Developing Disarticulation Within the Mexican Economy

by
James M. Cypher

Mexico's neoliberal export-led development model, imposed slowly and haltingly during President Miguel de la Madrid's administration (1982-1988) and with a vengeance during that of President Carlos Salinas (1988-1994), survived the devastating impact of the peso crisis of 1994-1995. Survival, however, came at an extraordinarily high price and not through any process that would indicate the underlying vigor of the neoliberal free-trade model. On the contrary, the then-unprecedented mega-loan orchestrated by the U.S. Treasury and the International Monetary Fund (IMF) fortuitously combined with a rapid increase in imports from Mexico by the United States, the destination of 84 percent of Mexico's exports. Above all, it was the long U.S. expansion of 1991-2000 (which happened to accelerate in 1995-1997) that explained the survival of the "Mexican model." In addition, underwriting the dominant forces of the mega-loan (which returned credibility and loan capital to Mexico) and the boom in exports to the expanding U.S. market were the twin pillars of pathology: (1) narco-capitalism, which, while its growth cannot be measured with any precision, unquestionably played a pivotal role as stabilizer and now as a primary foreign-exchange earner, and (2) emigration, Mexico's saddest export, which also served to bolster foreign-exchange earnings when the macroeconomic situation was at its nadir in 1995 and early 1996 (Castañeda, 1996). In 1994 the remittances of 6.68 million Mexican-born residents living in the United States amounted to US$3.7 billion, equal to 64 percent of the net earnings of the maquiladora industry and nearly four times the earnings of tourism (de la Garza, Orozco, and Baraona, 1997: 2; OECD, 1996: 25). By 1999 remittances had reached US$6.3 billion, slightly less than petroleum earnings in that year.

The peso crash, following so closely on the heels of the North American Free Trade Agreement (NAFTA) in late 1993, also drew capital to the maquiladora industry, where a boom based on sweatshop labor brought

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employment from 600,000 in late 1994 to 1,305,000 in July 2000—a spectacular leap of 113 percent in less than six years (Banco de México, 1996, IV-12; INEGI, 2000). Yet, far from indicating fundamental strength in the Mexican economy, the maquiladora sector served as a register of two crucial elements of inadequacy in the Mexican model: it cannot provide socially sustainable levels of employment in the context of the lowest acceptable international labor and environmental standards, and progress on the employment front can be made only through greater foreign dependence.

Making the Mexican model less grim was the fortuitous restructuring of the U.S. auto industry, which brought a welcome inflow of foreign direct investment of considerable magnitude. This inflow allowed Mexico to claim the leading position among the Latin American nations as a site for foreign direct investment in the 1990s. A globally integrated production system of substantial technological sophistication now exists in the auto sector. General Motors, for example, operates more than 50 maquiladoras. Overall, the auto sector (including 500 auto parts companies) employed over 611,000 workers in 2000 (a 50 percent increase since 1995), with annual exports estimated at US$33 billion—equivalent to roughly 6 percent of Mexico's gross domestic product (Smith, 2000). Mexico's export-led "miracle" is to a considerable degree explained by strategies of globalization created in Detroit—the U.S. auto industry accounted for approximately one of every five dollars of Mexican nonoil exports in 1997 (Smith, 1998; Senzek, 1998)

Few and feeble, however, were the autonomous changes in economic structure that could be attributed to either internal economic dynamics or state policies. Most of these changes, such as the broad and indiscriminate opening to foreign and private ownership of Mexico's rich trove of natural resources, will most likely become the basis for a deepening of the serious criticisms surrounding Mexico's policy-making elite.

Such, clearly, has been the fate of the long-running saga of the privatization of the banking system in 1990-1991. Once heralded as the best example of the new Mexican model, the debate over the kleptocratic privatization process and the state-orchestrated bank bailout reached critical proportions in late 1998. The attempt to increase Mexico's public debt by US$65 billion in order to clear off a portfolio of nonperforming bank loans (virtually all to businesses) served as perhaps the strongest basis for the delegitimation of the Zedillo administration's tenacious embrace of neoliberal economic analysis. As the links between bank privatization, the heedless and rapacious practices of the new bankers, the peso crisis of 1994-1995, and the attempt to transfer the burden of the US$65 billion in nonperforming debt (much of which the new bankers had "borrowed" from their own banks and surely shifted abroad) to the Mexican middle and working classes became more broadly

understood, it was possible to revisit the prevailing explanation of the peso crisis.

Far from arising from mere mismanagement of the exchange rate—and, allegedly, the bungling of the devaluation—the peso crisis had deep systemic and structural roots in the very neoliberal economic model that was presumed to be Mexico's salvation. Privatization and the free forces of the market had brought on a deep and hidden crisis within the financial sector as a fictitious economic expansion between 1991 and 1994 unraveled, fueled by a credit boom underwritten by a highly liquid global financial system that made extensive loans to Mexico's major, newly privatized banks (Cypher, 1996). It was the inside knowledge of the terminal stages of Mexico's Ponzi-like system of credit expansion that brought massive and sustained flight from the peso both by savvy foreign financial interests and, most particularly, by the Mexican economic and political elite.

By 2000 the top 19 banks in existence in 1994 had been merged into 8, and only 4 remained majority-owned Mexican banks. The cost of cleaning up the failed bank-privatization scheme had reached US$140 billion, including a plan to add US$70 billion of the banks' losses to the public debt between 2000 and 2020 (Salgado, 2000a). The attempt to rebuild the financial sector had cost Mexico dearly throughout President Zedillo's term (1994-2000), with the banking system contracting its loans to the business sector throughout the period. In 1994 total bank loans to the private sector were equivalent to 45 percent of GDP, but by 2000 this figure had dropped to a mere 11.6 percent (Becerril, 2000: 24). In an attempt to compensate for this the large Mexican conglomerates had increased their foreign loans (paid in dollars) from US$20.6 billion in 1993 to nearly US$68 billion in 2000 (Flores, 2000: 6). For small and medium-sized businesses unable to obtain loans in dollars, there was virtually no source of external funding. Thus the meager growth experienced in the period, about 2.7 percent per year (0.8 percent per capita), was channeled to the transnationals operating in Mexico and the large Mexican firms.

