

NAFTA, Zapatistas and Bank Bailouts : The Forging of a New U.S. Mexico Relationship
by Carlos A. Contreras

Intro

- We are witnessing enormously significant political and economic changes in Mexico today, with important consequences for U.S.-Mexico affairs.
- The Zapatista uprising certainly changed the political landscape, and NAFTA, which the Zapatistas ostensibly rebelled against, had even more dramatic consequences for the Mexican polity.
- In this lecture, I'll provide a brief overview of the US Mexico relationship since the last century (the 19th C.!)
 - and then the significance of NAFTA, the Zapatista Uprising, and Bank Bailouts in the larger context of their consequences of Mexico's changing political landscape,
 - and lastly, how these have changed the US-Mexico relationship.

The current juncture in US-MX affairs needs to be understood in the context of MX's deep economic and political changes that have been taking place in MX since at least the 1980's,

-when MX began dismantling its nationalist economic model that it had put into place since the late 1930

-and in its place opening up MX to world flows of investment, establishing a 'Neo-Liberal' model

- Not to deny the importance of these changes, but we need to also recognize the **continuities**.
- The **real sea change** began in the mid 1980's, when Mexico jettisons the nationalist economic model that it had been pursuing since the late 30's in favor of an internationally oriented, export-led (Neo-Liberal) model.
- In many ways, particularly in regards to the economic policies, Fox is **intensifying** policies that have been slowly hammered into place since the mid-80's, especially the Salinas period (88-94)

Mexico and the U.S. during nationalism (Post Revolution to mid 80's)

- Despite the new goodwill that is being expressed by none other than Sen. Jesse Helms in his recent visit to MX (earlier this week)
- Since the 19th century the MX-US relationship has been contentious and asymmetrical relationship.
 - From the US aggressively expanding its territory, goading Mexico into war, and forcing it to “cede” half of it’s territory in 1848
 - to the variety of methods the U.S. used to counter the perceived threats of the Revolution:
 - **diplomatic meddling** (H.L. Wilson’s Pact of the Embassy in 1913 to secure the resignation of Pres. Madero)
 - **denial or conferral of recognition** (Taft w/holding recognition from Huerta)
 - **financial leverage** (Wilson giving Carranza Veracruz customhouse)
 - **manipulation of border arms traffic** (Wilson wants Huerta out and Carranza in)
 - and **direct armed interventions**.
 - 1914 (Marines bomb and seize Veracruz to topple Huerta)
 - 1916 (Pershing expedition after Villa)
 - 1919 (US forces to dislodge Villista army from Juarez)
 - and there will also be a concerted effort on the part of US policymakers to reverse many of its “nationalist” measures and to open up MX to investment and trade
 - and to pressure Mexico into toeing the Washington line during the Cold War
- **Mexican policy toward the U.S., and Mexican nationalism in general**, in the 19th and 20th centuries emerge as a response to these U.S. hegemonic impulses since the middle of the 19th Century (and of course MX nationalism will influence MX-US relations)
- It also emerged as a reaction to the **loss of control** of key resources such as oil and copper to US companies that were invited by Porfirio Diaz during the **Age of Economic Liberalism**, from the 1870’s to 1910 and became a dominating force in MX.

(Ppt: Diaz with medals)

(For our purposes here, I'll be referring mainly to three broad eras: Economic Liberalism, Economic Nationalism, Neo-Liberalism)

- I say **economic** only, because its **political** manifestations were non-existent in MX
 - elections, freedoms of the press and so forth were a sham
 - During this period then:
 - Diaz and his “Cientificos”
 - the Original Liberals- predecessors of the the Neo-Liberals we refer to today
 - had opened up Mexico’s economy to world flows of trade and investment, inviting in foreign investors in order to “modernize” Mexico
 - led to vast creation of wealth on the basis of the extraction of mainly raw materials such as copper, oil, henequen, sugar, cattle products...
 - Diaz became a poster-boy for international financiers and investors,
 - fêted in international capitals
 - and being hailed as an example to follow (with Salinas it will be the same)
 - This unprecedented prosperity came at a cost:
 - Entire sectors of the economy came under foreign hands, notably copper and oil and vast landholdings
 - Led some to quip “**Mexico is the mother of foreigners and the stepmother of Mexicans**”
 - The expansion of haciendas (landed estates) were growing often times at the expense of subsistence farmers and particularly native communities
 - Just in terms of how Indian people fared during this period:
 - By 1910, over 90% of native communities had lost their lands to the haciendas
- (Ppt “The Exploiters” by Rivera)
- Briefly: power of hacendados; their support to the Diaz regime

(Ppt “Zapata” photograph)

- This is the context for the emergence struggles like that of Emiliano Zapata, to recover lands by those that had been shunted aside by the juggernaut of **economic liberalism**.

