



**ECONOMIC REFORMS AND POLITICAL DEMOCRATIZATION
IN MEXICO:**

**REEVALUATING BASIC TENETS OF
CANADIAN FOREIGN POLICY**

by

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Forthcoming in: Maxwell A. Cameron and Maureen Appel Molot,
Canada Among Nations 1995: Democracy and Foreign Policy, Carleton University Press.

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Abstract

Canada's official approach to Mexico's affairs appears to be guided by a single-minded, narrowly focused, purpose. Both the former Conservative government and the current Liberal administration base their approach on excessive optimism about the economic gains that might accrue to Canadian corporate business in the short run. In this work, we discuss some alarming social and political developments taking place in Mexico, which we see as resulting from the strongly neoliberal economic orientation that has guided the last two governments and that is likely to persist with the inauguration of the new President, Ernesto Zedillo. We argue that, in light of past and recent events in Mexico, Canada should not actively support the current strategy because it is not likely to bring about significant long-term benefits for most Mexicans or Canadians. We suggest the need for an alternative Canadian foreign and trade policy which responds to a broader set of interests in Canada and that is based on a deeper understanding of the complex patterns of social, political and economic development in Mexico.

Introduction

Canada's official approach to Mexico's affairs appears to be guided by a single-minded, narrowly focused, purpose. Both the former Conservative government and the current Liberal administration base their approach on excessive optimism about the economic gains that might accrue to Canadian corporate business in the short run. In this work, we discuss some alarming social and political developments taking place in Mexico, which we see as resulting from the strongly neoliberal economic orientation that has guided the last two governments and that is likely to persist with the inauguration of the new President, Ernesto Zedillo. We argue that, in light of past and recent events in Mexico, Canada should not actively support the current strategy because it is not likely to bring about significant long-term benefits for most Mexicans or Canadians. We suggest the need for an alternative Canadian foreign and trade policy which responds to a broader set of interests in Canada and that is based on a deeper understanding of the complex patterns of social, political and economic development in Mexico.

The Canadian corporate world perceives Mexico to be both a good place for investment in the areas of finance, banking services, and communications as well as a relatively sizable market for the consumption of some Canadian goods. The Canadian government has actively supported its corporate sector's inroads into the Mexican economy by strongly pushing for economic integration between Canada, Mexico, and the United States. This effort contributed to the North American Free Trade Agreement (NAFTA) among the three countries which became operational on January 1, 1994. In addition to a large diplomatic contingent in the country, the Canadian government opened a large Trade Office in Mexico City in the Fall of 1994.

Canada's shortsightedness arises from an inability to weigh the consequences that Mexico's pursuit of radical economic liberalism is having on that country's social fabric and polity. This, in turn, may affect Canadian interests in the not-so-distant future.(1) The lessons of the 1982 debt crisis in Mexico do not appear to have been learned by Canadian decision-makers: a deep social and economic crisis can drive away foreign investors and close business opportunities, literally,

overnight.(2) Recent developments in Mexico, such as the emergence of a guerrilla organization in the Chiapas region, the increasing popular awareness regarding the manipulation of electoral results through political clientelism and fraud, and the increasing radicalization of civil society and grassroots organizations which demand greater democratization, point to a new scenario of instability and unrest quite different from the traditional view of Mexico as a predictable and stable society.

One of the most contested debates in Canada during the negotiation and ratification of NAFTA was whether such an agreement would promote a more open and democratic political system in Mexico. The opinions differed widely. The official view, generally shared by supporters of NAFTA, argued that the best way to encourage political stability and democratic advances in Mexico was through the consolidation of economic reforms which had been undertaken in earlier years, the promotion of further economic liberalization, and a greater integration into international markets. A contrasting view, shared among others by social scientists, developmental organizations, labour representatives, and anti-NAFTA advocates, feared that NAFTA would have the opposite effect, by creating further social tensions, by strengthening the discretionary role of the President, and by insulating a "well-behaved" Mexico (at least, as seen by the international financial markets) from external criticism of its flawed democratic practices.

This paper will revisit this debate, with the hindsight of recent Mexican developments such as the Chiapas uprising and the August 1994 federal elections. Rather than focusing on the specific impact of NAFTA, the emphasis is on the impact of the neoliberal economic regime (that NAFTA helps consolidate) on the democratic process. The general conclusions will shed doubt on any linear relationship between economic and political liberalization. This, in turn, presents serious lessons for Canadian policy toward Mexico and the rest of Latin America and the Caribbean.

The next part of the paper discusses the effects of economic and social restructuring on the urban working class and the potential for political or other urban resistance. The following section addresses the rural crisis, pointing to active

mobilization, the Chiapas uprising and the legal changes to the *ejido* institution, the traditional communal landholding system. The final substantive section discusses recent electoral processes, the question of democratization, and Canadian attitudes towards them. The conclusion raises further issues regarding Canadian foreign policy towards Mexico.

The Onslaught Against Urban Labour

The new economic orthodoxy which has shaped Mexicans' lives since the 1982 crisis has contributed to a fundamental alteration of the labour market and the distribution of income and wealth. The Achilles' heel of this new strategy is its inability to create enough employment, thus promoting structural unemployment and a notable decline in labour's income and in the economic and political influence of labour unions. The austerity programs, union-busting privatization, and the general recession of the economy have led to a significant rise in unemployment and underemployment, a dramatic reduction of real wages, a decline of the already limited social net (in scope and spread of coverage), and a further limitation of the bargaining power of trade unions.

