Mexico and Latin America The Uncertainties of Identity

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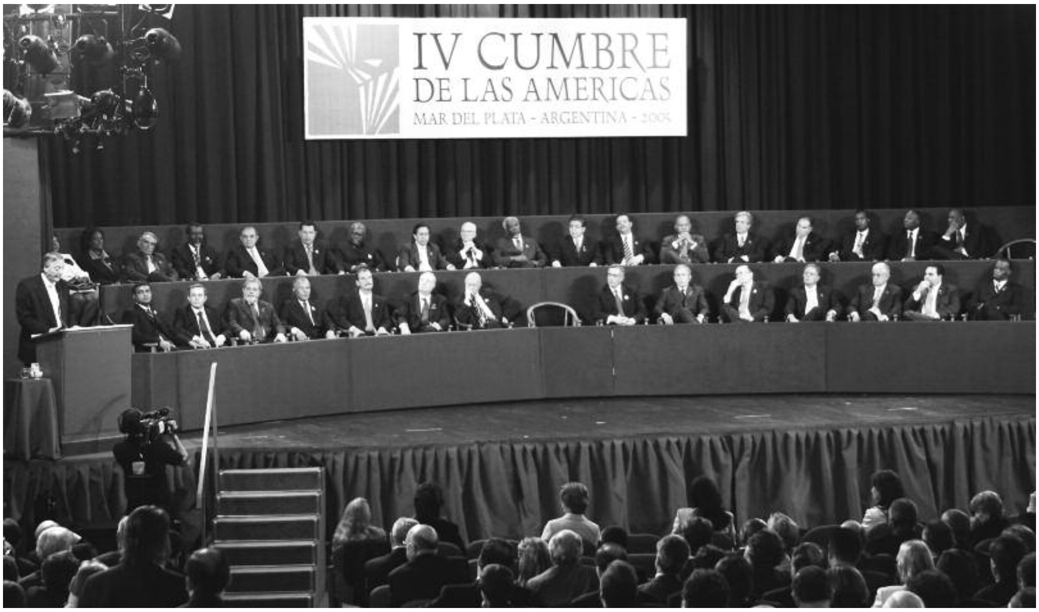

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In academia, politics and public opinion, it is commonly said that one of the most obvious aspects of recent Mexican administrations is the disarticulation of their foreign policy. What is most visible is the lack of a clear orientation with a state perspective about what a country understands as national interests safeguarded in its foreign relations.

In the second half of the twentieth century particularly, Mexican diplomacy's classical principles (the peaceful resolution of conflicts, the respect for the self-determination of peoples and its corollary of non-intervention in the internal affairs of states)[1] allowed the country to become a regional leader and situate itself as a reference point for Latin America. This has gradually weakened and on some occasions changed into complete identification with U.S. interests.

Given this situation, we ask ourselves why Mexican foreign policy has become disarticulated. Two reasons come to mind immediately. The first is structural, linked to the strengthening of a pattern of secondary export accumulation, the result of which has been a one-sided opening of the market, favoring closer links with U.S. society and its economy.

A second reason is political and ideological and is linked to the forms and functions of the Mexican state, conditioned by structural changes. My perspective is that globalization

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conditions the form and degree of economies' insertion into the world market, but does not determine the expression of the state. The latter is derived from the balance of political forces and the manifestation of economic and political interests. Therefore, it is a clear characteristic of hegemony and national power. So, agreeing with the U.S. project for the region, with the proposal of a trade and financial opening, with the belief that the best option is a free market, and working for the construction of a modernity that ignores the historical process, geo-economics and geo-politics are what are causing imprecisions in Mexico's foreign policy, which we could dub the uncertainties of its identification with Latin America.

Taking into consideration these elements, this article is a reflection about Mexico's position at the Fourth Summit of the Americas. It seeks to interpret the future of a relationship that is structured pragmatically, with contradictory actions, without clear definitions and with a great deal of uncertainty.

In recent months, Mexico's position in Latin America has been characterized by differences with several governments in the region, such as the friction with Cuba leading to a withdrawal of their respective ambassadors; the discrepancies with the government of Venezuela; what happened at the Río de la Plata Summit, concretely with the president of Argentina; and the distancing from the current Bolivian administration. On the other hand, the Mexican government has expressed interest in becoming part of the Mercosur, in reactivating Free Trade Area of the Americas negotiations, and in strengthening its commitments to the goals of the Puebla-Panama Plan, of Mesoamerican Regional Development and of the Mesoamerican Energy Project, all of which merits a detailed review given the scenario that is emerging.