Meanwhile, by late 1998 it appeared that the remarkable string of exogenous factors that had enabled the Zedillo administration to weather the brutal downturn of 1995-1996 through mega-loans, scapegoating of the Salinas administration, migration, narco-dollars, the maquiladora boom, and, above all, the expansion of the U.S. economy had all come to an abrupt end. As Mexico's economy suddenly slid deeper into a slump, there appeared to be no hope of a new mega-loan should one be needed. The IMF and the U.S. Treasury had been overwhelmed by the sustained "contagion effects" of the Asian crisis that began in the summer of 1997. Worldwide excess production had taken the bloom off the U.S. expansion, with the free fall of the U.S. stock

markets appearing to serve as the coup de grace. The strong links between the U.S. expansion, the astounding run-up in the U.S. stock market from 1996 to 1998, and the growth of the Mexican economy deserve special emphasis: with wage growth for U.S. workers essentially constant until late 1997, the U.S. economy was fueled by consumption arising from credit expansion and from the "wealth effect" as stock values soared, particularly after 1995. This precarious expansion served to a remarkable degree as the basis of growth in the Mexican economy. For example, Banamex estimated that in 1998, 55 percent of the growth in Mexican manufacturing was driven by foreign demand—virtually all of it U.S. demand (Banamex, 1998a: 299).

Mexico suddenly seemed to face the worst of all possible worlds: the bank crisis that had surfaced in 1995 loomed larger than ever, delegitimizing the Partido Revolucionario Institucional (Institutional Revolutionary party—PRI) and serving as a exquisite platform for both the Partido de Acción Nacional (National Action party—PAN) and the Partido de la Revolución Democrática (Party of the Democratic Revolution—PRD). Oil exports and other commodities, particularly mining exports, were plummeting in value. Meanwhile the Asian crisis was undermining several key manufacturing sectors as Asian manufacturing exports gained an edge in global markets. The Mexican-based portion of the U.S. auto industry, once a pillar of production, investments, and foreign-exchange earnings, was suffering the effects of a globalized sector awash in excess capacity. And the U.S. economy was poised to fall into recession as the stock markets and the bubble economy shrank.

Far from being a draw, the "emerging markets" had become the pariahs of the global financial system. In late 1998 capital was fleeing Mexico, reducing the value of the stock market by 38 percent in peso terms and 49 percent in dollar terms (given the devaluation of the peso) between the beginning of 1998 and August 26 of that year (Dillon, 1998). This crushing drop in value had destroyed all hope that Mexico's economy could continue to expand with foreign investment in the equities market. In August the rate of peso devaluation suddenly accelerated (reducing the peso by approximately 24 percent from January 1 through August 1998), while interest rates soared as the central bank vainly sought to attract foreign capital with interest rates above 30 percent. With the central bank quickly tightening its grip on credit creation, Mexico headed into another credit crunch in late 1998.

President Zedillo and his economic team now faced a second and seemingly more difficult test of the neoliberal model. Would they orchestrate a pragmatic turn toward industrial policy to tighten international economic linkages selectively while dampening other forms of integration that had proven to facilitate capital flight—such as dependence on the whimsical

financing available to "emerging markets"? Here is the advice that Zedillo offered Asian nations at the 5th Asia-Pacific Cooperation Conference in late 1997, early in the aftermath of the surprising Asian economic crisis: "This is not the time to lament the integration of financial markets or to deplore the fact that capital moves too quickly. Instead, now is the best time to accept what happens and react quickly by accelerating market integration and applying consistent policies" (*EFI* Staff, 1997: 15). Returning to the theme at the 1998 World Economic Forum, the president said, "In the face of today's financial turbulence, there may be voices advocating slower trade and investment integration. I happen to believe the opposite" (quoted by McCosh, 1998: 3).

Zedillo sought to ensure the survival of his creed well beyond his term. He boasted of the "unbreakable discipline" with which his treasury secretary, José Angel Gurría, deployed neoliberal economic policy (Wills, 1998a: 10). Gurría, upon his appointment in early 1998, was described by the head of ING Baring's Mexico-based research division as follows: "If pleasing foreign investors was the president's goal, there was no better choice" (Wills, 1998a: 10). At the central bank, Guillermo Ortiz, a tested and loyal functionary with a four-year stint at the IMF in his background, ascended to a six-year term as governor at the beginning of 1998, thereby signaling a commitment to continuity and a further tightening of Zedillo's neoliberal economic policies.

Surprisingly, the conditions that seemed to foretell a dramatic end to Zedillo's embrace of neoliberalism changed rapidly in 1999. Economic growth accelerated throughout the year and continued strong into 2000. Fueling Mexico's economic upswing, surely, was the extremely strong growth of the U.S. economy (expanding at roughly 5 percent until mid-2000), which enabled Mexico to increase its exports by 16 percent in 1999 and 24 percent through mid-2000 (export growth had slowed to a modest 6 percent in 1998). Exports boomed for autos, electronics (Mexico's largest export sector), and oil. By the late 1990s Mexico's export-platform model allowed for the export of nearly one-third of total output—a startling change from the 1980-1993 period, when exports averaged 12 percent of GDP. Plentiful loan funds and lax credit standards in the U.S. financial system added a crucial boost to Mexico's turnaround in 1999 as Mexico's large firms used U.S. loans to increase production. Furthermore, average wages, which had fallen by 26 percent since 1994, began to advance for the first time in 1999, reaching approximately a 5 percent increase in 2000 (CEPAL, 2000: 55). This sudden reversal in the declining wage trend appeared to arise from political rather than economic conditions; both the PRI and the PAN clearly sought to end the constant decline in wages as the "political business cycle" designed to elect a new president in 2000 commenced. And, true to form,

public investment, declining through Zedillo's term, leapt upward, creating construction jobs for tens of thousands of workers and pumping billions into the economy.

Mexico's "recovery" from the crisis of 1994-1996 had clearly been unusual—marked by increased reliance on the maquiladora's sweatshop form of production to sustain exports, falling wages, rising poverty, increasing marginalization, burgeoning emigration, a lasting breakdown in the financial system, and growing disaffection with the PRI's neoliberal economic program. The election of 2000, therefore, ushered in a paradox: President Vicente Fox's administration is clearly aligned with the Salinas/Zedillo economic model, yet the popular vote can be interpreted as a rejection of the results of this model. Fox has declared that he is "anti-neoliberal" while his economic secretary, Ernesto Derbez, has warned that top corporate leaders should not allow themselves to be "slaves of the neoliberal model" (Becerril and Garcón, 2000: 12). Nonetheless, the key economic decision makers in the Fox administration are all neoliberals, including Eduardo Sojo, the coordinator of public policies, and the University of Chicago-trained economist Francisco Gil Diaz, secretary of the Treasury. Carlos Abascal, now secretary of labor, is an ultraconservative who formerly headed the most neoliberal of the business associations, COPARMEX. Secretary Abascal will attempt to overturn Mexico's labor law in favor of a new "flexible" labor code emphasizing productivity over job security while reducing the collective power of labor in virtually every facet of industrial relations (González, Becerril, and Gómez, 2000: 12).

