CSIS REPORT

Forecasting Mexico's Democratic Transition

Scenarios for Policymakers

Editor
Armand B. Peschard-Sverdrup

September 2003

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Contents

Introduction v
Armand B. Peschard-Sverdrup and *M. Delal Baer*

1. U.S.-Mexico Gaming Exercise:
Final Report and Evaluation 1
Eileen M. Heaphy

2. Shock Therapy for Accelerated Reform in Mexico:
A Pact-Based Transition as a Best-Case Scenario for 1999–2001 19
John Bailey

3. Mexico in 2001:
A Middle-Road Scenario 34
Roderic Ai Camp

4. Thinking about the
Unthinkable in Mexico 49
M. Delal Baer

5. Beyond the Pale:
The Bureaucratic Politics of U.S. Policy in Mexico 68
Howard J. Wiarda

Afterword 94
Armand B. Peschard-Sverdrup

Appendix A
Scenario 1: Disputed Victory by PRI Candidate 96

Appendix B
Scenario 2: Disputed Opposition Victory: Vicente Fox (PAN) 104

Appendix C
Inventory of U.S. Agencies and Programs in Mexico, FY 1999 112

About the Authors 119

Introduction

Armand B. Peschard-Sverdrup and M. Delal Baer

The political environment leading up to Mexico's July 2000 presidential election was heavily charged with anxieties and hopes of all sorts. The potential risks and benefits surrounding a possible victory for Vicente Fox, the National Action Party (PAN) candidate, and a historic alternation of parties at the presidential level, were palpable because of recent trends in Mexico's political landscape. The steady decline in the popularity of the Institutional Revolutionary Party (PRI), coupled with bold electoral reforms undertaken by the Federal Electoral Institute (IFE) in November 1996, were able to level the playing field enough to create a political environment that was ripe for change.

Nerves were on edge not only because of the unpredictability surrounding the outcome of the election, but also because of the lamentable precedent that had been set around the previous presidential election in 1994, when two major political figures—Luis Donaldo Colosio and Francisco Ruiz Massieu—were assassinated. In addition, never before in Mexican contemporary political history had the opposition mounted such an effective challenge to the ruling party as it did in 2000. Two significant questions came to the fore: How would the Mexican political system hold up under the stress of a variety of possible outcomes? Perhaps more important, how would the U.S. government respond if a serious political quandary evolved from this election?

This was a timely opportunity to initiate a study of possible outcomes of the July 2000 Mexican federal elections, which ushered in a new president and a new National Congress. It was in this context that the Center for Strategic and International Studies (CSIS) decided to explore various political scenarios and their implications for U.S. policy toward Mexico as the United States was entering its own presidential campaign. Frank assessments of Mexican domestic political conditions and their implications for U.S. policy have never been startling because the presidential elections had a preordained outcome, yet the historic circumstances surrounding the 2000 election in Mexico were so momentous that CSIS considered it important to contemplate every possible twist and turn of events. Thus, the principal objective of this two-year project was to help the U.S. policymaking community anticipate the various possible outcomes of Mexico's presidential election and, in turn, better prepare them to react appropriately. This volume, which reports on the outcome of that effort, attempts to capture both the fervor of the

moment as well as the more enduring lessons learned and their application to Mexican politics in the new era of democratic politics in that country.

In February 1998, the CSIS Mexico Project embarked on the process of designing a project that would engage and stimulate U.S. government officials' thinking in preparation for a possible alternation in power in Mexico. The prospect of the PRI's losing control of the Mexican presidency in either 2000 or 2006 was conceivable. An analysis of the electoral results of midterm congressional elections and presidential elections over the past 30 years clearly demonstrates that the political climate in Mexico had changed. (See figures 1 and 2.) In addition, the 2000 presidential election was the first to be administered under the IFE's electoral reforms, which, in July 1997, had resulted in the PRI's loss of control of the Chamber of Deputies. Assuming that these trends would persist, it was not unreasonable to conclude that an analysis of Mexico's political scene should be based on the probability that change would indeed occur and the strong possibility that the Mexican presidency would also slip out of the PRI's hands for the first time in more than 70 years.

Figure 1. Midterm Elections for Chamber of Deputies, by party

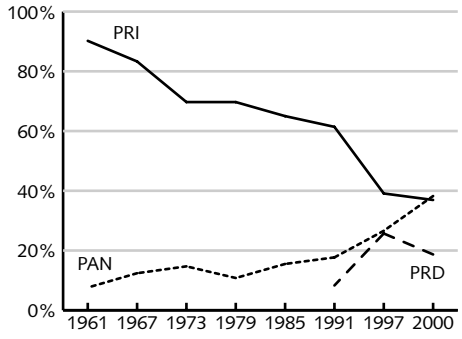
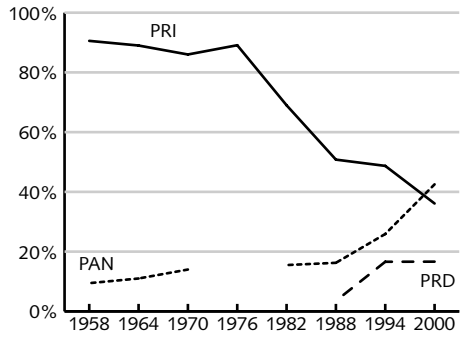


Figure 2. Elections for President, by party



The Three Scenarios

The project's concept was designed around a series of sequential steps, leading up to a final gaming exercise positing two outcomes of the election: a victory disputed by each major political party. The first step was to commission three experts whose scholarly reputation lay principally in their studies of Mexican domestic politics: John Bailey, Roderic Ai Camp, and M. Delal Baer. In an effort to contribute information that these authors incorporate in drafting a best-case, middle-case, and worst-case electoral scenarios, the Mexico Project sponsored a series of closed-door brainstorming working group sessions with a wide range of scholars and former government officials who had handled the U.S.-Mexico portfolio.

John Bailey, whose report is entitled "'Shock Therapy' in Retrospect: Reflections on a Transition Government," places great emphasis on a best-case scenario,

in which an unforeseen shock would induce Mexico's key political players to come together to form a national pact to defend Mexico's stability and democratic governability and to promote the national policy agenda. Even though the shock did not occur, Bailey's insistence on the desirability of a national pact seems prescient in light of the absence of consensus that has plagued Mexico during the initial years of its first non-PRI government. The echoes of the path not taken are heard every day in the strident pages of Mexican newspapers and in the halls of the Mexican Congress. It was likely too much to ask that Mexico's principal leaders come together in the aftermath of an extremely hard-fought presidential campaign, but there is no doubting that Bailey's warning of the absence of an effective transitional coalition during the election period was a harbinger of a lack of an effective governing coalition in the years after the election. The warning remains as relevant in the period leading up to Mexico's 2006 presidential period as it was in the year preceding the 2000 election.

Roderic Ai Camp took the middle-ground approach with his paper "Mexico in 2001: A Middle-Road Scenario," in which he posits a modest PRI victory. He also describes a series of variables crucial to a middle-of-the road scenario; these involved the Catholic church, the military, psychological factors, and nongovernmental organizations. Camp's analysis predicted a scenario of modest change in Mexico's national political life based on a prediction of limited change in the dynamics within each of these important Mexican social players. What is noteworthy is that, in spite of the election of Vicente Fox at the national political level, the changes within each of these Mexican sectors have, indeed, been limited. This outcome has led to the fulfillment of Camp's prediction that even a PAN victory in the 2000 presidential election would not necessarily result in significant departures from a middle-of-the road scenario and that there would be few substantial changes in Mexico's principal social sectors.

M. Delal Baer, author of "Thinking About the Unthinkable in Mexico: A Worst-Case Scenario,"[1] outlines a worst-case scenario and presents a comprehensive list of the vulnerabilities inherent in Mexico's political culture, social fabric, and political institutions. None of the glaring worst-case scenarios imagined by Baer came to pass either before or after the election; however, most of the tendencies that she signaled as potential vulnerabilities still persist in Mexico's new democracy. In the first three years of the Fox government, the continued cultural tendency to view political adversaries in a Manichaean fashion has fueled Mexico's political and policy debates, making the task of governing more difficult. The absence of clear party majorities in Congress has led to the feared policy impasse discussed in her study, and the frayed fabric of Mexico's economically battered society presents an ever-present risk of social mobilization against government projects. The inertial tendencies of Mexican cultural and political institutions are such that many of the risks enumerated in Baer's original paper are likely to persist to a greater or lesser degree into the foreseeable future.

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1. Baer adapted the paper written for the game and authored an article entitled "Mexico's Coming Backlash" in the July/August 1999 edition of *Foreign Affairs*.

These three scholars' studies were focused on the narrow time frame leading up to and immediately following the elections. The authors have provided brief afterwords to the original articles, permitting them to reflect on the degree to which their original assessments have held up with the passage of time and to add new reflections on the course of Mexico's democratic evolution.

In addition to commissioning these three Mexico experts to prepare their scenarios, the CSIS Mexico Project determined that there was value in obtaining a perspective on how the U.S. government bureaucracy functions in its dealings with Mexico. Howard Wiarda, a distinguished scholar of U.S. policy toward Latin America, was commissioned to author "Beyond the Pale: The Bureaucratic Politics of U.S. Policy in Mexico," in which he provides the U.S.-Mexican political context for the brainstorming sessions. Wiarda's article examines the impact of interagency politics and the bureaucratic forces at play in the making of U.S. policy toward Mexico. Mexicans traditionally have viewed U.S. policy as a carefully calculated, monolithic creation of an all-seeing White House and Department of State. In his study, Wiarda challenged that conventional wisdom, arguing that the multiplicity of actors in the foreign policy process—both inside and outside of government—makes for a much more complex and messier reality. Wiarda's dramatic assertions regarding the sheer number of Mexico-related policy programs managed by different U.S. government agencies—which he estimates at more than one thousand—are illuminating. In particular, his close look at how the involvement of an estimated 43 agencies in bilateral counternarcotics policy results in agencies working at cross-purposes points to a factor that can be detrimental to relations between the United States and Mexico. In sum, Wiarda's compelling critique of the lack of policy coordination—given the decentralized and, at times, competing nature of the federal bureaucracy—is an issue that still needs to be addressed.

The Gaming Exercise

Once the three scenario papers were completed, the Mexico Project began the task of converting the issues that were identified into two gaming exercises simulating a disputed PRI victory and a disputed PAN victory. Both exercises took as their starting point the announcement of the election results on July 2, 2000, and followed the unfolding of events through the inauguration of the new president and his first days in office, that is, to January 2001. This time frame enabled the incorporation of the fictitious electoral dispute and adjudication process in Mexico, the inauguration of the U.S. president-elect, and possible foreign policy situations that the newly sworn-in U.S. president might face as the outcome of the Mexican presidential election was presumably disputed. As it turned out—fortunately for U.S. policymakers, not to mention the Mexican people—the outgoing Mexican president, Ernesto Zedillo, appeared on national television earlier than had been anticipated and acknowledged that his party had lost the election. Zedillo's surprisingly bold step averted the possibility of either of the CSIS-posited scenarios discussed in the game from coming to fruition. In fact, Zedillo's nationally televised address preempted some of the hard-line *priístas,* who, at the eleventh hour, were actually master-

minding a plot (*madrugete*) to falsely claim an electoral victory—an act that would have driven Mexico to a potentially perilous electoral crisis.

The simulation exercise—developed in close consultation with Erik Kjonnerod, senior fellow and branch chief of the War Gaming and Simulation Center of the National Defense University—was conducted on October 27, 1999, under the guidance of Armand Peschard-Sverdrup, director of the CSIS Mexico Project. Participants consisted of more than 30 individuals—a mix of U.S. scholars and notable personnel from executive branch agencies such as the National Security Council, Department of State, Department of the Treasury, Office of the U.S. Trade Representative, Immigration and Naturalization Service, Office of National Drug Control Policy, and Drug Enforcement Administration (DEA). Among the scholars who participated were Lowell Fleischer and George W. Grayson, who also served as rapporteurs for each gaming exercise and drafted summaries of each group's discussion; their summaries are included in this volume.

Evaluation of the Exercise

As a final step, a former U.S. policy practitioner, Eileen M. Heaphy, was commissioned to analyze the gaming exercise and to provide a useful critique. As her report of the two discussions shows, despite being presented with a series of disquieting scenarios, game participants entrusted with representing possible reactions by U.S. government agencies consistently opted for low-key responses. Heaphy posits that these persistently "reasonable" U.S. responses to dramatic developments in Mexico reflect an unrealistic tendency on the part of the participants and potentially of the U.S. executive branch to downplay disturbing events in Mexico. She speculates that dramatic events—such as the possible murder of a DEA station chief or sudden and massive migration flows—would prompt more shrill congressional and media reactions that would tend to overwhelm the "reasonable" voices in the U.S. foreign policy bureaucracy. She also suggests that some of the fundamental assumptions that underlay the troubling scenarios that had been presented to the game participants remain valid in today's Mexico—for example, the ongoing ability of elements in the PRI to mobilize social and political constituencies—suggesting continuing cause for caution.

The decision to proceed with such an exercise also speaks to the growing importance of Mexico to the United States, particularly in light of the increased economic and social integration that was set in motion in 1994 as a result of the North American Free Trade Agreement. After all, by 1997, Mexico had surpassed Japan to become the United States' second largest trading partner, a development that significantly increased the number of actors in the United States who had a larger stake in Mexico than had been the case four years earlier. However, in an effort to avoid the perception of infringing on Mexico's domestic electoral process—particularly during such a contentious contest, when the emotions and hypersensitivity of the various political parties were running high—the CSIS Mexico Project made a conscious decision not only to exclude participation of Mexican scholars and political players but also to delay the publication of the final report.

The game itself was instructive. From the standpoint of those involved, analysis of the scenarios succeeded on several levels:

- The discussion sparked participants' thinking about plausible outcomes of the presidential election in Mexico.
- The simulation provided policy practitioners with the opportunity to think through the various situations and to consider the political and policy implications such scenarios would present to the Clinton administration—particularly given the fact that the United States was also in the midst of its own presidential election.
- The exercise allowed participants to compare points of view and to bounce ideas off other gaming participants.

Ultimately, because of the simulated scenarios and discussion of responses, this intellectual exercise probably held the most value for the policymaking community in the United States.

Conclusion

The value of the exercise in its moment was to create an environment in which the most important practitioners of the U.S.-Mexico relationship could arrive at creative ideas for dealing with a potentially difficult turn of events in Mexico. In this regard, the two-year project was an enormous success, having met its principal objective of helping U.S. policymakers anticipate the various possible outcomes of the presidential election in Mexico and be prepared to respond to a variety of contingencies effectively. Indeed, the observations and warnings presented by the authors in this volume bear as much weight today as they did when they were first written, making this a useful volume for anyone who is trying to understand Mexico's democratic transition today.

CHAPTER 1

U.S.-Mexico Gaming Exercise: Final Report and Evaluation

Eileen M. Heaphy

Overview of the Gaming Exercise

On October 27, 1999, a group of Mexico specialists from research institutes, universities, and government agencies gathered at the Center for Strategic and International Studies (CSIS) to participate in a gaming exercise, which focused on the potential for disruption in Mexico after a theoretically inconclusive presidential election in July 2000. This essay reports on a result of a series of roundtable discussions that conceptualized possible post-election scenarios based on the history and expertise of the individuals within the group. In anticipation of the game, participants were sent four experts' studies analyzing, from distinct perspectives, developments that could occur surrounding the election and their potential implications for U.S.-Mexico relations, and also detailing the U.S. bureaucracy ensconced in Mexico in the 1990s. These articles (included as chapters 2, 3, 4, and 5 in this volume) provided a menu of food for thought—from worst-case scenario, to a smooth transition, to an opposition government in Mexico—and foreshadowed the actual game.

Participants were divided into two groups, one discussing a post-election scenario positing a disputed victory by the Institutional Revolutionary Party (PRI) and the other dealing with a disputed victory by the National Action Party (PAN). Each group included a representative mix of government agencies: Departments of State, Defense, Treasury, and Justice, as well as the Drug Enforcement Administration (DEA), the Office of the U.S. Trade Representative, and the White House. Participants did not role-play but discussed the scenarios from the viewpoint of their agencies and contributed to seeking consensus on the most appropriate and effective U.S. policy response toward Mexico in the event of a post-election crisis south of the border.

The game began with a general presentation setting the stage for the participants as they prepared to play out the post-electoral scenarios. After working lunches, during which discussions were refined and presentations prepared, the participants reconvened for a plenary session, at which they summarized and discussed the results of their analyses of the two scenarios. The control group and the

facilitators used these discussions to find common threads in the two scenarios so that they might identify what factors would surface as critical if the upcoming election in Mexico were to prove inconclusive or disruptive. This session also highlighted potential reasonable U.S. responses to each of these events.

The time frame for the game was two months in advance of the July 2000 Mexican election. At that time, the parties would have selected their candidates and would be in the midst of campaigning. As was customary during an election year, it was assumed that the Mexican economy was beginning to sag, with the added pressure of a potential for oil price volatility lurking in the background. The scenarios described strained relations between the United States and Mexico as a result of counternarcotics moves in the U.S. Congress and Mexico "bashing" during the U.S. presidential campaign that was taking place at the same time.

Because the three major parties had yet to officially select their candidates at the time the exercise took place, according to the scenarios, the PAN candidate was Vicente Fox and the Democratic Revolutionary Party (PRD) candidate was Cuauhtémoc Cárdenas, both of whom were running unopposed at the time. In the case of the PRI, the game did not single out a particular candidate, because the party was still in the process of carrying out its first nationwide primary election to select a presidential candidate.

The general setting and the two disputed victories were likely scenarios, given Mexico's previous experience with electoral tampering and contested outcomes. Both scenarios factored in protests, economic instability, pressure from the United States to restore stability, and some more severe obstacles, such as the kidnapping of a DEA agent. However, in the exercise, the adjudication process for the election was allowed to move forward through formal channels, no candidate was assassinated, and in the face of loss, both sides protested according to the rule of law. The game posited that Mexican leaders ultimately would favor forging some kind of consensus government instead of permitting chaos to reign.

In the actual Mexican presidential election, which took place nine months after the gaming exercise, the reality was more moderate as a result of Vicente Fox's clear-cut victory. In a delicious irony for Mexico watchers, post-election chaos, protests, recourse to tribunals, a drawn-out period of uncertainty did occur—but in the U.S. presidential election, not in the Mexican one. Because of these two factors—Fox's victory and U.S. preoccupation with its own election mess—there was no need for the U.S. administration or the U.S. Congress to worry about Mexico's stability or to pressure Mexico to resolve an internal crisis.

In the scenario-driven analysis, the United States did become involved in Mexico's post-election crisis, but a consensus emerged that the United States would use "quiet diplomacy" and avoid public statements that could be seen as intervening in Mexico's internal problems. The participants also believed that the White House and Congress would consult on how to address the Mexican situation and would find common ground. These two conclusions reflected both the maturity of U.S.-Mexican relations and an appreciation of the importance of Mexico's stability to the United States on the part of political leaders in the United States.

Nevertheless, the participants in the exercise may have been overly optimistic in assuming that politicians in the United States would not respond to domestic polit-

ical pressures from corporations and constituents to take a more assertive and critical view of negative developments in Mexico. Because the game participants were all Mexico specialists, they reflected a more seasoned understanding of Mexico's political psyche than would politicians for whom Mexico is a more peripheral concern. Indeed, the one issue that seemed to have the greatest potential for firing up Congress members and administration officials was the large migration flows that post-election instability could trigger. Congress members from the border states were expected to respond publicly and forcefully to the disruption caused by a massive move of migrants across the border. The administration was likely to be faced with handling huge numbers of people who could not be easily held at Guantanamo Naval Base in nearby Cuba. Participants also assumed that the media and human rights activists would amplify the plight of the migrants and force politicians to react publicly. Although drug trafficking and harm to DEA agents were expected to also arouse public concern, participants did not believe that those developments would derail a U.S. posture of quiet diplomacy and helpful cooperation.

In addition, the gaming exercise included two assumptions that were not tested in the actual Mexican presidential election because of its peaceful nature and unambiguous results:

- The scenarios included the reasonable assumption that a post-election period of instability in Mexico would become an issue in the U.S. presidential campaign. Instability did not develop, and the U.S. presidential campaign barely touched on foreign policy, let alone on relations with Mexico.
- The scenarios assumed that Mexican leaders would be susceptible to outside pressure in their search for a solution. Again, no crisis or instability emerged; therefore, the assumption could not be tested in the real world. However, these assumptions seemed logical at the time of the game, and in retrospect, there is no reason to doubt their validity if a real crisis had arisen.

In the final analysis, the exercise was not so much about making the right predictions as it was about understanding the factors at play in the historic Mexican presidential election of July 1, 2000, and how these factors could help or hinder the success of the new Mexican government that was inaugurated on December 1, 2000. Even though the incidents posited in each scenario did not materialize, the fears they represent are very real and could still emerge if there is no meaningful change in Mexico during Fox's term in office. Thus, it is important to consider the hypothetical situations and potential responses raised in the gaming exercise. The remainder of this report presents a summary of the discussions, an analysis of the factors that were identified, and a brief analysis of how the Fox government has handled them thus far.

Key Independent Factors Identified by the Gaming Exercise and Their Implications

Throughout the discussion of both scenarios and in the general discussion, a series of independent factors emerged that would affect the winner's ability to solidify not only the electoral victory but also the post-electoral future of Mexico. These factors also could have an effect on the capacity of the U.S. government to respond to the developments and ensure protection of U.S. interests in Mexico. It is useful to identify these factors as they were identified in the exercise, how they affected the results of the exercise, and how both Vicente Fox and the United States can address the factors and their implications to ensure an increasingly democratic, stable, and prosperous Mexico.

The Role of the Institutional Revolutionary Party

Even though the PRI has lost its first presidential election (and won only narrowly in one game scenario), the party remains the most critical independent factor in Mexican politics today. During the game, the power of the PRI to mobilize its bases—corporate, civic, academic, and so forth—to protest the election results and to influence the Federal Electoral Institute (IFE) was seen as a vivid reminder that this party remains exceedingly powerful. By pulling out all stops to assure a PRI victory, the PRI's hard-line faction demonstrated a willingness and an ability to continue to manipulate the political process. If indeed they had succeeded, the return of the hard-liners to political dominance would have set back democratic reforms, at least temporarily, and signaled a return to old-style politics as usual.

After his victory in July 2000, Vicente Fox recognized the reality of *priísta* power by displaying a willingness to work with the PRI after his victory to ensure the governability of the country. Even though there was no doubt of Fox's victory and firm support from the Zedillo faction of the PRI in bringing about a smooth transition to a non-PRI government, it was apparent that the PRI was still powerful enough to challenge Fox in many areas and undermine his chances of success. PRI dominance in both houses of the Mexican Congress also made it clear that Fox would have to find fundamental accommodation with the PRI for even part of his reforms to succeed in the legislature.

Apart from the degree of power the PRI still exercises, Fox must also be concerned about the current internal divisions within the party. The struggle of PRI factions—old and new—to control the future of the party has made it difficult for Fox to negotiate compromises or to get his reform initiatives passed in the Congress. Thus, even unintentionally, the PRI could hamstring Fox at least until the question of PRI leadership is answered. Fox's ability to build consensus, given the frailty of the political party system and the weaknesses within the PRI, will ultimately determine his success in governing.

There is little the United States can do to influence the evolution of the PRI over the next few years. Regular meetings between U.S. government officials and PRI leaders at an appropriately high level will convey a respect for the opposition's role in Mexico's democracy. Ongoing official contact will also offer opportunities for

keeping open a meaningful dialogue that will provide various opportunities for the United States to stress its support for Mexican democracy and the PRI's role in assuring that democracy.

The Effect of Past Electoral Reforms

The Mexican public's expectation of fair and transparent elections is another key independent factor that emerged in the gaming exercise. Gaming participants assumed that powerful individuals and groups within the PRI would pressure President Zedillo to influence the electoral results. However, no one assumed that Zedillo would countenance stealing the election from an opposition winner as President Salinas reportedly did in 1988. Instead, participants expected PRI pressure to be focused on the electoral mechanisms established by Salinas and Zedillo—the Federal Electoral Institute and the Federal Electoral Tribunal. Whether or not the PRI could influence individuals in those entities to favor the PRI candidate was the issue.

As a result of such advances in the administration of elections, the post-election scenario posited in the game identified the PRI's response to a Fox victory as the filing of a protest with the Organization of American States (OAS). This minor detail speaks to the significant change in Mexico's political climate since 1988, for example, when the electoral outcome was allegedly usurped by a mysterious crash of the computer system used to tabulate the final vote. Vicente Fox's clear-cut victory made interference with the election results a nonissue, however. Nevertheless, Mexicans' growing confidence in their electoral system would have made it just as difficult to dispute fraud if the margin had been slim.

The boldest electoral reforms in Mexico were implemented in 1996 during the Zedillo administration. The reforms led to an unprecedented outcome in the 1997 midterm elections, producing an opposition-controlled lower house in the Mexican Congress. That year also experienced an unprecedented number of state houses going to the opposition. By 2000, the procedures that were in place to ensure fair and transparent federal elections had been tested, retested, and refined. Mexican voters were becoming accustomed to them and expected them to work properly in the presidential election. All these factors helped to establish the credibility of Mexico's electoral process. The losing side could protest only at the margins of the elections, identifying instances of fraud as exceptions to the rule, not the pattern. In the scenario, the PRI's mechanism for protesting Fox's victory was an appeal to the OAS, hardly as dramatic a move as pulling the plug on the election computers in 1988.

The heroes in the struggle to make fair and transparent elections the norm are many, but special credit must be given to the IFE and to President Zedillo himself. The IFE has constantly strengthened itself through various electoral challenges since 1994, and the Mexican public has accepted the IFE as an independent and trustworthy institution. President Zedillo resisted pressure to weaken the IFE and used his bully pulpit to reinforce in the mind of the Mexican public his absolute commitment to the IFE's integrity and ultimately to an election result that might be unfavorable to his own party. Thus, the expectation of fair and transparent

elections is now a powerful reality in Mexico, severely limiting the ability of one individual or one party to steal an election.

While recognizing that change was brought about by Mexico from within, the United States did play a supporting role in helping Mexican electoral institutions develop the strength they have today. Training of election workers, provision of experts, pressure on Mexico to allow election observers, and even the presence of political consultants from the United States all contributed to the achievement of a culture of free and fair elections in Mexico. Although the U.S. government can continue to support the deepening of that culture through similar policies and actions in the future, this support should be less and less necessary. An ancillary benefit of previous support is the existence of a network of U.S. and Mexican electoral experts who can continue to work together toward that goal, independent of the actions of either government.

Mexico's Status in the Global Economy

The Mexican economy was the next key independent factor that emerged from the gaming exercise. Both scenarios included a long period of uncertainty about the electoral results and a degree of social unrest that disrupted the economy. Globalization meant that economic unrest in Mexico would spill over to its North American partners and potentially to the world economy as a result of Mexico's status as a major world exporter. Thus, participants in the exercise identified foreign investment as a related independent factor that can no longer be separated from domestic economic developments in Mexico. In both game scenarios, the dreaded end-of-*sexenio* (presidential six-year term) capital flight occurred. The Zedillo government's ability to control or mask the flight had been limited because of reforms put in place after the devaluation of the peso in 1994, because of the North American Free Trade Agreement (NAFTA) and because of globalization. Therefore, participants agreed that the immediacy of the economic crisis could not be avoided or ameliorated by the kinds of free-spending measures that had been available to previous Mexican governments. The post-electoral economic situation was likely to be further muddied by a development posited in the scenario: Fox's announcement that he would establish a currency board, thereby effectively dollarizing the Mexican economy.

Both the capital flight and the call for a currency board were expected to galvanize foreign investors, primarily those in the United States, to pressure both the U.S. and Mexican governments to resolve the election mess quickly. Compared with earlier presidential elections, the one in 2000 included two different economic factors:

- Mexico's current dependence on foreign investors, who had been lured in by NAFTA and could quickly shift production to other countries; and
- The inability to isolate large Mexican corporations, which had been increasingly drawn into the world economy, from these trends.

Thus, it appeared likely that powerful economic forces, both domestic and foreign, would quickly pressure the political system to right itself.

Fortunately, the 2000 presidential election did not result in economic chaos, capital flight, or international pressure. The relatively smooth transition from the July election to Vicente Fox's inauguration in December offered no sudden economic twists, and President Zedillo's efforts to "armor" the Mexican economy against any election jitters had been effective. As a result, President Fox inherited a strong economy, which had registered a 7 percent growth in its gross domestic product, unemployment rates at a record low, a low budget deficit, a recuperating banking system, and a trade surplus.

The challenge Fox now faces is the need to maintain a strong Mexican economy in the face of the slowdown in the U.S. economy. Although oil prices were not a factor in either scenario, in retrospect, a drop in oil prices probably would have contributed to the disruption of the post-electoral economy more than the proposed currency board would have. The slowdown in the Mexican economy in light of these two factors will complicate Fox's economic, financial, and fiscal reform efforts. In a declining economy, the populace will not welcome improvements in tax collection, new taxes on food and medicine, streamlining of PEMEX (Mexico's state-owned oil company) and other government agencies, and so forth. Undaunted, Fox introduced a major reform package into the Mexican Congress, and he will need all his political acumen to get meaningful reforms enacted.

The U.S. government did not have to prepare a bailout package for Mexico, as envisioned in the game, or deal with Fox's currency board concept. Nor did the United States need to deal with pressure from U.S. businesses with investments in Mexico to "do something" about a political crisis there. How the United States manages its own economic downturn will have a greater impact on the Mexican economy than any direct bilateral development, such as accelerating reductions in tariffs. Nevertheless, it will be important for the U.S. government to avoid actions that make Fox's economic challenges more difficult. If his reform efforts fail or his government falters in managing Mexico's economy, the United States could still be called on to "rescue" Mexico. President Bush's decision to make his first foreign trip a visit with President Fox in Mexico is a positive sign that the U.S. administration will be sensitive to Fox's historic position and will pay attention to what is happening south of the border.

President Fox, on the other hand, will need to proceed cautiously in raising expectations that the United States can solve Mexico's problems. Because the border will not be open to large flows of Mexican workers in the foreseeable future, Fox will only lose credibility by pushing an impossible option. To attract more foreign investment, Fox will have to demonstrate that the ways of doing business in Mexico really have changed and that red tape and payoffs are no longer the rule. To retain the current foreign investors, who are used to doing business with a PRI government, Fox's team will have to demonstrate that they know how to manage the country's business and can deliver on promised reforms.

Regional Unrest

The unpredictable nature of the rebellious uprisings in Chiapas, Guerrero, and Oaxaca made these regions a factor that could not be ignored in the gaming exercise. According to the scenarios presented, during the post-election uncertainty and

tension, the guerrilla groups took advantage of the situation by kidnapping and assassinating prominent people. However, as it turned out, the Zapatistas and other rebel groups did not use the situation to foment an uprising; if they had, the pressure on Zedillo, Fox, and Cárdenas would have been even greater.

In the gaming exercise, participants assumed that the United States would be able to maintain a low-key approach to the kidnapping of a DEA agent because it appeared to be the work of rebels, not of the Mexican government. This was a logical assumption because, in past instances when rogue groups, not governments, kidnapped U.S. citizens abroad, the United States did not condemn the government involved in any public way. In the case of Chiapas, since 1994, the U.S. government has maintained that the Chiapas rebellion was an internal matter that Mexico must resolve in a way that shows respect for human rights. Gaming participants believed that, unless the rebellion spread and endangered U.S.-owned factories and U.S. citizens in general, the new U.S. administration would maintain the Clinton administration's subdued policy and avoid any actions that would be viewed as interfering with Mexico's internal affairs.

Participants anticipated that the U.S. response to a threat of rebellion in Mexico would be muted as a result of the post–Cold War global situation. The fear of Soviet-type or Cuban meddling in Mexican unrest or assistance in the establishment of an unfriendly government in Mexico seems almost a quaint concept today (except among Mexican guerrillas and students).

Faced with Fox's clear-cut victory in the real election, the Zapatistas were forced into a wait-and-see mode. Other guerrilla groups took some sporadic action in Guerrero and Oaxaca. However, the rebels' relative quiescence during the transition period may well have indicated that the rebels knew disruptive actions on their part would only lead to further alienation of the general Mexican population. Immediately upon taking office, President Fox took further measures to weaken the Zapatistas' position with significant gestures to woo them, such as removing military units from the combat areas in Chiapas. The challenge remains in acknowledging Zapatista demands for greater autonomy and more resources for the indigenous people. Because there appears to be no consensus in the Mexican Congress to give in to the rebels' demands, Fox will have to build his own legislative consensus or find another way to defuse the situation in Chiapas permanently and end "Subcomandante" Marcos's game for good.

The Impact of Counternarcotics Measures

Participants in the exercise assumed that the United States would have had more trouble maintaining a low-key stance in the face another key independent factor—drug trafficking in Mexico. The scenarios did not posit an overt role for the drug lords during the election campaign or in a post-election period of chaos. The exercise included no equivalent of Colombia's President Samper receiving drug money for his campaign and thereby earning the wrath of the United States. Participants assumed that the focus of security forces on disruptions after the election would give the drug traffickers greater freedom of movement to ply their trade.

U.S. congressional actions targeting the drug trade aggravated the post-election tension posited in the gaming exercise more than drug trafficking itself did. The

game outlined a move by the U.S. Congress to pass legislation targeted at Mexican companies that were laundering drug cartel money. This move was likely to anger Mexican leaders, who believed that the move poured oil on the fire they were trying to put out. In fact, that legislation was passed in the United States and to date has had little impact on the Mexican government or on Mexican companies. This outcome could be simply related to the time it takes to build a strong case against a Mexican firm with fairly irrefutable evidence—something that has not yet happened.

