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Mexico: Current and Future Political, Economic and Security Trends

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Revised and updated

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EXECUTIVE SUMMARY

Since the election of President Felipe de Jesus Calderón of the National Action Party in 2006, and his commitment to address the rising power of narcotics cartels, Mexico has undergone a serious increase in violence and militarization. Although the Mexican state is itself not threatened, some analysts view the “Colombianization” of the nation place a risk to many of the democratic advances that have been made since the “apertura” of the country in the 1990s. The country’s economy has been impacted not only by the rising levels of violence, but also by the serious financial downturn in the United States in 2008-2009, reflecting the country’s continuing over-dependence on the U.S. market. The Mexican economy has also been challenged by increased competition from other low-cost manufacturing countries. Canada has significant economic interests in the country, from basic commodity trade to major investments in the energy and mining sectors. How will the political, security and economic challenges Mexico faces impact Canadian interests?

INTRODUCTION

Since the early 1990s Mexico has increasingly moved both economically and strategically into the North American region and into collaboration with the United States and Canada as a member of the North American Free Trade Area and, since 9/11, the North American Security and Prosperity Partnership. In spite of this trilateral collaboration, Mexico, to a significant degree, remains highly distinct from its two North American partners in terms of security issues, levels of economic and social development, and political stability. Although the 2000 election broke some seventy years of one party political dominance, and was a harbinger of more democratic times, the 2006 presidential election was fraught with months of dispute over the results and rioting in the streets of the capital. The country is growing rapidly and changing centuries of entrenched customs, but the road is not always a smooth one and the heavy weight of history still shows its strength even today and may well do so into the future. Indeed, the militarization of the war against the narcotics cartels since the PAN government of Felipe Calderón took office in 2006 has led to serious concern about the stability of the Mexican state. A prestigious newspaper, *El País* of Madrid, in mid-2010 suggested that Mexico could be considered a “failed state.”¹ Although that label is too strong there is little doubt that Mexico currently faces major challenges in bringing order to its society, and that process has considerable relevance to both the United States and Canada.

This short paper provides analysis, and some key data, on what the political, economic and security trends appear to hold in store for Mexico as it faces the challenges of addressing its future and attempting to avoid the boom and bust past that has so scarred the country and shaken the international community’s confidence in it for centuries. In order to do this, the paper examines each of these elements: politics, economics, and security. In Mexico especially, there is an intricate interplay among each of these areas. The ability of Mexican governments to resolve many of the continuing challenges in each area will largely determine how much progress Mexico will make over the next decade.

The Complexity of Mexican Society

Mexico is a large nation with 32 states totalling 1,972,550km², a population estimated in 2010 at 112 million people.² The Metropolitan area of Mexico city alone contains more than 21 million people. Guadalajara ranks second with 4.3 million, followed by Monterrey with 3.9 million. Veracruz, contains approximately 780,000. The country’s topography is as regional and diverse as its peoples. There are some 62 Indigenous languages spoken as well as the official, and totally dominant, language of Spanish. The federal system of government to some extent accommodates this size and diversity.

Mexico is a nation of sharply defined regionalism. Regional differences have, over the past two centuries, contributed to civil conflict and the need for the central government to assert its authority. That was as applicable in the case of the Zapatista uprising in the state of Chiapas in the 1990s as it was in the need to suppress Yucatan in the nineteenth century during the Caste War. In general, the regions away from the capital have felt themselves ill-served by the federal government and while nationalism is strong, in large part as a result of an effective national government education system, discontent is widespread. Increasing prosperity since the Second World War has dampened this unhappiness with the status quo in many local sectors, but far from all of them.

Regional politics is dominated by local entrenched strongmen who often represent families who have been powerful since colonial times. Clientilism is rife and corruption is a way of life, as shown by the effective way the Institutional Revolutionary Party (PRI) kept power for

¹ El País, 30 June 2010. <http://mexicopolitics.wordpress.com/>. Accessed 29/06/2010.

² CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html>. Accessed 5/07/2010.

so long. While such networks have often been shaken by modernizing trends and the advent of something closer to developed democracy, they are still strong and very powerful in the regional political sphere, especially in the more backward areas of the country where Indigenous-dominated areas tend to be poorer and less developed than those where mestizo (and to a degree, Caucasian) populations are the majority. Regions such as Chiapas and parts of the Yucatán Peninsula and the South, but also many regions farther north in the country, are among those where the indigenous presence is strong and where historic poverty has been the hardest to reduce. It is also in these regions where the most problematic political context often prevails.

While Caucasians make up a significant percentage of the population in official terms (figures given range from 9% to 17%), social observers point out that these figures, in fact, reflect social preference more than reality. What is clear is that mestizos represent at least 60%, and perhaps even as much as three-quarters of the population, and Amerindian approximately 30%, with an estimated 9% “white” and 1% “other”. The current age distribution reflects a similar trend toward an aging population that one finds in Western Europe and North America, although it is not yet as pronounced as in those other instances. 29% of the population is 14 years of age or younger; 64.6% is 15-64; and 6.2% is 65 or over. A recent study by the Center for Strategic and International Studies in Washington suggests that by the year 2050 Mexico will have as many elderly adults as children. In other ways as well Mexican demographics are similar to modern, developed nations. The country has a literacy rate of over 91%, lower than Cuba which leads Latin America in both literacy and health care, but still high, and a life expectancy of 76, not far behind Canada and the United States.³

THE POLITICAL SCENE

The country we now know as Mexico was born in a ferocious revolution against Spain that was also, in many senses, a civil war between its rural, mestizo and Indian peoples, and its central government, dominated by a white and urbanized elite accustomed to power over centuries. In 1910, in what was initially a conflict among competing political elites, the country erupted in what proved to be a decade long conflict that was as much civil war as revolution. The revolution quickly took on a social, as well as political cast, with strong overtones of agrarian revolt added to the predominantly inter-elite conflict. The civil strife, which destroyed much of the country’s wealth, resulted in massive loss of life, and on two occasions brought military intervention by the United States to protect its interests in the country. It is debatable to what extent the changes wrought by the conflict can legitimately be considered revolutionary in terms of any significant change in the social, economic or political power structure. There is a saying that in the aftermath of the revolution power was held by ‘the same rider riding the same donkey’. Despite claims to the contrary, the ‘revolutionary’ government put in place by that upheaval proved, in practice, to be anything but. Despite much progress under the eventually victorious PRI, whose name says so much about its, and Mexico’s, contradictions, during its nearly seven decades in power, did not change much of the basic elements of political power in the nation. One fundamental change the PRI did bring about, which is particularly relevant to Canadian and other foreign interests in the country, was the nationalization of the oil industry in 1938 and the ultimate establishment of the state oil company, Pemex. The establishment of Pemex was consistent with another trend in Mexican politics and that was the increased role of the state in the private sector.