DEVELOPING DISARTICULATION

Mexican economic policy makers have been fond of portraying Mexico as "remade," most recently by the privatizations and structural reforms of President Salinas.[1] With the bloom off Salinismo as early as 1993, it became the opening to foreign capital and markets under NAFTA that would "remake" Mexico.[2] Then, as the palpable triumphalism that swept Mexico in late 1993 and early 1994 evaporated in the wake of the Zapatista rising in Chiapas, after the collapse of the financial system the PRI and the private sector grimly and silently accepted the IMF's austerity plans of 1995. Subsequently, by late 1997, the neoliberals had returned to the triumphalist path, this time portraying Mexico as overcoming essentially inconsequential, brief problems of adjustment in the exchange rate that had arisen because of unfortunate "errors of December." Yet the structural flaws of the neoliberal policy have continued to lurk in the background, occasionally breaking into the open—as

did the banking crisis and the trade deficit in 1998—thus making it impossible to hide (for long) the sheer financial speculation and failed policies that have framed the neoliberal era.

Mexican policy makers make much of their restructured foreign-trade sector. According to the prevailing interpretation, Mexico was a "successful" example of a nation that had switched from a dependence on oil and, to a lesser degree, on commodities in general as a foreign-exchange earner to a reliance on manufacturing exports. While in percentage terms it is certainly true that the dollar value of oil exports constitutes a minor share of the total, oil had been a top foreign-exchange earner along with the maquiladora sector, tourism, and remittances of Mexican workers in the United States. In 1996, for example, the oil sector had gross foreign earnings of US$9.9 billion and the maquiladora sector earned, net, US$6.4 billion and tourism US$3.5 billion. In 2000 maquiladora net foreign earnings will be approximately US$17 billion, while gross foreign earnings from petroleum will be approximately US$16.6 billion. On the other hand, in an average year the trade deficit in manufacturing (excluding maquiladoras) will be strongly *negative*, so much so that even with booming oil prices and strong growth in maquiladora exports, as in 2000, Mexico will nonetheless suffer a serious current-account deficit of 3 to 4 percent of GDP. This negative trade balance in manufacturing is particularly important in that according to the neoliberal model manufacturing exports (rather than oil or sweatshop maquiladoras) are to be the basis of a new economy.

Mexico's "export-at-all-costs" strategy has no real base in economic theory, but it has had intense ideological support from the IMF and the World Bank, particularly from the 1980s onward, when structural adjustment policies came into fashion. A recent thorough airing of the issue comes from economist Dani Rodrik, whose broad study reaches conclusions that Mexican policy makers will ignore at their peril. In spite of the current running in favor of increased trade (openness) in economic policy-making circles, Rodrik finds (unsurprisingly) that nations that emphasize openness will suffer increased income inequality and become more "vulnerable to external shocks that can trigger domestic conflicts and political upheavals" (1999: 14). Equally if not more to the point is that the simple opening of an economy does not provide the internal mechanisms for economic development. In short, reliance on the market, particularly open international markets, and abandonment of the dynamic role of the state—the essence of neoliberalism—is no prescription whatever for economic development. Citing empirical evidence from numerous nations in Latin America, Asia, the Middle East, and Africa in the 1960-1994 period, Rodrik (1999: 12-13) concludes:

> Openness can be a source of many economic benefits. The importation of investment and intermediate goods that may not be available domestically at comparable cost, the transfer of ideas and technology from more developed nations, and access to foreign savings can help poor nations circumvent some of the traditional obstacles to rapid growth. [But] . . . these are only *potential* benefits, to be realized in full only when the complementary policies and institutions are in place domestically. The claims made by the boosters of international economic integration are frequently inflated or downright false. Countries that have done well in the postwar period are those that have been able to formulate a domestic investment strategy to kick-start growth and those that have had the appropriate institutions to handle external shocks, not those that have relied on reduced barriers to trade and capital flows. Policymakers therefore have to focus on the fundamentals of economic growth—investment, macroeconomic stability, human resources, and good governance—and not let international economic integration dominate their thinking on development.

Mexico, however, has not had a domestic investment strategy, nor has there been a focus on enhancing institutions, such as public education and health, that are the basis of sustained economic growth. Thus far there has been no sustained effort to enhance production chains and create links between export-oriented activities and the domestic economy. On the contrary, export activities are increasingly dependent on imports for machinery, equipment technology, intermediate materials, and consumer goods. Electronics, autos, and the fast-growing maquiladoras are all examples of leading export sectors in which linkages to and spin-off effects for the domestic economy are minimal. At best, Mexico is able to obtain badly needed jobs at abysmal wage rates where a "flexible" labor regime and a lack of solid union representation leaves workers vulnerable to occupational hazards, speedups, and the exercise of arbitrary managerial power.

TECHNOLOGY AND TRADE

Searching for international credibility, Mexico's technocratic policymaking elite has focused on improving what are known as the economic "fundamentals." In cutting the public-sector budget and turning away from industrial policies and targeted credit to strategic sectors, the technocrats have weakened the very modest industrial base and the level of technological mastery that had been built up over several decades of state-led industrialization (Cypher, 1990). Critical scrutiny of the technological issues facing Mexico is rare. It is, therefore, instructive to consider the perspective of the director of the Science, Technology, and Development Program at El Colegio de México, Alejandro Nadal (1997: 12):

> Mexico has adopted policies which do not guarantee increasing competitiveness through a stronger technological base. Rapidly and indiscriminately liberalizing trade, running balanced budgets that restrict investment in education and R&D, privatizing strategic industries (such as petrochemicals), and getting rid of policy instruments such as the use of the federal government's purchasing power and performance requirements which build backward and forward linkages does not appear to be the best strategy to develop a healthy competitive base. The experience of countries like Taiwan and the Republic of Korea is almost 100 percent counter to this set of policies. Or to put it in other terms, Mexico is following exactly the opposite strategy these countries implemented in the last 40 years.

Nadal's perspective was reinforced by a National Autonomous University of Mexico chemistry professor, David Hernández, who maintained that the minimal amount of support received for technological advancement in Mexico was almost totally expended on science scholarships to send Mexican students abroad and on science programs in the schools. Virtually excluded was financial support for the generation of technology, the transfer of technology, and the assimilation or adaptation of existing technologies in the process of production. Hernández (1998: 18) concluded: "It is no exaggeration to assert that our nation has entered into the globalization process without the minimal required technological capabilities to compete and to become an efficient producer of commodities with a high value-added content."

