

The Case of Mexico III: A New Neo-Colonisation

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From time to time TJSGA will issue essays on topics relevant to The Living Wages North and South Initiative (TLWNSI). This paper is the Fourteenth in the series “The Neo-Capitalist Assault” –a collection in development about Neoliberalism.

The purpose of the essay is to show how the lack of democracy allowed a corrupt government to govern the fifteenth-largest economy in the world for the benefit of its partners –the owners of both foreign and domestic capital– imposing an economic ethos that is ideal for them to thrive whilst impoverishing the majority of the Mexican population and placing it in one of the worst social conditions experienced throughout the history of Mexico. The author begins by stating that the last three administrations of the PRI concentrated exclusively on staying in power by protecting the interests of the local oligarchic class and the international centres of economic power while completely abandoning their most basic responsibility. In this way, he then discusses the current dire economic situation, emphasizing the dramatic deterioration of real wages.

For the rest of his term, Zedillo devoted himself to reinforcing the neoliberal economic structure. After the 1994/1995 debacles, Civil Society began to become aware of the change of paradigm. It began to understand that there was a new economic structure imposed. And it began to grasp the basic differences between Neoliberalism and other market economic philosophies that considered the visible hand of the government as the critical element necessary

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to balance the excesses of Capitalism with the social responsibilities of democratic governments. It began to understand how, during the post-war era, the governments of both developed and developing countries took a central role in influencing the economy to procure the general welfare of all ranks of society. And, in its own particular case, Mexican Civil Society began to realize that the change of paradigm had dramatically widened the gap between rich and poor. Furthermore, despite the old Salinas argument that the economy must be in place before democracy could be applied, Civil Society could not see any sign that the worsening conditions for the mass of poor were going to be a temporary thing. It was becoming clear that, with the almost complete subjection of the Mexican economy to the U.S. economy, through NAFTA, where Mexico’s main role was to provide location and cheap labour for the MNCs, there was no possibility of improving wealth distribution. A common criticism in the press was that Mexico was becoming predominantly a cheap labour export economy. All the signs of the structural adjustment prescribed by the IMF and World Bank were showing that, in the case of Mexico, market efficiency for both foreign and domestic companies meant cheap labour, and more and more criticism of the government’s role began to appear in the press. And people began to sense that the PRI had long abandoned its most obvious responsibilities and was responding to

the demands of the powerful and had no intention to allow the democratization of the nation unless civil society would force the change.

Manic Neoliberalism

Not surprisingly, Zedillo's reaction was to chastise the very strong criticism that his neoliberal economic and social policy was generating. He coined the term "globaliphobic," which is now widely used along with "globaliphilic" in the economic debate in Mexico. For Civil Society was now establishing a relationship between Neoliberalism and the imposition of globalization; and was becoming aware of the growing opposition in the world, especially in the First World, after the Seattle demonstrations. Indeed, Zedillo proved to be a dog-headed neoliberal and remained obsessed with macroeconomic management regardless of the gross impoverishment of the majority. As for microeconomics, he fully supported the MNCs and the large domestic corporations that were the most dynamic exporters, and he largely ignored the medium and small size businesses. Throughout his term he did not develop an industrial policy. Consistent with the philosophy of his Secretary of the Treasury at the time of the debacle, Zedillo believed that the best industrial policy was to not have one, and he followed it with great zeal. Zedillo's Neoliberalism was so extreme that he chastised any type of antagonism as fanaticism. If he were a Catholic priest he would surely be more "poppist" than the pope. For while he was an indiscriminate spender with the banks and the armed forces, he cut directly into the education budget, for instance, and tried to apply market economy criteria to the funding of the National University, despite the fact that he always boasted that education was one of his government's top priorities. He talked about the need for healthy public finances, strong domestic savings, high levels of private investment and a soundly capitalized banking system; but he ignored the need for a strong welfare system and said absolutely nothing in favour of the need to begin to improve labour endowments. Zedillo accused his detractors of being hypocrites for saying that the market economy makes governments indifferent to social inequalities. And he warned "there are some that try to distort the facts, that democracy is a consummated fact and that the market economy is an extraordinary

invention for the generation of wealth, now when we just had the opportunity to apply the right policies." And added that "linking the causes of poverty with free market practices is a major act of hypocrisy and intellectual dishonesty, for poverty and inequality are heirs of the mixed economy, of fiscal irresponsibility and of the actions of populist governments."¹ Of course, he never spoke of the rapid deteriorating welfare of the people and of the fact that the new structures for an export economy and industrial competitiveness were anchored on the assumption that labour would be sacrificed to provide the prices and profit margins required to make products competitive, subsidize First World workers and generate the right dividends for shareholders of the MNCs and the domestic corporations. There should be no doubt as to who the hypocrite is.

In the last three years of Zedillo's term, he put special emphasis on completing the process to sign a free trade agreement with the European Union. The process had been delayed because, in great contrast with the U.S., the European Parliament had expressed concern about the real existence of democracy and respect for human rights in Mexico; and it demanded the inclusion of the democratic clause –a standard in European trade agreements–, which the Zedillo government was trying to delete or at least limit.² The violation of human rights in the Chiapas conflict was of special concern to the EU.³ The opposition in Mexico accused Zedillo of signing a blank check to Europe and of leaving many aspects open ended, which placed many sectors of society in great danger. Alfonso Moro, a Mexican PHD in economics from Universite D'Amiens in France, represents in Europe the Mexican anti-trade movement "Red Mexicana de Acción Frente al Libre Comercio", a wide coalition of union, peasant and guild organizations that defend human rights and the environment. Moro explains, "For us, the treaty is the archetype of the anti-democratic trade mechanisms, in both form and essence, that the WTO promotes. This was precisely the type of agreement for which the global Civil Society went to Seattle to protest and dislodge the conference. It was impossible to block the treaty preparation and signing, but its application will be monitored, its inevitable ravages in Mexico and Europe will be denounced, and a struggle will be waged,

nationally and internationally, against its extremely grave implications."⁴ Similar accusations were made in the Mexican Senate by left centre opposition members, such as the analysis prepared by Senator Jorge Calderón, that denounced the treaty as filled with an unacceptable lack of precision, a lack of judicial rigor and many inconclusive points; furthermore, Calderón explained that the process of implementation is in great danger of being accelerated, just like it happened with NAFTA.⁵

A year later, the European Union expressed itself and acknowledged the careless manner in which the Mexican government negotiated the treatment. A *Proceso* magazine special report explains that the European Parliament concluded that the treaty violates the Mexican Constitution. And even though it ratified it, it attached to it an extensive critical analysis.⁶ The Parliament considers that the treaty provides the European investors with excessive privileges that can constitute a menace to ample segments of Mexican society in fields as important as health, education and biodiversity, among others. The analysis reflects the will of a growing number of euro-parliamentarians to fight against the lack of transparency that characterizes international trade negotiations and their lack of social content. Zedillo's rush was due to the then-upcoming election, a clear sign of who his real constituents were. Due to a total absence of accountability, he behaved so irresponsibly that many articles were left open ended, such as articles 6, 9, of letter b) and section two of article 12 and article 50, all of them dealing with the trade of services, investments and intellectual property rights.⁷ The analysis by British euro-parliamentarian, Caroline Lucas, explains that in the area of trade of services, the articles threaten to seriously damage the social and economic development of Mexico, and its rights to adopt certain policies that are indispensable in a developing nation. In the financial services area there is no protection that promotes financial markets' stability and, especially, that protects the population against financial collapse. There are no preventive safeguards, only measures to deal with future collapses, and there are no safeguards to protect health and education from becoming objects of trade. Moreover, the analysis expresses great concern at the complete lack of protection of the small and medium size businesses, which

generate 90% of the employment. And it asks for the urgent analysis of the impact of the agreement in the Mexican economy and, in particular, in medium and small businesses.⁸

The official analysis of the parliament makes eight recommendations, which, in their spirit, call for the revision of the agreement to include safeguards in all aspects and to make the agreement compatible with Mexican legislation. Furthermore, the study points out that there is such a great asymmetry between the economies of the EU and Mexico that it makes no sense to treat Mexico as an equal just because it is a member of the OECD countries, the rich countries club. The study recommends that Mexico should be treated as a developing nation because it is a developing nation, which implies that it should receive special treatment that protects its economic structures in order to successfully benefit from the agreement. It is rather shameful that Mexico's European partners have to express concern on behalf of Mexican Civil Society because the treacherous government of Zedillo was completely subservient to the demands of the centres of economic power, for Zedillo, instead of protecting Civil Society, chastised its criticism and continued to work for his real constituents.

