The Political Impact of NAFTA on Mexico

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The Political Impact of NAFTA on Mexico: Reflections on the Political Economy of Democratization

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At the time of the decision to negotiate the North American Free Trade Agreement (NAFTA), advocates argued that closer integration with Canada and the United States would have a democratizing influence on Mexico’s political regime (Baer and Weintrub, 1994: 174-79; Pastor, 1993: 67). Critics of the deal suggested just the opposite, insisting that NAFTA might perpetuate or even reinvigorate authoritarian rule (Aguilar Zinser, 1993: 203-15; Castañeda 1996). With the breakthrough elections of July 2000 and the transfer of executive power to an opposition party—the PAN, or National Action Party—it is timely to ask: were the advocates of NAFTA right all along? Was NAFTA the impetus for Mexico’s long overdue transition to democracy?

The search for the social, economic and political determinants of national regimes remains a central theme in comparative politics (Collier and Collier, 2002). Modernization theorists argued that democracy is more likely in advanced capitalist economies (Lipset, 1963; 1994; Marks and Diamond, 1992). As military regimes proliferated in Latin America in the 1970s, debate shifted to the relationship between strategies of industrialization and repressive bureaucratic authoritarianism states (Collier, 1979a; especially

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Hirschman, 1979; O’Donnell, 1973). With the democratic transitions that began a decade later, new theories emphasized the political dynamics of the breakdown of authoritarian rule (Schmitter and O’Donnell, 1986). More recently, the ascendance of market strategies and their interplay with political liberalization have dominated scholarly analysis (Avritzer, 2002; Haggard and Kaufman 1995; Oxhorn and Ducatenzeiler, 1998; Przeworski et al., 2000; Remmer, 2003; Teichman, 2001). However, the causal mechanisms at play remain unclear.

Links between economic and political change are elusive partly for methodological reasons. The cross-national quantitative literature has found consistent evidence of a correlation between economic development and democracy, but comparative research and case studies such as this one are also necessary to understand the complex causal forces operating in specific cases (Rueschemeyer et al., 1992: 12-39). As an exemplar of the market-friendly model of development and as one of the last countries in Latin America to be swept up in the “Third Wave” of democratization, Mexico provides a natural test case to probe rival hypotheses of the political impact of market reforms.

Another obstacle is conceptual, as definitions of democratic regimes and their subtypes have proliferated (Collier and Levitsky, 1997). For the purpose of this analysis, we define democracy as a political regime in which the following are present: free, fair and institutionalized elections for the offices of the executive and legislative branches of government; competition among political parties to fill those offices; and enforceable civil and political liberties (O’Donnell, 2001: 12-19). Daniel Levy and Kathleen Bruhn (2001: 3) have labelled pre-2000 Mexico as a “semi-democracy” so as to emphasize how that regime simultaneously straddled democratic and authoritarian norms. We refer to Mexico pre-2000 as an electoral authoritarian regime, a characterization compatible with a literature emphasizing the existence of regimes that have some features of electoral democracy—regular multiparty elections—coupled with authoritarian traits that ensure such elections are not fully free, fair and inclusive (Diamond, 2002).

The *sui generis* characteristics of the Mexican regime complicate comparisons with other Latin American transitions (Whitehead, 1994: 327-34). As Judith Adler Hellman has noted, “the attempt to shoehorn the Mexican case into models designed principally to explain the military domination or the democratization of the Southern Cone and Brazil has frequently brought Mexicanists to grief” (1994: 125). The debate on bureaucratic authoritarianism equivocated on whether to include Mexico, with scholarly consensus ultimately excluding it from that set of country cases (Collier, 1979b: 365). When Mexico’s democratic transition finally began, it was unlike the typical Southern Cone process of “redemocratization” (Whitehead, 1994: 334). There was no process of extricating the military from
power and installing a civilian government under a new constitution; rather, the emphasis was on the improvement of conditions for competitive elections, so that the ruling party could be defeated and constitutional checks and balances could be restored within the framework of the existing constitution.²

We address one of the distinct elements in the Mexican transition, the role of NAFTA, by revisiting a prescient essay written by Peter H. Smith (1992). In that essay, Smith offered three propositions about the impact of NAFTA on Mexican politics.³ The first held that NAFTA would contribute to the country's political opening and eventual democratization. The second raised the possibility that NAFTA could further consolidate the authoritarian grip of the longstanding Institutional Revolutionary Party (PRI), which had ruled with minimal electoral competition since 1929. A third proposition was that the NAFTA would have no meaningful impact on democratization in Mexico. We address each of these propositions in turn, and then offer our own detailed explanation for Mexico's political transformation in the NAFTA era. In a nutshell, NAFTA helped to catalyze mass political demands for democracy, but it was just one of several forces that shaped this outcome.
Rival Hypotheses on NAFTA’s Political Impact

Proposition 1: NAFTA Would Serve as a Catalyst for Democratization in Mexico

Some observers expected the US and Canada to demand democratic reforms as part of the NAFTA negotiation process, as the European Community had done with Spain, Portugal and Greece. Others argued that NAFTA would undermine the state and “unleash social forces that [would] ultimately lay the foundation for democratic development in Mexico” (Smith, 1992: 6). In the strong version of this argument, “economic change is a causal agent of political change” (Smith, 1992: 6). An invigorated private sector might serve as an active agent in the struggle to promote democratic reforms. Or, akin to Lipset’s (1963, 1994) “requisites of democracy” theory, free trade would produce stable growth, sustained capital inflows, improvements in social indicators as a result of “trickle down,” and, over the long haul, foster a more democratic political culture (see Grinspun and Cameron, 1996 for a critique of this view).