In the aggregate, Mexico's outlays for research and development (R&D) equaled 0.3 percent of GDP in 1996-2000. Advanced industrial nations regularly devote 2 percent of GDP to R&D, and for Japan and Germany the figure is 3 percent. In Japan the private sector's portion of the total is 67 percent, and on average in the industrial nations the private sector's outlays are well in excess of 40 percent. In Mexico, where what constitutes R&D in the private sector is loosely construed, only 17 percent of the total, or .005 percent of GDP, is accounted for by the private sector (Gatsiopoulos, 1998: 10).

Without a steady, long-term commitment to a dynamic technological strategy, Mexico has no hope of surmounting its current pattern of "stop-and-go cycles," which arises from the subterfuge of financing its inevitable current-account trade deficit with an open capital account. During the "go" portion of the cycle strong international inflows of volatile funds seek high returns on Mexican financial assets, drawn by high interest rates and the potential of quick gains on the stock market. This situation results in an overvalued peso, which further undermines exports while boosting imports, setting the stage for a "peso crash" scenario complete with massive capital flight. During the "go" phase domestic and transnational firms circumvent the high cost of borrowing on the financial markets through foreign indebted-

ness. In 1997, for example, fewer than 30 percent of a sample of 124 Mexican and foreign companies, classified as small, medium-sized, large, and very large, sought domestic loans to finance their various business activities. The vast majority sought financing outside of the Mexican economy, in foreign-currency-denominated loans (González Pérez, 1997: 10). (And, as mentioned, these external, dollar-denominated loans had increased by more than 300 percent in the course of the Zedillo administration, to US$68 billion in 2000.) During the "stop" phase the contradictions of foreign borrowing (contracted in dollars) become apparent for firms that have some or all of their sales in pesos. As the peso is devalued, government foreign debt and private-sector debt become difficult either to service or to roll over. Hence, a debt crisis looms as a result of the failure of policy makers to build an adequate technological infrastructure in manufacturing. (Without such a technological base Mexico is forced to import massively.)

EMPLOYMENT IN MANUFACTURING

Nonmaquiladora manufacturing employment continues to indicate a steady deindustrialization of the Mexican economy. Manufacturing employment, 2,557,000 in 1981, stagnated and then fell to 2,325,000 in 1993. By 1997 manufacturing volume had jumped 20.5 percent over the level achieved in 1993, but employment stood at 2,208,750, 13.5 percent less than in 1981. By 2000 the number of nonmaquiladora manufacturing workers still remained below employment levels reached in 1981. In contrast, employment in the maquiladora sector was nearly ten times that of 1981 (see Table 1). According to national income accounts data, the share of GDP attributable to domestic manufacturing fell from 23.4 percent in 1985 to 17.3 percent in 1994, while employment dropped from 19.5 percent of total employment in 1979 to 15.5 percent in 1993 and, as shown in Table 1, has since dropped in both absolute and relative terms through 1999 (OECD, 1996: 82, 168). Thus it seems that there can be no question that Mexico has been undergoing intense deindustrialization.

Neoclassical/neoliberal economists are fond of the argument that it does not matter what a nation produces as long as production is efficient. In the seamless world of neoclassical economics, where employment always exists for all and business cycles along with national differences based upon the past, such as vastly different educational systems and financial markets, are assumed away, such a proposition might be worth serious consideration. But in Mexico a shift away from manufacturing employment will most likely mean that a worker will fall from the status of a permanent worker to that of a

TABLE 1
Employment in Manufacturing, 1981-2000

Year	*A Manufacturing*	*B Maquiladora*	*Total*	*B/A (%)*
1981	2,557,000	130,973	2,687,973	5.1
1993	2,325,000	540,927	2,865,927	23.2
1997	2,208,750	946,321	3,255,071	42.8
1999[a]	2,277,221	1,136,377	3,434,093	49.9
2000[b]	2,418,000	1,305,000	3,673,310	53.9

Source: NAFINSA (1995: 33, 366); for 1997, *El Financiero* (various issues), and INEGI (2000).
a. July.
b. Estimated (July).

contingency worker with few if any benefits, no union representation, and lower wages. Coinciding with the drop in manufacturing employment and the concomitant rise in maquiladora employment, the number of workers receiving no fringe benefits (including the important *aguinaldo* bonus) rose from 30.1 percent of total employment in 1991 to 41 percent in 1995. Workers employed for either less than 15 hours or more than 49 hours per week (suggesting a more "contingent" labor force) rose from 22.7 percent of the employed to 33.8 percent in 1995 (Dussel Peters, 1998b: 17). Meanwhile, in 1994 average maquiladora wages were only 47 percent of wages in nonmaquiladora manufacturing (OECD, 1996: 130). Thus, as Table 1 indicates, the shift of the composition of production workers to the maquiladoras has profound consequences—the distribution of income shifts even more toward profits, and the internal market for basic goods is further undermined by a lack of purchasing power. The massive shift toward maquiladora production surely explains much of what would otherwise seem a paradox: between 1994 and 2000, according to an International Labor Organization study, the number of workers covered by the social security system rose to 12.5 million. The total wages received by these workers, however, equaled that of only 8.7 million insured workers in 1994 (Gómez, 2000: 14). Further, following the trend of the maquiladorized economy, the wage share of Mexico's GDP, 37.5 percent of the total in 1980, declined to a mere 18.7 percent in 2000. Concomitantly, the profit share rose by 1.5 percent of the GDP to 36.8 percent in the course of Zedillo's term while the wage share fell by 3.5 percent of the GDP (Gutiérrez, 2000: 3a).

DEINDUSTRIALIZATION OR INDUSTRIAL COMPETITIVENESS?

While trends in the manufacturing sector would appear to demonstrate Mexico's economic disintegration, this interpretation is far from pervasive among those who analyze the industrial sector. Because of a surge in foreign direct investment from 1986 through 2000, roughly 60 percent of which went into the manufacturing sector, some economists suggest that Mexico is now the beneficiary of "the transfer of technology and new organizational practices" (Calderón, Mortimore, and Peres, 1997: 262). Harley Shaiken, in a widely cited study, concludes a detailed analysis with a positive reference to Mexico's "emerging technological capabilities" (1994: 69). Jorge Carrillo (1995: 88) has extolled the developmental effect of the "flexible production" model, which "offers a great opportunity for developing countries" partly because it "increase[s] strength in linkages within national and regional economies." While Carrillo once maintained that flexible production had been incorporated into Mexican auto plants unevenly and incompletely, he and two colleagues have since argued that in the auto plants, the electronics sector, and the maquiladoras there is evidence of the "industrial dynamism which has characterized the restructuring of the industrial base" (Alegría, Carrillo, and Estrada, 1997: 202).