Despite all of Zedillo's biased rhetoric and rebuttals against his critics, it is clear that Mexico's place in the global economy was to provide a cheap work force in the new global division of labour. The workers of the First World, due to their degree of democratic development, have secured the necessary political leverage to maintain their living wages. But for global economy participants in the development stage, especially for Iberian America, the lack of true democracy has renewed the traditional structure of exploitation. And Mexico, due to its location, has been positioned by the PRI and its partners to be the most efficient place for the sourcing of cheap labour commodities. *Der Spiegel* journalists Martin and Schumann provide a very accurate prognosis for Mexico and other developing countries in the global economy in their book "The Global Trap". "The Mexican experience unmasks, as a naive illusion, the vision of the welfare miracle through the total market. Every time that a less developed country, without a regulated promotion of

industry and protection through import barriers, attempts to face the superior competitiveness of the Western industrial countries, the failure is foreseeable: free trade does not mean anything but the imposition of the law of the mightiest."⁹ I would add: free trade is nothing but the masking of imperialism under a sheep's skin.

Labour Peonage and Neo-Colonization

In order to explain the dismal state of the labour endowments in the context of the neoliberal paradigm, now in place in Mexico, I need to elaborate on the effects of NAFTA over labour. Because NAFTA imposes the conditions to be offered to labour, and it is used as the point of reference in all sectors of the economy, it provides a parameter for the level of the labour endowments for the sectors that are directly integrated into the export economy, which is supposed to be the most competitive. For the other sectors, that point of reference implies that wages need to be at par, or worse, but not better than those linked to exports. And we already know that in this ethos only very low labour costs attract FDI for export-oriented manufacturing. Thus, I will examine the effects of NAFTA, the particular case of the not domestically integrated in-bond plants, as a central element of the export economy; the case of highly domestically integrated manufacturing, such as the export oriented automotive industry; and the case for all other industrial sectors, as it pertains to wages.

The effects on labour clearly show that the winners of NAFTA and of the overall neoliberalisation are the MNCs and their domestic partners. This consolidates the model of selling labour as a commodity. Indeed, the deeds of the Salinas and Zedillo governments that rendered a debt of over \$160 billion and a clearly unbalanced trade agreement, effectively constitute the subjugation of the country to debt and labour peonage, where almost all the surplus of economic activity goes to the MNCs and their home countries and their domestic partners. Ankie Hoogvelt calls it a second Neo-colonial period. In the first one, resource-bondage and technological rents extracted the surplus; in the second, debt-peonage and the global-factory of labour commodities is the way to transfer wealth from poor to rich countries. The results, only eight years after NAFTA's implementation, already showed that Mexico has now two

economies that are not integrated. The first economy has been abandoned to the depths of underdevelopment with more than fifty percent of the economically active population, more than twenty million people, in the informal sector; and another portion that lives in the formal sector and is being integrated as part of the global system of production as a source of labour commodity. In both cases, the great majority of the population is poor and lives in an ethos that is designed to keep it impoverished.¹⁰ In the Mexican Senate, an evaluation of the results of NAFTA, after its first five years, concluded that agriculture, livestock raising, toys, computer manufacturing and freight road transportation were the biggest losers, whilst the winners have been the export industries such as glass, automotive, textile, shoe, cement and especially the in-bond plants or maquiladoras that exclusively produce for foreign companies.¹¹ Arturo Borja, a researcher from the well-known Mexican economic think tank CIDE (Economics Academic and Research Centre) asserts that the treaty did not prepare Mexico to successfully integrate into the world economy, for a national development strategy must first be designed before its insertion. For this reason, he explains, "regardless of how well the macro-economy is working, purchasing power of wages is still below 1994 and it has been stagnant for the last twenty years."¹²

Beyond the issue of who have been the winning industries, the overwhelming loser has been labour. I must reemphasize that the central aspect of NAFTA is the labour endowments. During the entire history of this country, the labour endowments have been very low. But since the first crisis of 1976, wages have deteriorated to some of the lowest levels in the Third World. And so, I must repeat, it happens that cheap labour and location have been the biggest selling arguments for NAFTA. This was not by chance. I have explained how throughout 25 years of crisis the owners of capital have been let loose to protect their margins and increase them at the expense of the labour endowments, whilst unions have been forced to accept wage increases always below the rate of inflation. This had caused a gradual erosion of more than 50% of the labour endowments share of the surplus, by the end of the Salinas' term. Thus, there is absolutely no doubt that Mexican labour has been paying the brunt of the cost of the economic

crises generated by the political and economic plutocracies as well as the comparative advantages offered by them for the signing of NAFTA. It should also be very clear that this is the direct result of a conscious and systematic effort of the owners of capital to exploit Mexican labour in the most perverse and covetous way; for they kept wages intentionally low in order to both increase their profits and secure the deal with the U.S. and Canada. And workers, after the implementation of NAFTA, continued to pay the costs of the insertion of Mexico in the global system of production.

The in-bond plants, that export products that are assembled with extremely low labour costs, clearly illustrate who bears the brunt of the costs of globalization. In-bond plants began to operate in Mexico since the 1960s, but with NAFTA they became a key component. Traditionally they had been restricted to the border area but with NAFTA they were allowed to spring up anywhere in the country. So now there is a growing number of in-bond plants in the Yucatan peninsula, in the Southeast, and in many central and western states. To be sure, these plants represent the most extreme case of labour exploitation under NAFTA. Without exaggeration, these plants should be regarded as quasi-slavery manufacturing units. The owners of these units, where MNCs outsource their production for export to the U.S., claim that they pay 40% or 50% more than the minimum wage. But they avoid acknowledging that the minimum wage is scarcely 50¢ an hour.¹³ Furthermore, they do not say that workers doing the exact same job in First World plants earn wages ten to fifteen times more than their Third World counterparts; whilst, in both cases, the finished goods sell at the same or similar retail price. The in-bond assembly plants that employ more than one million Mexicans and only incorporate into the finished product 2% of Mexican content have as the main added value, overwhelmingly, cheap labour. Thus, there is no real benefit for the country. If only 2% of the total parts are Mexican, then these plants are not really integrated into an economic chain of production in Mexico. Therefore, with no integration and extremely low wages there is no real distribution of wealth in Mexico and no trickle-down effect. George Bush's famous phrase is only valid if there is a fair level of the labour endowments and if the in-bond plants source a