(Ppt: Orozco's "Zapatistas")

- rebelling vs. ravages of Liberalism
- Again, precursors of today's Zapatistas rebelling vs. Neo-Liberalism today

(Ppt "Dance of the Millions")

- Highly unequal growth
- These **liberal economic policies** ushered into Mexico unprecedented economic growth but they also **exacerbated social inequalities** to such an extent that the entire house of cards came crashing down with the Revolution of 1910.

(Ppt: Posadas on "poverty of progress")

- Again, issues that are resonating today: Asking who benefits as markets are indiscriminately opened?
- As a result of the excesses of Liberalism, In the aftermath of the Revolution (up to the mid-80's), Mexico pursued **nationalist economic policies** that conferred full control over its mineral wealth to the state and significantly limited foreign investment.
- In the post-revolutionary period, Diaz then joined the pantheon of anti-heroes as a "**vende patrias**" (literally, one who sells one's nation) and became a useful symbol to the post-revolutionary elite of the "**dangers**" of **market opening policies** and the strict emphasis on private property to develop the nation.
- Again, questions asked as FTAA talks approach
- Seems like history repeats itself: I argue History does not repeat itself, at best it only rhymes.
- But Santayana seems prescient: to paraphrase: Those who ignore the lessons of the past are condemned to repeat them.

Next great era now: Post Revolutionary Period (till 82) characterized by Economic Nationalism

- Direct foreign ownership of land and natural resources became anathema to Mexico's post-revolutionary goals,
- and multinational corporations like the oil companies and the copper companies during the Liberal Era that became so powerful would be vilified (at least "officially").
- Thus, President Cárdenas (1934-1940) became *the* symbol of Mexican nationalism after he nationalized the U.S. and British oil companies in 1938 following their refusal to abide by a decision of the Mexican Supreme Court.
- From statues, to murals, to a prominent place in the elementary school history textbooks, successive Mexican administrations consciously used the images of **Cárdenas, Carranza, and Zapata** and other "nationalist heroes" in order to inculcate into the collective Mexican mind a distinctly nationalist world view.

(Ppt: painting of Zapata- now "peasant" Zapata, salt of the earth)

- These were heroes and ideas, after all, that melded neatly with the **nationalist economic policies** that the post-revolutionary state was hammering into place from the 1930's to the late 1970's.
- ("Mexico for the Mexicans" was a constant refrain repeated by policymakers
- Thus, Given the consequences for Mexico of unrestrained Liberalism, Mexico's post-Revolutionary leaders up until the mid 1980's would argue that they needed to dispense social justice by way of **agrarian reform (breaking up haciendas)** and **limit the power of foreign investors and the role of foreign investment.**
 - Thus, In fits and bursts, depending on the local political conditions,
 - Mexico's Post-Revolutionary elite banded together to form the precursor of the PRI in 1929, and using the Const. of 1917 as a guiding light, proceeded to bring about the economic and social change that the Const. called for.
 - A very nationalist document

(Ppt: Land Reform by Rivera)

- Brought about massive **land reform** (partic. 1930's under Lazaro Cardenas)
 - Distribution of "ejidos" (not outright titles, but right to work in perpetuity)
- **Post-revolutionary administrations** would wrap themselves in the mantle of Cardenas and Zapata appealed to this emerging nationalism in order to convey to the public the distance they were preserving vis-a-vis U.S.,
- and also to convey "**Revolutionariness**" of their administrations (remember the word)

(Ppt: The good government)

