

## **A Revolution Swept Away: Mexico and the World Since 1982**

- We are witnessing enormously significant political and economic changes in Mexico today, with important consequences for U.S.-Mexico affairs.
- In 2000, the PRI was swept away after 71 years in office by Vicente Fox of the PAN, ushering in a new era for Mexican politics and consequently for MX-U.S. relations.
- Certainly many changes have been taking place since Fox's victory in 2000. Among them:
  - an array of policies to **expand MX –US economic integration**, Fox went so far as to argue for an eventual **common market** early in his administration (a non-starter from the U.S. point of view
  - a new willingness to engage and seek out as partner the MX origin population in the U.S.
  - a new willingness to bring to the negotiating table the issue of MX migrants to the US
  - a new willingness to ask the US to look in the mirror when it comes to combating the drug flows into the US

But, more importantly, the **current juncture in US-MX affairs needs to be understood in the context of Mexico's deep economic and political changes that have been taking place in MX since the 1980's,**

-when MX began dismantling its nationalist economic model that it had put into place since the end of its Revolution (1910-1917)

-and in its place opening up MX to world flows of investment, establishing a 'Neo-Liberal' model

- Not to deny the importance of these changes, but we need to also recognize the **continuities**.
- See that the **real sea change began in the mid 1980's**, when Mexico jettisoned its nationalist economic model that it had been pursuing since the late 30's in favor of an internationally oriented, export-led (Neo-Liberal) model.

## History of Mexico

- In many ways, particularly in regards to the economic policies, Fox is **intensifying** policies that have been slowly hammered into place since the mid-80's, especially the Salinas period (88-94)
- **Fox sweeps away the Revolutionary Institutional Party in 2000**, but
  - **the on-going Mexican Revolution as we've come to understand it throughout the 20<sup>th</sup> Century was being swept away since at least the mid-80's**
  - **Both**, with profound consequences for Mexico-US relations

### (Ppt) Mexico and the World: Three Eras

1. Economic Liberalism, 1870-1910
  2. Economic Nationalism, 1917-1982
  3. Neo-Liberalism, 1982-present
- Since the 19<sup>th</sup> century the MX-US relationship has been contentious and asymmetrical relationship, leaving many "wounds" as Carlos Fuentes would call them.
    - From the US aggressively expanding its territory, goading Mexico into war, and forcing it to "cede" half of it's territory in 1848
    - to the variety of methods the U.S. used to counter the perceived threats of the Revolution:
      - **diplomatic meddling** (H.L. Wilson's Pact of the Embassy in 1913 to secure the resignation of Pres. Madero)
      - **denial or conferral of recognition** (Taft w/holding recognition from Huerta)
      - **financial leverage** (Wilson giving Carranza Veracruz customhouse)
      - **manipulation of border arms traffic** (Wilson wants Huerta out and Carranza in)
      - and **direct armed interventions**.
        - 1914 (Marines bomb and seize Veracruz to topple Huerta)
        - 1916 (Pershing expedition after Villa)
        - 1919 (US forces to dislodge Villista army from Juarez)

## History of Mexico

- and there will also be a concerted effort on the part of US policymakers to reverse many of its “nationalist” measures and to open up MX to investment and trade
- and to pressure Mexico into toeing the Washington line during the Cold War
- **Mexican policy toward the U.S., and Mexican nationalism in general**, in the 19<sup>th</sup> and 20<sup>th</sup> centuries emerge as a response to these U.S. hegemonic impulses since the middle of the 19<sup>th</sup> Century (and of course MX nationalism will influence MX-US relations)
- It also emerged as a reaction to the **loss of control** of key resources such as oil and copper to US companies that were invited by Porfirio Diaz during the **Age of Economic Liberalism**, from the 1870’s to 1910 and became a dominating force in MX.