There are two powerful features of the Mexican labour market that explain why depressed real wages remain the norm. The first one is the inhibiting effect on wages that results from widespread disguised unemployment. This unemployment derives from both demographic trends and economic restructuring. The demographic underpinning is clear: Mexico's population continues to grow at such a fast rate that every year about one million people enter the economically active population.(3) The Mexican economy needs to create one million jobs every year just to keep pace with population growth. The monetarist macroeconomic policies, supported by the International Monetary Fund (IMF) and World Bank, and their correlates in terms of deregulation, privatization, and trade liberalization, have depressed the economy and destroyed many jobs both in the industrial and rural economy. Since Mexico has no effective unemployment insurance, people must work, and for the most part they find some type of part-time occupation in the "informal" service sector. Official statistics

showing open unemployment at about 3 percent do not reflect the reality of the Mexican economy. Estimates show that about one-quarter of the Mexican labour force is (disguised) unemployed, precariously eking out a living at the margins of formal markets.(4)

This bleak employment situation stands in sharp contrast to earlier times, when industrial employment was booming. The era of the "Mexican miracle" during the 1950s and 1960s witnessed a significant growth of investment and of industrial employment, with cities absorbing both migration from the countryside as well as natural urban population growth. In contrast, the 1980s and early 1990s have seen declining investment and stagnation in industrial employment and, in some of the older industrial centres, an actual decrease of industrial jobs. Large number of jobs in import-substituting, domestically oriented industrial sectors have been lost. These sectors could not withstand the combination of recessionary macroeconomic conditions and a shrinking domestic market, the inability to access credit (resulting from high interest rate policies), the elimination of government subsidies, and the surge of cheap imported goods (from trade liberalization leading first to the General Agreement on Tariffs and Trade (GATT) accession, and next to NAFTA implementation). This combination of forces has meant that, while the rate of urban growth has continued, the ability of the urban labour market to absorb surplus labour has declined sharply.

The second factor explaining the behaviour of Mexican wages has to do with the institutional framework of the labour markets and the larger set of economic and political forces at play. The Mexican labour movement is closely controlled by the official party and state institutions. The Mexican state (through, for example, a sequence of "social contracts" or *pactos de solidaridad*) played an active role in recent years in lowering labour costs as a way of achieving and maintaining international competitiveness. If that did not suffice, the Mexican state resorted to more authoritarian measures. Some spectacular examples support this contention, such as the violently repressive role of the government in the 1992 Volkswagen strike. The state's impact is not always so transparent but it is pervasive and widespread, as can be seen in

the recent efforts to substantially alter labour laws and Article 123 of the constitution which had traditionally protected workers. NAFTA, by increasing the mobility and rights of transnational capital, has contributed to this power imbalance and has shifted the correlation of forces against an already debilitated trade union movement.

Not surprisingly, the lowering of workers' incomes was accompanied by attacks on collective contracts; these were generally perceived as obstacles to the maximum and most flexible utilization of labour. Attacks on collective contracts took a variety of forms, but their common purpose was to further weaken and cheapen the costs of labour. Privatization was preceded by various ways of either breaking a trade union or renouncing the old collective agreement. At times, companies were declared bankrupt and then reopened without the old union or collective agreement; on other occasions factories were closed down and then relocated without the old workers, unions, and collective contract. Still elsewhere, the official union leaders colluded with management and government to lower wages and make the allocation of labour more flexible from a management perspective.

Maquiladorization was one method of lowering the wage bill and increasing management's discretionary authority over labour. Maquilas were initially set up by agreement between the United States and Mexican governments in border regions for in-bond production, where part of the U.S. production process would be contracted out to a Mexican plant with cheaper labour costs, but the product would have to be re-exported (duty-free) back to the United States. The maquilas also came to represent techniques of labour control, a means of lowering the wage bill, and *de facto* exemption from labour law provisions. In 1989, the government of Mexico extended the maquila status to companies in Mexico which had under-utilized capacity with the requirement that part of their production be directed for export only.

The impact on the real wages of workers has been dramatic. Average real wages in 1990 were still more than 40 percent below their 1981 level.⁽⁵⁾ At the aggregate level, the share of salary income in national income decreased from 35 percent in 1982 to 26 percent in 1988.⁽⁶⁾ Whereas the living standards of workers (as well as many

professionals, small business people, and other middle strata) declined precipitously, wealth at the other end of the social spectrum has reached unprecedented levels of concentration. Just one indicator suffices here: Mexico now ranks as the fourth country in the world in number of billionaires (households with a net worth in excess of one billion U.S. dollars).

The offensive against workers' livelihood has met with opposition from workers but their resistance has remained largely fragmented, localized, and subject to repression by the government, capitalists, and labour officials. The combination of Mexican labour laws which allow tri-partite Boards of Conciliation and Arbitration to declare strikes illegal, with the integration of most labour leaders in the official sector of the ruling party, has made resistance very difficult. Violence carried out by the government, the companies, or strong-armed men from the official unions has also been a tool used to break resistance to these changes. The relatively muted responses of workers to this deterioration of wages and working conditions has to be seen within this institutional context as well as being conditioned by the disorganization of the working class as a result of the relocation of jobs, the growing insecurity of employment, and the growth in unemployment. The absence of genuine, independent unions in most industrial sectors, an absence which is actively perpetuated by the government-sponsored unions that operate in various ways to keep a lid on the activity of the working class, presents serious obstacles to organized resistance to these changes.

