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**Regional Development in the Mexican South-Southeast: The Puebla Panama Plan,
the Competition State, and the Consolidation of the Status Quo**

By: Carlos Velásquez Carrillo
B.A. University of Ottawa, 2001

A thesis submitted to the Faculty of Graduate Studies in partial fulfillment of the
requirements for the degree of Master of Arts, Political Science

Carleton University
Ottawa, Ontario
Spring Convocation, 2003

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acceptance of the thesis,

**The Puebla Panama Plan: An Initiative for Regional Development or the Perpetuation of
the Status Quo?**

submitted by

Carlos Velasquez, BAH

in partial fulfilment of the requirements
for the degree of Master of Arts

Chair
Department of Political Science

Thesis Supervisor

Carleton University
May 2, 2003

Abstract

In an attempt to diversify the South-Southeast (S-SE) away from primary production and toward secondary activities, and create the conditions for political stability in the process, the Fox administration is promoting the Puebla Panama Plan (PPP) within the framework of a competition state policy approach whereby the state becomes the primary facilitator of market forces in the processes of development. However, this perspective represents a misguided vision of regional development and a political mistake. As it stands, the PPP has the potential of establishing a new cycle of dependence and maldevelopment in the S-SE, a configuration that, when coupled with the undemocratic process through which it is being imposed, could contribute to the exacerbation of the deplorable economic, social, and political conditions already prominent throughout the region. Therefore, the PPP could potentially end up reinforcing the conditions it sets out to eliminate in the first place: socioeconomic backwardness and political instability.

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List of Acronyms

- CNC:** Confederación Nacional Campesina/National Peasant Confederation
- COCOPA:** Comisión para la Concordia y la Paz/Commission for Harmony and Peace
- CTM:** Confederación de Trabajadores Mexicanos/Confederation of Mexican Workers
- EZLN:** Ejército Zapatista de Liberación Nacional/Zapatista National Liberation Army
- IDB:** Inter-American Development Bank
- IFI:** International Financial Institution
- IGO:** International Governmental Institution
- IMF:** International Monetary Fund
- INGO:** International Non-Governmental Organization
- INEGA:** Instituto Nacional de Estadística, Geografía e Informática/National Institute of Statistics, Geography, and Informatics
- LDC:** Less Developed Country
- MNC:** Multinational Corporation
- NAFTA:** North American Free Trade Agreement
- PAN:** Partido de Acción Nacional/National Action Party
- PNR:** Partido Nacional Revolucionario/National Revolutionary Party
- PPP:** Plan Puebla Panamá/Puebla Panama Plan
- PRI:** Partido Revolucionario Institucional/Institutional Revolutionary Party
- PRONASOL:** Programa Nacional de Solidaridad/National Solidarity Program
- RMALC:** Red Mexicana de Acción Frente al Libre Comercio/Mexican Action Network on Free Trade
- SAP:** Structural Adjustment Program
- SSE:** Región Sur-Sueste de México/Mexico's South-Southeast Region

“Heavy lines radiated from it in all directions
through the tropics, figuring a mysterious and effective
star – lines of influence. . . Company promoters
have an imagination of their own. . . Engineers came out,
coolies were imported. . . Oh yes!, it had come, and
anybody could see what would be the consequences. . .
- That’s what they call development – and be hanged to it!”
Joseph Conrad: *Victory*

Introduction

Almost a decade after the Zapatista National Liberation Army took up arms against Mexico’s one-party dictatorship in January, 1994, two major “achievements” stand out as the rebellion’s contribution to the renewal of the Mexican political landscape: first, it paved the way for the eventual collapse of the dictatorship, which among other factors, was done through dialogue with the Mexican people; and second, it placed the “indigenous issue” at the center of the national debate. What was the driving force behind this act of political defiance? Chiapas, the geographical and inspirational center of the uprising, with its mostly indigenous and isolated communities, has endured centuries of neglect and overwhelming poverty in the midst of remarkable natural wealth. In the end, that wealth has been used to benefit other regions and Mexico’s well-entrenched elites, at the expense of indigenous peoples’ real integration to the country’s economic and political life. In this context, the Zapatista message was clear: no longer could Mexico pursue modernization on the backs of impoverished regions and without taking into account the voices of indigenous and peasant communities.

However, the Zapatista message seemed to transcend Chiapas’s physical boundaries. Indeed, the calls for justice encompassed a wider stretch of land and an even more complex list of issues; they revealed the existence of stagnating areas and dismal conditions for millions of people, those who live in the “other Mexico”: the South-

Southeast (S-SE).¹ Therefore, a renewed round in the once-stalled regional development debate was opened, identifying the disparities between Mexico's regions and introducing a new dimension in the discussion: how to address regional inequalities in order to remedy the alleged causes of conflict. The statistics to substantiate these disparities are resounding: in the S-SE, GDP per capita is only 40% of the national average; close to 50% of the country's illiterate population lives in the region, and eight out of the country's nine most "marginalized" states, meaning the states where poor educational, health care and housing services are offered to the population, are located in the S-SE.² In addition, up to the year 2000, 85% of Mexico's national industrial production was concentrated in Mexico City, Guadalajara and Monterrey.³

Successive official documents have clearly acknowledged the systematic backwardness of the S-SE, as well as the government's role in keeping it that way. In the year 2000, at the twilight of the Institutional Revolutionary Party's 71-year hold on power, Santiago Levy, President Zedillo's former sub-secretary of Finance, released a document titled "The South Also Exists: An Essay on Regional Development in Mexico." In this paper, itself a tacit attempt to explain the Zapatista uprising, Levy argued that the "poverty and isolation" of the S-SE is the result of a sequence of ill-conceived and misguided policies that curtailed productivity and economic growth due to

¹ Many configurations have been proposed to "correctly" divide Mexico's regions; however, for the purposes of this thesis, the territorial composition of the S-SE region will follow the articulation proposed by the PPP, mainly to attain uniformity throughout the analysis. This articulation will be established and explained later on in this thesis. For more insight on Mexico's regions, please see: Angel Bassols Batalla, *México: Formación de Regiones Económicas*, (México: UNAM, 1992); and Jaime Ornelas, *Estructuración del Territorio y Política Regional en México*, (México: Universidad Autónoma de Tlaxcala, 1993).