A subtler version of the argument attributing democracy to market reforms contends that not all market-oriented systems are democracies, but all democracies are market-oriented. As Charles Lindblom stated, “all polyarchies go into the same box; all are market oriented” (1977: 162). Markets and polyarchies are systems of accountability that constrain authority. When applied to Mexico, the dramatic shift from a state-led and protected economy toward a market model created conditions conducive to democratization. The more control over the economy by the central state, the greater the disincentive ruling elites had to surrender political power and accept mechanisms of public accountability. Once control over the economy was loosened through the mechanisms of liberalization, political accountability could be contemplated with less risk of economic collapse. NAFTA was the PRI’s instrument to accomplish this latter task, although there is little evidence that its initiator, President Carlos Salinas de Gortari (1988-1994), intended to fully democratize Mexico.

Finally, it was argued that NAFTA would cast an international spotlight on the darker corners of Mexico’s authoritarian regime. Whereas pre-NAFTA abuses of power and human rights violations often went unreported or were covered up, it was assumed that formal economic integration would trigger greater interest in Mexico’s affairs on the part of the international community and foreign public opinion. This, in turn, would open political opportunities for long-gathering oppositional forces in Mexico to effectively voice their preferences for democracy (Baer and Weintraub, 1994: 175-79).
Proposition 2: NAFTA Would Further Bolster Single-Party Authoritarianism

In the early 1990s it seemed plausible that NAFTA would “offer Mexican elites a means of preserving their power—and their authoritarian system of rule” (Smith, 1992: 8), thereby perpetuating the anachronistic regime. The PRI’s critics argued that NAFTA would provide a ready source of foreign exchange to sustain the ruling party’s expensive web of patronage. The PRI could buy time to modernize the political system while slowing momentum for reforms that would force it to surrender power (Castañeda, 1996: 48). Since the Salinas government was implementing reforms that had long been advocated by the US and multilateral institutions, critics assumed that this would placate Washington and insulate the regime from international criticism of its undemocratic domestic practices. As Cuauhtemoc Cárdenas, the principal opposition candidate in the fraudulent 1988 presidential election put it, “Mexico will indiscriminately put in place the type of reforms that the US always wanted for Mexico, but the US will accept and protect the existing political system” (cited in Smith, 1992: 8).

Proposition 2 assumed that repressive and authoritarian measures would be necessary to maintain political control in the context of wrenching economic changes that would disproportionately benefit Mexico’s political and economic elite. Big business would flourish, to the detriment of small and medium-sized firms; the full liberalization of agricultural prices and land would lead to disruption and dislocation in the countryside; liberalized capital markets would cause disarray; and the burden of adjustment would continue to fall on working-class wage earners and a burgeoning informal economy. In other words, the social costs of liberalization might mobilize civil society and prompt an authoritarian backlash, although a less dire possibility was that Mexico would “muddle through the middle,” retaining traditional arrangements (Cornelius and Craig, 1991: 121).

Proposition 3: NAFTA Would Have Little Effect on Mexico’s Democratization

The third proposition assumes that the political arena has more autonomy from economic forces, and suggests that the choices, contingencies and compromises of politics—all standard ingredients in the transitions literature—would play a larger role in democratization than economic forces. “Applied to NAFTA, this argument postulates the null hypothesis: economic liberalization will have no discernible impact on the likelihood of political democracy in Mexico” (Smith, 1992: 12). Instead, democracy might occur as the result of interaction among political forces; for example, the growth of the opposition might reach a point at which it could transform the existing political system from within.
In a variant of this view, a free-trade agreement could “establish an economic context that would encourage a political decision to establish democracy in Mexico” (Smith, 1992: 14); while economic forces would certainly weigh in, political leadership would be the proximate source of change. Accordingly, Smith stressed that “economic liberalization could loosen the social moorings of the present political system in Mexico and, thus, create objective conditions for a far-reaching political transition... [W]hether and how this opportunity is used entails the exercise of political will, skill and management at the uppermost levels of power—especially the presidency” (1992: 19). Furthermore, “political change in Mexico” would result “from political actions in Mexico, not from NAFTA or free trade itself” (Smith, 1992: 15).

Assessing the Rival Hypotheses

In assessing the rival hypotheses, an irony emerges. Proposition 1 correctly predicts the end result, but the reasons it offers are unconvincing. Proposition 2 fails to predict the actual outcome; in spite of the extraordinarily adverse pattern of adjustment stress over the past decade, a harshly authoritarian regime never emerged. Neither proposition captures the most important aspect of the Mexican transition; that is, the erosion of the power of the PRI. We therefore offer an explanation that falls more in line with Proposition 3: It was not economic modernization per se that eroded Mexico’s electoral authoritarian regime, but rather the cumulative damage that accrued to the PRI due to its overselling of the neoliberal model and the public’s perception that the PRI had failed in its attempts to enact market reforms.

As the very embodiment of the neoliberal model, NAFTA played a critical role in Mexico’s democratic transition in two main ways. First, it reinforced longstanding trends that worked to undermine single-party rule, especially by raising the electorate’s expectations to levels that could not be satisfied realistically by any government. Secondly, it weakened the political regime by triggering unexpectedly a sequence of inter-related political and economic crises. However, NAFTA alone does not tell the entire story, as it is preceded by other key turning points in Mexico’s democratic transition that date back at least as far as the 1970s. Certainly market reforms and NAFTA entry exerted pressures that made it more difficult for the PRI to maintain monopolistic control over politics (Smith, 1992: 14). But to ascribe the PRI’s ouster from the executive office in 2000 mainly to economic forces would be to ignore a rich process of political learning and societal mobilization that long preceded NAFTA.