- the official party that emerges from the Revolution in the 20's
 - Party of the National **Revolution** up to 1938
 - Party of the Mexican **Revolution** up to 1946
 - Party of the Institutional **Revolution** since. Hung on to Pres. till 2000
- They would also wrap themselves in the mantle of Cardenas (remember, the symbol of nationalism) to pursue state-led industrialization policies that **limited foreign investors** and **kept hegemonic powers such as the US at bay**
 - Thus came **nationalization of petroleum**, copper, electricity, and soon telephone companies, fertilizer plants, and into the 1970's even airlines and cigarette companies
 - **Placing Limits on foreign investment.** Ostensibly 51%/49%, though there were many loopholes and dozens of foreign companies would rush into Mexico after the 1940's

All in an effort to build "**national industry ; "Mexico for Mexicans"**

- Again, as a reaction to Diaz' indiscriminately opening the economy and losing control of entire sectors of it.
- Predictably, this ruling party, that after all had emerged **not to gain power, but to retain power, never relinquished power!**
 - "we as heirs of the Revolutionary mantle...", "only we can carry out the Const. of '17

- The **political system** that emerged was a **patronage political system** in which those that received “benefits” whether land, subsidized credits, or jobs in state-owned firms, the concession to ally themselves with Ford, Coca Cola, etc...were tightly bound in a **clientilistic** relationship with the ruling party.
- “What the state gives the state can take away”
- Labor and peasant sectors co-opted by the state
- Those critical of the system were either bought off, or if they couldn’t, were eliminated (Mexico’s ruling elite will point to themselves as a paragon of stability, especially when its Central American nations are undergoing civil war- MX had its dirty war, 60’s, 70’s but they dealt with it “efficiently”)
- To give a semblance of democracy, elections were held dutifully every 6 years, but the elections were a sham.
- The almighty President (that thoroughly dominated the judicial and legislative branches) selected his successor in a process know as the “dedazo”
- The ruling party kept the **press** subservient through bribes, heavy advertisement, control of newsprint, and if necessary, force.
- Televisa, Mexico’s television monopoly until the early 1990’s, served as the ruling party’s Ministry of Propaganda.
 - Azcarraga, its majority owner declaring himself a “loyal soldier of the PRI” (and early 1993 would volunteer to chip in \$25M to help the PRI candidate [Colosio])
 - Mario Vargas Llosa was kicked out of the country for saying MX was the “perfect dictatorship”
- Though the MX political elite long argued their Revolution was permanent and ongoing, observers had long since concurred with Franz **Kafka** who’d said “**All Revolutions die and leave behind only the slime of a bureaucracy**”
 - In fact, MX intellectuals had argued it died on numerous occasions, among them,
 - in the 1940’s, when the ruling party took a rightward turn favoring big business at the expense of labor and folks in the countryside
 - “The revolution is a historical fact” said Daniel Cosío Villegas

- in 1959 after the government's violent repression of various unions "The Death of Artemio Cruz" a symbol to Carlos Fuentes of the Death of the MX Revolution
 - in 1968 after the government's massacre of hundreds of students who were critical of the government, then engaging in massive repression in the countryside
-
- At the same time, in what may seem contradictory, Mexico will develop a very close and pragmatic working relationship with US
 - US wanted a stable and friendly country on its border;
 - MX wanted to attract K and technology and avoid trouble and interventions
 - The U.S. and Mexican economies will become ever closer in the decades after 1940 (though not nearly as much as after the mid-80's)
 - US. investors such as Colgate, Ford, G.E., Coca Cola, etc...will continue to come in, ironically often to jump over the tariff barriers that Mexico erects in terms of what cannot be imported (as part of ISI policies)
 - Certainly, There are **many more limits** than during the late 19th C

(Ppt: The last gasp of nationalism)

- During the 70's, this pattern seems to change a bit, especially with the discovery of massive oil deposits in 76-77, but the fundamental outlines of the relationship remain
 - leads to **Mexico's last gasp of Nationalism**
- It was during this decade up to 1982, MX witnessed the **heyday of statist**,
 - and also when the country's foreign policy assumed its most activist character.
- Mexico took a leading role in trying to reshape the international economic order, which was seen by the Third World as benefiting only the industrialized countries at the expense of the developing world.
- Echeverria drafted the **Charter of the Economic Rights and Duties of States** at the UN, an effort to improve the lot of the Third World by stabilizing and improving prices of their raw materials and increasing their access to technology.

- He also, created the **Sistema Economico Latinoamericano** (SELA) with Venezuela's Carlos Andrés Perez. SELA included Cuba, excluded the U.S., and was geared toward **protecting the nationalist economic policies of its member states.**

Of course, these were opposed by the US, which saw them as a nuisance.