The situation, however, could change. The influence of trade union leaders tied to the official party has been diminishing as the government has shifted from corporatist mechanisms of control of the working class to neoliberal methods of busting and bypassing unions. The inability of official union leaders to deliver gains for their members has weakened their position as intermediaries between workers and the regime. Thus, these labour leaders have lost efficacy as agents of social control. This weakening power of the traditional labour leadership, accompanied by a severe deterioration of living standards, would suggest the likelihood of an upsurge of spontaneous or disorganized protest. The striking decline in real wages caused by the financial crisis and devaluation of the peso in December 1994 may

well trigger a growing mobilization of "independent" labour groups.(7)

Political and social developments in Mexico hinge upon the question of whether the urban working class, faced with a continuing deterioration of living standards, will continue to be relatively passive or will emerge as a political actor. What happens will be conditioned by several factors: whether or not the government moves forward with significant changes to labour law and to article 123 of the Constitution;(8) whether wage and employment conditions improve somewhat; and whether the opposition parties manage to channel this discontent. The working class would have to respond politically and organizationally to the reorganization of the labour markets underway, establish effective independent unions to resist these policies, and develop alternative economic perspectives. Some important seeds for such developments can be found in efforts to organize independent labour unions (such as the Authentic Labour Front, or FAT) and political movements such as the Mexican Network Against Free Trade (RMALC), but at this stage they remain marginal players. Their effort is geared to channelling local resistance and the discrediting of the official Confederation of Mexican Workers (CTM) leading toward an explosion of workers' activity and the creation of a new independent trade union movement.

Previous attempts at developing an independent and democratic labour movement have been contained, but with much repression. Any new explosion of independent workers' activity and government's repression would now take place in the context of much greater visibility of Mexico to the rest of North America and the world.(9)

Crisis in the Countryside

Mexican economic and social turmoil has engrossed the rural economy as much, or even more, than it has the urban sector. Fiscal restraints and free-market ideologies have coalesced into the policies of the last decade: withdrawal of administrative protection, shrinking credit availability and technical assistance, elimination of price guarantees, and other disappearing government programs to support small agrarian

producers, at the same time that surging imports of cheap basic grains bite into their share of the domestic market. A major policy step was the dramatic change in the *ejido* landholding system, promoting the growth of an export-oriented agri-business sector with close links to large U.S. food corporations. These policies threaten the continued existence of the rain-fed, small scale agrarian sector, driving hundreds of thousands to migrate to Mexican or U.S. cities. Those small and medium peasant landholders that remain on the land do so under conditions of decapitalization and a huge debt burden, with dangerous social and environmental implications.

Mexican neoliberal agrarian policies came about through the combined efforts of government technocrats, large Mexican corporate capital allied to transnational capital, the World Bank, and the U.S. government. All contributed to the formulation and implementation of a policy that will radically change the traditional *ejido* land tenure system. Part of the strategy developed was aimed at overcoming the anticipated resistance to these changes. When, in 1989, technocrats first proposed changes to agrarian law, there was much resistance, even in the ranks of the official party (Institutional Revolutionary Party, or PRI). Ultimately, this resistance disappeared as the World Bank used its leverage through financial aid conditionality and the United States government applied its leverage in the midst of the NAFTA negotiations to push for the required constitutional changes.

The nature of the required *ejido* reforms was spelled out as early as February 1990 in a World Bank document.(10) This paper suggested reforms in the *ejido* land-tenure system that would later be enacted by the Mexican government in the change to article 27 of the Constitution passed in early 1992: legalizing the leasing of *ejido* lands; allowing the sale of parcels internally; and permitting both the leasing of, and private investment in, commons. The World Bank had even envisioned the need for a gradual strategy, recommending not the direct abolition of *ejidos*--as this would lead to too much resistance--but measures that would undermine them. In mid-1991, the Secretary of Agriculture and Hydraulic Resources and the Secretary of the Treasury and Public Credit submitted a letter of intention to the World bank stating the conditions

for a large loan. This letter was the antecedent of the reform of article 27 calling for elimination of institutional rigidities and new schemes of production that would attract greater investment. In addition, there are a variety of indications that the secret talks between the United States and Mexico in regard to NAFTA involved an understanding that Mexican land would be opened up to U.S. investors (particularly the large food transnational corporations, interested in establishing agro-maquila operations in Northern Mexico).(11) The final ingredient for the constitutional change came through as a result of the widely questioned 1991 general elections, in which President Salinas gained a larger-than-needed congressional majority which allowed him to amend the Constitution at will.

The agrarian policies promoted by President Salinas are premised on the notion that the *ejidos* are necessarily unproductive organizations, lacking individual initiative. In fact, most *ejido* land is farmed individually with some lands, such as pasture and woods, being managed communally. The juridical form of the *ejido* however protects the *ejidatarios* from losing their lands. The changes to article 27 facilitate the losses of these lands through a variety of mechanisms.(12) These juridical procedures, accompanied by the absence of financial supports for the *ejido* sector, would foster the disappearance of *ejidos* and their replacement by agro-business.

