

# foreign policy *in focus*



Interhemispheric Resource Center  
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## Mexico

Since the early 1980s Washington has sought to break down all barriers to U.S. trade and investment in Mexico. It has done this through bilateral “framework agreements,” debt-management negotiations, support for the structural adjustment-programs imposed by the international financial institutions (IFIs), and the inclusion of Mexico in the 1993 North American Free Trade Agreement (NAFTA).

As part of this economic-liberalization agenda, the U.S. has also supported policies to ensure stability in this country with which it shares a 2,000-mile border. Widespread instability would not only threaten U.S. economic interests in Mexico but would also put the

U.S. free trade agenda at risk throughout the hemisphere. In addition, Washington policymakers fear that economic and political instability in Mexico would aggravate immigration and drug flows into the U.S.

Recent U.S. policy reflects this dual agenda of keeping Mexico open to U.S. business and sustaining stability. Although in 1988 Washington chose to endorse a fraudulent presidential election that guaranteed to keep the free trade/free market agenda on track, more recently U.S. policymakers have increasingly promoted political modernization as the means necessary to maintain social stability and ensure the long-term viability of neoliberal economic policies.

For the same reasons, the Clinton administration orchestrated a \$50 billion financial bailout—including

U.S. Treasury bonds, credit guarantees, and IFI loans—to keep the neoliberal model from collapsing in Mexico under the impact of the 1994 peso crisis. Justifying the unprecedented “rescue package,” U.S. Treasury Secretary Robert Rubin explained that any escalation of the crisis in Mexico would constitute a

“long-term threat to U.S. exports and jobs that depend on bilateral trade.”

What is more, Federal Reserve Chairman Alan Greenspan declared that “any reversal of Mexico’s economic reforms and a spread of Mexico’s financial difficulties to other emerging markets could halt or even reverse the global trend toward market-oriented reform and democratization.”

In their campaign to install a new wave of “free market democracies” throughout the South, U.S. policymakers have increasingly confronted the social costs of market-oriented structural adjustment and its threats to stability. The U.S. Embassy in Mexico has established a “working group” to examine the social and political repercussions of the deepening economic crisis. Treasury Department officials and their colleagues at the IFIs have increasingly raised the concern of income disparity and poverty as “regime-threatening” factors. The Pentagon’s Mexico contingency plans focus on potential internal unrest and its consequences resulting from economic polarization and social disintegration associated with the neoliberal model of globalization as the primary “security” concern.

Although a priority of U.S. policy in Mexico is promoting and sustaining a neoliberal structure of economic relations, other policy considerations also come into play, most prominently immigration control, drug control, human rights practices, and political modernization. But all are evaluated within the context of continuing economic liberalization policies and managing their potentially destabilizing effects.

The issues of immigration control and drug control are driven more by U.S. domestic politics than by concerns about bilateral relations. In the U.S., state and national lawmakers have passed extreme anti-immigrant measures and frame drug control as a national security concern. Both approaches have resulted in the militarization of the U.S.-Mexico border. In Mexico, U.S. drug-control programs have expanded the U.S.-Mexico military and law-enforcement relations, thereby lending support for increased militarization in the country’s interior.

### Key Points

- U.S. policy is dominated by economic considerations, although maintaining social and political stability is an ever-present concern.
- The prominent U.S. role in the financial bailout following the late-1994 peso crisis reflected U.S. concerns about the repercussions of a collapsing free market model on the policies of other emerging markets.
- U.S. concerns about Mexico’s commitment to democratization and respect for human rights are generally framed by the more fundamental interest in maintaining the economic opening and controlling its destabilizing consequences.

Those in U.S. policy circles generally agree that U.S. policy toward Mexico has been successful and continues on an appropriate track. U.S. transnational corporate interests are served by these policies that have helped install a “free market democracy” in Mexico and have created lucrative openings in sectors. The free fall of the Mexican economy in 1994 is regarded as a temporary setback but one that would have been much worse without the economic liberalization policies cemented by the NAFTA accord. Despite some tensions, cooperation is high between the U.S. and Mexican governments. And these officials commonly agree that the prescriptions put in place to address the 1994 crisis are working. Since the early 1980s when economic liberalization began in earnest, overall U.S.-Mexico trade has increased dramatically, from \$30 billion to \$107 billion in 1995.

The U.S. commitment to the principles of economic liberalization abroad has not wavered despite increasing evidence of the severe social consequences of neoliberal restructuring and the free trade system that Washington manages.

In the heat of the NAFTA debate in the early 1990s, Presidents Bush and Clinton praised Mexico for opening up its markets to foreign capital. Yet it was precisely the manner in which this opening took place, with its extreme dependence on speculative capital, that led to the financial collapse at the end of 1994. The financial speculators, both national and foreign, who had taken advantage of the opening used that same open door to take their “hot money” out of Mexico—thereby precipitating the peso crisis and the continuing disinvestment in Mexico’s productive sector.