In the scenarios positing a crisis following the election, the issue of U.S. certification of Mexico as a "full partner" in the war against drugs put a strain on U.S.-Mexican relations. Participants assumed that, as the Mexican inauguration date of December 1, 2000, edged closer, U.S. policymakers would realize that the threat of decertification by the U.S. Congress would exacerbate an already serious situation. Thus, a question posed by the exercise remained: Would congressional critics of Mexico's counternarcotics performance share that concern and back off their desire to "punish" Mexico with decertification—a radical step that in previous years had never been taken, despite annual threats to do so.

In reality, in March 2000, the U.S. Congress once again certified Mexico as a full partner, thereby minimizing the issue in the Mexican presidential campaign. All candidates, indeed all Mexicans, are united in condemning the U.S. certification law; therefore, there was no debate among them. However, had the U.S. Congress taken that drastic step in 2000, tension in the bilateral relationship would have increased dramatically, and that in itself would have kept certification a lively theme in the Mexican campaign. In 2001, after Fox's clear-cut electoral victory, the U.S. Congress once again certified Mexico as "fully cooperating on counternarcotics efforts." In addition, there was a growing movement in the U.S. Congress to revisit the legislation or to find a means of treating Mexico in a way that is distinct from the treatment of other countries when it comes to the evaluation process. Although many legislative proposals were introduced in Congress, some calling for special treatment for Mexico or for special treatment for the hemisphere as a whole, the proposal that was ultimately signed into law in September 2002 modified the certification process in its entirety, thus bringing an end to the certification process as countries knew it. (The "Narcotics Certification Process" was modified as a result of the Foreign Relations Authorization Act of 2002–2003, which was signed into law on September 30, 2002. Under the amendment, the U.S. president designates those countries that have "failed demonstrably" during the previous 12 months to adhere to their obligations under international counternarcotics agreements and to take necessary measures to stem the flow of illegal drugs.)

A development raised in the exercise posed a set of issues different from the scenario of a DEA agent kidnapped by guerrilla forces: the murder of a DEA station chief by elements of the Mexican military who were unhappy with Fox's hypothetical choice for attorney general. This time participants expected the U.S. response, especially in the U.S. Congress, to be less muted. Nevertheless, participants again assumed that "reasonable" voices would prevail and that the U.S. government would want to give a beleaguered President Fox support in his efforts to reform Mexico's law enforcement system. In the DEA incidents that were posited, the

participants may have underestimated popular and congressional anger about the fate of these U.S. government officials. If such an unfortunate situation were to occur during the early period of the Fox administration, it could become difficult for the U.S. government to balance the desire to support Fox in his reform efforts with legitimate concern for endangered U.S. agents. The very real issue of the DEA agents' receiving authorization to carry weapons within Mexico would be expected to once again move to the top of the agenda. Fox's stance is not likely to differ much from that of his PRI predecessor, although the murder of a DEA agent would give Fox justification for being more flexible, perhaps accepting the idea that Mexican agents assigned to the United States should be allowed to carry weapons, thereby balancing DEA agents' need to be armed.

Immigration Issues

The beginnings of a massive migration to the United States because of the post-election political crisis would have had much more immediacy for U.S. citizens than the more opaque issue of drug trafficking was expected to have. Nightly news broadcasts of images of border crossings swamped with illegals, too few border patrol agents stretched too far, the inevitable accidental shootings, refugee tents in border towns—all were expected to give rise to major concerns and quickly catapult the issue into the U.S. presidential campaign. Members of the U.S. Congress from southwestern states would be likely to call for federal aid, perhaps even federal troops, angering Mexico and adding fuel to the political fire. Faced with the sheer numbers and humanitarian distress, the U.S. Immigration and Naturalization Service would probably be forced to reconsider its current policy of automatic deportation, thus opening the floodgates to demands for political asylum and temporary parole for hundreds of thousands of Mexicans. All these developments were bound to lead the United States to put intense pressure on Mexican leaders to find a solution to their crisis. These efforts would not remain in the realm of "quiet diplomacy" on the part of the United States (the anticipated U.S. response to other internal post-election problems posited in the exercise), even if that were the intent, and the United States would once again be perceived as interfering in Mexico's internal affairs.

As events actually transpired, Fox's victory and Zedillo's success in armoring the economy prevented the realization of this political nightmare. However, the issue of migration moved front and center when Vicente Fox made his first visit to the United States as president-elect. In all his meetings with U.S. government officials—including presidential candidates George W. Bush and Al Gore—Fox raised his idea of a wide opening of the U.S. border to Mexican workers. This idea, which was also presented to the Canadians, was combined with the concept of targeted foreign aid from NAFTA partners for Mexico's poorest regions. With the example of the European Union in mind, Fox presented his vision of a unified North American market with free movement of goods, capital, and labor. Describing U.S. and Canadian response to this proposal as lukewarm is being kind. Neither Bush nor Gore welcomed the intrusion of this issue into their presidential campaigns, and they virtually ignored Fox's idea.

Apparently Fox was chastened by the lack of enthusiasm for his vision, and he backed off from raising the issue again, except to say it was a long-term ideal goal. In the months following his brief foray into U.S. politics, two new factors arose that limit any hope Fox might have had for quick breakthrough on migration: the economic slump in the United States and President Bush's proposal to establish a quid pro quo, with Mexico sharing more of its energy resources with the United States. And these developments do not even take into account the events of September 11, 2001, and the debate surrounding support for the war in Iraq.

Instead, Fox has concentrated on protecting the rights of Mexicans currently working in the United States and making it easier for them to send their wages back to their families in Mexico. The United States, especially U.S. Congress, has shown an interest in expanding the temporary worker program to allow a much larger number of Mexican workers—along with computer experts from India, China, and other countries—to fill jobs that are available in the United States. Depending on what happens to the U.S. economy, for the time being, it appears that an expansion of the temporary worker program will be the most the United States can offer Mexico on the migration issue.

U.S. Reaction to Potential Crises

The attitude and actions of the U.S. government were assumed to be of critical importance for managing the other factors that were identified during the discussion of the political crisis posited by the game. Even the PRI, the factor least likely to be influenced by the United States, would take into account U.S. reaction for a number of reasons. The ties between individual PRI leaders and the United States—developed over many years of contact and cooperation—could not be discounted. In addition, many PRI power brokers do their banking in the United States, have investments in U.S. markets, own property in the United States, and so forth; therefore, they would loathe seeing a disruption of the easy flow of economic activity between the two countries. Other parties were also likely to consider the U.S. attitude to their own actions. In both game scenarios, the losing party was expected to seek to gain more legitimacy for its cause by trying to pull the U.S. government into the issue during party leaders' visits to Washington, D.C.

Mexican leaders and the public were expected to monitor U.S. actions carefully. U.S. treatment of Mexican citizens seeking to cross the border would become as constant a news staple on Mexican television as it would in the United States. The U.S. government's concern about an upswing in drug trafficking would be quickly conveyed to Mexican officials. If the situation on the ground in Mexico were to deteriorate to the point where the United States sought to evacuate its citizens for safety reasons, participants believed that such an action would frighten Mexican citizens, encourage more capital flight, and sink the Mexican tourist industry. Economic dislocations, pressure from investors, discomfort with Fox's proposed currency board—all would motivate the U.S. government to actively encourage Mexico's political leaders to return stability to the country. Simply standing by and watching would not be an option for the United States.

In the gaming exercise, participants were nearly unanimous in proposing and expressing their belief that U.S. government officials would keep public statements

low-key and would exert pressure on Mexico through diplomatic channels, at least in the early stages of the post-election turmoil. This approach was not expected to be the case with the attitudes and actions of members of the U.S. Congress. Participants recognized that the White House would have to work closely with congressional leaders to urge them to moderate their responses to a deteriorating situation in Mexico as well. This concern was based on an assumption that some elected representatives have little appreciation for how directly a crisis in Mexico would affect the United States, especially on the economic front. Some Congress members who have a high profile on antidrug legislation would respond very vigorously to the assassination of a DEA agent or to an increase in the volume of drugs crossing the border. Those members who oppose NAFTA were expected to reaffirm publicly their opposition to tying the two countries' economies together more closely. Those who opposed the U.S. financial bailout of Mexico in 1995 would rail against renewed efforts to help Mexico in the political crisis envisioned in the game.

Delegations from the southwestern states were expected to be in the middle of congressional deliberations or actions. The Border Caucus and key leaders in the Texas and Arizona delegations would be under tremendous pressure from their own constituents to "fix" the problems with Mexico. Not all that pressure would favor low-key responses or quiet diplomacy. States beginning to feel overwhelmed by migrants or harmed by economic developments in the border region were likely to want to take dramatic action. Nevertheless, the reality is that members of the U.S. Congress from southwestern states are generally well informed about Mexico and have been voices of moderation when it comes to U.S.-Mexican relations. Participants saw this congressional group as a calming force and considered them partners with the White House in the search for reasonable action vis-à-vis the Mexican situation that was posited.

The game was carried out in the context of a Democratic White House and a Republican Congress, a situation that could have made it more difficult for the two ends of Pennsylvania Avenue to work together to craft a constructive response to a Mexican post-election crisis. If Mexico had become a campaign issue, relations between Capitol Hill and the White House would have been even more strained, thus hindering the possibility of a bipartisan approach to responding to the Mexican crisis.

As the situation now stands—with a Republican president from Texas installed in the White House and Republican control of both the House of Representatives and the Senate—it would probably be easier to achieve a more unified approach to U.S.-Mexican relations. The fact that President Bush's s first trip abroad was a visit to Mexico was a boost to the newly inaugurated Fox. Nevertheless, President Fox cannot assume that the U.S. response to the challenges he will surely face during his six-year term will always be unified and positive. The perennial issues remain—migration, drug trafficking, and trade—and some members of the U.S. Congress, including Republicans, will continue to voice views different from those of the Bush administration.

Key Goals for the Fox Administration

Identifying the key factors tested during the gaming exercise and observing the way those factors have played out since the election of Vicente Fox allow extrapolation of a useful list of goals on which the Fox government can focus in order to keep Mexico on the road to political and economic modernization. These goals—or drivers for change—will need to be implemented to ensure that the scenarios used in the game do not come to pass in the future and that alternation of power becomes a habit, not a one-time exception to the PRI's political dominance in modern Mexico.

Strengthening Democracy

Deepening Mexico's democracy should remain the primary concern of President Fox and indeed of all Mexican leaders. Despite the tremendous progress that has been made in efforts to ensure free and transparent elections in Mexico over the past decade, a great deal more remains to be done at all levels of government—federal, state, and local. Some obstacles and recommended solutions include the following:

- Charges of fraud were raised during the 2000 presidential election. To avoid this and the ensuing negative perception in the future, Mexico must continue to reduce fraud to the bare minimum.
- Only the PRI has experimented with a primary contest for selecting the party's presidential candidate. All political parties in Mexico need to develop more open and competitive processes for finding the best candidate, no matter what method of selection they implement.
- Before the July 1, 2000, election, the Zedillo government had too much freedom to use government funds to buy political support. Therefore, further separation of governmental and political institutions needs to be legislated.
- Assuring the independence of Mexican media also will require a greater effort.
- Entrenched caciques or political bosses (virtually all *priístas*) inhibit democratic government at the state and local levels. Political reforms are needed in the states where the PRI still controls peasant voters, along with corporate labor and government organizations.

Enhancing political accountability is seen as the best tonic for these weaknesses. The Mexican Constitution's ban on consecutive reelection—the ultimate term limit—is deeply embedded in the Mexican polity and is credited with saving Mexico from the cycle of coups and dictators that plagued the rest of Latin America in the twentieth century. The downside of the nonreelection clause, however, is lack of political accountability. Neither the mayor, the governor, the legislator, nor the president has to face the voters' judgment on the success or failure of performance in office. Moreover, the ban on consecutive reelection effectively ensures the inability of elected officials to build up experience, which is severely lacking, particularly among members of the Mexican Congress and state legislatures, which are no

longer rubber-stamp bodies that simply approve programs submitted by the executive branch. With a solid foundation ensuring free and transparent elections, the abuses that the nonreelection clause was designed to avoid should be held in check. Although many political leaders across the political spectrum appreciate the need for change, it is not clear that Fox will be able to push measures to enhance political representation and accountability through Congress. Nevertheless, such reforms are clearly critical for deepening Mexico's democracy.

Establishing Stability and Governance

While enhancing democratic reforms during his six-year term, President Fox will also need to maintain the stability and governance of Mexico. The game scenarios demonstrated the fragility of the electoral process in the face of disputed victories. Instability produces immediate results in Mexico—including civil disturbances, capital flight, and economic deterioration, and many Mexicans did not vote for Fox because they feared such scenarios. With the history of the bloody Mexican Revolution always on their minds, Mexicans want stability, and for decades they believed that one-party rule was an acceptable price to pay. Fortunately, Fox's election and the transition period before his inauguration did not give rise to instability, and the outgoing PRI government allowed a stable, peaceful transition to occur.

Nevertheless, no one—especially not Vicente Fox—underestimates the challenge posed by a transition to opposition rule for the first time in 71 years. His quiet pact with the PRI to ensure governance reflected his realistic stance. He named past PRI officials to a several key positions in his cabinet and also placed PRI insiders on his immediate staff at Los Pinos, thus guaranteeing the PRI no surprises in the first years of his presidency. How long this pact needs to be in effect is unknown. The PRI will closely monitor Fox's actions, particularly any moves against *priístas* for past corruption. If trust is built between Fox and the PRI on such issues, the president may be able to choose his staff more freely in the future. In the meantime, the fox is in the chicken coop for the foreseeable future—watching and waiting.

The degree of success Fox will have in getting his reforms through the Congress will also have important repercussions on the governance of the country. If Fox does not build coalitions that will vote for his reforms, and at the end of six years, he essentially fails to advance his agenda, Mexicans are likely to return to PRI paternalism. This outcome would be a blow to alternation of power, a system of checks and balances, and faith in a modern and democratic Mexico.

Eliminating Corruption

Perhaps no issue is more of a touchstone for a modern, democratic Mexico than the battle against corruption and cronyism. Mexicans voted for Fox because they wanted change and considered the old system corrupt beyond repair. However, when Fox made his pact with the PRI, he presumably had to agree not to launch a witch-hunt against former government officials and not to charge them with corruption. Thus, President Fox will have to balance his crusade against corruption with the need for stability and governance in Mexico. If his anticorruption efforts

make PRI leaders feel encircled, they will fight back with tremendous resources to block Fox at every turn.

Fox got off to a good start by picking a cabinet whose members had no whiff of corruption and by requiring senior government officials to follow his lead and make their personal financial records public. The next step is to reform a corrupt law enforcement system—from judges to police to the military. Because the drug cartels have brought corruption to a new high in Mexico, this is a daunting task that is not expected to produce dramatic results any time soon. When Attorney General Lozano, a member of the PAN, attempted to fire corrupt police in the early years of the Zedillo government, his plan failed. The courts acted to protect the police officers' jobs, and the general populace came to believe that firing members of the police force simply put more criminals (that is, the police themselves) on the streets. Fox's declaration forbidding torture by the police and his appointment of a special investigator to monitor the police is a positive signal, but it will have little effect on the day-to-day system of payoffs that in the past allowed police and judicial officials to become very wealthy.

Fox will have to build support in the National Congress for his anticorruption reforms—no easy task—but he will also have to inspire a wholesale cultural change in a country where paying a bribe to get a driver's license is standard operating procedure. This effort will require him to work effectively with state governors to bring reforms to the state level—a difficult challenge in states where PRI members are governors. To send a clear message that he is serious about prosecuting drug traffickers, Fox will also have to make some dramatic moves against Mexico's drug cartels. Speeding up the extradition of Mexican drug lords to the United States can help, as it did in Colombia; this step requires solid judges to review extradition cases and a more narrow reading of the rights of *amparo.*

None of these tasks can be accomplished by executive fiat, as was possible under the old system of all-powerful presidents. Yet success in establishing a true culture of the rule of law in Mexico would establish Fox's permanent place in Mexican history. Such success would also win the support of Mexican voters for a PAN candidate in the next presidential election, giving another boost to Mexico's democracy.

Modernizing the Government Bureaucracy

Fox has the power to end corruption in one crucial area—the federal government. Modernizing governmental administration is another key driver for change for the Fox presidency. An essential element to democracy is good government. As Mexico strives to modernize its economy, the country continues to be saddled with a creaking government bureaucracy left over from another era. Bribery was commonplace in the federal government, where red tape fueled frustration and inspired payoffs to speed things along. Jobs filled through patronage and of only six years' duration also prompted the occupant of the office to demand bribes, knowing it would be necessary to put some money away as future "unemployment compensation." The Mexican bureaucracy was also filled with employees who did not show up for work but were merely on the payroll to collect a salary. Salaries themselves were subject to

corruption, with official salaries very low, supplemented by bonuses and off-the-books payments (*sobresueldos*).

President Fox has made a commitment to create a modern and efficient civil service. He began fulfilling this promise by avoiding the wholesale firings that previous presidents had carried out in order to fill positions with their own supporters. It is ironic that the first non-PRI president has decided to keep on so many employees whose loyalties are assumed to be to the PRI. The more cynical observer can attribute this decision to his pact with the PRI to work for the governance of Mexico. However, Fox stated early in his campaign that creating a permanent civil service was his goal, and he has begun by treating civil servants as such. Moreover, because no opposition party can equal the PRI in sheer size, the president would have found it impossible to find enough PAN party members to fill all the vacancies.

In addition to the concept of a permanent civil service, Fox has also promised to make government more efficient, as he did in Guanajuato when he was governor of that state. This goal will require training and equipping the civil service with the tools needed to offer good service—computers, furniture, supplies, and the like. Achieving this goal will also require paying decent salaries that will attract qualified employees and eliminate the corrosive system of bonuses and *sobresueldos.* Government revenues will determine whether or not Fox can fulfill that commitment.

Decreasing Impediments to Economic Growth

The ability to afford good government will depend on another key driver for change during the Fox presidency: reducing the bottlenecks to economic growth in Mexico. The obstacles include a raft of economic and social problems that, if not fixed, will prevent Mexico from attaining the rank of a developed country: poverty, lack of education, fiscal and financial weaknesses, and an outdated infrastructure. Fox discussed these issues at length during his campaign, and he has taken steps in the first months of his tenure to address the problems.

Upon assuming office, with the 2001 government budget pretty much set, President Fox had little flexibility to initiate new social and education programs during the first year of his term. Nevertheless, he began adjusting those social welfare programs already in place to make sure that the intended recipients were reaping the benefits. Fox also began a microlending program at the national level to help poor families start small businesses. In the field of education, he established a new scholarship program aimed at needy students. More plans await an increase in revenues.

Fox has sent a package of major fiscal and financial reforms to the National Congress to begin addressing weaknesses in the government's tax structure and in the banking system. On taxes, the government has taken a two-pronged approach to improve tax collection and to increase revenues by taxing more items and raising the value added tax (IVA). The reaction to his early proposal to tax food and medicine was very negative, as one would imagine, and it has been difficult to legislate previous proposals to raise the IVA. In terms of the kind of cultural change required among the general population, improving tax collection ranks with eliminating corruption. The government has started on this effort by simplifying the tax regulations as well as the tax forms in order to encourage better compliance.

Strengthening the banking system is crucial to keeping the economy growing. Through the combined efforts of President Zedillo and the past National Congress, Mexico's financial system was pulled back from the brink of total collapse. It falls to President Fox to secure the kinds of reforms that will prevent the banking system from reverting to past practices. The reform package he sent to the Congress includes greater reporting requirements and more stringent conditions for granting loans. Bringing the banking sector back to good health will enable those who are not in the export sector to get the credit they need to create, expand, or modernize their businesses. The banking reforms will probably have an easier path through the legislative process than the fiscal reforms will have.

Finally, modernizing Mexico's electricity and energy sectors will be the most difficult but necessary task that the Fox government will face. The country needs foreign investment in order to improve these sectors, but national sovereignty concerns keep foreign investment out. Privatization of the electricity sector proved an impossible task for President Zedillo because of the objections of the PRI-dominated labor sector. Fox will have greater difficulty in addressing this issue. The Mexican economy demands more power and energy than the current systems can manage; yet the political constellation is not yet in place that would allow the needed reforms to go through. The transportation, telecommunications, and health care delivery sectors also require improvements in the infrastructure. The political will exists to carry out these reforms, but the resources are lacking.

Conclusion

Vicente Fox has his work cut out for him. He has many obstacles to overcome in his efforts to change Mexico. However, his victory has unleashed a groundswell of support for change. He will need to build successful coalitions to get his legislation passed or to maintain enough support to assure that his party wins control of the Congress in the midterm elections of 2003. Should his party not succeed in gaining control of Congress in 2003, consensus building could prove to be more challenging.

The gaming exercise that took place a year before Vicente Fox took office was based on scenarios that did not materialize in the real election. However, the fears these scenarios represented are real and could occur in the future if Fox does not bring about meaningful change in Mexico. The game also demonstrated the elements required to achieve success:

- Carefully managing relations with the PRI;
- Steering the economy through the shoals of domestic and international challenges;
- Fighting corruption;
- Modernizing the function of government, not only in Mexico City but throughout the country; and

- Ensuring that relations between the United States and Mexico remain productive.

The most significant help the United States can give to President Fox is to maintain a strong U.S. economy and keep the door open, or at least ajar, for Mexican immigrants. Removing the thorn of the certification process—as eventually occurred in 2002—served to give Fox some breathing room in the fight against drug trafficking. In the final analysis, however, it is up to the Mexicans themselves to make this latest experiment in government a lasting one.

CHAPTER 2

Shock Therapy for Accelerated Reform in Mexico

A Pact-Based Transition as a Best-Case Scenario for 1999–2001

John Bailey

A best-case scenario for Mexico through the remaining months of President Ernesto Zedillo's term (1994–2000) and for the first year or so of the government that will take office on December 1, 2000, is one that markedly accelerates the pace of political and economic reform. Of the several possibilities, the most interesting centers on a measured shock that produces a high-level process of pact making by leaders of the major political parties. The process would be carried out with the participation and support of elites from civil society and backed by supportive public opinion. A pact implies a set of fundamental understandings among the principal actors in society that provide a framework for agreement on basic parameters within which the competing parties and interests can pursue their specific agendas. The pact should cover essential political and economic issues and be completed before the general elections of July 2000 in order to reduce the end-of-*sexenio* instability that has marked presidential transitions in Mexico since 1968. The alliance would also serve to facilitate policymaking by the new Mexican Congress that takes office on September 1, 2000, and legislates along with President Zedillo until the inauguration of the new president on December 1, 2000.

Pacts laid the foundations of the democratic transitions in Colombia and Venezuela in the 1950s and in Spain, Chile, and Argentina in the 1970s and 1980s. In those cases, the civilian oppositions were able to form alliances to bring down authoritarian regimes and to pave the way to democratic rule by setting out basic understandings that reassured the moderate supporters of both the opposition parties and the authoritarian governments, as well as outsiders and investors. In effect, these pacts ensured that the rules of the new democratic game would not threaten wealth or property or put radical proposals on the agenda. The arrangements also ensure that no full-scale vengeance would be sought against those who collaborated with the old regime. A pact may or may not result in a rewriting of the country's constitution; however, this type of an agreement usually entails basic legislation and constitutional amendments.[2] In the case of Mexico in 1999, however, 70 years of a

comparatively moderate, inclusive, civilian (indeed, antimilitary), populist-nationalist, authoritarian system—what Peruvian writer Mario Vargas Llosa dubbed "the perfect dictatorship"—have blunted the incentives for pact making, both in the government coalition and among the opposition parties. Mexico has been characterized by savvy governing elites that have offered just enough reform at precisely the right moments to enable them to hold their own coalition together and stave off the breakdown of the system or the unification of oppositions that might compel substantial change. The U.S. government, for its part, has stepped forward on key occasions to endorse the regime of the Institutional Revolutionary Party (PRI).[3] The result is a prolonged political and economic transition that creeps (forward, one hopes) at a glacial pace while social and economic problems accumulate. Again in 1999, Mexico entered a presidential transition period amid highly uncertain circumstances—a context that created anxiety but that also offered the possibility for dramatically positive change.

If this is an accurate assessment, what new circumstances might produce a pact that would produce a smooth transition in Mexico? Divisions in the governing party and recent developments among the opposition have brought about a new situation in which the forces are more evenly balanced between the PRI's government coalition and the opposition. In this context, a measured, almost "Goldilocks"-type of shock to the political system could generate the momentum for pact making—that is, the shock should be not too strong or too weak, but just enough to produce the intended result. The disturbance should not be so ordinary as to pass as merely more bad news; nor should it be so traumatic as to completely destabilize the country's political and economic systems. Rather, the shock should be sustainable but compelling enough to convince political and social elites—as well as outsiders—that Mexico's transition faces imminent danger of careening off the democratic-institutional path whose preservation is in the most basic common interest of these sectors. Even if such a measured shock came to pass, a best-case scenario requires a benign external environment because of the country's vulnerability to market forces and international political pressures.

Why is a "shock-pact" scenario, with all its apparent risks, more optimistic than continuity and incremental change as portrayed in a scenario that posits a middle-range solution? The democratic transition in Mexico—arguably dating from the onset of the electoral reform of 1977—is the lengthiest of all that have taken place in any major country.[4] Unresolved critical issues and delayed institutional reforms continue to pile up on the public agenda, while the society and economy sink further into crime and insecurity, depressed wages and consumption, and growing inequality. Mexico's critical measures—including average

2. For a discussion of pacts in Spain's democratic transition, see Josep M. Colomer, "El modelo espanol de democratizacion," *Politica y gobierno* 6, no. 1 (1999): 173–186.

3. Sergio Aguayo makes the case that U.S. observers have been blind to the enormous importance of U.S. support to the survival of the PRI regime; see Sergio Aguayo, *Myths and (Mis)Perceptions: Changing U.S. Elite Visions of Mexico* (La Jolla, Calif.: Center for U.S.-Mexican Studies, University of California, San Diego, 1998).

4. A prominent Mexican politician used the unfortunate metaphor "constipated transition" at a presentation at Georgetown University in April 1999.

education, a growing working-age population, domestic savings, new investments, expansion of the formal economy, and income distribution, to note just a few—do not point toward a dynamic economy on the high-growth trajectory needed to underpin governability over the long term.[5] Gradualism in this context may offer apparent comfort, but it really means that the next decade or two will produce worsening conditions that will result in an unmanageable situation. A shock implies a crisis, but crisis—in the adage of the Chinese character—means both danger and opportunity: the danger of serious instability but also the opportunity for a course correction while there is still time to act.

Thus, Mexico's transition stands out as a situation that lacks an agreement among the main actors on the fundamental public policies and rules of the game. Lack of agreement, in turn, retards reform, increases uncertainty, and aggravates the cyclical tendency for domestic and foreign investors to pull back in the period leading up to the election and installation of the new government—some 18 months. As Luis Rubio, one of Mexico's most astute analysts, put it in 1999:

> The major source of political conflict at present is no longer in the electoral process but rather in the uncertainty that we're experiencing with respect to what is fixed and what can be changed by the governmental process. If this uncertainty isn't resolved soon, the next two years will be marked by permanent paralysis in the face of the unknown world that will unfold on the day after the presidential election, which will impact on later years due to lack of investment.[6]

Mexico has ample experience with pacts, both positive and negative. In terms of a foundational pact, the 1917 Constitution blended agrarian reform, protection of the poor, workers' rights, nationalism, and extensive individual freedoms within a liberal democratic framework. The construction of the hegemonic party owes much to President Plutarco Elias Calles, who forced an agreement on the victorious revolutionary factions in 1929. In effect, the faction leaders exchanged their disciplined support for the National Revolutionary Party (*Partido Nacional Revolucionario*, PNR) in return for access to stable flows of patronage and benefits and for minor influence in the presidential succession process.[7] President Lázaro Cárdenas (1934–1940), a master pact maker, combined skill in mobilizing groups,

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5. This generalization requires elaboration beyond the space available here. The basic point is that Mexico requires sustained growth on the order of 6 percent annually over the next 15 years or so in order to absorb the approximately 1.2 million workers who enter the job market each year. The average annual growth rate during the de la Madrid presidency (1982–1988) was nearly zero (0.1 percent). During the Salinas presidency (1988–1994), the growth in the gross domestic product averaged 2.8 percent annually, and the growth under the Zedillo administration is running about the same rate (2.7 percent). One result is that about half of Mexico's workforce is occupied in the so-called informal sector, which avoids government regulation and taxation and is the source of considerable economic and societal distortion. See "Casi 50% de la PEA se desempena en algun sector de la economia informal," *Jornada*, August 27, 1999 (Internet edition).

6. Luis Rubio, "Ano de pactos?" *Reforma*, January 3, 1999 (Internet edition; translation by John Bailey).

7. While Calles employed considerable skill and muscle to force the agreement, the assassination of presidential candidate Alvaro Obregon in July 1928 provided the impetus for the creation of the PNR, which represented a key transition needed to build the hegemonic authoritarian regime.

such as labor and the peasantry, to support reforms with the ability to organize and incorporate these groups into a reconstituted national party. Cárdenas also showed remarkable instincts in converting a shock—in this case, the 1936 expropriation of oil and foreign retaliation—into a nationalist-populist opportunity: the formation of the Party of the Mexican Revolution, the successor to Calles's PNR. There have been numerous mini-pacts to achieve electoral reform since the late 1970s. In addition, Mexico's remarkable anti-inflationary policies in the 1980s were underpinned by *pactos* negotiated among labor, employers, and the state to set guidelines on wages and prices. To cite a more recent example, President Ernesto Zedillo advocated (unsuccessfully) a pact in 1997 for what he called "state policy" with respect to macroeconomic stability. And he reiterated his call (again unsuccessfully) in 1999, when he outlined a common electoral platform for the parties to consider for 2000.[8]

There is, however, a problem with using collective action to produce a broad pact in the present context. Mexican society as a whole would benefit from certainty over rules and policies, but significant factions in two of the principal parties—the PRI and the Democratic Revolutionary Party (PRD)—have not seen their individual purposes best served by taking the initiative or even supporting such a process.[9] The PRI seeks to defend its grip on government, using its advantages in whatever way possible to channel enormous sums of money and benefits through its nationwide machinery in an effort to gain an electoral edge. The PRD frequently takes a hard-line opposition stand in the evident belief that the electorate will ultimately reward the party's intransigence. Also, the PRD can sometimes get a free ride on agreements negotiated between the PRI and the National Action Party (PAN). The PAN occasionally finds itself in the unenviable position of brokering necessary legislation—to pass budgets, for example—while suffering attacks from both the PRI and the PRD. The central point, however, is that the PRI and the PRD are the heavy rocks that must be dragged into the "shock-pact" scenario.[10]

This study presents a survey of important assets that often get overlooked in conventional thinking about Mexico's political economy, a description of a benign external environment and the sort of shock that might lead to pact making, and a sketch of the elements of such a pact. The discussion will also consider variations in scenarios for the Mexican elections in 2000.

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8. "Plataforma común prelectoral, plantea Zedillo a partidos," *La Jornada*, February 6, 1999 (Internet edition).

9. I am simplifying the complicated internal dynamics in these two parties, both of which also have moderate wings disposed to negotiation.

10. Some societal actors would probably resist pact making as well, on the bet that hard-line strategies will bring bigger payoffs. Included here might be some factions of guerrilla insurgencies, such as the Zapatista National Liberation Army (EZLN) and the lesser known National Liberation Army (ELN), the so-called ultras among the National Autonomous University of Mexico (UNAM) strikers, some elements of the Barzon debtors' movement, some urban and peasant popular movements, and the like.

Mexico's Assets

In considering short-term scenarios, it is helpful to recognize important assets that Mexico can bring to bear. A few examples should make the point. Unlike countries such as China, North Korea, or the former Soviet Union, Mexico enjoys a rich legal constitutional heritage, which is being dusted off and put to work after 70 years on the authoritarian shelf. Mexico's revolution in 1910–1917 led to civilian control of the military, elimination of a powerful landed elite, government ascendancy over the Catholic church, as well as a tradition that seeks to civilize political life. Successful reform efforts since the late 1980s have channeled political change through democratic procedures. In contrast with cases like Russia, Brazil, or Ecuador, Mexico's "three-plus" party system functions more or less coherently to structure both public debate and policymaking and is aided by an increasingly vigorous and credible mass media. A skilled political class is learning to operate by new rules and expectations, as seen in the use of television in the political campaigns for the 2000 election, for example. Although clientelism and vote buying remain important, sizable components in the mass electorate have rather quickly learned to use the ballot to hold their governments accountable for their actions. More broadly, change is cushioned by a political culture marked by a conservative-leaning moderation.

On the economic side, Mexico—in contrast with most Latin American countries—boasts a large industrial base, sophisticated service industries, a sizable internal market, and substantial human and financial capital and natural resources. "Economic learning" is evident among both the elite and the masses: the old-fashioned, 1970s-type populism is virtually absent from public debate today, and the discussion now centers on how to craft policies that are workable in an open economy in which capital and commercial flows spell the difference between growth and stagnation. Mexico's recovery from the 1994–1995 peso crisis was impressively rapid, and the government adopted noninflationary fiscal and monetary policies and a floating exchange rate that produced moderate growth over the short term. In addition, the Zedillo administration was able to put together an external financing cushion to avoid the end-of-*sexenio* crisis that had marred the past four presidencies. Mexico's geography also presents important economic assets, with a location that offers easy commercial access to the world's principal markets in North America, Europe, and Asia.