A context of modernizing elements facing deep-seated conservative interests has been the basis of Mexican politics since Independence and remains so today. Within that context

³ Demographics and Human Development in Mexico. (Washington: CSIS, 2005). Demographic data from the CIA World Factbook.

certain trends have appeared in recent years: political modernization and the anchoring of democracy; the integration into wider political and economic blocs, including modifications in the historic relationship with the United States (the key foreign element in modern Mexican life); and the persistence of regional issues of great influence on national progress.

Mexico is generally considered to be a fragile democracy. It was not until the 2000 presidential elections that brought Vicente Fox and the National Action Party (PAN) to power that the decades of one party rule were broken, and the election of his successor Felipe Calderón in 2006 was marred by dispute and violence. At the state and local levels for the past several years the increased power of the narcotics cartels, the corruption they have brought and the efforts of the federal government to contain the cartels has further undermined the trend toward the maintenance of a stable democracy. While Mexico has been a formal democracy since Independence, in reality the nation has been plagued by essentially a series of caudillos, representatives of local and regional power arrangements that have been successful at reaching national levels.

As the PRI's dominance waned in the wake of growing calls for real democracy and an opening of the nation to the world in the 1970s, 80s and 90s, there was a true awakening of democratic forces in the country. New political forces, such as the PAN (Partido Acción Nacional or National Action Party – centre-right), and the PDR (Partido de la Revolución Democrática or Party of the Democratic Revolution – centre-left), increasingly challenged the PRI and eventually, in 2000, this led to the electoral victory of the PAN under President Vicente Fox. This was the first time a non-PRI candidate had won a presidential election since 1929.⁴ The Fox victory in 2000 did not result in the stabilization of Mexican political differences among the parties. Mexican politics has remained deeply divided between the conservative PAN on the one hand, and the centrist PRI and the leftist PRD on the other. Although both the PRI and the PRD are members of the Socialist International the PRI is no longer considered a socialist party. Unlike the PRI, which has reasonable national appeal, the PRD has little support in the northern states.

The 2006 presidential election was hotly contested between Felipe Calderón of PAN and Manuel Lopez Obrador of the PRD, and the conflict that ensued during and after the election underlined the continuing class divisions in Mexican society between those who are seen to be the “rich” and the less affluent segments of Mexican society. Calderón promised pro-business reforms and political reforms; Lopez Obrador campaigned as an anti-poverty candidate. Calderón also promised to address the challenges posed by the narcotics cartels and once in office moved quickly to address that issue. The supporters of Lopez Obrador challenged the narrow victory of Calderón, who was not installed as president until December that year as riots continued in the streets and opposition congressmen sought to prevent the inauguration from taking place. The Mexican electoral court took two months to determine that Calderón was the victor in the July 2006 elections, and even in power his party held only 40% of congressional seats, thus making his government dependent on opposition parties to implement economic and political reforms.⁵ PAN also controlled fewer state governments (8) than did the PRI, with 17 including Veracruz.

The Calderón government's campaign against the narcotics cartel, and the corruption associated with narcotics trafficking (discussed below), has had a significant impact on Mexican politics. In July 2010 gubernatorial elections were held in 12 states, many of them ones in which the narcotics conflict has been a serious problem, and in some states fear of violence kept the voter turnout relatively low. The results of the July 2010 gubernatorial elections indicate that the 2012 presidential election will once again be hotly contested. PRI

⁴ For an overview of modern Mexican politics see Emily Edwards, *Contemporary Mexican Politics* (Maryland: Rowman and Littlefield, 2009).

⁵ <http://news.bbc.co.uk/2/hi/5316840.stm>. Accessed 29 June 2010.

made significant gains, winning 9 of the 12 states that were up for election, giving the party control of 19 of the 32 states and a strong platform to build toward the 2012 elections. PAN, on the other hand, did make gains as well. In Oaxaca, for instance, a coalition with the PRD gave PAN a victory over PRI, which had held the state for 80 consecutive years.⁶ The corruption of the political process by narcotics can be illustrated by many examples, but a prominent one was the arrest and extradition to the United States in May 2010 of former Quintana Roo governor, Mario Villaneuva, for trafficking, and the subsequent arrest of former Cancun mayor and the main leftist gubernatorial candidate, Gregorio Sanchez, on similar charges.⁷ In May 2010, former PAN presidential candidate, Diego Fernandez de Cevallos went missing on his ranch and is presumed killed by members of one of the drug cartels. Even more distressing was the assassination by criminals on June 28, 2010 of Tamaulipas gubernatorial candidate Rodolfo Torres.⁸

Some analysts see the elections as a repudiation of what they consider the ineffective and, in some respects, destructive governance of PAN since 2000. They argue that Calderón's anti-narcotics war in particular has been especially negative, increasing the levels of violence and weakening political participation. That is certainly the view of the Washington based Council on Hemispheric Affairs, which stated prior to the July 2010 elections that "The PAN-PRD union belies claims about the inevitable advance of Mexican democracy. The resulting popular disenchantment has had the effect of driving many voters back to the PRI — 'at least they knew how to govern' — or pushing them away from politics entirely."⁹ Nor have either President Fox or President Calderón been successful in getting the United States to address in a constructive manner the ongoing tensions over Mexican illegal immigration to the United States. That issue remains a sensitive one on both sides of the border. The fact that the Canadian government in 2009 also for the first time began to require Mexicans entering Canada to obtain a visa is an indication that the challenges that face the Mexico-U.S. relationship are not unique to them. The results of the 2010 gubernatorial elections suggest that PRI will mount a strong presidential campaign in 2012. At the time of writing the likely PRI candidate is current governor of Estado de Mexico, Enrique Peña Nieto.

