

## ***How did NAFTA change Mexico's economy?***

The government continued to reform the economy throughout the 1990s, despite diminishing popular support. Under President Salinas, Mexico worked with the United States and Canada on a plan to increase trade on the continent. Years of talks among the three countries eventually produced the North American Free Trade Agreement (NAFTA), which took

effect in 1994. NAFTA lowered barriers to trade among North American countries. For Mexicans, this means that Mexican exports are cheaper for U.S. and Canadian consumers and, at the same time, imports from the United States and Canada are cheaper for Mexican buyers. Today, NAFTA is the largest trading partnership in the world, totalling about \$750 billion in trade in 2009.

NAFTA made Mexico a hot spot for investors. From 1990 to 1993, Mexico attracted more foreign investment (\$53 billion) than any other developing country. Many international manufacturers moved their plants to Mexico so that they could pay lower tariffs, or taxes, when trading with the United States. At the same time, many U.S. businesses opened factories in Mexico because they could pay Mexican workers lower wages. Mexico's exports boomed, thanks largely to the growth in manufacturing.

**How has NAFTA had mixed results?**

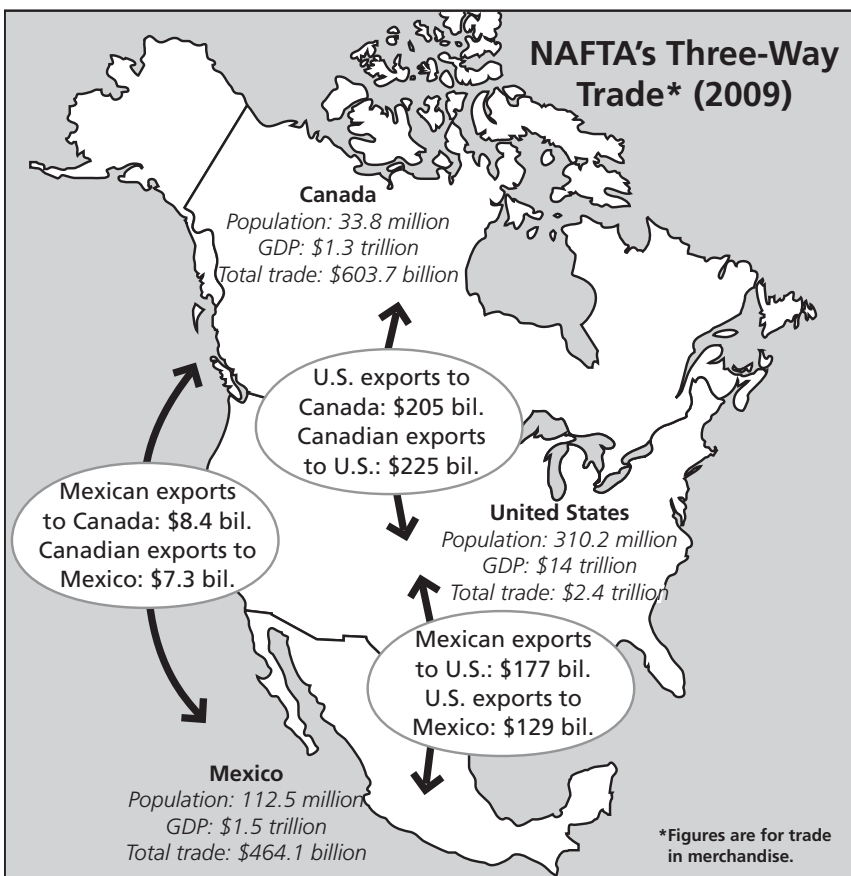
The Mexican government believed that NAFTA would create millions of new jobs in Mexico's factories and farms. It believed that breaking down trade barriers would spur modernization and innovation throughout the economy.

Mexico's most efficient industries are among the success stories boasted by NAFTA. High-tech steel plants and glass manufacturers in Monterrey, for example, have substantially increased their exports to the United States and Canada. Since 1995, Mexico has recorded healthy trade surpluses with the United States, exporting more than it imports. Buoyed by these successes, the Mexican government has negotiated additional free trade agreements with the European Union and other Latin American countries.

But NAFTA has further widened the gap between the haves and have-nots in Mexico. Most of Mexico's manufacturing growth

has taken place in the two thousand assembly plants, or *maquiladoras*, in northern Mexico. These *maquiladoras*, many owned by prominent European and Japanese companies, assemble electronic goods, automobiles, and other items for shipment across the U.S. border. Most of the raw materials that *maquiladoras* use are imported and thus the factories contribute little to other Mexican industries. The workers in these plants make, on average, about \$2.50 an hour. (The average wage for manufacturing workers in the United States is about \$23 per hour.) Concerns have also been raised about the high levels of pollution produced by these plants.

