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Unequal Partners: The United States and Mexico

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This comprehensive and clearly-written short book surveys key issues in the relationship between the United States and Mexico. It gives special attention to the 1990s and the 2000s, but on various topics, especially Mexico?s political economy framework for nearly the entire second half of the 20th century, the book also provides informative background to enable author and reader to assess the changes over time.

The heart of the book is the description and analysis of six issue areas: trade, foreign investment, energy, narcotics, migration, and the border. In each of these, Weintraub provides the necessary historical backdrop, characterizes the policies prevalent in the United States and Mexico as well as the interaction between them, synthesizes the analytical scholarly literature, and develops his own insights with special attention to their pertinence to current times. The book reaches into the first year of President Barack Obama?s administration, which is also the third year of President Felipe Calderón?s. Each of the issue area chapters ends with a long detailed chronology that should help all those that may be learning about Mexico for the first time.

Weintraub also develops a general argument, principally early and late in the book, regarding a widespread dynamic that, he claims, has encompassed US-Mexican relations. He argues that relations between the two countries go well beyond circumstances of asymmetry between a wealthy and powerful United States and a much less wealthy or powerful Mexico. Instead, Weintraub explores a hypothesis about dependency and

domination. By dependency, Weintraub means that Mexico has approached the United States defensively in many policy realms and often with diffidence. For its part, the United States responds as an assertive dominant power, or takes initiatives consistent with that description. Sometimes, however, Weintraub also seems to imply a more psychologically-tinged dependency-domination relationship. Thus he refers to Mexico?s historic sense of grievance and humiliation in the face of the United States, with special reference to the loss of half of Mexico?s territory to the United States in 1848 and a subsequent record of repeated US intervention in domestic Mexican affairs. Weintraub also refers to US behavior toward Mexico as arrogant. Both countries are at times presented as voluble.

With regard to US-Mexican trade, Weintraub has long been not just a perceptive analyst but also a visionary in the best sense of that word. In 1984, the Brookings Institution published his book, *Free Trade between Mexico and the United States?*, in which Weintraub analyzed the pathologies that existed then in the highly restricted bilateral trade between the two countries, examined the foregone opportunities that a trade opening would likely provide and, as the book?s title implied, recommended a bilateral trade agreement between them. At the time when he wrote that book, Weintraub?s well constructed work seemed like political lunacy because Mexico was strongly wedded to a highly protectionist set of policies in trade, investment, energy, and other sectoral policies, and adamant in resisting a closer association with the United States. Weintraub was, therefore, a scholarly pioneer who articulated the case for North American free trade and thus increased the likelihood that the idea would become a reality, as it would be through the ratification of the North American Free trade Agreement (NAFTA) in late 1993.

In the book under review, Weintraub summarizes his analysis of the historical period, describing Mexico?s once highly-protectionist import substitution industrialization policy framework, which was wedded to a highly-statist energy policy whereby the Mexican government owned and operated the entire petroleum industry through the giant state enterprise, *Petróleos Mexicanos*, PEMEX. That framework cracked by the mid 1980s when the price of petroleum dropped at the same time that Mexico was unable to service its international debts. Mexico?s policy framework had rendered it incapable of exporting much other than petroleum or attracting significant foreign investment for development.

The new Mexican policy architecture led to significant innovations in Mexican economic policies across the board and, with regard to the United States, those on trade and investment. NAFTA was a joint invention of the governments of North America, but the President of Mexico, Carlos Salinas de Gortari, was the one who took the lead to push for this historic change. North American within-region trade boomed in the years that followed ratification, to shared gains. But NAFTA?s effect went beyond trade to provide also for a stable and reassuring intergovernmental framework to foster substantial foreign investment flows. NAFTA taught Mexican officials to behave toward the United States as they never had before, namely, as technically competent, cutting-edge policy wonks, who were the equal of their other North American partners in the intricate negotiations.