good portion of the components from domestic companies. Thus, in-bond plants are not at all integrated into the Mexican economy and their true nature is to export cheap labour. According to the Association of Importers and Exporters of the Mexican Republic (ANIERM), the in-bond assembly plants generate 45% of all exports.¹⁴ In a study of the current situation, the ANIERM asserts that the success of the in-bond plants is solely based on the comparative advantages of cheap labour and cheaper raw materials; and adds that there is the belief that if wages are increased, workers would lose their jobs, because the head offices of the companies that used them would no longer consider the in-bond strategy attractive enough. Mexico's Ministry of Commerce reports that between 1995 and 1999, 2,700 new plants were created – a 450% increase – and that this sector employs more than 1.25 million workers.¹⁵ This is one more clear confirmation of why MNCs go to Third World countries to source a substantial portion of their manufacturing. And, yet, many in Mexico worry that wages are too high. Economist Macario Schettino asserts that a wage of \$3.50 a day (\$0.43/hour) is the right wage to remain competitive and predicted that the \$4.00 average wage being paid at the in-bond plants in March of 2000, the highest in twelve years, will go down before foreign capital migrates to Asian countries.¹⁶ The benefits that the in-bond sector brings to Mexico are indeed minimal. According to Mexico's National Manufacturing Industry Association (CANACINTRA), of the total value of exports generated by the in-bond plants, only 28% is the value added by Mexico. The other 72% comes from all the components that are imported, duty-free, by the plants to re-export them back assembled. Of the 28% of value added, only 9% (32%) comes from wages and salaried compensations.¹⁷ The remaining 19% (68%) accounts for the 2% of local content and the margins of those that actually operate the plants [this is because the MNCs increasingly tend to outsource their production instead of owning the plants]. Thus, the 19% includes the gross margin of the plants' operators and the components that are locally sourced. Therefore, the very high foreign content of the in-bond plants exports completely disguises its true export value, which is one of the great benefits that it is supposed to bring. In the official trade balance, the foreign content that is re-exported is recorded

as exports. But the net Mexican value added accounts for only 12.6% of total Mexican exports. This is because if, in 1999 the in-bond plants accounted for more than 45% of exports, as both the ANIERM and CANACINTRA reported, and domestic content accounted for 28% of total, then the net Mexican content exported by this sector accounts for only 12.6% of total Mexican originated exports. Numbers from the WTO paint an even grimmer picture. According to the WTO's "International Trade Statistics 2000," Mexico's in-bond plants imported \$50.4 billion in 1999 and exported \$63.9 billion; thus imports accounted for almost 79% of total.¹⁸ In that year, in-bond exports accounted for 46.7% of total exports but, again, the official figures are deceiving because the high foreign content completely dwarfs the real contribution of this sector. And, based on 79% of foreign content, then the Mexican content of in-bond exports account for only 9.9% of total exports. Of course, the government and this sector do not publicize this reality.

These findings clearly corroborate that the Mexican value added is minimum because the local content is barely two percent and because the wages paid are miserable. Thus, the only winners are the MNCs that enjoy very low costs and the plants' operators where the MNCs outsource their production. Until domestic content increases and workers are paid living wages, the economic benefit received from the in-bond plants is extremely marginal, for it is concentrated on a minute portion of society, the partners of the multinational corporations. It should be clear that no aggregate demand and no distribution of wealth can be generated when hunger wages are being paid to in-bond workers. The only true benefit that the in-bond plants bring is as a release valve of political pressure for the government. For, with its 15% average growth during Zedillo's term, it allowed the government to claim that it was a good source of new jobs creation, despite the fact that the in-bond plants have the highest turnover of workers of all economic sectors, due to the miserable wages paid.

To integrate Mexican content into the in-bond plants, quality and efficiency must be guaranteed. To be sure, many domestic companies lack the technology and quality to supply the parts

adequately, but it is also the MNCs that have preferred to deal with their long established suppliers from home, even if transportation costs would be higher. A more favoured alternative of late has been the establishment of plants, from these suppliers, right next to the plants of the MNCs that manufacture the finished products. This is the result of NAFTA and the "good will" effect of the new trade agreement just signed by Mexico and the European Union. Good examples have been several automotive suppliers that have opened plants in Mexico right next or near to their vehicle manufacturing clients, such as Delphi Automotive Systems, a spin-off of General Motors. The Troy, Michigan-based auto parts giant, had in 1999 fifty-three plants in Mexico and a technical centre in Ciudad Juárez on Mexico's U.S. border.¹⁹ Between 1996 and 1998, about thirty mostly European companies set up shop in Mexico to supply Volkswagen's Puebla operation, which is the sole producer of new Beetles for worldwide exports.²⁰ The main rationale for their move has been to maintain their chain of supply with their traditional clients but concurrently take advantage of the labour conditions in Mexico. And, although they are also hiring automotive engineers, their real motive is to use a cheap skilled-labour force. In this way, suppliers are ramping up intensive-intensive operations to take advantage of the country's low wages. That is why Delphi employs 50,000 workers in Mexico.²¹ Indeed, the automotive industry provides an excellent illustration of the dramatic differences between Mexican labour and First World labour. This is true despite the fact that this industry has long had a high level of integration with the domestic industry. The automotive industry in Mexico began in the 1920s when Ford opened the first assembly plant in the country. During the mixed economy, this industry was one of the most heavily-regulated sectors. The government required 60% to 70% of local content. As a result, a long list of Mexican domestic manufacturers has been able to develop. This is one of a few examples where the mixed economy created the foundation for internationally competitive Mexican manufacturers. With the liberalization of the industry, many local suppliers went under; but now Mexican automotive parts manufacturers such as Tremec, Sanluis Rassini or Nematik export globally to the same vehicle manufacturers that they have supplied for years domestically, with

ISO quality standards and world-class recognition. They are becoming true multinationals in their own right. Nemak was building a plant in the Czech Republic and Sanluis Rassini opened its own engineering centre in Detroit.²² The emergence of these truly competitive companies was a direct result of market liberalization, but it would have not been possible with the prior development of an automotive manufacturing industry during the mixed economy. This industrial sector, besides enjoying a relatively high local integration, requires an increasingly skilled labour force. Nonetheless, the same dramatic differences in wages that are observed in other sectors or in the in-bond industry are also valid here. A Mexican blue-collar worker in the automotive industry earns a wage comparatively higher than in most industries but still earns about one tenth or less of what similar workers would earn in the U.S. A good example to illustrate the case is the Ford plant in Hermosillo, Sonora, in northwestern Mexico, which has been rated as one of the most efficient and highest quality assembly plants among all Ford plants in the world. However, the Mexican worker working for any car manufacturer makes \$2.10 to \$2.60 an hour while the U.S. worker in Michigan makes \$21 and in Germany \$19.²³ The U.S. Ford worker, who performs the exact same task in the assembly of Ford Focus sold at the same price worldwide, gets paid ten times more money. That is why, in general, production costs run \$300 to \$1,500 lower per car in Mexico or Brazil than in the U.S.²⁴ By the same token, the Mexican worker that assembles the parts made by Mexican suppliers like Tremec earn a tenth or less of what a worker in Michigan earns for assembling the exact same part made in Mexico by the same company for the same car. I ask on what rationale do they base their behaviour? Well, again, corporations try to argue about the differences in economic structures, and thus, in salary levels between the U.S. and Mexico, and they boast that their salaries are among the highest in Mexico. But that is a rather cynical position, because if corporations demand and get the same quality and efficiency in the production process, and they sell the product globally at the same price, then they are fundamentally exploiting their Mexican workers. For they are forcing them to accept a very low salary for a work rendered by First World standards, in order to bring the desired

shareholder value that their boards demand at the expense of Third World workers. From another angle, they are extracting a product with a top market value and paying below living standard costs of labour; and thus they are stealing the right of the workers to a dignified livelihood. They are extracting the workers fair share and taking it to their shareholders and even keeping it for their own personal gain. They are, in fact, re-concentrating wealth instead of redistributing it. Moreover, if Mexican workers earn a tenth or less of what their counterparts earn in the First World, then Mexican workers are in fact subsidizing the standard of living of their counterparts. Why should this happen if, in the new global economy, all the products made by Mexican workers that are sold in Mexico or exported to other markets are sold at the same global price? Why are the new Mexican MNCs paying ten times more to their First World workers than to the their home based Mexican workers? The answer again is that there is an extremely unjust global division of labour that makes as its goal the exploitation of Third World workers for the benefit of the local oligarchies and the MNCs. Moreover, this is living proof that the multinationals have no real nationality. They pledge allegiance to their home governments as long as they protect them. But they will leave as soon as they are threatened with social responsibilities. That is why the real pledge of allegiance emanates from governments and is offered to the MNCs in support of their political aims, including their financial support, as I have explained in previous essays.