I’ll be referring to three broad eras: Economic Liberalism, Economic Nationalism, Neo-Liberalism

### **Mexico and the World During the Age of Economic Liberalism, 1870-1910**

- I say **economic** only, because its **political** manifestations were non-existent in MX
  - elections, freedoms of the press and so forth were a sham
- During this period then:  
(Ppt: Diaz with medals)
  - Porfirio Diaz and his “cientificos” had opened up Mexico’s economy to world flows of trade and investment, inviting in foreign investors in order to “modernize” Mexico
  - These “cientificos” were the “original” Liberals, predecessors of today’s Neo-Liberals
  - Mantra: “Order and Progress”
  - Emphasis on private property “let markets rip”; “the rising tide will lift all boats”
  - led to vast creation of wealth through the extraction of copper, oil, henequen, sugar, cattle products...
  - Economy booms. Grows by 6-8% almost every year
  - Diaz became a poster-boy for international financiers and investors,
    - feted in international capitals

## History of Mexico

- and being hailed as an example to follow (with Salinas it will be the same)
- This unprecedented prosperity came at a cost:

(Ppt “Dance of the Millions”)

- Entire sectors of the economy came under foreign hands, notably copper, oil and vast landholdings
- Led some to quip “**Mexico is the mother of foreigners and the stepmother of Mexicans**”

(Ppt “The Exploiters” by Rivera”)

- The expansion of haciendas (landed estates) were growing often times at the expense of subsistence farmers and particularly native communities
- Support of hacendados (those that have Diaz’ ear) are key to the Diaz regime
- Just in terms of how Indian people fared during this period:
- By 1910, over 90% of native communities had lost their lands to the haciendas
- These **liberal economic policies** ushered into Mexico unprecedented economic growth but they also **exacerbated social inequalities** to such an extent that the entire house of cards came crashing down with the Revolution of 1910.

(Ppt “Zapata” photograph)

- This is the context for the emergence struggles like that of Emiliano Zapata, to recover lands by those that had been shunted aside by the juggernaut of **economic liberalism**.

(Ppt: Orozco’s “Zapatistas”)

- Peasants rebelling vs. ravages of Liberalism and its ossified political system
- Remember them, there will be another rebellion in 1994 calling themselves the “Zapatistas” and rebelling against the ravages of “Neo-Liberalism” (and asking the issues again of “who benefits” from economic growth)

(Ppt) **The Revolution Ushers in the Second Broad Era: Economic Nationalism to 1982**

- As a result of the excesses of Liberalism, In the aftermath of the Revolution (up to the mid-80's), Mexico pursued **nationalist economic policies** that **conferred full control over its mineral wealth to the state and significantly limited foreign investment.**
- In the post-revolutionary period, Diaz then joined the pantheon of anti-heroes as a “**vende patrias**” (literally, one who sells one's nation) and became a useful symbol to the post-revolutionary elite of the “**dangers**” of **indiscriminate market opening policies** and the strict emphasis on private property to develop the nation.
- During this new era, Direct foreign ownership of land and natural resources became anathema to Mexico's post-revolutionary goals,
- and multinational corporations would be vilified (at least “officially”).

(Ppt: Cardenas)

- In this new era, President **Cárdenas** (1934-1940) became *the* **symbol of Mexican nationalism** after he nationalized the U.S. and British oil companies in 1938 following their refusal to abide by a decision of the Mexican Supreme Court.
- From statues, to murals, to a prominent place in the elementary school history textbooks, successive Mexican administrations consciously used the images of **Cárdenas, Carranza, and Zapata** and other “**nationalist heroes**” in order to inculcate into the collective Mexican mind a distinctly nationalist world view.

(Ppt: painting of Zapata)

- now “peasant” Zapata, salt of the earth
- An “official” hero, Congress votes him one in the early 1930's

## History of Mexico

- These were heroes and ideas, after all, that melded neatly with the **nationalist economic policies** that the post-revolutionary state was hammering into place from the 1930's to the late 1970's.
- Given the Mexico's post-Revolutionary leaders up until the mid 1980's would argue that they needed to **dispense social justice** by way of **agrarian reform-breaking up large landholdings** and **limit the role of foreign investment** and the power of foreign investors.
- Thus, In fits and bursts, depending on the local political conditions,
- Mexico's Post-Revolutionary elite banded together to form the precursor of the PRI in 1929, and using the Constitution of 1917 as a guiding light, proceeded to bring about the economic and social change that the Constitution called for.