The social consequences of the processes described are a vast encouragement of rural migration to the cities, cities in which there already is a great lack of employment, housing, health, and schooling programs. For those who remain, the increase in the landless rural population will further depress the wages of rural wage earners from their current near-starvation level. The human consequences of these policies are starkly brought home by government studies of severe malnutrition among children in the countryside as well as infant mortality. The number of children under five years of age in the rural sector who suffered from severe malnutrition (comparable to children in the famines of Asia and Africa) went from 7.9 percent in 1979 to 15.1 percent in 1989.(13) Furthermore, the proportion of total preschool infant mortality due to nutritional deficiencies increased sixfold, from 1.5 percent in 1980 to 9.1 percent in 1990.(14)

The severe social toll is the result of policies that have favoured export-oriented agricultural development over subsistence or production for local markets. Thus the "modernization" of Mexican agriculture has made Mexico more dependent on food imports and has further impoverished the rural population.(15) These policies and effects pre-date the revision of article 27 and the adoption of NAFTA. The role of NAFTA is to consolidate this policy orientation through an international treaty, which reinforces the impact of the constitutional change. The rural poor have not responded passively to the nefarious consequences of neoliberal policies for their communities. Most peasant and indigenous organizations have protested against the revisions to article 27 of the Constitution. They have called on the government to respect and deepen the social contract with the agrarian sector, embedded in this article, and whose establishment goes back to the Mexican Revolution. An alliance of peasant and indigenous organizations put together a counter-proposal to the government's plan. Even important sectors of the official party's rural base have opposed these changes.

It was, however, the Zapatista rebellion in Chiapas on January 1, 1994 which gave dramatic expression and political direction to the simmering rural discontent. The Zapatistas specifically cited NAFTA and the changes to article 27 as part of the assault on the standards of living of the rural population and called for the reversal of both. They insisted that only a new and democratic government could carry out true reforms, and called the Salinas administration undemocratic and unrepresentative of the rural and indigenous population. The Zapatista movement had significant reverberations throughout Mexican society, and in particular, among the rural sectors. Their spectacular insurrection, including the remarkable orchestration of an international mass media frenzy, posed a direct challenge to the hegemonic argument of the regime, that there was no reversing the neoliberal transformation of Mexico, and that the new global realities required that Mexico "open itself to the outside world" or be shunted aside. The Zapatistas strongly rejected this myth of inevitability, posing a huge threat to the integrity of the PRI regime and its radical policy program. Many peasant and indigenous groups supported the demands of the Zapatistas.

The Zapatistas sought to create a national movement for political revolution and a change of economic direction, two goals which they saw as inseparable. In June 1994, with the presidential and congressional campaigns already in progress, the Zapatistas and the coalition of peasant and native groups of Chiapas that supports them, called a National Convention, brought together popular and democratic forces to discuss the strategy and substance of change. Participating groups held local and state assemblies and then sent their delegates to the National Convention in Chiapas from August 6-9, 1994. The process leading to the national convention paralleled the electoral campaign, with many of the groups supporting the Convention also participating in the elections, in the hope of forcing an honest outcome. Thus a grassroots political process running parallel to the official elections was put in place, commanding the popular legitimacy which they claimed the official process lacked. The Convention brought more than 6,000 delegates, first to the major city of San Cristóbal de las Casas, Chiapas, and then to an amphitheatre that had been created in the Zapatista-held jungle areas. The Convention adopted a program of struggle and declared itself an ongoing organization that would evaluate the integrity of the elections and decide on a course of action should the elections be stolen by ruling party fraud.

The Chiapas situation remains explosive. The basic demands of the Zapatistas (restoration of the old article 27, a national transitional government to hold truly democratic elections) remain unresolved, and a military confrontation is likely. The Zapatistas and the civilian popular movements that support them feel that the PRI stole the governor's elections on August 21, 1994. Thus on December 8, two ceremonies for the installation of the Governor of Chiapas occurred. The official PRI candidate was installed in a ceremony attended by the new President of Mexico while, in another part of the capital city of Chiapas, Tuxtla Gutierrez, the candidate of the rival Party of the Democratic Revolution (PRD), popular organizations and the Zapatistas, was installed in another ceremony. The Zapatista Army for National Liberation (EZLN), has declared the truce over and made a bold symbolic military move on December 19. Demonstrations and road blockages to protest the electoral fraud have been continuing

all over the state. And the Mexican army, now with foreign advisors, has been strengthening its military presence in Chiapas.

The Chiapas insurrection is the most dramatic, the most immediately polarized, and the most likely situation to lead in the short run to large-scale violence and repression in Mexico. But similar settings, with a variety of types of mobilization and polarization, exist in other parts of the country. The immediate outcome of the Chiapas rebellion is to encourage multiple challenges to the new economic orthodoxy and the lack of real democratization. It sets a powerful political alternative to the passive acceptance of "inevitable" economic restructuring leading to marginalization and impoverishment in the countryside. Thus both the consequences of this restructuring and the insurgent traditions of the Mexican countryside make significant clashes there seem likely to continue into the near future.