As Table 1 shows, the demise of the PRI at the congressional level and in terms of the presidential vote were trends that did, indeed, reach back to the 1970s. The first critical turning point occurred when the PRI presidential candidate’s share of votes dropped from 93.6 per cent in the 1976 race—in which José López Portillo ran virtually uncontested and the right-leaning PAN abstained—to 77.4 per cent in 1982 (when the PAN won...
14.5 per cent of the vote), to 50.7 per cent in 1988, when the PAN won 16.8 per cent and the leftist Party of the Democratic Revolution (PRD) 31.1 per cent, although the results were contested due to conspicuous fraud. Table 2 shows that congressional elections mirrored this trend. The PRI’s share of seats in the Chamber of Deputies fell from 82 per cent in 1976 to 52 per cent in 1988, with the PAN’s share growing from 8.5 to 20.2 per cent in the same period and the PRD capturing 27.8 per cent of the seats in 1988. The electorate was becoming cynical about the possibility of one’s vote counting for anyone but the PRI and disgruntled over the ruling party’s continued reliance on corruption.

**Table 1**
Electoral Support for Presidential Candidates 1976-2000 (percentage of the presidential vote)

<table>
<thead>
<tr>
<th>Year</th>
<th>PRI</th>
<th>PAN</th>
<th>PRD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>93.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td>77.4</td>
<td>14.5</td>
<td></td>
</tr>
<tr>
<td>1988</td>
<td>50.7</td>
<td>16.8</td>
<td>31.1</td>
</tr>
<tr>
<td>1994</td>
<td>48.6</td>
<td>25.9</td>
<td>16.5</td>
</tr>
<tr>
<td>2000</td>
<td>36.1</td>
<td>42.5</td>
<td>16.6</td>
</tr>
</tbody>
</table>


Whereas Latin America’s post-Second World War political landscape is littered with politicians who failed to deliver on promised mandates, the PRI was wily enough to fend off a full electoral defeat until the hotly contested 1988 presidential election. We identify this latter event as a second critical turning point in Mexico’s democratic transition, as this is when the PRI’s carefully contrived political reforms began to kick in, giving rise to even more vigorous popular demands for further civic rights. The PRI’s striking “comeback” in the 1991 mid-term elections and its legitimate victory in the presidential race of 1994 temporarily obscured a vital political learning process now underway, albeit one that was becoming increasingly asymmetrical. On the low road was the PRI, with its insistence on using old-style political tools (such as clientelism, corruption and coercion) to forge an entirely new economic model (liberalization, privatization and deregulation) (Panizza, 2000). On the high road were the Mexican electorate, civil society and popular movements, insisting on negotiation, transparency and much greater levels of accountability.

While questioning a direct one-to-one causal connection between NAFTA and Mexico’s democratization, we again stress the interaction between the pressures for political reform and the PRI’s ongoing economic policy choices. While the gap between promises of future prosperity and eco-
nomic performance tends to plague policy makers in most developing coun-
tries, in Mexico such gaps were exacerbated by the PRI’s chronically unful-
filled claim that the situation would be rectified. The final straw was the
December 1994 peso crisis, marked by excessive deficits in the country’s
external accounts, and reckless policy decisions that in the end left Mexi-
can workers no better off than they had been in the pre-1982 period (Pas-
tor and Wise, 2003).

This event marks the third critical turning point in Mexico’s democratic
transition, as Mexican voters finally began holding politicians’ feet to the
fire. For the first time ever, political support for the PRI dipped below 40 per
cent, culminating in the party’s 1997 congressional losses and Mexico’s
transition to democracy in July 2000. Together, these historic elections of
1997 and 2000 constitute our fourth critical turning point, the political
moment when voters crossed over the electoral authoritarian threshold and
pushed on to reject the PRI for an untried democratic alternative on the
centre-right.

Although the role of popular movements in Mexico’s democratic tran-
sition has been just as contested as the political impact of NAFTA, the free
trade negotiations offered an opportunity for the development of international
networks that helped to further empower popular movements that were
already emerging in Mexico (Foweraker and Craig, 1990). For example,
groups like the Red Mexicana de Acción Frente al Libre Comercio
(RMALC) and the Action Canada Network coalesced over their opposi-
tion to free trade and their demands for improvements to Mexico’s record
on human rights (Keck and Sikkink, 1998: 110-116; 208). The Zapatista
guerrillas seized the first day of NAFTA’s implementation to launch a massive protest around land rights and corrupt local governance in the southern state of Chiapas—a campaign that continues to this day (Harvey, 1998: 24-35; Otero, forthcoming).

Some observers assign less weight to the democratizing impact of popular movements. Hellman (1994: 127), for example, stresses that social movements also fell victim to the PRI’s clientelistic practices, raising the prospect that Mexico will become “neither more democratic nor more repressive but more Mexican than ever.” Similarly, Stephanie Golob (forthcoming: 25-26) argues that NAFTA’s impact on democratic identities came about “mostly through its unintended consequences.” According to Jean-François Prud’homme (1998: 172, 185-86, 190), the Chiapas rebellion may have created indirect incentives for Mexico’s major political parties to establish rules for electoral competition that all could agree upon. This process culminated in the watershed electoral reforms that made opposition gains more possible in the mid-term and municipal elections of 1997 (Gilbreth and Otero, 2001: 2-4). We argue that popular movements mattered to the extent that they converged with other key factors during the various critical turning points in Mexico’s democratic transition: severe economic shocks, divisions within the ruling establishment, and political reforms that triggered major electoral advances.

Mexican Politics in the Pre-NAFTA Era: The Electorate’s Search for Alternatives

Created in 1929, there was little to suggest that the PRI or its earlier ancestors (National Revolutionary Party [PNR], 1929-1936, then Party of the Mexican Revolution [PRM], 1936-1946) would survive the economic chaos and socio-political conflict that had gripped the country during the previous two decades. Yet the onset of the Great Depression, the rise of party leader Lázaro Cárdenas and the revolutionary legacy of heightened civic participation converged to render this a truly transformative period for Mexico. As with the crafting of Brazil’s “Estado Novo” in the 1930s under the leadership of Getúlio Vargas (Skidmore, 1967: 3-47), Cárdenas linked revolutionary symbols and discourse with ambitious nationalistic development initiatives. However, in contrast to the Brazilian case, Cárdenas’ achievement was twofold: first, the Mexican military was quickly and permanently marginalized from the political process; and second, a fairly tight-fisted model of single-party rule was gradually embedded in a set of electoral codes and political norms that gave it revolutionary if not democratic legitimacy (Newell and Rubio, 1984).