(Ppt: Land Reform by Rivera)

- Brought about massive **land reform** (partic. 1930's under Lazaro Cardenas)
  - Distribution of "ejidos" (not outright titles, but right to work in perpetuity)
- **Post-revolutionary administrations** would wrap themselves in the mantle of Cardenas and Zapata appealed to this emerging nationalism in order to convey to the public the distance they were preserving vis-a-vis U.S.,
- and also to convey the "**Revolutionariness**" of their administrations (remember the word)
  - the official party that emerges from the Revolution in the 20's
    - Party of the **National Revolution** (PNR) up to 1938
    - Party of the **Mexican Revolution** (PRM) up to 1946
    - Party of the **Institutional Revolution** since. Hung on to Pres. till 2000

(Ppt "Good Government" by Rivera)

- They would also wrap themselves in the mantle of Cardenas (remember, the symbol of nationalism) to pursue state-led industrialization policies that **limited foreign investors** and **kept hegemonic powers such as the US at bay**
  - Thus came **nationalization of petroleum**, copper, electricity, and soon telephone companies, fertilizer plants, and into the 1970's even airlines and cigarette companies

- **Limits on foreign investment.** Ostensibly 51%/49%, though there were many loopholes and dozens of foreign companies would rush into Mexico after the 1940's

All in an effort to build “**national industry** ; “**Mexico for Mexicans**”

- This was a reaction to Diaz' indiscriminate opening of the economy and losing control of entire sectors of the economy.
- Predictably, this ruling party, that after all had emerged **not to gain power, but to retain power, never relinquished power!**
  - “we as heirs of the Revolutionary mantle...”, “only we can carry out the Const. of '17
- The **political system** that emerged was a **patronage political system** in which those that received “benefits” whether land, subsidized credits, or jobs in state-owned firms, the concession to ally themselves with Ford, Coca Cola, etc...were tightly bound in a **clientilistic** relationship with the ruling party.
- “What the state gives the state can take away”
- Labor and peasant sectors coopted by the state
- **Patronage Politics**
- Those critical of the system were either bought off, or if they couldn't, were eliminated (MX's ruling elite will point to themselves as a paragon of stability, especially when its Central American nations are undergoing civil war- MX had its dirty war, 60's, 70's but they dealt with it “efficiently”)
- To give a semblance of democracy, elections were held dutifully every 6 years, but the elections were a sham.
- The almighty President (that thoroughly dominated the judicial and legislative branches) selected his successor in a process know as the “dedazo”
- The ruling party kept the **press** subservient through bribes, heavy advertisement, control of newsprint, and if necessary, force.
- Televisa, Mexico's television monopoly until the early 1990's, served as the ruling party's Ministry of Propaganda.
  - Azcarraga, its majority owner declaring himself a “loyal soldier of the PRI” (and early 1993 would volunteer to chip in \$25M to help the PRI candidate [Colosio])

## History of Mexico

- Mario Vargas Llosa was kicked out of the country for saying MX was the “perfect dictatorship”
- Though the MX political elite long argued their Revolution was permanent and ongoing, observers had long since concurred with Franz **Kafka** who’d said “**All Revolutions die and leave behind only the slime of a bureaucracy**”
  - In fact, MX intellectuals had argued it died on numerous occasions, among them,
  - in the 1940’s, when the ruling party took a rightward turn favoring big business at the expense of labor and the countryside (Cosío Villegas “The Rev. is a Historical fact”)
  - in 1959 after the government’s violent repression of various unions (“The Death of Artemio Cruz” by Carlos Fuentes)
  - in 1968 after the government’s massacre of hundreds of students who were critical of the government, then engaging in massive repression in the countryside
- **At the same time**, in what may seem contradictory, Mexico will develop a **very close and pragmatic working relationship with US**
- US wanted a stable and friendly country on its border;
- **MX wanted to attract capital and technology** and avoid trouble and interventions
- The U.S. and Mexican economies will become ever closer in the decades after 1940 (though not nearly as much as after the mid-80’s).
- A slow and silent integration, while symbolically keeping U.S. at bay.
- US. investors such as Colgate, Ford, G.E., Coca Cola, etc...will continue to come in, ironically often to jump over the tariff barriers that Mexico erects in terms of what cannot be imported (as part of ISI policies)
- There are **many more limits** than during the late 19<sup>th</sup> C

(Ppt) **Last gasp of Nationalism** and Mexico’s Activist foreign policy

- It was during this decade up to 1982, MX witnessed the **heyday of statism**,
  - and also when the country's foreign policy assumed its most activist character.