² Alfredo Salomón, "Por los Caminos del Sur: El Plan Puebla Panamá," *Comercio Exterior*, Vol. 51, No. 11, Noviembre 2001, pp. 970-2. Note: All translations from Spanish sources will be my own.

³ José Gasca, "Plan Puebla-Panamá: ¿Una Oportunidad de Desarrollo para las Regiones Marginadas?," *Revista Diversa*, No. 4, Diciembre 2001, p. 74.

their “paternalistic and clientelistic” character.⁴ Within the same analytical vision, Vicente Fox’s government claims that the S-SE “shows a serious developmental delay as compared to the northern and central regions; the conditions of poverty and isolation are chronic and severe, mainly because of several historical factors, including discriminatory public policies.”⁵ This shared diagnosis simultaneously implies one clear affirmation and begs one key question: it affirms that all previous programs to develop the S-SE have failed, and it asks: what is the best approach to pursue such a challenging enterprise?

In March 2001, the Fox administration presented its own ambitious initiative for regional development in the S-SE: The Puebla Panama Plan (PPP). In essence, the PPP calls for a systematic improvement in both the quality of life and economic performance of the region, within the context of regional integration between the nine states that make up the S-SE (Puebla, Veracruz, Tabasco, Campeche, Yucatán, Quintana Roo, Guerrero, Oaxaca, and Chiapas) and the seven Central American countries (Guatemala, Belize, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama).⁶ Officially, the goal of the PPP is to “take advantage of the human and ecological riches of the Mesoamerican region⁷ within the framework of sustainable development and respect for its ethnic and cultural diversity.”⁸ The major projects consist in the development of large infrastructure

⁴.Armando Bartra, “Hacia una Nueva Colonización del Sureste,” en Alejandro Alvarez et. al., *Economía Política del Plan Puebla Panamá*, (México: Itaca, 2002) pp. 92-5.

⁵.Presidencia de la República, *Plan Puebla Panamá: Documento Base, Capítulo México*, (México: Presidencia de la República, 2001) p. 5. Note: This document outlines the “official” general objectives, operational guidelines, and prospective projects of the PPP. The term “base document” (English for the Spanish “documento base”) will be used throughout the paper to refer to it.

⁶.The Puebla Panama Plan is divided into two programs of implementation: The Mexico Chapter, and the Central American Chapter, each composed of different projects according to the needs of each region as conceived by the Plan, although many plans will cover both regions jointly. However, for the purposes and analytical focus of this thesis, only the information on the Mexico chapter will be relevant.

⁷.The Mesoamerican region is located between the Tehuantepec Isthmus and the Darién Gap. It is given this name because of the similar historical and cultural characteristics shared by its societies in terms of ethnic composition, lifestyles, and ecological/natural composition.

⁸.Presidencia de la República, op. cit., p. 6.

networks in the region (highways, ports, dams, etc.) to set the stage for the promotion of manufacturing and agricultural modernization projects to stimulate economic growth and raise the population's standard of living.⁹ Arguably, the primary specific purpose of this approach is to spark the economic diversification of the region from primary to secondary activities, improve the social service base of the region, and promote its political stability. At the same time, these projects would be implemented guaranteeing the integrity of the environment and consulting with communities and civil society.¹⁰

This 25-year, \$20-30 billion "mega-project" has become the Inter-American Development Bank's (IDB) high priority for the region, and a combination of government funds, loans from multilateral institutions, including the World Bank and the IDB, and private investment is expected to cover the costs of the projects.¹¹ But at this stage, it is important to ask: what should regional development mean in the context of the Mexican S-SE? Considering the stagnation, poverty and political polarization in which the S-SE has dwelled for centuries, it would be crucial to advance well-structured initiatives that address economic, social and political disparities in a balanced fashion. The last element, the one dealing with political issues, is key in so far as it is pointed out that the idea of political inclusion represents a new initiative for the region; these political discrepancies are recognized when the PPP emphasizes the need to "respect the ethnic and cultural diversity of the region." In theory, the PPP seems to address all three crucial areas; however, the motives behind its promotion, its monumental nature, and the unprecedented character of its proposals, should be assessed critically.

⁹.Ibid.

¹⁰.Ibid., pp. 6-7.

¹¹.Wendy Call, *Resisting the Puebla-Panama Plan*, Americas Program Investigative Article, (Silver City, NM: Interhemispheric Resource Center, September 2002) p. 1.

What is the expected role of international capital in the development of the PPP?