A Brief Review

Mexican governments' active foreign policy *vis-à-vis* Latin America during the 1970s and the first half of the 1980s established the country as a valid broker on a regional level, especially with regard to relations with the United States. The country was seen as an older brother that defended regional interests and was relatively autonomous from U.S. domination. The current administration can be seen to most determinedly abandon this position, although this change was already happening in the 1980s when a new pattern of accumulation was consolidating based on the process of opening, privatization, deregulation and state reform. Since then, the priority has been structuring a new kind of insertion —which we will characterize as passive— in the world economy that led to strengthening relations with the U.S. economy, leading our country to center its economic relations on that country. Today, Mexico sends 89 percent of its exports to the U.S., while 62 percent of its imports come from there.[2]

The strategy of the Mexican economy's trade and financial opening dates from 1983 when adjustment and stabilization policies were implemented, substantially modifying the relationship between the state and the market, providing more space for the private sector and foreign actors. This orientation was refined with Mexico's entry into the General Agreement on Tariffs and Trade in 1986. The interest in better international insertion would result in rapid growth of the export sector. Average annual export growth between 1988 and 2003 was 15.1 percent, and the export coefficient soared from 7.7 percent to 26 percent. As a result, the Mexican economy is more open, but imports have grown more dynamically than exports because of the changes in the country's productive structure, with productive chains orienting more toward sectors outside the domestic market, mainly in the United States, a trend that has been deepened by the North American Free Trade Agreement (NAFTA) coming into effect. Between 1988 and 2003, imports have grown an average of 19 percent annually, while the import coefficient has increased from 8.8 percent to 27 percent.[3]

Another important trait of the export structure indicative of the changes in the structure of production is the participation of manufacturing. In 1980, with the clear importance of oil pro-

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duction and export, manufacturing represented 30 percent. By 1999, it came to 89 percent of the total. However, by 2004, manufacturing exports dropped to 84 percent, although the most significant figure is that maquila and assembly plants represented 45.5 percent of all exports and 55 percent of manufacturing exports.[4] This includes products like television sets, television set parts, telephones, computers, private vehicles, videocassette machines, circuits, processors, memories, engines, auto parts, machinery, apparatuses and electrical materials. Of all these items, products from the electronics, auto and garment industries, are the ones most exported to the United States.[5]

I have presented a long characterization of the Mexican opening and the specificities of Mexico's insertion into the international sphere in order to point out that Latin America has experienced a differentiated specialization, although the productive and export structure linked to U.S. conglomerates typical to Mexico is replicated with similar characteristics in assembly plants in Central America and some countries of the Caribbean, although there, what dominates are the textile and garment industries. In order for them to continue to be part of globalized production chains, there is a strong inclination to attract investment to service sectors linked to telecommunications, energy generation and distribution, tourism and the environment. This leads to the incentive to forge free trade agreements and to the idea of creating a regional market through the Initiative of the Americas.

This is the perspective of the governments of Central America and the northern part of South America. The difference with the countries of the Southern Cone is that the former insert themselves in globalized productive chains mainly by processing natural resources. The demand for their production forces them to diversify their markets. In this way, the countries of the Mercosur, mainly Chile, do one-third of their trade with the United States, one-third with Europe and the remainder with Latin America and Asia. In accordance with this productive and trade structure, their international trade priorities are to achieve access and greater equality in the trade of agricultural products and strengthen infrastructure used for intra-regional communication and the exchange of services. It should be pointed out, however, that they are not in a hurry to sign in order to achieve better conditions of access to the U.S. market for their manufactured products; and Chile has already signed a free trade agreement with the United States.

Another very important factor is the change in the political context. In an exercise of representative democracy, the population, faced with increasing unemployment and lower incomes, has given its vote to political parties identified as center-left that emphasize reinforcing the local and the national. This is the case of Luiz Inácio "Lula" da Silva in Brazil, Néstor Kirchner in Argentina, Hugo Chávez in Venezuela and, recently, Evo Morales in Bolivia and Michèlle Bachelet in Chile.

If they manage to change the orientation of the growth strategy to one that encourages development, it would be possible to demonstrate what has already been mentioned in the sense that globalization conditions but does not determine the constitution of a national strategy, and that this depends on creating a balance of political forces to sustain it.

INTEGRATION PROJECTS AND LATIN AMERICAN GOVERNMENTS' PERSPECTIVE

The impact of neoliberal policies in Latin America can be seen in employment, income and living conditions; in all these spheres, the population has suffered from stagnant productivity, informal sector growth and job instability and precariousness, and therefore an increase in poverty and exclusion.

With those precedents, the Summit of the Americas made a priority of the commitment to fight poverty, inequality, hunger and social exclusion and strengthen democratic governability.[6] The idea was to center attention on the right to work, the creation of public environmental policies and the formulation of a regional position on economic opening and integration, abandoning the passive view that free trade solves

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everything and assuming an orientation that would strengthen human capital.