- It was also an attempt to counter the U.S. dominated Organization of American States (OAS).
- Mexico also took an active role in the Group of 77, constantly working to change what it saw as an unjust economic order.
- It improved relations with Cuba, taking active steps to bring its "sister country" back into the inter-American system.
- Mexico offered active support to Allende in Chile, receiving thousands of refugees after the Pinochet coup.

All opposed by the US.

- Jose Lopez Portillo, pres 76- 1982 begins as a fiscal conservative in order to woo the business sectors that Echeverria had alienated
 - but especially because massive deposits of oil are found on his clock, continues the nationalist policies of his predecessor
 - in countering the distinctions between Developed and Underdeveloped countries, LP quips **“Today there are only two types of countries: those who have oil, and those that don’t. Mexico has oil”**
 - Oil becomes Mexico’s major export, disproportionately so
 - ironically, more indebted than ever before (20B in mid 70’s to 80B by 82)
 - Mexico actively supported the Sandinistas in Nicaragua- providing them with subsidized oil and credits, for which it drew the ire of Washington.
 - Finally, MX joined with France to recognize the FMLN as a representative political force, for which again, it drew the ire of Washington
- US policymakers characterizing MX for. policy as immature and a product of machismo

- Mexico argued it was defending its principles of sovereignty, self-determination, and as a country with a Revolutionary heritage, found common cause with others
- During the Cold War, though Mexico will argue that it is neutral, and in most instances it will be, but Mexico will be cooperating closely with the US, especially economically
 - Condemning the US at world bodies over Cuba, D.R., etc.
 - So up to this period, MX goes out on the world stage, planting diplomatic banners to convince the world and its critics at home of its “Revolutionary” character and also to show its independence from the US. and retreats to its pragmatic and close
 - compartmentalizing those relations so they don’t taint economic relations
 - relationship with the US on matters of most importance (stability and solid economic relations)
- Politically, it is as Sidney Weintraub has put it “**A Marriage of Convenience**”
- The nationalist model that we’ve been describing would endure for about four decades until it finally collapsed under its own weight in the 1980’s.

The economic model’s collapse post 80’s and its consequences for MX-US relations

- Confluence of internal and external pressures which triggered the model's collapse came in 1982
 - when prices of commodities, especially oil, plummeted amidst the world recession and interest rates skyrocketed, compounding Mexico's indebtedness
 - In August 82, Mexico announces to the world it will no longer be able to pay its international debts

Unleashes a crisis of unprecedented proportions

- Mexico adopts “Austerity measures” to balance the bloated budgets and continue paying its debts (“Belt-tightening measure”)

(Ppt: vacuum cleaner)

- eliminating subsidies (guaranteed producer prices, subsidized energy, food,)
 - In but one example, corn \$5/bushel before, by 2000 it'll be \$1.80
- budgets in health, education , and welfare are slashed
- Dubbed the “lost decade” in LA (because crisis hit all)
 - all social indicators drop
 - unemployment shoots up
 - spending on education and achievement rates drop
 - infant mortality rates increase
 - poverty increases dramatically
 - real wages drop precipitously (still have not recovered their 1981 levels)
- From this crisis emerges a new set of leaders within the ruling party, the “technocrats” who relentlessly pursue market-opening measures to solve the crisis.
 - to restore Mexico’s credit worthiness, to continue paying the debt that now was over \$100B; and to attract foreign investors to Mexico
 - will engage in a process of the slow but sure systematic dismantling of over 50 years of economic nationalist policies
 - **New economic Orthodoxy emerges- emergence of Neo-Liberalism**
 - “The Washington Consensus” the notion that if:
 - property is privatized
 - government regulation is reduced
 - free trade policies are introduced
 - inflation is controlled
 - prices are set free
 - that investment would automatically flow in and produce prosperity
 - that like Nescafe, nations can instantly leap from 3rd world status to 1st world status
- Francis Fukuyama in “The End of History and the Last Man” arguing that liberal democracy and market policies were the culmination of mankind

- Salinas (88-94) spearheads this dramatic change in direction

(Ppt: Salinastroika)