Most Mexicans are inclined to blame NAFTA



Source: U.S. Census Bureau, The NAFTA Office of Mexico in Canada, and The CIA World Factbook.



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and free trade for the thousands of jobs lost in struggling factories producing toys, candy, textiles, and other consumer goods. Competition from U.S. corn imports, for instance, is hindering local corn production, bankrupting scores of Mexican farmers.

The effect of NAFTA on Mexico’s self-image has also been jarring. American-style department stores and fast-food chains have begun to appear in many of northern Mexico’s cities and in Mexico City itself. Parts of Mexico are now indistinguishable from the United States, with strip malls of stores like Staples, McDonald’s, and Starbucks.

***How did economic changes erode public support for the PRI?***

The free market reforms that began in the 1980s plugged Mexico into the global economy and enriched a small elite, but they did not benefit most people. Under President Salinas, the number of billionaires in Mexico rose from two to twenty-four. At the same time, the standard of living for many among the middle class and poor did not improve.

The economic situation grew even more dire in 1994, when the economy suffered another crisis. Over one million workers lost their jobs. Those remaining in the workforce

suffered wage cuts of at least one-third. At the same time, the government trimmed social programs for the poor in order to limit spending.

Inequality and worsening poverty increased public frustration with the PRI. After the country’s economic crisis in the 1990s, for example, the Mexican government became the butt of jokes and political cartoons. Protesters chanted, “First world. Ha, ha, ha” to mock earlier hopes that Mexico would soon be ranked among wealthier nations.

Throughout the 1990s, the PRI slowly began to lose its control over Mexican politics. In 1989, a PAN candidate had become the first member of an opposition party to become governor of one of Mexico’s thirty-one states. By 1996, PAN mayors governed five of Mexico’s seven largest cities. In national elections, voter turnout reached record levels, rising from 50 percent in 1988 to 77.7 percent in 1994. In 1997, for the first time in the party’s history, the PRI lost control of the lower house of Congress. Opposition parties became increasingly popular as Mexicans made it clear that they would no longer stand for election fraud and an unrepresentative government.

***How did the Zapatista army respond to Mexico’s economic problems?***

In the southern state of Chiapas, one of the poorest regions in the country, frustration with the government broke into violence in 1994. Local peasants, calling themselves Zapatistas after the army that Emiliano Zapata led during the Mexican Revolution, organized a guerrilla army to fight on behalf of the region’s indigenous people. The Zapatista Army of National Liberation (EZLN) declared war on the government and led a rebellion against both local and

national government beginning on January 1, 1994.

**“We are the product of 500 years of struggle.... But today we say enough!”**

—From the “Declaration of War” of the EZLN

The Zapatistas were fighting not only for land reform and greater independence for indigenous communities, but also for economic justice and the end of the PRI’s hold on political power. The EZLN rebellion was specifically planned to coincide with the day that NAFTA would take effect. The Zapatistas believed that NAFTA was yet another example of a government reform that would make the lives of the rich easier while the poor continued to suffer.

During the rebellion in Chiapas, EZLN soldiers, wearing black ski masks or red bandanas across their faces, took government officials hostage, blew up telephone and electrical towers, and ransacked town halls, burning official records. The government brutally suppressed the rebellion, and quickly negotiated a ceasefire. But within a year, the peace talks failed. The conflict continued, often spilling over into bloodshed. Throughout the 1990s, hundreds of EZLN supporters, government supporters, and local villagers in Chiapas died in the violence.

The rebellion was widely covered by local and international news media. Many within Mexico were sympathetic to the goals of the Zapatistas. Public debate over government corruption and neglect of Mexico’s peasants and indigenous people intensified. When it was discovered that the Mexican government had known about the EZLN army for more than a year before the rebellion began, many accused President Salinas of being more concerned with passing NAFTA and keeping Mexico’s international image intact than with respond-



Members of the Zapatista army.

Clive Shirley/Panos Pictures. Used with permission.

ing to the concerns of the Mexican people. In public opinion polls in 1994, nearly 70 percent of urban residents believed that Mexico’s political situation was a critical problem.

### ***Why was the presidential election of 2000 so important?***

Although the PRI managed to win the presidency again in 1994, their hold on power was tenuous. In an historic election in 2000, Mexico took a dramatic step toward a new era. On December 1, 2000 Mexico inaugurated PAN candidate Vicente Fox as president and completed its first transfer of presidential power to an opposition party since the 1920s.