In the era of structural adjustment and fiscal constraint, the Mexican government is very unlikely to provide the financial base to carry out the projects, and thus, multinational corporations (MNCs) are seen as the long-term engines of the region's development. As the base document of the PPP claims: "The Mexican government must strive towards the construction of effective institutional networks to promote, stimulate and facilitate the inflow of productive private and foreign investment into the region."¹² From a different perspective, Armando Bartra argues that the PPP is inclined towards "the creation of an enclave, outward-oriented economic model designed to exploit the region's cheap labor and natural resources."¹³ In other words, the PPP is arguably setting the stage for a problem, namely the backwardness of the S-SE, to be solved by creating another problem, that is, transforming foreign capital into the pillar of development for a region that needs more than just investment. At the same time, the Fox administration is determined to promote the PPP, arguably overlooking its potential downside, and portraying it as the only way to promote the economic, social, and political development of the S-SE.

From the outset, key questions must be asked: Why has the Fox administration chosen to promote the PPP at this time? Why does it take the form it does? What are the weaknesses and implications of this approach for achieving integral regional development in the S-SE?

Trying to address these questions, this thesis proposes the following premise as its main analytical foundation: In an attempt to diversify the S-SE away from primary

¹².Presidencia de la República, op. cit., p. 8.

¹³.Bartra, op. cit., p. 88.

production and toward secondary activities, and create conditions for political stability in the process, the Fox administration is promoting the PPP within the framework of a “competition state” approach whereby the state becomes the primary facilitator of transnational market forces in the processes of development. Within this context, and in a conscious political decision, the Fox administration considers international capital the focal element to achieve development in the S-SE. This thesis argues that this perspective represents both a misguided vision of regional development and a political mistake. Why? As it stands, the PPP has the potential to establish a new cycle of economic dependence and social maldevelopment in the S-SE, a configuration that, when coupled with the undemocratic process through which it is being imposed, could contribute to the exacerbation of the deplorable economic, social, and political conditions already prominent throughout the region. Thus, the PPP could potentially end up reinforcing the conditions it sets out to eliminate in the first place: socioeconomic backwardness and political instability.

In this paper, I will argue that the concept of the “competition state” helps explain and connect three major interrelated arguments. First, it helps explain the nature of the Fox administration as a regime committed to the continuation of the neoliberal project in Mexico, by further inserting the country into the free market dynamics of globalization, not only in order for the Mexican state to remain relevant in this global system, but also to strive towards overall development. Secondly, and related to regional development in the S-SE, the “competition state” helps explain why the Fox administration is promoting the PPP the way it does, emphasizing the need to increase the role of international capital as the main engine of economic growth in the S-SE. And thirdly, the “competition state”

concept sheds light on the potential implications that the PPP could have in the Mexican S-SE. I argue that this strategy is unlikely to result in regional development, but will instead have adverse economic, social and political consequences that could end up exacerbating the conditions that the PPP set out to eliminate.

As these lines are being written, the prospects of the PPP have been substantially overshadowed by structural deficiencies and by the hangover of an early outburst of unsubstantiated enthusiasm that may have set the PPP's initial expectations outside the realms of reality. The categorical rejection of the PPP by a wide grassroots movement rooted in civil society and indigenous communities; the slashing by 60 percent of the PPP's federal budget for 2003; the failure to obtain low-interest credits from the World Bank and the IDB, and an unstable international economic juncture that has hindered the possibilities for investment, are pointed out as the main reasons for the current impasse.¹⁴ However, several projects are already in progress, and the long-run commitment of the Mexican government to promote the PPP seems to be standing quietly awaiting for the arrival of a better set of conditions to implement it, even if in a modified and partial context.¹⁵

At the same time, it is important to clarify that, due to the relative newness of the PPP and the vague official information available, it is hard to present a clear-cut integral analysis of the situation since important information has only been partially disclosed or concealed altogether. However, the methodology for the analysis of this paper will be based on an evaluation of the impact that previous competition state policies have had on

¹⁴.Miguel Pickard, *Grassroots Protests Force the Mexican Government to Search for a New PPP Strategy*, Americas Program Policy Report, (Silver City, NM: Interhemispheric Resource Center, March 2003) p. 2.

¹⁵.Ibid., p. 4.

the overall development of Mexican regions. This method will be useful in providing an analytical blue-print for the examination of the PPP, but given the embryonic nature of the PPP and the potential differences between past experiences and those envisioned in Plan, the conclusions of that analysis can only be tentative. At the same time, the lack of sufficient English information sources on the PPP was complemented by the author's fieldwork in Mexico, where most of the Spanish literature addressing the PPP was obtained. This allowed for a broader set of views and perspectives to be integrated into the analysis, a step otherwise difficult if this thesis was to rely on the limited availability of English literature on the PPP.

Structure of the Thesis

In chapter one, the theoretical and methodological frameworks for the thesis will be established. Special focus will be placed on the discussion dealing with globalization and the state as presented by David Held and Michael Mann, in order to set the stage for the analysis of Philip Cerny's "competition state." The analysis of the competition state will be crucial because it will set the stage to explain both the nature of the Fox administration, as well as the vision and operational framework of the PPP to determine its potential results vis-à-vis regional development. This analytical interconnection between the concept of the competition state and how it helps explain the nature of the Fox administration and its promotion of the PPP, will run through the whole thesis and will be linked to all major areas of analysis, especially in chapters 3, 4 and 5, when specific areas where the PPP can potentially have detrimental effects are examined. Secondly, the parameters of *regional development* will be established, focusing on how

globalization has changed the dynamics through which it is promoted, especially in relation to the changes within the state and the expansion of global activities by MNCs. The competition state will then be linked to the concept of regional development in the context of the PPP. Finally, and in order to assess the potential results of the PPP, three elements of analysis, namely *dependence*, *maldevelopment* and *undemocratic governance* will be defined. How will the competition state contribute to the realization of those elements in the S-SE?