In all, the country's many serious problems should not be underestimated, but its many strengths should not be ignored either.

A Benign External Environment

It is more likely that a shock can initiate a positive chain of events if the external environment is positive. On the economic side, some of the more important factors in 1999–2000 include the following:

- Continued economic growth in the United States, on the order of 2.5–3.0 percent per year, with no significant inflation;

- Stable international interest rates;
- Japan's economic recovery, with its recent stock market revival reflected in growth in the real economy;
- Continued economic recovery in Southeast and East Asia that in turn bolsters the return of capital to emerging markets, thereby relieving some of the pressure on Argentina and Brazil;
- Continued recovery in commodity prices, especially oil; and
- Successful negotiation of a framework agreement with the European Union, which in turn stimulates additional foreign direct investment.

On the political side, the key factor is Mexico's relationship with the United States and, more specifically, a positive dynamic in the U.S. presidential campaign, which overlaps in part with that of Mexico. It is probable that the leading candidates of the two major parties for the U.S. presidency and for congressional leadership positions will take positive stands with respect to issues that affect Mexico. This expectation is partly attributable to "institutional habits" and Mexico's strategic importance to U.S. interests as well as to the future importance of the Hispanic populations in key states.[11] In this sense, a positive U.S. presidential campaign would include proposals that deal with the following issues:

- Immigration policies that combine stronger control of the border with protection of migrants' human rights and workable guest worker programs;
- Antidrug programs that emphasize demand reduction, multilateral coordination of law enforcement efforts, and enhanced cooperation with Mexican authorities;
- Improved cooperation and expanded funding for border problems, especially transportation, environmental protection, and management of water resources;
- Expanded educational and cultural exchange programs; and
- Initiatives to deepen the North American Free Trade Agreement (NAFTA), such as implementation of the cross-border trucking agreement, closer cooperation on agricultural inspection practices, and additional resources for environmental protection, especially along the border.

These sorts of proposals with respect to Mexico might be bolstered by U.S. initiatives toward Latin America more generally. Examples of such efforts include (1) multilateral antidrug programs to be implemented through the United Nations or the Organization of American States (OAS), along with a rethinking of the annual congressional certification process; (2) reinvigoration of the Free Trade Area of the Americas (FTAA) initiative, beginning with commitments to seek fast-track authority from Congress; and (3) initiatives to strengthen the OAS.

11. Daniel Fisk, former staff member on the U.S. Senate Foreign Relations Committee, has made this argument; see Robin King, *U.S.-Mexico Relations Approaching 2000: Looking Back to Look Ahead*, Georgetown University, Center for Latin American Studies, Occasional Papers Series, no. 11, Washington, D.C., April 1999, p. 14.

What Sort of Shock?

Shocks, by their very nature, can be horrific, and this study should not be misunderstood as advocating that some group or force should somehow attack the Mexican government or society. Rather, this paper argues that *fortuna* (call it Providence) matters. The United States has suffered its share of shocks, which have produced dramatic changes. The assassination of John F. Kennedy became part of the momentum for the series of civil rights advances of the 1960s. The Watergate scandal of the mid-1970s, another example, transformed relations between the executive and legislative branches at one level and undermined public confidence in democratic institutions at another. Nevertheless, the Watergate crisis also strengthened institutional checks on the presidency. There is some range of possibility that a substantial shock may occur in the near term in Mexico and, under the right circumstances, it may be sufficient to propel political leaders into action to negotiate a pact to accelerate the transition.

Violence of one type or another is central to the worst-case scenario and has become increasingly worrisome, even in the incremental scenario. However, violence of a measured sort also could produce sufficient shock to motivate actors to seek a pact. There is a basis for arguing that the Zapatista insurgency in January 1994 and the assassination of presidential candidate Luis Donaldo Colosio in March of that year created incentives for reforms that led to the watershed presidential elections the following August. In the context of 1999–2000, a substantial escalation of violence by guerrillas, paramilitary groups, and the army in Chiapas or in other regions that experienced conflict (for example, Guerrero, Puebla, Oaxaca, Hidalgo) could convince elites to seek agreement. Student strikes and mobilizations of the type that took place at the National Autonomous University of Mexico (UNAM) between April 1999 and February 2000, could provoke violence in various ways; for example, among different factions of students; between hard-line ultras and the police; or among students, police, the public, and provocateurs. Assassinations or kidnappings of high-level political or societal leaders have put Mexican society on edge in recent years, and a recurrence in the near future could tilt the reaction toward elite collaboration. Criminal assaults and robberies have become increasingly violent, and a particularly gruesome combination of events could also provide an incentive to seek an agreement.[12]

Apart from violence, two other sorts of events could give rise to impetus for a pact. First, allegations of corruption, especially "narco-corruption," increasingly taint Mexican political life, becoming almost a McCarthyite stigmatizing factor. Should the public receive irrefutable evidence of corruption that implicates high-level officials, especially those in office, a strong reaction might lead to cooperation on a pact. This sort of trauma could be highly divisive if it involved only *priísta* officials. In this sense, a corruption scandal that implicates high-level leaders from the other parties, along with some prominent banking and business leaders, would be a better reason for generating a constructive reaction.

12. The unsuccessful attempt on the life of Mariano Herran Salvatti, Mexico's top antidrug official, on August 15, 1999, sends an ominous signal.

Second, certain kinds of natural disasters can motivate cooperation. The Mexico City earthquake of 1985 is often cited as a major impetus in mobilizing civil society in new ways, for example, by energizing urban popular movements. Some also see a natural disaster as a lost opportunity for pushing for decentralization. One might envisage how a particularly devastating hurricane might also generate a reaction to pull the country together.

Up to this point the discussion has focused on domestic shocks as a way to bring about an attempt at pact making. It is conceivable that an external shock might also serve the same purpose. For example, the infamous "Casablanca" episode in May–June 1998, in which certain U.S. government agencies aimed at countering a money-laundering scheme and ran parts of a sting operation against several Mexican bankers on Mexican territory but without the Mexican government's permission—or even knowledge—produced a short-lived uproar in the Mexican media. A replay of something similar—or perhaps an operation on an even larger scale—could prompt Mexican parties to cooperate in closing ranks. Moreover, such an episode could feed into a U.S. presidential campaign as precisely the sort of careless provocation that should be avoided.

A single shock might be enough to produce the needed momentum. More likely, a combination of shocks—a corruption scandal, plus criminal violence, plus border violence involving U.S. military and police authorities, for example—might cross the threshold of the pressure that can provide incentives for societal leaders to call on party elites to break out of their pre-electoral competition and enter into meta-negotiations on the rules for the transition.

Given the shock, what is then needed is civil society's clear demand that party leaders subordinate their partisan agendas and negotiate procedural rules of the game through the July 2000 elections and the installation of a new National Congress, as well as agreement on basic economic policies and institutional reforms. The call should come from the business and professional associations, the university, artistic and intellectual communities, and religious leaders. In all likelihood, party leaders would conduct the actual negotiation of the pact, but the presence of societal representatives would propel the discussions forward, identify and criticize the intransigents, and validate the agreement.

Again, the thread of the argument here is that a certain type of shock, or combination of shocks, might serve to galvanize Mexican elites to see the risks of incremental business as usual and motivate them to seek a pact to undergird the election and set the basic parameters of policy for the government that takes office on December 1, 2000.

What Kind of Pact?

The keys to a pact involve commitments to an economic program that reassures investors while opening a dialogue on essential reforms, along with political initiatives that level the playing field for opposition parties and also strengthen democratic institutions. Such a pact would incorporate various political and economic elements. The political components include:

- **A code of electoral practices.** Because it is too late to change electoral laws 10 months before the election,[13] a pact might spell out workable provisions to monitor campaign spending and prevent manipulation of government programs to influence voters. Monitoring shoddy or outright phony opinion polls and blatantly biased media coverage would be necessary as well. Implementation of this code of electoral practices would involve not only the political parties but also the Federal Electoral Institute, mass media, and domestic and foreign election observers.
- **Reform of the state.** This vast and immensely complicated set of interlocking issues spans the presidency, the National Congress, the judiciary, federalism, state-society relations, and foreign policy. Realistically, a pact might include a statement of principles that the main actors can endorse, for example, more effective decentralization and a rebalancing of powers among branches and levels of government special attention to judicial and police reforms, along with the appointment of blue-ribbon commissions of experts and politicians to prepare a report for the government that takes office in December 2000.[14]
- **Conflict in Chiapas.** In this case, it is useful to get the EZLN and the government to commit to continuing to avoid confrontations, promoting the disengagement and disarmament of paramilitary "white guard" forces. It would also be helpful to appoint a subset of the pact negotiators to review the peace process to date and produce a framework for renewal of negotiations with the installation of the new government in 2000. The value of the pact-making process is to present a united front to the EZLN, which probably has waited to see the electoral outcome and intends to hold the incoming government to its commitment to negotiate in good faith.
- **Solution to the UNAM strike.** Opposition to the strike would probably be strong enough that a pact would be able to substantially isolate the ultras and provide support for an agreement to reopen the university. A new academic year could commence and negotiations on long-term solutions could be restarted and relocated in a broader forum in which the influence of the radicals would be diluted.

A number of economic elements in the proposed pact might be included in initiatives that offer assurances to both investors and broader social interests. The economic components include:

- **Macroeconomic orthodoxy.** This component involves a commitment to noninflationary monetary and fiscal policies and a transparent, floating exchange rate. Macroeconomic stability should be seen as an asset that is

13. Legally, electoral laws must be enacted by July 1 of the year before the election.

14. An important off-the-record element of a pact is agreement on some sort of amnesty for corruption and criminal activity by high-level officials in previous administrations. This would be analogous to the sorts of protection offered to military governors for human rights abuses in cases such as Argentina, Chile, and Brazil. This idea is morally and ethically repugnant, but a tacit amnesty could do much to reduce opposition from sectors of the hard-line "dino" faction of the PRI, which would probably sabotage pact making if the party's interests were not protected.

common to all parties and is also of fundamental importance to whoever wins the elections. Commitments to such policies partially make the divisive issue of dollarization irrelevant.

- **Regional and class inequality.** This issue should be placed concretely on a par with macroeconomic orthodoxy as recognition that the liberal market regime requires attention to conditions required for a more level social playing field.
- **Antipoverty policies.** As with the issue of inequality, priority should be given to alleviating poverty through provision of basic health care, education, housing, and nutrition services. This component—together with the two listed above—forms the core of a new social compact for democratic consolidation in a market economy.
- **Ratification of support for nafta.** The Mexican Congress prepared an overall assessment of NAFTA's impact on the national economy. This report might serve as the basis of hearings in the new Congress. A related study might review bases for agreement among the parties on the desirable course of North American economic integration and the possibilities for diversification of trade relations through, for example, an agreement with the European Union.
- **Banking reform.** Creation of an independent authority to regulate the banking industry—an entity that has effective powers to enforce transparency and standard accounting procedures in banking operations—would provide additional incentives that could attract foreign capital to the financial sector.
- **Tax reform.** Mexico's overreliance on transfers from PEMEX to shore up the central government's income reinforces a highly centralized political system, robs PEMEX of the resources the state monopoly needs to operate effectively, and creates a disincentive to implement an adequate tax system. The process of pact making could provide the cover political parties need to hold hearings and reach at least a shared diagnosis of the issue.

In addition to these examples of economic initiatives, it would be enormously helpful if external agents, such as the World Bank, supported the discussions involved in pact making by initiating negotiations on provision of a substantial credit to support antipoverty programs. Another helpful step would be for the U.S. government to find a way to underwrite financial guarantees to support a substantial bond issue for mortgages for low-cost housing. Another valuable contribution would be to devise ways to reduce Mexico's current obligations on its foreign debt. The point of these examples is to provide additional external incentives for internal actors to come to an agreement on a pact.

Electoral and Post-Electoral Scenarios

In terms of the timing of a "shock-pact" scenario, the process would probably be most manageable in the first trimester of 2000. The PRI will have chosen its candidate by then, the issue of an opposition coalition will have been resolved, and the

general election campaign would be gathering momentum. An optimal scenario can accommodate several different electoral outcomes.

An electoral victory by a moderate PRI candidate—in this case Mexico's former minister of government, Francisco Labastida—fits a middle-course scenario. Many observers—both inside and outside Mexico—might consider this outcome less risky than an opposition victory either by a coalition candidate or by a candidate of a single party. At the same time, however, a moderate, "establishment" PRI candidate would be beholden to the various factions of a party that are locked in a long-standing internal struggle.[15] The candidate of such a divided party would be either paralyzed or forced into an alignment with one side or another, in which case the government would face opposition from both the inside and the outside. Paralyzed or embattled, such a government would still find it difficult to adopt reforms that were harmful to the interests of entrenched groups. Even so, a PRI president whose party endorsed a pact like the one described in this study and who moved ahead vigorously to implement the pact also fits the optimal scenario.

On the other hand, victory by a moderate opposition candidate who subscribes to a pact-based transition offers important advantages. A government led by a member of a party other than the PRI offers the independence and fresh start that can break old rigidities and introduce important reforms. A non-PRI government could also be more open to coalition building in the new Congress, in the composition of the cabinet, and in the appointment of high-level administration officials by naming members of other parties, including the PRI.

Despite the PRI's advantages in terms of strength of organization, resources, numbers of militants and identifiers, and incumbency in 25 of the 32 state governorships, the party is far from invincible. If the electoral code of conduct works—including monitoring of campaign finances, balanced media coverage, presence of domestic and international observers, and professional polling—there are four keys to an opposition victory:

- Significant problems encountered by the PRI's candidate;
- Formation of a coalition by the opposition parties;
- An effective campaign by one of the opposition candidates that results in the individual's becoming a front-runner; and
- Strategic behavior on the part of a substantial bloc of the electorate, such as shifting support to the coalition or to the strongest opposition candidate.

The PRI faces several obstacles on its path in both its primary process and in the general election. The internal primary process to determine the presidential candidate pits the former governor of Tabasco, Roberto Madrazo, against Mexico's former minister of government, Francisco Labastida, thus producing tensions that could split the party.[16] This outcome is possible if a losing candidate can

15. A quick look at Labastida's top-heavy campaign organizations shows a veritable who's who of the party establishment; see the diagram accompanying, "Moctezuma cambia a los pobres por Labastida," *Proceso*, August 8, 1999, p. 19.

demonstrate that rules concerning campaign finance or voting procedures had been broken on a major scale.

Two sets of conditions almost guarantee that problems will surface. First, the party opted for a one-day, nationwide open primary, in which any registered voter can cast a ballot at one of some 67,000 voting booths. The logistics are quite daunting: the PRI must rely on its state and municipal structures to administer the balloting, and the strength and quality of this machinery vary enormously from one locality to another. It is improbable for all the candidates, or even the two leaders, to get their allotted pairs of observers to each of the booths to monitor the voting. Confusion, misinformation, and some degree of mischief are bound to plague the process. Irregularities of one sort or another are virtually assured in a substantial percentage of the booths. Second, some of the candidates are bound to perceive that at least some—if not most—of the PRI governors will play favorites, even in the rather unlikely event that the governors remain completely neutral.

In sum, there is ample probability of grounds for complaints. If the November 7, 1999, primary results in a close vote between the two leading contenders (say, a breakdown of 45, 40, 10, and 5 percent of the vote for four candidates), one or more of the losers will probably dispute the process, refuse to endorse the winner, and even bolt the party altogether. A low voter turnout (on the order of 20 percent) would also damage the process. Whatever the case, the winner of the PRI nomination would have to devote additional time and resources to shoring up internal support, while the opposition would benefit from the resulting image of a divided PRI.

Even if the primary process were to produce a clear winner, experience shows that the quality of both the candidate and the campaign can spell the difference when it comes to success in a close race in the general elections. Certainty about procedures and uncertainty about results is the essence of democracy. If the PRI's candidate stumbles, for example, in a major debate, public misstatement, or tactical miscalculation, the party might lose. The PRI itself has been accused of corruption, including narco-corruption, as have some of the party's candidates and their supporters. If the party's candidate were tainted by strong evidence of involvement in a scandal, the campaign could falter. In sum, the PRI is far from invincible.

The second and third key elements—a strong opposition candidate and strategic voting by the electorate—are intertwined. Both the PAN and the PRD have run national campaigns in the relevant post-1994 electoral context, and the leading contenders for both parties' nominations have proved to be effective campaigners. Both the major parties, especially the PAN, will have the resources to mount strong campaigns. A grand opposition coalition is not necessary for the defeat of a weakened PRI in a multiparty campaign, and important factors work against the formation of such a coalition.[17] If this coalition did come to fruition, it would probably run a close race against a united PRI and would very likely defeat a divided PRI.[18]

16. The other primary candidates, former Puebla governor Manuel Bartlett Diaz and former PRI president Humberto Roque Villanueva, were far behind in early polls.

The failure of a grand coalition, however, would not rule out the possibility of alliances among subsets of the opposition parties. Thus, one could envisage an alliance of the PRD or the PAN with one or more minor parties. A more likely scenario is a race with several candidates, in which the electorate perceives a stumbling PRI campaign. The strategic voting bloc—those voters willing to subordinate their policy and candidate preferences to the goal of defeating the PRI—then would look to the strongest opposition candidate. Poll results, as broadcast and interpreted by the media, would provide the necessary cues. At some point, a marked shift of support to one of the opposition candidates is likely to start showing up in the polling, giving rise to a bandwagon effect. According to this scenario, the leading opposition party—most likely the PAN—would defeat the PRI, the PRD, and some minor parties by a narrow plurality, such as a breakdown of 37, 32, 18, 6, and 4 percent, and so forth.

Whatever the electoral outcome—a PRI victory, a coalition win over the PRI, or a PRI loss in a multiparty race—the immediate post-electoral sequence will be critical. It is important for several "guarantors" of the process to endorse the outcome and move quickly to legitimate the winner. The winner, in turn, will need to reiterate a commitment to the pact, offer assurances, and send the right signals.

The "grand guarantor," President Zedillo, will need to act quickly, publicly, and vigorously to recognize the winner and call on every segment of Mexican society to join in the recognition. It is important for Zedillo to tie the prestige of the presidency to the support of democracy. The "vocal guarantors" include foreign governments, especially that of the United States, the national and international media, human rights and civil society organizations, business groups, and academic and intellectual elites. These guarantors' contribution will be to mobilize bias in favor of the process by emphasizing, for example, how the pre-election polls and election-day exit polls and quick counts accord with the actual outcome. The "quiet guarantors" consist of a greater mixture—the Mexican army, key international financial institutions, and voices from "the markets"—who will contribute by signaling their support for the winner and cautioning disgruntled factions against disrupting the process. The statements and signals should be tied to immediate negotiations with leaders from the various parties in order to form a majority coalition in Congress.

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17. A coalition of the PAN, the PRD, and four minor parties was being negotiated in fall 1999. The possibility of success is greater than was thought to be possible the previous summer, but several factors were standing in the way: (1) both Cuauhtémoc Cárdenas (PRD) and Vicente Fox (PAN) expected to be the coalition's presidential nominee and were locked in a dispute over the nomination formula; (2) the mini-parties planned to push hard for shares of the at-large proportional representation seats, a situation that would exacerbate tensions within the two major parties; (3) public funding for the coalition (and its access to paid media) would be reduced to the equivalent of the share that is due to the largest party in the coalition, which would put a financial squeeze on the parties most dependent on public money, especially, in this case, the PRD; and (4) the major parties differed on a number of issues, such as free, universal education through the university level.

18. In this scenario, either the opposition coalition or the PRI would be likely to reach the threshold of the "governability clause"; that is, the party that wins 42 percent of the popular vote is granted an additional 8 percent of the seats in the Chamber of Deputies, virtually guaranteeing a working majority for the incoming president.

The winning candidate will need to reiterate a commitment to the pre-election pact and call on the other parties to honor their commitments as well. The victor must also make strong public assurances that the newly elected government will be dedicated to looking ahead to making a new effort to attack long-standing problems, not focused on investigating the past and settling old scores. The candidate's closest advisers can "individualize" the assurance to particular parties as needed. In addition, the winning candidate will need to send a strong signal that the new government will reach out to other parties and to civil society at large to find the best possible talent for the new government.

To succeed, the post-election scenario will have to start emphatically and build momentum quickly. This effort should take place in three discrete periods:

- From election day, July 2, 2000, to September 1, 2000, with the installation of the new Congress;
- From September 1, 2000, to December 1, 2000, with the inauguration of the newly elected president; and
- From December 1, 2000, to April 30, 2001, with the end of the first regular session of Congress.[19]

Disgruntled or threatened losers can be expected to react quickly and perhaps violently. Success in the first congressional period will depend on strong leadership and vigorous mobilization of support. This is also the period for negotiations about the internal organization of the new Congress and the legislative agenda. Between September 1, 2000, when President Zedillo gives his last state-of-the-union message to the newly installed Congress, and December 1, 2000, when the newly elected president takes office, the key items on Congress's agenda include (1) passage of the budget, (2) internal organization of the parties and legislative chambers, and (3) hearings and preparation of reports with recommendations for economic and political reforms. These three months will set the stage for preparing the agenda for the incoming government. From December 1, 2000, with the inaugural address, to the end of the first ordinary session of Congress on March 15, 2001, the main priorities will be to organize the new government and set priorities for immediate action. The success of this period will depend on both substance and tone: the new government will need to project a tone that is both forward looking and urgent and to demonstrate a capacity to choose priorities and produce results.

Afterword

It is important to reiterate that the scenario sketched in this paper here is not a prediction about what is likely to transpire in Mexico between fall 1999 and early 2002. The course of events described in this study might be considered optimal because it breaks the inertia of continuity and incrementalism, which buys time and offers a

19. Deputies and senators are elected for three-year terms. The first period of their annual session begins on September 1, 2000, and runs through December 31, 2000. The second ordinary period runs from March 15, 2001, to April 30, 2001.

false sense of tranquility at the expense of abating serious negative trends in public security, inequality, poverty, inadequate growth, and stymied democratic consolidation.

It is human nature to think about the future as a projection of present trends. It is also easier and somehow more natural to envision how things might go wrong. The benefit of a scenario exercise is to open thinking to a variety of possibilities, including optimal ones. In this way, the scenario can help prepare actors to recognize potential opportunities for constructive action in the midst of a blur of events so that, in some instances at least, the actors might add their efforts to push changes along. Moreover, at some point, a scenario becomes a contrafactual; that is, at some point in the future, it helps one to look back and ask why an alternative course of events did not take place and to reflect more systematically on whether the alternative might have led to a better outcome.

CHAPTER 3

Mexico in 2001: A Middle-Road Scenario

Roderic Ai Camp

This purely speculative essay offers a futuristic description of a moderate political scenario for Mexico in 2001. The discussion does not necessarily offer a description of what the author believes will happen but a description of conditions most likely to produce political continuity. A middle-of-the-road political scenario for Mexico in 2001 does not imply that Mexican politics will remain unaltered between 1999 and 2001. Neither does this scenario imply that all the influential or even potential actors will display the same characteristics or behave in precisely the same way as they did in 1999. The most likely conditions leading to a moderate political scenario characterized by incremental change would include the following variables:

- A modest gap between citizens' expectations and the government's political and economic achievements;
- A modest but steady rate of economic growth in both Mexico and the United States;
- An electoral plurality nationally for the Institutional Revolutionary Party (PRI) in the 2000 presidential race;
- A military that is undergoing internal change but remains committed to civilian supremacy;
- The rise of regionalism and fiscal federalism on the local and state levels, characterized by increasing control by opposition parties;
- Continued influence of Catholic leadership advocating civic action and a reduction in economic inequalities, but strongly supporting political nonviolence and negotiation;
- Retention of the Zapatistas and the People's Revolutionary Army without the expansion or development of additional, active guerrilla movements;
- Stabilization in the growth of paramilitary groups and their allies;
- Reduction or maintenance in the level of drug consumption in the United States;

- A PRI presidential candidate who represents a moderate or hybrid politician, who is neither an orthodox technocrat nor a party traditionalist; and
- A moderate increase in the number and activities of nongovernmental organizations (NGOs) and their transformation into political organizations.

Can Mexico be expected to continue its present political path through 2001? If the country straddles the fence between an electoral democracy and a polity without the rule of law, what features will characterize Mexico's political landscape? To what degree will many of the conditions that characterized Mexico in 1999 exist three years hence, and to what degree will they be altered if Mexico subscribes to a path of political continuity? Mexico can achieve continuity accompanied by change, but political change must be such that structural political features of the model remain fundamentally unaltered. However, a Mexico characterized by a middle-of-the-road political scenario in 2001 is expected to be different from the Mexico of 1999, and it will be a dynamic society, not a static one. If such a scenario is to be realized, at minimum, the 11 important conditions listed above are likely to be present, and they are described in this study.

Political Expectations: The Psychological Variable

Since the early 1980s, analysts on both sides of the border have predicted the rapid decline of Mexico into social and political chaos, attributing this doomsday vision to various negative economic and social trends. But if the past two decades provide lessons about Mexican politics, it is apparent that social and economic upheavals—even when considerable—have not necessarily led to significant structural modifications in political behavior. In part, the Mexicans' level of satisfaction with their own and their children's futures may offer a better explanation for the lack of short-term nonincremental changes than the actual conditions confronting society at a given moment in time. Repeated economic recessions and setbacks, which have produced substantial documented declines in the actual standard of living of millions of citizens since 1980, are tempered by the fact that many Mexicans continue to reduce their expectations.

Two psychological conditions could enhance political continuity in Mexico in 2001. First, the majority of Mexicans generally would remain satisfied with their present situation and, more specifically, with their personal lives. Most Mexicans would describe their lives as somewhat or typically happy. Second, most Mexicans also would believe that their economic future, and especially that of their children, would improve in the medium to long term. Positive expectations about their children's future are likely to be more influential than the adult population's own individual circumstances in producing a setting favorable to moderate, incremental change.

Economic Growth: The Well-Being Variable

An administration that continues to witness stable, modest economic growth, without any significant reversals or economic booms, reinforces the likelihood that the populace will maintain modest expectations about the economic future. When weighing the importance of democratic political achievements against economic growth, the vast majority of Mexicans repeatedly comes down firmly on the side of economic growth.

The continued strengthening of the Bank of Mexico's autonomy from the Treasury Secretariat—and therefore the presidency—provides some structural support favoring greater continuity in some of the underlying governmental decisions affecting both the direction and the pace of economic growth. A persistent, modest level of economic growth in Mexico is also heavily dependent upon the economic well-being of the United States as well as on global trends outside the hemisphere.

As events in 1998 illustrated, weakness in Asia's fundamentals affects economies throughout that region. Closer to home, when Brazil encounters serious economic problems, investors indiscriminately lump Mexico together with the situation in other parts of the hemisphere. In 1999, depressed costs and prices of Mexican goods made them highly attractive in U.S. markets. A strong economy in the United States, given the volume of its purchases of Mexican goods, is essential to this scenario. Persistent, depressed international prices for oil would also endanger this outcome.

A solid U.S. economy is crucial to a stable Mexican economy for several other reasons. First, Mexico's economy relies heavily on tourism, particularly by U.S. residents, because recession at home limits the number of citizens who travel abroad. Second—and far more important in terms of medium- to long-term political changes—is the absorption rate of Mexican immigrants into the U.S. economy. Continuation of migration as a traditional economic release valve within Mexico is an important ingredient that the United States brings to this scenario. The U.S. absorption of excess Mexican labor is significant for social as well as economic reasons. Immigrants send back billions of dollars (estimates range from $5 billion to $7 billion annually) directly to family members residing in small, rural communities, thus providing critical savings and investment in the least developed sectors of the Mexican economy, especially in the country's central and southern regions. Studies show that many older immigrants have built numerous U.S.-style homes in their native communities, economically influencing a variety of construction-related enterprises.

Second, if the United States were to increase border surveillance rapidly, succeeding in reducing the flow of Mexican migrants, the result would generate an important economic and social domino effect within Mexico. Not only would tougher barriers automatically increase the number of unemployed Mexicans, which even a strong Mexican economy cannot adequately absorb, but more important, those same Mexicans, who are often the risk takers in their local communities, would be more likely to question actively the political conditions and structures leading to their personal economic situation. They are the Mexicans who form the next generation of grassroots leaders in the NGO sector and in smaller, newer polit-

ical parties. The United States, therefore, exercises a significant, indirect, and often unpredictable influence on the realization of this scenario.

Third, the Wall Street investment community must continue to view Mexico as an attractive home for U.S. capital. Without current levels of investment, the Mexican economy will fall even further behind in its ability to provide employment to millions of Mexicans entering the economically active population.

A PRI Presidential Victory: The Electoral Variable

Before 2001, most of the states in Mexico will have changed executive leadership at a time when opposition parties have increased their electoral victories. A middle-road scenario in 2001 might witness an electoral pattern in which the three major parties split gubernatorial and local victories, as they did in 1997. The election that is critical for determining the national political landscape, of course, is the presidential race in 2000. More parties will compete in this election than was the case in 1994. One of those parties could be led by Porfirio Muñóz Ledo, a contender for the presidential nomination of the Democratic Revolutionary Party (PRD) in 1994 and 1999. It is even possible that Muñóz Ledo could attract some PRI and PRD votes, depending on the PRI's presidential candidate. Another splinter party might be led by Roberto Madrazo if he were the losing contender for the PRI nomination in 1999.

A PRI presidential victory in 2000 is the most likely guarantee of political continuity in 2001. According to this scenario, the presidential race would produce a plurality president similar to President Ernesto Zedillo after his 1994 victory, but the PRI candidate in 2000 would win by a much smaller margin of votes, garnering perhaps fewer than 45 percent but greater than 38 percent of the vote. As was the case in 1997, the PRI would lose the majority of congressional seats to the National Action Party (PAN) and the PRD, as well as several newer opposition parties in addition to the Green Party. The opposition collectively would take even more seats than was the case in the 1997–2000 election of members of the Chamber of Deputies.

Given a PRI presidential victory, several conditions would have to be met for a moderate political scenario to be a possibility. In the first place, among the potential presidential nominees within the PRI, a victorious individual would have to come from a sector other than the Old Guard. A winning candidate, such as Roberto Madrazo, a front-runner with strong ties to the Old Guard, not only would produce deep incisions within the PRI, as would be the case with any presidential nominee to some extent, but also, if victorious, would produce sharp divisions in the national political fabric outside his party. During his first year as president, a leader with Madrazo's credentials would attempt to reverse many of the incremental changes implemented in the 1990s, thus destroying the tenuous foundations on which Mexican democracy has been gradually constructed. Furthermore, a Madrazo-style candidate has shown little inclination to build a consensus, a quality essential to Mexico's political continuity.

A more likely candidate to produce a moderate political scenario, serving as a bridge between the traditional politicians and the technocrats within the PRI, is Francisco Labastida, the former secretary of government, who has strong ties to president Miguel de la Madrid and his group, as well as to the younger members of Zedillo's circle.

Technically, the electoral process itself would be at least as open and as fair as it was during the 1994 and 1997 presidential and congressional elections, and the major parties would be compelled to accept the electoral results. Most Mexicans probably would continue to believe that their elections are fraudulent (46 percent did so in 1998), moderating substantially any citizen dissatisfaction with the election results being translated into committed, violent, antisystem, political behavior.

A Unified Military: An Institutional Question Mark

The Mexican military would continue to exercise a growing influence on political matters. The relationship between the civil sector and the military in 2001 is likely to retain the following necessary features in pursuit of a moderate political path:

- The leadership of the military would view itself as a state institution, not as a PRI government organization. The distinction between a government actor and a state actor would grow in the eyes of a younger generation of officers, who would continue to see the military as subordinate to the president, and therefore subordinate to civil authority. The officer corps has sought to institutionalize greater contact with influential civilian agencies by increasing the number of civilians in the National Defense College's class of 1999—a class of generals and colonels or equal ranks from all services—to include 6 civilians out of a class of 28, up dramatically from only 2 civilians in earlier classes.
- The officer corps has requested—and received—a greater voice in the government's decisionmaking process. Consequently, the military will continue to play an expanded role in decisionmaking in matters dealing with Mexico's national security. This influence would be exerted in two areas of responsibility: drug trafficking and guerrilla activities. The military's voice would be decisive in determining the level of cooperation with civilian agencies, especially cooperative arrangements with the U.S. military on these issues.
- The military must perceive the elected chief executive, and the government that executive represents, as legitimate. The military will perform unpleasant tasks, including the suppression of guerrillas, as long as it exercises a voice in the decisionmaking process and civilian authorities have the respect of the populace.
- Favoritism within the military must be brought under control in terms of promotions and careers, or the military's unity will be in doubt. A unified officer corps is essential to a middle political path.
- The military must not witness any significant increase institutionally in the level of drug-related corruption and contamination. The military is not likely to eliminate levels of corruption evident in 1999 by 2001. In late 1998, two high-

ranking officers, General Francisco Quirós Hermosillo, a former zone commander in Sonora and regional commander in Chiapas, and an individual who had been a director of military transportation in the Salinas administration were placed under house arrest for alleged drug-related corruption, illustrating continued problems at the highest levels of the armed forces since the 1997 arrest of Mexico's drug czar, General Jesús Gutiérrez Rebollo. The military can successfully retain its institutional integrity without significantly reversing these trends, but it would be nearly impossible for the armed force to remain a stable, institutional actor if the incidence of corruption increases.

By 2001, the military also will have implemented a number of internal reforms, including allocating more decisionmaking authority to regional commanders and reforming its strategy in the war against drugs to focus on small units' capabilities in intelligence gathering and patrolling. The size of the military will continue to expand, growing from approximately 240,000 to 260,000 by 2001. Although crime remains a central national political issue, the military would no longer participate in missions designed to combat crime, with the exception of tasks related to drug trafficking.