The major problem of containing the narcotics cartels aside, the past two decades have witnessed many positive developments in the country. The trend in Mexico has been an opening of the state and the political system, undeniable improvements in the respect for the human rights of the population at large, and improved transparency and accountability. But those improvements, almost all observers would agree, have a long way to go before they are at acceptable standards. Politics are still corrupt and scandal-ridden, with parties often focused more on individuals than on programmes for action. While progress has been made, the Mexican state is still far from comfortable with the concepts of accountability and transparency. Especially in the energy sector, liberalization has not proceeded at the pace that most foreign investors had hoped especially at the time NAFTA was concluded. Pemex remains in control of exploration and development and it is considered incapable of engaging in the capital investment that will enable the country to modernize the industry and develop new resources. Initial developments in the mid-1990s proved disappointing. During 1995, Pemex proceeded with its plans to divest its secondary petrochemical plants and allow private investment in the storage, transportation, and distribution of natural gas. In late 1995, Pemex began to divest itself of sixty-one petrochemical plants and in early 1996 the government unveiled a Program for the Development and Restructuring of the Energy

⁶ Financial Times, 5 July 2010. FinancialTimes.com. <http://www.ft.com/cms/s/0/f6007eb8-8831-11df-a4e7-00144feabdc0.html?ftcamp=rss>. Accessed 6 July 2010.

⁷ Ion Grillo, Global Post, 8 June 2010. <http://www.globalpost.com/dispatch/mexico/100603/drug-war-politics>. Accessed 29 June 2010.

⁸ http://www.google.com/hostednews/ap/article/ALeqM5gvttTLt4JumucctO_0aTkOCgTI-gD9GL819G8. Accessed 29 June 2010.

⁹ Council on Hemispheric Affairs, Statement. 4 July 2010.

Sector, the objective of which was to increase exports, improve international competitiveness and contribute to more balanced regional development.¹⁰

In this context the international, and particularly North American (i.e., United States), role is difficult to overstate. The relationship with the United States has always been a complicated one. The liberal fathers of Mexican independence often looked to the U.S. as the model for their new state, but repeated invasions by the U.S., the forced cession of roughly half of Mexico's territory to Washington during the middle of the 19th century, and nearly constant support for Mexican anti-reform elements by the U.S. government, eroded such positive impressions and eventually led to widespread rejection of the U.S. at the political level.

This new thinking and the shocks that Mexico suffered, especially on the economic front over the 1970s and 80s, pushed the country to consider opening up to its northern neighbour as never before. As Mexico's attempts to diversify its trade and investment portfolio failed in the 1980s, the fear of U.S. protectionist tendencies increased. At the same time the break-up of so much of the world into economic blocs underscored Mexico's dangerous isolation. It was then that the new ideas finally began to prevail with the opening up of much of the economy to foreign influence. This was in great part aided by the negotiations towards, and the signing of, the North American Free Trade Accords and their enforcement in January 1994.

THE ECONOMIC TRENDS

In the course of the late 1980s, beginning with the government of Miguel de la Madrid and intensifying under the administration of Salinas de Gortari, Mexico broke with its longstanding economic isolationism. Economic realities made Mexicans look north for trade, investment and outlets for labour. After the failure of the drive to diversify trade patterns in the 1970s and 80's (the local equivalent of Canada's Third Option policy), a 'realist' approach began to mark the nation's traditional nationalist and protectionist economy. From opposition to excessive U.S. dependence, Mexico moved to welcome it as inevitable.¹¹ The result was some degree of trade and investment liberalization and the conclusion of the North American Free Trade Agreement in 1994. By 2010 Mexico had concluded free trade agreements with approximately 40 countries including Japan, the European Union and a number of Central American countries, although the United States continued to be the overwhelmingly dominant trading partner. More than 44% of Mexico's imports come from the United States followed by Brazil at 31%. The United States represents well over 80% of total Mexican trade. Such dependence is disturbing to Mexican nationalists.¹² Also, as China makes continuing inroads into that market and the U.S. economy weakens, such concerns mount apace.

The Mexican economy has grown in recent decades to become the world's 12th to 14th largest, with a GDP of \$1.482 trillion in 2009 and a per capita GDP of \$13,500. Its real growth rate in 2006 was 3%; in 2007 it increased to 4.8% only to drop sharply to 1.3% in 2009 because of the financial crisis in the United States. It is the 6th largest oil exporting nation in the world and along with Canada is the most important foreign source of oil to the United States. The service sector in Mexico generates more than 61% of GDP, followed by industry at 34%, and only 4% from agriculture, and each of those sectors are tied in large part to the U.S. economy.¹³ The country's standard of living has continued to increase. No

¹⁰ Tim L. Merrill and Ramón Miró, editors. *Mexico: A Country Study*. (Washington: GPO for the Library of Congress, 1996) <http://countrystudies.us/mexico/78.htm>.

¹¹ See Diego Cevallos, "Mexico-Economy: Sunny Today, Cloudy Tomorrow," IPS.NEWS/net, 1 June 2008.

¹² For annual trade figures see U.S. Bureau of Census, Foreign Trade Division, Washington, DC.

¹³ 2010 CIA World Factbook, http://www.theodora.com/wfbcurrent/mexico/mexico_economy.html Accessed 5/07/2010.

longer chronically poor the percentage of its population in extreme poverty has fallen nationally from 24.2% to 18.2% using a food based definition of poverty; however, using an asset based definition it is much higher at 47% in 2008.¹⁴ Progress in reducing poverty in rural areas continues to be a challenge, but progress has been made with those in this condition falling from 42% to 27.9% in the period between 2000 and 2004.