Chapter two will be divided into three segments. First, I will examine the historical evolution of the Mexican state into a “competition” mechanism. I argue that the neoliberal project begun in the 1982 by the PRI is being continued by the Fox administration, and that the failures of the first phase of the neoliberal project to bring about development in the S-SE served as a catalyst to promote the PPP as a way to do it now in a more systematic way. Secondly, a historical analysis of the evolution of the S-SE will be given in order to establish the main reasons for its chronic backwardness, and to set the stage for the discussion on the alleged reasons behind the promotion of the PPP. Finally, the third part of this chapter will provide an analysis of the vision, projects, and envisioned developmental phases of the PPP as projected by the Mexican government. At this stage, some of the major weaknesses of this plan vis-à-vis regional development, as rooted in the “competition state” approach, will be pointed out to pave the way for the analysis of the next three chapters.

In the third chapter, the economic growth strategy proposed by the PPP will be critically assessed, focusing on the development of infrastructure projects to set the stage for the creation of maquiladora industrial parks in the S-SE. The analysis will focus on

the infrastructure-financing scheme that is set to give international capital the helm, potentially opening the door to the privatization of infrastructure in the region. Furthermore, and more important, the consequences of promoting a maquiladora-based economic growth system will be considered. The analysis will emphasize the shortcomings that this strategy has already faced in the past in terms of entrenching an enclave economy disassociated from the domestic market, providing “bad jobs,” and creating instability due to the industry’s reliance on, and vulnerability to, American business cycle fluctuations. Finally, a summary of the section will be provided linking the chapter’s arguments to the dynamics of the competition state, and how this perspective is potentially setting the stage for economic dependence and stagnation to be perpetuated in the region.

In chapter four, the PPP’s agricultural project will be evaluated as it is bound to have an impact on the social structures of the S-SE. Firstly, the importance of agricultural traditions for the social well being of the S-SE will be established, a fundamental step for our analysis because it will help us measure later on the potential effects that the PPP could have on the social fabric of the region. Second, an analytical overview will be presented on the impacts that NAFTA has had on the region’s agricultural sector, mainly to provide a background on the problems faced by this sector, and how the PPP could potentially exacerbate them. Thirdly, the main elements of the PPP’s initiative for agricultural modernization will be developed, focusing on its continuation of NAFTA’s land privatization programs in order to attract MNC investment into the agro-industry sector. It will be argued that, in the search for more agricultural productivity, the PPP is opening the door to the consolidation of a system

that puts food security at risk, allows for the dispossession of land from peasants, and encourages out-migration. In the summary section, the dynamics of the competition state will be linked to the PPP's vision on agricultural modernization, which, in essence, considers agriculture an economic sector rather than a social one, and thus, could potentially accelerate the conditions of poverty and displacement already dominant throughout the S-SE.

In chapter five, the political project of the PPP will be evaluated. The Fox administration, through its promotion of the PPP, is attempting to set the conditions to bring stability to region; however, this goal could be hindered not only by the way in which its economic and social are being formulated, but also by the political process through which the PPP is being imposed on the region. In the first instance, a brief account will be presented on the history of polarization and undemocratic governance that has prevailed in the S-SE in the post-revolutionary period, especially as it relates to the systematic discrimination that indigenous communities have been subjected to. Secondly, the political project proposed by the PPP will be analyzed, which is mainly based on the recognition that, without acknowledging indigenous rights in terms of consultation and participation, the PPP is bound to fail. This will be followed by the presentation of the critical views of a wide range of civil society groups (both from communities and from NGOs) on the alleged consultation process that the PPP claims it will conduct. In the summary, the potential results of the PPP's political project will be linked to the dynamics of the competition state to reaffirm the formulation that, as it stands, the PPP is poised to consolidate the entrenched undemocratic model of governance in the S-SE.

Chapter One - Theoretical Framework: Setting the Parameters of the Competition State and Regional Development

The Fox administration, by promoting the PPP, is attempting to set the foundations to diversify the economic base of the S-SE from primary to secondary manufacturing and agroindustrial production, and in the process, create the preconditions for the political stability of the region. The Fox administration considers that in order to achieve these objectives, international capital must be inserted into the region to be the central engine of growth, especially in terms of infrastructure, manufacturing, and agricultural development. Why is the Fox administration adopting this approach? What are the potential shortcomings of this approach in terms of achieving the economic, social, and political development of the S-SE?

The purpose of this chapter is to establish the theoretical framework needed to answer those fundamental questions, and to provide a base for the overall analysis of this thesis. Within this context, the objectives of this chapter will be three-fold. First, a discussion on the debate of globalization and its alleged impacts on the nature of the state will be presented. Then, this will be followed by the analysis of the competition state in order to establish the theoretical foundations to explain why the PPP takes the form it does, and how that vision can be counterproductive to the objectives of regional development. Again, the dynamics of the competition state will be present in the subsequent analysis of the thesis, especially in chapters 3, 4, and 5. Secondly, the concept of regional development will be examined, focusing on the discussion of how globalization has changed its dynamics, and what its requirements should convey in the context of the S-SE. This analysis will be important because by establishing a set of

standards needed for regional development, the vision of the PPP can be measured as to how it will promote or hinder regional development in the context of the S-SE.

Thirdly, the thesis' main analytical elements, namely dependence, maldevelopment, and undemocratic governance will be defined. This is important because those elements will be used to assess the potentially detrimental impacts that the PPP, as advanced within the context of the competition state, could have in the economic, social and political structures of the S-SE. It is important to point out that in the process leading up to the formulation of those definitions, the context of the competition state will be integrated into the analysis, mainly to put those definitions in perspective as to how they will be useful in the analytical development of chapters 3, 4, and 5. How does dependence, maldevelopment and undemocratic governance relate to the competition state in the context of the PPP? How will the competition state contribute to the development and/or exacerbation of those elements in the S-SE? Finally, this thesis's methodological approach will be outlined.