Weintraub?s chapter on investment and finance documents Mexico?s long-standing protectionist policies in this realm but it goes on to describe in some detail the multiple transformations of Mexican banks in the 1980s and 1990s, first from mainly private and national ownership, then to mainly government ownership, again back to mainly private and national ownership, and, since the second half of the 1990s, to principally being owned by international banks. He discusses as well Mexico?s 1994?5 financial crisis and the bailout of Mexico by the United States, the International Monetary Fund (IMF), and others, as well as the bailout of the private Mexican bankers by the Mexican government. In so doing, Weintraub summarizes the work that informed another valuable book of his, *Financial Decision Making in Mexico*, which Pittsburgh University Press also published in 2000.

Weintraub is persuasive in his discussion of several ancillary questions. In particular, he argues well that Mexico?s comparatively low economic growth rate is not NAFTA?s fault. Rather, Mexico has failed to invest sufficiently in education and in infrastructure, adopt more flexible labor market rules, protect personal and property rights through the courts, open its energy sector to other investors, and so forth. Similarly, Weintraub makes a credible case that the internationalization of Mexico?s banks has led to easier access to

credit in economic downturns and more reliable banking relations in urban areas, though it has probably done little to improve access to credit in rural Mexico.

Weintraub?s chapter on energy is relatively short and rightly so. The Mexican state continues to own and operate PEMEX and the electric power company and it prohibits private firms from entering the energy sector. A greater sense of urgency has appeared, however, because Mexico?s insufficient investment in its energy sector has put it at risk of declining petroleum production, with the realistic possibility that Mexico would become a net energy importer by the end of the second decade of the 21st century unless current trends are reversed.

Weintraub?s analysis of Mexico?s energy policy is a good segue to his analysis of drug-traffic relations between the two countries. Just as for political reasons Mexico finds it impossible to change its energy policy, so too for political reasons the United States finds it impossible to adopt the legalization of drug consumption even though, analytically, there is a good argument in favor of both such policy changes. Decriminalization of cocaine consumption would remove the very high financial incentives to criminals that current U.S. policies generate ? illegal drugs attract prices well above what market supply and demand would dictate precisely because they are illegal ? and it would most likely thereby greatly reduce levels of violence. In the current context, it is not surprising that traffickers corrupt Mexican officials, violence escalates, and the consumption of drugs increases in Mexico as well.

In his discussion of the narcotics issue in bilateral relations, Weintraub possibly inadvertently provides a pithy summary of the deplorable character of US?Mexican bilateral relations in this issue area. He discusses the various US legislative and regulatory steps to monitor how the Mexican government and its security forces would use U.S. aid to combat narcotics. ?It all smacks of President Ronald Reagan?s comment about working with the Soviet Union?, Weintraub tells us: ?trust but verify? (pp. 74?5). Alas, comparing the government of democratic market-oriented Mexican President Felipe Calderón to that of the Soviet Union during the Cold War is a sad reminder of the miserable state of bilateral relations on this topic.

Between 2002 and 2008, Weintraub tells us, more Mexicans found jobs in the United States than they did in formal employment in Mexico. No wonder there is a high level of migration to the United States, therefore. Between the mid 1960s and the mid 1980s, Mexico?s government did little to shape US policy on immigration. Since that time, Mexico has sought to persuade the United States to accept the movement of peoples as a normal process in North American labor markets ? indeed, the freer movement of peoples would match the free movement of goods under NAFTA. The United States has never accepted that premise. Just as Mexico refused to discuss energy policy during the NAFTA negotiations, the United States refused to discuss the movement of peoples. In the current century, the US Congress has considered various possible changes to immigration law. None has succeeded. The U.S. Congress does not accept the premise that the United States needs and benefits from migration from Mexico (except for the lowest quintile of the U.S. income scale, for whom Mexicans provide serious job and wage level competition) yet the U.S. government has been unable to stop the flow of illegal migration, among other reasons because it refuses to punish employers who hire such labor because, alas, the employers need this labor.

Unfortunately, Weintraub limited this chapter just to undocumented migration, which is admittedly the most contentious aspect of US-Mexican migration relations. But this means that a reader of the book would not learn that approximately 4.5 million Mexicans entered the United States lawfully between 1990 and 2010, that is, they entered as immigrants with all their documents in order, thus able to work, study, and eventually to become US citizens. US-Mexican migration relations are more complex, therefore, than an exclusive focus on those who cross without documents may imply.