One of the most significant features of the Mexican economy, at least in the manufacturing sector, is the existence of an extensive system of in-bond manufacturing facilities, or maquiladora, for export purposes. The exports frequently involve intra-industry trade, in other words components are shipped to Mexico, assembled and re-exported. The system began in the 1960s, partly to encourage industrial development, provide employment and reduce immigration pressure on the U.S., but greatly expanded in the course of the next several decades. By the early 21st century there were approximately 2800 foreign owned maquiladora, of which approximately 79% were U.S. owned and ¾ of which are located along the border with the United States. The maquiladora sector accounts for some 25% of all Mexican exports. In recent years Mexico has seen some of the maquiladora move to China to take advantage of even cheaper labour there, but at the same time China has also invested in the Mexican maquiladora, invariably as a way to facilitate trade with the United States. The maquiladora sector has had mixed reviews over the years. There is extensive literature that documents the discrimination against organized labour, the abuse of women workers, inadequate safety and environmental standards, at the same time that it is recognized that the maquiladora have been a major source of employment for skilled, as well as unskilled and semi-skilled, labour.¹⁵

Economic Developments During the Calderón Administration

In 2007, during its first year in office, the Felipe Calderón administration was able to garner support from the opposition to successfully pass pension and fiscal reforms. The administration passed an energy reform measure in 2008, and another fiscal reform in 2009. Mexico's GDP plunged more than 7% in 2009 as world demand for exports dropped and asset prices tumbled, but GDP is expected to post positive growth late in 2010; however, Mexico's national statistics agency reported in May 2010, that overall economic output contracted 0.34% in the first three months of 2010, compared with the 4th quarter of 2009. In spite of that figure, Mexico reported growth of 4.3% in the first quarter of 2010 over the same quarter in 2009.¹⁶ The administration continues to face many economic challenges, including improving the public education system, upgrading infrastructure, modernizing labour laws, and fostering private investment in the energy sector. Calderón stated that his top economic priorities remain reducing poverty and creating jobs. Alleviating poverty and increasing employment have continued to be major challenges. Even if the formal unemployment rates are reduced there are still an estimated 25% of the labour force that is considered underemployed, often working in the informal sector. One of the factors that made the 2006 Presidential election particularly contentious is the impact that NAFTA is perceived to have had on Mexican agriculture, especially on the production of corn, Mexico's traditional staple crop. Opponents of NAFTA point to the large scale imports of cheaper U.S. corn and the decline of employment in the farming sector.¹⁷ Mexico's dependence on the health of the United States economy was brutally evident during the 2008-2009 financial crisis. In 2009, real GDP in Mexico fell 6.6% on the combined impacts of the global financial crisis and the

¹⁴ CIA World Factbook. <https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html>. Accessed 5/07/2010.

¹⁵ See for instance, Stephen J. Randall and Herman Konrad, eds., *Nafta in Transition* (Calgary: University of Calgary Press, 1995); AFL-CIO, "Life on the Line: Violence Against Women Working in Factories in Mexico." <http://www.afcio.org/issues/jobseconomy/globaleconomy/upload/Juarezflyer.pdf>. Accessed 5/07/2010.

¹⁶ Dan Boscov-Ellen, Council on Hemispheric Affairs, "Drug Policy and Violence in Mexico," <http://www.coha.org/la-pesadilla-de-prohibicion>. Accessed 1/06/2010.

¹⁷ Lourdes Garcia-Navarro, National Public Radio, 16 December 2006, <http://www.npr.org/templates/story/story.php?storyId=6085392>. Accessed 29/06/2010.

sharp drop in manufacturing in the United States. Standard and Poor and Fitch both downgraded Mexico in 2009. If the U.S. is not importing, Mexico is not exporting. The recovery in Mexico thus depends on the recovery in the United States. It is predicted that manufacturing and non-oil exports will be the most significant areas of growth in the Mexican economy in the course of 2010. The consumer confidence in Mexico is still very fragile. There continue to be concerns that Mexico's non-oil tax base is far too narrow for a healthy economy and the government continues to rely too heavily on oil revenues, estimated at 35% of government revenues.¹⁸ In spite of hints in the 1990s that there would be significant liberalization in the opportunities for foreign investment in the energy sector, movement in that direction has been disappointing to the international community, and all indicators for the past several years have suggested that Mexico's energy sector requires a massive infusion of foreign investment if it is to remain viable. Indications are that Mexico's readily accessible oil is simply exhausted. Output from the giant Cantarell field, which is located in shallow waters off the eastern coast, has declined approximately 50% in recent years, and output from other large fields is expected to show a similar decline. This poses a serious problem for the Mexican economy since the government has depended on oil for an estimated 40% of revenues. Efforts by the Calderón government to press for more liberalization of foreign investment to increase exploration and development have been frustrated, in some instances even facing court challenges.¹⁹

Since there is particular interest in the State of Veracruz, it is useful to be more specific about the Veracruz economy. The state has a population of 6,856,415 people, representing 7.39% of Mexico's national population in 1990. Politically divided into 203 municipios, the state has an area of 27,759m² (71,89km²). Veracruz shares common borders with the states of Tamaulipas (to the north), Oaxaca and Chiapas (to the south), Tabasco (to the southeast), and Puebla, Hidalgo, and San Luis Potosí (on the west). Veracruz also shares 430 miles (690 kilometers) of its eastern boundary with the Gulf of Mexico. As noted in the next section the oil, natural gas and mineral resources of Veracruz make it particularly important to the overall Mexican economy; at the same time its economic importance makes it a potential target for internal terrorist or simply organized criminal activity. Veracruz is the gateway for Mexico's automobile industry, which historically has been concentrated in the northern tier states of Baja, into the central states Zacatecas, Jalisco, and Michoacan, among others. There is no automobile manufacturing in Veracruz per se; however, Veracruz is nonetheless the gateway for Mexico's automobile industry and has been equipped specifically for shipping automobiles. 75% of all port activity in Mexico takes place in Veracruz. The chief exports of this state are coffee, fresh fruits, fertilizers, sugar, fish and crustaceans. Mining only accounts for 1.5% of economic activity.