1.1 Globalization and the Competition State

1.1.1 Globalization and the State: David Held and Michael Mann

An important element of the discussion on the multidimensional impacts of globalization centres on the role of the state in governing the economy and as a site of political authority. While it would be premature to speak of other forms of political authority to replace the national state, it can be argued that its perceived monopoly on authority and decision-making, both in the national and international contexts, is being challenged. Within the context of globalization, the sole source of effective political

authority can no longer be assumed to be national states, but rather, a combination of diverse forces that interact at national, regional, and international levels. In the last twenty years, the growing interdependence of financial markets, the wide scope of electronic communication networks, and the broader globalization and liberalization of economic activities, among other factors, have had considerable impacts on the roles and modes of action of national states. Several analytical dimensions could be identified to assess this phenomenon; however, for the purpose of our eventual discussion on the competition state and regional development, two questions are relevant: first, how does globalization affect the state's roles and influence? Second, and if indeed those impacts take place, how do they change the state's relationship to the economy and to society?

Globalization could be defined as the integration of the world economy in such a way that what is unfolding in one part of the world has repercussions on the socioeconomic conditions and lifestyles of individuals and communities elsewhere. David Held argues that globalization implies at least two distinct phenomena: first, that many chains of political, economic, and social activity are becoming interregional in scope, and, secondly, it suggests that there has been an intensification of levels of interaction and interconnectedness within and between states and societies.¹⁶ These situations are manifested in various processes of integration, and for Held, trade, finance, multinational corporations, and politics and law, represent four of the most important areas that permeate those processes. International trade has steadily grown over the years, especially in the post-WWII period, reaching unprecedented levels today. Particularly, interregional trade has registered a substantial expansion in the last twenty

¹⁶David Held, *Democracy and the Global Order: From the Modern State to Cosmopolitan Governance*, (Stanford: Stanford UP, 1995) p. 21.

years, especially in Europe, North America, and the Asia-Pacific region. Moreover, the incorporation in the last twenty years of China, India, and most of Latin America into the patterns of international trade, both in the intra and interregional levels, is an indication that economic interconnectedness is growing rapidly. For Held, intra and interregional trade appear to be mutually complementary within the context of global trading patterns, and in both instances, the proportion and value of transactions have registered a clear tendency towards integration and interdependence.¹⁷

Secondly, the expansion of global financial flows around the world has been remarkable in the last ten to fifteen years. For instance, the growth of foreign exchange turnover is now a trillion US dollars a day, the liberalization of capital markets in the early 1990s has created a more integrated international financial system than has ever been known, and the troubles of one country can instantly spark instability in other places, as was the case with the December 1994 Mexican peso crisis.¹⁸ Thirdly, the global operations of MNCs have rapidly grown in the last twenty years, and currently account for one-third of world output, 70 percent of world trade, and 80 percent of direct international investment. For Held, the fact that MNCs can shift their demand for employment to countries with much lower employment costs, and can move their activities to where the maximum benefits accrue, means that they are significant players in so far as these leverage powers influence government policy and shape economic strategies.¹⁹ But more importantly, the fact that “unelected” and “unrepresentative”

¹⁷David Held, “Democracy and Globalization,” *Conference Paper*, Lecture Series on Economic Globalization and National Democracy, (Cambridge: Max Planck Institute for the Studies of Societies, May 1997) pp. 4-5.

¹⁸Ibid., p. 6. Similar situations were experienced in the summer of 1997, when the Asian crisis erupted, as well as in the 1998 crises in Brazil and Russia.

¹⁹Ibid., p. 7.

powerful economic agents may have the influence to shape public and economic policy, raises major questions about the autonomy of national states, and suggests how constrained their options can be in the context of growing interactions with transnational players.²⁰ This “dilemma” will be addressed later in more detail, but for now, it can be argued that the expanding activities of MNCs have opened the door to the transnationalization of economic activities involving both national states and private agents, fostering a mutual reliance in terms of capital, technology, labor, and resources.

Finally, Held argues that the sovereign state now lies at the intersection of a vast array of international regimes and organizations that have been established to manage whole areas of transnational activity (trade, the oceans, etc.) and collective policy problems.²¹ The growth in these new forms of political organization reflects the rapid expansion of transnational ties, the growing interpenetration of foreign and domestic foreign policy, and the desire by most states for some kind of international governance and regulation to deal with collective concerns.²² These new forms of political organization are mainly constituted by a collective style of decision-making involving governments, international governmental organizations (IGOs), and a wide range of transnational pressure groups and non-governmental organizations (NGOs). According to Held, in 1909 there were 37 IGOs and 176 NGOs, while in 1989, there were nearly 300 IGOs and 4,624 NGOs.²³ This multi-party interaction at the transnational level has helped engender a shift away from a purely state-centered international system, to a new model of collective governance emphasizing multilateral decision-making and mainly

²⁰ Ibid.,

²¹ Ibid., p. 9.

²² Ibid.