The Chiapas situation illustrates the complex way in which movements for grassroots, democratic participation intertwine and conflict with an elite-driven process of economic reforms. To the extent that the economic model is exclusionary -- tending to impoverish and marginalize small and medium farmers, and to increase the population of landless largely indigenous rural workers, while concentrating the control over the land among a narrow stratum of wealthy landholders and corporate interests -- the ingredients for a social explosion are given. These are the same ingredients which, in the past, have fuelled peasant rebellions in Mexico, including the Mexican Revolution.

It is not surprising that, in such a context, the ruling party, and the elite interests that it represents, fear the outcome of genuine democratization. Rather, they choose a process of "democratization" that emphasizes formal aspects of electoral democracy, while maintaining full political control through a combination of corporatism, co-optation, coercion, clientelism, repression and manipulation of public opinion. Groups in civil society will, however, react to this lack of real democratization by intensifying their efforts to delegitimize the economic and political regime. Thus, the elements of authoritarianism and instability are part and parcel of such a regime.

These clashes between the rural poor and the Mexican state may yet threaten the stability of

the regime and make the partial opening up of the political system precarious. To the extent that the responses from civil society remain focused in the countryside, the regime is likely to maintain control, even at the cost of harsh repression. However, should significant urban sectors join in active challenge to the political regime (as happened in 1968), the explosiveness of the situation could increase.

Canada and the Political Transition in Mexico

Canada's tepid support for political development in Mexico is in stark contrast with its enthusiastic approach to economic development. While the latter is uniformly expressed in unmitigated praise for the accelerated and unrelenting processes of economic "rationalization" pursued by Mexican ruling groups, the former is characterized by either denial or benign indifference. Thus, during the heated NAFTA debates in the Canadian parliament, then Prime Minister, Brian Mulroney, categorically dismissed the oft-made references to Mexico as a "perfect dictatorship" by claiming that country was a true democracy. Hence, there was, apparently, no need to discuss Mexican political issues in Canada. And none were discussed at that time. More recently, such an approach has softened under the current Liberal government. Prime Minister Jean Chrétien has adopted a more "pragmatic" stance by stating that Canadians cannot expect Mexicans to behave like Canadians; that Mexicans are entitled to their own "kind" of democracy. In either case, neither the Conservative nor the Liberal government appears willing to try to positively influence the course of the democratic transition in Mexico.

In pursuing this approach, the Canadian official policy toward Mexico shows a profound contradiction. It appears to be saying that somehow Mexican ruling sectors have an unique talent for learning and implementing the still fashionable neoliberal economic policies being promoted by Canadian and U.S. advocates, but that, when it comes to political development, they still have a long way to go in learning about participatory democracy. To say it in slightly different terms:

Mexicans are encouraged to adopt as radical a "shock treatment" approach as might be needed to overhaul the old economic protectionism and replace it with unrestricted market freedoms while, on the other hand, they are praised and supported for moving at a rather glacial pace in the transformation of that country's political system. Remarkably, neither the economic nor the political modernization has succeeded so far.

The 1994 presidential and congressional elections in Mexico are a good illustration of Canada's concern with a mostly formal, procedural, approach to democracy. The Mexican government's electoral reforms in the last six years have been greeted with nothing but admiration. The use of technologically sophisticated procedures to produce a new voters registry, a fool-proof voter's card, and the computerized centralization of election results, complemented by the establishment of the newly-created Federal Electoral Institute, and the admission, for first time, of national and international election observers, sufficed in the opinion of many Canadian public and private sector officials to declare the 1994 elections as an exercise in fairness, honesty and transparency. It was, according to them, yet another positive sign that Mexico is well on its way to becoming a substantive democracy.

We beg to differ from such an unquestioned vindication of that electoral process, as seemingly do many Mexicans as well. The latter have a better understanding of the cosmetic nature of the recent electoral reforms. One hears constantly Mexicans repeating the saying that "the more things change, the more they remain the same." In effect, there seems to be little disagreement over the fact that the political opening experienced by Mexico has as its ultimate goal the consolidation of the ruling Institutional Revolutionary Party's sixty-five year-old control upon the Mexican polity. Few Mexicans are willing to believe that the same ruling party whose trademark has been a combination of unrestrained presidentialism, authoritarianism, clientelism, corruption, repression, human rights violations, and socio-economic and political marginalization of the majority, can voluntarily "democratize" itself out of power.

The PRI is, after all, the same party that introduced a constitutional amendment in 1990 to

ensure its control of congress even in the event of an electoral defeat -- the so-called "clause of governability" which guaranteed that the party that got 35 percent of the popular vote in a congressional election would automatically receive a majority of seats in congress. This clause never became operational since the ruling party went on to win a larger majority in Congress (290 out of 300 seats) and the Senate (31 out of 32 seats) in the August 1991 congressional elections. Not surprisingly, one of the first pieces of legislation approved by the 1991-1994 parliament was to grant authorization for the burning of the 1988 presidential elections' ballot boxes, thus eliminating the material evidence of the massive fraud that allowed the PRI's candidate Carlos Salinas de Gortari to become the country's president. This same legislature went on to amend the Mexican Constitution's clauses dealing with land tenure, labour rights, foreign investment, and state-ownership of natural resources, especially oil, all in an effort to provide the legal framework for the economic modernization of the country pursued by President Salinas and his team of neoliberal technocrats.