- Mexico took a **leading role in trying to reshape the international economic order**, which was seen by the Third World as benefiting only the industrialized countries at the expense of the developing world.
- Echeverria (1970-76) drafted the **Charter of the Economic Rights and Duties of States** at the UN, an effort to improve the lot of the Third World by stabilizing and improving prices of their raw materials and increasing their access to technology.
- He also, created the **Sistema Economico Latinoamericano (SELA)** with Venezuela's Carlos Andrés Perez. SELA included Cuba, excluded the U.S., and was geared toward **protecting the nationalist economic policies of its member states**.
  - It was also an attempt to counter the U.S. dominated Organization of American States (OAS).
  - Mexico also took an active role in the Group of 77, constantly working to change what it saw as an unjust economic order.
  - It improved relations with Cuba, taking active steps to bring its "sister country" back into the inter-American system.
  - Mexico offered active support to Allende in Chile, receiving thousands of refugees after the Pinochet coup.
  - All of these measure would be opposed by the U.S.- saw them as a nuisance
- Jose Lopez Portillo, pres 76- 1982 begins as a fiscal conservative in order to woo the business sectors that Echeverria had alienated
  - but especially because massive dep's of oil are found on his clock, continues the nationalist policies of his predecessor
  - in countering the distinctions between Developed and Underdeveloped countries, LP quips **"Today there are only two types of countries: those who have oil, and those that don't. Mexico has oil"**
  - More than ever, oil becomes Mexico's major export- disproportionately so.
  - Mexico actively supported the Sandinistas in Nicaragua- providing them with subsidized oil and credits, for which it drew the ire of Washington.
  - Finally, MX joined with France to recognize the FMLN as a representative political force, for which again, it drew the ire of Washington

## History of Mexico

- Mexico would consistently find common cause with other Revolutionary movements (arguing Mexico itself was still a Revolutionary country)
- The US would of course oppose these, and argue they were a product of “immature machismo”. (That Mexico was doing this to spite the US)
- During the Cold War, Mexico will consistently defend **self-determination** and the **sovereignty of states** (its most cherished foreign policy principles)
  - Condemning the US at world bodies over Cuba, D.R., etc.
  - **Planting diplomatic banners on the world’s stage to convince the world and its critics at home of its “Revolutionary” character** and also to **show its independence from the US.** and retreats to its pragmatic and close relationship with the US on matters of most importance (stability and solid economic relations)
  - **compartmentalizing those relations so they don’t taint economic relations**
- Politically, it is as Sidney Weintraub has put it “**A Marriage of Convenience**”
- The nationalist model that we’ve been describing would endure for about four decades until it finally collapsed under its own weight in the 1980's.

### (Ppt) **The Collapse of Economic Nationalist Model of Development, 1982**

- Confluence of internal and external pressures which triggered the model's collapse came in 1982
  - when prices of commodities, especially oil, plummeted amidst the world recession and interest rates skyrocketed, compounding Mexico's indebtedness
  - In August 82, Mexico announces to the world it will no longer be able to pay its international debts

Unleashes a crisis of unprecedented proportions

- Mexico adopts “Austerity measures” to balance the bloated budgets and continue paying its debts (“Belt-tightening measures”)

## History of Mexico

- eliminating subsidies (guaranteed producer prices, subsidized energy, food, )
  - In but one example, corn \$5/bushel before, by 2000 it'll be \$1.80
- budgets in health, education , and welfare are slashed
- **“Bitter Medicine”** says the IMF
- Dubbed the “lost decade” in LA (because crisis hit all )
  - all social indicators drop
  - unemployment shoots up
  - spending on education and achievement rates drop
  - infant mortality rates increase
  - poverty increases dramatically
  - real wages drop precipitously (still have not recovered their 1981 levels)