Regionalism versus Centralism: Implementing Federalism

The importance of political regionalism will continue unabated in Mexico. Opposition parties' increasing electoral control at local and state levels will have important consequences for Mexico's political development but probably will not significantly alter continuity. Members of opposition parties now govern an estimated 60 percent of the population at state and local levels. Decentralization of political power, specifically placing decisionmaking in the hands of new leaders from opposition parties, is both beneficial and detrimental to these parties' future electoral victories. In the short run, the parties may strengthen their grassroots organizations enough to produce electoral victories in state and local races. By 2001, at least three consecutive elections will have taken place in municipalities where officials of opposition parties have governed, giving the electorate a chance to evaluate the performance of these parties and their leadership and compare them with previous regional administrations. The PAN's own records demonstrate that, among the 346 municipalities in which the party won elections between 1946 and 1996, it has won more than once in only 86 cases, and of those 86 it has won consecutive elections only 64 percent of the time.

The parties that lost elections in the late 1990s—whether the PRI, PRD, or PAN—will have renewed opportunities to achieve electoral success as local leaders fail to meet the voters' higher expectations. Gubernatorial races demonstrate clearly that the selection of strong, popular leaders—along with the way they were selected—has a significant influence on the electoral outcome. These races also show that former PRI officials can win when they run as candidates of opposition parties. However, when the PRI adheres to these same principles—choosing

popular figures with the support of the rank and file—the party can defeat both the PAN and the PRD.

In 1999, the National Congress shifted a larger percentage of federal fiscal resources to municipalities and states than was done in the past. In the long term, these new financial policies will produce important structural consequences, but they will remain incremental in scope through 2001. Mexican policymaking is bound by significant financial limitations, regardless of how those resources are allocated. Although the PAN and the PRD will have increased opportunities to achieve success in governance as a result of their control over increased local resources, those funds remain grossly inadequate for governmental tasks that need to be undertaken.

Even though a middle-road political scenario may be sustained at the national level, the most exciting political dynamic can be found at the local and state levels. The typical characteristic in such a circumstance, however, will be an electorate in flux, one that evaluates performance on local issues and votes accordingly. The number of parties winning local elections will also expand; nationwide, between six and eight different parties might be represented at this level.

Another extraordinary phenomenon is the strengthening of regionalism in Mexican politics: for the first time in 50 years, the task of national political recruitment has reverted to the states. Ten years ago, it would have been unimaginable to argue that the majority of the PRI's leading presidential contenders would come from the ranks of incumbent or recent governors, let alone that the candidates would come from all three major parties. Cuauhtémoc Cárdenas used the Federal District as his base for another PRD presidential bid. Manuel Bartlett and Roberto Madrazo did the same from Puebla and Tabasco, respectively. Francisco Labastida, the leading PRI front-runner, used his stint as governor of Sinaloa to meet the party statutes requiring a candidate to have held a prior elective office as a means to return to a national cabinet post. Labastida used his post to recruit a number of former governors into his own political group. The PAN candidate, Vicente Fox Quesada, who was on the campaign trail for three years before the presidential election, strengthened his position through his performance as governor of Guanajuato.

Religion in Politics: The Church as a Political Actor

One of the increasing social disruptions in the 1990s was the religious conflict between Catholics and Protestants, primarily between rural Protestant Evangelicals and Catholics. Religious affiliations even help to explain the origins of the Chiapas rebellion in 1994. However, the most influential religious issue affecting the political scene is the involvement of priests and especially bishops in public debates dealing with policy. Despite the growth of Evangelical Protestantism in rural Mexico, the Catholic church remains the most influential religious and cultural actor. The majority of Mexicans can be expected to continue to hold the Catholic church in high esteem in 2001, trusting it more than any other institution, with the exception of family and schools.

For reasons of morality and institutional self-interest, Catholic bishops have responded to this trust, taking a critical and public posture on significant political issues. Despite the wide variation in individual bishops' beliefs and despite the fact that an alleged conservative took over the reins of Mexico's most influential diocese in 1997—Mexico City—bishops have closed ranks on the church's role in protecting the indigenous population in Chiapas. These religious leaders will continue to provide support and to serve as an essential watchdog over abuses against the Zapatistas and their sympathizers.

Catholic bishops in Mexico City and Guadalajara, specifically Cardinal Norberto Rivera Carrera and Cardinal Juan Sandoval Iñiguiz, as well as those in many other dioceses, have criticized electoral fraud and corrupt officials. The bishops will continue this stance despite threats to prosecute them for violating government statutes. As long as clergy members do not increase their public statements markedly or become partisan supporters of specific parties, the clergy will serve as a moderate, dissenting voice in support of incremental change. In terms of a moderate scenario, the Catholic clergy will have a positive impact because of the church's universal condemnation of violence and its proactive posture that favors negotiated settlements of political disputes.

At the same time, the Catholic church has made it clear that it advocates macroeconomic policies designed to redress socioeconomic inequalities. In that vein, Mexico's religious leaders have repeatedly criticized neoliberal economic strategies generally, and policies related to the North American Free Trade Agreement specifically. The archbishop of Mexico City has even done so in his diocesan pastoral letter. The clergy will continue to push the government to address the nagging disparities in the distribution of income in Mexico. The leadership of Mexico's Catholic church clearly understands the intensity of ordinary citizens' feelings on this issue. In a recent survey, Mexicans expressed stronger dismay over the inequality in levels of income than did the citizens of any other major Latin American country. The church also has been the strongest institutional supporter and the most influential voice in favor of electoral reform, providing encouragement for making fair electoral practices legitimate and preaching civic action, specifically voting, as a Christian responsibility.

As with the Mexican military's officer corps, the moderate political scenario depends in part on the ability of church leaders to straddle the difficult fence between criticisms of partisanship and nonpartisanship and to make a significant distinction between the legitimacy of the state and the government. The potential for divisions within the church exists, as illustrated by the fact that the current leader of the Mexican episcopate, a national organization representing all bishops, was named to his office by a margin of only three votes.

Guerrillas on Multiple Fronts: Grassroots Violence

The most important and most unpredictable change in the larger setting—a change that, since 1994, has contributed to a more radical direction in Mexican political affairs—is the rise of regional groups that are willing to use violence to achieve their

political goals. This pattern is occurring at a time when one-third of Mexicans accept the use of violence as a legitimate course, depending on the circumstances. These regional groups are pursuing two different strategies.

The influence of the Zapatistas continues to rise and wane, depending on the political situation in Chiapas itself. The inability of Congress or the president to negotiate a successful agreement between the Zapatistas and the state will impede a moderate political scenario, although it is likely to have an impact again on PRI government leadership prior to 2000. Despite implied threats to the contrary, the Zapatistas have become a legitimate political force in Mexican politics, but as such, they are not inclined to use violence. They have lost most of the advantages of a traditional guerrilla group in implementing a peaceful strategy, and their intentions are more predictable than those of their more recent, smaller peer organizations.

The rise of the People's Revolutionary Army, which has small affiliates operating in more than 16 states—including Tamaulipas, a state that borders the United States—is potentially a more influential determinant of the broader political scene. Mexican politics can absorb the presence of this type of group as long as the scope of its actual incursions is modest and the number is limited. Typically, widespread condemnation of violence as a tool to achieve political ends limits both the success and the influence of such groups. Nevertheless, for a moderate scenario to prevail, the presence of such groups cannot expand substantially. First, both domestic and international public opinion would exaggerate the scope of increased activities and violent attacks during a presidential election. Expanding such activities would also favor an environment conducive to other illegal actions, such as kidnappings, bombings, and assassinations. Second, although the military has increased its troop strength and, according to a moderate scenario, would continue to do so in modest percentages, logistically Mexico's armed forces cannot handle larger numbers of smaller active guerrilla groups.

Given the techniques that the Mexican military and its civilian allies in the police force continue to use, together with weak judicial structures, the repression of guerrillas, especially their alleged sympathizers, generates only increasing support for their goals. The situation also highlights human rights abuses.

Paramilitary Groups: A Return to Political Violence

Mexico's political history is replete with the presence of paramilitary groups, especially in the hands of rural, regional caciques. These groups have operated for decades throughout the republic, and they were especially visible in the 1970s, during Mexico's own dirty war against leftist guerrillas and alleged sympathizers, often in collusion with organized military or police units. Despite their widespread, public exposure in Guerrero and Chiapas, paramilitary groups continue to operate unabated. For an incremental political path to succeed in 2001, these groups will have to be contained, although they will not be eliminated in the foreseeable future.

Several variables will determine the conditions needed to limit or prevent the occurrence of these groups' activities:

- Continued electoral victories by PRD and PAN candidates will make it more difficult for such groups to operate with impunity in regions now controlled by the PRI.
- The Catholic church and independent groups that deal with human rights, many of which have strong affiliations with international groups, have highlighted the abuses committed by paramilitary groups and brought them to the attention of state and national authorities.
- By exacerbating tensions and divisions on the local and state levels and between private and public interests, political decentralization contributes to an environment favorable to such groups.

The Drug Trade: The Role of the United States

The United States—particularly when its economy is strong—exercises an extraordinary influence on Mexican politics, particularly through its economic strength. Socially, however, because of its insatiable appetite for drugs, the United States has an adverse effect on every aspect of the Mexican political scene. The demand for drugs across Mexico's border, and the culture of drug trafficking and production that this demand has fostered in Mexico, has done more to damage Mexican political behavior and to introduce social violence than any other variable has. Many of the political assassinations and the extensive corruption within local, state, and national police agencies can be attributed directly to the drug cartels operating in Mexico. The cartels have successfully contaminated national and state politicians, military officers, the Federal Office of the Attorney General, and the private financial sector.

A *Wall Street Journal* poll conducted in mid-April 1998 suggested that most people in the United States believe that Latin America, including Mexico, has a serious drug problem. Ironically, few see the causal relationship between U.S. demand and Mexico's drug problems. Mexico is not likely to reduce the drug problem in the presence of the violence and corruption related to the drug trade. A moderate political scenario for Mexico depends on the U.S. government's ability to maintain or reduce present levels of drug consumption in the United States. U.S. political leadership has not shown a willingness to attack the underlying structural conditions leading to drug consumption, however. This U.S. position is not likely to change regardless of whether the administration is Republican or Democratic in 2001. Overall levels of drug consumption in the United States, therefore, are likely to remain steady and the consequences that the problem has in Mexico are bound to continue unabated.

Dissension within the Elites: Leadership and Political Change

Some political analysts have argued that negotiation by elites is the crucial variable in producing political change in Latin America. In Mexico, until the 1990s, most of the negotiating occurred within the governing elite rather than among political and economic leaders outside government. Divisions within the PRI elite remain very important not only for their impact on the party's electoral success but also for their role in enabling the opposition to increase its rate of electoral successes. The best example on the regional level was the 1997 gubernatorial campaign in Querétaro, a stable traditional stronghold of the PRI. Not only did infighting among the PRI leadership represent a competition among various camarillas for power, but the situation also demonstrated that dissent could reach deeply inside a single political family, destroying a national political figure's quest for a regional base from which to mount a presidential political campaign.

The dissension found in Querétaro, which led to electoral victory by the opposition party, is rife within the national PRI. The individual who gets the PRI's patronage and decisionmaking authority contributes markedly to the party's success. The PRI makes two fundamental decisions when choosing its leadership: (1) the party picks individuals who can be identified with an ideological and a personnel faction within the governing elite, and (2) the PRI selects candidates who represent a political generation.

This process is politically significant because, in the past four decades, each generation has dominated national political office for 12 years. The selection of Carlos Salinas and Ernesto Zedillo violated this informal rule of Mexican politics, which had excluded the de la Madrid generation (those born in the 1930s), from winning another six years in office. Labastida, born in 1942, represents a bridge between de la Madrid's generation and that of Salinas and Zedillo, who were born in 1948 and 1951, respectively. In short, a Labastida candidacy, or that of someone similar who represents Labastida's age cohort, would contribute a moderating element from a generational perspective to the issue of internal elite divisions. (It is worth noting that Porfirio Muñóz Ledo, who was born in 1933, and Cuauhtémoc Cárdenas, born in 1934, represent de la Madrid's generation, and Fox is the same age as Labastida).

Other political elites, over whom traditional government leadership exercises no control, complicate the broader issue of control and negotiation by political elites. The National Action Party selected Vicente Fox as its candidate in a democratic primary, but sharp divisions remain within the party's leadership. Fox has made his home state of Guanajuato a showcase for economic achievement and personal security—two crucial issues in the 2000 presidential race. A modest PRI victory in the presidential race is likely to lead to a moderate political scenario, but a PAN victory, in the person of Fox, also could likely produce similar results. The PAN cannot possibly provide sufficient party loyalists to fill most national political posts; consequently, a Fox presidency would definitely increase the pace of reforms and change their direction, but even one year in office would not be sufficient to produce a significant deviation from a moderate scenario.

The PRD has produced three major camarillas: those of Cuauhtémoc Cárdenas, Porfirio Muñóz Ledo, and Andrés Manuel López Obrador. It is important to note that a marked change has occurred in building and sustaining political camarillas, as the base of political recruitment gradually shifts from the federal government to state governments. Despite his poor performance as governor and without an internal PRD primary, Cárdenas was able to use the Federal District as a successful springboard back to the national political scene after two prior failed presidential races. Muñóz Ledo abandoned the party, becoming the presidential candidate of the Authentic Party of the Mexican Revolution (PARM), the original vehicle for Cárdenas's 1988 race. López Obrador has become a contender to head up the Federal District, the most important regional race in 2000.

The Rise of the Grass Roots: NGOs and Politics

A moderate political scenario will also depend on the degree to which the growth and activism of NGOs remains modest. A midrange political transition also assumes that no major unpredictable social or natural event intercedes to produce a flowering of new NGOs, a marked increase in NGO activism, or a rapid conversion of NGO members into political activists.

The single most important event that stimulated the growth of grassroots leaders and organizations in Mexico in recent decades was a natural disaster: the 1985 earthquake in Mexico City. The devastation the earthquake wrought in the nation's capital, combined with the government's inability to respond sensitively and quickly to the upheaval, resulted in a significant increase in local organizations devoted to many aspects of disaster relief. Many responses were short term, but others involved such long-term issues as housing and employment. The political consequence of a sudden rise in NGO activities includes the following:

- A sizable increase in the numbers of organized interest groups with demands that must be met and no established organizational links with traditional parties or groups;
- A sudden increase in "natural" political leaders who complicate the political process, including coalition building, with their own demands and interests; and
- An increase in the percentage of individuals who become potential or actual political activists.

Moreover, the groups that have been formed since 1985 have contributed substantially to Mexican citizens' beliefs that it is acceptable to participate or to be actually involved in less traditional forms of political activism such as demonstrations, strikes, boycotts, and so forth. More than one out of three Mexicans now claims to have been involved in such activities.

The transformation process between functioning as an NGO and moving directly into a political party organization is the most influential step an NGO can take in affecting the larger political setting. For example, in fewer than 10 years, a

small, unknown environmental organization in the Federal District transformed itself into a national political competitor—the Green Party, which won 4 percent of the vote in the 1997 congressional elections. Most NGOs, along with their members, do not cross the bridge into political party organizations. But if only two or three additional organizations with some national presence were to become political parties and to achieve national registrations in the year 2000, they not only would complicate the electoral arena but also would increase the dynamics within the political elites, making it difficult if not impossible for Mexico to achieve a moderate scenario. The Mexican electorate—which tends to believe in the desirability of including between four and eight organizations in a democratic model—provides a receptive environment for greater numbers of parties to participate in the national arena.

Afterword

In light of the electoral victory of Vicente Fox, as well as the current situation in Mexico, it is interesting to note some consequences suggested by the middle-road scenario. Even though the scenario was based on an electoral victory for the PRI, the election of the PAN candidate did not significantly alter the variables associated with the scenario that was analyzed.

Among all the variables examined in the middle-road scenario, all have come to pass with the exception of two major developments:

- The victory by PAN and its candidate, Vicente Fox; and
- A steady economic growth rate in the United States and Mexico.

The events that have transpired since this article was originally prepared demonstrate that Mexico's increasing economic integration with the United States—and, therefore, Mexico's increasing economic dependence on its northern neighbor—has significant consequences for Mexico in the policy arena when the United States suffers a downturn in its economy. Mexico has no control over this development, and the current situation hampered Fox's efforts to address poverty issues and the maldistribution of wealth in his country.

Despite the PAN's dramatic electoral victory, the transformation of Mexican politics is characterized by ongoing continuities that have their own energy and were not linked to a significant change in the leadership of the executive branch. In other words, many patterns and characteristics were set into motion before the actual election, and they have continued unabated. The most important feature of political continuity, which has continued apace, is the rise of regionalism and fiscal federalism at local and state levels. PRI governors, as a collective interest group, have become a significant, proactive voice in pushing for greater autonomy. This particular collective activity, which was not anticipated, is partly attributable to divisions, which were recognized in the scenario, within the PRI itself. Fox recently announced that he would increase the percentage of federal revenues that would be assigned directly to the states—from only 15 percent in 1999 to 35 percent in 2003.

The Mexican public's general opinion about the electoral process has undergone some changes. The preceding discussion's emphasis on the role of the IFE has been reinforced by recent survey research, which has confirmed the level of confidence Mexicans have placed in the IFE. What is interesting, however, is that despite the institute's legitimacy—and therefore the increased legitimacy of elections in general—the number of people who believe that elections are fraudulent today has actually increased since before the July 2000 election. Immediately after that election, that percentage who believed elections were fraudulent went down, but the number has climbed in the past year. This is a remarkable development considering that analysts view the elections since 2000 as transparent and fair.

An important variable, which did not appear in the discussion, is the linkage between citizens' perceptions of democracy and their perceptions of President Fox. Despite Fox's lack of achievements, he retains a high level of personal popularity. Nevertheless, citizens' satisfaction with democracy has declined since his election. Thus, it is obvious that Mexicans are connecting democracy with practical achievement in the economic and social spheres.

Another unanticipated development is the way in which Vicente Fox has conducted his presidency. He has encountered many roadblocks because he persists in addressing the public rather than the political elites, and he uses the public to create support for himself and his policies. Fox has disregarded the traditional institutional relationships that are already in place and has ignored the need to reach compromises between the legislative and executive branches. His failure to achieve many of his proposed policies suggests not only that continuity in the relationship among political institutions is important but also that those relationships, to date, are more influential than executive behavior. Structurally, therefore, the relationships have continued from the Zedillo administration and have not changed to conform to the new way in which Fox is attempting to conduct politics from his office.

In general, the discussion did not give adequate attention to the greatest success of the Fox administration—the increasing emphasis on the culture of law and legal rights. The president has addressed this issue in many ways, but among the most notable, with long-term effects, are the following:

- The independence and autonomy of the Supreme Court, which has ruled on a number of politically controversial issues, including cases where the executive branch itself was a litigant, have increased.
- The Fox administration has introduced a Freedom of Information Act, allowing independent scholars and government investigators to search archival records for information on past misdeeds, thus reversing, even if only in selected cases, the impunity of individual actors and agencies.
- By prosecuting two three-star generals, the government has made clear that those who were most immune to prosecution (high-ranking members of the armed forces), would be subject to the law. Equal treatment under the law, as well as the increased transparency it provides, are essential ingredients in the health and functioning of democracy.

Perhaps the most interesting observation that can be made about the middle-road scenario, which was based on a plurality victory by the PRI candidate, is that, despite Fox's electoral victory, most of the variables associated with a PRI victory can be found in the first two years of Fox's administration. In short, the PAN victory did not alter significantly the variables associated with such a scenario positing a PRI victory. This pattern suggests that, whereas the PAN victory signaled a major dramatic political change, for the most part, other changes in society have been incremental. Mexicans elected Fox precisely because he symbolized change, whatever that may have meant to voters. This incremental quality may explain why many Mexican people are disappointed with the changes that have occurred, and why they no longer advocate radical change.

CHAPTER 4

Thinking about the Unthinkable in Mexico

M. Delal Baer

Introduction

Thinking about worst-case scenarios has always been verboten in official U.S. circles, something done sotto voce in the crevices of the national security apparatus. The U.S. State Department avoids rocking the boat, and the academic establishment has shied away from the topic, leaving scandal-hungry journalists to slake the audience's thirst for a blunt assessment.

The Mexican millennium included a presidential election that, for the first time in more than 70 years, was able to produce a non-PRI government. This possibility bespeaks progress but also suggests fragility. Economic reforms have advanced in Mexico, but they are only partially consolidated and susceptible to shifts in the political pendulum. The ghost of assassinated PRI presidential candidate, Luis Donaldo Colosio, still haunts the political landscape. Hope and fear mix uneasily in this era of profound change.

The sobering worst-case scenarios that follow are by no means inevitable. They do not even reflect the author's view of the most likely course of events. Rather, the scenarios catalog the nightmares that thoughtful Mexicans were murmuring in 1999. The possibilities presented in this study are an act of exorcism and informed imagination, undertaken as a warning that Mexico's free market and democratic revolution should not be taken for granted.

Mexico's Culture of Intolerance

As Mexico was heading toward presidential elections in the year 2000, one great unknown was the degree to which all players would abide by the democratic rules of the game. Mexico spent billions of dollars creating technologically sophisticated and credible electoral institutions, but the invisible cultural underpinnings that support democratic governance—tolerance, compromise, and civic participation—remain weak. Mexico has gained pluralism but may lose governability.

Mexico spent most of the nineteenth century at the mercy of men on horseback. Today, the allure of the neo-caudillo has returned. The Zapatista guerrillas have succumbed to the cult of personality of their poet-leader, Marcos. The center-left Democratic Revolutionary Party (PRD) remains captive to the iconographic image of Cuauhtémoc Cárdenas. The collegial traditions of the center-right National Action Party (PAN) have been overwhelmed by the charismatic presidential aspirant, Vicente Fox. The discipline of the ruling Institutional Revolutionary Party (PRI) is fractured by neo-caudillos. The politics of personality have filled the vacuum left by weak institutions.

Mexico traded a history of succession by assassination for institutionalized party rule with the founding of the PRI in 1929 by Plutarco Elias Calles. The PRI tamed the violent ambitions of postrevolutionary caudillos, yoking them to an institutionalized order. *Pax priísta* included an implicit power-sharing arrangement among the caudillos, who submitted to a powerful presidency in exchange for a piece of the governmental pie. Mexican presidents were the grand arbiters of political patronage, distributing political power among the strongmen with a judicious hand. Although traditional Mexican presidents under the PRI regime were commonly believed to have had quasi-monarchical powers, in fact, they were limited by the invisible imperatives of elite inclusion, patronage sharing, and the constitutional provision prohibiting consecutive reelection. Inside the embrace of the all-inclusive PRI family, everyone was a winner. No one in the Mexican political elite ever had to learn to lose, except for those outside the family—the dissidents, who were demonized with merciless intolerance.

Mexican democracy was born of a breakdown in the sacred rule of inclusion: a presidential failure to arbitrate quotas of power. When President Miguel de la Madrid, who served from 1982 to 1988, named Carlos Salinas as his successor, a generation of populist politicos, steeped in the PRI's revolutionary lore, found that young, free-market technocrats had banished them from the banquet table that had been Calles's PRI. The excluded PRI politicos formed the dissident PRD led by Cuauhtémoc Cárdenas. Mexican democracy was born as a result of an internal breakdown in the confederation of caudillos that had been the traditional PRI.

Mexican democracy was the product of frustrated ambitions, personal rancor, and inbred family feuds among *priístas*. To this day, Mexican democracy resembles more of a personal battle between competing caciques than an institutionalized competition among political parties. In that regard, Mexican democracy bears a dangerous resemblance to the state of affairs that existed during and immediately after the 1910 revolution, when competing caciques battled it out for power. Conflict is easily personalized and especially nasty. And the PRI's all-inclusive traditions never prepared the Mexican elite for the fundamental fact that an electoral democracy includes winners as well as losers.

The aftermath of the intensely questioned election of Carlos Salinas in 1988 left scars that endure to this day. The PRI heaped persecution on the PRD traitors and, in return, the PRD demonized the PRI and called for its destruction. Winning and losing are not treated as normal conditions subject to the ebb and flow of electoral fortunes, but as all-or-nothing, apocalyptic confrontations between friends and

enemies, saints and sinners. Civil society has been a secondary player in this fight between embittered elites.

The polarization of elite politics goes beyond the *priístas* and the ex-*priístas* of the PRD. Some opposition activists, frustrated with the slow pace of Mexico's democratic transition, view the elimination of the PRI from political life as a primordial goal and are willing to flirt with extraconstitutional tactics to achieve that goal. The reformist wing of the PRI has basically relinquished the role of leader of a *partido de estado*, or single-party state, and has come to accept victory and defeat in the electoral process as normal. Still, opposition parties have great difficulty accepting PRI electoral victories and tend to view compromise with the PRI as a pact with the devil. This situation creates an enormous gulf between the major political players and locks adversaries into confrontation.

This culture of intolerance is topped off by a taste for Machiavellian intrigue. Clandestine infighting long flourished behind the façade of PRI unity and, to this day, some politicians are believed to possess a private capability to mount destabilizing operations. Ex-*priístas* within the opposition parties are as versed in dirty tricks as are PRI traditionalists. An impenetrable world of underground politics lives on in mysterious kidnappings, semiorchestrated demonstrations, and insurrections designed to influence succession politics.

In sum, the Wilsonian proposition that more democracy leads in linear fashion to greater stability has yet to be proved in Mexico, where the road to democracy has been littered with assassinations and guerrilla violence. The habit of demonizing adversaries impedes democratic compromise. The politics of caudillismo and the subtle art of destabilization coexist in a parallel universe with democratic politics. There is little to suggest that reconciliation is around the corner.

Ungovernable Democracy and Neoauthoritarian Scenarios

- **Post-election disturbances.** Demonstrations in the aftermath of fraudulent elections plagued Mexican politics for years. The creation of impartial electoral institutions, Cárdenas's victory in the race for Mexico City's mayor in 1997, and the congressional advance of opposition parties that same year all reduced the likelihood of post-election demonstrations. However, in 1999, there was a dangerous trend to discredit the Federal Electoral Institute (IFE), one of the few institutions that can guarantee a credible electoral outcome. The citizen councillors who make up the IFE board were accused of partisan bias, potentially undermining the institute's ability to act as an arbiter in the event of a close election. This is especially worrisome given that losers often cry foul (whether or not there has been fraud), try to destroy the legitimacy of the victor, and force the winner's resignation.
- **Weak mandates.** The fragility of Mexico's electoral institutions was likely to be tested in the 2000 presidential race. Mexico has essentially a three-party system, and three strong candidates may produce a victor who garners less than

40 percent of the vote or who wins by a margin of less than 5 percent. Should the opposition lose to the PRI in a close race, should charges of fraud awaken international sympathy, and should a major devaluation of the peso occur, the stage would be set for protesters and provocateurs to take to the streets. A replay of the 1968 student massacre at Tlatelolco would be a dismal way for a new PRI government to begin its term. Similar conflicts could occur in the event of a narrow victory by an opposition party, but they are more likely if the PRI wins.

- **Restoration of PRI dominance.** Of course, a narrow and disputed PRI victory is not the only dangerous scenario. Mexico's unpredictability in 1999 can produce an equally plausible scenario: a PRI victory with 47 percent of the vote, ending Mexico's incipient experience with divided government and restoring PRI dominance in both houses of the National Congress. The PRI demonstrated remarkable resilience in the aftermath of its defeat in the 1997 midterm elections. Should the PRI manage to portray its opponents as extremists and to capture the center of the political spectrum, a PRI resurgence is by no means impossible. The ineffective government of Mexico City's mayor, Cuauhtémoc Cárdenas, opened the door to a possible PRI retaking of the city and its 30 electoral districts. Opposition parties, particularly on the left, would despair of ever achieving a transition at the national level. Leftist radical elements may step up pressure to discredit elections in general and justify an armed struggle to dislodge the PRI.

- **Return of the dinosaurs.** Not only could the PRI make a strong electoral comeback, but the party's populist wing may make a comeback. Not a single technocrat made it onto the final list of contenders for the party's presidential nomination. The revenge of the PRI dinosaurs is palpable, and the competition for the nomination has unleashed a Thermidorian return to economic populism. Zedillo's abdication of the president's customary right to name his successor in favor of an open primary created a vacuum that is filled by rebellious machine politicians who disdain neoliberal technocrats. Zedillo may regret having cut off his *dedo*—that is, his index finger with which he would point to and select his successor—and hope that he still could position economic reform–friendly cabinet members for the nomination. But Zedillo was courting a party rebellion and an open split in the PRI similar to that led by Cárdenas in 1988 should he or the establishment machine attempt to impose an official favorite. Old apparatchiks reincarnated as new democrats are bound to attack the selection process as unfair, and some may defect. The price of nominating a candidate acceptable to Zedillo may be a debilitating accommodation with less savory elements in the party. Rebellious politicos may not win the nomination, but they may ensconce themselves in Congress, in the party, and in state governments.

- **PRD disintegration and radicalization.** The PRD would be especially vulnerable to disintegration in the aftermath of yet another PRI victory. The third and final defeat of the PRD's icon, Cuauhtémoc Cárdenas, could place the future of the PRD in doubt. The PRD, which has been excessively dependent on its founding father, may crumble in the face of a longer-than-expected struggle

to win national power. No apparent leader exists to overcome the PRD's perennial factionalism, particularly should the party remain stuck in a marginal status with a national vote in the neighborhood of 12–16 percent. The radical wing of the party may increasingly slip into the politics of confrontation and intransigence, building alliances with extremist social constituencies such as radical students, dissident electrical workers' unions, and guerrilla groups.

- **The Allende scenario.** Cuauhtémoc Cárdenas has experienced a dramatic downward trend in his popularity as a result of his lackluster tenure as Mexico City's mayor. Still, a Cárdenas victory is possible should the PRI split and should Vicente Fox suffer some unforeseen setback. An Allende-like scenario could result should a potential revanchist President Cárdenas win a weak mandate in the neighborhood of 37 percent of the vote and hew to policies outside the mainstream. An ineffective Cárdenas, unable to form governing coalitions, may fall into the embrace of the Zapatistas, the debtor's organization *El Barzon*, and other marginal groups. Major members of the business community would quietly disinvest and leave the country. Such a scenario, accompanied by disintegrating public security, could provoke an alteration of the constitutional order several years into the *sexenio*, although not necessarily in the form of a military coup.

- **Restoration of single-party dominance.** The restoration of dominance by a single party also is a feasible scenario under either PRD or PRI rule. A victorious Cárdenas could avoid isolation and weak governance should he opt to reassemble a pact similar to the one negotiated by Calles by welcoming large numbers of PRI defectors under the PRD mantle. The risk posed by such a scenario would be a populist restoration that would halt the economic reform process for years. Another risk of such a scenario would be the potential restoration of single-party dominance under PRD leadership, a situation that would be a paradoxical throwback to the years when a populist PRI consistently captured more than 60 percent of the vote by dominating the center left. Similarly, a victorious neopopulist PRI president could inspire defections from the PRD and restore a center-left balance within the PRI. Whatever shape a populist realignment takes, the merger of PRI and PRD constituencies could restore a single dominant party that is capable of winning 60 percent of the vote.

- **Social confrontation.** A PAN victor could be haunted by a Kerensky or Madero scenario—a liberal democrat who presides over a transition that aborts into social chaos. PRI and PRD allies in the energy workers' and teachers' unions could stage a test of wills with a *panista* president and block privatization of enterprises in their sectors. Unhappy farmers in the vulnerable grain and sugar sectors could join the effort. Such protests may escape the control of their intellectual authors. And should a PAN president manage to avoid social confrontation, he would still be likely to confront an increasingly populist PRI willing to form an alliance with the PRD in Congress to block budgets or further economic reform.

There also are risks to the country's governability in the event that Mexico's opposition parties unite to run a single presidential candidate in 2000 and that candidate wins the election. The PRD and the PAN allied to overthrow the PRI's control of committee and other congressional leadership positions after the 1997 midterm elections, but that alliance broke down shortly afterward. There is little reason to believe that an alliance formed to dislodge the PRI from the presidency would fare any better. The ideological distance between the PAN and the PRD is so great that it is impossible to reach consensus on economic issues. Both parties would have to agree to essentially stand still on economic policy in order to preserve the harmony of an alliance, ending the reform process and privatization efforts. On the other hand, the president resulting from the alliance, most likely Vicente Fox, would proceed to govern as he saw fit, which would inevitably provoke a rupture with the PRD at some point.

- **Congressional gridlock.** Thus far, Mexico's Congress has been able to avoid gridlock, with 18 laws passed by the pluralistic body in 1998. But impasse is likely should no one party win a congressional majority in either the Chamber of Deputies or the Senate, the latter still in the PRI's control in 1999. The ideological chasm between the PRD and the PAN makes an opposition alliance in Congress unviable. The PRD views compromise with the PRI as ethically abhorrent. The PRI and PAN have passed budgets and economic reforms together, but the cost to the PAN increases every year. Mexico is tending toward parliamentary insurgency without a parliamentary form of government.
- **Fujimori-Chavez scenario.** A Fujimori-like scenario several years into the post-election period could become a temptation for leaders of both opposition and ruling parties. An obstinate Congress, the creeping chaos of criminal disorder, disruptive social protests, and a weak plurality of less than 40 percent would test the democratic convictions of any elected president. Restoration of the PRI's hard-line faction may become an option if democracy gets degraded and rampant street crime calls for a heavy hand. Virtually any elected PRI president of the pre-1960s generation could revert to authoritarian habits if provoked or if presented with the opportunity to reconstruct PRI hegemony. Moreover, an opposition president who loses patience with determined congressional obstructionism could also succumb to the authoritarian temptation.