Thus, early on, the stage had been set for the balancing of PRI hegemony against periodic threats of authentic political competition. Like Vargas, Cárdenas resorted to the institutional tools of corporatism to insure
that the PRI could maintain the upper hand. The various sectors of Mexican society (labour, business, the popular sectors and peasants) were compelled to join state-sanctioned organizations that were linked vertically to the single-party regime, and the PRI’s complete control over the federal budget helped it to buy off civic discontent concerning the actual limits on political pluralism. When patronage failed to keep dissenters in check, the PRI proved adept at mixing inducements with strategic disincentives to quiet its enemies, including the use of disappearances and coercive force.

Amazingly, although the PRI tightly controlled the presidency, the Congress and most locally elected positions up through the 1970s, the staging of federal, state and local elections at regular intervals made Mexican authoritarianism distinct from the military regimes so prevalent in Latin America during the Post-World War II era. Certainly the presence of a loyal opposition since 1939, in the form of the centre-right PAN party, helped to promote the PRI’s claims to electoral legitimacy. But the PRI also gained tremendous political capital from its sound economic management skills, which yielded annual average growth rates of 6 to 7 per cent during the 1950s, 1960s and even the more volatile 1970s. The very success of the prevailing “Stabilizing Development” model—based on low inflation, generous state largesse and effective reliance on Import-Substitution Industrialization (ISI)—persuaded the electorate that the PRI was indeed delivering on the nationalistic and distributional goals of the Mexican revolution.

Cracks in the façade of electoral authoritarianism and single-party rule began to appear in the 1970s. The first sign was the government’s violent crackdown against university protestors in the late 1960s, as well as the growing number of opposition journalists, politicians and intellectuals that had been targeted as enemies by the regime and disposed of accordingly. Second, like most of Latin America, Mexico’s response to the 1973-1974 oil price shocks was to borrow heavily. As a result, policy makers lost sight of the sound economic fundamentals that had underpinned the Stabilizing Development era. The electorate’s dismay over the rising political repression and new economic uncertainties was now gathering steam at the ballot box. The PRI’s initial response was to launch a series of political reforms in 1977, gestures that afforded opposition parties a chance to capture a greater number of congressional seats, but offered virtually no threat to the PRI’s hold on the presidency.

Having reinvented itself in a new image, and renovated the party line when arriving at similarly difficult crossroads since the 1940s, the PRI had good reason to expect that the 1977 political reforms would readily halt the hemorrhage of voters from the ruling party. Yet the long post-war expansion, rapid urbanization, higher literacy rates and emergence of a proper Mexican middle class meant that a growing part of the electorate could no longer condone the PRI’s crude populist tactics. As economic instability mounted in the 1970s, voters became more attuned to the fact that the PRI
had never delivered on those distributional commitments that had prolonged its political survival. Nevertheless, despite the clear decline in the PRI’s ability to garner a majority of the electoral vote in both congressional and presidential elections, even the most astute observers of Mexican politics refrained from officially declaring the region’s longest-standing electoral authoritarian regime the anomaly that it had finally become.

Certainly no one interpreted the 1977 electoral reforms as the political floodgate, or critical turning point, that they turned out to be. For example, in the context of the 1982 debt shocks and the end of inward-looking state-led development policies across the region, some argued that, despite the potential weaknesses of a dominant-party system, Mexico enjoyed “organizational advantages that can facilitate both the initiation and the consolidation of economic reform” (Haggard and Kaufman, 1995: 306). The subsequent decade would prove just the opposite to be true, as this otherwise well-informed prognosis was turned on its head.

The Salinas Denouement: Symbol over Substance

In Mexico and throughout the region, the severity of the 1982-1983 external shocks caught policy makers completely off guard. Suddenly Mexico faced the sort of volatility that had prevailed in the Southern Cone countries, replete with inflation, negative growth and unprecedented outflows of flight capital. Despite its repeated efforts at stabilization and the restoration of growth, the administration of President Miguel de la Madrid (1982-1988) barely made a dent on either front (see Table 3). Growth in the period 1982-1987 was -0.9 per cent, and per capita growth was -2.3 per cent. Inflation rose to 83.7 per cent, discouraging foreign investment and an outflow of portfolio capital. The political economic implications of these failures were the weakening of the corporatist ties that had enabled the PRI to successfully finesse previous challenges to its hegemony; and the tight constriction of fiscal and monetary policy such that the PRI’s old-style patronage funds were depleted. Henceforth, the PRI’s electoral victories would depend on more non-material resources, such as coercion and fraud.

The De la Madrid team’s adherence to strict International Monetary Fund-style austerity measures, and its embrace of a longer-term market strategy geared toward liberalization, privatization and deregulation was met with considerable skepticism on the part of the PRI’s traditional membership. This, along with De la Madrid’s reversion to old-fashioned fraud in regional elections after pledging to clean up the country’s electoral machinery, sharply divided the party and the electorate. The PRI finally split over these issues, as former PRI member Cuauhtemoc Cárdenas joined with other disaffected party officials to form the first authentic challenge to the PRI’s hold on the presidency (Cárdenas’ coalition would later become the Party of the Democratic Revolution, or PRD). These intra-party cleav-
ages revealed the extent to which the PRI’s constituency had changed over the course of its lifetime, as the typical PRI loyalist now came from the rural areas where illiteracy rates were high and access to quality education and to the media was comparatively low (Klesner, 1998: 23-30).