If in a mature and export-oriented industry in Mexico, such as the automotive industry, where there is a large pool of skilled labour, Mexican workers still earn 10% or less than their First World counterparts, it is no surprise that in the rest of the economy the gap is even wider. According to the 1999 Global Competitive Report, Mexico is next to last in manufacturing wages in a study of twenty-seven economies. According to the report, a Mexican manufacturing worker receives \$1.3 per hour, whilst in Germany a worker makes \$31.8 an hour, 24.5 times more than the Mexican worker; in the U.S. the ratio is 13.2 times greater, and in Canada 12.4 times greater.²⁵ In the most competitive areas of the Mexican economy, where the bulk of the export sector resides, Mexican workers can hardly earn

more than one tenth of the wages earned by their First World counterparts. Thus, the averages for the entire manufacturing sector are even worse as previously shown. This is because, despite the fact that Mexico has signed trade agreements with more trade blocks or individual countries than any one else, 90% of the jobs generated between 1994 and 1999 have no relationship with the export sector, an ECLAC study reports.²⁶ The study found that 3,400 foreign and domestic companies account for 93.3% of exports but only generate 5.6% of the employment. This export-oriented strategy has created a non-integrated economy that faces great difficulty to link the export sector with the rest of the economy. The study also reports that U.S. capital has penetrated Mexico massively in order to gain strength in the domestic and regional markets. In this way, Mexico has become a bastion for U.S. MNCs to confront Asian competition and to use it as part of its global network for raw materials, outsourcing, distribution and services. Thus, Mexico, the study explains, has really become part of the U.S. system but is far from being a global player. Mexico has a small portion of its population integrated into the global economy, through the U.S., and a vast majority of destitute abandoned to the whim of the centres of power. This is the trend that has been developing throughout the developing world and even in substantial sectors of the developed world. In sum, the results of globalization have been devastating for Mexico because wages are consistently and premeditatedly depressed in every instance. Even worse, the idea is to keep real wages low. You can read almost daily in Mexico's newspapers arguments from the industrial plutocracy against wage increases. They keep using their very old rhetoric that wages can only increase in line with productivity. But employers and government are amnesiac when they cannot acknowledge that real wages have collapsed consistently in the last twenty-five years, whilst production processes efficiencies and worker productivity have substantially increased. A recent study from the Workers University of Mexico found that productivity increased in Mexico 43% in 1999 versus 39% in the U.S. and also points out that Mexico is the next to last in wages paid among 27 nations.²⁷ Inflation is no argument as well, for capital has to decrease its fair share of the production income and give labour its fair share

of endowments in order to put it gradually at par with its major trading partners.

To make things worse, labour unions continue to be controlled by government and employers. This is one of the greatest areas of corruption. Union bosses traditionally involved in all types of illegal businesses control the corporatist unions. They are loyal only to employers and government and control unions at will for the benefit of employers in exchange for power, money and the freedom to do any type of business. For many years there have been companies owned by the unions, purchased with mandatory affiliation fees, for the benefit of the union bosses. These bosses are enthroned and control the electoral process to designate the union leaders. Workers cannot choose which union should represent them, let alone to form their own union. They are forced to join the union and, in many cases, such as in Pemex, the oil company, workers have had to buy their jobs with the union bosses. The right of workers to cast a vote in privacy is practically not allowed, for labour legislation allows union bosses to held the casting of votes in the open. Fortunately there are an increasing number of independent unions that are gradually, but very slowly gaining ground in the labour arena, albeit the corporatist unions and the government generally repress them. In the case of in-bond plants the situation is even worse. Many plants do not have unions or accept a corporatist union under the agreement to keep workers completely repressed. This does not seem to be changing with the new PAN government. Already three months into the Fox term, and U.S. union activists denounced the practice of open union voting and accused the Mexican government of flouting a commitment made last year to then U.S. labour secretary Alexis M. Herman.²⁸ These U.S. union activists accused the government when a union campaign for recognition at a factory in northern Mexico was overwhelmingly defeated after the government allowed the vote to be conducted through an open shop-floor count. This occurred despite the pledge made to the U.S. last year to promote the use of secret ballots in labour disputes. As a result, only four out of five hundred workers dared to openly back the independent union at Duro del Rio Bravo, an in-bond plant that produces for Kentucky-based Duro Bag Manufacturing. John Sweeney, President of the AFL-CIO, wrote to Mexican labour authorities and President Fox decrying the refusal of a secret

ballot. The U.S.–Mexican agreement resulted from investigations into earlier cases in which the U.S. labour arm of NAFTA found that rights to free association were being violated.²⁹ This is the permanent situation with independent unions who are fiercely fought by the gangster-like corporatist unions with the full support of the employers and the government. The absence of any signs of a new vision in the Duro case, from the part of the federal labour authorities, is a clear indication of the lack of political will to protect worker's rights in the new administration.

Table 14.1 clearly shows the growing gap between the hourly manufacturing wages in Mexico, in the First World as well as in selected Asian economies. The most dramatic aspect is that all the Asian countries (except Japan) had hourly wages substantially below Mexico's wages in 1975. By 1997, with the exception of Sri Lanka, these Asian economies had increased their wages several times. South Korea led with almost twenty three times, whilst Mexico only increased its wages by 19%, way below the dollar inflation rate in the period.

Table 14.1 International Comparison of Hourly Compensation Costs for Production Workers in Manufacturing in G7 and Selected Developing Countries.³

Country or area	1975	1980	1985	1990	1993	1994	1995	1996	1997
(In U.S. Dollars)									
United States	6.36	9.87	13.01	14.91	16.51	16.87	17.19	17.70	18.24
Canada	5.96	8.67	10.94	15.84	16.43	15.85	16.04	16.66	16.55
Mexico	1.47	2.21	1.59	1.58	2.40	2.47	1.51	1.54	1.75
H. Kong SAR ¹	0.76	1.51	1.73	3.20	4.29	4.61	4.82	5.14	5.42
Japan	3.00	5.52	6.34	12.80	19.21	21.35	23.82	20.91	19.37
S. Korea	0.32	0.96	1.23	3.71	5.64	6.40	7.29	8.09	7.22
Singapore	0.84	1.49	2.47	3.78	5.25	6.29	7.33	8.32	8.24
Sri Lanka	0.28	0.22	0.28	0.35	0.42	0.45	0.48	0.48	-
Taiwan	0.40	1.00	1.50	3.93	5.23	5.55	5.92	5.93	5.89
France	4.52	8.94	7.52	15.49	16.79	17.63	20.01	19.92	17.97
Germany ²	6.31	12.25	9.53	21.88	25.32	27.03	32.22	31.79	28.28
Italy	4.67	8.15	7.63	17.45	15.80	15.89	16.21	17.73	16.74
U.K.	3.37	7.56	6.27	12.70	12.41	12.80	13.67	14.13	15.47
Dash means data not available.									
¹ Hong Kong Special Administrative Region of China.									
² Former West Germany.									
³ The wages in Asia precede the devaluations of 1998 which have depressed salaries significantly. Salaries in China Malaysia, Thailand, Indonesia, Philippines, India, Pakistan and other Asian countries, are not available but are significantly lower than those in Korea and Taiwan.									
Source: U.S. Department of Labor, Bureau of Labor Statistics, September 1998.									