  After all, polling data reveal that Mexicans may value order and strong government more than they value democracy, which suggests a predisposition to authoritarian solutions should democracy result in disappointing performance. It takes only a quirk of history and a restless electorate to raise a marginal politician or military officer from obscurity to the status of neo-caudillo. The election of former *golpista*, Hugo Chavez, as Venezuela's president suggests that democracy may not always produce a democratic result. The Mexican military has a long tradition of submitting to civilian rule, but should petty disputes among political parties exhaust the nation and should the moral authority and power of the Mexican presidency erode even further, neomilitary caudillos could suddenly emerge.

Social and Political Violence

For the most part, Mexico has failed to respond to the assassination of Luis Donaldo Colosio, guerrilla violence, and the recent crime wave by effectively tightening security. It is common for the cabinet to be assembled in open-air forums and to travel in the same airplane. It remains absurdly easy to enter Mexico's political and defense installations. Intelligence services are manipulated to serve political interests rather than those of the state. Presidential candidates have, until recently, had no security at all and whatever security they have is provided by woefully undertrained personnel. In sum, there is no obvious strategy to safeguard the security of the state. This situation leaves Mexico extraordinarily vulnerable to political violence from a variety of sources aimed at a variety of targets.

- **Assassination of a candidate or president-elect.** The 1994 assassination of the PRI's presidential candidate, Luis Donaldo Colosio, ended 71 years of peaceful presidential successions in Mexico. The post-Colosio landscape is populated with angry apparatchiks, drug traffickers, scheming palace politicians, radical guerrillas, and messianic lumpen-proletariat vindicators, all of whom spring from a frustrated society like poisonous mushrooms.

  Conflict within the PRI is one source of risk to a PRI candidate or president-elect. Old-school candidates outside the cabinet may plot against the president's candidate. Machiavellian kingmakers inside the cabinet may secretly maneuver to frustrate the president's choice, positioning alternative candidates who could step into the breach in the event of an assassination. Should such kingmakers be secretly in league with drug-trafficking interests, the president's candidate could be put at risk. A PRI candidate or president-elect who is determined to fight the drug traffickers faces an obvious risk of assassination. Ill will among competing PRI factions could create a shield behind which a third party could hide nefarious deeds. For example, a nasty contest between PRI aspirants might provide a ripe opportunity for drug traffickers to murder a candidate known to be tough on drugs, mindful that popular opinion would attribute the deed to intra-PRI struggles. Narco-penetration of political parties via weak enforcement of campaign financing is also an obvious risk. Drug traffickers could compete for market share via the electoral process, and an overlay of cartel competition on electoral competition increases the potential for bloody conflict.

- **Implications of the assassination of a president-elect.** The assassination of a president-elect has not occurred since the murder of Alvaro Obregon in 1928. Mexico has no vice president, and the Constitution throws the interim selection process to the lower house of Congress. A divided Congress may be unable to muster a consensus, leaving a headless nation ripe for extraconstitutional temptations. Prolonged inability to name a chief executive would have instant repercussions in financial markets as well. If the Mexican Congress has difficulty with elementary tasks such as passing annual budgets, the degree of conflict over naming an interim president could be expected to be much more

severe. Such a vacuum might be viewed as an opportunity to initiate an extra-constitutional struggle for power by rambunctious politicians.

- **Nonpresidential assassinations.** The gangland-style murder of television comic Paco Stanley, the robbery and assassination attempt on Mexican drug czar Mariano Herran, and the murder of several Secret Service presidential guards indicate that once the Pandora's box of violence is opened, the permutations are infinite. Leading human rights groups have received threats, major journalists could be targets, and U.S. officials as well as business leaders could be at risk. A well-placed, well-timed hit would seriously undermine confidence in Mexico's political stability.

- **Narco-candidates and u.s.-mexico relations.** Should any presidential candidate be suspected of having ties to drug traffickers, the impact on bilateral relations would be devastating. The discovery of a Mexican version of Colombia's President Samper, whose campaign for the presidency was found to have been backed by drug money, would inspire protectionists to support an activation of the pull-out clause in the North American Free Trade Agreement (NAFTA). Leaks would cascade from reports by the Central Intelligence Agency and the Drug Enforcement Administration (DEA) that would find their way onto the front pages of major U.S. newspapers. The U.S. Senate would rush to decertify Mexico. Calls for military intervention and sealing the border would be heard throughout the United States. Of course, the United States has precious few levers to pull should Mexico fall into the hands of drug traffickers. Economic sanctions would, by definition, undo NAFTA commitments, threaten U.S. foreign investment, and wreck economic reforms. Nor is Mexico a candidate for a Haitian-style or a Panamanian-style invasion. A genuine Mexican Samper may lure the United States into a quagmire from which it would be impossible to extricate itself.

- **Reaction by radicals and hard-liners.** PRI candidates or presidents are not the only ones at risk. Radicalized guerrillas may be driven to desperate acts should Cárdenas seem headed toward defeat in his third and final run for the presidency. An assassinated Cárdenas might serve radical purposes better than a defeated one can. A murdered Fox or Bishop Samuel Ruiz of Chiapas might redirect electoral sympathies. Any PRI candidate or president-elect who has the power to reconsolidate PRI hegemony at the expense of opposition parties and guerrillas also risks radical revenge. The attacks on President Zedillo's Secret Service guards, on drug czar Mariano Herran, and on prominent television star Paco Stanley all demonstrated that virtually anyone in Mexico could be a target of either organized crime, disorganized crime, narco-crime, or political terror. The inability of the security forces to adequately resolve these cases leaves a doubt in Mexico's collective consciousness as to whether high-profile crimes are politically inspired or whether the victims are simply statistics of rampant street crime.

The Robespierre Syndrome

Eliminating impunity and implanting the rule of law is one of the greatest challenges facing Mexico. Virtually the entire national establishment of media moguls, industrialists, church leaders, and politicians participated in cozy arrangements with the previous regime, not unlike the situation in Japan or South Korea. Mexico's dilemma is how to end impunity without destroying its business class, politicizing the country's court system, or provoking a backlash.

Many view Mexico's judicial system as just one more arm with which to persecute political opponents. The PRI shreds itself to pieces in an effort to demonstrate the sincerity of its moral catharsis while the opposition chants, "Off with their heads!" No one knows who will be the next to be offered up on the pyre, creating an edgy atmosphere that makes the national elite nervous. Should congressional hearings under an opposition government cast doubt on the property rights of those who would benefit from privatization of companies that are market leaders, Mexican firms could lose access to international capital markets. Should Zedillo, his family members, or his close collaborators be subject to accusations similar to those made against Salinas, the damage to Mexico's international reputation would be incalculable.

At some point, the instinct for self-preservation may lead to desperate acts of self-defense, cover-ups, or political reaction. Chile and Argentina, fearing hard-line reactions to democracy, handled the human rights sins of the past with amnesty programs. Mexico is a good candidate for some form of corruption amnesty program, but this is far from a conciliatory solution.

Social Instability

For centuries, Mexico has experienced long periods of authoritarian rule punctuated by bloody bouts of social strife. The social fault lines run deep. The Mexican government's statistics claim that families living in extreme poverty have diminished from 31.1 percent of the population in 1989 to 21.9 percent in 1997, but the absolute number of the country's poor remains high—an estimated 26 million. States such as Chiapas and Guerrerro, which host guerrilla movements, have indices of extreme poverty that are higher than the national average and suffer from more extreme varieties of social protest. Social stress is expressed by an increase in crime and guerrilla activity.

Guerrilla Activities

After the initial shock of the Zapatista uprising on January 1, 1994, Mexico's guerrilla and terrorist groups largely failed to disrupt daily life. Conditions have worsened in parts of Chiapas, but apart from occasional outbursts of moral outrage over local violence, normal life goes on as usual in the rest of Mexico. A classic social revolution is not likely, given that Mexico's population is only one-third rural. Moreover, Mexico is a country of owners of small properties and penny

capitalists, who have a stake in the country's stability. That demographic does not mean, however, that all risk has evaporated.

- **Expansion of "autonomous" municipalities.** Chiapas remains at risk for community violence, massacres, and paramilitary activity. The Zapatista movement has divided small communities along religious lines (Catholic Zapatistas versus Protestant non-Zapatistas) and political lines (PRD Zapatistas versus PRI non-Zapatistas). Both Zapatistas and non-Zapatistas have been guilty of fomenting expulsions and sacking the homes of adversaries. Zapatista takeovers of small villages under the guise of Indian democracy—the establishment of so-called autonomous municipalities—create local backlashes among *priístas* such as the one that resulted in the massacre in Acteal on December 23, 1997. Expanding such activities would produce more refugees as well as more paramilitary groups and would eventually force the government to act. In essence, the formation of autonomous municipalities is an ingenious means of creating what used to be called occupied territories of national liberation, but without the use of weapons. The Zapatistas would be painted as victims rather than as provocateurs by the liberation theology branch of the Catholic church and by Zapatista sympathizers in nongovernmental organizations (NGOs).
- **Criminalization of guerrilla groups.** Mindful of what happened in Colombia, where demilitarized zones turned into havens for drug traffickers, the Mexican government (up until 2002, when Fox extended an olive branch to the Zapatistas and withdrew from select parts of Chiapas) refused to cede to NGO pressures to withdraw the army from Chiapas and Guerrero. Indeed, two of the five task forces operated by Mexico's Federal Office of the Attorney General in 1998 were located in Chiapas, where marijuana and opium plantings were found. One Mexican government source estimated that the ratio of NGO money to criminal money received by the Zapatista National Liberation Army (EZLN) shifted from 80:20 in 1994 to 60:40 in 1998 and could reverse to 40:60 by 2001. An even greater risk may be brewing in radical groups with criminal tendencies, such as the EPR (Popular Revolutionary Army), which was responsible for the kidnapping of Mexican billionaires in 1994. In fact, in 1999, the epidemic of kidnapping prominent figures made it unclear where the criminal world ends and political terrorism begins. Such groups appear to operate primarily in small cells with limited rural constituencies in the states of Guerrero and Oaxaca, but alliances may be festering with the radical social organizations of Mexico's urban poor.
- **Electorally motivated guerrilla violence.** A troubled presidential succession has the potential to present opportunities for mischief. The EPR threatened violence in support of PRD election protests, and the Zapatistas have a thinly veiled preference for Cárdenas. The adversaries of the technocrats may view a little social revolution as an object lesson in the failures of neoliberalism. High-minded crusaders may believe that Mexico's democratic transition needs a little Zapatista push. Drug traffickers may use the guerrillas to divert military resources, and hard-liners may make secret, destabilizing alliances with

terrorist groups or with drug traffickers to induce fear. Self-appointed national saviors may long for chaos in order to justify their role on the national stage.

In Mexico City and the states that ring the capital, attacks during the eight months before the elections would shake the capital's 20 million residents. An EPR murder of a DEA agent, or terrorist activities along the U.S. border, or attacks on foreign tourists could stir interventionist spirits in the United States. The Zapatistas are expanding their civilian allies, whether they are electrical workers' unions fighting privatization, disgruntled students resisting a tuition increase, or average citizens frustrated with a hike in food prices. The ability to combine national protests with terrorist violence in the aftermath of a controversial election would be potent. The ability to bring to a capital city of 20 million people Zapatista-style tactics of social mobilization, combined with political intransigence, would take Mexico one step closer to national crisis.

Criminal and Terrorist Activities

- **Mexico's crime wave.** Mexico's major cities are becoming uninhabitable as a result of crime. According to a study by Kroll Associates, as of 1995, 1,450 kidnappings in Mexico made it second in Latin America to Colombia, which had 3,600. Minister of Government Francisco Labastida's diagnosis in the late 1990s was that, of the 1.5 million crimes reported, only 150,000 arrest warrants were issued and only 85,000 warrants were executed. Labastida estimated that about 1.5 million crimes had been committed but not reported for lack of citizen trust in the police. Mexico is inundated with sophisticated weapons, ranging from AR-15s, Israeli Uzis, AK-47s, Claymore antipersonnel mines, detonators, and NATO armor-piercing ammunition. Mexico's interest in federalism may strengthen local governments by producing a virtual cycle of local accountability, but the provinces' ability to fight crime may also be limited by the array of resources that criminals have at their disposal.

- **Transborder implications of crime and terrorism.** Mexico has been a target of international criminal and terrorist groups, who have viewed it as fertile territory for bank robberies and kidnappings that can finance guerrilla activities. Peruvians trained by the Sendero Luminoso and the Spanish Basque separatist group, for example, have long operated in Mexican territory. There is little reason to assume that, in time, such groups would not eventually view the United States as a ripe opportunity. International gem thieves based in Colombia terrorize U.S. jewelry salespeople, and Mexican heroin and marijuana distributors have cornered the market in California. The United States is clearly vulnerable to an expansion of organized crime and guerrilla activities in the South. The porosity of the U.S. southern border regions suggests a midterm susceptibility to the corruption of police and other institutions by foreign criminal agents.

  The United States has been the target of Middle Eastern extremists' terror in the past, and there is no reason why the country could not be the target for Latin American terrorist groups at some point. Ironically, guerrilla wars have wound

down in Central America, but exceptionally virulent vestiges remain in Colombia and Peru. Moreover, Mexico's Zapatistas and the EPR have an unusual sensitivity to international opinion and international opportunities. By 1999, such groups had already mobilized demonstrations in front of the U.S. embassy in Mexico City and, more worrisome, had an extensive network of sympathizers and activists in the United States. Although the Zapatistas are likely to be unwilling to alienate foreign supporters by conducting operations in foreign countries, more radical Mexican groups may not rule out such options. The kidnapping of the U.S. consul in Hermosillo in the early 1970s and the bombing of well-known multinational corporate headquarters, such as IBM's, have occurred in the past and could occur again in the future.

The Economic Context

Opposition to Neoliberal Economic Measures

Mexico's young technocrats have led a perestroika that surpassed the one that transformed the former Soviet Union. Factors leading to the change include privatization, fiscal discipline, and NAFTA. Political backlash is in the air, however. The political consensus in favor of "neoliberal" economics always was deceptively thin, given the fact that the policies were largely imposed under the semiauthoritarian conditions that prevailed during the de la Madrid and Salinas years. By the late 1990s, lambasting neoliberal economics had become politically fashionable, and most of Mexico's presidential candidates sought third-way solutions to Mexico's poverty. The mass protests against Zedillo's proposed privatization of Mexico's electricity sector were indicators that the swing of the pendulum toward market economics, which appeared so decisive after the fall of the Soviet Union, may wind up reversing its course.

Several factors have propelled this economic backlash. The political environment for privatization was poisoned after the pillorying of Carlos Salinas made privatization synonymous with corruption. The 1998 meltdown of emerging markets sideswiped Mexico and undermined enthusiasm for economic openness. Foreign holdings of Mexican paper dropped to a 12-year low of $2 billion by the third trimester of 1998. Capital flows to emerging markets dropped from more than $300 billion in 1996 to about $160 billion in 1998. Moreover, persistent inequality in income levels left Mexico's economic model subject to such scathing criticism that even solid growth and macroeconomic stability will not necessarily increase living standards quickly enough to meet expectations.

In sum, anti-neoliberal backlash has become the banner of a reactivated left. Many hope that Cárdenas has accepted market reform, but opposition to reform is enshrined in his party's platform and in his own daily rhetoric. Within the PRI, opponents of neoliberalism are springing up like mushrooms, and the discourse about the presidential election is distinctly hostile to neoliberalism. There is no Mexican equivalent of Felipe Gonzalez or Tony Blair. Although reversing reforms is an extremely unlikely step, paralyzing the effort is quite likely. Unless a reform-minded PRI candidate or PAN's Vicente Fox wins a hefty victory in the 2000 race, it

will be very hard for any Mexican president to press forward with new privatization measures.

Impact of the Global Economy

- **Resurgence in the instability of emerging markets.** Although Mexico has been able to differentiate itself from other emerging markets to some degree, the country remains vulnerable to global affairs. Should fickle investors decide suddenly that Brazil's economy is undervalued, resources would be sucked out of Mexico's stock market. Similarly, should a global contagion arise again over emerging markets in general, Mexico would suffer along with the rest of the affected countries. Mexico's central bank staved off catastrophic devaluation by temporarily spiking interest rates—to more than 40 percent by September 1998—but the experience did not increase the popularity of globalization.
- **Weak banking system.** Mexico's banking system has been preserved as a result of the close to $90 billion bailout of the banks. Still, it is worth recalling that a good portion of the failure of Mexico's banks was attributable to the sudden hike in interest rates in the aftermath of the 1995 peso crisis. Those efforts to stabilize the peso inadvertently destabilized the banks. Exorbitant interest rates, preceded by weak regulatory structures and almost nonexistent collateralization standards, set off massive defaults and tipped already marginal assets into the nonperforming ledger. In 1999, Mexico had no comprehensive or effective bankruptcy law or efficient mechanisms for banks to collect collateral on nonperforming loans. Moreover, the crisis left the surviving Mexican banks gasping for capital. Scarcity of credit has become the norm for small and medium-sized businesses, which was one of the most serious bottlenecks in the Mexican economy in 1999. It is unclear where the billions of dollars needed to capitalize the banks will come from, and the banking system remains vulnerable to another bout of global instability.
- **Economic slowdown in the United States.** It is common to say that when the United States catches a cold, Mexico gets pneumonia. The robust U.S. economy and NAFTA served as shock absorbers, but an economic downturn in the United States can dramatically affect the Mexican economy. Soft performance of Mexican exports could raise the same concerns about trade deficits that precipitated the 1994 peso devaluation. Similarly, hikes in the U.S. Federal Reserve's interest rates would increase Mexico's cost of financing government programs and have a significant impact on the Mexican federal budget.

Domestic Weaknesses

- **Fiscal vulnerability.** Mexico has one of the lowest tax collection rates in the Western Hemisphere, with massive tax evasion being the norm. This situation has left the Mexican government excessively dependent on oil revenues, which provide approximately 35 percent of its revenues. The collapse of oil prices in 1998 forced painful budget cuts on the Mexican government and

underscored the vulnerability of the country's federal budget. As long as tax revenues remain anemic, Mexico will be unable to provide desperately needed health, education, and infrastructure services. The country's fiscal vulnerability exacerbates its regressive income distribution and social inequalities.

- **Currency instability.** Memory weighs heavily on the Mexican peso. An abrupt devaluation has accompanied every presidential succession since 1970. The creation of an independent central bank and a floating exchange-rate system minimizes that risk. Divided government and a vigilant opposition make it less likely that budget-busting pump priming will occur in an election year. Mexico has sought to shield its economy with multiple credit lines from international financial institutions, has built up healthy foreign-exchange reserves, has contained its current account deficit, and has spread out its debt payment schedule. Still, the possibility exists that Mexicans could instinctively consider converting to dollars as elections draw near.

The United States as a Destabilizing Factor

The United States is an unwitting giant that could tip Mexico's stability equation for the worse. An increase in U.S. interest rates can precipitate capital outflows, an unflattering statement from a U.S. senator can incite nationalism, and reputations that have taken a lifetime to build can be casually destroyed with one lead story in a major U.S. newspaper. Mexico's northern neighbor looms as a 10-ton gorilla that can crush allies by intent, accident, or careless maliciousness.

Economic Impact

- **Withdrawal from or renegotiation of NAFTA.** Mexico and the United States only recently committed to a deeper linking of destinies, and neither country has come to grips with this more intimate embrace. NAFTA is the most profound structural guarantee of Mexico's free market reforms, yet the agreement is subject to recriminations on both sides of the border. Efforts by Mexican populists and U.S. protectionists to head down the slippery slope of "reevaluating" NAFTA contain the hidden agenda of subjecting the pact to a congressional vote yet again.
- **U.S. withdrawal of financial support.** The United States has been Mexico's lender of last resort for 30 years, but the 1995 peso crisis exhausted the U.S. appetite for such responsibilities. Meanwhile, growing anti-Mexican sentiment in the United States makes it harder for the United States to play an essential—if distasteful—role in bilateral affairs. It is hard to imagine a scenario in which the United States would once again come to Mexico's financial rescue in the event of an election-year peso crisis.

U.S. Concerns over Mexico's Domestic Problems

- **Decertification of mexico.** The United States is obsessed with narco-corruption in Mexico, but the U.S. government is utterly unable to tell the good guys from the bad guys. In the United States, the appetite for scandal is so huge and the information so poor that a perfectly clean Mexican presidential candidate can become the target of a U.S. rumor campaign that could result in a decertification vote in the U.S. Congress. Similarly, a violent incident involving the DEA in Mexico could also set off a cycle of mutual vengeance, culminating in decertification. Clumsy accusations destroy U.S. allies, causing great harm to national security. It is time, moreover, to evaluate the cost-benefit ratio of the U.S. drug certification process. A decertification vote in the midst of Mexico's 2000 presidential campaign would place a premium on candidates opposed to the United States. Cárdenas, who called for suspending oil sales to the United States during Operation Desert Storm in the early 1990s, would become a nationalist hero. President Zedillo could expel the DEA in an effort to contain PRI nationalists. In sum, decertification would be a high-risk, counter-productive act.
- **Human rights and chiapas.** Chiapas is another flash point in bilateral relations. The Zapatistas are, in part, a noble cause that was adopted to correct the poverty of Indian communities. But the Zapatistas are no saints; they have blacklisted newspapers, shot at government planes as they fought fires in ecologically precious jungles, murdered 16 local *priístas* to provoke a cycle of bloody vengeance in Acteal, and burned ballot boxes during the 1997 elections. A misguided Washington community should not be propelled toward adopting policies similar to those applied to other Central American countries—that is, treating the Mexican government as if it were a Salvadoran-style patron of state-sponsored violence. Fewer lives have been lost in Chiapas than Washington, D.C., loses to street violence in one year.

Electoral Politics

- **U.S. intervention in mexican politics.** Untold dangers are in store as Mexican politics leap across the Rio Grande. Mexico is contemplating granting voting rights to the approximately six million Mexican citizens who live in the United States—a number sufficient to decide a close election and to arouse U.S. insecurities about the viability of its ethnic melting pot. Moreover, special interests in the United States may be tempted to run soft money through Mexico's election campaigns. For example, U.S. oil and agricultural conglomerates may contribute to the PAN or the PRI, with Hollywood and organized labor contributing to the PRD. The slippery slope of intervention could end up in Washington, D.C.
- **Asleep at the wheel.** It is important to bear in mind that the United States and Mexico were scheduled to undergo simultaneous presidential successions in 2000, with the Mexican president elected in July and inaugurated in December, and the U.S. president elected in November and inaugurated in January. In

the interim, it is possible that caretaker governments on both sides of the border would be unable to exercise strong leadership if sensitive situations were to arise. Transition teams could be too distracted with domestic business to tend to an international crisis in the making. Washington cannot afford to put Mexico on automatic pilot for two years. Mexico became a punching bag at the moment when the country was most vulnerable. What an irony if the United States, because of miscalculation, neglect, or irresponsible demagoguery, were to become the force that tipped Mexico into reversing its course while it was making its transition to democracy.

Afterword

Close to three years into Mexico's democratic transition, the good news is that none of the most dramatic worst-case scenarios imagined before the July 2000 election have come to pass. Post-election disturbances, a constant feature of Mexican politics during most of the 1980s and 1990s, were notably absent after Vicente Fox's victory. The most feared scenario in the months leading up to the election—a PRI victory with a very slender margin and mass post-election demonstrations—did not transpire. Another greatly feared scenario leading up to the election—a Fox victory in which hard-line defenders of the old PRI regime mounted an extra-constitutional challenge to the election results—was another outcome that did not come to pass. Mexico's investment in creating reliable electoral institutions paid off in the moment of truth of its first alternation of power after 71 years of single-party rule.

Worst-case economic scenarios, such as the currency devaluations that had characterized every Mexican presidential election for decades, also were conspicuously absent from the 2000 transition. Similarly, there were no assassinations, no fractures of major political parties, and no recurrence of guerrilla and terrorist violence, which had plagued the 1994 Mexican presidential elections. Many referred to the 2000 election as a "velvet revolution" because of the calm in which this historic moment transpired—an auspicious beginning to Mexico's fully democratic life.

What has become clear with the passage of time, however, is that the feared risks to Mexico's democratic transition did not occur during the critical moments leading up to and following the election itself. Rather, these risks have become manifest during the daily tasks of governance that followed Fox's inauguration. Many of the less dramatic negative scenarios that were predicted in this study have come to pass in part or in whole during the Fox administration's first three years in power. The general problems of democratic ungovernability that have emerged are attributable to Mexico's persistent culture of intolerance, to the dilemma of handling the past, and to the institutional weakness described in the preceding pages. Mexico has by no means reached the point of critical ungovernability, but there are clear signs of political paralysis when it comes to the most important policy items on the national agenda. The prospect of a six-year presidential term during which no significant policy advances are achieved and political rancor deepens seems more and more likely.

The original prediction that weak mandates and an absence of clear congressional majorities would lead to congressional impasse has clearly been fulfilled. The Fox government's inability to form governing coalitions in Congress is the result of several factors. One of the more important of these factors is the foreseen emergence of neopopulist, antieconomic reform sentiment within the PRI. The PRI's traditionalist wing attributed the party's 2000 defeat to the abandonment of the populist economics that were the inheritance of the party's origins in the 1910 Mexican Revolution. *Priístas* came to office in 2000 as senators and deputies determined to resist any of President Fox's efforts to liberalize the energy sector or to reform Mexico's antiquated labor laws.

One of the most sensitive issues in all governments that are in the process of a democratic transition is the matter of how to handle the past. In the case of Mexico, the Fox administration's inability to muster a governing coalition in the National Congress or to achieve significant policy advances can be traced to an inconsistent approach to settling accounts with the previous regime's past corruption and human rights abuses. This issue would have best been settled by taking decisive action in the early months of the administration, much as former PRI presidents tended to sacrifice high-profile PRI figures to answer corruption charges immediately after a national election in order to establish the incumbent's legitimacy and distance from previous administrations. Instead, the Fox government has been torn between retribution and reconciliation.

On the one hand, the Robespierre types believed that the legitimacy of the Fox government rests on its historic and moral obligation to destroy the PRI with a deluge of accusations of corruption. On the other hand, moderates believe that the lack of a PAN majority in either house of Congress makes PRI support necessary for the realization of the Fox legislative agenda. As a result, the Fox administration has oscillated between conciliatory declarations toward the PRI and initiation of high-profile corruption probes. These mixed signals have complicated the government's efforts to sustain a dialogue with the moderate wing of the PRI, which has to contend with the fury of PRI hard-liners and grassroots activists. The outcome has been the worst of both worlds—a general perception that the government has failed to fully meet its historic responsibility to clean house—unfair though that perception may be—combined with the perception that the government has been ineffective in advancing its policy objectives in the National Congress.

The political battle over corruption shows few signs of abating as Mexico heads toward the second half of Fox's presidential term. Both the PRI and the PAN seem hell-bent on a course of mutual accusations over the source of campaign finances during the 2000 election. Should both political parties continue down this path, the probability of making progress on the nation's business seems increasingly remote. Mexico will tread water on economic reform, becoming less and less competitive as other nations move ahead. On the political front, political polarization is likely to increase and place renewed pressure on the electoral system. Most profoundly, ongoing mudslinging is bound to harm public faith in party institutions and democracy. Undermining public respect for democracy so soon after it has been won does not augur well for the mid- and long-term prospects of that democracy.

The complex situation in Mexico's Congress also is attributable to the overall weakness of the political party system—a product of Mexico's hybrid electoral system, which mixes proportional representation with single-member districts. The proportional representation enhances the power of national party elites whereas the single-member districts place a premium on candidates' local popularity. The result makes it ever more difficult for national party leaders to enforce discipline and deliver party votes in Congress. This situation, combined with persistent internal party divisions along the lines of personal loyalties to different factional leaders, complicates the task of mustering consensus. Because President Fox always has had an ambivalent relationship with much of the traditional leadership of the PAN, he cannot always count on his own party in Congress. The PRI has had its own problems with generating internal consensus over party leadership and policy in the aftermath of the shock of defeat; thus, the PRI is a less than pliable interlocutor with the government.

Another prediction that has been partially realized is the mobilization of PRI-affiliated, left-wing rural constituencies against the government. The PAN's historical base of support has been among the urban middle class, leaving the party with weak ties to the population in the countryside. The most visible recent evidence of this problem was the ability of a relatively small group of radicalized peasants to put a halt to the federal government's plans to launch a $5-billion-plus airport development project on the outskirts of Mexico City. International investors were amazed to see advanced plans crumble in the face of the upraised machetes of lawless peasants, who felt that their lands had been undervalued and that their families would be displaced without adequate compensation by the airport planners. Similarly, angry sugar, pineapple, and grain farmers have snarled roads and bridges in disputes over price supports, trade issues, and subsidies. The PRI, which has a long-standing relationship with the nation's farm groups, has played its role in rousing these groups in anticipation of the country's 2003 midterm elections. With the exception of the mobilization against the airport, these rural social disturbances have not yet flirted with the boundaries of national peace and stability, although there is no lack of commentators who warn that the situation in the countryside is highly combustible.

One development that was unforeseen was the descent of U.S.-Mexican relations from a peak of near euphoria after the election of President Vicente Fox and President George W. Bush to a trough of despondency. The inability of Mexico to extract immigration liberalization from the United States and the inability of the United States to extract a friendly Mexican posture regarding Iraq in the United Nations has left the bilateral relationship edgy and uncertain. President Fox's failure to achieve his immigration goals in Washington has left him open to criticism at home among nationalist circles. The Iraq-related tensions in bilateral relations have left Fox open to criticism at home among pro-U.S. circles. As a result, the Fox government has been subtly left more vulnerable to the perception that support for his administration in Washington is soft.

The anemic U.S. economy also has left President Fox unable to meet his campaign promises of an economic growth rate of 7 percent, a rate that former President Ernesto Zedillo enjoyed during the last years of his administration; and

the *priístas* delight in reminding the Mexican public of this failure. Foreign investment, after reaching initially historic highs, has receded in the face of stalled economic reforms. The Mexican peso, which was dubbed the "super peso" in the first two years of Fox's administration, has wobbled unexpectedly in the third year. After the Mexican Congress's refusal to pass Fox's tax reform initiative, federal coffers are empty, leaving state governments and federal social programs starved for cash. Consequently, the traditional ability of Mexican governments to use cash and social programs to assuage political tensions has evaporated.

Beset by economic and political problems, Mexico's first opposition government has not succumbed either to chaos or to the temptation to repress its opponents. Danger signs are everywhere, much as they were during the 2000 election period, but that does not mean that the problems will inevitably come to a worst-case conclusion. Mexico's political elites, on all sides of the partisan spectrum, are painfully conscious of the dangers faced by their nation. They are torn between partisan passion and political responsibility. One can only hope that responsibility will win out over darker passions to the benefit of Mexico's new democracy.

CHAPTER 5

Beyond the Pale: The Bureaucratic Politics of U.S. Policy in Mexico[20]

Howard J. Wiarda,
assisted by Jessica Fore

For the first 60 years after the Mexican Revolution of 1910–1920, the United States took Mexican stability for granted for the most part and seldom worried too much about the large, populous, Third World neighbor on the southwestern border. A top-down, authoritarian, patronage-based, populist, single-party regime that incorporated major social groups into the political system, coupled with an impressively expanding economy for several decades, seemed to guarantee Mexico's stability—the primary goal of U.S. policy—both politically and economically.[21]

Mexico's Importance to the United States

In the past two decades, Mexico has emerged as one of the most important countries in the world from the point of view of U.S. foreign policy. However, in 1982 it was Mexico's admission that it could not pay its obligations that triggered the great Third World debt crisis of the 1980s. Shortly thereafter, Mexico's political system began to wobble as well, giving rise to the fear that the country would destabilize or that a left-wing, populist, anti-U.S. regime might succeed the long-dominant Institutional Revolutionary Party (PRI) to power. Suddenly, in the 1980s, it began to appear that the southern flank of the United States could have a major problem on its hands: not some small, destabilized, but still distant, Central American "banana republic," but a large, populous (100 million), important country right on the bor-

20. Paper prepared for the CSIS Conference on Regime Change, Democratization, and National Security Scenarios in Mexico, Washington, D.C., September 15, 1998, and later published in *World Affairs*, vol. 162, no. 4 (Spring 2000). Reprinted with permission.

21. The best recent overview of the Mexican political system is George W. Grayson, *Mexico: From Corporatism to Pluralism*? (Fort Worth, Texas: Harcourt-Brace, 1998).

der—one with immense implications for the United States both domestically and strategically.