In many studies regarding Mexico's current industrial structure the lack of a macroeconomic context is particularly telling. Much has been made, for example, of the highly productive auto plants that were constructed in the 1980s, which have been analyzed with particular thoroughness by Shaiken (1990; 1994). Shaiken's work, while clearly limited in scope, has been taken as a touchstone by those, such as Carrillo, who develop the "industrial dynamism" and "international competitiveness" approach (Carrillo, 1995; Calderón, Mortimore, and Peres, 1997). In this literature there is a singular emphasis on the restructuring of key sectors of the economy, particularly autos, auto parts, and electronics. Much of this research reveals profound changes in selected portions of the Mexican economy and a shift at the macroeconomic level toward manufactured products, including complex "advanced" products. Included in this work is an emphasis on the rate of growth of manufactured exports and the ability of the Mexican economy to attract large amounts of foreign direct investment (Calderón, Mortimore, and Peres, 1997).

Missing, however, are crucial elements that might permit an evaluation of the process of industrial restructuring. As mentioned above, one key element normally left unanalyzed is the *net* export position of these new activities and processes. Too often, these new "Asian-style" advanced manufacturing plants are either net importers and/or involved in industrial processes that

have virtually no linkages to the industrial base of the Mexican economy. In the case of the auto sector, very few linkages have been developed. In effect, the firms and industrial processes emerging in the northern corridor generally exhibit the characteristics of a "producer-driven commodity chain," for example, tight control over technology, the spread of the assembly process to the less developed nations, and the retention of the "high-end" higher value-added advanced processes of production within the transnational firm, all within producer-dominated supplier networks (Gereffi and Korzeniewicz, 1994). Meanwhile, the auto sector constitutes an enclave dependent on the global growth of demand. In the context of profound excess capacity such as was exhibited in late 2000, foreign investment in the auto sector should slow—an adverse effect that Mexico cannot control.

The least compelling aspect of Shaiken's study is his treatment of the question of the supplier base for the new high-tech auto plants built in Mexico from the mid-1980s onward (Shaiken, 1994: 64-66). Here the telling anecdote is substituted for quantitative analysis regarding the portion of parts sourced within the Mexican economy. According to one purchasing manager employed by the foreign-owned auto plants, "the supply base that we are using in Mexico is fully world-competitive. In fact, some of them can ship to Europe and Japan" (Shaiken, 1994: 66). The reference is to an engine parts supplier, yet there is no specification of the ownership of the supplier (Mexican, joint-venture, or U.S. majority-owned) or the degree of technological mastery. The implication, however, is potentially sweeping: U.S. auto companies move to Mexico, introduce high-tech flexible-production models, and buy from locally owned firms that then become globally competitive in their own right. The spin-offs and positive external effects of the auto industry sweep across the entire industrial base; auto-glass, tires, suspension systems, advanced electronic control devices, electronic motors, auto interiors, steel, plastic molding, paint, chemicals and so on, are all successfully incubated as the "emerging technological capabilities" launch Mexico into a new era.

The question remains whether technological dynamism is in fact replacing technological stasis and isolation. Tellingly, Shaiken notes that in the auto engine sector the foreign-employed manager said, "We don't just let the suppliers move along at their own weight. We had to go and become 'partners' with the suppliers" (1994: 65). From the standpoint of economic development this is a significant passage: it indicates that, far from creating an indigenous industrial base within the auto corridors built in Mexico in the past 13 years, the foreign-owned plants have set up their own captive suppliers. And under such conditions the likelihood of sustained spin-offs and the development of the independent technological capacity based on "know-how" and

"know-why" so widespread in nations such as Korea is not occurring either at the macro level or, in any general sense, at the micro level.

There has been at least one attempt to argue that there are two "parallel" processes taking place wherein the old industrial base of the Mexican economy is being reengineered and restructured while a dynamic new cluster of firms is developing along the northern corridor. Jorge Carrillo and his colleagues attempt to conflate two divergent processes (deindustrialization and maquiladorization), concluding that Mexico has in recent years demonstrated "industrial dynamism" and a growing industrial sector—including expanded industrial employment (Alegría, Carrillo, and Estrada, 1997). They portray a maquiladora sector that, in almost every respect, is undergoing fundamental structural change that will both have profound effects on development and significantly improve working conditions for the labor force (1997: 201):

> Labor conditions in the [maquiladora] sector demonstrate a tendency toward improvement which is greater than that found in manufacturing in general. On the one hand, in the local context [wage and salary] income in maquiladoras is higher than that in other local plants and certainly higher than those of minimum-wage workers and the minimum received by professionals elsewhere; on the other hand, while in 1980 the wages of maquiladora workers were only 56 percent of that of other manufacturing workers, by 1990 this margin had been reduced to only 30 percent and according to projections for 1997 maquiladora wages will be 12 percent higher [than nonmaquiladora manufacturing wages].

Notice the absence of data sources, the "projections" approach, and the trivial and spurious comparison with local (that is, border) "manufacturing" plants. Since the projections are placed in the context of "improvement" and "dynamism," it is well to recall that manufacturing wages fell 14.3 percent in 1995, another 5.8 percent in 1996, and an estimated 2 percent in 1997 (Dussel Peters, 1998b: Tables 1 and 7). Thus, even if there had been convergence between the maquiladora wage and the nonmaquiladora manufacturing wage, narrowing the 53 percent gap that the OECD found in 1994 (OECD, 1996: 130), in contrast to the less than 30 percent gap suggested in the above quotation, the general tendency in the post-1994 period was a catastrophic drop in all real wages. Furthermore, a relevant comparison between maquiladoras and local nonmaquiladora plants in the border region would include adjustments regarding the intensity of work, the training level of the workforce, and the relative share of value added received by production workers. No such comparison was conducted by Carrillo and his associates.

A much needed counterweight to the literature focusing on the most successful examples of restructuring as engineered by foreign firms is a study of

the Mexican conglomerates conducted by Alejandra Salas-Porras (1998). Particularly interesting is the focus on the 119 strategic alliances formed by the 60 largest Mexican conglomerates in the 1987-1996 period. In general, these alliances allowed foreign firms greater access to the Mexican market, but these same foreign firms did not generally permit the sharing of advanced technologies and production technologies, nor was there any of the commingling of managerial strata that is commonplace in joint-venture/strategic alliances of firms that are coequals in terms of technological sophistication and production capabilities. In short, rather than "deep" strategic alliances, the Mexican conglomerates could manage only the shallowest linkages wherein the dominant associate acquired access to the Mexican market. Likewise, this research showed that such cross-border joint-venture activities brought little or no net new investment to Mexico; rather, existing businesses were bought out (Salas-Porras, 1998: 138-145).