- Salinas' twist: one before the other
 - "Salinastroika"
 - Perestroika first, then glasnost
 - **Deep economic restructuring, then political opening** (argued to Nathan Gardels of NPQ: look what happened to Gorbachev)
- Begin to dismantle trade barriers and eliminate all restrictions to foreign investment
 - What would have been "**entreguista heresies**" in the 1970's are now pursued in an effort to "modernize" Mexico

(PPt: IP buying aeromexico, venga, venga)

- Privatization of all state owned firms
 - by 1982 MX owned over 1,200 parastate agencies- all to be sold except oil and electricity
 - "Dirty privatizations"
 - Selected tycoons given sweet deals when the government was selling off telephones, airlines, banks.
 - Assurances that they would be protected while they adjusted to the provisions of NAFTA (a 15 year window in some cases)
 - Through selective liberalization Salinas paves the way for the formation of more than a dozen monopolies that would control industries such as copper and telecommunications.

(Ppt: Private sector: "We also want dialogue")

- Most notorious case "The Mexican twelve" and the famous banquet
 - In response to criticism of umbilical cord between PRI and the state

- Feb 93 at home of a previous finance minister, Pres. of PRI (Borrego), with Salinas present hits up the tycoons to fund the PRI. Each pledges \$25M, with Azcarraga of Televisa offering to up the ante to \$50M
- A predictable uproar in Mexico, the case was seen as a symptom of the deals that were being cut and the inequalities in Mexican society.

Changes in relations with US are deep

- Old taboo's are turned on their heads in order to pursue these new policies
- signals an unprecedented **rapprochement with the US**
- Salinas proposes the idea of the **NAFTA** to Bush, to signal to the world that Mexico is open for business
 - get on splendidly (“Spirit of Houston”)
 - World press loves him as well. The Economist joked that his name may well have been “Harvard educated”
- Strategies toward dealing with the US change completely
- In a in another about face, Salinas embraces the notion of “lobbying” , esp. in US
 - launches a full court press to get NAFTA (crown jewel of his econ. project) approved
 - spends over 25\$ in 1993 alone in PR in the US
 - Begins to aggressively court the Mexican Immigrant Community here and the Mexican-American community- sees them as potential allies to secure NAFTA.
 - Giving Gloria Molina the “Aztec Eagle” Award
 - getting approval from the Hispanic Chamber of Commerce...
 (Fox will take this idea and run with it, sounds like his idea now)
- And to continue our textbook analysis to illustrate the deep economic and political changes:
- As you recall, the pages of the Mexican history textbooks extolled the virtues of nationalist economic policies while deriding multinational corporations as “greedy octopi” that spread their tentacles over a nation depleting it of its resources.

- From the point of view of these new leaders that took charge of Mexico in the 80's, the brand of Mexican nationalism that the post-revolutionary elite had helped craft and perpetuate for over fifty years no longer seemed to jibe with this new economic orthodoxy.
 - How could the nation now woo the very same multinational corporations that had been vilified in the nation's textbooks for over fifty years?
 - One fascinating solution that policymakers latched upon was to commission a new group of historians to rewrite the nation's textbooks.
 - In a symbolic effort to bring an end to Mexico's decades long experiment with land reform and begin to attract more private investment to the countryside, the new textbooks, which came out in 1992- about a year before NAFTA was to be negotiated- "demoted" Emiliano Zapata from a "hero" who stood for land, liberty and social justice to a **rebel without a cause**.
 - It also "rehabilitated" Porfirio Diaz, paying much more attention now to the achievements of the regime to "modernize" Mexico by, for example, inviting foreign companies to build Mexico's railroads and port facilities and helping to bring Mexico into the web of the world marketplace.
 - This was a conscious attempt on the part of policymakers to refashion Mexican nationalism in order to make it more "congruent"- in the words of Salinas' Finance Minister- with the new market opening policies the government was pursuing!
- NAFTA- was the institutionalization of those policies
 - signaling a new economic opening and that MX was finally joining the ranks of the industrialized nations.
 - A decision to deepen the economic relationship between MX and the US and very importantly, to institutionalize these neo-liberal economic policies.
 - Though called "Free Trade" more about freeing up investment
 - To bind future governments to free market policies
 - NAFTA allows for the uninhibited flow of money and goods across borders.
 - It provides an enormous legal framework protecting the interests of multi-national corporations and international capital, but provides no meaningful protection for the

rights of working people, small businesses, small farmers, immigrants or the environment.