The precipitous nature of that economic opening and the privatization strategy have devastated entire sectors, most notably subsistence agriculture and the small and medium-size industries that produce for the shrinking domestic market and that have generated the most jobs for Mexicans. The result of this U.S.-touted policy intensified other key problems in the bilateral relation in direct contradiction to U.S. stated objectives: immigration and narcotrafficking. Increased immigration, or the perception of it, was met in the U.S. with stepped-up measures to stop Mexicans at the border. Similarly, U.S. economic policy has advocated the extensive privatization of state enterprises and the dismantling of government service programs, especially in rural areas. Marginalized within a rural economy increasingly dominated by agribusiness, many campesinos have turned to drug production as a survival option.

Such concerns about the socioeconomic impact of integration between two such economically disparate nations were raised during the NAFTA debate. However, with the exception of the founding of the largely symbolic North American Development Bank, policymakers rejected appeals for an economic integra-

tion program model that made equitable development a priority, choosing instead to rely exclusively on the market to direct the course of globalization.

U.S. policy toward Mexico today occurs within a bilateral context in which the governing elites of both countries are more explicitly in agreement on their shared interests than perhaps at any time since the turn of the century. Yet the very nature of the economic integration process favored by Washington has provoked one of the fiercest public political debates on U.S. international economic relations in recent history and continues to generate rifts among diverse interests at the elite and grassroots levels within the United States. NAFTA, the highly politicized debates on immigration and drugs, and the financial bailout of Mexico all highlighted sharp differences in the U.S.—within both the right and left—regarding the appropriate U.S. approach to globalizing trade and production.

Unfortunately, this debate focuses on narrow definitions about what serves U.S. national interests. NAFTA supporters were led by corporate interests that regard free trade as the best vehicle to increase profits, all the while arguing that the benefits of new trading opportunities would eventually be shared by all. Most U.S. groups opposed to NAFTA—whether on the left or the right—were largely responding to constituencies who believed that they would be harmed by further economic integration. Consequently, the arguments against NAFTA on both sides of the political spectrum were quite similar. During the trade negotiations, U.S. domestic producers, consumer groups, labor unions, and environmentalists all sought to impose regulations on Mexico to ensure that their constituencies were protected.

Rather than identify NAFTA as simply the formalization of the ongoing economic integration process between both countries, guided primarily by transnational corporations, opponents scapegoated Mexico for undermining U.S. living standards through runaway jobs, pollution, drugs, and “illegal” immigrants. This protectionist and unilateral perspective continues to dominate the debate on relations with Mexico. At one point, liberal legislators together with progressive citizen groups opposed to NAFTA drafted legislation that stipulated a permanent U.S. trade surplus with Mexico as a condition for keeping NAFTA, in effect mandating a permanent economic subordination of Mexico.

### Key Problems

- Those shaping economic integration policy have rejected appeals for a program that prioritized equitable development, choosing instead to rely almost exclusively on a corporate-driven agenda to direct the course of globalization.
- An unusual level of diplomatic and business consensus on current U.S.-Mexico relations coexists with high levels of social dissidence on current bilateral policies in both countries.
- Protectionists from both the left and the right, together with representatives from vulnerable U.S. business sectors, color the U.S. debate about NAFTA and relations with Mexico.

Currently, in both countries—one relatively rich and one relatively poor—the economic agenda that guides the bilateral relationship is not working for the interests of the majorities. In both countries, 80 percent of the population is suffering a loss of its share of national income while the wealthier 20 percent is gaining at the expense of the poor. The promised benefits of this model for the vast majority in both countries are not in evidence, all to the contrary.

Thus, a new U.S. foreign policy toward Mexico can only be articulated if U.S. domestic social and economic policies are redefined. A new U.S. policy must consider two issues: the need to replace economic growth as an objective with a bilaterally defined notion of development and the need to democratize control of the globalization process.

To define new policy objectives for integration with Mexico, the U.S. policy debate must first redefine the purpose of its own economic development model. Only through this process can policymakers identify the

premise for a binational debate on the nature of trade, investment, and economic cooperation. Without this process, policy recommendations are limited to piecemeal proposals that do not ultimately generate a new policy paradigm for bilateral relations.

Without a serious attempt to define a development policy in the U.S., alternative policy proposals regarding NAFTA or other aspects of bilateral relations inevitably degenerate into calls for unilateral, protectionist measures that are a poor foundation for establishing viable, constructive approaches to mutual development.

firms. More democratic policies that reflect a broader social consensus would result if a similar effort were made to incorporate representatives of unions, farmer organizations, constituency-based environmental organizations, and other affected communities.

A new U.S. foreign policy toward Mexico must emerge from a binational process to design and implement truly bilaterally defined policies that recognize interdependence, self-determination, and the disparity of power relations.