While advocates of the industrial-restructuring approach often mention technology transfers as a chief positive external effect of the high level of foreign investment in the 1988-2000 period, there is virtually no evidence of real technology transfers. Rather, what these writers seem to mean by "technology transfers" is the occurrence of advanced technology within the geographical confines of Mexico. Certainly in the auto sector no such transfers from foreign firms to Mexican firms or any general *diffusion* of such new technologies has been recorded. If Mexico's industrial base were in fact experiencing a period of dynamism, the giant Mexican industrial groups would certainly be the most likely candidates for restructuring. Yet these same groups, when measured against their cohorts elsewhere, show only limited transnationalization. They are often able to export and acquire foreign loans, but they are not able to set up subsidiary firms outside their national territory or to export complex or advanced industrial products to any appreciable degree. They excel at "low-end" exports, as evidenced by CEMEX's exporting capability in cement production, or niche markets, as evidenced by Televisa's ability to export its programming to the Hispanic populace of the United States.

Vitro, once considered a giant in glass production, has been forced to divest itself of most of its U.S. holdings and, in 1996, to sell off its production division, which made the machinery and equipment it used. Its strategic alliance with Corning Glass prior to its breakdown limited it to the production of "household glass" while Corning controlled high-technology glass production such as fiber optics (Salas-Porras, 1998: 136, 141, 151-152). Vitro was considered the harbinger of a new era when it became the second-largest glass container producer in the vast U.S. market, with U.S. sales making up 56 percent of its total sales, but its incursion into the United States ended in

1997. Only 29 of the 60 largest Mexican groups have managed to establish strategic alliances with foreign firms, and even in these instances there is little indication of technology transfers. These alliances tend to be limited to marketing and retail operations; there is little indication of a strategic alliance that links production facilities, wherein product and process technologies might successfully be transferred (Salas-Porras, 1998: 138-142).

VERDOORN'S LAW AND THE MEXICAN MANUFACTURING SECTOR

Beyond the important issues of employment status, job security, benefits, and labor rights and representation in the workplace lies the issue of productivity. According to "Verdoorn's Law," manufacturing tends to be the primary locus of technological change and product and process innovation. Nations with strong industrial/manufacturing sectors enjoy "spillover effects" from the innovations created in manufacturing. Deindustrialization, then, has profound consequences for any nation (Pieper, 1998).

Verdoorn's Law arises from research conducted by the relatively little-known economist P. J. Verdoorn, whose classic formulation of it first appeared in Italian in 1949 (Verdoorn, 1998). It posits that it is the rate of growth of labor productivity that illuminates and largely explains variation in per capita income between advanced and "developing" nations and that the key factor in determining the rate of growth of productivity is the long-term growth of the manufacturing sector. Economists have put forward many, mostly mutually reinforcing explanations for the empirical relationships first tested by Verdoorn and later largely replicated by the eminent British economist Nicholas Kaldor (Kaldor, 1966; McCombie, 1987). More specialization in manufacturing results in greater economies of scale, allowing for sequentially higher levels of output with a given labor force due to "learning by doing," interindustry specialization, technical change embodied in new machinery and equipment, "spread effects," and a positive, upward spiral of "cumulative causation." In short, economists have hypothesized that a host of processes are set in motion through manufacturing—positive factors that either fail to appear or are demonstrably weaker when other sectors of the economy, such as agriculture or finance, expand. Whatever the combination and relative weight of these factors, it is held that most of these processes are "reversible"; deindustrialization sets off a downward spiral of cumulative causation.

Deindustrialization and Verdoorn's Law are likely to be fundamental in explaining Mexico's productivity performance, as Table 2 indicates. Productivity growth across all sectors averaged 0.2 percent per year from 1981 to 1995, while in manufacturing productivity averaged 1.7 percent per year. A

TABLE 2
Annual Increase in Productivity (percentage), 1981-2000

Year	*All Sectors*	*Manufacturing*	*Maquiladora*
1981-1995	0.2	1.7	n.d.
1988-1993	1.1	2.5	0.8
1994-2000	2.1	1.8	0.9[a]

Source: Banamex (1998b; 2000); Cortez (1999: 30).
a. 1990-1996.

separate sampling of maquiladoras shows productivity of 0.8 percent per year from 1988 to 1996, suggesting that the rate of growth of technological mastery and innovation is roughly half that of the manufacturing average (Banamex, 1998b: 123-126; Cortez, 1999: 30). Mexico's manufacturing labor productivity was roughly half that of the United States, 1.7 versus 3.2 percent per year between 1981 and 1995, and overall productivity was one-quarter that of the United States, 0.2 versus 0.8 percent per year, in the same period. For the 1994-2000 period the results were nearly identical: Small and medium-sized firms suffered from extreme excess capacity while being starved for credit. Consequently, nonmaquiladora exporting firms and large firms in general showed relatively strong annual productivity growth of 3.5 percent for their formal-sector workers. (Other workers, 43 percent of the total, in the smaller plants showed extremely low rates of productivity growth.) As manufacturing declines and the importance of the maquiladora sector increases, the technological gap for the Mexican economy widens. A vicious circle is established whereby the comparative advantage of cheap labor (without independent union representation) becomes the mainstay of a stop-and-go Mexican economy.

DISARTICULATION

Within the industrial sector there are three primary areas of growth:

1. The maquiladora sector, which shows very limited productivity gains, thrives upon exceedingly low wages and minimal labor standards and imports all but 3 percent of its nonlabor inputs, demonstrating the disarticulation between it and other sectors of the economy. (Maquiladora value added doubled in the three years following 1997.)

2. The conglomerates, sometimes with significant foreign ownership, which are able to obtain credit from the Mexican financial system, the

Mexican government, and international lenders. They demonstrate relatively high levels of productivity growth, with the top 40 groups accounting for between 60 and 70 percent of the value of manufacturing exports generated by Mexican-owned firms, while some 22,600 other Mexican-owned firms account for the remainder. Mexican-owned firms account for only 19-20 percent of total manufacturing exports and the maquiladoras for 39-40 percent.

3. The foreign-owned transnationals, 150 of which account for 25-26 percent of exports.3 Seventy-two percent of the value of nonmaquiladora foreign-owned exports is accounted for by 5 auto firms (Basave, 1998).