²³ Ibid.

consensus-built arrangements to coordinate joint action mechanisms.²⁴

For Held, these four areas of transnational processes have contributed to the transformation of national states and their national and international prospects. First, those four aspects suggest that national states no longer possess the monopoly of effective political power; and on the other hand, this power is now shared and bartered by various forces at national and transnational fora. Second, the idea of a political community can no longer be located within the boundaries of a single nation-state alone, and on the contrary, some of the most fundamental forces and processes which determine the fate of political communities are now beyond the reach of individual nation-states. And thirdly, the operations of states in increasingly complex global systems affect both their autonomy (by changing the balance between the costs and benefits of policies), and their sovereignty (by altering the balance between national, regional, and international economic processes, legal frameworks, and administrative practices). The growing interaction of national states with a wider range of economic and political actors constitutes a potential source of limitations on their decision-making abilities vis-à-vis key domains, which alter the way in which they exercise their authority and organize their economic, political, and social arrangements.

However, it is important to clarify that Held's argument does not convey the idea that national sovereignty, even in regions with active engagement in transnational mechanisms, has been wholly subverted.²⁵ Held's main proposition revolves around the idea that the roles and authority of national states have been transformed by globalization, and that in the processes that provoke that transformation, challenges to their authority

²⁴.Ibid.

²⁵.Held, *Democracy and Globalization*, op. cit., p.11.

and autonomy emerge. This fact requires a reconfiguration of their decision-making patterns and engagement mechanisms in relation to other states, transnational actors and their own societies. The following quote encapsulates this juncture:

The international order today is characterized by both the persistence of the sovereign state system and the development of plural authority structures. It is open to question whether it offers any solutions to the fundamental problems of modern political thought which have been preoccupied by the rationale and basis of order and toleration, of democracy and accountability, and of legitimate rule.²⁶

The underlying idea conveyed by this statement is that sources of authority now transcend the national state, and as such, potential challenges and threats to state sovereignty may be encountered, as its political and economic relations permeate transnational patterns of interaction with diverse actors that have a wide range of interests and objectives. It is hard to tell whether this plural authority organization will necessarily be detrimental to the state; yet, the need for change to minimize the potential negative impacts of this system on its sovereignty has been acknowledged as an imperative step.

Michael Mann proposes a different focus for the discussion on globalization and its impact on the state. Mann vindicates the position of the state in the face of increasing global integration by arguing that the uneven nature of global networks makes it feasible and necessary for states to preserve a central role in the organization of society. Certainly, globalization and its networks, economic, political and otherwise, has been solidified in its international and transnational dimensions; however, it has not been able to “universalize” specific patterns of action especially when the heterogeneity of nation-states is taken into account.²⁷ Within this context, Mann claims that the more powerful

²⁶.David Held, “Democracy, the Nation State, and the Global System,” *Economy and Society*, Vol. 20, No. 2, Spring 1991, p. 161.

²⁷.Michael Mann, “Has Globalization Ended the Rise and Rise of the Nation-State? *Review of International Political Economy*, Vol. 4, No. 3, Autumn 1997, p. 480.

states of the north can regulate global networks according to their own “particularities,” i.e. trying to impose their economic and political ideologies on the rest, an option that could be less feasible for weaker states.²⁸ However, in the overall picture, and taking into account the fact that those richer countries do not have the power to impose singular universalisms on global networks, the complicated character of global patterns allows nation-states to retain significant power when confronted with issues of economic and political development, no matter their particular strength in the international arena. For Mann, globalization requires the emergence of more efficient states to tackle its challenges, adapting to new structures but keeping their fundamental tasks as regulators.²⁹

How is the state’s significance maintained? Mann explores several alleged threats to the nation-state, but partially refutes them by showing how national governments are still relevant to their functioning. Firstly, the expansion of capitalist schemes appears to subordinate the nation-state to the precepts of a more generalized self-regulating market; however, Mann argues, “the potential universalism of [transnational capitalism] is undercut by the particularisms of nation-states and of human and social practices at large.”³⁰ Clearly, the general commodification that the market underlines will be blocked by the protection given by the state to crucial areas, such as health and the military, and even though trade deals could compromise the integrity of states, it is governments which are directly involved in the decision making processes and facilitate the realization of those treaties. The institutional base of the state enhances the possibilities for economic

²⁸.Ibid.

²⁹.Ibid., p.82.

³⁰.Ibid., p. 489.

development in an apparently globalized world through necessary regulation. Economic expansion in southern States, whether oil in the Arab countries or state-imposed liberalism in Chile, will place the state in a good participatory position.³¹ Moreover, environmental and identity movements have the potential to “coordinate States more tightly together” since their demands for ecological action and social equality will boost the state’s role as a provider and coordinator of those actions, and the existing security threats are bound to preserve a meaningful spot for state roles.³² Mann proposes that the effects of globalization on the nation-state can be mixed, but overall, national states still play an important role.

Michael Mann rejects the idea that globalization is an omnipotent, all-encompassing configuration “out to get” the national state and sabotage its role in society. The tasks of the state have increasingly adapted to a new integrating international order; however, their autonomy remains vivid in the arrangements of transnational schemes because global integration is only partial, and the role of the state, entrenched in historical foundations, cannot be weakened overnight.³³ For Mann, multiple, overlapping and intersecting networks of interaction have always formed the international arena, and as such, the current wave of global relations may require the state to adapt to a new set of functioning patterns, but not to lose its sovereignty in any meaningful way. Globalization contains no single, relatively systematic principle of interaction and integration, and its processes are too undefined and eclectic to identify a clear and specific process that could signal the demise of the sovereign power of the state.

³¹ Ibid., pp. 484-7.

³² Ibid., pp. 491-3.

³³ Ibid., p. 495.