The Bitter Fruits of Mexico's Neoliberalisation

The systematic and conscious impoverishment of Mexican workers is not the only dramatic problem. The miserable wages that have been paid in Mexico have had two profound effects

that have become very difficult to tackle. One is the explosion of violent crime in the cities, and the other is the huge growth of the informal economy, of both the self-employed and of small businesses that need to stay away from fiscal overseeing in order to earn a reasonable fair share in what is regarded as a very unjust order. The perception of a very unjust order has also triggered the growth of drug trafficking to the level of international conflict between Mexico and the U.S. This topic is not in the realm of this essay, but the high levels of corruption and general injustice have overwhelmingly contributed to the development of a multi-billion dollar drug economy that feeds thousands of families that see no opportunity elsewhere. Organized crime is now a central element of the Mexican economy and continues to grow despite the official rhetoric that boasts to destroy it while poverty continues to expand. This is a despicable situation, but it is the direct result of the covetous ways of the local and foreign centres of economic power. From now on, future governments will have an added problem that is extremely difficult to extirpate and that has profound social repercussions in the levels of violence and in all types of crimes, as well as in a gradual increase in the use of drugs in the population. And, yet, time passes by and it seems that there really is no limit to the greed of those in power, for they continue to neglect to acknowledge the root of these problems.

As a result of the systematic treachery of the governments that have ruled for the last twenty-five years, Mexico has moved from a reasonable level of self-determination to a complete dependency on the U.S. and its centres of power and from a closed society to a semi-open society. For there will be no real open society until a real democratic ethos fulfils the demands for social justice and puts it, at the very least, at par with that enjoyed in the First World.

We should remember that neoliberal globalization is widening the gap between rich and poor in both developed and developing countries alike, albeit the differences in social justice between these two worlds is abysmal because First World societies enjoyed a much greater level of democracy. Indeed, because in the First World there is a reasonable system of checks and balances, however imperfect it may be, Civil Society is far better prepared to defend

itself and reduce the negative effects of Neoliberalism. The greatest evil of Neoliberalism is that it has tried to supplant real democracy with what Chomsky calls a market democracy where all decisions are made by the market. This has exacerbated the top down democracy that has traditionally been imposed on Civil Society by the centres of power. This has made that the MNCs, the only real market players, get the benefits whilst Civil Society bears the costs. This occurs even in developed nations despite the existence of checks and balances, and it will not change until a fully open society is achieved, like George Soros asserts. Only then, all will share the benefits as well as the costs, and the transcendental decisions that will shape the future life of civil societies will be fully shared. Obviously, we still have a long way to go.

In the case of Mexico and in the rest of the Third World, the first step is, at the very least, to demand that the same benefits that societies in the First World currently enjoy be transferred to Mexican Civil Society. For there is no justification for the current situation where a few enjoy the benefits whilst the overwhelming majority bear the costs. If Mexico has been inserted into the global market system, Mexican Civil Society has every right to demand that the benefits be shared by all parties involved and not only by the local oligarchy, the government and the MNCs. If the Mexican market has been globalised, at the very least the standards of First World democratic life must also be globalised, and a joint effort for more openness and accountability must be pursued. The best example, although it still remains to be seen if it is enforced, is article 1 of the EU trade treaties, the democratic clause, which demands the observance of international democratic practice as a precondition to a trade agreement; and even this demand is still very lukewarm, for it stops at the level of formal democracy and doesn't go beyond. In consequence, the globalization of real democratic life and, thus, the establishment of a fully open society, must be placed above any other consideration. In contraposition, Neoliberalism has been trying to impose market democracy, or more accurately, corpocracy. As a result, the sense in supposedly democratic governments, that their social responsibilities are their most important responsibilities, has been completely obliterated. Historian Lorenzo Meyer

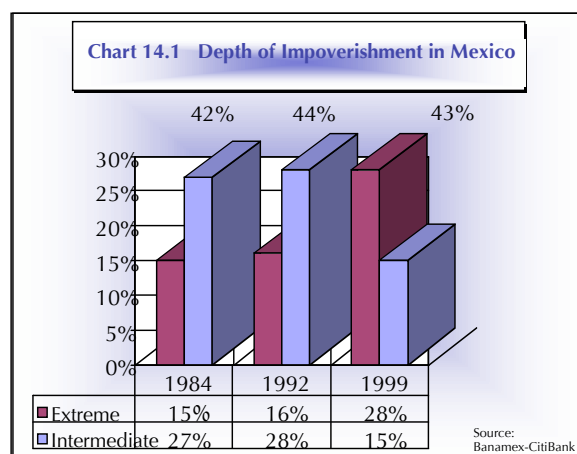
calls it the death of the Moral Economy, which is the loss of the sense of those in power of the need to procure a minimum level of welfare in all ranks of society.³⁰ In other words, the concept of social justice is now alien to supposedly democratic governments. This has clearly been the case of Mexico and, for this reason, it has one of the most unjust societies in the entire world. What needs to be done is that the benefits of the capitalist economic system must be socialized [transferred to Civil Society]; for, currently, the benefits have been privatized [transferred to the capitalist elites] whilst the costs have been socialized. Nevertheless, only a fully open society with a real democratic structure can make this become a reality. For Civil Society is, in itself, the legitimate counterbalance to market fundamentalism. Until a real democratic ethos is achieved, and we move from a merely formal democracy, limited to the electoral process, to a real democracy, where all the decisions relative to all the aspects of national life are made through a shared decision, as a result of the effective participation of all ranks of society, this counterbalance does not exist.

In the meantime, the Mexican economic and social indicators at the beginning of the Twenty-First century have dramatically deteriorated and continue to worsen. According to a study of the World Bank and the Universidad Obrera de México, (Workers University) Mexico is among the twelve poorest countries in the world due to its immense degree of inequality. According to this study, almost 85 of every 100 new jobs are now created by the informal economy. The same study reported that, in 1997, 40% of the population survived with less than \$2 a day. In terms of purchasing power, it reported that workers have lost 67% of their purchasing power value in the last twenty years.³¹ More recently, the staunchly conservative new secretary of labour, Francisco Abascal, acknowledged that real wages have lost more than 75% of their purchasing power in the last twenty-seven years, even after an increase of 6.99% to the minimum wage. Abascal said that the poor will not disappear in three or six years but he forecasted that improvements would be perceived in six years. That has been the saying at the start of every new administration. I'm not sure if Abascal was serious or sarcastic, but he added that if this government is called "of the hope" is because "we must trust in ourselves and in God" he said.³²