These priorities run the risk of being changed and even inverted with the intervention of President Vicente Fox, whose administration has shown itself to be a fierce defender of free trade *per se*, subscribing to the proposal of creating the Free Trade Area of the Americas (FTAA) proposed by the U.S. government since 1994.

Since the 1980s, Mexico's governments have thought that the results of Mexico's global insertion and productive structure, implemented for the last 25 years, as well as the role of NAFTA, have been extremely important for productive specialization and designing an economic space. These administrations have shared the view of passive insertion, relations with big capital and the main multinational corporations, and do not take into account the deterioration of local production and the domestic market; neither do they recognize the stagnation of the labor market and income, and the increased heterogeneity and disarticulation of production and society.

The FTAA is supported by 26 governments in the region, versus five that want to change priorities.[7] The relevant question here is what the objective and subjective conditions are that have led to unrestrained support for free trade.

One development perspective closely linked to the Washington Consensus considers that, among other things, the gradual increase in a country's productive capacity is a pre-condition for growth and is sufficient to foster genuine development. However, the evidence shows that these productive capabilities are very fragile. There is no increase in employment, in education spending or in research and development that would lead to broadening out productive capabilities and improving productivity. To the contrary, the informal sector is growing and growth in average education levels is slow, with high drop-out rates and a significant brain drain.

In addition, the productive structure that receives incentives is exclusively the one linked to global production networks, where Latin American countries participate in assembly activities and commercialization. The centers for knowledge and design remain in the central countries, which generate a process of self-expanding accumulation.

For these reasons, the governments of Venezuela, Argentina and Brazil warn that one of the dangers of launching the FTAA would be to weaken intra-regional trade by introducing U.S. products. Without active, compensatory state policies, local production would be weakened even more. On the other hand, if the only aim is a maquiladora model, we should not forget that it is labor intensive, centered on the final product of the production process and that the plants are foreign-owned.[8]

At the Americas Summit, Argentinean President Néstor Kirchner said, "We do not want integration that favors big [interests] but integration that favors all....We want economic integration in which the interests of our peoples are respected...without asymmetries, without subsidies, without protectionism."[9]

Representatives of the Brazilian government, for their part, said that to sign the FTAA, they would require the elimination of agricultural subsidies and real, effective access to the U.S. market.[10] In addition, Brazil's position is more oriented to strengthening integration through foreign direct investment in infrastructure, which is the aim of the Initiative for the Integration of Regional Infrastructure in South America.[11]

There may not be substantial differences about free trade, because all the countries have tried to insert themselves significantly in the world market. But there is a difference in emphasis and in the steps to be taken. The countries that do not support the FTAA prefer to first strengthen their internal conditions and only then move out into international competition. The discussions about whether the market is the best mechanism for assigning resources and its other advantages have taken on an ideological tone because it has been said that the five countries that do not support the FTAA have taken an anti-free trade stance.

However, what the governments that promoted a different agenda seem to be supporting is the recognition of productive differences and the need for fair, equitable treatment. This does not distance them from the proposal by international bodies about the need to gradually broaden out people's individual and collective opportunities and capabilities (UNPD) or what the ILO and the UN itself have proposed with regard to their concern about growing poverty.

The Millennium Summit has focused the problems of developing countries in the same way. Participating countries consider that economic growth is fostered by policies that encourage competitiveness and the creation of competitive conditions in which investment in education and development is fundamental.

What the five countries that do not support the FTAA do not have a consensus on is how to formulate a perspective for integration based on internal conditions; whether it should be done through state intervention; and how they could propose a normative framework for policies oriented toward national integration as a pre-requisite for international insertion.

Another element in the discussion about the FTAA has to do with sub-regional powers. Brazil's participation in the Mercosur, its economic weight in the region and its having fostered proposals like the Initiative for Integration of Regional Infrastructure in South America or the Community of Nations of the South favor and consolidate this view of integration, which has benefited from President Kirchner's perspective and his support for regional proposals.

The new initiative, which is beginning to bear fruit and will be strengthened by Bolivia's possible participation is the one announced by Venezuela and Cuba in 2003: the Bolivarian Alternative for the Americas (ALBA).[12] Its aim is to integrate the peoples of Latin America and the Caribbean by promoting cooperation, solidarity and their complementing each other. It has begun to indicate the path forward toward a different way for the Latin American countries to relate to each other.

Given these proposals, the position President Fox presented in Río de la Plata does not seem to take into account the fact that despite the virtues he points to in the free trade agreements, the reality is that Mexico's GDP growth from 1980 to 2005 was only 2.5 percent; 48 percent of the work force is in the informal sector; 55 percent earns three times the minimum wage or less; only 37 percent have social benefits; the minimum wage has dropped 70 percent in the last 25 years; and migration to the United States has increased. In this context, remittances have become the pillar of domestic market activity.