While incomplete, these data are suggestive: Mexico is experiencing both a shrinking and a polarization of its industrial base. Foreign-owned firms have clear technological mastery but few links to and spillover effects for the rest of the economy. They share the commanding heights of the industrial system with the Mexican-owned conglomerates that may compensate for their lower level of technological mastery and control over the production process with their greater ability to harness the benefits available through the state apparatus—including the sidestepping of many taxes and regulations, access to subsidized credits and developmental programs, and control over the labor force. Small and medium-sized national firms for the most part find themselves in the same position as Mexico's beleaguered capital-goods firms: from 1995 to 1997, 36 percent of the 1,100 capital-goods manufacturers were forced out of business. For those remaining, the main problem is a lack of liquidity due to the contraction of credit by the Mexican banking system. Close behind and clearly linked to the credit crunch is the inability to compete with imports because of obsolete equipment (Wills, 1998b: 16).

DEPENDENCE AND DELEGITIMATION

Although dependency theory has been largely abandoned, Mexico's reliance on external factors has, ironically, increased. Above all, in the aftermath of the debt crisis of the 1980s Latin American nations were urged to open their economies, including their stock markets and financial systems, to international investors. Mexico took great strides in this direction and became the foremost destination in Latin America for emerging-market capital flows. Even after the peso crisis of 1995 it was able to avail itself of the remarkable liquidity of the international financial markets to finance ongoing economic activities—perhaps adopting a more restrained stance regarding the attraction of and reliance upon very short-term financial assets after 1995.

Mexico's strategy of accumulation had shifted dramatically since the late 1980s. Exports as the engine of growth, international financial markets as the

source of financing, increasing reliance on oil exports to deal with the current-account deficit (in the early to mid-1980s), full support of the maquiladora sector, suppression of domestic wages—all this and more constituted the new profile of dependence.

Mexico's neoliberal policy makers have paid scant attention to the downside of dependence. The relative ease with which the Mexican elite refinanced their stumbling economy in 1995—using the IMF and the U.S. Treasury as lenders-of-last-resort while planning to shift what eventually amounted to perhaps US$140 billion in "free-market" banking losses to the public, always relying on that public's readiness to absorb massive wage cuts and a jump in unemployment of roughly 2 million in 1995-1996—was impressive.

For vast sectors of the Mexican populace the neoliberal model of export-led growth has been delegitimated. Three major aspects of this process are the impact of the model on the distribution of income, the contradiction arising from the high import propensity of the Mexican economy, and increasing pauperization.

INCOME DISTRIBUTION

The rapid concentration of income during the neoliberal era is chronicled in Table 3. Through 1994 there was a 16 percent increase in the proportion of total income received by the top 20 percent—from 49.5 percent to 57.54 percent. Such a significant shift in income distribution in so short a period of time is extremely rare. The increase in the proportion of total income for the top 20 percent—8.04 percent—is 24 percent greater than the 6.48 percent of income received by the entire bottom 30 percent of income receivers (deciles I-III), and the share of the bottom three deciles fell from 9.04 percent to 6.48 percent—a drop of 28 percent—in the same period.

The data for 1998 should be interpreted with caution, in part because a somewhat different methodology was used in determining income and, more important, because the household survey misses all of the large (and modest) fortunes in Mexico (Boltvinik, 1998: 1). For example, the average family income in the top decile was only US$28,000 per year. In fact, the highest group includes only white-collar workers and misses all top managers, owners, large shareholders and rentiers, high-level government functionaries, landlords, capitalist farmers, stockbrokers and financiers, holders of inherited fortunes, successful attorneys, doctors, and accountants, and a host of other high-income recipients in Mexico. The increasing equality to be found in the data for 1998 is primarily a result of neoliberal policies that have adversely affected *all ten* strata but not the top strata of income intentionally

TABLE 3
Distribution of Income (percentage), 1984-1998

Decile	*1984*	*1994*	*1998*[a]
I	1.72	1.01	1.5
II	3.11	2.27	2.7
III	4.21	3.27	3.6
IV	5.32	4.26	4.7
V	6.40	5.35	5.8
VI	7.86	6.67	7.2
VII	9.72	8.43	8.9
VIII	12.18	11.20	11.5
IX	16.73	16.30	16.0
X	32.77	41.24	38.1

Source: INEGI, *Encuesta nacional de ingresos y gastos de los hogares*, third trimester of 1984, 1994, and 1998.
a. The data set used for the 1998 survey is not consistent with that of 1994, which is based on money income and excludes income in kind.

omitted from the sample. Each of the ten groups sampled had suffered a decline in real income in 1998 relative to 1994—in spite of the fact that real GDP had increased by roughly 6 percent. The top group lost 26 percent of its income, the middle group 23 percent, and the bottom group somewhat less, thereby shifting everyone's income down and creating the statistical artifact of "greater equality." Thus, by default, with the GDP up, the income strata not calibrated in the household survey received all the gains from growth and further gains from the redistribution of income upward that is the predictable result of neoliberal economic policies.

What the data do not reveal is the adjustment that would have to be made to incorporate income generated by funds that were shifted abroad from 1982 onward. It would seem reasonable to assume that a very high proportion of capital-flight funds are now invested in income-generating assets and that Mexico's national-income accounts are recording a negligible portion of the income from this source received by the top decile and those above. Whether there was, proportionately, a greater flow of income from these assets in 1994 or 1998 compared with 1984 remains a subject for future research. Nonetheless, the existence of such income flows from outside of Mexico means that the income distribution, in reality, is considerably more skewed than the official data reveal. Assets of Mexican citizens deposited in U.S. banks, for example, totaled US$32 billion in 2000 (Salgado, 2000b: 4), and this figure excludes sizable holdings of bonds, stocks, and real estate.

TABLE 4
Average Annual Increase in Real GDP, Exports, and Imports (percentage), 1950-2000

Year	*1 GDP*	*2 Exports*	*3 Imports*	*4 Export Elasticity (2/1)*	*5 Import Elasticity (3/1)*
1950-1975	6.56	4.16	6.24	0.63	0.95
1976-1981	7.03	12.06	14.29	1.72	2.03
1982-1987	–0.13	8.32	–10.25	NC	NC
1988-1994	2.79	4.12	17.67	1.48	6.34
1996-2000	4.78	16.50	19.60	3.45	4.10

Sources: Moreno Brid (1998: 26) and 1995-2000 estimates based on CEPAL and Banamex data through mid-2000.
Note: NC = not calculated.