THE SECURITY CONTEXT

The Mexican security context is a highly complex one. Located next to the greatest power on earth, and bound to that country by all manner of connections that are related to security, Mexico is obliged to include in its own security concerns those of its vastly larger neighbour. Additionally, it has its own more direct security problems, but few of these can be easily separated from those related to the United States. The complexities are reflected in an unusual defence organization as well. SEDENA (Secretaría de Defensa Nacional) is the closest thing to a defence ministry but its minister is a serving army officer and is only responsible for the Army and the Air Force. The Navy has its own ministry (SEMAR – Secretaría de Marina) and a minister who is also a serving officer. There has been little coordination between the two, although that has improved since 2008, but there is still no joint command structure between the Army and Navy. SEDENA is the largest ministry, with over 200,000 personnel (99% of whom are military). Of these, only some 120,000 are actual

¹⁸ Canada, Export Development Corporation, "Mexico"

¹⁹ *New York Times*, 8 March 2010.

combat forces, with the rest performing bureaucratic and general support functions. Its main roles are based on three directives:

- DN-I: national defence of the state from external (foreign) aggression, including foreign conventional threats, terrorism and other non-state transnational threats.
- DN-II: national security of the institutions from internal threats, including internal terrorism, insurgencies and, recently, drug cartels.
- DN-III: defence of the population in emergencies, usually natural emergencies such as earthquakes, forest fires, floods and hurricanes.

The army has three independent infantry brigades, and the country as a whole is divided into 12 regions that, in turn, are divided into 46 different military zones. The Navy in turn has approximately 60,000 members, although many of these are not operational. To make security matters even more complex, the federal military is only part of some 1,600 federal, state and municipal law enforcement agencies. The overall Mexican defence budget is also considered severely inadequate, with less than 0.8% of GDP allocated to defence, low, even by Latin American standards. As with many Latin American military forces the Mexican armed forces have had to move from their traditional role of defence of the nation against external threats to addressing internal threats, increasingly that of organized crime and to a much lesser extent the subversion that was associated with the Zapatistas in Chiapas and small insurgent groups such as The Ejercito Popular Revolucionario (Popular Revolutionary Army), EPR. The armed forces now focus increasingly on the anti-narcotics mission: eradication, interdiction and combating organized crime.²⁰

Internal Security

Mexico is beset by any number of threats to its internal security including dissident groups who use violence to pressure the government, narcotrafficking, trafficking in persons, illegal migration, illegal arms transfers, and other elements of international crime. Little wonder then that its security concerns occupy the country's government and deeply trouble its people.

Since 2006, Mexico's internal security situation has seriously deteriorated and that deterioration has impacted not only the level of military and police actions within the country, but also relations with the United States and Canada. When President Calderón was elected in 2006 he came to office committed to addressing the rising power and violence of the narcotics cartels. In 2007 the George W. Bush administration and the Mexican government concluded an agreement, the Iniciativa Merida, under which the United States would provide primarily technical and financial assistance to the Mexican government in an effort to reduce the flow of narcotics across the U.S. border. That agreement has been renewed and additional funding provided by the Obama administration.²¹

The result was an increasingly military approach to containing the cartels, rising levels of violence and minimal success. The Mexican military began anti-narcotic operations as far back as the 1960s. They were usually limited to field eradication duties; a natural evolution led to interdiction activities with military units setting up roadblocks on major highways. The anti-narcotic mission has evolved into a concept designated "high impact operations," which includes an eradication, interdiction, and anti-organized crime combination, with heavy emphasis on increasing detection, surveillance, mobility, intelligence, and counter-intelligence capabilities. During June 2009, maritime transportation and port security became completely entrusted to SEMAR, which will now deploy forces to Mexico's 107

²⁰ Inigo Guevara Moyano, "Mexico's Strategy," National Strategy Forum Review, vol. 18, no. 3 (Fall 2009)

²¹ See an excellent range of articles assessing the establishment and effectiveness of the Merida agreement between the U.S. and Mexico, especially John Bailey, "Combating Organized Crime and Drug Trafficking in Mexico (May 2010), http://www.wilsoncenter.org/index.cfm?topic_id=5949&fuseaction=topics.item&news_id=407349.

ports. The volume of cocaine imports into Mexico from the Andean region is massive. To cite only two instances of interdiction at sea off the coast of Oaxaca, in 2009 Mexican naval vessels interdicted two cocaine shipments off the coast. One was carrying 6.8 tons of cocaine; the other held 6.9 tons.²² At roughly the same time SEDENA has taken responsibility for providing security at customs and border posts. Army troops will be responsible for inspecting vehicles and cargo going into Mexico; the U.S.-Mexico border is especially targeted for the anti-weapons smuggling mission. The current situation called for an enlarged presence in urban areas, bringing their operations closer to the civilian population. President Calderón committed more than 36,000 federal troops across the country in what has been an unsuccessful effort to rein in the power of the cartels. The militarization of the situation has actually made it more difficult for local police and state authorities to maintain order, with the result that in the course of 2010 state governors have sought to reduce the federal military presence. To cite only one example, by July 2009 there were approximately 12,000 federal troops in Ciudad Juárez on the border with the United States. Federal troops placed local law enforcement agencies under military command as local police chiefs resigned, fled or were executed by organized crime.²³

The range of organized criminal activity in Mexico is significant, and even more disturbing is the involvement of foreign interests in their operations, from the Russian mafia to Middle East terrorist organizations such as Hezbollah, which are involved in training cartel operatives in military tactics and bomb making as well as opening avenues to Middle East narcotics for the Mexican cartels. Narcotrafficking is the central feature of organized criminal activity, but organized crime does not stop with drugs.²⁴ At the same time that the main focus of organized crime is narcotrafficking, it needs to be stressed that as in the Colombian case since the 1980s, organized criminals have also found other means to generate income including the theft of oil and gasoline from pipelines. Narcotics traffic, and other illegal activities including traffic in weapons and kidnappings for profit, or to terrify local populations and security forces, contributes to high levels of urban and rural violence. Struggles for control of the lucrative trade in illegal narcotics stimulate widespread fighting, often with quite heavy weaponry, and occasion thousands of deaths every year.²⁵

U.S. officials have been very public in their expressions of concern that the Mexican drug cartels were destabilizing Mexico and pose a national security threat not only to Mexico but to the United States. General Douglas Fraser, Commander of U.S. Southcom, in 2009 expressed concern about the growing influence of Iran in Mexico and other areas of Latin America.²⁶ Organized criminal organizations range from the Zetas, which were part of the Gulf cartel and comprised of a former U.S.-trained elite group in the Mexican military, La Familia, based in Michoacan, the Tijuana Cartel controlled by the Arellano Feliz family that has had links to the Russian mafia, The Sinaloa Cartel, and the Ciudad Juárez cartel, all of which are in competition with one another for control of markets and supply routes. Narcotics trafficking, and other organized criminal activity, are not limited to the border states with the United States. The narcotics trafficking is particularly relevant to the State of Veracruz, which is considered a strategic point for both land and sea trans-shipments. According to Mexican government reports among the prominent narco leaders in Veracruz are Pedro Diaz Parada,

²² http://pnd.calderon.presidencia.gob.mx/pdf/TercerInformeEjecucion/1_4.pdf. Accessed 6/07/2010.