If economic integration is to work—meaning that the 80% majority in both countries see their proportion of national income rise—then new bilateral agreements are needed to protect disadvantaged workers and small producers, aid adversely affected communities, retrain workers on both sides of the border, and otherwise decrease the disparity between the two countries. Part of this new approach to development must include serious debt relief since Mexico's debt burden denies funds for domestic development programs to increase productivity and employment.

Bilateral economic integration will continue to be contrary to the interests of working people on both sides of the border if it only promotes trade and investment and does not address the need to ensure that the work force of each nation has productive employment and full labor rights for all, especially immigrants wherever they work. Similarly, the drug issue cannot be properly addressed without considering economic development. The drug war will not stop the flow of drugs to U.S. consumers. Increasing drug use and related crime should be considered as mutual problems, while recognizing that the U.S. narcomarket spurs production and trafficking in Mexico. U.S. financial support would be better spent on supporting NGO and government programs to create alternative economic opportunities.

The Mexico-U.S. relationship poses the fundamental challenge to all who wish to devise a new North-South relationship: the entire spectrum of problems between the developed and the developing worlds are concretely manifested here. The process required to evolve a new U.S. foreign policy toward Mexico will serve as a framework for defining a new U.S. foreign policy agenda that addresses global inequities and the problems created by economic globalization both in the U.S. and abroad.

*Written by David Brooks, Mexico-U.S. Dialogos.*

### Key Recommendations

- A new policy toward Mexico must incorporate the interests of grassroots social actors such as trade unions, agricultural workers, community groups, and small producers in both countries.
- No discussion of the premise of a new policy toward Mexico is possible without a consensus in the U.S. on the appropriate development model for this country and the democratization of the policy-making process regarding economic globalization.

Any new policy process on Mexico must ensure first that it is defined in a democratic fashion, where U.S. policymakers incorporate the representatives of broad social constituencies directly affected by the bilateral relationship into the discussion at the domestic level.

In its foreign policy decisions, the U.S. government routinely includes representatives from the Fortune 500

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# sources for more information

## Organizations

### American Friends Service Committee

Mexico-U.S. Border Program  
1501 Cherry Street  
Philadelphia, PA 19102  
Voice: (215) 241-7132  
Fax: (215) 241-7119

### Center for US-Mexican Studies

University of California, San Diego  
La Jolla, California 92093-0510  
Voice: (619) 534-4503  
Fax: (619) 534-6447

### Equipo Pueblo

Apartado Postal 27-467  
06760 Mexico, DF  
Voice: (525) 539-0015  
Fax: (525) 672-7453  
Email: pueblo@laneta.apc.org

### Global Exchange

2017 Mission Street, Rm. 303  
San Francisco, CA 94110  
Voice: (415) 255-7296  
Fax: (415) 255-7498  
Email: gx-info@globalexchange.org

### Inter American Dialog

11 Dupont Circle NW, Ste. 502  
Washington, DC 20036  
Voice: (202) 265-5350  
Fax: (202) 265-5425

### Interhemispheric Resource Center

PO Box 2178  
Silver City, NM 88062-2178  
Voice: (505) 388-8807  
Fax: (505) 388-0619  
Email: irc1@zianet.com  
Website: <http://www.zianet.com/irc1>  
(Publishers of *BorderLines*)

### Latin America Working Group

Box 15, 110 Maryland Avenue NE  
Washington, DC 20002  
Voice: (202) 546-7010  
Fax: (202) 543-7647  
Email: lawg@igc.apc.org

### Mexico-US Dialogos

103 Washington Street, #8  
New York City, NY 10006  
Voice: (212) 233-0155  
Fax: (212) 232-0238  
Email: dialogos@igc.apc.org

### Red Mexicana de Acción Frenta al Libre Comercio (RMALC)

Godard No. 20  
07790 Mexico, DF  
Voice: (525) 556-9375  
Fax: (525) 556-9316  
Email: rmalc@laneta.apc.org

### Washington Office on Latin America

400 C. Street NE  
Washington, DC 20002  
Voice: (202) 544-8045  
Fax: (202) 546-5288  
Email: wola@igc.apc.org

## World Wide Web

### Institute for Agriculture Trade and Policy

<http://www.igc.apc.org/iatp/trade.html>

### La Jornada

<http://www.nuclecu.unam.mx/~jornada>

### Mexico NAFTA Resources

<http://lanic.utexas.edu/la/Mexico/nafta/index.html>

### NAFTA Links

<http://www.masterlink.com/metrocrest/NAFTA.htm>

### Public Citizen's NAFTA Page

[http://www.essential.org/public\\_citizen/pctrade/nafta/naftapg.html](http://www.essential.org/public_citizen/pctrade/nafta/naftapg.html)

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