Enhanced networks of human, political, economic, and cultural interaction may now be penetrating the globe, but in a multiple, variable and uneven way, which in turn, necessitates action by national states, even if in a modified fashion.³⁴

Both Held and Mann offer insight into the complex relationship between the state and globalization, diverging in several elements but also finding points of convergence. Held believes that the centre of political power is no longer the national state, but a diverse variety of transnational agents and processes, such as MNCs, IGOs, and NGOs, that influence decision-making and challenge the sovereignty of the national state. For Mann, globalization represents a growing process of interaction that indeed forces the state to change; but in the process, its sovereignty and relevance are maintained as it is the state itself which has to regulate the rather multiple, undefined, and uneven processes of global interaction. But both authors agree on one major point: national states have assumed the need to transform their operational framework in order to adapt to the increasingly pervasive impacts of globalization.

Thus, the questions formulated at the beginning of this subsection must be revisited: How does globalization impact the state's roles and influence? And second, and if indeed those impacts take place, how do they change the state's relationship to the economy and to society? For Held and Mann, to varying degrees, the most important impact that globalization has had on the state has been the need to transform itself to accommodate the pressures and demands of global interactions. And secondly, Held would argue that this transformation implies the encroachment of transnational forces on the state's autonomy in terms of economic and political decision-making. Thus, the state's relationship with society may be eroded in so far as "unelected" and

³⁴.Ibid.

“unrepresentative” global agents may have powerful influences in the shaping of public policy, hence threatening accountability. Mann would say that those changes are not structural, but procedural, and therefore, the state retains its decision-making powers at home and in the international context, since it is precisely national states that facilitate and organize global integration schemes, from free trade, to investment, to IFIs. Moreover, globalization requires the strengthening of the state as the center of political legitimacy and authority, especially when other forms of political “multilateral” authority are too abstract and undefined to offer political organization and leadership on the domestic front.

Mann and Held provide a good general discussion of the globalization-state debate, and they help set the stage for the next element of our discussion. How can the changes provoked by globalization be conceptualized within the framework of a transformed state? Trying to encapsulate the main elements implied by this question, Manuel Castells, siding with David Held, argues,

Nation-States have lost their sovereignty because the very concept of sovereignty, since Bodin, implies that it is not possible to lose sovereignty “a little bit”. . . Nation-States may retain decision-making capacity, but having become part of a network of powers and counterpowers, they are powerless by themselves: they are dependent on a broader system of enacting authority and influence from multiple sources.³⁵

Michael Mann’s perspective seems to ignore the powerful impacts that developments in trade, finance, investment, and global political governance, as Held pointed out, have had on the schemes of national and international interactions. As Castells argues, sovereignty can only be possessed in its totality, and Mann seems to argue that global interactions may indeed affect the state’s sovereignty to some extent, but in the end, it manages to

³⁵. Manuel Castells, *The Information Age: Economy, Society, and Culture, Vol. II: The Power of Identity*. (Oxford: Blackwell, 1997) pp. 304-5.

retain most of it. But, how can the national state claim to be in control, as Mann would argue, when it is precisely the “uneven” and “undefined” processes of globalization that force its transformation in the first place? Yes, there is no strong evidence to suggest that the state is being undermined to the point of irrelevance; yet, it now has to act within the context of a multilateral, interconnected global arena in order to remain relevant. In this context, the question about the national state’s sovereignty is no longer about retaining its classical role as the center of political authority, since it is increasingly challenged from many sides, but rather, how to make it work best for its societies within the context of pervasive and complex processes of global interaction. We will now turn to the analysis of Philip Cerny’s “competition state,” a concept that attempts to encapsulate those issues and to fuse them within the context of transnational globalization.

1.1.2 Philip Cerny and the “Competition State”

Philip Cerny offers a new interpretation of the state that captures the essence of both its transformed roles, and the impacts on its sovereignty in the context of globalization. For Cerny, the pervasiveness of transnational economics and exchange has forced the state to embrace policy directions that accommodate the interests and environment of those activities. In order to remain relevant in today’s hegemonic dynamics of market economics, and to be able to re-channel its potential benefits into their respective societies, states may keep certain powers at the cost of alienating other roles and responsibilities, which in the end, may have serious implications for the ways in which states relate to their societies, both economically and politically.

Furthermore, Cerny is concerned with the “outer limits” of effective action by the

state in the face of increasing transnational intrusion in its decision-making processes. That effective action is comprised by its capacity to promote a relatively favorable investment climate for transnational capital by providing a range of “goods,” from human capital to infrastructure, research and development, to basic social services to the population, in order to increase society’s chances of success in a globalized world.³⁶ This transformation happens for two reasons. First, because increasing global interconnectedness and the significant role of transnational forces, such as MNCs and IFIs, requires this shift as part of the “new rules of the game.” And second, because the state must find a way to keep its relevance in a globalizing context, and look after the domestic front in the process, where its traditional authority and autonomy are being put to the test. Cerny calls this “new” configuration the “competition state.” We will now turn to the analysis of its main components.

Philip Cerny argues that states have increasingly adopted the character of “competition states,” given that global transnational integration has diminished the sovereign nature of states vis-à-vis their responsibility to pursue the “common good” in terms of their economic, social and political activities.³⁷ For Cerny, globalization alters the character of the state by integrating the state into its functioning, but only making it preserve those roles that do not jeopardize the advancement of economic competition, such as facilitating free trade and deregulating public institutions. State structures have been absorbed by the premises of market economics and have been forced to privatize

³⁶ Philip Cerny, “Globalization and the Challenging Logic of Collective Action,” *International Organization*, Vol. 49, No. 4 (Autumn 1995), p. 10.