²³ Inigo Guevara Moyano.

²⁴ For a recent Mexican government report on operations against organized crime see http://pnd.calderon.presidencia.gob.mx/pdf/TercerInformeEjecucion/1_4.pdf. Accessed 6/07/2010.

²⁵ See the series of articles on this theme in *Proceso*, the national magazine of Mexico, since early 2007.

²⁶ Richard Skaff, "Destabilizing Mexico," GlobalResearch.ca March 13, 2009. <http://www.globalresearch.ca>. Accessed 04/06/2010. On the range of international terrorist and organized criminal organizations believed to be active in Mexico see for instance El Paso Journal, 10/04/2010. <http://www.mymexicanlife.com>. Kansas City Star, 1 August 2003, <http://www.kcstar.com>. Juan Castro Olivera, 25 June 2009, <http://www.globalresearch.ca>.

Osiel Cardenas Guillen and Carrillo Fuentes.²⁷ In Mid-2010 Veracruz governor Fidel Herrera Beltrán announced a range of initiatives that his government has taken, in collaboration with the Mexican military and federal authorities, to contain violence and organized criminal operations.

Even with the military engaged, the poisonous effects of corruption are never far away; therefore, SEDENA keeps units and individuals in the anti-drugs campaign engaged for a maximum of four months at a time. This is testimony to the remarkable ability of the narcotics situation in the country to corrupt even the relatively incorruptible military. Little wonder then that the forces are not entirely keen on this role, especially since 2007, when the President sent them in even larger numbers not only to engage in crop eradication, but to fight against drug cartels in the north of the country.

While such engagement has doubtlessly pleased the United States and brought respectability (and much assistance) to the government, many senior military officers feel that this war is not only impossible to win but also simply too costly for what it is worth. Analysts cite the example of Plan Colombia as evidence of the difficulties of using military force to eliminate narcotics trafficking. In the Colombian case, a military approach has served to reduce the capacity of the guerrilla movement, but it has not ended narcotics traffic. This sentiment is joined by a much more widely held one, especially among the still powerful nationalists, that this is somehow a U.S. problem and asks why thousands of Mexicans are dying trying to solve it. Nonetheless public opinion polls in Mexico suggest that there continues to be considerable support for the military approach. A series of 2008-2009 independent polls (SIMO-CASEDE) provided (or reinforced) a picture of what Mexicans want to see their armed forces doing. There was little surprise: 85% approve the use of the military in the war on drugs, 75% approve of its use against armed groups, and 69% want to see them directing law enforcement efforts.²⁸

The narcos are thus under heavy pressure and as a result resort even more to arming themselves in ways that permit them to resist the rather ineffective police and, to some extent, the army. Drugs sent north are often used to purchase the arms that protect the businesses farther south. As seen by the vastly increasing drug-related murders, some 1,400 in the first four months of 2008, the challenge of winning against these criminals is great. Since 2006 an estimated 23,000 Mexicans have lost their lives in the narcotics wars, most of them the result of internal conflict among the cartels, but including an increasing number of innocent civilians and law enforcement officials.²⁹

Most frustrating in this situation is that no such 'war' can be won merely with weapons. All experts are agreed that the key is timely access to information, but the reputation of the Mexican police forces is such that the United States is reluctant, to say the least, to share vital information with Mexico. Thus, the Mexicans, already hard-pressed to succeed in any case, are even further hamstrung by those who should logically be their natural allies in the struggle. The increased use of the Mexican army has had mixed results. The militarization of the situation has greatly increased the levels of violence. State and local authorities have not always been supportive of what is often seen as an intrusion of the national military into local operations, and state governors have, in particular, sought a greater degree of control over the operations of the military. The military has been further hampered by the fact that soldiers, unlike local police forces, are not local to the areas in which they are operating and find it difficult to gain the trust of local authorities as well as Mexican citizens. Ironically

²⁷ "Procuraduria General de la Republica", (2006). National Drug Control Program 2001-2006, p. 46.
<http://www.pgr.gob.mx/Combate%20a%20la%20Delincuencia/Documentos/Combate%20al%20Narcotrafico/INFORME-ACCIONES-RESULTADOS-05-INGLES.pdf>

²⁸ Inigo Guevara Moyano, "Mexico's Strategy," National Strategy Forum Review, vol. 18, no. 3 (Fall 2009)

²⁹ *New York Daily News*, 23 June 2010.

narcotics cartel leaders tend to be local; they often provide support for local citizens, including providing community services that the state has failed to provide, with the result that they often are more trusted than military forces.

Added to this security issue is the widespread urban violence that has been characteristic of Mexican cities, and especially the capital's Federal District, for the last several decades. Citizen security is simply an unknown in larger urban areas and what does exist is provided only for the rich in the form of private security firms, private bodyguards, and the like. Thus, the state is generally seen by individual citizens, especially the poor and the lower middle class, as simply incapable of protecting them. Although not exclusively tied to the narcotics cartels, the violence has continued to escalate into 2010. Newspapers report that in Monterrey, the country's wealthiest city, drug syndicates have engaged in open gun battles in the streets, on the campus of the main university and even in one of the main hotels. Tourist numbers were down in the winter of 2009-2010 because of the violence and the economic downturn.³⁰ This, in turn, negatively impacts the legitimacy of Mexican democracy and national institutions. This situation is merely exacerbated by the lack of effective control of migrations: those moving from Mexico into the southern U.S. and those, almost equally impressive, moving north across Mexico's southern borders with the objective of staying in Mexico, or moving on to the United States.