### (Ppt: vacuum cleaner )

- Alan Greenspan said that “the road to the market is a valley of tears”, but hang on, the promised land is First World Status
- From this crisis emerges a **new set of leaders within the ruling party**, the **“technocrats”** who relentlessly pursue market-opening measures to solve the crisis.
- A **new political order** emerged in Mexico without overthrowing the old (the **Ph.d.** generation. Salinas Ph.D. Harvard. Zedillo-Pres. '94-2000- Ph.D. Economics Yale)
- The World press spoke so highly of “Harvard educated” Salinas, that the Economist magazine joked that his name may well have been “Harvard educated” and not Carlos
  - to restore Mexico’s credit worthiness, to attract foreign investors to Mexico (to continue paying the debt which was over \$100 Billion)
  - will engage in a process of the slow but sure systematic dismantling of over 50 years of economic nationalist policies

### (Ppt) **New economic Orthodoxy emerges- Emergence of Neo-Liberalism, Mexico’s new development model**

- **“The Washington Consensus”** (because they are being advocated by the IMF, Wall Street, and Washington policymakers). The notion that if:
  - State property is privatized

## History of Mexico

- government regulation is reduced
- free trade policies are introduced
- inflation is controlled
- prices are set free
- that **investment would automatically flow in and produce prosperity**
- That nations could jump from 3<sup>rd</sup> world status to 1<sup>st</sup> world status, like **Nescafe** (just add free markets)
- Salinas (88-94) spearheads this dramatic change in direction

### (Ppt: Salinas and Salinaestroika)

- “Salinaestroika” (first open markets, then open politics)
  - Perestroika first, then glasnost (otherwise would suffer the fate of Gorbachev, who opened up politics first and was ousted and couldn’t open up the economy)
  - **Deep economic restructuring, then political opening**
- Begin to dismantle trade barriers and eliminate all restrictions to foreign investment
  - What would have been “**entreguista heresies**” in the 1970’s are now pursued in an effort to “modernize” Mexico
  - Privatization of all state owned firms
    - by 1982 MX owned over 1,200 parastate agencies- all to be sold except oil and electricity
    - “**Dirty privatizations**” (Late 90’s MX had more billionaires than every other country other than the U.S. Similar process to what occurred in Russia)
    - Selected tycoons given sweet deals when the government was selling off telephones, airlines, banks.
      - Assurances that they would be protected while they adjusted to the provisions of NAFTA (a 15 year window in some cases)
    - Most notorious case “The Mexican twelve” and the famous banquet illustrating the politics of privatization:
      - In response to criticism of umbilical cord between PRI and the state

## History of Mexico

- Feb 93 at home of a previous finance minister, Pres. of PRI (Borrego), with Salinas present hits up the tycoons to fund the PRI. Each pledges \$25M, with Azcarraga of Televisa offering to up the ante to \$50M
- A predictable uproar in Mexico, the case was seen as a symptom of the deals that were being cut and the inequalities in Mexican society.

### Changes in relations with US are deep

- Old taboos are turned on their heads in order to pursue these new policies
- signals an unprecedented **rapprochement with the US**
- Salinas proposes the idea of the **NAFTA** to Bush, to signal to the world that Mexico is open for business

### Strategies Toward Dealing with the US change completely

- In a in another about face, Salinas embraces the notion of “lobbying” , esp. in US
    - launches a full court press to get NAFTA (crown jewel of his econ. Project) approved
    - spends over 25\$ in 1993 alone in **Public Relations** in the US
    - Hiring Washington Lobbying firms to advise Mexico on securing NAFTA’s passage
    - Begins to aggressively court **the Mexican Immigrant Community** here **and the Mexican-American community**- sees them as potential allies to secure NAFTA.
      - Giving Gloria Molina the “Aztec Eagle” Award
      - the Hispanic Chamber of Commerce...
- (Fox will take this idea and run with it, sounds like his idea now)

**(Ppt Zapata and the rewriting of the textbook “History belongs to those who work it (rewrite it)”**

- And to continue our **textbook analysis** to illustrate the deep economic and political changes:
- As you recall, the pages of the Mexican history textbooks extolled the virtues of nationalist economic policies while deriding **multinational corporations** as “**greedy octopi**” that spread their tentacles over a nation depleting it of its resources.
- From the point of view of these new leaders that took charge of Mexico in the 80’s, the brand of Mexican nationalism that the post-revolutionary elite had helped craft and perpetuate for over fifty years no longer seemed to jibe with this new economic orthodoxy.

