

A NEW MEXICO IN THE MAKING

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### INTRODUCTION

Mexico is making a great effort to change—indeed, it is changing more than is generally appreciated. Beginning under President Miguel de la Madrid Hurtado (1982–1988) in the mid 1980s, and accelerating since 1988 under President Carlos Salinas de Gortari (1988–1994), Mexico's rulers have been enacting a series of reforms that may add up to a structural revolution. If successful, it may transform the country from top to bottom, and turn out to be one of the great stories of the late 20th Century.

The outlook for the remainder of the Salinas administration remains quite good; success is the most likely scenario, although it is not entirely clear what this may mean economically and politically. A mid-term crisis of some sort is a diminishing possibility. But anything worse, such as major instability, seems unlikely. Meanwhile, many Americans do not yet fully appreciate that a structural revolution is underway in Mexico, and that its success is important for U.S. interests.

### THE ABYSS AND THE LABYRINTH

As President Salinas noted in his *Informe* (State of the Nation report), “Mexico has left behind the most serious aspects of the crisis.” In other words, he has pulled Mexico away from the abyss and is tearing down and opening up the labyrinth.

This dual metaphor of the abyss and the labyrinth, which I borrow from a recent study of Calvinism, goes to the heart of the changes occurring in Mexico. According to the metaphor, people's anxieties about the world lead them to fear falling into some kind of “abyss” that could destroy their identity and their sense of direction. To prevent this, they erect walls and barriers. But these get elaborated into a “labyrinth” that constrains and entraps them. It then requires unusual resolve for a leader to try to dismantle and reform the labyrinth, especially if other people have a stake in its continuation or still fear falling into the abyss.

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In my view, this metaphor summarizes, albeit sketchily and a bit superficially, some fifty years of Mexican history and nationalism, and reveals what a breakthrough Salinas is attempting to accomplish.

The image of the abyss resides in the two great fears that have haunted Mexico since the 1910 Revolution. The first is the fear of internal instability and renewed chaos. The second is the fear of ending up totally dominated, if not absorbed, by the United States, with a resulting loss of national sovereignty, independence, and identity.

To make sure these fears were not realized, Mexico's rulers constructed since the 1930s a centralized system that ultimately became labyrinthine. This system, with the Institutional Revolutionary Party (PRI) at its core, emphasized policies that were corporatist, statist, and protectionist—policies that depended upon erecting numerous internal and external barriers.

For decades this system worked well. But after the unrest of 1968, many Mexicans began questioning whether the system—the labyrinth—had become too confining, arbitrary, and repressive. But until the crises of the 1980s there was little serious impetus for radical reform.

Throughout this period, Mexican nationalism and related policy debates constantly manifested the dynamics of the metaphor. Its two images became inseparable and began to reinforce each other. For example, in a discussion someone might say, "Sure, the system is corrupt, etcetera; we've got to do something to change it. But it's protecting the country from instability and exploitation; so let's not change it right now." Whatever the circumstances, good or bad, arguments could be made for postponing restructuring. Some piecemeal reforms did occur, as in the political reforms of the 1970s. But other acts, like the 1973 foreign investment law, or the bank nationalization in 1982, kept enlarging the labyrinth.

Meanwhile, concern grew during the 1970s and 1980s that social unrest might destabilize the system. As a result, some intellectuals began to argue that if the system were not reformed, its worst features might provoke instability: The PRI-government nexus that had been fashioned to keep Mexico away from the abyss might end up creating a new abyss. But in my recollection, the intellectuals were mostly calling for making the PRI more democratic. Otherwise, they still generally favored a continuation of statist and protectionist policies.

Salinas and his team are the first to cut through the dynamics of this metaphor. They are trying to tear down, open up, and restructure much of the Mexican "labyrinth." They have dismantled many economic barriers, notably to foreign trade and investment, that had been hallmarks of the traditional system.

They have also challenged the notion that the “abyss” as traditionally conceived exists any more. They do not deny that relations with the United States entail many risks. But, as in Salinas’ initiative to negotiate a free trade agreement, they show new confidence about opening Mexico up and collaborating with the Colossus to their North and with other parts of the outside world.

For many Mexican elites who still subscribe to traditional nationalist views, this has been painful to accept. In keeping with the metaphor, they criticize—and I quote from one of them—that Salinas’ moves go against the grain of “the historic Mexican project” whose goal was “the creation of barriers toward the neighbor to the North as the best defense of the national interest.”

While the restructuring of the economy, especially its external sector, has progressed dramatically, it is proving tougher to reform the political system. Efforts here are not faring as well in part because the specter of social disorder and instability remains on the minds of many Mexicans. But factors like bureaucratic resistance at the federal level and resistance from *caciques* (traditional provincial bosses) at the local level may also be limiting the extent to which the old political labyrinth can be reformed. There is a possibility that a new one may be erected in its place. But even so, an historic effort at restructuring is underway.