There is no significant insurgency operating in Mexico that has had the impact that FARC has had in Colombia. The Chiapas revolt by the Zapatista Army of National Liberation (EZLN) in the 1990s is a thing of the past, although there continue to be tensions in that southern region. The EPR is a Maoist guerrilla movement based in the state of Guerrero, but with some operations in Oaxaca, Chiapas, Guanajuato and Veracruz. The EPR was formed through the union of some 14 guerrilla movements. In the 1990s it was particularly active, engaging in battles with Mexican police and military. In 1996 the EPR had sufficient strength to engage in a multi-state attack on Mexican authorities, including the Federal District of Mexico City. In subsequent years the EPR appeared to be adopting the tactics used by the ELN and FARC in Colombia of attacking energy facilities in an effort to impact the economy and possibly deter foreign investors in the energy sector. In the course of 2007 the EPR engaged in a number of bombing attacks on Pemex oil facilities in the Bajío region and against natural gas, oil and propane pipelines in the State of Veracruz. The 2007 attacks were extremely serious, causing the evacuation of thousands of people from the impacted areas and resulting in millions of dollars in damage to Pemex, the steel industry and the automobile manufacturing sector. The EPR claimed responsibility for a July attack on a major gas pipeline from Mexico City to Guadalajara in western Mexico that forced at least a dozen major companies, including Honda Motor Co., Kellogg Co. and The Hershey Co., to suspend or scale back operations.³¹ With more than 17,000 miles of oil pipelines and 8,000 miles of natural gas pipelines, Mexico's energy infrastructure is vulnerable to any groups that wish to impact the national economy. Since 2007 the security measures implemented by the Calderón government appear to have been successful in curtailing the operations of the EPR. Most recently the EPR was implicated in the disappearance of Diego Fernandez de Cevallos, a former presidential candidate and an important individual in Calderón's party, but the EPR has denied involvement. The EPR and its political wing appear to have been contained to the south of Guerrero State. The organization's website is inactive; its most recent manifesto against globalization and neoliberalism is dated 2004; yet, of particular concern to Mexican, as well as U.S. security and intelligence interests, were suggestions that the EPR was receiving assistance from President Hugo Chavez of Venezuela. Mexican

³⁰ *Globe and Mail*, 28 May 2010. Also B. Thomas Cooper, "Drug violence cutting deep into Mexican economy," CNN, 27 March 2010. <http://www.digitaljournal.com>. Accessed 1/06/2010.

³¹ Washington Post, 11 September 2007.

officials also suggested that members of the EPR had received training from Colombia's FARC in kidnapping.³²

Even if the EPR has not engaged in attacks on pipelines in the past three years the narcotics cartels recognize an easy additional source of revenue. The Mexican government estimates that oil thefts from national pipelines between 2007 and 2009 cost the nation an estimated \$1 billion and the government has linked the Zetas cartel to much of the activity. The fact that the stolen oil is resold in the United States reflects the extent to which the narcotics cartels are able to take advantage of cross-border routes to export more than drugs.³³

The EZLN, which emerged in the wealthy state of Chiapas in 1994, has moved away from its initial military confrontation with the Mexican State to focus primarily on national and international indigenous issues. It remains very active in southern Mexico; its leaders continue to issue manifestos on national and international issues ranging from the impact of globalization to pro-Palestinian statements, but the organization does not pose any serious threat either to state authority or to foreign interests in the region. The EZLN has, however, sensitized the Mexican government and the international community to the plight of the indigenous, and largely impoverished, sections of Mexican society. Foreign companies investing in Mexico are well advised to understand indigenous issues and to make positive contributions to local community development whether in Chiapas or other regions of Mexico. It is critical for foreign investors to understand the level of organized criticism in Latin America against foreign investment in the natural resource extractive sector.³⁴

Terrorism and narcotics trafficking are not, of course, the only areas of activity for organized crime, even if the latter is the major concern. Not entirely unrelated to these activities is kidnapping, primarily for profit but at times for punitive reasons. The Mexican government under President Calderón has vigorously sought to reduce the incidence of kidnapping. Foreigners are only occasionally targeted and when they are it tends to be the "express kidnapping" approach where the goal is to force victims to withdraw from their credit and debit cards. In the course of 2009, police operations captured 489 kidnapers and broke up 51 gangs dedicated to kidnapping. Unfortunately police officials themselves have at times been implicated in their operations, as was the case of the high profile kidnapping and murder in 2008 of 14 year old Fernando Marti, the son of multi-millionaire Alejandro Marti. The narcotics cartels also engage in such activities but their focus is on members of the Mexican financial elite. In May 2010 there were reports of a rash of kidnappings of Pemex officials. These gangs are active in all states in the country. In the state of Veracruz the main gang is Los Lancheros, which also operates in the state of Hidalgo.³⁵

External Security

Mexico does not have any real external enemies. While its Defence Plan No. 1 retains the United States steadfastly as its likely enemy, and maintains its job of deterring and defeating an invasion, there is actually an increasingly effective defence cooperation between the two countries across a vast range of areas of interests. As previously stated, ever since Mexico lost just about half of its national territory to the United States in the middle years of the 19th century, national defence, in a formal sense, has concentrated on the threat viewed as coming from the U.S. When Mexico City and Washington became allies during the Second

³² Banderas News, May 18, 2010. For its 2004 manifesto see <http://www.cedema.org/uploads/elinsurgente63.pdf>. Accessed 11/06/2010. On the alleged Chavez support for the EPR see the San Francisco Examiner, 1 June 2010. <http://www.sfoxaminer.com>. Accessed 1/06/2010. El Universal, 13/05/2010

³³ Reported in the Washington Post 13 December 2009.

³⁴ Jeffrey Rubin, "From Che to Marcos," Dissent magazine, Summer 2002. <http://www.dissentmagazine.org/article/?article=582>. Accessed 11/06/2010.

³⁵ http://pnd.calderon.presidencia.gob.mx/pdf/TercerInformeEjecucion/1_4.pdf. Accessed 6/07/2010. On the report of Pemex kidnappings see Reuters report 11 May 2010 <http://www.alertnet.org/thenews/newsdesk/N11123168.htm>. Accessed 6/07/2010.