The potential for instability, either economic or political or both, has vaulted Mexico to a position of importance in U.S. foreign policy—comparable with that of Japan, Germany, or Russia. It is not that Mexico represents a threat to the United States in any classic strategic or military sense. Mexico is not about to invade the Unites States militarily, nor are there Mexican missiles armed with nuclear weapons or chemical or biological agents aimed at the United States. Instead, Mexico is important to U.S. policy because of the country's ability to affect the United States domestically in many ways. Even the slightest hint of actual or potential economic or political instability in Mexico sends tens of thousands of Mexicans fleeing toward or across the U.S. border, creating a situation that causes immense consequences for U.S. school systems, housing, employment, social programs, law enforcement, and other domestic programs—mainly in the Southwest but increasingly in other areas as well. The possibility of instability also triggers a domestic political backlash in the United States, and politicians must respond, often uncomfortably, resulting in pressure for increased border patrols, restrictions on immigration, and insistence on English as the official U.S. language. These measures, in turn, trigger a parallel backlash in Mexico in response, which then exacerbates the problem and increases the risk of Mexican instability.[22]

Therefore, in terms of international relations, the best way to view Mexico is not through the lens of hardheaded, classic realism—recognizing that Mexico is not a military threat—but through the newer prism of what Joseph Nye and Robert Keohane have called "complex interdependence."[23] Mexico and the United States are interdependent on a host of issues: oil and natural gas, tourism, trade, the North American Free Trade Agreement (NAFTA), water rights, pollution and the environment, immigration and labor supply, banking and investment, manufactured products, and—more recently—drugs, crime, gangs, and violence. Besides Canada, there is perhaps no other country in the world with which the United States is more interdependent on such a wide range of issues. Compared with what might be called "hard," strategic threats, most of these issues are what Nye and Keohane refer to as "soft" issues involving interdependency. Note that most of these are not what might be considered classic international relations issues over power and dominance (although they are also involved); rather, they are issues that are both international and domestic—what is called "intermestic." Moreover, all of them are hot, post–Cold War, front-burner issues.

Because of the interdependent relationship, a host of U.S. agencies—primarily those that deal with U.S. domestic affairs—have interests, jurisdiction, and involvement in U.S. policy toward Mexico. These agencies include not only the traditional ones that are concerned with foreign affairs, like the Department of State (DOS) the Department of Defense (DOD), or the Central Intelligence Agency (CIA), but also

22. The contrasting U.S. and Mexican views are propounded in Robert A. Pastor and Jorge G. Castañeda, *Limits to Friendship: The United States and Mexico* (New York: Knopf, 1988).

23. Robert O. Keohane and Joseph S. Nye Jr., eds., *Transnational Relations and World Politics* (Cambridge: Harvard University Press, 1970).

some traditionally domestic agencies—for example, the Environmental Protection Agency (EPA), the Federal Bureau of Investigation (FBI), or the Drug Enforcement Administration (DEA)—few of which have a long history of involvement in foreign affairs or in Mexico. Their staff members frequently lack the language skills, international affairs experience, or foreign policy background to carry out the agencies' assigned roles successfully. Perhaps of even greater importance, the involvement of these agencies adds to "bureaucratic politics"—that is, jostling and even rivalries among agencies—that has long characterized and often frustrated the successful implementation of U.S. policy. There is no single U.S. foreign policy in Mexico; instead, there are approximately 67 policies—one policy or, indeed, several policies for each of the U.S. agencies operating there. The thesis of this paper is that the bureaucratic politics of U.S.-Mexican relations has now become so complex, multilayered, and conflict-ridden that it hamstrings, frustrates, and often paralyzes overall U.S. policy and makes it virtually impossible for the United States to carry out a successful foreign policy in Mexico.

Bureaucratic Politics

In a justly famous book written some years ago and focused on the Cuban missile crisis, Harvard University scholar Graham Allison argued that U.S. foreign policy did not always conform to the rational-actor model, which suggests that a series of options is presented to the president or foreign policy decisionmaker, with the pros and cons all carefully weighed, and the decision is then based on a rational calculation of which option best serves U.S. interests. The rational-actor model is how most U.S. citizens conceive of foreign policy when and if they think about foreign policy at all.

But Allison maintained that at least two other models are also present in making decisions about foreign policy: an organizational model and a bureaucratic model. The organizational model indicates that foreign policy agencies have their own habits, guidelines, cultures, and standard operating procedures, which are quite independent of presidential decisionmaking. In the case of the Cuban missile crisis, this approach meant that the U.S. Navy went ahead with its own way of blockading Soviet ships, regardless of President Kennedy's detailed instructions, even though the Navy's way had the potential to trigger World War III.

The bureaucratic model (the main focus of the analysis presented in this study) suggests that agencies like the State Department, the Defense Department, the CIA, and others have independent bureaucratic interests (such as budgets, power, prestige, or access to the White House) that they seek to enhance and protect, and these are also quite independent of rational decisionmaking when it comes to foreign policy. In interviews conducted during the 1980s, for example—that is, at the height of the Cold War—State Department officials frequently lamented that dealing with the Soviets was easy compared with their discussions with a certain rival agency in a five-sided building in "foreign territory" across the Potomac.[24]

In the years after Allison's book appeared, the model was refined, adapted, and expanded. Critics suggested that the organizational and bureaucratic models oper-

ate in circumstances when the foreign policy debate is long and protracted, but that in crisis situations, when quick decisions are necessary (such as the U.S. intervention in the Dominican Republic in 1965), the president acts expeditiously and these other models do not come into play.

In 1996, on the basis of his experiences in the White House, Roger Hilsman refined Allison's model, added new cases to it, and explored the role of additional groups and interests not included in Allison's scheme.[25] Hilsman's contribution to this approach, which was based on his own involvement in policymaking in the 1980s, included an analysis of both the new bureaucratic actors in foreign policy making: the Treasury Department dealing with the debt issue, the Justice Department with drugs and immigration, the Commerce Department with trade policy, and the Environmental Protection Agency with pollution. Moreover, two other models were added to Allison's original three: a political-process model (based largely on Congress's increasing role in foreign policy and the logrolling involved) and a personal-aggrandizement model (based on the rise of the self-interested "me generation" and on the data generated by political scientists showing that if all other variables remain constant—party, state, region, district, gender, rural versus urban setting, and so forth—the variable that most explains congressional voting and political decisionmaking is the desire to be reelected!).[26]

This paper applies the bureaucratic-politics model to the situation in Mexico. Much of the data and analysis on which the following conclusions are based are offered later in the paper:

- Mexico has become a high-priority country in U.S. foreign policy. Even though the attention span fluctuates, Mexico is now among the countries that receive highest priority in U.S. policy decisions, as is evident from a variety of developments: the number of interagency task forces dealing with Mexico, the fact that issues about Mexico now regularly get elevated to cabinet or White House levels, frequent visits to Mexico by cabinet members, cabinet officers' attendance at ambassadorial inductions (for example, former attorney general Janet Reno and U.S. drug czar Barry McCaffrey were both present when Jeffrey Davidow was sworn in as U.S. ambassador to Mexico), the amount of media attention to issues related to Mexico, and so forth.
- More U.S. government agencies are assigned to the U.S. embassy in Mexico than to any other country in the world: 30 by a recent count. More than 1,200 official, civilian U.S. government personnel are in Mexico—again the largest number in the world. These numbers do not include the significant CIA, Defense Intelligence Agency (DIA), and DOD missions and personnel stationed in Mexico.

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24. Howard J. Wiarda, *Foreign Policy Without Illusion: How Foreign Policy-Making Works and Fails to Work in the United States* (Glenview, Ill.: Scott Foresman, 1990).

25. Roger Hilsman, *The Politics of Policy Making in Defense and Foreign Affairs: Conceptual Models and Bureaucratic Politics*, 2nd ed. (Englewood Cliffs, N.J.: Prentice-Hall, 1996).

26. Howard J. Wiarda, *American Foreign Policy: Actors and Processes* (New York: Harper Collins, 1996).

- The bureaucratic politics of foreign policy making used to be confined to three primary agencies, which were sometimes rivals: DOS, DOD, and CIA. In the late 1990s, many more agencies were included. No fewer than 43 agencies were involved in the drug war alone, and almost all of these were, in one way or another, conducting operations in Mexico.
- The U.S. Congress has taken a strong interest in U.S. policy toward Mexico. The situation in Mexico affects Congress members' constituents and districts in terms of jobs, drugs, trade, schools, and so forth. Some members of Congress carry out their own foreign policies in Mexico; for example, when Ambassador Davidow was sworn in, most of the Congress members present were from southwestern states. Congress adds a new and vastly complicating factor to the bureaucratic-politics phenomenon regarding Mexico.
- Not only is there often rivalry and bureaucratic politics *between* cabinet departments, there are other rivalries *within* departments—for example, between the Army and Navy in dealing with the Mexican military, between the U.S. Customs Service within the Treasury Department, and between the Immigration and Naturalization Service, FBI, and DEA within the Justice Department. To say that these agencies are not always on the same wavelength is an understatement.
- Although the ambassador is the titular chief of mission, with all agencies ostensibly reporting to Washington through that individual, research conducted for this study revealed that each U.S. agency operating in Mexico conducts a quasi-autonomous policy, which may or may not have been coordinated with the ambassador. On practically a daily basis, most agency representatives report back directly to their own departments in Washington without necessarily or even regularly passing that information through the ambassador or the deputy chief of mission. Of course, this practice varies according to the strength, skill, and orientation of particular ambassadors and other personnel.
- In the Mexican case, the absence of an ambassador—the strong hand at the helm—for an extended period exacerbated these ever-present problems of bureaucratic rivalry, lack of coordination, and agency secrecy and back channeling during the period when the research for this study was being carried out. As the saying goes, when the cat or helmsman is away, the bureaucratic mice will play.
- Paradoxically, the research also discovered a disconnect between the Washington agencies involved and their representatives in the field—that is, in Mexico. It became clear that some officers on the Mexico desks in Washington, as well as their larger international departments, had no idea what their own agencies' representatives were doing in Mexico or what specific policies were being carried out. It is obviously difficult to coordinate policy when officials in Washington are unaware of what their own agency officials are doing in Mexico City. This situation is attributable partly to lack of coordination, partly to Washington's frequent inability to fully control its own representatives in the field, and partly to the inability of field representatives to pry decisions and clear direction out of their own departments.

- It is clear that some agencies do not trust others with information and do not inform them of major policy initiatives. The most striking case, analyzed in detail later in this paper, involved the Justice Department's sting operation in Mexico in May 1998—Operation Casablanca—which nabbed members of Mexico's banking community on charges of laundering drug money. This operation was carried out without informing the White House's Office of National Drug Control Policy or the State Department for fear that they might object and scuttle the operation. This episode made it clear that the United States has two drug policies in Mexico: one run by DOJ and DEA and one by DOS and the White House. Neither the right hand nor the left hand fully knows what the other is doing. Actually, the research showed that the U.S. government has not just two but instead has multiple, often unconnected, sometimes rival drug policies toward Mexico.
- Because Mexico is so important, many of the larger issues in U.S.-Mexican relations get immediately bumped up to cabinet, National Security Council (NSC), and White House levels, where two things become abundantly clear: (1) that is the level at which the *least* Mexico expertise is brought to bear; and (2) that is the level at which Mexico issues, rather than being resolved quietly at low levels, become the most politicized, controversial, and therefore virtually incapable of resolution. In addition, attention spans at higher levels may vary, other more immediate issues may suddenly take precedence, or the sentiment may develop that the United States has already done enough for Mexico (for example, the implementation of NAFTA and the bailout after the peso crisis).
- A high priority has been placed on the need for interagency cooperation in implementing U.S. policy toward Mexico. That is why so many issues regarding Mexico get bumped up to the cabinet level (at lower levels there would otherwise be very little cooperation, let alone resolution of interagency disputes); why the drug czar's office is located in the White House (so that operations can be coordinated among cabinet secretaries at the level of the White House); and why there are so many interagency task forces dealing with Mexico. However, preliminary findings show that there is *less* cooperation than often meets the eye; the sharing of equipment and resources has not worked out very well; and there is often major, mean-spirited conflict and secrecy among the various government agencies operating in Mexico.
- Relations between the United States and Mexico are so sensitive in many areas that U.S. representatives must sometimes deny the existence of some of their own programs. For example, the Department of Defense has as least 45 cooperative programs with the Mexican military; yet because of Mexican nationalistic sensitivities on one side and congressional concerns over human rights on the other—in addition to having been "burned" on these programs numerous times in the past—DOD insists publicly that it has "no programs" in Mexico. This deception will be discussed further below.
- The Mexico case is complicated by the fact that U.S. states, counties, localities, regional entities, border areas, and the like all conduct their own separate

foreign policies in Mexico with their Mexican counterparts, often without the involvement of the State Department or the federal government. The U.S. Constitution and numerous Supreme Court decisions give the federal government a monopoly on foreign policy making; yet this authority is violated so often that a whole body of literature has sprung up on what is called "local foreign policy." These incidences are not just innocent sister-city arrangements but often involve major policy arenas such as water rights, immigration, drugs, border patrols, and so forth.

- So many U.S. government programs operate in Mexico that it is impossible to keep track of them all. Even ambassadors and deputy chiefs of mission are sometimes unaware of all the programs that are run through their embassies. In addition, quite a number of these programs are hidden from view, even from embassy officials, for fear of public disclosure and resulting embarrassment either to Mexico or politically in the United States. For example, it is not uncommon to see the U.S. Agency for International Development conducting perhaps five or six major programs in a specific country, a number that is usually manageable from the point of view of embassy and policy administration. In Mexico, however, every U.S. agency surveyed seems to be running scores of programs. When the number of programs discovered by the research is multiplied by approximately 30 agencies listed officially on the embassy roster, the total comes to approximately 1,000 programs operating in Mexico. That figure does not include the programs of the many agencies operating in Mexico that are not listed on the embassy roster or the hundreds of local, county, state, and regional entities that carry out their own programs in Mexico quite independent of the U.S. embassy. When these programs are added in, the figure rises to several thousand U.S. government programs operating in Mexico; and this number does not include programs run by the private sector. It is impossible for any one person to be aware—let alone fully apprised—of so many programs. Moreover, administering them leads to a bureaucratic nightmare of lack of coordination, working at cross-purposes, the left hand not knowing what the right hand is doing, dropping the ball, and contradiction in policy.
- U.S. policy toward Mexico operates on many levels at once. Not only are there bureaucratic politics operating within the U.S. embassy in Mexico City and among agencies in Washington, but the border area itself also presents a whole separate arena and complicates the policy, a situation that does not exist in U.S. relations with any other nation. The 2,000-mile border between the United States and Mexico contains gaping holes through which tons of cocaine and marijuana and thousands of illegal immigrants continue to slip, despite massive U.S. efforts to control the problem. Part of the problem is again bureaucratic, as the following facts demonstrate: (1) at least 10 primary federal agencies plus numerous state, county, local, and regional agencies operate in the border area; (2) the work of these agencies is not coordinated among them; (3) jurisdictions overlap and often compete with one another; (4) assignments are vague, duplicative, and ineffective because of bureaucratic rivalries. New steps have been taken to coordinate border activities and to create a southwestern border coor-

dinator. These steps will probably lead in the right direction; but their ability to solve the problems seems unlikely.

- Because Mexico is a large country and shares a 2,000-mile border with the United States, the volume of private activities and transactions vis-à-vis Mexico is among the largest in the world, second only to U.S. business conducted with Canada. Be it the Ford Foundation, human rights groups, soldiers of fortune, the flood of tourists flocking into Mexico, investors, *maquiladores*, coyotes carrying immigrants into the United States, drug runners, and so forth, the volume of these private transactions—which have been accelerated by NAFTA—is stupendous, and many of the issues (such as investment, human rights, and drugs) involve major policy matters. Yet few of these activities are ever coordinated with official U.S. government policy, and some may be at odds with it. The result is an incredible, uncoordinated cacophony of voices and activities in U.S.-Mexico relations that are totally beyond control.

Virtually every U.S. government agency operating in Mexico pursues its own policy, usually several policies at once, often in secret, often contradictory, and with varying levels of coordination with the chief of mission—the ambassador. The United States has scores of policies toward Mexico, not one single, well-thought-out, rationally arrived at policy (à la the rational-actor model). Each agency has a piece of the action and thus acquires a vested interest in its own programs, but overall coordination, harmonization, and focus on the larger goals are often lost. U.S. policy in Mexico reflects the pluralism of the United States and of its myriad agencies, but that is not a guarantee of good policy. In fact, it is quite the contrary, because having so many policies means, of course, having no policy at all. In addition, the lack of coordination and the downright secrecy in which some aspects of the policy are shrouded—including the infamous Justice Department sting operation that was kept secret even from the State Department and the Office of National Drug Control Policy—have had the effect of damaging both U.S. interests and U.S.-Mexico relations. The policy is becoming both dysfunctional and self-defeating.

Research Methodology as Findings

Normally in a paper of this kind, any mention of research methodology is confined to a dreary appendix, if it is mentioned at all. In this case, however, the methodology itself revealed a variety of findings concerning the bureaucratic politics of U.S. policymaking toward Mexico that were so interesting that they merit mention in the body of the paper.

The research plan was to inventory all the U.S. government agencies operating in Mexico and request information on their Mexico programs. The list of U.S. government agencies operating in Mexico was derived from three sources: the *Federal Staff Directory*, the State Department's *Key Officials of Foreign Service Posts* (June 1997 edition), and the State Department's list of agencies accredited to the U.S. embassy in Mexico City—*Agencies for FY-98*.[27] The inventory is briefly summarized in appendix C.

A research project like this would obviously employ a variety of methodologies: in-depth research, use of library and archival materials, interviews, and, when possible, participant observation. To begin the research, however—to take a first cut in order to see what information was available in the public domain—a decision was made to have research assistants contact the U.S. agencies involved and request a statement of that agency's policies and programs operating in Mexico. The research assistants were told to describe the research project, to be as open as possible, and to politely request whatever public information on Mexico policy was available. This section of the research report deals briefly with the agencies' responses. Quite a number of these responses, several of which are included here, reveal a great deal about U.S. policy, or the lack thereof, in Mexico.

U.S. Department of the Treasury

- **Bureau of Alcohol, Tobacco, and Firearms (ATF).** Researchers were told by the Washington office that ATF's policy in Mexico would be "the same as anywhere else…like Florida." However, ATF stated that, "to be 100 percent sure," a formal written request under the Freedom of Information Act would be necessary. When ATF officials in Mexico City were contacted, they were much more cooperative, responding that it was "no big secret" that ATF's role is "to assist the Mexican government in tracing all U.S. source firearms seized in Mexico."
- **U.S. Customs Service.** Customs staff said that the office lacked information on programs operating in Mexico and that it would be necessary to contact the U.S. embassy in Mexico. The Customs Service official at the embassy responded that he could not give out any information without "making a few calls." Ultimately, researchers were directed back to the Policy Division of the International Affairs Office of the U.S. Customs Service in Washington.
- **Internal Revenue Service (IRS).** Researchers were told that the information requested on IRS activities in Mexico was "not that basic." Nevertheless (or was it because of that fact?), IRS staff stated that it would be necessary to file a formal request under the Freedom of Information Act *and* to guarantee payment of all research and search expenses.

U.S. Department of Agriculture

General information about the department was available on its Web site. However, even though the Department of Agriculture has numerous programs in Mexico, the department's headquarters in Washington, including the international office, did not know anything about its Mexico programs and instead recommended contacting the Agricultural Affairs Office at the U.S. embassy in Mexico. That office, however, would not give out any information about its programs (presumably

27. U.S. Department of State, *Key Officials of Foreign Service Posts* (Washington, D.C.: GPO, 1998); U.S. Department of State, *Agencies for FY-98,* Washington, D.C.: U.S. Department of State, 1998).

touching on the hot issue of drugs) without an official request letter sent to the office's director in Mexico City.

U.S. Department of Commerce

Although the Department of Commerce was generally unhelpful, it did send a packet of material, which contained no information specifically dealing with Mexico. The department did provide Web sites that offered public relations descriptions of investment opportunities in Mexico.

U.S. Department of Defense

In the late 1990s, the department was extremely sensitive as a result of a number of well-publicized gaffes and revelations about the association of the Mexican drug czar, General Jesús Gutiérrez Rebollo, with the late "Lord of the Skies," Amado Carrillo; controversial sting operations directed at Mexican banks; reports of possibly illegal U.S. training of Mexican troops in counternarcotics and counterinsurgency tactics; and the detention in the explosive region of Chiapas of two out-of-uniform military officials from the military attaché's office. DOD initially said that it had "no programs" and "no military operations" in Mexico. Because researchers knew this was false, a deeper probing ensued and revealed that there were "several programs" that were "tailored to what each country can live with." With regard to DOD's Personnel Exchange Program, researchers were informed that the branches use their own officers to provide information on U.S. culture to Mexican officers. In the United States, on the other hand, Mexican military personnel are employed as language instructors in U.S. military academies. The relevance of these subject areas to DOD's tasks remains open to question.

Better and more forthright answers came from DOD's Office of International Security Affairs (ISA), which revealed that most of the department's work in Mexico deals with counternarcotics operations. ISA informed the interviewers that the U.S. government provides helicopters and other equipment as well as training in counternarcotics measures. A special office of Drug Enforcement Policy and Support has been established within DOD for this purpose.

U.S. Department of Justice

- **Drug Enforcement Administration.** Researchers were informed that the only information available to the public could be found on the DEA's Web site, which provided very general and nonspecific information. In addition, researchers were advised to consult the annual report of the National Narcotics Intelligence Consumer Committee as well as congressional testimony, both of which proved to be quite uninformative.
- **Federal Bureau of Investigation.** When researchers contacted several offices at the FBI, they were repeatedly transferred to other offices (from the Mexico desk to the Public Affairs Office to the Research Office to the Press Office) because no one was sure what information they were allowed to disclose.

U.S. Department of State

The packet received from the State Department failed to provide any information on Mexico or DOS programs there. The department's Web site gave no specific mission statement but provided a useful description of priorities for the U.S. embassy in Mexico. The State Department's Mexico Office was helpful in providing the list of agencies that are part of the U.S. embassy in Mexico.

- **Bureau of International Information Programs (formerly United States Information Agency).** The agency's response was that general information about its programs was available on its Web site and was "applicable to all countries." Specific information about Mexico could be found in the country report, which proved to be both forthcoming and informative.

Obviously, this brief survey represents only one cut (at the level of soliciting statements of official policy)—and one that is quite superficial at that—at coming to grips with U.S. policy toward Mexico. Clearly, other sources of information, other cuts, and other methodologies will need to be, and have been, employed. Furthermore, some of the responses cited can be ascribed to incompetent, unresponsive, low-level, bureaucratic (not entirely unheard of in Washington), or ill-informed public affairs officials who don't know and don't care what U.S. policy is in Mexico, are disdainful of the public, and have an unhelpful attitude in dealing with the public. Nevertheless, even at this superficial level, these responses tended to support the observations in the first section of this paper: (1) the huge number of agencies and programs involved; (2) the lack of coordination among and within these agencies; (3) the secrecy and even paranoia in which some of these programs are shrouded; and (4) the effort to shield, disguise, or mislead the public as to how U.S. policy is being carried out in Mexico.

Programs Assessed

In a brief paper it is impossible to assess all the multiple, complex, and often overlapping U.S. policies toward Mexico. Much of the preliminary information—in terms of the formal, official statements of U.S. policy—is contained in appendix C. Therefore, this section focuses on two policy areas—U.S. drug policy and military cooperation policies—because both are more or less representative of the major U.S. policy priorities in Mexico and because they illustrate many of the general points made earlier in this paper. Because of space considerations, the discussion that follows will focus mainly on those aspects related to the main theme of bureaucratic politics.

Drug Policy

As of 1999, there were no fewer than 43 U.S. government agencies involved in counternarcotics issues. Because of proximity and the fact Mexico is a (maybe *the*) primary producer of and transfer point for drugs entering the United States, Mexico has become the primary focus for virtually every one of these agencies.

Heroic efforts have been made at coordinating the work of these 43 agencies and presenting a single, clear, and coherent policy and strategy. The effort begins at the top with the Office of National Drug Control Policy. The creation of this office during the Reagan administration was itself an admission that the then existing drug policy needed clear and better coordination. Bureaucratic rivalries, jealousies, turf battles, and fights over budgets and responsibilities existed then as they do now. For this reason, the drug czar's office was created and located in the White House, thereby giving it added clout. The difficulty then, as now, was that DOS, DOD, DEA, the Customs Service, the Coast Guard, and other government agencies were all carrying out their own counternarcotics policies quite independent of one another and without coordination among them. The drug czar was supposed to be a member of the cabinet and have rank equal to that of a cabinet member and thus be able to meet other cabinet secretaries as an equal, negotiate with them as an equal, knock heads if necessary using the office's White House location and status, and arrive at a coordinated policy. The key question has always been whether the drug czar would be a member of the cabinet, and administrations have changed direction on this issue several times. Because the drug czar in the Clinton administration, Barry McCaffrey, was not a member of the cabinet, his ability to coordinate drug policy among the several departments was severely limited.

At lower levels there are a variety of coordinating groups; interagency task forces; undersecretary, assistant secretary, and subprincipal groups; and ad hoc allegiances. Quite a few of these groups serve useful functions, particularly information sharing. But at the levels below the top cabinet level, almost no decision can be made unless the principals also concur, and this happens irregularly. Many of these groups' meetings are not necessarily full information-sharing sessions but meetings hosted by one agency, which provides a briefing that may or may not contain full information. The other agencies may listen and take notes, but they do not necessarily share all of their own information or report fully on their agencies' policy initiatives. Frequently, the representatives at these meetings are not themselves fully informed about the policies of their own agencies. Moreover, because the agencies' principals may not be in agreement, fully informed about new initiatives, or yet on board, lower-level officials cannot be expected to even reach agreement, let alone have the authority to coordinate policies. Hence, at all levels—but starting at the very top—there is neither full coordination of U.S. drug policy nor the incentive or authority to achieve it.[28]

The basic split in policy is between those agencies that have primarily a law enforcement background, orientation, and responsibilities (that is, DOJ, DOT, DEA, FBI, and the Customs Service) and those whose role is primarily political and diplomatic (CIA, DOS, and the White House, including the Office of National Drug Control Policy). Earlier research by the author of this paper revealed that at policymaking levels these law enforcement agencies (that is, DOJ, DEA, and FBI) are mainly staffed by lawyers, which is by no means a surprise.[29]

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28. Based on interviews conducted by the author at the National Security Council, the Office of National Drug Control Policy, and the U.S. Department of State.

All these agencies tend to be relatively new to the foreign affairs arena, to have few personnel who speak foreign languages and are trained in foreign cultures, to be dominated by ethnocentrism, and to often have tunnel vision when it comes to policy. Thus, as law enforcement agencies, legitimately and quite properly charged with the responsibility of implementing and enforcing the law (*U.S.* law, that is, and this is one of the nubs of the problem), their job is to carry out U.S. counternarcotics policy. If carrying out this responsibility involves harassing, arresting, or ousting military officers, cabinet members, or even presidents of another country (as in the case of Colombia's Ernesto Samper), then so be it. If the job involves kidnapping Mexicans from their own national territory and bringing them to the United States for trial, then so be it. If the work requires carrying guns while operating on Mexican national territory in violation of Mexican law, then that must be done too. If these agencies' responsibility means conducting a sting operation among bankers in Mexico (also illegal under Mexican law) and luring them to the United States for arrest, then that too must be approved. There is obviously a pattern here: these are law enforcement agencies whose single-track vision and *legitimate* responsibilities oblige them to enforce the law, even if that implies enormous costs in terms of overall U.S.-Mexican relations and is often self-defeating even on its own law enforcement terms.

The second set of agencies mentioned above has a different set of priorities and responsibilities. The Department of State, the CIA (at least its analytical arm), and the White House—including the Office of National Drug Control Policy, although its orientation is not 100 percent in that direction—tend to emphasize the larger picture of U.S.-Mexican relations. These agencies tend to see the law enforcement types as cowboys whose one-track policies and overzealous implementation may well damage overall U.S.-Mexican relations. The policy-oriented agencies do not believe that arresting high-level Mexican officials or drumming high-ranking military officers out of the armed forces is the correct approach. According to these agencies, kidnapping Mexican officials from their own territory, riding roughshod over Mexican laws, and de facto taking over some Mexican government functions are not in the long-term best interests of either Mexico or the United States.

Although they cannot say so publicly, if the truth were known, quite a number of these officials are opposed to much of the U.S. counternarcotics strategy because they believe that drug sales are a crucial element in Mexico's national economy, and successfully removing that component of the economy might well destabilize Mexico, which is the last country in the world the United States government wants to see destabilized. Many of these agencies are not convinced that a war on drugs is the right route to take or that the drug problem can be solved by focusing on the supply side or the production side. The State Department and these other agencies, in other words, are concerned with the big picture of U.S.-Mexican relations, which takes place on multiple, complex, interdependent levels and not just in the area of drugs and may well be harmed by a overzealous, unilateral, single-agency pursuit of U.S. drug policy. In response, the law enforcement agencies see the State Depart-

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29. Reported in Wiarda, *Foreign Policy Without Illusion;* and Wiarda, *American Foreign Policy.*

ment as soft on drugs and have even threatened to bring obstruction of justice charges against U.S. officials who refuse to go along with some of the Justice Department's more harebrained schemes. When one U.S. government agency threatens to prosecute officials of another (including the U.S. ambassador, although in a country other than Mexico) for failing to carry out what the first agency wants to do, that is more than bureaucratic politics run amok—it is complete chaos and dysfunction. In other words, the U.S. government does not have a single counter-narcotics policy toward Mexico but two parallel, conflicting policies that are carried out by battling agencies whose constant feuding, competition, and destructive policies threaten to destroy relations between the United States and Mexico.

The case that best illustrates these destructive bureaucratic conflicts is Operation Casablanca, the sting operation carried out by the Justice and Treasury Departments against a number of Mexican bank officials, hoping to catch them on a money-laundering charge. For three years in the late 1990s, U.S. undercover agents apparently lured bankers who were working mainly with Mexico's Juárez narco-traffickers to launder drug money, using such techniques as wire transfers and bank drafts. For their service, the bankers received between 2 and 3 percent of the proceeds from the transactions. The culmination of the sting came when U.S. officials lured the bankers to the United States with the promise of a free holiday in San Diego and Las Vegas and then arrested them.[30]

This case is particularly interesting for a number of reasons:

- Mexican law does not provide for sting operations; thus, U.S. officials were using U.S. laws to indict Mexican bank officials operating on Mexican national territory.
- For the reason just cited as well as Mexican nationalism—specifically the sense that Mexican officials were cowed by the United States—the sting elicited a howl of protest in Mexico, which not only formally objected but also threatened to prosecute the U.S. officials who ran the sting.
- Although the U.S. government was supposed to be cooperating with Mexico at all levels in the drug war, the sting was carried out without informing Mexico's high government authorities or gaining their legal approval for the U.S. actions, apparently because of U.S. impatience with the failure of Mexican prosecutors to make any real progress against drug corruption and for fear that Mexican officials would inform the bankers and drug lords about the sting.
- Finally, and most important for the discussion of bureaucratic politics, the operation was carried out under the auspices of the Justice and Treasury Departments but without informing either the State Department or the Office of National Drug Control Policy, or informing them at such low levels and in such (purposely) obscurantist ways that the importance and larger policy implications of the sting would not be recognized. The reason for not fully informing these latter two agencies was the Justice Department's and the

30. The case received intensive coverage in the *New York Times* and the *Washington Post* in May 1998.

> Treasury Department's fears that DOS and the drug czar—because of their softer attitudes toward drugs and their focus on the big picture—would object to the plan, leak the information, or scuttle the operation by appealing to President Clinton. Needless to say, officials at the State Department and the drug czar's office were very angry over being left out of the loop on Operation Casablanca.

An editorial in the *New York Times* in June 1998 denounced the sting as both unlawful and undiplomatic, stating that Washington's failure to obtain Mexico's approval to carry out an undercover operation on Mexican soil was inexcusable and had turned a law enforcement coup into a diplomatic fiasco.[31] President Clinton was obliged to express his "regrets" to Mexico's president at the time, Ernesto Zedillo, after a wave of denunciation and threats swept through Mexico. But elsewhere in the United States, criticism was rather muted, reflecting the country's impatience with Mexico's apparent foot-dragging on the issue and the tendency (or preference) of the United States to blame Mexico for U.S. drug problems. The U.S. public undoubtedly supported the sting, and the DEA was quick to claim credit for the operation, regardless of the State Department's views.

A far more informed and biting criticism came from the then director of CSIS's Mexico Project, M. Delal Baer,[32] who, at the time of the sting, was living in Mexico, where she was conducting in-depth research. She was thus able to assess the impact of the sting as well as of overall U.S. drug policy in Mexico at a level far deeper than U.S. editorial writers could. Baer criticized a policy in which law enforcement agencies (the Customs Service at the Treasury Department and the DEA at the Justice Department) were in the pilot's seat and allowed to operate autonomously from other U.S. agencies and from overall U.S. policy. She argued that the U.S. government's law enforcement agencies, which were not trained in foreign policy, had little understanding of the larger consequences of their tactics. The sting was not just a diplomatic embarrassment for the United States; the operation demonstrated that, when law enforcement agencies are allowed to dominate policy, the consequences also reverberate negatively throughout the Mexican political system and the entire bilateral relationship.