For many Mexicans, the end of the seventy-one-year dominance of the PRI signalled an important political transformation for Mexico. When Fox was elected, many believed the country would see great political and economic reform, including poverty relief and the end of government corruption. Fox promised to create one million new jobs per year and to negotiate with U.S. President George W. Bush to legalize the ten million undocumented Mexican workers in the United States.

But many of Fox’s promises were not realized. For most Mexicans, little changed under Fox’s presidency. He continued the

free-market reforms of his predecessors, which did little to alleviate inequality and poverty. Many Mexicans remained frustrated with the government's inability to make real improvements in their lives.

## Challenges Today

By international standards, Mexico is not a poor country. The United Nations ranked Mexico 53rd out of 182 countries in terms of development in 2009. At the same time, Mexico's population of 112 million people is pressing the limits of the country's resources. The fanfare surrounding NAFTA and increased foreign investment has raised expectations for a better life but has failed to deliver substantial results. As the protests after the 2006 elections demonstrated, many Mexicans are no longer willing to wait for the brighter future that has been promised since the 1980s.

### *Why were there protests in 2006?*

Many Mexicans made their frustrations clear in the country's 2006 presidential election. Felipe Calderón, a conservative candidate, won the election by 233,831 votes (less than 1 percent of the 41.5 million cast) over Andrés Manuel López Obrador, a champion of the poor. The election exposed the deep divisions in Mexican society. The majority of Obrador's supporters were from the poor and working classes while Calderón was primarily supported by the middle class and those who thought that Mexico's top concern should be economic and political stability.

Many of Obrador's supporters believed the election had been fraudulent and called for a recount of the votes. Hundreds of thousands participated in mass protests in Mexico City. For six weeks, protestors erected tents to block



Obrador's supporters in a pre-election rally in 2006.

Dermot Tatlow/Panos Pictures. Used with permission.

traffic on the city's major streets. In the end, Mexico's courts allowed only a partial recount and granted Calderón the victory. Although the protests have ended, many Mexicans continue to be angry and distrustful of the government.

***“We are fed up with being robbed, fed up with fraud. We are ready for it to come to blows. If that is what they want, that's what they will get. They want a revolution, then they'll have a revolution.”***

—An Obrador supporter, 2006

### *What economic challenges does Mexico face today?*

Many economists question if Mexico's economic reforms were too rushed. Many Mexican businesses have struggled to compete with the United States, the world's strongest economy.

***“It's as if I climbed in the ring with Mike Tyson for fifteen rounds. The impact [of NAFTA] has been brutal.”***

—Javier Higuera, unemployed accountant

Agriculture is one sector that has suffered. Mexican farmers have struggled to compete with cheaper imports from the United States. Nearly 30 percent of farm jobs in Mexico have been lost since the start of NAFTA. Mexico now relies on foreign food sources to feed its population. In 2008, despite being the fourth largest producer of corn in the world, Mexico imported nearly half of all corn consumed in the country.

Mexico's oil industry has also suffered setbacks in recent years. In the past, oil accounted for as much as 40 percent of the country's income. Mexico is one of the three largest foreign suppliers of oil to the United States. But much of the country's easily accessible oil has been used up. New oil wells exist, but they will be much more difficult to access. Mexico's government, which has controlled the oil industry since 1938, must decide whether to allow foreign companies, who have more advanced technology and expertise, to drill for oil in Mexico. This move would

be deeply unpopular among the population. Some estimate that Mexico may have to begin importing oil by 2020.

Many are also concerned that NAFTA has made Mexico's economy too dependent on the United States. Of all Latin American countries, Mexico has been hardest hit by the 2008 financial crisis, in large part because of its close economic ties to the United States. As people in the United States limit their spending, the effects are felt in Mexico's manufacturing sector. Between 2007 and 2009, more than 250,000 jobs were lost in Mexican factories along the U.S. border.

### ***Why is Mexico's relationship with the United States important?***

In the decades after the Mexican Revolution, Mexico's leaders sought to assert their country's independence by keeping the United States at arm's length. The Mexican armed forces long identified the United States as Mexico's most likely enemy. In the United

Nations, Mexico routinely opposed U.S. interests. Mexico was also one of the few countries in the Western Hemisphere to reject cooperation with the U.S. military. Until 1996, Mexico refused to extradite Mexican citizens wanted for crimes in the United States.

Mexico's economic reforms and NAFTA have been accompanied by a shift in Mexican policy toward the United States. Since the mid-1990s, the Mexican government has been much more willing to cooperate with the U.S. government.