- It was an agreement after all that was hammered out by an authoritarian regime, without significant input from anyone other than large capital.
- Mainly because side agreements on Labor and the Environment were put in as an afterthought.
- Regulatory agencies in Mexico have up to this point little teeth. Few resources devoted to it.
- And up to this point, there has been a concerted effort to prevent unionization
 - In Mexico, countless have been fired for trying to unionize along the border
 - This was part of the efforts to “attract investors”
- In terms of results, its been a mixed bag
 - a tremendous boon to multinational corporations that have relocated south of the border and are paying workers 20-30% of what the job paid here
 - it is common practice now to use the threat of “relocation” to prevent unionization here now (“join a union and you won’t have a job”)
 - estimates by the Alliance for Responsible Trade (of which AFL-CIO is part) are that 400,000 industrial jobs in the US have relocated to MX
 - In Mexico, large corporations that have forged agreements with multinational corporations have fared well. Cement, Glass conglomerates even acquiring companies here.
 - At the same time, small and medium businesses have lost out to competition and have closed, throwing thousands out of work as well.
 - Large agricultural conglomerates have fared well (allied with Del Monte, Green Giant exporting broccoli, asparagus, etc...)
 - And at the same time small farmers have been hit the hardest
 - remember not just since NAFTA, but since the mid 80’s
 - lost subsidized prices, subsidized loans,
 - and the price of their inputs (gasoline, fertilizers) have gone up
 - they’re the ones that have been squeezed the most

As to our points earlier about the “**Deaths**” of the Revolution, Mexican intellectuals again brought up the issue, and said that if it wasn’t dead before, it was certainly killed during the Salinas administration, when he

- Declared Land Reform over (in front of a pict. of Zapata, no less)
- Reversed course in terms of the constitutional protections given to land held as a community.
 - New emphasis on private property (again)
- and when he jettisoned the working classes and tied the ruling party closer than ever with big business

This is the context for the Zapatista uprising

(Ppt: Salinas being jolted awake by Zapatistas)

- Zapatista uprising- signaling to the world, among other things, that our “tranquil trading partner” as Julia Preston of the NYT called MX, had “guerrillas in its closet”
 - **Revolt of the “globalized”?- much deeper, though it was the spark**
 - First Post-Modern Revolution? If first one in 1910 was a reaction against untrammled “modernization”, then how should this one be labeled?
 - **The First Post-Modern Revolution?**

(Ppt: picture of Marcos’ face)

- Marcos has also brought to the fore the issue of racism.
- Marcos has brought to the fore the issue of racism and the dire straits Mexico’s Indian people have been in since time immemorial
 - MX has 10M indigenous people (about 10% of the pop.; 75% of those speak Spanish as a second language- rest monolingual in their indigenous tongues)
 - 62 languages spoken in Mexico (170 at the time of the conquest)
 - thus “war against oblivion” as Marcos has called it.
 - a latent racism that pervades MX’s institutions.
 - the shadow of the conquest (in which the relationships between Indian peoples and non-Indian peoples was established) looms large.

(Ppt: Marcos' mask and empty "democracy")

- And the lack of democracy
- Efforts at "desenmascararlo" (take his mask off) in order to "prove to the world" that Marcos was a white, bearded, bourgeois University Professor
 - backfired
- Subsequent efforts to choke off the movement, because it signaled "instability" to institutional investors who abhor disorder.
- Peace with War
- Low-Intensity Warfare
- militarization and Para militarization to break the support between the people and the EZLN
- Dept of Nat'l Defense even quotes Mao "The People are to the guerrillas as water is to fish"
- Mexican government under Zedillo introducing "fiercer fish" into the fish tank
- Militarizing civilians like those that murdered 21 women, 15 children, and 9 men in Dec. '97 in Acteal

(Ppt: naked man –sovereignty)

- Because of the perceived "instability"
- Compounded by assassination of Colosio in Apr 94
- Then shortly after, the assassination of the Sec. Gen. of PRI, Jose Francisco Ruiz Massieu
- Institutional investors began to take their money out of Mexico
- "Hot money" that can leave a nation as quickly as it comes in
- Then Dec. 94, Jan 95
- Mexico runs out of reserves, severe liquidity crisis
- run on the peso
- Mexico's short term loans (Tesobonos) are due and it can't make the payments
- (a good % of those were being held in mutual funds here in the US- so Rubin was arguing it wasn't just a Mexican problem)