**TABLE 3**
**Macro-economic Trends in Mexico, 1982-1999**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
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<tbody>
<tr>
<td>Growth of GDP</td>
<td>-0.9</td>
<td>3.7</td>
<td>3.1</td>
</tr>
<tr>
<td>GNP growth per capita</td>
<td>-2.3</td>
<td>3.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Inflation</td>
<td>83.7</td>
<td>33.3</td>
<td>21.9</td>
</tr>
<tr>
<td>Trade balance</td>
<td>9,423.7</td>
<td>-5,759.8</td>
<td>-2,916.0</td>
</tr>
<tr>
<td>Current account</td>
<td>1,305.0</td>
<td>-13,063.3</td>
<td>-11,793.6</td>
</tr>
<tr>
<td>Foreign direct investment</td>
<td>1,806.5</td>
<td>3,478.2</td>
<td>10,899.1</td>
</tr>
<tr>
<td>Portfolio investment</td>
<td>-124.8</td>
<td>9,667.5</td>
<td>3,989.7</td>
</tr>
<tr>
<td>Public external debt</td>
<td>96,841.8</td>
<td>109,260.1</td>
<td>155,933.4</td>
</tr>
</tbody>
</table>

Sources: GDP (gross domestic product), GNP (gross national product) and debt taken from the World Bank’s WORLD TABLES, CD-ROM, 2000, except for 1999 and 2000. GDP growth and debt data taken from the March and April 2001 Economist Intelligence Unit Country Reports, and GNP per capita taken from Inter-American Development Bank. Retrieved October, 2003 from www.iadb.org; Inflation and payments calculated from the International Monetary Fund’s International Financial Statistics, CD-ROM, June 2001, except trade balance and current account data for Mexico prior to 1979 were obtained from the IMF (1984); FDI and portfolio investment data prior to 1979 was obtained from the IMF (1994); all subsequent investment data cited from Glen and Sumlinski (2002).

In contrast, the PRD attracted a more urban and well-educated vote, as well as a growing contingent of urban informal sector workers who had been forced out of the countryside by deep cuts in public spending on agriculture. What united these diverse PRD constituencies was their conviction that the liberal economic strategy now being touted by PRI technocrats—led at the time by Budget and Planning Secretary Carlos Salinas de Gortari—was antithetical to Mexico’s long-term welfare. However, given the outright collapse of the ISI model by this time, and therefore the necessities of attracting private capital back into the country, this opposition to market reforms was basically a moot point. Already, a powerful new coalition was in the making, one that joined the PRI’s technocratic wing with internationalized segments of the domestic private sector. It was this faction of the Mexican private sector that rallied behind the Salinas administration and went on to forge the powerful government-business coalition that ushered Mexico into NAFTA (Valdés Ugalde, 1996).

As the 1988 presidential elections approached, these various political and economic cross-currents came to a head. For the first time in decades, the PRI faced a viable opponent in the presidential contest, as Cuauhtemoc
Cárdenas ran against Salinas on the PRD ticket. Despite the PRI’s efforts to dismiss Cárdenas’ candidacy as quixotic, the latter readily won over voters who were weary of the PRI’s failed efforts at economic reform and its anti-democratic ploys. Early reports of Cárdenas’ possible win prompted the PRI’s operatives to quickly jam the vote-counting apparatus and simply declare Salinas the winner. Even then, the PRI could not fend off the loss of its two-thirds congressional majority, which it needed to single-handedly amend the constitution. Without fully registering the impact of this electoral shock, Mexico’s political opening had just passed through its second critical turning point.

The PRI’s main strategic error in 1988 was to assume that its longstanding mass base would remain loyal in the absence of those material incentives that had always helped to grease the party’s corporatist machinery. The task now, as it had been at similar earlier junctures, was to reinvent the ruling party, such that it could recapture the losses of 1988. Although the prospects for a credible renewal of the PRI did not appear to be propitious, Salinas masterfully orchestrated a PRI comeback in both the 1991 midterms elections, and in the 1994 presidential race. He did so by moving swiftly and simultaneously on several fronts: he used a heavy hand to restore internal party discipline, and cemented his relationship with key representatives of business and labour by prolonging the 1987 tripartite “Economic Solidarity Pact” through his entire term.5 At the same time, he launched PRONASOL, a demand-based social safety-net programme that channeled some US$14 billion toward the poorest communities (Cornelius et al., 1994).

At the level of high politics, Salinas’ success in negotiating Mexico’s entry into NAFTA and the Organization for Economic Co-operation and Development also displayed a new kind of statesmanship for the PRI. Here, Salinas strategically linked his own internationalist goals with the symbols and ideals of the Mexican revolution. The deepening of market reforms post-1988 and Mexico’s entry into NAFTA were now presented as another phase in the country’s modernization and democratization process. By offering privileged access to the benefits of market reform to those private interests considered essential for their success, Salinas readily convinced NAFTA’s winners that their gains would be boundless. Similarly, through PRONASOL, Salinas was able to persuade NAFTA’s losers that their losses would be transitory at worst.

A final task was to win back the Mexican middle class. Here, Salinas initiated another round of electoral reforms meant to prevent a repeat of the fraud that had marred the PRI’s image in 1988. For example, the federal election code was amended, a purportedly independent Federal Electoral Institute was established, and a myriad of measures was passed to promote transparency and greater electoral competition (Lawson, 1997: 14-15). However, credibility still lagged, as the ruling party had yet to concede a sin-
gle loss at the gubernatorial level or in races for the federal Senate. The PRI did finally accept a PAN victory for the governorship of the northern border state of Baja California in 1989, but this concession to the loyal opposition was offset by continued harassment and fraud in numerous state-level contests which involved the disloyal Party of the Democratic Revolution (PRD).