As part of his defense of free trade and foreign investment, in January 2006, during his visit to Honduras for the presidential inauguration, Fox announced the Central American Energy Project, involving Mexico and the countries of the region. It includes the construction of a refinery, a hydraulic electrical plant, a gas processing plant and a gas pipeline, which, according to Fox would be a real solution to high energy costs because it would achieve more competitive prices for the energy consumed by Central Americans. It is of note that this project's funding will come from both public and private sources, as well as regional and international agencies.

Several points are worth examining, but the most important is that this project was not announced in Mexico, which shows that conditions in Central America were riper: that is, there is an absence of state companies in these sectors, electricity and gas are privately owned, and thus, the big multinational corporations have a better chance of placing winning bids.

Another important issue is finding out what the distribution network of the gas processing plant, the hydroelectric plant and the refinery will look like. Are they programs for cooperation, for strengthening infrastructure or just new spaces for foreign direct investment?

Among his contradictory actions aimed at recovering leadership in the region, on January 26, 2006, President Fox signed the Strategic Partnership Accord with the Chilean government. The aim is to reinforce the Free Trade Agreement and the Economic Complementarity Accord signed with Chile

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in 1993 with an instrument that will make it possible to "institutionally strengthen public policies as well as lay the foundation for international cooperation, which will be reflected in consultations and permanent relations between both nations for common political proposals."[13]

These actions take place 10 months after having signed with George W. Bush and then-Prime Minister of Canada Paul Martin the Security and Prosperity Partnership of North America (SPP) in Waco, Texas, on March 23, 2005. The SPP seeks greater integration of the three countries through an agenda for prosperity that emphasizes growth, competitiveness based on deepening market freedom, with a big dose of criteria to reinforce regional security to prevent and respond to threats both within and from outside North America, as well as the establishment of a closed economic bloc that reaffirms the regional division of labor the United States has proposed. The agreement thus stipulates the following:

- Establishing a trilateral system to monitor steel imports in order to have timely information about sudden increases in imports from third countries which could damage regional production.
- Setting up trilateral working groups to come up with measures to improve competitiveness in the auto and auto parts sector.
- Identifying other sectors, like textiles, in which trilateral measures could improve competitiveness.
- Exploring with the private sector the possible review of tariffs and rules of origin in the textile industry, as well as the integration of supply chains using other trade agreements in the region.

The mistakes in Mexican foreign policy derive from the tacit acceptance of passive integration, which bets that through free trade agreements, the market will find the best perspectives. What has not been taken into account is that the most successful countries in the world concert have implemented active policies, clearly making their priorities count, the most important of which is strengthening the domestic market, and things local and regional. This perspective does exist among the countries of the Southern Cone and in strategies like the ALBA.

As long as it is not understood that state intervention for a national and regional project is necessary in a market economy, the certainties derived from the Mexican government's actions will make the construction of a national and Latin American identity increasingly difficult. Without those identities, it will not be possible to sustain or make coherent a state perspective that is also manifests itself in foreign relations. VM

NOTES

[1] Principles stated in the Constitution and the Estrada Doctrine.

[2] *World Trade Atlas 2005*, at www.gtis.com

[3] Berenice Ramírez López, "La apertura comercial mexicana: situación actual. Contradicciones y riesgos," XX *Seminario de Economía Mexicana*, report on CD (Mexico City: IIEc-UNAM, 2005), pp. 1-4.

[4] Banco de México (2005), Información Financiera at www.banxico.org.mx/einfofinanciera

[5] Ramírez, op. cit.

[6] "Declaración de Mar del Plata. Crear trabajo para enfrentar la pobreza y fortalecer la gobernabilidad democrática," Cuarta Cumbre de las Américas, Mar del Plata, Argentina, November 5, 2005.

[7] Venezuela and the countries of the Mercosur.

[8] Jorge Carillo and Claudia Shatan, comps., *El medio ambiente y la maquila en México: un problema ineludible* (Mexico City: CEPAL, 2005).

[9] "América acuerda que no hay acuerdo en torno al libre comercio," *El Observador* (Montevideo), November 6, 2005.

[10] Ibid.

[11] This initiative seeks to involve 12 South American countries in developing infrastructure in energy, transportation and telecommunications. The following integration and development regions have been identified: the Andean Hub, the Southern Andean Hub, the Capricorn Hub, the Amazon, the Guyanese Shield Hub, the Southern Hub, the Paraguay-Paraná Waterway, the Central Interoceanic Hub, the Mercosur-Chile region and the Peru-Bolivia-Brazil Hub. Also, 335 projects that require an investment of U.S.$37.47 billion have been identified. Funding is both public and private, with support from the IDB. www.iirsa.org

[12] www.alba.org

[13] Communique of the Office of the President of Mexico, January 26, 2006.