- **How could the nation now woo the very same multinational corporations that had been vilified in the nation's textbooks for over fifty years?**
- One fascinating solution that policymakers latched upon was to commission a new group of historians to rewrite the nation's textbooks.
- In a symbolic effort to bring an end to Mexico's decades long experiment with land reform and begin to attract more private investment to the countryside, the new textbooks, which came out in **1992**- about a year before NAFTA was to be negotiated- "demoted" Emiliano Zapata from a "hero" who stood for land, liberty and social justice to a **rebel without a cause**.
- It also "rehabilitated" Porfirio Diaz, paying much more attention now to the achievements of the regime to "modernize" Mexico by, for example, **inviting foreign companies to build Mexico's railroads and port facilities and helping to bring Mexico into the web of the world marketplace**. (Just like Salinas was doing)
- This was a conscious attempt on the part of policymakers to refashion Mexican nationalism in order to make it more "congruent"- in the words of Salinas' Finance Minister- with the new market opening policies the government was pursuing!
  
- NAFTA- signaling a new economic opening and that MX was finally joining the ranks of the industrialized nations.
- A decision to **deepen the economic relationship** between MX and the US and very importantly, to **institutionalize these neo-liberal economic policies**.
- To **bind future governments** to free market policies
- "**Dios creó al Mercado, que cumpla su destino manifiesto**" ("God created the markets, let it carry out its Manifest Destiny")
- NAFTA allows for the **uninhibited flow of money, goods, and investments** across borders.
- It provides an enormous legal framework protecting the interests of multi-national corporations and international capital, but provides no meaningful protection for the rights of working people, small businesses, small farmers, immigrants or the environment.
- It was an agreement after all that was **hammered out by an authoritarian regime**, without significant input from anyone other than large capital.

## History of Mexico

- Mainly because side agreements on Labor and the Environment were put in as an afterthought.
- Regulatory agencies in Mexico have up to this point little teeth. Few resources devoted to it.
- And up to this point, there has been a concerted effort to prevent unionization
  - In Mexico, countless have been fired for trying to unionize along the border
  - This was part of the efforts to “attract investors”
- In terms of results, its been a mixed bag
  - a tremendous boon to multinational corporations that have relocated south of the border and are paying workers 30% of what the job paid here
  - it is common practice now to use the threat of “relocation” to prevent unionization here now (“join a union and you won’t have a job”)
  - In Mexico, large corporations that have forged agreements with MNC’s have fared well. Cement, Glass conglomerates even acquiring co’s here.
  - At the same time, small and medium businesses have lost out to competition and have closed, throwing thousands out of work as well.
  - Large agricultural conglomerates have fared well (allied with Del Monte, Green Giant exporting broccoli, asparagus, etc...)
  - And at the same time **small farmers** have been hit the hardest
  - remember not just since NAFTA, but since the mid 80’s
    - lost subsidized prices, subsidized loans,
    - and the price of their inputs (gasoline, fertilizers) have gone up
    - they’re the ones that have been squeezed the most
    - **they’ve not been able to compete with heavily subsidized US agriculture**
    - Result: massive migration to cities and to the US

As to our points earlier about the “**Deaths**” of the **Revolution**, Mexican intellectuals again brought up the issue, and said that if it wasn’t dead before, it was certainly killed during the Salinas administration, when he

- Declared Land Reform over (in front of a picture of Zapata, no less)
- and when he jettisoned the working classes and tied the ruling party closer than ever with big business

**This is the context for the Zapatista** uprising in 1994 on the day NAFTA took effect.

**(Ppt Zapatista Uprising)** (Marcos with arms, shooting the bird)

- Jolts Mexico and the rest of the world to the severe inequalities that were being exacerbated by neo-liberalism
- **Countering the “I export, therefore I am” paradigm** and the commodification of land