Of course, a full PRI revival would entail at least a moderate turnaround in the real economy; i.e., an expansion of jobs and wages for everyday working people after the dismal losses suffered from De la Madrid’s failed austerity measures during the 1980s. The answer to this challenge of infusing dynamism into a real economy that had been wrung dry came about almost inadvertently. By tying the Mexican peso to the US dollar according to a fairly tight crawling peg in late 1987, and by simultaneously offering an unprecedented expansion of consumer credit, the average consumer’s dollar purchasing power soared (Pastor, 1998). In the 1990-1991 period, Salinas achieved a growth rate of 4.6 per cent and per capita growth of 3.2 per cent, while bringing inflation down and restoring capital inflows.

Although growth rates would average a disappointing 3.7 per cent over the Salinas sexenio (see Table 3), and worrisome pressures were already building in terms of the trade deficit and Mexico’s overreliance on the flood of footloose portfolio capital (bonds, stocks, equities) now entering the country, the aura of economic recovery attracted voters back to the PRI for the 1991 mid-term elections. Salinas’ hard-won popularity and high approval rating of 65 per cent had persuaded a solid majority of voters to once again harness their fate with the PRI, a result unimaginable a mere three years earlier. As Table 2 shows, the PRD’s share of seats in the Chamber of Deputies fell from 27.8 per cent in 1988 to 8.2 per cent in 1991, partly because its near-win of 1988 had sent the party into a fractious tailspin. Whereas the PAN scored the second highest gains in 1991 with 17.8 per cent of the seats, the PRI took 64 per cent of the seats in the Chamber and all but one seat up for election in the federal Senate.

The PRI’s 1991 mid-term victory took it all the way through to the passage of NAFTA by the United States Congress in late 1993 and to a reasonably legitimate win over the opposition in the 1994 presidential election. Yet in the build-up to the 1994 race, Salinas’ reform strategy was showing signs of wear. There was still no relief in sight with regard to the exaggerated external disequilibria that had built up, and these pressures strongly suggested the need for a competitive exchange rate adjustment. Moreover, the PRI’s commitment to democratization was on the line, as the most minor of competitive electoral losses inevitably morphed into tedious procedural disputes, especially between the PRI and the PRD. Within the ruling party, the old guard’s intense resistance to political liberalization had become openly violent, as witnessed in the still unresolved assassination of PRI presidential candidate Luis Donaldo Colosio in March 1994.
Finally, the Salinas team’s highly touted reactivation of the economy quickly proved ephemeral. In the long run, the 1982-2000 period saw just a meagre 4 per cent increase in real per capita income (Pastor and Wise, 2003: 194). In the shorter run, the Salinas team had patently oversold its new economic model. As promised, Mexico’s widespread liberalization under NAFTA had indeed triggered a dynamic pattern of investment and export-led growth (Wise, 1999); however, the country’s high levels of pre-existing income inequality, combined with the education and skill deficit of the Mexican workforce, suggest that it was disingenuous for Salinas to promise significant income and employment gains in the wake of NAFTA. Rather, such results would have required a more aggressive and targeted strategy of investing in skills and education, a human capital approach that the Salinas technocrats had no intention of launching. All too quickly, these autocratic ploys would catch up with the PRI, as Salinas had unwittingly unleashed his own worst fears: pent-up and irreversible societal demands for political reform.

Enter Zedillo: Strategy, Compromise and the Art of Political Concessions

With the assassination of Colosio, Salinas hastily designated Ernesto Zedillo, a political neophyte who had held two ministerial posts since 1988 (budget and planning and then education) as the PRI presidential candidate. By resisting any major economic adjustments prior to the 1994 presidential election, including an inevitable exchange rate devaluation, the Salinas team managed to achieve a growth rate of 4.4 per cent during its last year in office. Thus, the political discourse surrounding the presidential campaign focused on the need to channel this renewed growth toward the reduction of the country’s burgeoning social deficit—a mandate that fit perfectly with Colosio’s candidacy, as he had served as the minister of social development under Salinas. This task now fell to the more technocratic Zedillo, whose campaign platform became nearly synonymous with the “second phase” reform agenda articulated by the World Bank in the mid-1990s; that is, following up on earlier market reforms with measures meant to strengthen institutions, assure competition and oversight, and more aggressively target a wide range of human capital needs (Pastor and Wise, 1999).

Despite the PRI’s difficulty in conceding to electoral losses at the regional and congressional and levels, the 1994 election reflected the extent to which the cumulative electoral reforms that had been passed since the late 1970s were now acting as a counter-weight to authoritarianism. In particular, those political reforms that the PAN and the PRD had managed to extract from Salinas—such as a new fraud-proof voter registration card, accurate voter registration lists and the unprecedented decision to allow international election observers into the country—helped spur the highest
voter turnout (nearly 78 per cent) and most transparent and competitive race ever (Chand, 2001: 51). Yet the aura of victory immediately faded. After less than a month in office, the Zedillo team was torpedoed by the December 1994 financial crash, which threw Mexico back into a painful austerity programme reminiscent of the 1980s.

The economic meltdown sorely divided the outgoing and incoming presidents, as the Salinas administration had raised the electorate’s expectations to heights that no government realistically could satisfy. Thus, the third critical turning point in Mexico’s democratic transition was now firmly underway. Rather than wielding the traditional powers of the Mexican presidency to impose his agenda, Zedillo sought to do so by consensus. He also distanced himself from the traditional wing of the ruling party and opted to decentralize authority, both geographically and within the Mexican Congress. As Zedillo focused his attention on strengthening the rule of law and on judicial and electoral reform, the rest of the political system was forced to follow suit (Dresser, 1997).

The financial crisis prompted dire predictions on the part of emerging market analysts, who declared Mexico an economic pariah for another decade, if not longer (Pastor, 1998). On the domestic front, any semblance of a social welfare cushion had been whittled away in the 1980s, thus leaving the Mexican electorate to fend for itself. In 1995 alone, inflation soared to 52 per cent, the gross domestic product fell by 6.2 per cent (9 per cent in per capita terms), unemployment skyrocketed, and there was a 25 per cent jump in non-performing loans (Pastor and Wise, 2003). As consumer debt exploded in 1995 and purchasing power collapsed under a 30 per cent real adjustment of the peso, the Salinas team’s opportunism in delaying adjustment and spurring growth through politically motivated election-year spending would haunt the ruling party for the remainder of the decade.