Mexico's elite have long demonstrated a very high marginal propensity to acquire imported goods, including travel, when income has either grown or shifted in their direction. Consequently, one result of the shift in income has been to put additional pressure on the balance of payments. While the jump in imports cannot be attributed solely to the shift in the distribution of income (the hollowing-out of the industrial base certainly being another key factor), the increase in the income elasticity of imports (the percentage rate of growth of imports divided by the percentage rate of growth of GDP) is a prime indicator of the nonsustainability of the Mexican model. This relationship stood at 0.95 in the 1950-1975 period, suggesting a slight tendency for the rate of growth of real GDP to outrun the rate of growth of imports (see Table 4). Setting aside the period of crash of 1982-1983 and the lingering effects of the debt crisis through 1987, the rate of growth of GDP weakens through 1994 and the rate of growth of imports steadily rises. Without a concomitant increase in the rate of growth of exports, any expansion is choked off sooner or later by the balance-of-payments constraint arising from the growing discrepancy between import elasticity and export elasticity. This ratio shows that in the 1988-1994 period a 1 percent rate of growth was matched by a 1.48 percent rate of growth of exports but a *6.34 percent* increase in imports. Moreover, the importance of the foreign sector increased rather dramatically: the ratio of exports to GDP was 15.7 percent in 1990 but over 31 percent in 2000, and a similar situation can be shown for imports. Thus, any tendency toward disequilibrium between the rate of growth of exports and imports, expressed in percentage terms, will have a *greater impact* on the economy.

The stop portion of the stop-and-go cycle will thus come more quickly when the growth rates of exports and imports diverge.

Other results include the weakening of the internal market for mass-consumed products, limiting economies of scale for medium-sized producers. For production units dependent on the growth of Mexico's internal market for wage goods, the shrinking of this market has resulted in the reduction or elimination of business earnings normally set aside for capital investments and the maintenance of Mexico's industrial base. These same firms have seen their credit ratings with Mexican banks declining and in any case have been unable to finance capital improvements.

In this context, aggregated data suggesting an investment boom from time to time during the neoliberal era should be interpreted with caution: much of such investment merely supported the conspicuous consumption of Mexico's elite—rapid growth in luxury restaurants, hotels and office buildings, shopping centers, luxury condominiums, vacation residences, and palatial villas.

INCREASING POVERTY

A recent, partially suppressed, report gauging poverty in Mexico suggests that extreme poverty increased 73.3 percent from 1989 to 1996, with 27 percent of the Mexican population in extreme poverty in 1996. In the first two years of the Zedillo administration, reflecting the dramatic peso crisis of 1994-1995, extreme poverty increased by 53 percent. In 1996 over 42 percent of the Mexican population were classified as living below the poverty line (Burke, 1998; Acosta and Pérez, 1998). In 1992, 23.6 million lived below the poverty line; in 1994, the figure was 30 million and in 1996, 40 million. In 2000, after four years of economic growth, 47 million Mexicans were in this category.

CONCLUDING THOUGHTS

The makeup of the Fox administration strongly suggests essential continuity in the economic model should the top decision makers in the cabinet be free to act on their own sentiments. It may be possible to air once again the idea that a free-market approach is the best way to challenge poverty—particularly if the Mexican state lends a bit more of a helping hand. The results of the election of 2000, however, clearly point to the citizens' exhaustion with the core ideas and precepts of neoliberal economics. New and more populist rhetoric will not last. The planned frontal assault on the Mexican labor law

may be packaged as primarily a benefit to workers, but the power realignment between management and labor intended is fairly transparent.

Meanwhile, the wage increases of late 1999 and 2000 are not likely to be realized in 2001. The government will reduce outlays from the election-cycle level, and domestic demand will contract. Left alone, the Mexican economy will surely slow next year, and with this slowing the Fox administration will lose some of its legitimacy.

More telling, however, will be the impact of a U.S. recession, should one materialize. The current likelihood of such a recession is very high. The United States is experiencing a gradual credit crunch, with banks tightening lending standards and cutting their loans. Indebtedness in relation to the GDP is at a record high. The NASDAQ stock market, carefully watched in Mexico, lost roughly 50 percent of its value from April through November of 2000, eliminating trillions of dollars of stock value. This translates quickly into lost consumption and fewer imports, particularly from Mexico. Looming over the U.S. economy is the fear that the information technology sector, accounting for 25-30 percent of the growth in the U.S. economy, has peaked (Hof, 2000; Mandel, 2000).

On average 42 percent of the growth achieved by the Mexican economy from 1996 to 1999 came from exports, while much of the boost achieved through investment demand was also driven by exports. If the infotech "new economy" goes into recession, as virtually all signs indicated in late 2000, Mexico's main source of growth will be eliminated. Particularly impacted will be the auto and electronics sectors, both nearly totally dependent on a fast-growing U.S. economy spurred by the infotech sector. With a currency overvalued by 25 percent, a reassessment of Mexico's economy is likely to send the peso down, driving the price of imports for machinery, equipment, and intermediate goods rapidly upward. For Mexican businesses that are unable to sell in U.S. dollars, dollar-denominated debts will impose a crushing burden. Such borrowers will be unable to roll over their dollar debts in the midst of a U.S. banking crisis.

Deeply involved as it is with the IMF and the World Bank, with which it has developed something of a special relationship, Mexico might receive a loan to bolster the economy. Nonetheless, an infotech downturn in the United States would likely spell the end for Mexico's sad neoliberal era.

The timing could favor the Fox administration, because it cannot claim responsibility for the neoliberal economy and need not be saddled with an ideologically defensive position regarding this doctrine. But all this remains to be seen. Much depends on the political will of the Mexican populace, which has shown from time to time that patience has its limits. Without a profound politicization of the debate over what will succeed neoliberalism, the

Mexican power elite and the U.S. government, along with the transnationals, will certainly use their power to maintain the disarticulated export-platform economy that has served their interests so well. Mexican labor unions, thus far relatively quiet, will have to play a major role in any national project to redirect the course of Mexico's future and inter neoliberalism at last.

NOTES

1. Lest we forget, this was the theme of Nora Lustig's (1992) *Mexico: The Remaking of an Economy*, cited ad nauseam by countless self-proclaimed experts and specialists on both sides of the U.S.-Mexican border. The "remaking" theme was carried to its extreme in Pedro Aspe's (1993) *Economic Transformation the Mexican Way*, also widely and approvingly cited.

2. Most widely cited in this vein was the work of Gary Hufbauer and Jeffrey Schott, *North American Free Trade* (1992), which was taken as showing that NAFTA would be beneficial for both the United States and Mexico because it was efficiency-enhancing, growth-promoting, and employment-creating.

3. The remainder of manufacturing exports—approximately 14 percent—arises primarily from the smaller transnationals and secondarily from state-owned firms.

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