Both the Customs Service and the DEA are often blissfully unaware of what is happening in these areas. For example, the timing of the sting coincided with delicate negotiations that President Zedillo was conducting with the Mexican Congress over financial reforms; it was in the U.S. interest to see these enacted, but the sting threw a monkey wrench into the process. The sting also panicked investors—whose participation U.S. policymakers want to encourage—who interpreted the operation as an indication of the U.S. government's lack of confidence in Mexican institutions. The sting and the intense Mexican reaction to it also led to several calls in Mexico for the resignation of the governor of the country's central bank and the attorney general, officials whom the U.S. government tried discreetly to support.[33]

Baer went on to say that, even though it may not have been the responsibility of U.S. law enforcement officials to monitor the political and economic fallout of their

31. As reprinted in the *International Herald Tribune,* June 13–14, 1998, p. 6
32. See M. Delal Baer, *Washington Post,* June 1, 1998, sec. A, p. 17

unilateral actions vis-à-vis Mexico, it *was* the responsibility of senior U.S. government officials to coordinate policy among the various agencies involved and to ensure that such operations were conducted with at least some respect for signed agreements between the two countries, the agreed-upon rules of bilateral cooperation, and a sense of both the impact of such policies in Mexico and their effect on overall U.S.-Mexican relations. Apparently that was not done in the case of the sting operation, and indeed this case is part of a pattern in overall U.S.-Mexican relations. The stage was thus set for a new and recurring confrontation between the United States and Mexico as, for example, the debate over certification, when DOJ and DOT can be expected to exert strong pressure for decertifying Mexico as a cooperating country in the drug war while DOS and, it is hoped, the White House would be scrambling to present the larger picture of U.S.-Mexican relations in an effort to prevent the U.S. Congress from blundering into that step. According to Baer's sarcastic conclusion, the incident was a "victory" for Attorney General Janet Reno, the Customs Service, and the DEA, which proved that, if the United States dangled $30 million (like the proverbial $100 bill dragged through the trailer court) in front of low-level Mexican bank branch managers, the United States could corrupt the Mexican bankers in the same way that drug traffickers already had. To arrive at this dubious revelation, Operation Casablanca put the entire framework of U.S.-Mexican relations at risk.

Unfortunately, this case is not atypical of a wide range of U.S. policies toward Mexico—on drugs and on a host of other issues—that have emerged as the result of the bureaucratic politics of U.S. policymaking. My own files on Mexico from mid-1998 reveal such headlines as "The U.S. at Odds with Itself on Mexico," "Drug War Leader is Frustrated: Kramek Says Politics Hamper Coast Guard,"[34] and "2,000 Miles of Disarray in Drug War: U.S.-Mexico Border Effort a Shambles."[35] Meanwhile, in implementing the Southwest Border Initiative, the Justice Department continues with the same coalition of law enforcement agencies: the Customs Service, the DEA, the FBI, the Justice Department's Criminal Division, the U.S. Attorneys' Offices, the High Intensity Drug Trafficking Area Program, and the state and local counterparts involved in Operation Casablanca.[36] Once again, it should be noted that neither the State Department, the CIA, the drug czar, nor the National Security Council is represented in this initiative. Finally, a series of often devastating reports by the U.S. General Accounting Office—which are about as

33. Although this paper focuses on the Byzantine character of U.S. bureaucratic politics in dealing with Mexico, at least as complicated is Mexican bureaucratic politics—the interrelations and machinations of the party, the government, the central bank, the president, the Federal Office of the Attorney General, the Government Ministry, the press, the opposition parties, state governments, the armed forces, the police, special forces, and so forth. If these two bureaucratic-politics models could ever be brought together, we would truly understand Mexico as well as U.S. policymaking and the complex interrelationship between the two. Such an effort, the subject of a doctoral dissertation, is beyond the scope of this paper.

34. *Washington Post,* June 2, 1998, sec. A, p. 11.

35. Ibid., May 9, 1998, sec. A, p. 1.

36. James S. Milford, acting deputy administrator of the Drug Enforcement Administration, "Antinarcotics Cooperation with the Government of Mexico," testimony before the U.S. Senate Drug Caucus, October 29, 1997.

good and objective a voice as there is on this issue—have consistently come to the following conclusions:

- "Mexico continues to be the principal transit country for cocaine entering the United States."
- "Despite U.S. and Mexican counternarcotics efforts, the flow of illegal drugs into the United States has not significantly diminished."
- Despite new laws, new counternarcotics agencies, and new initiatives, the effectiveness and usefulness of these new initiatives is limited *"due to inadequate planning and coordination among U.S. agencies."*[37]

Military Cooperation

Over the decades, U.S. military cooperation with Mexico has been exceedingly touchy, sensitive, and therefore quite limited. The reluctance to cooperate has not come from the U.S. side, which is eager to engage its Mexican counterparts in joint, cooperative activities, but chiefly from the Mexican side, which is under severe restraints in its ability to cooperate. Mexican reluctance stems from a variety of factors:

- Mexican nationalism dating from the early nineteenth century, when the United States defeated Mexico and took 40 percent of its national territory;
- Constitutional prohibitions against training military units in foreign countries;
- Extreme sensitivities on the part of Mexico over U.S. slights and/or intervention in the country's internal affairs (for example, Operation Casablanca);
- Official anti-U.S. attitudes that are still extremely powerful in the Mexican foreign service establishment as well as in the universities and among leftist groups;
- A strong sense of inferiority on the part of Mexican military officials when they compare their levels of professionalism with those of their U.S. counterparts and which they prefer not to have made a matter of public knowledge;
- A Mexican foreign policy that has been historically oriented toward frustrating or opposing the United States on all issues;
- A revolutionary tradition, which stems from the Mexican Revolution of 1910 and leads Mexico to be sympathetic to revolutions (as in Cuba and Nicaragua) and revolutionary movements (El Salvador's Farabundo Marti National Liberation Front [FMLN], for example) that the United States opposes; and
- Resentment and jealousy that the United States is a First World country while Mexico remains in the Third World.

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37. U.S. General Accounting Office, *Drug Control: Status of Counternarcotics Efforts in Mexico* (Washington, D.C.: GAO, March 18, 1998); emphasis added.

Undoubtedly, other factors that are both mundane and immediate (for example, corruption and far lower salaries for the Mexican military than for U.S. counterparts) as well as long-term and philosophical are involved.[38]

As long as Mexico was peaceful and stable and the Cold War was still going on but centered elsewhere, the United States was not overly preoccupied with these Mexican sensitivities or the lack of contact with the Mexican military. U.S. policymakers often viewed Mexico as a difficult, prickly, uncooperative country—a pain in the neck, to put it in the vernacular—on such issues as Mexico's failure (alone among countries of the hemisphere) to break relations with Communist Cuba or to adhere to the U.S. blockade; Mexico's failure to support the 1965 intervention of the United States in the Dominican Republic; Mexico's obstreperous support of guerrilla forces in Central America in the 1980s, which often reflected opposition to the United States; and Mexico's consistent refusal to support the creation of a U.S.-favored inter-American defense force, which was seen in Mexico as "imperialistic," "antirevolutionary," and a fig leaf for unilateral U.S. intervention or the expansion of responsibilities of the Inter-American Defense Board—for fear that the United States would dominate it as well—and other inter-American defense or cooperation efforts.

But then a number of things happened to force the United States—as well as Mexico, albeit more guardedly—to substantially reappraise the bilateral relationship:

- In the 1980s and 1990s, Mexico began to look far shakier both economically and politically than had been the case previously. The United States (and perhaps Mexico, too, though reluctantly) realized that Mexican stability could no longer be taken for granted.
- The growing realization of complex interdependence between the two countries on so many issues led both countries to establish closer ties.
- NAFTA, which the United States initially considered more of a security strategy to help stabilize Mexico than an economic trade agreement, had a number of consequences: NAFTA made Mexico a "North American country," a concept that Mexico as well as the rest of Latin America is still trying to get used to; it had the long-range effect of making the United States the guarantor in perpetuity of Mexican economic and political stability; and it brought the two countries closer together on a variety of issues.
- The end of the Cold War not only led the United States to pay greater attention to what military strategist Alfred Thayer Mahan a century ago called its "soft, vulnerable underbelly" but also led Mexico to realize that it could no longer play the "Third World game" of balancing off the United States against the Soviet Union and that the United States was now "the only game in town."
- The growing trafficking in narcotics led Mexico, belatedly, to the conclusion that drugs not only were a U.S. consumption problem but also were capable of

38. For background, see Roderic Ai Camp, *Generals in the Palacio: The Military in Modern Mexico* (New York: Oxford University Press, 1992).

damaging Mexican institutions and society, as had happened in Colombia. In the mid-1980s and afterward, the role of the Mexican military increased exponentially in counternarcotics efforts, that is, eradication of drugs.

- The uprising in Chiapas and guerrilla activity elsewhere in Mexico revealed, among other things, how poorly equipped Mexico's military was to conduct counterinsurgency warfare against a dedicated, organized, skillful foe, which used the media and the Internet to mobilize domestic and international support.

All these factors and doubtless others began to push the United States and Mexico not into a military-to-military embrace but into a slow, evolving, and closer—yet still prickly—relationship that included numerous sensitivities and experienced many ups and downs.

Realizing the sensitivities involved, at some levels at least, the United States moved slowly in confidence-building and cooperative programs.[39] These programs were built up gradually over the course of the past three decades of the twentieth century. Most of them involved very low-level cooperative steps, such as the welcoming of a Mexican military officer to the prestigious U.S. National War College, the acceptance of a U.S. officer into the Mexican national military academy, the upgrading of the U.S. military attaché in Mexico City to the status of brigadier general, and the low-key and low-visibility annual exchange of a small number of officers at the service academies and in foreign-language instruction programs. Meanwhile, other potentially larger and more encompassing programs, such as the Joint Mexican-United States Defense Commission (JMUSDC), which was created in the aftermath of World War II, either languished; remained limited, as in the case of military assistance programs; or were virtually nonexistent, as was the case with joint military exercises. Mexico has made it plain, however, that it does not want to see the JMUSDC's mandate broadened and was particularly opposed to the joint commission's assumption of an operational role. Moreover, the policy of providing hardware or military assistance, for example, relies entirely on Mexican decisions to make major purchases and the willingness of the United States to respond. But Mexico buys significant amounts of equipment from France, Russia, and other sources and thereby purposely limits U.S. influence; at the same time, on the U.S. side and particularly when facing the scrutiny of human rights groups after the 1994 Chiapas uprising, it is possible that the U.S. Congress or the State Department could block the sale.

In 1988, the Defense Department adopted a new program for closer bilateral military relations with Mexico.[40] This program, which was established before the end of the Cold War and before the emergence of an entirely new gamut of "intermestic" issues, still appears to be guiding U.S. policy although it has been updated. The program directed the armed forces to forge greater military-to-military rela-

39. John Bailey and Sergio Aguayo Quezada, eds., *Strategy and Security in U.S.-Mexican Relations Beyond the Cold War* (San Diego: Center for U.S.-Mexican Studies, University of California, San Diego, 1996); see especially the chapters by John Cope and Michael Dziedzic.

40. The report is still classified but was summarized in Cope's chapter in Bailey and Aguayo, ibid; my analysis here follows that of Cope.

tionships with their Mexican counterparts involving two open-ended stages: (1) efforts, through exchange and other programs, to provide a better understanding of the U.S. armed forces; and (2) increased contact, but on a reciprocal basis. Given the Mexican sensitivities listed above, the program called for patience, flexibility, caution, and a nonthreatening relationship. There was no desire for high-level talks or joint exercises; U.S. military officials recognized that by law Mexican armed forces were prohibited from participating in any combined or coordinated exercises with any other country and that military units could not leave Mexico to train in the United States. For the Department of Defense, this kind of high-sensitivity, touchy-feely relationship was relatively new and unique and was not totally accepted. The remarkably enlightened program was the result of the approach taken by a number of DOD intellectuals who actually knew something about Mexico and were able to see their ideas translated into policy issues.

These kinds of low-level, low-key contacts gradually increased during the early 1990s. Most of them emphasized interservice contacts, primarily involving the Coast Guard and the Navy's Third Fleet, which is headquartered in San Diego. The program included greater frequency of U.S. personnel's port visits in Mexico, cooperative search and rescue operations at sea, "coincidental interaction" (passing information and sharing experiences), cooperative counternarcotics efforts at sea, antismuggling operations, environmental protection, establishment of a permanent "Mexican seat" at the Army War College, exchanges of visiting delegations from the military or from war colleges, and so on. This slow-and-steady approach was eventually expanded to include some unprecedented joint training missions in Mexico, including airborne exercises in which U.S. aircraft served as jump platforms for Mexican paratroopers. Clearly, DOD's strategy was to use these low-level contacts and exchanges as a way both to build confidence with the often hypersensitive Mexicans and to serve as a forerunner to more substantial and higher-level cooperation in such potentially controversial areas as a counterinsurgency and the war on drugs. By the mid-1990s, the Department of Defense was proudly (but still quietly) saying that it had "over 45" cooperative programs with the Mexican armed forces.

But then things began to get out of hand, to go beyond the pale. Part of the outcome had to do with the military establishment's political culture—Allison's organizational model. DOD has so many able, energetic, ambitious, gung-ho officers with type A personalities, who are eager to overcome all obstacles and "get the job done," that, once they receive their orders, they often go beyond what their guidance or, sometimes, good sense would suggest. But part of the change also had to do with purposeful secrecy aimed at deceiving or going around Congress as well as circumventing other agencies—the phenomenon of bureaucratic politics, which is the primary focus of this study.

The context changed in several ways:

- U.S. military assistance and sales to Mexico increased dramatically. A country that had long been very low on the list of recipients of U.S. aid— purposely so, from both the U.S. and Mexican perspectives—now vaulted quickly to the midrange of U.S. military assistance.[41]

- The stakes increased dramatically: Mexico became the primary transshipment point for drugs entering the United States; there were guerrilla uprisings, economic collapse, violence and assassinations, rising crime, the potential for social upheaval and political instability; and the highest levels of the U.S. government became increasingly concerned about the fate of its large neighbor to the south.
- Instead of the low-key, low-visibility policy of the past, U.S. policy toward Mexico became high-profile and high-visibility, as evidenced by the 1996 visit of Defense Secretary William Perry along with a parade of other cabinet-level visitors and exchanges.
- The United States, under pressure from the Congress, the public, and the press, abandoned the earlier cautious, deferential, patient, and nonthreatening approach and began a more blatant, high-pressure, even interventionist policy toward its southern neighbor. Instead of allowing Mexico to largely take the lead with its own reform program and at its own pace, the United States began to take more of the lead, to increase the pressure, and to treat Mexico as "just another banana republic"—albeit an especially large and proximate one.

A few examples (among many)—specifically examples of the bureaucratic politics of this new relationship—will suffice to make the point. The first was the celebrated case of General Gutiérrez Rebollo, Mexico's drug czar, a special position that had been created in Mexico at the urging of and with considerable pressure from the United States. General Gutiérrez had been appointed to the post not only to emphasize that Mexico was serious about counternarcotics and that this was a *war* on drugs but also to make the position comparable with that of General Barry McCaffrey, the U.S. drug czar. McCaffrey had confidence in General Gutiérrez and had shared with him classified U.S. material on counternarcotics measures, but he did not know that General Gutiérrez was in the service of one of the Mexican drug lords. More than that, this information about General Gutiérrez's drug connections *was* available to U.S. intelligence, specifically to the Defense Intelligence Agency, but it was never shared with McCaffrey and the Office of National Drug Control Policy—yet another instance of the right hand not knowing what the left hand was doing.

Another example was the Joint Combined Exchange Training (JCET) program,[42] which is funded under a 1991 law that allows U.S. troops to participate in joint, combined training exercises with foreign militaries overseas if the primary purpose is to train U.S. troops. Oversight of the program is supposed to be by the secretary of defense, specifically by the assistant secretary of defense for special operations and low-intensity conflict, and, ultimately, by the U.S. Congress, which passed the measure. Over the years, however, JCET has been vastly expanded to encompass activities not intended or anticipated in the original legislation. Under the JCET program, U.S. forces have trained former Indonesian dictator Suharto's praetorian guard; have trained human rights–abusing Colombian armed forces in

41. In 1997, U.S. military sales to Mexico rose to $28 million from $4.8 million the year before.
42. For background, see the series of articles in the *Washington Post,* July 12–16, 1998.

counterinsurgency and counternarcotics operations and have done the same in Peru and other countries; and, in general, have used the program to evade the restrictions governing other assistance programs that involve aid to militaries that abuse human rights. Virtually no oversight of this mushrooming program has been carried out by DOD or Congress, and the State Department has rarely been informed about the full extent of the training. Some of these agencies preferred not to know too much.[43]

In Mexico, the JCET program has been used to train Mexican troops on Mexican soil. This is an exceedingly sensitive and dangerous step because of the extreme Mexican sensitivities—based on historical and nationalistic reasons—over the presence of *any* foreign troops on Mexican soil, especially U.S. troops training Mexicans in counternarcotics and counterinsurgency operations, a sensitive issue to the Mexicans. Unlike the United States, the Mexican public is not convinced that either trafficking in drugs for U.S. consumption or the activities of the Zapatista guerrillas in Chiapas are such unmitigated evils. In addition to the training provided on Mexican soil, the U.S. Army's Green Berets have been training hundreds of Mexican troops in the United States, and these are the troops who make up Mexico's elite counternarcotics and counterinsurgency battalions. Because Mexico's Constitution prohibits training Mexican units in foreign countries, the members of these battalions are flown to the United States in small groups, trained, and then flown back to Mexico, where these smaller units are reassembled.[44] But Mexico's Constitution is hallowed and revered, and the U.S. government's transparent subterfuge to avoid Mexico's constitutional prohibitions can only be described as stupid and self-defeating. Apparently, the U.S. government is under such intense pressure to solve the drug problem that it is willing to violate the Mexican Constitution—one of the main institutional pillars still holding Mexico together—to achieve that goal. Moreover, once the JCET training is complete, the U.S. government will be unable to control how Mexico uses these troops. In fact, in both Colombia and Mexico, these U.S.-trained elite units have been employed less in counternarcotics operations (the U.S. priority) than in counterinsurgency measures (Colombia's and Mexico's priority), in which they have committed widespread human rights abuses. And, of course, these incidents become causes célèbres among the international human rights groups and within the U.S. Congress, which then (exempting itself, of course) blames DOD and DOS for not overseeing these programs more closely.

These and other issues have led to storms of protest in Mexico. In summer 1998, Mexico issued increasingly sharper attacks over what it viewed as "unacceptable interventionist attitudes on the part of the United States."[45] Mexico was incensed over Operation Casablanca and demanded that those U.S. officials responsible for the sting be brought to Mexico to stand trial for violating Mexican laws. Most Mexicans are convinced (and "Subcomandante" Marcos has charged) that U.S. Special Forces are working with Mexican armed forces in Chiapas to wipe out the Zapatista

43. See the overwrought (as usual) but still insightful column by Mary McGrory in the *Washington Post,* July 26, 1998, sec. C, p. 1.

44. *Washington Post,* July 13, 1998, sec. A, p. 17; and July 15, 1998, sec. A, p. 25.

45. Anonymous Mexican government official.

guerrillas. Mexican sentiments were further inflamed when two U.S. military officials from the military attaché's office in Mexico City appeared in civilian clothes at the site of recent violence in Chiapas and, after being detained by local villagers, said lamely that they were there only "to learn the countryside and the culture." These repeated and often illegal interventions in Mexico's internal affairs have so inflamed Mexican-U.S. relations that they threaten the continuation of not only the JCET program but also the wide range of cooperative U.S.-Mexico programs built up over the years. In mid-1998, relations between the United States and Mexico were extremely tense on a wide range of important issues.

Despite this study's separate treatment of U.S. drug policy and military cooperation, programs designed to deal with the two issues are intimately related. One need not be an advocate of "militarizing the drug war" to recognize that some degree of both U.S. and Mexican military involvement and cooperation is necessary in order to solve the drug problem. At the same time, reforming the Mexican military is essential for the ultimate success of overall U.S. policy toward Mexico, including the achievement of democratization and better performance when it comes to human rights. However, the bureaucratic politics practiced by different U.S. government agencies in each of these areas has a multiplier effect when applied to U.S. policy as a whole in relation to Mexico's democracy, stability, open markets, and free trade. The result of multiple agencies' practicing bureaucratic politics in numerous policy arenas compounds the problems of chaos, dysfunction, and sclerosis of policy to which this paper has already alluded. If space were available to focus specifically on U.S. policy toward Mexico in the field of energy, immigration, the environment, the border, and a variety of other areas, the reader would find that many of the same problems apply: bureaucratic conflict, turf battles, battles for bureaucratic prestige and budgets, one agency's lack of awareness of what another is doing, and so forth. The result is not only confused U.S. policy, with the main policy goals increasingly lost in bureaucratic maneuvering and manipulation, but also the possibilities of a breakdown in policy, defined as the inability to accomplish major policy goals in Mexico. When one adds ineptitude, overreaching, conflict, and sometimes heavy-handedness on the part of U.S. government agencies to the possibilities for fragmentation and ungovernability in Mexico itself, the U.S. government's problems with policymaking become frightening.

Conclusion

The United States cannot continue to run its foreign policy on the basis that has been described in this paper. Since the end of the Cold War, domestic politics and bureaucratic rivalries have driven U.S. foreign policy almost to the exclusion of a hardheaded but enlightened calculation of the national interest. Discovering ways to get along on a host of complex, interdependent issues with a large, important neighbor like Mexico has not been in the forefront. The situation today clearly demonstrates the following factors that impede formulation of a cohesive policy toward Mexico:

- The U.S. Congress and the White House play politics with foreign policy making.
- Entire programs are doled out to different agencies on political and bureaucratic grounds.
- Each agency conducts its own foreign policy with little or no attachment to a central core of principles and interests.
- Precious little coordination exists between, among, or even within the distinct agencies involved.
- Both the politicians and the agencies involved seek to curry favor with particular constituencies and to pursue their own organizational and bureaucratic self-interests. Operation Casablanca and the JCET programs are the two most blatant examples, but there are many others.[46]

Instead of implementing a single, coherent, agreed-upon foreign policy toward Mexico, the United States has a large number of government agencies that behave like autonomous and semi-autonomous institutions, each pursuing its own distinct, separate foreign policies. Each of these agencies is circling in its own orbit and has its own clientele, political agenda, and bureaucratic interests. There is very limited contact, let alone coordination, among the agencies and almost no sense of the big picture of overall U.S.-Mexican relations in all their close and complex interdependence. Significantly, the bureaucratic politics involved in making U.S.-Mexican policy has now snowballed way beyond Allison's original formulation to encompass dozens of offices, departments, and agencies carrying out hundreds, if not thousands, of programs. The White House, the president, and the National Security Council are supposed to coordinate all these distinct programs, but that is not being done effectively, or it is done so superficially that each agency continues to follow its own route. Significantly too, the bureaucratic politics of U.S. policymaking encompasses not just the numerous agencies in Washington but also the myriad offices in the U.S. embassy in Mexico City, which has more U.S. agencies represented than any other U.S. embassy in the world. What is supposed to be, in the embassy, a coordinated "family" of operations has become dysfunctional, perhaps following the lead of dysfunctional families in the United States itself. It has been said that we have no one policy toward Mexico but 67 policies.

The incredible pluralism verging on the chaos and dysfunction of political Washington has begun to affect the *substance* of U.S. policy toward Mexico. Two aspects of U.S. policy infuriate the Mexicans: (1) the specific content of individual U.S. policies, which is not the main topic of this paper; and (2) the sheer confusion in U.S. policy—the incoherence, the lack of clear direction, and the fact that, when it comes to foreign policy, the U.S. government speaks with many voices, not one. Other nations in this and other times have also lamented these characteristics of U.S. foreign policy, but in the late 1990s and specifically in the case of Mexico, the situation had become far worse and was going beyond the pale. The sheer proliferation of agencies and programs (the world's largest), the fact that the left hand of

46. For additional cases and analysis, see Wiarda, *American Foreign Policy.*

U.S. policymaking seldom knows fully what the right hand (actually, 50 or 60 other "hands") is doing, and increasingly the political and bureaucratic games (there is no other word) that one part of the U.S. government tries to play on others (as in Operation Casablanca) are now becoming exceedingly destructive and self-defeating. Not only is there rising anger and indignation in Mexico,[47] a situation that is hardly conducive to gaining Mexican cooperation on a host of issues, but the effectiveness of U.S. policies is also breaking down as confusion, conflict, and unmanageable bureaucratic politics wreak havoc on the very policies that are supposed to be implemented. The outcome is not only Allison's famous model run amok; the situation might be labeled "Allis(on) in Wonderland."

Afterword

Most of the information for this paper was collected and analyzed in 1998 and 1999. At the time, the appointment of an especially able and forceful career ambassador, Jeffrey Davidow (who served between 1998 and 2002), helped bring unprecedented knowledge and coordination to the U.S. "family" of official agency operations within Mexico.

However, the problem of bureaucratic politics and the coordination (or lack thereof) of U.S. policies, programs, and agencies in Mexico and elsewhere remains a major problem in 2003. A case in point is immigration policy. No consensus currently exists as to what U.S. immigration policy should be: tight borders, open borders, a combination of the two, or each state in the United States essentially running its own policy? Because think tanks, advocacy groups, and the White House are of many minds on this issue and public opinion is also divided, it is not surprising that each agency dealing with immigration issues has its own agenda. For example, at a recent high-level, interagency meeting on immigration policy, it was acknowledged the multiple U.S. agencies involved had yet to reach a consensus.

This study was completed before the election of the opposition candidate, Vicente Fox, in 2000, which thus broke a 71-year monopoly of political power held by the PRI, and before the terrorist attacks of September 11, 2001, and the war in Iraq in early 2003. Even though these events obviously require updating the paper, they do not change its main focus: the bureaucratic politics of U.S. policymaking. On the one hand, the crisis nature of the war on terrorism tends to reduce for a time the stage on which bureaucratic politics takes place and to concentrate more decisionmaking in the White House and among key cabinet members. On the other hand, the creation of the Department of Homeland Security has opened an entirely new arena for bureaucratic politics unprecedented in recent U.S. history, as myriad agencies maneuver *not* to be included in the new department while others scramble to protect their turf and bureaucratic interests *within* the new department. It will be fascinating to see (and the verdict is not in) how such agencies as the U.S. Customs Service, the INS, the Coast Guard, ATF, the Transportation Security Administration and others adopt and adjust to these new circumstances.

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47. *Washington Post,* July 29, 1998, sec. A, p. 17.

In addition, a fascinating and increasingly important variable is the rising numbers and growing political importance of Hispanics and Hispanic groups in the United States, their increasing interest in the issues, and growing awareness of this development on the part of the White House and other political operatives. Increasingly, Hispanic groups are weighing in on the problems that are involved in bureaucratic politics, and politicians with Hispanic constituencies are also addressing these issues. The result is that the organizational and bureaucratic-politics models analyzed in this study are themselves becoming even more politicized than they had been previously. Although this development may make U.S. foreign policy more democratic, it also makes it more dysfunctional.

Afterword

Armand B. Peschard-Sverdrup

When CSIS embarked on this two-year research project, we did not know with certainty how the tale of Mexico's quest for electoral democracy would end. Would the entrenched political interests preserve their grasp on power or would the desire of the Mexican people seeking to effect political change prevail? What we did recognize was the growing importance of Mexico to the United States and the need to help prepare the U.S. policymaking community to respond constructively to any conceivable scenario that could evolve during such a pivotal presidential election in Mexico.

This was the reasoning behind the design of this project: to engage in the kind of intellectual exercise whose utility could truly be valued only if the electoral outcome were contested. Therefore, the project set out to examine the many variables that would come into play leading up to the 2000 presidential election in Mexico and posited two plausible scenarios: a disputed PRI victory and a disputed PAN victory. In hindsight, the exercise achieved a precise analysis of the many factors involved not only in this phase of Mexico's political transition—the presidential election—but also in the country's democratic governance. If anything, Mexico's democratic transition, whose seeds had been sown well before the election, was actually set in motion on that day and would continue to evolve over time.

As a result, it is not surprising that much of the analysis presented in this volume, in the simulation exercise itself and in the critique, is still relevant today. Many of the actors and variables that had been identified are still pertinent, though now under a different set of circumstances, as the balance of power continues to realign itself following the historic election and the government seeks to build a consensus for the sake of governance.

Fortunately, as it turned out, the electoral chapter in Mexico's democratization had a happy ending, and none of the dire predictions examined in the exercise were forthcoming. Mexico's 2000 presidential election was a true watershed event, for it resulted in the undisputed administration of the electoral process. What is more, the election resulted in the long-awaited—and peaceful—alternation of power in the office of the presidency which had been under the uninterrupted control of the Institutional Revolutionary Party for 71 years. The undisputed PRI control of the Senate also disappeared.

The July 2000 election was a crucial milestone in Mexico's democratic evolution: it was the culmination of a measured process of electoral reform that began in

1977. In the eyes of the Mexican people, the historic outcome finally validated the integrity of Mexico's electoral process and, as important, the institutions responsible for both administering the federal election and adjudicating electoral disputes.

But as this chapter of electoral democracy comes to a close, another one commences—that of democratic governance and its countless challenges. The healthy separation of powers brought about by the voters has set in motion a realignment in Mexico's balance of power—typified by checks and balances, the natural pull and push of political forces, the need to hastily learn the fine art of compromise and consensus building, and, as in all democracies, encounters with gridlock. The election and its aftermath also awakened a public opinion that for generations considered itself immaterial and gave a voice to a civil society eager to have an impact on the political process. How Mexico progresses through this latest chapter may well determine not only its ability to push through many of the needed structural reforms but also, and perhaps more significantly, how the three main political parties evolve.

Given the close and tortuous ties between our two nations, this is an outcome that matters to more than just the Mexican people, but also to the United States.

APPENDIX A

Scenario 1: Disputed Victory by PRI Candidate

Lowell R. Fleischer
Rapporteur
November 30, 1999

July 1–2, 2000: Election Results

- Institutional Revolutionary Party declares victory with a 3 percent margin over the National Action Party candidate
- Results of the Voting:
  - Institutional Revolutionary Party (PRI)—37 percent
  - National Action Party (PAN)—34 percent
  - Democratic Revolutionary Party (PRD)—22 percent
  - Coalition of other parties—7 percent
- Exit polls partially validate the results, but the opposition complains that the PRI bought votes and used government resources in its attempt to win the presidency.
- The election also produces a divided Congress: no single party captures a majority in the Chamber of Deputies, and the PRI loses control of the Senate. Together, the PAN and PRD hold the majority in both houses, and the smaller parties hold swing votes in the lower house.

July 3–16, 2000: Protests and Demonstrations

- PAN and PRD candidates (Fox and Cárdenas, respectively) unite to file protests with the Federal Electoral Institute (IFE).

- Tensions rise among the population, with demonstrations taking place at the Zocalo. Provocateurs attempt to charge the National Palace, and police clash with the protestors.
- Fox and Cárdenas call for another major demonstration to take place on July 9.
- The dissident electricians' union, radical students, and Zapatistas join the demonstration to display solidarity.

July 17, 2000: Violent Acts and Confrontations

- The Zapatista National Liberation Army (EZLN) and Popular Revolutionary Army (EPR) kidnap a U.S. Drug Enforcement Administration (DEA) agent stationed at the U.S. consulate in Guadalajara. These groups send a communiqué denouncing the electoral outcome and threatening more attacks.
- In an effort to raise international awareness of the situation, EZLN sympathizers coordinate the simultaneous confrontational occupation of Mexican consulates in Paris, Madrid, New York, Los Angeles, and Washington, D.C.
- Mexico's military maintains a low profile throughout the protests and issues an ambiguous statement that the military will respect legality and the constitutional order.

September 15, 2000: First Session of Congress and Political Protests

- The newly elected Congress begins its first session.
- PRD and PAN members pass a resolution denouncing the electoral outcome and the government's use of excessive force against the protestors.

November 20, 2000: TEPJF's Dismissal of Charges of Fraud

- The Federal Electoral Tribunal (TEPJF) concludes its review of allegations of electoral irregularities and dismisses the protests lodged by the PAN and PRD.
- Several citizen councilors on the board of the autonomous IFE resign in protest over the TEPJF's ruling, thus throwing into doubt whether or not the election should be validated.

December 1, 2000: President's Inauguration and Call for Interim Government

- PAN and PRD members of Congress refuse to attend the congressional session at which the president-elect is sworn in, thus creating a legal vacuum.
- The PAN and PRD call for an interim government.

December 2, 2000: Economic Problems

- The crisis has exacerbated capital flight.

- The government has hiked interest rates to 40 percent since the election. If continued, this could lead to another wave of bank collapses.

January 19, 2001: Calls for Decertification

- One day before the inauguration of the new U.S. president, the body of the kidnapped DEA agent is found in the trunk of a car parked near the U.S. embassy in Mexico City.
- Members of the U.S. Congress clamor for the decertification of Mexico.

January 25, 2001: Appeal to the OAS and Planned Visit to the United States

- Fox and Cárdenas announce that they will travel to Washington, D.C., to submit a complaint to the Human Rights Commission of the OAS on January 27.
- They also request a meeting with the new U.S. president.

Rapporteur Report

Presented with the above scenario, participants in the gaming exercise were struck by several recurring themes as the discussion unfolded:

- The extent to which, for the United States, the line between foreign and domestic policy is becoming increasingly blurred in the case of Mexico;
- The subdued U.S. response to events in the scenario recommended by all participants and the uniform view that the U.S. role should be that of assisting Mexico and urging calm, but stressing that it was a Mexican problem; the group had trouble identifying the threshold where the U.S. response would be less subdued;
- The unpredictability of statements and actions that could emanate from Capitol Hill and the near certainty that some of them would not be very helpful, especially given the timing, which coincides with elections in the United States;
- The vital interests at stake for the U.S. business community, as Mexico has become the second largest export market for the United States and the destination for huge investments;
- The paucity of instruments available to the United States to help Mexico in another economic crisis; the United States would not be able to repeat the bailout of 1995 because of opposition both in the Congress and among the general public; and
- The likelihood that, faced with scenarios predicting a disastrous political and economic situation, the PRI and the opposition parties would arrive at some historic pact to restore stability.

U.S. Response to the Electoral Outcome

The first issue considered by the group was a response by the U.S. government to the first events raised in the scenario. After much discussion about the nuances of a statement by the U.S. president, including consideration of possible domestic reactions, the consensus was that the U.S. president should publicly congratulate Mexico on another step forward in the democratic process, perhaps adding a few words about the importance of the relationship between the United States and Mexico. However, participants stressed that the U.S. response should not give a full endorsement to the PRI or the president-elect because of the possibility of fraud raised in the scenario.