Ironically, just as the populace was set to drive the ruling party from office once and for all, the economy rebounded. While a mammoth US$50 billion multilateral bailout package helped with the economic reactivation, a more competitive exchange rate and Mexico’s guaranteed access to the United States market under NAFTA also contributed to an unexpectedly rapid turnaround. The international financial community, it seems, had underestimated the depth of the reforms that had been undertaken, as well as the dynamic effects of a more competitive currency regime. By 1996 manufacturing exports had increased their share of that sector’s gross domestic product to 58 per cent and would continue to grow by 30 per cent annually (Pastor and Wise, 2003). This dynamic export expansion, in turn, pushed gross domestic product growth rates from 1996 to 2000 to their highest point since the oil price boom of 1980. By 1998, foreign direct investment and portfolio flows to Mexico had virtually shifted places, as the former would average US$10.8 billion under the Zedillo sexenio.
Whereas economic recovery under Salinas had relied too heavily on exchange rate appreciation, stock market speculation and political hype, the country’s post-devaluation rebound was the real thing. At the same time, however, the trend mentioned earlier under the Salinas sexenio, of macroeconomic success juxtaposed with severe microeconomic hardship, was becoming more pronounced. Skilled workers and export-oriented producers with strong international ties were now thriving, while less-skilled workers and smaller traditional companies dependent on the domestic market languished. Some slight inroads had been made with poverty reduction under Salinas (Lustig, 1998), but these absolute gains were completely overshadowed by a relative shift toward greater inequality during the 1990s. The 1994 crisis further aggravated this trend, as unemployment and poverty rates exploded. Moreover, the Zedillo team could not forestall the implosion of a haphazardly privatized banking system in 1995, or the need for a multi-billion dollar government bailout. The imperatives of inflation reduction and financial restructuring worked directly against the recovery of Mexico’s micro-level economy.

Clearly, the gap between Zedillo’s promised “second phase” reform agenda and the political economic realities of the post-1994 period could not have been wider. Possessing little of Colosio’s charm and even less of Salinas’ political wiles, Zedillo took the usual technocratic approach in designing the kinds of remedial policies that would be essential for the PRI’s survival. Earlier vote-buying campaigns of the kind witnessed under Salinas (a “strong” peso, massive consumer borrowing and the pumping of credit through the state development banks) were simply not an option. As the 1997 mid-term elections approached, more credible and effective strategies would have to be found.

For the poorest 40 per cent of the population, the administration replaced PRONASOL with another social programme (PROGRESA) that more carefully targeted public spending toward health, education and nutrition in the poorer rural communities. Resources were also made available to bolster the ability of the country’s small and medium-sized firms to adjust to the double burden of heightened competition under NAFTA and the virtual halt of loans for working capital due to the collapse of the domestic banks. But the middle class, who bore the largest brunt of the 1995 adjustment, was still a wild card for the PRI. Now emerging as the country’s swing vote (Chand, 2001), Zedillo would have to spend considerable political capital to appease this group. To the discomfort of the PRI’s old guard, Zedillo substituted old-style political spending for another round of electoral reforms in 1996.

The opposition seized this moment, and successfully forced Zedillo’s hand in securing political concessions that would quicken the pace of democratization. As Jean-François Prud’homme has argued, other factors, such as the uprising in Chiapas and the government’s inability to negotiate a peace
settlement, further compelled the PRI to cooperate with the other two major parties in advancing further political reforms: “Only events external to the party system, such as the uprising in Chiapas, could push the parties toward a common ground in order to defend what they had in common: an interest in engaging in politics through institutional means” (Prud’homme, 1998: 185).

Out of these protracted negotiations, the PRI finally agreed to the following: the selection of Mexico City’s mayor through competitive elections; the granting of full autonomy to the Federal Electoral Institute; a fairer allocation of government funds earmarked for campaign financing; and independent monitoring to prevent the PRI’s manipulation of media access. The country’s political opening had now passed through its fourth critical turning point, as the effects of these bold reforms were immediately felt in the mid-term elections of 1997. The PRI lost two of the six state-gubernatorial races that were held in 1997, as well as its historic absolute majority in the Chamber of Deputies (see Table 2); for the first time, the PRI also politely conceded to a PRD victory, as Cuauhtemoc Cárdenas won a landslide vote in the first-ever democratic election for mayor of Mexico City. The PAN emerged from the 1997 race with a total of six state governorships but no substantial gains in the Chamber of Deputies, whereas the PRD increased its share of Chamber seats from 14.2 per cent in 1994 to 25 per cent in 1997 (see Table 2).

In the aftermath of the 1997 election it was clear that the country’s political landscape had been transformed. The Mexican presidency had indeed been weakened, partly due to the numerous strategic miscalculations discussed here, which in turn opened up the necessary public space for pro-democratic civic organization and contestation (Avritzer, 2002; Williams, 2001). Executive clout was further diminished as a result of Zedillo’s purposeful decentralization of power and resources to the regions and to Congress (Dresser, 1997), a move initially launched by Salinas as a way of appeasing the party’s traditional wing in the regions. However, the unexpected success of opposition parties at winning state governorships from 1989 onward bolstered their ability to access fiscal revenues heretofore controlled by the PRI.

