tim McNamar shepherded half a dozen senators and half a dozen congressmen to Mexico, as the first stop in an Easter-week tour that will proceed to Peru and Brazil. The purpose: to convince the travelers to support administration's request for an $8.5 billion increase in the U.S. quota to the International Monetary Fund. This should be quite a show; although it is Donald Regan's claim that an IMF bailout will "help American jobs by preserving exports," the IMF is actually the agency which has most insistently demanded—and obtained—the collapse of Mexican imports from the $24 billion of 1981 to the $12-$13 billion that will at best be imported this year.

On April 18-19, the first full bilateral talks in a year and a half begin here in Mexico City. My sources indicate that both Secretary of State Shultz and Treasury Secretary Regan are preparing to come, though no official commitment for their attendance has been made.

One of the reasons such a high-level delegation is being considered can be deduced from the timing of another visit to Mexico. Brazilian President João Figueiredo arrives for talks with President de la Madrid on April 26-27. Washington is deeply concerned that "debtors' cartel" steps could be taken by these two giants, who collectively owe some $165 billion, or over half Ibero-America's $300 billion in debt.

IMF defenders in the U.S. administration and Congress are caught between two policy objectives. One is to use Mexico to shock Congress and speed through an IMF bailout. Some analysts see Mexico's failure to obtain the expected $20 billion rollover package in mid-March as in part a decision by some creditor factions to keep the "crisis level" high. It has been demonstrated that there are few things which move Congress to action faster than the specter of explosion, financial or political, on the southern border.

However, because of what is termed the "danger" of debtor's cartel action, many in Washington are pushing for some immediate contingency plans to keep the lid on an early explosion. It is estimated that Mexico needs at least another $2-$3 billion above previous estimates, if only to compensate for cuts in its oil revenue. Some sources speculate that another "package of odds and ends" is now under preparation, to be discussed with Mexico in April. It would include expansion of items like Commodity Credit Corporation financing for Mexican grain imports, sales to the U.S. Strategic Reserve, Exim lending, and so forth. Treasury and some officials in the NSC seem to be among a faction who believe another blowout is close, and that emergency planning must move ahead rapidly.

The State Department is taking a much more relaxed view. On the eve of the most important talks in several years, the Mexico desk at the State Department has been virtually disbanded. The chief of the bureau, Frank Crigler, was summarily transferred back to his old haunts at the Andean Desk at the beginning of March, when a personal clash with Ambassador Gavin in Mexico City had reached fever level. Sources in the embassy here refuse to disclose whether a political, as well as personal, falling-out was involved. Now there is virtually no one on the Mexico desk at State who has more than a few months' experience with the country.

What seems to unite almost all policy thinking in Washington is the idea that now is the time to force Mexico to grant long-term oil supply contracts pegged to debt repayment. "If I were a U.S. government official, I'd be looking for some way to get a long-term contract," stated one senior policy analyst just back from a European conference on the issue. Other Washington sources indicate that a higher-than-OPEC price might be held out to Mexico to draw it into a signing a long-term contract—a trap that could then be snapped shut in a few years when world oil prices, as is generally expected, begin a new rise.

Central America, of course, will be on the agenda as well, but there is little chance that U.S.-Mexico differences on the issue will be substantially resolved. One thing to watch: U.S. pressure on both Mexico and Venezuela to back out of the San José accord, which supplies oil to Central America at preferential rates. This would reduce the moderating role of those two countries in the region, and increase Washington's relative clout.

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