Finally, Weintraub describes travails at the border, which about five million cargo trucks per year and nearly one million people per day cross lawfully. Border bottlenecks abound both because the insufficiencies of infrastructure and because of enhanced security measures since terrorist attacks in New York and Washington on September 11, 2001. No terrorist assault has ever been launched on the United States from Mexico, however. Weintraub also discusses attempts to expedite the lawful border crossings of cargo trucks

(pre-clearing and sealing of cargo containers, special crossing lanes for pre-cleared goods and persons, etc.) as well as the construction of fences to stop illegal migration. The fence, Weintraub suspects, may not achieve its purpose.

The chapter on the border is less satisfying than its predecessors for two reasons. The first is that research regarding fence construction already shows effects contrary to the intention of the policies, a point that Weintraub does not mention. Because border crossing does become marginally more difficult, those who cross into the United States are more likely to stay as permanent unlawful immigrants. The more porous border had permitted seasonal workers to enter the United States, return to Mexico, re-enter the United States, and again go back to Mexico, and so on. Similarly, the prior greater ease of crossing had also permitted a related pattern, that is, those who come to the United States for a few years to acquire income and skills and then return to Mexico. The construction of fences, begun in the early 1990s, has contributed to the increase of a permanent undocumented Mexican population in the United States. The second disappointment is that ?the border? is not just a line but also a region, and it would have been welcome for Weintraub to comment more on the coexistence between some of Mexico?s highest-income regions and some of the lowest-income regions in the United States.

It is a bit puzzling that Weintraub did not re-focus the discussion of his dependency-domination argument as he considered the present. It is surely no longer true that Mexico is diffident, silent, submissive, inept, or paralyzed when it address the United States regarding trade, investment, migration, narcotics, or the border. Indeed, Mexico took the lead with regard to the negotiations that led to NAFTA. Mexican NAFTA negotiators were as technically skilled and politically adept as anyone on the US side of the bargaining table. The two sides agreed on the same analytical premises to build the treaty without a hint of a Mexican ?dependency syndrome?, notwithstanding, of course, the enduring economic asymmetries. Over the past decade Mexico has been vigorous in pressing the United States to change its migration and border policies. President Calderón has staked his government, and his life, on fighting drug criminals in Mexico as a close ally of the United States ? no Soviet leader he! Only with regard to energy policies does the syndrome of ?dependency? to which Weintraub points still apply.

Alas, just as the book nears its conclusion and Weintraub reintroduces the theme of Mexico?s dependency syndrome, he also gives an illustration of how much the Mexican government has changed. The United States has been in violation of NAFTA rules with regard to border crossings because it has refused ? with only a brief and limited exception ? to allow Mexican cargo trucks to enter the United States and continue to their destination. Mexico used all the lawful means to induce the United States to comply with its legal obligations, and it then refrained from retaliation against the United States for eight years after it was entitled to do so, given U.S. treaty violations. When Mexico did in the end enact the trade retaliation to which it was entitled under NAFTA and international trade law, it did so with exquisite technical skill, applying sanctions only on those U.S. products that could be readily purchased from other countries and spreading the effect of such sanctions across forty of the fifty states of the United States to remind members of the U.S. Congress of the consequences of their unlawful protectionism. That is far, far from the old dependency syndrome.

Weintraub?s book would have been better if its framing had been slightly different. He has provided the empirical evidence and the analysis that shows that Mexico did once behave as he says it did, and that ? the energy sector excepted ? Mexico has changed impressively. In contrast, Weintraub also provides the evidence and the analysis to demonstrate that the U.S. response to Mexico remains consistent with his hypothesis of ?dominance? and ?arrogance?? from blocking cargo trucks contrary to treaties that the United States has espoused to treating its best-ever ally in the Mexican presidency as if he were a Soviet ruler.

Weintraub should declare victory. He spent much of his career working with his many Mexican friends and colleagues to think more effectively, act with greater attention to evidence, formulate policies based on analysis and not on ideology, and behave decisively albeit also with prudence. Weintraub succeeded as a leader, a scholar, and a teacher. May praise ring forever in his ears for this success, and for having written yet again an interesting, subtle, and valuable book. True, victory would have been sweeter if the United States had changed much more, but batting 500 is a good score nevertheless.

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