**(Ppt: Salinas being jolted awake by Zapatistas)**

- Zapatista uprising- signaling to the world, among other things, that our “tranquil trading partner” as Julia Preston of the NYT called MX, had “guerrillas in its closet”
  - **Revolt of the “globalized”**?- much deeper, though it was the spark
  - Investors fled Mexico 1994 because of the “instability”
  - Unleashing a **massive economic crisis** at the end of '94, early '95
  - Mexico responds with new round of “austerity measures”

**(Ppt: Globalization Strips Nations of their Sovereignty)**

- Nations at the mercy of “Hot money” and traders in New York
- Dubbed the “**Tequila Effect**” when traders began taking their money out of other “Emerging Markets”
- Clinton and Rubin puts together a \$50 Billion loan package to Mexico
  - In effect bailing out wealthy US investors who were going to take huge losses in their Mexico investments
  - J.A. Lozoya “Not so much that we want to keep you from going hungry- we just want to continue selling you cornflakes.”
- **Asian Financial Crisis of '97** engulfed Mexico too, though it had to do with an Indonesian Real Estate bubble. But investors panicked and began taking their money out of Mexico too, unleashing another financial crisis (the “herd” of investors “stampeding” says Tom Friedman in *The Lexus and the Olive Tree*)
- Ironically, given the pain that this economic transformation caused Mexico, Salinas in NPQ 99 writes with Mangabeira that he now reconsiders the wisdom of full implementation of the

market economy because of the pain, and the potential backlash. Creating, in essence, “enemies of the market.”

(Ppt: Salinas in trash can)

- He should know, he’s been in “unofficial exile” since 1994

(Ppt) **Fox Sweeps Away 71 years of PRI rule. Or Does He?**

- Elections of 2000 signaled the **end of the Imperial Presidency**
- Deepening of the economic changes put forth since mid-80’s
- As Zedillo had done after Salinas, Fox is continuing forth **NAFTA-like agreements** not only with Chile, **EU**, but Central America, Japan, and pushing aggressively for FTAA
- And very importantly, there is a **real Congress** that has veto power and the power not only to change legislation, but to **craft it**. Said Luis Pazos, Rep. PAN “ya no estamos aqui solo para levantar el dedo.” (Reforma 1/18/01)
- Vastly different from the 1980’s when J. Silva Herzog, Finance Minister under de la Madrid (82-88). He was asked how he dealt with Congress during the sensitive debt negotiations of the late 80’s: he replied: “We didn’t. We ignored them. It was easier that way”
- Not anymore. Fox was recently out-foxed on the budget negotiations and for the first time lost control of the budget negotiations to Congress
- PRD, though their delegation is smallest has been the party that has argued for strengthening regulatory agencies, ...not ripping the social safety net to shreds.
- Ironically, the PRI is now positioning itself as a “Social Democratic party” with similar concerns as it prepares to retake the Presidency in 2006
  - Needs to build coalitions to push through policies and has not been able to do so.
  - **PRI** has become the **ultimate spoiler** as it gathers momentum to retake the Presidency (winning governorships it had lost)
- And in two examples of the type of initiatives he’s putting forward ,

## History of Mexico

- Another, the opening of Mexican Trade Centers in US to facilitate Mexican exports to US and US exports to Mexico.
  - First opened in Santa Ana, March 2001.
  - Will house representatives of Mexican states to encourage small and medium size businesses from Mexico to export to the US (and vice-versa)
  - Centers for contacts, information about markets, and financing
  - Southern Calif. alone exported \$6B to Mexico last year
  - (MX exports 110B to US)
  - NAFINSA, MX's Development bank even started a special fund for businesses run by US. Latinos interested in investing in Mexico

## Deepening Ties with Mexican Immigrant Community

- Seeing them for the first time as **real** allies in the quest for the Development of MX
- “Mexicans who have emigrated are heroes”, Fox said as we went to the border to meet them as they came to visit relatives for Christmas
  - They'd previously been derided as “traitors” and shaken down at border
- had said throughout campaign will rule also for the “18 million Mexicans in the US” (though the majority of this number are Mexican-Americans who've been born here
  - (Only about 7 million of this figure are Mexican born)
- New Cabinet level **Office for Migrants Living Abroad** under Juan Hernandez
- Among the initiatives:
  - increasing oversight into money transfers that brought >\$**14B** in remittances
  - (2<sup>nd</sup> largest source after oil)
    - Thus “**Money gram Mexicans**”
- embracing hometown associations (~1,500)
  - providing matching funds when the paisano organizations invest job-generating projects at home
- In general, a much more positive attitude towards Mexican migrants. Though begun with Salinas with his “Programa Paisano”, this one is a fundamental change.