The 1994 general elections were readily endorsed by Canadian officials even though most Canadian observers from non-governmental organizations raised serious doubts about their fairness and transparency.(16) They, along with Mexican, U.S., European, and Latin American observers, documented an array of irregularities and, in some instances, outright fraud.(17) A report by the Civic Alliance (1994), an umbrella organization of more than 300 Mexican non-governmental organizations, points to traditional as well as new forms of electoral corruption. Rather than criticizing the margin of victory for the ruling party -- no one denies that it won -- the Civic Alliance points to those non-measurable aspects of the electoral process which contributed to PRI's hold onto power. They included, among others, the staffing of the Federal Electoral Institute with PRI supporters; and the Federal Electoral Institute's apparent lack of autonomy, since its president was at the same time the minister of the Interior, and thus the most important political official in the government. This official resigned abruptly in late June 1994 while claiming that his impartiality in running the electoral process was being jeopardized by "sectors

of a political party" that he refused to identify. At the request of civil society organizations, which trusted him more than they trusted the government, he then withdrew his resignation.

The Federal Electoral Institute is also blamed for its bias in the selection of the citizens who staffed the polls on election day (less than half were chosen at random, the others were administratively appointed by the electoral authorities). Moreover, the same institution is responsible for the unexplained elimination of many voters from the Voters' Registry, as well as for the failure to supply enough ballots to the so-called "special polls" on the day of the election.(18) In addition, the Civic Alliance documented numerous instances of voter intimidation by public officials (bosses in government agencies, including coercion of teachers and students' parents by school principals). Still, the more serious charges relate to the lack of objectivity exhibited by radio and television. The ruling party's candidate regularly received as much as 45 times more coverage than the opposition candidates combined. To that can be added the use of government resources on behalf of the ruling party's candidates and the lack of clear rules on the subject of election expenditures.

The failure on the part of the ruling sectors to create a truly democratic society is bound to produce serious consequences for the country's future. On the one hand, many Mexicans greatly discouraged by the continuous manipulation of the electorate's will return to the traditional apathy that had characterized their political involvement in the past. This leaves the political process open to only a few individuals or sectors, mainly within the ruling party itself, who are already positioning themselves to capture the spoils of the new economic strategy pursued by the government. This latter scenario is one of corruption accompanied with greater use of violence to settle political rivalries. Another element is the increasing influence attained by the drug cartels, the role of which is apparent in several political assassinations during 1994.(19)

On the other hand, the Chiapas uprising appears to be a warning sign that neither the Mexican nor the Canadian or the U.S. governments can afford to ignore. That some Mexicans are willing to pursue strategies other than, or in addition to, electoral ones, in order to right the

traditional wrongs of Mexican society, is now a distinct possibility. If history can teach us something it is precisely that the 1910-1917 Mexican Revolution, with its legacy of one million dead, occurred to a great extent because of the blatant inequalities created by Dictator Porfirio Diaz's blind adherence to extreme forms of capitalist accumulation without a corresponding development of political, economic and social democracy.

Conclusions

We have argued that the Mexican situation remains uncertain and prone to instability, as exemplified by the organized responses from rural groups. Events such as the Chiapas uprising threaten to derail the economic reforms and make the partial opening up of the political system precarious. Should significant sectors of the urban working class become more active, vocal, and sufficiently organized to resist an unaccountable and closed political system, the explosiveness of the situation could escalate.

The August 1994 Congressional and Presidential elections did not seriously contribute to a democratic resolution of the basic issues confronting Mexico. Notwithstanding loud claims to the contrary, these elections further demonstrated the remarkable ability of the Mexican elite to maintain almost absolute control over the political process, and to systematically disregard calls for real democratization. Despite the introduction of expensive and sophisticated electoral technology, and despite the participation of foreign observers, extensive fraud seems to remain an inevitable component of the electoral process.

However, most observers agree that the PRI would have won these elections even without direct electoral fraud. The most troublesome part of the Mexican political system is not electoral fraud, but a tightly controlled political system in which one party can win the elections through mechanisms of control outside the electoral process. The widespread, systematic use of political manipulation and 'clientelism' is such that voters, particularly in the rural areas, feel compelled to support the official party as a necessary *quid pro quo* for the services received

from government.

The growing use of overt presidential authoritarianism to manipulate electoral behaviour through such programs as PRONASOL,(20) and the intricate but amazingly effective system of social control that the official party has at all levels of social organization (for example, rural village; labour union; and professional association) all give the sense of an almost complete closure against democratic alternatives. The crushing defeat of alternatives to the existing regime, and the huge disappointment of the millions who placed their hopes in a Cárdenas victory, puts the Mexican political system at a crossroads.(21) There is a real possibility that the Mexican people will become even more convinced of the irrelevance of the electoral process for political change. This is not an imaginary scenario, since Mexicans have already had a violent political history.