From the Mexican perspective, Mexican-U.S. relations have never been an equal contest. The



El Fison in La Jornada.

A Mexican view of U.S. border control policy.

United States has long held enormous economic leverage over Mexico. U.S. economic output is about ten times greater than that of Mexico. The United States accounts for about two-thirds of Mexico's imports and exports, while Mexico is involved in only one-tenth of total U.S. trade.

There is also a huge imbalance in terms of attention. Mexicans have long been absorbed by their country's relationship with the United States. The territorial losses of the North American Invasion (Mexican-American War) are still a common point of reference in Mexican politics. In contrast, U.S. citizens have rarely looked south. Only in recent years, with the discovery of new oil deposits, the rising tide of illegal immigration and drug trafficking, and the passage of NAFTA, has Mexico come into sharper focus for the United States.

***“So far from God. So close to the United States.”***

—Mexican expression

***How does the issue of undocumented immigration affect relations with the United States?***

Immigration to the United States is another reason that Mexicans pay attention to the Mexico-U.S. relationship. According to the U.S. government, in 2009 alone approximately 165,000 Mexicans legally immigrated to the United States. For many Mexicans, immigration to the United States helps improve the lives not only of those who migrate but also those who stay at home. Remittances, or money sent by workers in the United States to their families in other countries, have become an important source of income for many Mexican families.

But the issue of undocumented Mexican

immigration to the United States has become a sticking point in U.S.-Mexican relations. Mexican leaders are under pressure to defend the rights of their citizens in the United States. At the same time, they face demands from Washington to control the flow of illegal immigrants across the border. Mexican officials have suggested that the United States issue work permits to protect Mexican laborers from abuse. Meanwhile, they have allowed the United States to airlift Mexican illegal immigrants deep into Mexico, rather than simply dropping them across the border.

In 2006, the U.S. government began construction on a fence that will span seven hundred of the two thousand miles of the U.S.-Mexico border in order to prevent illegal border crossings. In recent years, the U.S. government has also stepped up its deportation of illegal immigrants. Some states have passed stricter laws to limit employment of illegal migrants. In 2010, Arizona passed a law that made it legal for the police to arrest anyone they suspect of being an illegal immigrant. Mexican President Calderón has sharply criticized these policies. In recent years, the issues of illegal immigration and border control have become closely linked to the expanding drug trade between the United States and Mexico.



A sign at Mexico's border with the United States.

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***How have drugs and crime affected Mexican society?***

Since the late 1980s, drug trafficking in Mexico has become a major industry. U.S. sources contend that approximately sixty-five percent of the cocaine reaching the United States comes through Mexico. Mexican drug traffickers have used increasingly sophisticated methods to smuggle this cocaine, produced in Columbia, across the southern U.S. border. Mexican drug traffickers also supply most of the heroin consumed in the western states of the United States and have expanded their trade in marijuana and synthetic drugs, such as methamphetamines. In recent years, drug cartels have expanded their operations not only to smuggle drugs across the border but also to distribute them in the United States.

The Mexican government has warned that the drug trade poses a threat to Mexico's security and stability. Drug profits have allowed major traffickers to buy off police, military, and local political officials, as well as border agents. Many Mexicans believe that drug money has penetrated the top ranks of the government. In addition, money from drugs has fueled a booming arms trade across the border. Approximately 90 percent of the twelve-thousand rifles and pistols confiscated by Mexican authorities in 2008 were purchased in the United States.

The gun trade is connected to the increase in violent crime in recent years. Highly organized crime linked to the buying, selling, and trafficking of drugs has become a major problem in Mexico. Drug gangs have been involved in countless kidnappings and murders, usually of other gang members or of law enforcement officials. The violence has spiked since 2006, when President Calderón began an aggressive campaign against the drug cartels, deploying tens of thousands of troops and police to crime-ridden areas.

***“If we remain with our arms crossed, we will remain in the hands of organized crime, we will always live in fear, our children will not have***

***a future, violence will increase and we’ll lose our freedom....”***

—President Calderón, June 2010

Some have criticized Calderón for his heavy-handed military response. They argue that he has not addressed underlying economic conditions that make drug trafficking an attractive option for many young people. Since Calderón became president in 2006, approximately 23,000 Mexicans have been killed, the majority in drug-related violence.

Despite the increase in violence, popular culture has, to some extent, idealized the lives and struggles of drug traffickers. Popular Mexican songs, known as *narcocorridos*, treat drug dealers as popular heroes.