At the same time the president was likely to privately convey to the president-elect, PAN and PRD leaders, and the sitting president—Ernesto Zedillo—that the United States has serious concerns about the situation and expects that a peaceful solution will be found as soon as possible. The United States would emphasize its responsibility to protect U.S. citizens in Mexico during the turmoil there.

Because it was an election year in the United States, any U.S. government statements would have to be examined through the lens of U.S. politics, keeping very much in mind the way the press is reporting on the outcome of Mexico's election. Of the major candidates, participants believed that George Bush, John McCain, Bill Bradley, and Al Gore would all be supportive of some kind of low-key reaction; however, the group expected a problem if Pat Buchanan were to be in the race.

One participant later expressed the view that the United States should intervene with public statements only when such statements could make a difference. Issuing statements at every turn of events could be counterproductive. Another participant argued that the United States had to be cautious, even "supercautious," and not overplay its hand because of the potential that any U.S. government statement could be very explosive in Mexico.

With the deterioration of the situation after the election, as posited in the scenario, U.S. public statements were likely to continue to be low-key, urging a peaceful solution and protection of human rights. The U.S. administration was also expected to systematically engage congressional leaders, border-state governors, the U.S. business community, and other interested parties in discussions of the developing situation in Mexico.

Protests and Demonstrations

In light of the demonstrations that are expected to take place, several participants emphasized the importance of reaching out to the opposition, because the protests were being led by Fox and Cárdenas and because it would not be in the interests of the United States to be perceived as backing the PRI. It was likely that the massive demonstrations in the Zocalo would be broadcast live on U.S. television. The way the Zedillo administration handled these demonstrations would influence the U.S. government response.

Violent Acts and Confrontations

The violent and confrontational ways of protesting the electoral outcome—the kidnapping of a DEA agent and the occupation of the Mexican consulates in Washington, New York, Los Angles, Madrid, and Paris—were likely to change the U.S. reaction. Participants predicted that the kidnapping would become the lead story on the evening news throughout the United States, compelling many members of Congress to comment and engaging the interest of the U.S. public. The policy priority of the United States would be to ensure Mexican cooperation with U.S. efforts to find and rescue the DEA agent, and, at this point, everything else would become secondary to that goal. The United States was expected to seek the condemnation of this event by all political leaders and factions in Mexico. At the same time, the group believed that the administration would try not to let these new incidents divert attention from the major long-range interests of the United States: a peaceful settlement of the crisis, which is rapidly becoming a constitutional one. Above all, participants stressed that the United States should make every effort to avoid inflaming the situation.

Most participants thought that dealing with the kidnapping would present greater problems for the U.S. government than dealing with the occupation of the consulates, which would essentially be a police matter. Scenes on television of the seizure of the consulates and the need to expend police resources undoubtedly would influence U.S. public opinion, but participants were uncertain about the direction. The U.S. government would also probably have to deal with the strong expressions of congressional anger over the kidnapping, which could lead to pressure for the United States "to do something."

Increased Immigration

As the economic situation began to mirror the political crisis and capital flight intensified and interest rates climbed, the group anticipated that the United States would be confronted with a substantial increase in illegal immigration from Mexico. Most participants agreed that this outcome would lead to pressure from many quarters to defend the border and perhaps deploy the U.S. military there. Although most governors of border states probably would not want to see use of force by the National Guard—whether federalized or not—to keep Mexicans out, the governors were likely to feel compelled to call the National Guard out in any case. If thousands upon thousands of Mexicans were to attempt to cross the border, as seems likely based on past experience, the United States government would probably have to establish temporary detention camps near the border.

This prospect raised the question about whether the United States would change its historical position and treat Mexicans crossing the border as refugees. International pressure would most likely encourage the United States to do so, even though the PRI and the Mexican people would be displeased by this measure. Participants believed that it would not be easy for the United States to decide how to treat these immigrants, as the U.S. government grappled with the following questions about the illegal immigrants:

- Will the U.S. government return them to Mexico?

- Is the breakdown in Mexico such that their lives are in danger?
- Are they economic refugees?
- Should they be treated as Haitians were or as Cubans were?

Opposition Calls for Interim Government

As the Mexican political situation deteriorated into November and December and the PAN and the PRD called for an interim government of national salvation, the consensus of the group was that there would be almost no public role for the United States other than to try to be a calming influence.

Even if the U.S. government was unable to make any public statement about the idea of an interim government in Mexico, most participants believed that the United States would have no alternative but to work behind the scenes to bring about this result. If all the parties in Mexico were to agree to this kind of solution, public backing from the United States was expected to be helpful. At this point in the scenario—that is, after the U.S. presidential election but before the inauguration of the new U.S. president—the group assumed that the Clinton administration would begin to work more closely with the U.S. president-elect and his advisers and that the U.S. Congress would be worried enough about the deteriorating situation that it too might be more cooperative.

Several participants commented that the series of events over the five months since the Mexican election, as outlined in the scenario, would spell disaster for Mexico: the country would go into such a tailspin that it would be almost ungovernable. Participants who have studied the Mexican military remarked that it places a great deal of emphasis on order and does not want civil conflict; therefore, these experts predicted that Mexican military forces would not favor one side or the other but would strongly suggest that both sides work together to find a solution.

In general, group members agreed that many more actors—in the United States as well as in Mexico—would have interests at stake than would have been the case even a decade ago. In addition, most of these parties, including business leaders from both countries, were expected to urge a quick and peaceful solution to the dispute. Like the military, the Mexican people do not want chaos, and they were likely to demand an end to the crisis, especially as it dragged on.

Constitutional Quandary

In discussing the ensuing constitutional crisis—with the scenario positing opposition legislators' refusal to attend the inauguration of the new president and opposition governors' announcement that they did not recognize the president's authority—participants agreed that the framers of Mexico's Constitution did not anticipate some of the events unfolding in the scenario. Therefore, it was difficult to answer such questions as how long the opposition's boycott of Congress could last and what would happen if Congress did not approve the federal budget in the time required—given that at the time Mexico did not have the benefit of a continuing-resolution type of an option as in the case of the United States.

Demands for Decertification

When the scenario introduced an extensive press report alleging that U.S. intelligence had evidence that the PRI campaign had been financed by drug cartels, participants' the reaction was that this was just one more issue complicating the situation, and they suggested that perhaps the charge was even the least of Mexico's worries at this point. Although some discussion addressed possible demands by the U.S. Congress that Mexico be decertified the following March, the consensus was that the certification issue—no matter how potentially inflammatory—was secondary to all the other problems Mexico was facing. The U.S. Congress has harshly criticized Mexico for alleged failure in countering the flow of drugs across the border, and many members of Congress harbor serious doubts about Mexico's commitment to combating drug trafficking.

Members of the group predicted that the clamor for decertification would certainly increase when the body of the DEA agent was found in the trunk of a car near the U.S. embassy in Mexico City only a day before the new U.S. president's inauguration. Most participants felt that, with Mexico falling apart and hordes of Mexicans crossing or attempting to cross the border, the murder of the DEA agent, who by this time had been missing for almost six months, would not have come as much of a surprise and would have been overshadowed by other events. From the time of the agent's kidnapping, the U.S. embassy would have been working with all sectors of Mexican society to try to locate the agent and find out who was responsible for the kidnapping. Publicly, the U.S. government was expected to express its confidence that Mexican authorities would get to the bottom of the mystery. According to the scenario, no one in the Mexican government was responsible for the deed; therefore, participants believed that this fact would facilitate cooperation between the two governments in trying to identify and locate the perpetrators.

At several points during the discussion of the scenario, the group brought up the issue of drug certification—an issue that all agreed was most contentious in both Mexico and the United States. Participants predicted that, by the time the body of the DEA agent was found—if not sooner—members of the U.S. Congress would be clamoring for decertification. Several members of the group suggested that the U.S. government would forfeit all possible leverage with the Mexican government if the government were to be decertified. The group agrees that Mexico would be certain to retaliate in some way if it were to be decertified. The issue was expected to be raised at every meeting between officials of the two governments and probably in other nonofficial contexts as well.

Economic Troubles

In light of border governors' and congressional delegations' increasing concerns about the border and their consideration of drastic actions to stem the illegal immigration—such as calling up their respective National Guard forces—the new administration in Washington would probably intensify pressure on Mexican political leaders to find a solution. As capital flight began to threaten the banking system and threaten the collapse of the entire economy, participants expected the U.S.

business community to increase pressure on the White House to push Mexico even harder to come up with a solution.

Since the scenario concentrated on the United States and Mexico, there was relatively little discussion of the reaction of other Latin American governments. There was little doubt, however, that the repercussions would be great, especially in the economic sphere.

Appeals to OAS Human Rights Commission

Assuming that the new U.S. and Mexican presidents had met previously, perhaps on the border, the group believed that the newly inaugurated U.S. president would agree to meet with the opposition leaders—Fox and Cárdenas—when they came to Washington to file a complaint against the Mexican administration before the OAS Human Rights Commission. Several participants saw a distinction between the opposition leaders going to the OAS Human Rights Commission, which has enjoyed strong support from Mexico, and going to the OAS itself, a step that even opposition leaders might be reluctant to take, given Mexico's historic view that the organization is dominated by the United States. In a meeting with the U.S. president, the losing candidates certainly would be expected to push their idea of establishing an interim government of national salvation.

Grand Pact to Restore Stability

Group members agreed that the wining PRI president and opposition leaders, especially those from the PAN, would make a serious effort to negotiate something that would salvage the situation; but the group was unable to reach a consensus on what form an interim government would take. It is doubtful that the solution would take the form of an agreement to alternate power, as was done in Colombia in the 1950s. One participant pointed out that the parties would be reluctant to tamper with the structure of Mexico's government; for example, the possibility of naming an interim president would probably be unrealistic. Several group members raised the issue of the attitude of the hard-line priístas, who were not likely to be willing to negotiate on the question of the presidency and would probably oppose bringing opposition members into the cabinet.

The possibility was raised that the opposition might agree to accept the announced results of the election in return for electoral reform, including runoff elections the next time around. The allocation of greater resources for state governments, particularly those where the PAN was stronger, might also be part of the equation. In any case, participants agreed that the only way Mexico could avoid a period of ungovernability was by making a historic pact that would restore stability to the government and the country.

APPENDIX B

Scenario 2: Disputed Opposition Victory: Vicente Fox (PAN)

George W. Grayson
Rapporteur
October 27, 1999

July 2, 2000: Election Results

- Vicente Fox declares victory with a 2 percent margin over the Institutional Revolutionary Party candidate
- Results of the Voting:
  - National Action Party (PAN)—41 percent
  - Institutional Revolutionary Party (PRI)—39 percent
  - Democratic Revolutionary Party (PRD)—15 percent
  - Coalition of other parties—5 percent
- The PRI files complaints with the Federal Electoral Institute (IFE), alleging election fraud by the PRD.

July 5–10, 2000: Strikes Called by the PRI

- The PRI convenes the PRI-controlled labor union—the Confederation of Mexican Workers (CTM)—and the farmers' union—the National Campesino Confederation (CNC)—for a demonstration at the Zocalo.
- The PRI announces that telephone, electrical, petroleum, and federal government workers will hold a national strike.
- The PRI-led strike shuts down major U.S. automobile plants, partially blacks out large cities, and cuts telephone service to important segments of the country.

- President-elect Vicente Fox declares these services vital to the national interest and sends in the army to restore services.
- The Mexican military maintains a low profile and issues an ambiguous statement that it will respect legality and the constitutional order.

September 15, 2000: Economic Problems

- Leaks to the national press indicate that Fox is considering establishing a currency board.
- Capital flight is occurring.

October 9, 2000: Plans to Review NAFTA, Charges of Illegal Contributions

- President-elect Vicente Fox announces that he plans to re-examine the North American Free Trade Agreement (NAFTA).
- U.S. Senator Richard Gephardt announces that he will fly to Mexico to discuss these issues with Fox.
- The PRI accuses Fox of having received campaign contributions from a grain company in the United States.

December 1, 2000: Conclusion of Electoral Review, Presidential Inauguration, More Economic Problems

- The Federal Electoral Tribunal (TEPJF) concludes its review of allegations of electoral irregularities and acknowledges PRD irregularities, but not in 20 percent of the districts—the necessary amount to recall the election.
- The president-elect is sworn in at a congressional session, with the PRI boycotting the ceremony in Congress.
- Since the inauguration, an estimated $10 billion of Mexico's reserves have been lost.
- The central bank has hiked interest rates to 40 percent since July; if continued, this could lead to another wave of bank collapses.

Rapporteur Report

Participants in the group were asked to discuss possible U.S. responses to the hypothetical situations that could arise as a result of a PAN victory, as proposed in the scenario. Highlights of their predictions and the discussion are summarized below.

Date: July 2, 2000

Facilitator's inquiry: What, if anything, should the U.S. president and his secretary of state say in response to the disputed presidential victory of PAN nominee Vicente Fox?

Initial Response to the Electoral Outcome

Participants agreed that a statement from the U.S. president and the secretary of state is crucial because protracted uncertainty over the outcome could lead to several negative outcomes, including the following:

- A dramatic increase in capital flight;
- A sharp increase in interest rates; and
- Further deterioration of an already weak banking system.

The overall effect would be a dire financial and monetary crisis with global consequences in a country whose economic importance to the United States is second only to that of Canada.

Therefore, the group considered it vital that the U.S. president, secretary of state, and secretary of the treasury work behind the scenes to impress upon the sitting president, Ernesto Zedillo, the importance of a speedy settlement of the complaints surrounding the electoral results.

Some members of the group believed that U.S. support of the election tally—based on the assumption that the results would hold up—could help enhance stability in Mexico. Indeed, it was possible that some members of the U.S. Congress would begin congratulating Fox on his victory, urging him to cooperate in battling both corruption and drug trafficking. Other group members remarked that it would be more prudent for the United States to find out what comments Zedillo planned to make on the situation and, depending on his position, await the settlement of complaints addressed to the IFE, because of the possibility that Zedillo might not back the PRI if the IFE found that the ruling party had engaged in fraud.

It would also be advisable for Washington to consult the U.S. embassy in Mexico City for its assessment of the fairness of the contest. In any event, the United States could avoid taking sides in another nation's internal affairs by simply congratulating the Mexican people on their participation in a peaceful election.

The overall consensus of the group on the initial U.S. response was that the president and the secretary of state should publicly commend the Mexican people for a peaceful contest, without prejudging the winner. Privately, however, the president should keep in close touch with Zedillo to learn his agenda and emphasize that it was imperative to clarify the outcome of the balloting as soon as possible, lest prolonged instability magnify the economic crisis sparked by the contested vote.

Dates: July 5 and 10, 2000

Facilitator's inquiry: In the face of PRI-encouraged protest strikes, what posture should the U.S. government assume as the IFE fails to resolve the electoral outcome in a timely fashion?

Protests and Strikes

In the face of PRI-encouraged strikes to protest the electoral outcome, the group recommended that the United States should call for calm and peace while Mexico awaits the IFE's decision. Others suggested that the White House should make no public statement but quietly dispatch a fact-finding team—headed by the assistant secretary of state for Western Hemispheric affairs and including that person's counterpart in the Treasury Department—to meet with Zedillo, Fox, the losing PRI candidate, and other key players. The U.S. president should reiterate the need for order and tranquility, simply stating that he is sending a team of U.S. government experts to Mexico to evaluate the situation and to report back immediately.

The group recommended that the White House should also ask the intelligence community, the Department of Defense, and the U.S. embassy in Mexico City to assess conditions in Mexico, including risks to U.S. citizens.

The consensus of the group on the U.S. response to the strikes was that the president should issue a statement—in the form of press guidance—on the accelerating labor unrest. The statements should reiterate the call for calm while awaiting the unfolding of the constitutional process—that is, the IFE's findings with respect to charges of electoral wrongdoing. At the same time, the White House should dispatch a midlevel delegation to speak with Zedillo, Fox, the PRI candidate, and any other key actor deemed appropriate. It would also be advisable for Washington to ask the intelligence community, the Department of Defense, and the U.S. embassy in Mexico City to assess threats to U.S. citizens in Mexico in particular and to U.S. interests in general and to evaluate the capability of the Mexican military and internal security forces to preserve order and protect U.S. interests in the country. In addition, participants proposed that the U.S. secretary of defense should contact his Mexican counterpart directly to ensure that both are in agreement on their evaluation of the situation and that the Mexican army does not overreact to what is likely to be mounting social turbulence.

Date: September 15, 2000

Facilitator's inquiry: What, if any, should be the U.S. reaction to President-elect Fox's rumored interest in establishing a currency board?

Capital Flight and the Proposed Currency Board

In the face an increase in capital flight in mid-September and Fox's proposal to establish a currency board, the U.S. Treasury Department would probably urge the White House to apply appropriate pressure for the IFE to resolve the electoral dispute at once. In addition, as a result of two and one-half months of indecision, with large numbers of Mexicans attempting to cross the U.S. border illegally, participants expected that the United States would be faced with the need to increase border control, some even envisioning an attempt by possible presidential candidate Patrick Buchanan to organize pitchfork-wielding farmers to halt the invasion.

Although the United States would totally reject the idea of a Mexican currency board, some participants suggested that Fox's proposal to establish one might actually slow capital flight. In any event, Washington was advised to consider stating

that creating a currency board would require bilateral—not unilateral—action. In summary, the group suggested that the U.S. administration refrain from making a public statement on the putative currency board. However, in view of the likely plethora of comments by members of Congress and other opinion leaders, the group agreed that the U.S. government should increase pressure on Mexico to decide who won the presidential contest.

Date: October 9, 2000

Facilitator's inquiry: How does the U.S. government react to Fox's recommending the conversion of NAFTA into a common market complemented by his announcing an accelerated drawdown in agricultural tariffs?

Economic Problems and Fox's Proposal to Review NAFTA

Participants expected that President-elect Fox's announcement of unworkable initiatives—converting NAFTA into a common market and reducing tariffs on agricultural products—would raise serious questions in U.S. circles about Fox's leadership capability. On the other hand, some questioned whether these suggestions were Fox's attempt to respond to political pressure at home by demonstrating that he was not a handmaiden of United States. The group also stated that the Office of the U.S. Trade Representative would most likely reject both proposals partly for economic reasons but mainly on political grounds.

Highway blockages in Mexico, combined with surging illegal immigration, were expected to make the situation on the U.S.-Mexican border a daily front-page news item, with unsettling effects on Wall Street and in the U.S. Treasury Department. Therefore, the group anticipated that Washington would quietly—but emphatically—notify Fox of U.S. opposition to a common market and continue to implore Mexican officials to resolve the electoral conflict.

Date: November 30, 2000

Facilitator's inquiry: Should the U.S. government respond to the issuance by 15 influential PRI governors of a joint statement refusing to recognize Fox's "victory" because of fraud?

Allegations of Fraud

With the scenario positing that 15 influential PRI governors would issue a joint statement refusing to recognize Fox's "victory" because of fraud, participants in the exercise maintained that this situation lay solely in the realm of domestic Mexican politics. Therefore, Washington should treat the governors' statement as a nonevent, thereby avoiding charges of meddling in Mexico's internal affairs.

Date: December 1, 2000

Facilitator's inquiry: What should be the U.S. response to IFE's dismissal of alleged electoral irregularities followed by the swearing-in of Fox? Does the IFE's action place the imprimatur of legitimacy on the election?

The IFE's Validation of the Results and the Inauguration of the New Mexican President

The group recommended that the U.S. president should congratulate Mexico's new chief executive and applaud the Mexican population's respect for the constitutional process that brought him to power. The White House's public communication should convey the message that "the problem has been resolved" pursuant to the Mexican Constitution.

The United States should send a high-level delegation to Fox's inauguration, including the vice president, the secretary of state, and designees of the U.S. president-elect. The United States should also dispatch a high-level team headed by the secretary of the treasury to meet with Mexican counterparts to devise an economic action plan in light of the five months of uncertainty and instability that have passed since the election.

The group added its recommendation that the outgoing U.S. president should consult with his successor on the composition of these two teams.

Date: January 8, 2001

Facilitator's inquiry: What response should the U.S. government make to the PRI candidate's?

Appeal to the Organization of American States and Planned Visit to the United States

In light of the PRI candidate's request that Washington refrain from recognizing the new Mexican government until the OAS Human Rights Commission considers the PRI's "proof" of electoral fraud—as posited in the scenario—participants in the gaming exercise pointed out that the United States had already recognized the Fox presidency. Therefore, the U.S. government should hold no official meeting with the PRI's candidate. Should the opportunity arise, however, the group suggested that the U.S. ambassador to the OAS could have an informal chat with the disgruntled candidate.

In addition, participants pointed out that Fox's inaugural address was likely to provide an opportunity for him to mend fences with the PRI. There was also a possibility that Fox would use the speech to announce the formation of a coalition government. International markets would be likely to react favorably to such conciliatory moves on the part of the new Mexican president.

Date: January 19, 2001

Facilitator's inquiry: How should the official Washington react to (1) the assassination of Bishop Samuel Ruiz, (2) the condemnation of Fox as a U.S. "puppet" by the Zapatista National Liberation Army (EZLN), and (3) the EZLN's declaring as "autonomous" 23 small municipalities in Chiapas?

Revolutionary Moves and Violent Acts

The scenario presented several possible domestic reactions to a disputed PAN victory: (1) the assassination of Bishop Samuel Ruiz, (2) the condemnation of Fox as a U.S. "puppet" by the Zapatista National Liberation Army (EZLN), and (3) the EZLN's declaration of the "autonomy" of 23 small municipalities in Chiapas. Participants agreed that, because these actions were domestic issues, the U.S. government should confine itself to issuing a public statement of condolence over the murder of a fine individual, although the possibility was raised that church groups in the United States might pressure Washington to react more strongly to the assassination of Bishop Ruiz. In addition, several members suggested that Fox's announcement of plans to review NAFTA and to reduce agricultural duties could be his way to show that he was not a puppet of the United States.

Date: January 2001

Facilitator's inquiry: What, if any, reference should the U.S. president-elect make in his inaugural address to Mexico, possibly on the subject of drug certification?

The New U.S. President's Inaugural Address

Group members pointed out that the permanent bureaucracy in Washington makes very few contributions to these speeches; the National Security Council is quite distinct from the president's political advisers. However, participants also noted that Mexico is too important to be omitted from this speech, even if it includes only a general reference, such as the president's desire to work with the government of Mexico very closely to calm troubled waters. An additional comment could refer to the new U.S. president's recognition of the democratic process that was unfolding in Mexico and the U.S. commitment to work constructively with its southern neighbor on issues of common concern. The group recommended that, to the extent deemed appropriate, the new U.S. president should compliment Mexico on its adherence to constitutional procedures and express a strong desire to cooperate on matters of mutual interest.

Other Relevant Points

Although the issue was not raised directly in the scenario, the group predicted that pressures would build in the United States to militarize the border between the two countries and to detail National Guard troops to support the U.S. Customs Service at U.S. ports of entry. At the very least, Washington was expected to put the U.S. Immigration and Naturalization Service and the Customs Service on high alert as a way of demonstrating to Capitol Hill that the administration was taking a proactive stance. In addition, the U.S. State Department would be likely to issue a travel advisory for Mexico.

A tangential point was that Mexico's electoral crisis would occur when hundreds of senior and midlevel officials in both governments had left or were about to vacate government posts in both the United States and Mexico, leaving gaps in both personnel and decisionmaking capability. Participants questioned how an institu-

tional bridge might be constructed in advance to span the administrative changes destined to take place on both sides of the Rio Grande in late 2000 and early 2001.

Participants also raised several possibilities involving Mexico's sitting president—Ernesto Zedillo—in terms of a domestic response to a disputed PAN victory. In the opinion of some group members, President Zedillo—mindful of his place in history and of his oft-enunciated commitment to democracy—might relish transferring the presidential sash to the leader of an opposition party. Such a step would be particularly likely if Zedillo's nemesis, Roberto Madrazo, were to be the losing PRI candidate. On the other hand, some participants suggested that PRI hard-liners might consider killing Zedillo if he were to demonstrate his readiness to bestow the presidency on Vicente Fox. The likelihood of violence directed at either Zedillo or Fox was expected to diminish if Fox were to signal that he would not launch an anticorruption crusade against present and former PRI officeholders. Nevertheless, recognition of an electoral victory by the opposition was likely to pose enormous threats to powerful vested interests in Mexico. In other words, the situation presented the possible occurrence of pathological behavior when "big rice bowls" are at stake.

Persistent references to the creation of a currency board in Mexico and calls from the Left and Right to establish a NAFTA-related social development fund indicate that it is important for policymakers in Washington to pay attention to both ideas.

Finally, participants pointed out that, even though Canada had not been included in any of the situations posited in the scenario, the northern neighbor of the United States also has a major stake in the questions examined in the exercise.

APPENDIX C

Inventory of U.S. Agencies and Programs in Mexico, FY 1999

Cabinet Departments

U.S. Department of Agriculture

- Has four agencies operating in Mexico: Animal and Plant Health Inspection Service, Veterinary Service, Foreign Agricultural Service, Agricultural Trade Office
- Runs programs to facilitate U.S. agricultural exports, to provide preclearance of foreign commodities, to exchange technical information, to strengthen international and regional organizations, and to cooperate in international surveillance and drug control programs

U.S. Department of Commerce

- Encourages U.S. investment in Mexico
- Supports and implements NAFTA
- Supports and protects U.S. businesses and investment in Mexico
- Promotes exports of goods and services from the United States

U.S. Department of Defense

- Budget for counternarcotics operations rose to $883 million in FY 1999 (a 4 percent increase)
- Has 47 cooperative military programs with Mexico (according to a recent count)
- Runs the JCET program, which trains Mexican elite counterdrug units in the United States
- Supports in law enforcement, drug interdiction, and border patrol operations
- Flag-level military attachés in diplomatic missions
- Sponsors the Joint Mexico-United States Defense Commission
- Provides service-to-service interaction
- Provides military assistance

- Facilitates professional contacts through institutions of the Inter-American Defense System
- Sends planes, helicopters, and ships to Mexico for counternarcotics operations
- Programs include Foreign Military Sales, Direct Commercial Sales, Foreign Military Financing, International Military Educational Training (IMET) and Expanded IMET, International Narcotics Control (coordinated by the Department of State), Discretionary Funding, Excess Defense Articles, Drawdowns and Leases, International Criminal Investigation and Training Program, Section 1031, Counter-Drug Assistance to Mexico, and Personal Exchange Program
- Employs Mexican military personnel as language instructors in U.S. military academies and training programs
- Currently focuses primarily on counternarcotics operations (provision of helicopters and training) through Drug Enforcement Policy and Support office

Separate DOD agencies that have programs dealing with Mexico include the following:

Defense Intelligence Agency (DIA)

- Has expanded the DIA section and number of personnel in the defense attaché's section in the U.S. embassy in Mexico City
- Is increasing its interest in Mexican issues
- Closely monitors Mexican developments
- Has established closer coordination with other U.S. government private agencies on issues dealing with Mexico
- Cooperates with Mexican military intelligence agencies

Department of the Army

- Trains Mexican troops in counternarcotics operations
- Conducts personnel exchange programs
- Operates small-scale cooperative programs
- Provides surveillance and counternarcotics assistance
- Cooperates with Mexican army in training exercises and operating radars along the border between Mexico and Guatemala

Department of the Navy

- Conducts personnel exchange programs
- Sponsors port calls and visits
- Conducts joint search-and-rescue operations
- Conducts surveillance activities for counternarcotics operations

- Runs cooperative programs

U.S. Department of Health and Human Services

Social Security Administration

- Answers inquiries and handles claims
- Pays federal benefits to Mexican nationals who have earned benefits but have returned to their homeland

U.S. Department of Justice

- Runs a wide range of programs in Mexico
- Assigns high-level priority to Mexico at the level of attorney general
- Supervises DEA and FBI operations
- Has a special task force dealing with Mexico

Separate agencies that have programs dealing with Mexico include the following:

Drug Enforcement Administration (DEA)

- Has hired 257 new agents
- Manages national drug intelligence system
- Is responsible for seizure and forfeiture of assets from illicit drug trafficking
- Is responsible for all programs associated with drug law enforcement counterparts in foreign countries
- Serves as liaison with the United Nations and Interpol on drugs
- Participates in the Southwest Border Initiative, which also includes the FBI, U.S. Customs Service, U.S. Attorney's Office, and U.S. Department of Justice

Federal Bureau of Investigation (FBI)

- Has a counternarcotics budget
- Maintains a legal attaché's office in Mexico to investigate and prosecute crimes, to serve as liaison to Mexican government officials and law enforcement agencies, to provide some training, and to coordinate operations between field office and headquarters
- Has increased the number of personnel and attention devoted to Mexico

Immigration and Naturalization Service

- Conducts extensive border patrol activities
- Has oversight of all activities and policies related to immigration and naturalization

- Has increased its involvement in operations related to counternarcotics efforts and money-laundering schemes
- Has increased surveillance and technological capabilities

U.S. Department of State

- Considers Mexico a high-priority country and has a high-visibility ambassador to Mexico
- Has more than 30 U.S. agencies assigned to the U.S. embassy in Mexico, more than the number assigned to any other country in the world
- Has more than 1,200 U.S. personnel assigned to the embassy (when CIA and Defense Department personnel are excluded, the number of State Department personnel assigned to the embassy is the largest in world)
- Priorities include stopping cross-border crime, helping U.S. businesses, implementing NAFTA provisions, deterring illegal border crossing, promoting environmental issues, encouraging democracy, and promoting cultural and academic ties and exchanges
- Coordinates the assistance provided by the Bureau for International Narcotics Control and Law Enforcement Affairs, which deals with crime as well as narcotics
- Runs the Bureau of International Information Programs, formerly the United States Information Agency within the executive branch, which does the following:
  - Works to promote foreign understanding and acceptance of U.S. policies and society
  - Broadens dialogue between U.S. citizens and institutions and their counterparts overseas
  - Increases the U.S. government's knowledge and understanding of foreign attitudes and their implication for U.S. foreign policy
  - Lists Mexico as a high-priority country

U.S. Department of Transportation

U.S. Coast Guard

- Budget for antidrug operations increased by $35 million, totaling $437 million in 1999
- Developed a new Night Cat interdiction board and coordinates its activities
- Has 35,000 uniformed members
- Uses Falcon 20s for surveillance

U.S. Department of the Treasury

- Has a new regulation designed to crack down on money-laundering by wire remitters and other money services
- Works with Mexico on budget issues and financial reform
- Monitors U.S. loans to Mexico and Mexico's financial situation

Separate agencies that have programs dealing with Mexico include the following:

Bureau of Alcohol, Tobacco, and Firearms

- Considers the agency's priority as that of assisting the Mexican government in tracing all firearms seized in Mexico that come from U.S. sources
- Has increased its involvement in counternarcotics efforts

U.S. Customs Service

- Does not make policy but supports and advances U.S. government policy dealing with a broad range of issues
- Is in charge of 24 individual entry points into the United States
- Has proposed Operation Brass Ring, a coordinated effort to oversee the entire border (to be based in El Paso, Texas)
- Has proposed operations in 18 other seaports and airports deemed high-risk for drug smuggling
- Budget includes $54 million for advanced targeting and nonintrusive inspection technology
- Has a budget for counternarcotics operations that has increased by $66.4 million to a total of $673 million in 1999
- Promotes trade, seeks to lower tariff barriers, and promotes sustainable development
- Equipped with Cessna Citation II aircraft with airborne warning and control system (AWACS), based in southern Texas

Executive Branch Agencies

Central Intelligence Agency

Information available on analytical work; no information provided on covert operations:

- Has expanded the CIA section and number of personnel in the U.S. embassy in Mexico City
- Shows a rising interest in Mexican issues

- Has added staff analysts to deal with Mexico
- Monitors development in Mexico closely
- Has established closer coordination with private and U.S. government agencies that deal with Mexico
- Cooperates with Mexican intelligence agencies

Office of National Drug Control Policy

- Considers Mexico as a high-priority, high-visibility country
- Responsible for overall coordination of counternarcotics activities
- Has made an effort to establish a structure for the counternarcotics campaign in Mexico that is parallel to the U.S. structure (for example, at the level of the U.S. attorney general or drug czar)

Other Agencies

American Battle Monuments Commission

Maintains and supervises grave sites of 750 of U.S. unidentified dead from the War of 1847 buried in Mexico City National Cemetery

High-Level Contact Group on Drug Control

- Created by the U.S. and Mexican governments during the Clinton and Zedillo administrations to promote enhanced bilateral and multilateral cooperation in combating drug production, trafficking, and abuse.
- Periodically convened delegations of senior-level officials from both governments
- Issued the U.S.-Mexico Binational Drug Threat Assessment
- Recommended joint U.S.-Mexico binational drug strategy

National Narcotics Intelligence Consumers Committee

- An interagency committee established in 1978 to coordinate the collection, analysis, dissemination, and evaluation of strategic drug-related intelligence, both foreign and domestic, that is essential to development of effective drug policy, resource deployment, and operational planning; chaired by a high-level DEA official
- Has increased satellite time over Mexico
- Has increased monitoring of all Mexico-related issues and trends

U.S. Agency for International Development

- Works to alleviate poverty and ill health
- Broader programs in Mexico include working with incipient democracy, solving health problems in the developed world, handling sophisticated environmental and energy applications, working toward judicial reform and justice for the poor, and family planning

U.S. General Accounting Office

- Issues reports on U.S.-Mexican relations and counternarcotics operations
- Oversees spending and monitors U.S. policy in Mexico

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