The Zedillo Administration reported that, in 1999, the informal economy employed almost 30% of the economically active population (EAP) and accounted for 6.7% of GDP. The private sector estimated that the informal economy employed as much as 50% of the EAP in activities not related with agriculture. This situation is also a major cause for the very low fiscal revenue of the federal government, which averages 11% of GDP, one of the lowest in Iberian America [Chile's tax revenue, in comparison, is of 17% of GDP].³³ In the first nine months of 1999, the unemployment rate was only 2.6% the lowest since 1985 when it was first measured. Of course that is because the government does not consider those living in the informal economy as unemployed. However, we are talking predominantly of street vendors, fire spitters, clowns, teenage newspapers sellers, construction workers and people involved in any kind of odd trade that can be imagined, as they struggle to survive. The informal street stand that sells anything sellable has become a plague of the cities' streets. According to government data, the economically active population in 1999 was 37 million. If 30% of that survives in informal activities, then the real rate of formal economic unemployment is 32.6% instead of 2.6%; for 92% of the unemployed are surviving as self-employed informally. The street vendors and their tents have invaded the plazas, parks and any street with enough pedestrians and contribute to worsen the traffic and pollution of the urban centres. But where does the right to make a living end and the right of free transit start, when the nation is in the hands of a group that upholds the right of enrichment of a few through the abject exploitation of the many? The self-employed do not pay taxes and do not have access to any kind of welfare. The recurring crises, the change of economic paradigm, which tends to focus on greater efficiencies and less labour intensive processes, and the generally low economic growth rates of the last twenty-five years, have hindered the need to generate more than a million new jobs a year. This was absolutely necessary to keep pace with the explosive growth of new job seekers, as a result of the high birth rates experienced between the 1960s and 1980s. But, since this goal has not been met, the informally employed are literally surviving in the jungle of the fittest. Only that these survivors never had an opportunity to be fit, let alone

compete on equal terms. These are the destitute that have long been sent to oblivion by the tiny plutocracy that thinks it owns the nation and attempts to govern it like a fiefdom. So profound has been the impact of the crises and of the neo-structural change, that the informal economy has become a permanent and significant feature in the country's life.

An analysis of the impact of the structural change in the distribution of wealth performed by Banamex-Accival in 1998, the largest financial group in the nation, shows dismal results. According to the report, in 1999, 28% of Mexico's population –26.5 million people– lives in the most abject poverty, the greatest number in three decades.³⁴ Even worse, the study found that a good portion of people that belong to the group of the intermediate poor joined the absolute poverty group. Indeed, the study found that after four years of strong growth, counting from 1996 on, with an annual average GDP growth of 5.02%, there was no benefit for the majority of the population. In fact there has been a clear reversal of fortune in the last fifteen years. For those in extreme poverty grew from 15% in 1984 to 28% in 1999, as shown in chart 14.1, whilst those classified as in intermediate poverty dropped from 27% in 1984 to 15% in 1999. This is because a great number moved to the group living in absolute misery. In that same period, those classified as not poor remained stagnant, dropping slightly from 58% to 57% of the population.³⁵



Thus, the total number of extremely poor increased 148% from 10.7 million in 1984, in the early stages of the neoliberal assault and the cyclical recessions, to 26.5 million people in

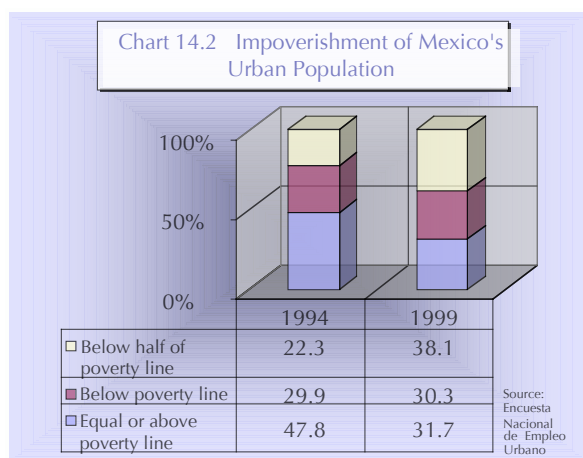
1999. The study points out that this increase in poverty occurred despite the fact that the median household income increased 18.4% in the last four years; a clear indication that macro-economic growth had no bearing in an increase in the welfare of the majority of the population. The 1998 World Bank Development Indicators reported that Mexico [the world's fifteenth largest economy] was in the group of twelve countries that accounted for 80% of the world's poor in 1993.³⁶ Even worse, in 1993 Mexico showed the fourth worst degree of poverty of these twelve nations. That is, 75% of Mexico's population was suffering some degree of poverty. Only Nepal, Peru and Kenya had higher rates of poverty, with Kenya the highest at 78%. The other eight countries were India, China, Brazil, Nigeria, Indonesia, Philippines, Ethiopia and Pakistan. This does not imply that they are the poorest of the poor, but it implies that these countries bear the largest share of poverty, accounting for 80% of all the world's poverty. The criterion is based on countries with at least ten million people in poverty. In this same annual indicators report, the World Bank shows that 40% of Mexico's population lived with less than two dollars a day, and 14.9% lived with less than a dollar a day in 1992. This occurred before the Mexican debacle of December 1994. Thus, in the 2000 Development Indicators, the Bank reports that 42.5% of the population lived with less than two dollars a day, and 17.9% lived with less than a dollar a day in 1995.³⁷ The declining trend is consistent with the Banamex report of 1999 in showing the drastic deterioration of living standards in Mexico. For Banamex, in 1999, 40.7% of the population lived in intermediate or absolute poverty but 28% were in the worst condition. The World Bank does not provide in its latest report the list of countries with the highest share of poverty. However, the mere fact that in 1992 75% of Mexicans suffered some degree of poverty and then Mexico suffered its worst economic debacle in history, is a clear indication that Mexico is a country immersed in an extremely dramatic contrast between rich and poor. Despite the 1995 debacle, Forbes magazine listed 15 Mexicans among the world's richest men in 1996, all of them with over a billion dollars in personal wealth. In 1994, there were 25 Mexicans on the list, a figure that dropped to only 10 right after the collapse in 1995. Thus, it is speculated whether the 50% increase of

Mexicans, between 1995 and 1996, in the club of the world's super rich, occurred in spite or as a result of the crisis.³⁸ Historian Lorenzo Meyer comments to this respect that "Poverty, in itself, does not have to be a social des-integrating force, but it can easily become a very negative factor for the unity of a nation, when a portion of the community perceives poverty as a perverse result of the existing structures of power, and that perception is confirmed by the close physical proximity between misery and the greatest accumulations of wealth, as is the case today."³⁹

Let us look at the behaviour in the distribution in the share of consumption before and after the 1994/1995 debacle using the Gini index criteria. In 1992, two years before the December 1994 collapse, the Gini Index for Mexico was 50.3 [a Gini Index of 0 represents perfect distribution]. At the time, the top 10% of the population enjoyed a share of income equal to 24.5 times the share of the bottom 10%. At the end of 1995, the Gini Index had worsened to 53.7, and the top 10% now had a share equal to 30.6 times the share of the bottom 10%. Not only that, in 1995 every single quintile had lost share except for the top quintile. Thus the top twenty percent's share went up from 55.3% to 58.2%.⁴⁰

Poverty expert scholar Julio Boltvinik who comments on the results of the National Urban Employment Survey provides a very illustrative case of the dramatic impoverishment of Mexico. The study surveyed the degree of urban poverty over a five-year period in thirty-eight major cities. In a comparison between 1994 and 1999, Boltvinik found a dramatic increase of absolute poverty, which more than doubled, from 8.26 million people to 16.68 million⁴¹ [absolute poverty in this case is defined as those whose income is half or less than that of the national poverty line]. Those below the poverty line but earning more than half the poverty line also increased, albeit only by 20% because many joined the group earning less than half the poverty line. Thus, the net increase was of only 2.22 million. On the other hand, those with incomes equal to or above the poverty line dropped by 22% losing a total of 3.81 million people who joined the ranks with incomes below the poverty line. This is despite the fact that the total population in these cities increased by 6.83 million. Thus, the total number of people joining

those below the poverty line, in the 38 cities surveyed, increased by 10.64 million or 55% in the five-year period. As a consequence, as shown in chart 14.2, the total number of people living in dire misery increased its share of the total population from 22.3% to 38.1%; and the total share, of those living below the poverty line, of the urban population jumped from 52.2% to 68.4%. Furthermore, in the five-year period, people earning less than half of the poverty line became the majority of those living below the poverty line, moving from 42.7% in 1994 to 55.7% in 1999. In fact, these people became the largest of the three groups studied. This is not all, Boltvinik points out in his most dramatic finding: the total number of both people earning less than half the poverty line and people with incomes below the poverty line increased more than the net increase in population. This represents the marginal incidence of poverty, which surpassed the growth of the entire population. In other words, between 1994 and 1999, more people joined the poor than the number of new people added to these 38 cities. Indeed, Boltvinik's findings show that, for every 100 people added to the population, 123.5 were added to the extremely poor, or those below half the poverty line; and for every 100 people added to the population, 155.8 were added to the group below the poverty line as a whole.