The recent Mexican experience, and particularly the social and economic deterioration evident in late 1994, presents hard lessons for Canadian policy towards the Americas. Promotion of democracy and a more equitable social and economic system should be a priority objective of Canadian foreign policy. For example, Canada can and must do much more to assist in the democratization of the Mexican political system. Canada should actively promote and support the initiatives geared at changing those institutions which for so long have been the pillars of the authoritarian Mexican state. Canada can assist in the professionalization of the judiciary and the police, so that these organizations exist for the protection and not the persecution of the average Mexican citizen; Canada can also provide expertise in the reform of the electoral system so that elections occur under clear and objective rules and in ways in which the will of the electorate can be truly expressed. Likewise, Canadian expertise should be offered to reform the public administration which has long been the focus of corruption and arbitrariness. Canada should also establish an endowment fund for the creation of a Chair on human rights at one of Mexico's major universities. Last but not least, Canada should increase its support of Canadian NGOs which have been actively working with various sectors of Mexican civil society (indigenous groups, human rights organizations, election observation organizations, women) in order to promote

democratic development.

Democracy and equity must be pursued in the international context as well. Canada can contribute to the reduction of the tensions between markets and democracy, so that globalization of trade and finance impinges less on the ability of individual states to shape market forces. For example, it should promote trading regimes that protect the rights of labour and the disenfranchised in each country. Declaratory documents such as the NAFTA side-agreement on labour should be transformed into enforceable social charters that provide for minimum wages, the right to associate, safety in the workplace, the right to strike, and acceptable working conditions for women and children. If NAFTA had been structured in such a way, many of the inequities and huge concentrations of wealth that drive the current Mexican instability, could have been attenuated.

The main lesson of this paper is that economic reforms and democratic development cannot be considered as *separate* goals of Canadian foreign policy. The pursuit of democracy should go hand in hand with the promotion of trade relations. Accordingly, the traditional modernization thesis, that economic growth precedes political democracy, must be reevaluated. Democratic development should be given a heightened priority without abandoning the efforts to turn economies around. This prescription was not followed in the Mexican case; Canada supported a process of economic reforms and an international agreement (NAFTA) that undoubtedly contributed to greater economic inequality, the weakening of the labour movement, and the closing of democratic spaces in Mexico. These outcomes are quite inconsistent with the explicit Canadian goals of promoting democratic and human development.

Canada cannot pretend to promote peace, stability and democracy, on the one hand and, on the other, to continue encouraging economic policies that create more inequality, social tensions and strengthening of authoritarian regimes. It cannot have its cake and eat it too.

Notes

The authors acknowledge useful comments on an earlier draft provided by Maureen Appel Molot, Max Cameron, and the other participants in the December 1994 "Canada Among Nations" workshop, Carleton University, Ottawa.

1. These words were written in November 1994, just before the collapse of the peso in December. The 40 percent devaluation against the U.S.\$ until January 1995 represents a corresponding 40 percent loss in the value of Canadian investments in Mexico, measured in U.S.\$. There is no doubt that when Canadian investors placed their money in Mexico, they were expecting financial, economic, social and political stability. Clearly, those expectations were wrong.

2. Again, this sentence was written before the financial crisis that started in December 1994. The massive wave of capital flight that initiated and propelled this crisis has forced the U.S. government to pull together an unprecedented salvaging package of 18 billion U.S.\$ (to which Canada is contributing one and half billion) ("Mexico's ailing economy gets \$18 billion lifeline," *Toronto Star*, January 3, 1995, A1). This package is larger than any put together to salvage the countries of the ex-Soviet Union! This new crisis arrives at a time when the 1982 foreign debt crisis that hit Mexico is far from having been resolved. Mexico's foreign debt reached its highest level in 1993: U.S.\$ 121 billion. This figure was 20 percent higher than the debt inherited by the Salinas administration. Moreover, José Luís Calva, a researcher at the National Autonomous University of Mexico, argues that the total foreign debt is, in reality, close to U.S.\$ 193.983 billion if, in addition to the acknowledged debt other items, such as direct foreign investment, financial foreign investment, and internal debt held by foreigners in bonds and other issues, were also considered ("Llego a 121 mdd la deuda externa del país," *La Jornada*, August 19, 1993, 56, 43; "121 mil millones de dls., deuda externa total; bajo en

función del PIB: Hacienda," *Uno Mas Uno*, August 19, 1993, 1, 20). Pursuit of structural adjustment during this period failed to make even a modest dent on the debt which is likely to remain high given the dramatic events of 1994.

3. Nora Lustig, *Mexico: The Remaking of an Economy*, (Washington: Brookings Institution, 1992), 75.

4. Data from Organización de Cooperación y Desarrollo Económicos [OECD]. *Estudios Económicos de la OECD*. (Paris: OECD, 1992), 236. According to this source, for people 45 years of age and older, employment in the informal sector is about 50 percent of total employment.

5. OECD, *Estudios Económicos de la OECD.*, 278.

6. OECD, *Estudios Económicos de la OECD.*, 58.

7. North American workers have reason to be unhappy. As of early January 1995, a 67 percent devaluation of the peso (from 3.4 pesos to the U.S. dollar in December 19 to 5.7 in January 7) meant a similar fall in Mexican wages, measured in dollars. This means that transnational corporations now face dramatically lower wage costs in Mexico, and thus are even more likely to pressure U.S. and Canadian workers to "become competitive" by decreasing labour costs. This is another example where economic integration without adequate protection for labour rights (such as the one encouraged by NAFTA), promotes a "race to the bottom." If this is not enough, the "emergency economic plan" set out by President Zedillo to deal with the crisis sets clear priorities as to whom will bear the costs of adjustment: the workers and low-income Mexicans. This new plan will mean further losses in real wages. The Ministry of Finance now forecasts 19 percent inflation in 1995, and an increase in nominal wages of 10 percent (that is, an *additional* planned fall in real wages, measured in domestic currency, of 9 percent during 1995) ("Mexico revamps goals and forecasts for 1995," *Toronto Star*, January 6, 1995, E2). It is noteworthy that most mainstream analyses of NAFTA in the last few years forecasted stability, growing prosperity, and *increases* in Mexican real wages.