## History of Mexico

- In part, because Mexico is on its way to giving **Mexicans living abroad the right to vote**.
- And in contrast to Salinas and Zedillo's "compartmentalization" approach (nothing on the table except trade and investment in order to not "taint" economic relations)
  - Fox tried to bring the issue of **Migration** squarely to the negotiating table
  - Asking the US to **recognize** what economists have recognized for years, the importance of MX migrant labor in US agriculture, construction, tourism sector, etc...
- When Fox met with Bush in Guanajuato in Feb '01- Made progress toward establishing the broad outlines of a comprehensive Migration Accord which would include:
  - guest worker program
  - US legislation to provide legal status to undocumented immigrants in US
  - Sen Hagel (R-Neb) in LA Times (4/18/01) in talking about immigration reform: "There aren't very many people in Nebraska who are not aware of the fact that economic development in some districts is a direct result of having workers from Mexico coming in to work."
  - Both Fox and Bush got ahead of the U.S. Congress, where a comprehensive migration accord was a tough sell
- 9/11 signaled the death knell for the migration accord.
- The idea of a migration accord been recently revived (Nov. 04)

(Ppt: map of cocaine coming through MX to US)

### **And with regard to combating the narcotics trade,**

- We seem to be arriving here finally the recognition that the problem of narcotics is not just one of Supply, but of Demand-
  - a stance that Mexico has taken all along but has never made it to the table-again because of "compartmentalization"
  - Fox was successful in pushing to end "certification"
  - In fact, "certification" has been a sham, a way for individual congressmen here to pat themselves on the back about "doing something about drugs" without risking any political capital.

- Bush himself said in unusually blunt admission by a U.S. president when he met Fox in Feb.: "The main reason why drugs are shipped through Mexico to the United States is because United States citizens use drugs,"
  - he's echoing what Gen. McCaffrey had been saying as well
  - Brad Hittle of the Office of Nat'l Drug control, Wash. D.C. calculates that over **\$60 Billion !** are spent on drugs in the US
  - has **been** arguing that it is **demand** here in the US that **drives** drug production in Lat. America
  - Argues Mexico does not have a real drug problem (though its beginning since 90's)
  - 1.5 million chronic users here spend \$38B is of this on cocaine
  - As graph shows, its produced in Bolivia, Peru and Colombia and since the 90's when the Colombian cartels (and the Caribbean throughways),
    - 50-60% of it comes through Mexico to make its way to the US
  - And of course, in Mexico, as it did in Colombia and Peru its had enormously corrosive effects on Mexico's institutions. It nearly destroyed Colombia's, with , Supreme Court Justices, magistrates assassinated by the cartels
  - In Mexico, this corruption has reached high levels as well
  - Mexico's drug czar, Gen. Rebollo whom our drug czar McCaffrey called "a butt-kicking general of impeccable moral character" was found to be on the take.

### **In Sum,**

As I indicated at the beginning, much is change is taking place in Mexico's political and economic landscape.

- Democratic gains are undeniable. As **Mexico has Democratized**, there has been a **broad power shift away from the Presidency, towards Congress**
- Fox is taking full advantage of its new bona fide democratic credentials to bring to the table thorny and vexing issues such as migration and narcotics.
- And he is pushing forth market opening policies that continue to transform the Mexican economic and social landscape,
  - This changes began with the policies being put into place since the 1980's

Since the changes Mexico has put into place since the mid 1980's, the US are so tightly linked:

**(Ppt: "When the U.S. sneezes...")**

- It used to be said that "When the US sneezes, Mexico catches a cold"
- Now the two economies are so linked that it should be changed to "When the US sneezes, Mexico catches pneumonia"
  - When the U.S. economy went into a recession in 2001, so did Mexico'
  - The Mexican economy did not begin to grow until the US economy rolled out of its current recession