World War, this perception changed. Mexico permitted radar stations on its coasts, let the U.S. Armed Forces use some of its bases, gave that country assured access at favourable prices to strategic goods, sent an air squadron to fight alongside the U.S. in the Pacific, and even allowed its citizens to be recruited into the U.S. military or to cross the border to replace American males on the nation's farms. By the time the cold war was in full force in the late 1940s this cooperation was forgotten and Mexico's defence forces returned to their traditional deterrent role vis-à-vis the U.S.

In the 1980s this began to change, but with Chiapas' indigenous insurrection of January 1994 it accelerated beyond control. Such was the surprise for the Mexican intelligence forces, and the lack of preparedness of the Mexican armed forces and especially the state's public relations apparatus, that massive U.S. cooperation was sought immediately. Major purchases of equipment and arms were made and brought across the border with speed.³⁶ While the North American Free Trade Accords were not supposed to include political, and certainly not military cooperation, it proved impossible for Mexico to avoid dependence on the United States at this crucial time. Not only did the U.S. provide great financial assistance to Mexico, it also provided an unprecedented level of military assistance. Mexican officers and even senior NCOs began to undergo all manner of training north of the border in ways they had never known.

When the events of 11 September 2001 burst onto the world scene, there was an already impressive military connection between the two countries. Mexico had just announced its withdrawal from the Rio Pact, the hemisphere's central collective security arrangement, when it was suddenly required to join the Organisation of American States and its measures to fight international terrorism. Mexico also entered into a series of ongoing negotiations for better security in North America, especially regarding its borders. In 2005 to these agreements was added the Security and Prosperity Partnership, an open-ended informal accord between the three continental heads of government to coordinate many aspects of defence, security and even their economies in order to fight what were perceived as common threats and encourage common approaches to economic issues.³⁷

Mexicans are, not surprisingly, deeply divided, even more so than Canadians, about defence cooperation with the United States in yet another 'war' – this time on the very loosely defined international terrorism. Accusations that the new accords merely serve as a cover for U.S. dominance of others' freedom to decide on these matters abound in Mexico even more so than in Canada. Questions of control of vital resources, especially water and energy, are of great importance and could not be more strategic.

Mexico's southern border, as previously mentioned, is hard-pressed to exercise control of the arms passage, migration, the illegal narcotics trade, or much else. But there is no traditional threat here. Guatemala is much smaller (about 12 million people) with a vastly smaller military (some 15,000 total personnel), and relations between the two countries are without major irritants except occasionally the immigration/border question. With Belize, despite a small dispute over territory, relations are really very good indeed.

There is no evidence that international terrorism currently poses a threat to the Mexican state even if such groups are present in the country. The real problem for Mexico is that organized criminal groups take advantage of the vacuum of state authority that enables other, even more dangerous, groups to move into the territory. Mexico's southern border is porous and the security standards are simply obsolete. Oil facilities, whether pipelines or oil rigs, remain vulnerable to sabotage, but it is evident from the events of the past several

³⁶ This new context, with its historical background, is well discussed in Raúl Benítez Manaut, *Mexico and the New Challenges of Hemispheric Security*, Washington, Woodrow Wilson Center, 2004.

³⁷ For the official U.S. view, see uninfo.state.gov/is/Archive/05/Mar/23/209281.html.

years that organized criminals have learned that it is more profitable to steal natural resources than to destroy them, something that criminals in Colombia learned long ago. The areas of the country that remain the most unstable are the south, Chiapas, Guerrero, and the northern tier of states, because of the narcotics cartels, although the latter are powerful in much of the country from the Gulf coast to the Pacific. Nor does Mexico face any external security threat, either from its immediate neighbours or from abroad. Although it is entirely capable of defending its own sovereignty, Mexico also has the mixed blessing of the United States on its northern border. The instability of the northern tier of states and the concern about the impact of escalating violence on the U.S. side of the border is what led to the conclusion of the Merida initiative and to the hard line the United States has tended to take on illegal immigration. That instability constitutes as much of a security threat to the United States as it does to Mexico.

CONCLUSIONS

Mexico has been able in the past few decades to make some progress toward a more effective working democracy; yet most analysts would argue that the political system remains flawed. The three main political parties are now well established, even if at times in some disarray, and still much more personality driven than in many developed countries. The country's economy has made significant strides toward the establishment of a working capitalist system, although the state continues to play an excessively heavy role in the private sector. Many economists argue that far too much of the growth in trade is based on intra-firm trade and that real growth is not impressive and is even less so in traditional labour-intensive fields of endeavour. A continued downturn in the economy in its northern neighbour, given the massive dependence of Mexico on this market as a source of imports and investment, would undoubtedly damage the country even more. All questions of increasing food prices, as at present, must trouble a nation so dependent now on imports of these true necessities. The country is largely open to private foreign investment, although severe restrictions remain in the energy and natural resource sector. Again, most analysts would advocate a continuing loosening of the restrictions on foreign investment in the energy sector if Pemex is going to be able to marshal the capital resources that will be essential to move the industry forward over the next decade.

The country has also been able to make some progress with the vested interests of powerful caudillos in much of the countryside; however, it is important to note that here progress has been less impressive than in many other areas. Elections are held in an orderly way and while accusations of corruption and distortion of results were and are still frequent, they are not as believed by the public as they once were. The country does seem to be on the road to an even more stable and less 'partial' democracy if the security and economic situations can be made to hold steady and not worsen.

The critical issue facing Mexico in 2010 and going forward is to find a way to address the political and economic impact of the narcotics cartels and other organized criminal organizations along with the opportunity those organizations provide for the insertion of more insidious international terrorist and organized criminal groups. Finding a means to accomplish that goal without a greater escalation of the violence that has been characteristic of the past three years will not be easy. Canada can continue to make a contribution to the Mexican situation, continuing to provide training of police and port officials by the RCMP, for instance; providing technical and training assistance in the judicial area; and collaborating with Mexican naval officials. CSIS also continues to have a role in screening visa applicants. Those who criticize the Calderón government for the increased militarization of the drug conflict need to identify some viable alternatives to resolve what has reached crisis proportions. This does not mean that Mexico is unsafe or unsuitable for international investment or for tourism, quite the contrary, but the challenges remain.

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