Boltvinik's findings also showed that these trends were even worse for the Mexico City metro area, where the imposition of the neoliberal structure has been more thoroughly carried out. This urban mass, representing over 20% of the nation's population, reported marginal incidences of

absolute poverty and of intermediate poverty of 175.6 and 198.5 respectively.⁴² He explains that in the Mexico City metro area the Zedillo Administration, in full adherence to neoliberal practice, not only scrapped the subsidy for tortillas, the most basic Mexican staple, and drastically cut the subsidies to gas and electricity, as it did in the rest of the cities, but also excluded it from the federal funds destined to combat poverty in the area of basic social services. The national survey findings made all the more evident the end results of the conscious exclusion of the urban poor from the government's responsibilities. Boltvinik calls it a very efficient manufacturing of the poor system. I should add that there is no comparable data for the countryside where things have traditionally been much worse.

Boltvinik also points out the clear deterioration of the labour endowments due to the transfer of wealth to the owners of capital. In an analysis of the latest official economic indicators by INEGI, the national statistical institute, he points out that the neoliberal economic adjustments imposed on Mexico transferred resources massively from labour to capital. He supports that by showing that the INEGI indicators report that the net operating surplus between 1993 and 1999 increased by 30.1% whilst wages only grew 8%.⁴³ A fact that confirms that wage earners have been abandoned to the whims of the market whilst the owners of capital continue to transfer as much of the labour endowments as possible in favour of already-bloated shareholder values.

Real Solutions

It should be very clear, for those objective minds, that the imposition of the neoliberal paradigm has only exacerbated the already-great disparity in the distribution of wealth in Mexican society. Moreover, it has reversed the slow but consistent improvement, during the years of the mixed economy, in the standards of living of the majority of the population and in the reduction of the traditional levels of poverty that Mexican society had experienced. Granted that the mixed economy was not at all a panacea and that it brought very mediocre social progress to this nation, but what the imposition of Neoliberalism has done has been to actually bring back the extreme injustice that had dominated the life of this country since its independence until the start

of the Cárdenas Administration. With the completely undemocratic imposition of neoliberal globalization, its supporters have replicated the same ethos that is being imposed elsewhere: a combination of Victorian era liberalism, of the survival of the fittest, with despotic mercantilism, in its Mexicanized version of fiefdoms and feudal lord-like *caciques* and monopolistic merchants in partnership with politicians. To be sure, the central element of Mexican globalization has been the extreme corruption of the political class and the local industrial oligarchy and their overt incapacity to successfully manage their own personal interests. I am a true believer that the lack of abilities to successfully carry out one's personal enterprises takes people of low integrity to reach their goals through corrupt practices. This has been the case of Mexico for most of the PRI era. During the immediate post-war era, Mexico managed to achieve strong economic growth and some level of social progress, because the First World economies were recovering and expanding and most of the Third World had embarked on the pursuit of true economic development. There was an international consensus in the capitalist world to follow the Keynesian thesis of the need of governments to intervene with a very visible hand through demand-side economics to infuse the economy of energy and manage the excesses of Capitalism. There was consensus that democratic governments were responsible for bringing about social justice to their people. However, this ended when the lack of fiscal discipline and war deficit spending of the U.S. government neglected the Keynesian requirement that public deficits incurred during recessive times must be offset during expansion times, and the Nixon government shifted unilaterally to the monetarist paradigm. Later, during the Reagan era, the U.S. recanted on its social policies, with the excuse of offsetting deficit spending, but continued to spend on its colonial military enterprises, and, concurrently, moved to impose its national interests on a global scale, masked with the gospel of free marketeering. Reagan and Thatcher continued to reduce their Welfare State while pressuring the rest of the First World to neoliberalize their markets, albeit they were not really setting the example. For both the U.S. and Britain and the rest of the First World had continued opposing access to their markets to Third World products, which triggered the oil

embargoes of the 1970s and early 1980s. For Mexico, three events –the change of paradigm, the boycott of the domestic oligarchy against fiscal reform and the increased corruption, in all levels of government and with their partners in the private sector– produced the first economic crisis in thirty years and brought to a stop the era of the mixed economy. The subsequent reduction in economic growth made it difficult for the government to continue to manage the economy wastefully along with its traditional taste for the theft of public assets. This government culture had previously been forgone by society while the country was progressing. But the extreme corruption of the system and its refusal to relinquish power pushed it to populist practices and great fiscal irresponsibility and to gamble with the price of oil, which brought the economy to a total collapse and indebtedness. This provided the U.S. with the opportunity, through the institutions of the Washington Consensus, to impose the neoliberal paradigm. For it was clear that the PRI would oblige itself to any kind of demands as long as it could stay in power. This is the true path that Mexico followed, during the last two decades, to a reversal of fortune and to the exclusion of the majority of the population from their democratic right to aspire to a dignified livelihood. At the time, the government blamed everything on the evils of the mixed economy and eagerly embraced Neoliberalism and pledged to uphold the demands of the local oligarchy and the MNCs. And it quietly recanted on its social responsibilities and eagerly embraced an ethos that purposely exploited the great majority for the benefit of a tiny plutocracy, just like in the era of the Dickensian factories. Later, in complete connivance with its partners in the private sector, it sought to remain in power and steal taxes from public funds, which are now used to refurbish the banking system from the depletion caused by the frauds and mismanagement of the banking sector. It also eagerly made sure to provide the guarantees necessary to deliver cheap “labour commodities” and repress their demands for fair compensation. The government eagerly obliged to insert Mexican workers as efficient “labour commodities” in the new global division of labour. Zedillo obsessed himself with the consolidation of Neoliberalism and became a zealot more purist than the neoliberal pundits in the U.S. centres of power. Thus, the government, in a completely treacherous way, bet on

remaining in power in exchange for subjecting the country to the demands of neoliberal Capitalism and abandoned any kind of responsibility to procure the common good for all ranks of society, as Adam Smith, the father of true economic liberalism, had hoped for. Now Mexico is not even close to true economic and social progress. The PRI has lost its power after Mexican Civil Society had finally expelled it by enforcing a due electoral process. But the same neoliberal structures that have excluded the great majority of the population from their legitimate aspirations remain in place. And the new PAN government will not attempt to change the focus from market democracy based on efficiencies to a real democratic ethos that is centered in the pursuit of social justice and participatory democracy. For true participatory democracy would reverse the priorities in market efficiencies to wealth redistribution through fair labour endowments.

This is not a defence, whatsoever, of the mixed economy. It is a quick revisit of the path followed by Mexico in the Twentieth Century to reassert that Neoliberalism is a system of exclusion and that there is absolutely no truth in the insistence of its supporters that this is the only way to social and economic progress. Far from being a way to progress, it is one of the ways to abject human exploitation, along with feudalism, mercantilism and communism. It shares with them the conscious decision to use the majority of the people as peons for the benefit of a tiny plutocracy of autocrats.