#### **TOWARD A NEW NATIONALIST MENTALITY**

Important reforms are occurring in Mexico’s institutions. But the point on which I would like to focus is that the restructuring is not only institutional but also mental.

A new, modern nationalist mindset is emerging in Mexico that is different from the traditional nationalist mindset. Salinas and his team represent the leading edge of this new mindset. And as a result, Mexico is in the middle of an intense struggle between the forces of tradition and modernity—including, more than ever before, over who gets to define what “tradition” and “modernity” mean in the Mexican context.

President Salinas’ two *Informes* reflect this. The first one, a year ago, emphasized the striking, modernizing views and reforms that he had in mind, particularly regarding the nature and role of the State. His second *Informe* of a few days ago is quite different. He still discusses the reforms. But this time he emphasizes that they are based on strong Mexican traditions; he is trying to show that his policies are tied to those traditions, particularly where he talks about the nature of sovereignty and the role of diversification in Mexico’s foreign policies.

Nobody knows quite how to define the new nationalist mentality yet, but as one Mexican stated, the change is reflected in the way questions are asked. The traditional

nationalist asks “whether or not” to do something with the United States—with “not” being the preferred answer. In contrast, the new nationalist asks “under what conditions” to do something with the United States—a change in just three words that spells new confidence and resolve, and opens the door to discussion and negotiation.

This increased openness to the outside world is a hallmark of the new mentality, but this does not mean that new nationalists are any less nationalistic than the older ones. The traditional goals of independence, sovereignty, and national dignity are not being forsaken. They are still the key goals. But sovereignty is no longer viewed as though autarchy were the ideal.

Notice what Salinas says in the *Informe*: “Sovereignty has never been synonymous with self-sufficiency or autarchy.... Interdependence does not necessarily run counter to sovereignty.... Sovereignty is no longer rigid.” These are amazing statements. They would not have been said by a Mexican leader ten years ago, when the prevailing preference (the preference, not the reality) was to close Mexico up around a monumental State and keep the United States at a distance. These kinds of statements show that Salinas is on the leading edge of Mexico’s ability to adapt its traditions to a new world.

According to the new mentality, the growth of the interdependence with the United States and the global economy may complement rather than contradict the goal of sovereign independence. This, again, is a major shift in conceptual thinking. It has taken a long time for analysts (in the United States as well as Mexico) to realize that a country’s relations with United States may become both more interdependent and more independent at the same time. In the 1970s, the two conditions—interdependence and independence—were thought to be mutually exclusive; more of one meant less of the other. Thus traditional doctrines aimed at building protective barriers vis a vis the United States and diversifying Mexico’s relations with other countries, on the presumption that the result would be greater independence for Mexico.

However, the result of this flawed thinking was the deepening of Mexico’s dependence and vulnerability vis a vis the United States. I do not understand the economic dynamics well, but I gather that in the 1970s few people realized that erecting protectionist barriers would not only discourage trade and investment from all directions, but also bias the dynamics to favor trade and investment from whomever is closest. Thus protectionism automatically made the United States all the more important as Mexico’s economic partner. It was not feasible for Mexico to become more open to the world at large, and at the same time less open to the United States.

As President Salinas emphasized in his *Informe*, Mexico's foreign policy strategy must continue to be "based on the diversification of our relations." That is a classic Mexican principle. But in contrast to how his predecessors implemented this principle, for his administration it means liberalized economic policies that open Mexico to increased interdependence with the United States and all other countries, and that look forward to deepening Mexico's ties with all emerging economic blocs around the world. As a result, Mexico's options and its capacity for independence are expanding rapidly as it becomes more attractive as a trade and investment partner for nations from around the world, including the United States.

#### THE CHANGING NATURE OF INTERDEPENDENCE

The final point I would like to emphasize is this: After fifteen years of policy debates and political and cultural resistance in both countries, the United States and Mexico have finally accepted interdependence as the concept for defining the bilateral relationship. Now we are beginning to move onward to the next concept: economic integration. But just as we have done this, the very nature of our interdependence has changed in ways that analysts are just beginning to recognize, and that give both countries further reasons to take each other more seriously in the future. The change has to do with the distinction that demographers and economists make between "flows" and "stocks" and between "temporary" and "permanent."

In the 1970s and 1980s, we talked about interdependence mostly in terms of the growth of flows like capital and labor between the two countries. These flows were mostly explained in terms of supply-and-demand and push-pull factors that emphasized the magnets of high wages for workers in the United States and high profits for companies in Mexico. We rarely talked about the stocks accumulating in each other's country except as derivatives of the flows.

Furthermore, these flows (and hence the stocks) were thought to be more temporary than permanent in nature. Certainly that was the case with immigration; analysts on both sides of the border thought that the labor migrants were going back and forth but ultimately preferred to reside in Mexico. The case was not so clear that U.S. investment could be termed temporary, but because of Mexico's laws, many investors did not feel secure enough to regard it as a permanent home. In addition, many *maquiladoras* (assembly plants) along the Mexican side of the border were designed for rapid installation and departure depending on economic conditions.