- US Treasury secretary and Clinton used the exchange stabilization fund when the US congress wouldn't pony up the \$ to bail Mexico out
 - They tap it for \$15B and get the IMF to shell out the rest for a total of \$50B
 - In essence the holders of those Tesobonos (Wall Street investment houses) are bailed out
 - Investors took the risks, and when the risks appeared, they were bailed out
 - "Tequila Effect" because it had repercussions all the way to Russia (why tequila?)
- Later (95/96) the Mexican government would bail out its bankers in a similar way.
 - MX during its last gasp of "nationalism" had nationalized all of its banks in 1982, during the Salinas administration, during the privatizations mentioned before
 - the government put them on the auction block as well
 - a group of neo-banqueros (close ties to the government) bought them and because there was little oversight started making loans to their own corporations,
 - often dummy corporations like Cabal Peniche of Cremi Union
 - who used his bank to allow him to buy the fresh foods division of Del Monte
 - His bank went bankrupt in '94 and the government took it over.
 - All of Cabal Peniche's bad loans were absorbed by the Mexican government
 - He even boasted of making millions of dollars in campaign contributions to the Zedillo campaign with his bank
 - So in essence, his contributions to the PRI from his bank were absorbed by the Mexican government in what became known as the FOBOPROA, which became debt to be paid the Mexican people!
 - By 95/96, more than half of all MX banks were in technical default, all were bailed out by the MX government.
 - FOBOPROA (Banking fund for the protection of savings)
 - Last estimates were ~\$80B!

In another sign of the nation's loss of sovereignty

- The Asian financial crisis that began when a speculative bubble burst in Thailand at the end of '97, spreading through Singapore and S. Korea

- Investors began taking their money out of Mexico too!
- (thus picture of naked man)

Marcos has been able to keep the issue on the table despite the opposition, encirclement, and media attacks.

(Ppt: Zapatistas arrive in Mexico City)

- Zapatista march into Mexico city last month (march)
 - **Marcha por la Dignidad** (also dubbed the Zapatour)
- Significant symbolically also that the Zapatistas trekked to Congress from the National School of Anthropology and History where they were staying.

(Ppt: Esther addresses congress)

- "We're asking you to recognize our differences and our being Mexican," Esther told the legislators.
- Symbolic of the efforts of the Zapatistas to bring native peoples out of the museums and weave them into the fabric of Mexico.

(Ppt: Marcos with MX flag)

- Playing Mexican national anthem, waving the Mexican flag
- Efforts to bring native people from the museums out onto Mexico, to weave them finally, into the larger entity of Mexico.
- Critics have said that allowing "usages and customs" in all Indian regions would fracture Mexico into a patchwork of laws and customs that could dissolve the country
 - *Donde muere el agua*, report just issued by Centro de Derechos Humanos Fray Bartolomé de las Casas. cites potential problems with it: expulsions of those holding a minority view. In 3 decades, 25,000 have been expelled from that area.

(Ppt: San Juan Chamula)

- In San Juan Chamula, PRI affiliated caciques have taken advantage of “usos y costumbres” to monopolize sale of Coke, posh, and community resources
- Marcos has been for some time now weaving the Zapatistas into the larger movement against Neo-Liberalism
- He calls it a “fragmented globalization” a black sun which neither illuminates nor warms, which increases the wealth of the wealthy and the poverty of the poor.

(Ppt of Salinas)

- Ironically, given the pain that this economic transformation caused Mexico, Salinas in NPQ 99 writes with Mangabeira that he now reconsiders the wisdom of full implementation of the market economy because of the pain, and the potential backlash. Creating, in essence, “enemies of the market.”
- He should know, consider the picture

(Ppt: Salinas in trash can)

Appendix

Indigenous Peoples in the Americas (2001)

Country	Number	% of population
Mexico	10M	10%
Peru	8.5M	40%
GTM	5.8M	60%
Ecuador	5.2M	43%
Bolivia	4.1M	58%
Total	~35M (still less than at the time of the conquest)	

In Mexico, 62 languages spoken (170 at the time of the conquest)

(2nd or 3rd most, India is top with 65)