What Mexico needs to achieve, before all other things considered, is the creation of a completely participatory democracy where all ranks of society have a direct say about the decisions to be made concerning all aspects of national, state, municipal and local life. A due electoral process is just the first step in the right direction. But close accountability of the government's deeds and participatory decision making, with the absolute rule of law, is a far greater goal to achieve. This goal is something that has not been achieved, even in mature democracies, and in most there is not even a sign of movement in that direction. Chomsky points at the very limited democracy of the U.S. where the individual is generally restricted to be a spectator that is occasionally called to cast a vote based on a pre-

selected list of candidates. Thus, there is very limited extra-parliamentarian participation from Civil Society.⁴⁴ In the case of Mexico, it is clear that, if it had already achieved this democratic ethos, most people would not approve the current exploitative wage structure and the share of surplus that capital retains. Most people ignore the distribution of the surpluses of the economic activity, but know that this is an unjust order. If the reasons behind were to be explained, in a truly participatory process, people would demand the equalization [or globalization] of labour endowments based on First World standards for all countries participating in the global economy.

For this reason, the current government brings little hope of a change of ethos, for it has no intention of changing the current structure nor does it have any interest in solving the roots of the problem. The PAN, the party of the government, is a party historically conservative, with a constituency base that hardly goes beyond the middle class. Its victory in the current election is a result of the perception of voters that it was the only viable option to get rid of the PRI. Thus, its social vindications exist within the context of the current economic paradigm. In consequence, social justice for all, demolishing the traditional structures of exploitation, will not be pursued. The PAN will try to make of Mexico a more law-abiding and more participatory democracy, and it will attempt to be a more accountable government and may work to mitigate the suffering of poverty through a more focused and more efficient use of social spending. But it will not embark on a democratic revolution that attacks the root of the problem. For the PAN has no qualm with the placement of the interests of the capitalist's plutocracies above the interests of Civil Society. The PAN is quite content with the prevalence of a classic top-down democracy instead of a bottom-up participatory process. It will attempt to increase its revenue and be a much more efficient government. Thus, it will work to expand the tax base and carry out a fiscal policy. In this pursuit, it will attempt to eliminate the Value Added Tax or VAT exceptions applied to basic food staples and medicines that are very meaningful for the poor. It will also work to bring into the formal economy, as taxpayers, the millions of dispossessed that survive in the informal economy. But it will not eliminate the current tax haven that the wealthy enjoy. It is

certainly important to increase the tax base but it is of greater importance to make the wealthy and their corporations pay their due contributions. But this will not happen since the Fox Administration has major commitments with the business class. Besides the fact that the business class made important financial contributions to his campaign, the Fox Administration has consistently emphasized its philosophy of running the government like a corporation and has brought on board many people in high positions in the private sector to apply their vision. This assures the permanence of the current social and economic structure. It puts an emphasis on efficient public management, strong macro-economic growth and job creation, and in the revamping of social spending, provided that the tax base is expanded. But it puts no interest in wealth redistribution and inclusion and insists in linking the increase of real wages to the growth of productivity. To be sure, it sees no evil in the very unjust level of the labour endowments. Furthermore, the government's focus on strong macro-economic growth will have no bearing on social progress if the new jobs generated continue to be miserable jobs. Nora Lustig from the IADB asserts that even with an average GDP of 4% annually, it will take thirty years to eradicate extreme poverty. And she adds that economic growth is necessary but insufficient to eradicate extreme poverty; thus, the government needs to take concrete actions to develop public programs in nutrition, health and food.⁴⁵ She also mentioned that an average GDP growth of 2% would need sixty-years to eradicate extreme poverty. In my opinion, given the fact that it has been more than twenty years since Mexico experienced sustained economic growth, it is likely that it will take more than thirty years to eradicate extreme poverty, let alone poverty, unless the current economic structure is substantially altered. Lustig's views on the need for strong social spending to eradicate extreme poverty are certainly necessary, but they do not address the root of the problem. The real solution is a change of economic paradigm to one where emphasis is on social justice and not on market efficiencies. This is the root of the problem, and it will never be solved unless a profound democratic revolution transforms the current brand of Capitalism from the shareholder demands, dominated by savage greed, to a brand that balances these demands with social

responsibility. Lustig rejects the charges that Neoliberalism is the culprit and blames it on the lack of effective management and corruption. There is no doubt that authoritarianism, management blunders and corruption have played a major role in the demise of Mexico, but it is also clear that Neoliberalism is a system of exclusion that widens the gap between rich and poor. From the beginning of these essays' series, I have clearly established that inequality is growing everywhere in the First World, especially in the U.S. and Britain, the most fervent followers of this paradigm. Moreover, the gap between the First and Third Worlds is being exacerbated since the imposition of this ethos; and, the wage gap between the two will continue to widen as long as market principles continue to be applied with different criteria in the centre than in the periphery.

The only real and concrete solution, then, is that wages and profit margins, in Mexico and in the rest of the Third World, must be gradually equalized with those that are being paid in the First World, in many cases by the same corporations, for doing exactly the same or similar jobs. There is no justification, whatsoever, for the so-called laws of supply and demand in labour markets to be upheld above the intrinsic responsibility of true democracies to procure the common good. Furthermore, the future sustainability of the capitalist system itself is far better protected when wealth is redistributed through the payment of fair wages than when it is re-concentrated on 20% of the population at best. Wealth redistribution in Mexico would not only ensure the continuous expansion of the market through aggregates in the demand but it would increase the resourcefulness of the economy to create new economic activity and greater competitiveness. Wealth redistribution would upgrade the quality of life of millions of Mexicans now living in dire misery, improving their nutrition, capacity for learning, academic and technical training, and fulfilling their legitimate right to have access to opportunities where they can make use of their own entrepreneurial spirit. Not only is the neoliberal paradigm not an option for true democracies, but also true democracies put above all other interests the fulfilment of the right of all individuals to live a dignified life, as Mexicans are struggling to achieve. For the staunchly conservative, I like to make it clear that

this solution has nothing in common with communism or socialism, since they tend to liken the views that oppose theirs with this ethos. It simply attempts to fulfil the right for social justice, in truly free societies, while addressing the needs of a market economy. The fact is that just like water and oil, Neoliberalism and true democracy do not fit together; they are mutually exclusive. What Mexico and the rest of the world need is a truly democratic new brand of Capitalism.

I want to end this essay by quoting what I deem to be a very visionary excerpt from an article from Pablo González Casanova, former rector of the National University of Mexico, a very respected scholar and a long time activist in favour of social justice, on the occasion of the 2000 presidential election. *"It is impossible to hide the danger of a "state of exception" nor to limit its analysis to private chats. Mexico lives a moment of historic bifurcation in the world. If the neoliberal policy succeeds, masked in humanitarianism and modernity, the future of Mexico and of the world will be ominous. Any consequent analysis over the effects that Neoliberalism has had on the impoverishment of humanity and the destruction of the planet tells us that the movements of Seattle and Washington, or of the other Davos, or of the Philippines or Indonesia, or of India, or of the landless peasants of Brazil, or of the Indians of Bolivia and Ecuador, or of humanity against Pinochet, or of the Peruvians against Fujimori, are just the beginning of a great movement for a genuine democracy, universal and not exclusive. To struggle for that democracy with the traditions and experiences of Mexico, will involve the great majority of a country of more than one hundred million inhabitants that find themselves south of the U.S., where millions of Mexicans and North Americans of Mexican origin also live. The solution that the Mexican people achieve to impose on national and global negotiations that force to change the model of social economy and that of democracy in favour of the people and the citizenry, will constitute a paradigm for the security of the nation and of the world. If these changes were not to be imposed, those addicted to the post-colonial globality and the exclusive Neoliberalism will be barred from earth by the "secondary effects" of their own policies; and all of that will not occur as a magic curse, but as the most exact and rigorous prediction of the researchers of excellence.*"⁴⁶

a Alvaro J. de Regil is Executive Director of The Jus Semper Global Alliance

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