The PRI’s 1997 losses further fuelled the tensions between the old “dinosaur” wing and the technocratic clique that formed the core of Zedillo’s cabinet. Whereas the former faction saw this setback as a mandate to roll out the PRI’s traditional electoral machinery and to defend the party’s self-anointed birthright to the presidency at all costs, the latter, led by Zedillo himself, took a more pragmatic path. After failing to reach a viable compromise with his foes within the PRI, Zedillo stepped gingerly in upholding the administration’s commitment to political liberalization. For example, Zedillo refused to hand-pick his successor, which meant that the PRI held its first presidential primary ever, and he refrained from the reckless political spend-
ing that had prompted economic crises at the end of each sexenio since the 1960s. When the transfer of executive power from the PRI to the PAN did finally occur in the 2000 election, Zedillo peacefully conceded victory to the political opposition.

By adopting a campaign platform similar to the “second phase” reform agenda that had eluded the Zedillo administration, PAN presidential candidate Vicente Fox beat the PRI candidate, Francisco Labastida, by more than six percentage points. In line with the voting patterns that first emerged in the 1988 presidential race, the opposition parties attracted a younger, largely urban and better-educated constituency, while the PRI was ever more dependent on the rural poor. Because the 2000 congressional returns failed to deliver a concrete majority for any one party or coalition of parties, debate continues as to whether the Fox victory was simply an anti-PRI vote or a reflection of the electorate’s commitment to democratization (Moreno, 2003). Our main point, as argued throughout this article, is that Mexico’s democratic transition in 2000 cannot be pinned on any one social, political or economic variable, nor can it be entirely attributed to an external force such as NAFTA. Rather, Mexico’s transition has largely been a domestic affair—one that has unfolded gradually since the 1970s in a multivariate chain of cause-and-effect.

Conclusion

We began by revisiting arguments about the role NAFTA may have played in hastening Mexico’s democratic transition. Our analysis finds that neither the advocates of NAFTA nor the critics anticipated the ruling party’s loss of control over the presidency, or the corrosive political effects of prolonged adjustment stress that fell far short of the expectations engendered by the PRI when it sold NAFTA to the Mexican public. Thus, we concur with Smith’s (1992: 19) point that “economic liberalization could loosen the social moorings of the present political system in Mexico and, thus, create objective conditions for a far-reaching political transition”; however, our analysis also suggests that these moorings had long been loose. In accordance with Proposition 3, political factors, interacting erratically with a prolonged and sometimes chaotic process of economic restructuring, played a decisive role in the demise of Mexico’s electoral authoritarian regime; NAFTA simply set the backdrop for the final stages of the political drama that slowly unfolded.

The presumption that NAFTA would be the sole cause in triggering Mexico’s democratization proved illusory. NAFTA contained no “democratic conditionality” clause (Aguayo Quezada, 2000: 35), and no attempt was made to encourage political reform in Mexico as part of the NAFTA process. Private enterprise also failed to emerge as an active proponent of political opening. The NAFTA negotiations did provide a mechanism for
building a closer relationship between the state and business; however, other trends that were underway at the time, such as a notoriously corrupt bank privatization programme, cast the behaviour of Mexico’s private sector in the 1990s in a decidedly negative light. In the end, there was little advantage to democratic opening for politically well-connected business elites who had prospered from the reform process itself.

The argument that NAFTA would contribute to the “requisites of democracy” is similarly flawed. As a solidly middle-income developing country with average annual growth rates of 6 to 7 per cent in the 1960s and 1970s, Mexico had achieved the social prerequisites for democracy long before NAFTA. There are, in fact, many democracies in the region that have yet to achieve Mexico’s level of economic modernization, whether measured in terms of growth rates, per capita income or indices of industrialization, yet it was Mexico that lagged in joining the region-wide trend toward political opening. The fact that it finally “caught up” with its more democratic neighbours speaks as much to the pent-up forces for political liberalization dating back at least three decades than to any independent effects of the major economic restructuring now symbolized by NAFTA.

A more useful understanding of Mexico’s gradual democratic transition focuses on how the PRI’s brand of political and economic reform catalyzed its own bases of opposition. The escalation of political crises since the 1970s contributed to the increased willingness of voters to opt for untried political alternatives, and to the rise of civil society, opposition parties and a more participatory mass politics. Similarly, although economic modernization certainly spurred popular mobilization, it was the perceived failures of the particular modernization strategy undertaken by the PRI, not market reforms per se, that eroded single-party rule. As elsewhere in post-reform Latin America, in Mexico “the ability of incumbents to hang on to power despite ineffective policy choices is markedly more limited now than in the past” (Remmer, 2003: 35). Instead of reinforcing the not-so-virtuous circle of economic liberalization and authoritarian rule, Mexico’s political opening brought the country into step with the region’s more common late-twentieth-century development pattern of political democracy and market-oriented economic policies.

Notes
1 The democratic features of Mexico’s 1917 constitution—including regular multiparty elections for the executive and legislature, and the formal separation of powers—were insufficient to qualify the political regime as democratic as long as a single, hegemonic party could use state resources to guarantee electoral victories and fuse executive, legislative and judicial powers through the informal institutions of party control.
2 As Andreas Schedler (2000: 5-6) notes, Mexico “went through the unusual experience of a regime change without a change in government” and the elections in July 2000 “made visible fundamental changes that had been taking place under the veil of governmental continuity.”
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3 Smith also outlined a fourth proposition that is not directly relevant to our analysis: NAFTA would contribute to the weakening of the Mexican state.
4 We are indebted to two anonymous reviewers of the JOURNAL for comments that helped to sharpen our thesis.
5 The Pact, which was renewed twelve times until November 1994, set wage and price guidelines based on periodic tripartite consultations that eventually helped to win over those business and labour representatives who had resisted market reforms. During this same reform spurt, trade tariffs were reduced to an all-time low, monetary and fiscal policies were tightened and the peso was pegged closely to the US dollar.
6 Families eligible for PROGRESA funding receive an income transfer designed to increase the amount of food and visits to health posts of infants and small children; PROGRESA school fellowships are also offered to promote attendance. Authors’ interview in Mexico City with PROGRESA’s National Coordinator, Vicente Arredondo, March 22, 2001.

References