***“I don’t belong to anyone. I administer my business. My clients are in my pocket, everything is going fabulously. The little Colombian rock [cocaine] is making me famous.”***

—Los Tucanes de Tijuana, “The Little Colombian Rock”

The Mexican government has banned these songs from the radio and regularly monitors groups who are known to glorify drug traffickers in their lyrics.

***Why do the questions of land reform and the indigenous communities persist?***

While the problem of drug trafficking dates back a few decades, the challenges of land reform and the struggles of indigenous communities are as old as Mexico itself.

Roughly one-quarter of the country's people still live in the countryside, often in suffocating poverty. Land reforms after the Revolution were not sufficient to bring prosperity to many regions. More than half of all rural households are considered poor, including a quarter of rural households classified as extremely poor. Many do not have access to basic services such as clean water and electricity. Although the literacy rate is improving, in



2004 nearly 20 percent of the rural population aged fifteen and above was illiterate.

Not all of the Mexican countryside is poor. In the north and west, commercial farms grow crops such as cotton, oranges, strawberries, melons, and tomatoes for export. These farms have incorporated new technologies and farming practices and have been relatively successful in the international market. But in the south and central regions, small farms and *ejidos* tend to produce basic crops such as beans and corn. Poverty is widespread, pushing many to migrate for jobs in the cities and in the United States. Much of the land here is used for subsistence, which means that farmers and their families consume virtually all of the harvest they produce.

Land reform issues are closely connected to the struggles of the country's indigenous people. Mexico has one of the largest indigenous populations in all of Latin America and the Caribbean, with indigenous people comprising as much as 30 percent of the national population.

Since the Revolution, government policy has focused on strengthening indigenous communities through bilingual education and by helping preserve local traditions. Nevertheless, indigenous communities are disproportionately poorer than the rest of Mexico's population. Many indigenous groups have long been working to recover the lands that they lost over the past five centuries, as well as to gain more political autonomy for their communities.

***“For us, the land does not have a price, because the lives of our grandparents and our parents are within it. Many gave their lives to obtain it. They fought with the owners, with the army, and even with the campesinos [farmers] who were against being free. We do not want to be... employees. We want to continue to be free, although poor.”***

—Amadeo González Ruiz, farmer

### ***How has the Zapatista rebellion spread?***

The Zapatista army continues to be an important symbol for many communities in Mexico. After the first EZLN rebellion in Chiapas in 1994, guerrilla violence spread to other poor states in southern Mexico. Other social movements have joined the Zapatistas in furthering the land reform aims of indigenous communities. The Zapatistas themselves have expanded since the 1990s, coordinating with activists across the country and across the world via the internet. The Zapatistas have pledged their support to all Mexicans who are poor and exploited, and they have also joined international organizations in a worldwide movement against free trade.

Although many Zapatista demands have not been met, much of the violence in Chiapas has ended. In 2001, the organization stated that it would begin to participate in the country's political process. In the six months leading up to the 2006 election, the EZLN organized a movement called the Other Campaign to oppose Mexico's mainstream political parties. The organization toured the country to raise popular support for more comprehensive political, social, and economic changes.

The Zapatistas have also backed movements in other parts of the country. For example, in mid-2006, a teacher protest in Oaxaca was repressed by thousands of state police officers, sparking a wider movement calling for the resignation of the state governor, Ulises Ruiz Ortiz. The teachers' union was joined by 350 other social organizations in Oaxaca, including unions, indigenous groups, the EZLN, and presidential candidate Andrés Obrador. Violence spread as far as Mexico City and protesters took control of parts of Oaxaca City. Under newly-elected President Calderón, the government arrested more than a hundred protesters, including many of the movement's leaders. Today, Governor Ortiz is still in power and small protests continue sporadically. Many do not believe the region's problems have been solved.

Mexico's political and economic transformation continues. Yet the numerous economic and political crises of the last decade have led many Mexicans to question what kind of future they want for their country. As Mexicans look ahead, many also look back to their

history. The early indigenous civilizations, the arrival of the Spanish and independence, as well as Mexico's long relationship with the United States all contribute to Mexican's sense of what their country is and what it should be.

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In the coming days, you will have an opportunity to consider a range of alternatives for Mexico's future. The three viewpoints, or options, that you will explore are written from a Mexican perspective. Each is based on a distinct set of values and beliefs about the appropriate economic system, political structure, and social priorities for Mexico. You should think of the options as a tool designed to help you better understand the contrasting strategies from which people in Mexico may choose.

Eventually, you will be asked to create an option that reflects your own beliefs and opinions about where Mexico should be heading. You may borrow heavily from one option, combine ideas from several options, or take a new approach altogether.