8. In the Mexican constitution, the dispositions concerning workers and workers' rights occupy a prominent place. They are enshrined in Article 123, originated from the Mexican Revolution, and one of the longest articles in the constitution.

9. It would also take place in a radically new context of financial crisis, massive capital flight, and a new President Zedillo who, just assuming power, losses control over the macroeconomy and enrages big financiers by orchestrating an unexpected devaluation.

10. John R. Heath, *Enhancing the Contribution of Land Reform to Mexican Agricultural Development*. World Bank Working Paper (Washington: World Bank, 1990). This paragraph, and Heath, both draw on José Luis Calva, *La Disputa por la Tierra: La Reforma del Artículo 27 y la Nueva Ley Agraria*. (Mexico City: Fontamara, 1993), 73.

11. José Luis Calva, *La Disputa por la Tierra*.

12. Some of these mechanisms are: (1) an ejido parcel can be sold to another ejidatario or neighbour (with only two witnesses to the sale needed, making fraud by political bosses and local elites relatively easy); (2) the ejido as a whole can vote to break up the parcels into absolute private property with as few as one-third-plus-one members voting in favour at a second assembly on the question; (3) parcels can be used as collateral for loans and lost upon default on the loan; (4) the parcel can be rented out or an association formed with a mercantile group; or (5) the land willed to whomever as heir without their having any obligation whatsoever to the family of the ejidatario.

13. Studies of the *Instituto Nacional de la Nutrición*, cited in José Luis Calva, *La Disputa por la Tierra*, 69.

14. Nora Lustig, *Mexico: The Remaking of an Economy*, (Washington: Brookings Institution, 1992), 88.

15. The dependence on food imports shows its dark side when the country must curtail imports to deal with a balance of payments crisis, exactly like

the one that arose in December 1994. The "emergency economic plan" established in January 1995 is intended to cut the massive trade deficit in half, which means severely curtailing imports into the country (*Mexico revamps goals and forecasts for 1995*, Toronto Star, January 6, 1995, E2). This will likely cause further worsening of the nutritional status of low income Mexicans.

16. The final results of the 21 August presidential and congressional elections are as follows:

ELECTION OF THE PRESIDENT

Ernesto Zedillo-PRI	17,336,325	
	48.77%	
Diego Fernandez-PAN	9,222,899	
	26.69%	
Cuahtemoc Cardenas-PRD	5,901,557	
	16.60%	
PPS	168,603	
	.47%	
PFCRN	301,524	85%
PARM	195,086	55%
PDM	99,216	28%
PT	975,356	74%
PVEM	330,381	93%
Annulled votes	1,000,782	2.82%

THE SENATORIAL ELECTION

(96 seats contested out of 128 in total)

	Relative majority	Proportional representation
PRI	64	
PAN		23
PRD		9

PRESENT COMPOSITION OF THE SENATE

	Total
PRI	95
PAN	24
PRD	9

THE CHAMBER OF DEPUTIES ELECTION

(300 seats contested, 200 allocated on the basis of proportional representation)

	Relative Majority	Proportional Representation	Total
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PRI	277	23	300
PAN	18	101	119
PRD	5	66	71
PT		10	10

17. See, for example, Teresa Healy, ed., *Canadian NGO-Church-Labour-Women Delegation to the International Visitors-Civic Alliance Observation: 1994 Mexican Election Final Report*, (Ottawa: OXFAM, November 1994); International Centre for Human Rights and Democratic Development [ICHRDD], *Mexico Election Monitoring Mission*, (Ottawa: ICHRDD, December 1994). Another comprehensive report is: Civic Alliance, *La calidad de la jornada electoral del 21 de agosto de 1994*, (Mexico City: Civic Alliance, September 1994).

18. The "special polls" were established to permit transient voters (away from their usual place of residence) to vote for president. They were located mostly in bus and train terminals. The problems arose since only 300 ballots were allocated to each poll. In several places, thousands of Mexicans protested when they were not allowed to vote because the polls ran out of ballots.

19. See, among others: Sarah Kerr, "The Mystery of Mexican Politics," *New York Review*, November 17, 1994, 29-34; *The New York Times*, December 1, 1994, A9; Peter Smith, "Politics that Kill," *The New York Times*, October 24, 1994, A13; Michael Serrill, "Conspiracy Theories," *Time*, June 20, 1994, 32; Kevin Fedarko, "His Brother Keeper," *Time*, December 5, 1994, 34.

20. The National Solidarity Program is a large program of assistance to popular sectors.

21. Cuauhtemoc Cárdenas, a left-oriented presidential candidate in 1988, claimed that Salinas stole the victory through fraud. Cárdenas ran again in 1994, commanding a wide front of popular sectors, and came third.

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