³⁷ Philip Cerny, “What Next for the State?,” in Eleonore Kofman and Gillian Youngs, eds., *Globalization: Theory and Practice*, (New York: Pinter, 1996) p. 124.

and marketize for the sake of competitiveness, undermining the demarcation of clear boundaries that safeguard political accountability.³⁸ The structural capacity of this “competition state” has been subjected to a systematic downgrading regarding its role in the administration of public goods and policies, from public services like health and education to fiscal and monetary policies, mainly by the demands of transnational capital in the form of deregulation, privatization, and tax reform, among others.³⁹ Thus, the role of competition states seems to be decapitated by the dynamics of globalization: on the one hand guaranteeing competition, and on the other, altering their public character and risking their condition as an accountable “civil association.”

From this context, Cerny argues that the competition state retains a variable degree of control over civic and constitutional aspects, but at the same time “promotes the transnational competitiveness of its industries abroad and competes for inward investment, becoming perhaps the most critical agent in the process of globalization.”⁴⁰ What does this mean? For Cerny, the competition state represents a transformation of the state from its conventional position as a promoter of market policies, to a position of a market organization itself with the capacity to commodify its own functions and structures.⁴¹ This idea is crucial because the competition state runs the risk of assimilating globalization’s tendency to disembed the economy from the social and political components of the polity, and thus, could lose the civic recognition it still maintains among the citizenry, especially when key political functions, e.g.

³⁸.Ibid.

³⁹.Ibid., p. 128.

⁴⁰.Ibid., p. 133.

⁴¹.Ibid.

accountability, are increasingly “vestigial” to the demands of market forces.⁴² For Cerny, globalization has minimized, yet not annihilated, the “sovereign” tasks of the State by transforming it into a facilitator of competition, but compromises its civic integrity by disembedding economics from politics and society, a juncture that could prove to be problematic given the inherent interconnection between these two dimensions in the administration of the “common good.”⁴³

What does Cerny mean when he refers to “the common good” and “accountability”? Cerny argues that, conventionally, the state is in charge of administering three kinds of public goods, which in essence, promote the “common good.” Firstly, *regulatory goods* refer to the establishment of a workable market framework involving the protection of property rights, a strong legal system, the abolition of internal barriers to production and exchange, and a stable currency system, among others. Secondly, *productive/distributive goods* include full or partial public ownership of certain industries, provision of infrastructure and public services, and a variety of public subsidies. And finally, *redistributive goods* refer to the main apparatus of the national welfare state, from direct health and welfare services, to employment policies, to environmental protection.⁴⁴ These “public goods” are now becoming intertwined with the dynamics of globalization and transnational relations. This interconnection encroaches upon their “public” administration, and forces the competition state to allow private players into their operational patterns to guarantee competition. It is precisely in this context where the competition state becomes a “market organization” itself by

⁴².Ibid., p. 136.

⁴³.Ibid.

commodifying the administration of its public goods, and at the same time, adopts a new character that transcends the typical role of “setting the rules of the game” given that it becomes a competitive entity in itself.

At the same time, the competition state’s accountability to the citizenry is dramatically reduced, because unaccountable private players may share the management of previously public goods, thus changing the relationship between the state and its constituents. In other words, the residual tasks of the competition state, namely the administration of civic and social responsibilities vis-à-vis its citizens, can also be subordinated, or even be vestigial, to the imperatives of the global marketplace. This situation gives the state a new role as first and foremost the facilitator of competition, a fact that raises questions about the future of the state’s legitimacy and accountability in relation to its citizens, a scenario that, for Cerny, “cannot be conclusively predicted and needs further analysis.”⁴⁵ However, the concept of the “competition state,” understood as a player performing residual tasks dealing with economic competition and civic responsibilities, will be useful in the explanation of the PPP’s vision and projects in relation to the requirements of the regional development in the S-SE. This link will be made more clearly in the next section. For now, the nature of Philip Cerny’s competition state can be summarized in the following points:

1. Globalization has undermined the sovereignty of national states;
2. The demands of global transnational integration to deregulate and privatize have transformed the state into a “commodifying” apparatus itself vis-à-vis its activities and structures in order to enhance national competition in international markets;
3. Making the state more “competitive” implies a tendency to subordinate the

⁴⁴.Ibid., pp. 125-6.

⁴⁵.Ibid., p. 136.

political and social dimensions of society to the economic imperatives of the global marketplace;

4. The competition state retains civic and political tasks that are increasingly under pressure from the forces of transnational markets, and
5. Accountability and the common good, understood as important elements that help sustain the relationship between the state and its constituents, are diminished due to the potential encroachment of international agents into the political functions of the state, i.e. increasing the roles of unaccountable private actors in the economy and in society.

At this stage, some clarifications are required. As argued before, the main reasons behind this shift within the state are the increasing predominance of free market structures in the dynamics of global economics and exchanges, as well as the need for the state to change in order to remain relevant within that mechanism. Moreover, Cerny argues that globalization may impact LDCs more than richer countries, and thus, the dynamics of the competition state may change in form and degree according to the strength of the country. Addressing this issue, Cerny argues,

the erosion of the state autonomy will be uneven, and in economically stronger states this decay is likely to proceed more slowly than in weaker ones. . . mobile international capital may well destabilize less-favored states, whose already fragile governmental systems will be torn by the pressures to open their economies, and at the same time, keep their autonomy and relationship with society strong.⁴⁶

As it will be argued in chapter two, the neoliberal experience in post-1982 Mexico reveals that the pervasive forces of transnational structures have indeed forced the Mexican state to adopt a competition character, not only as a measure to overcome a combination of domestic and international factors that led to internal crisis, but to remain relevant in the global economy. The results of the competition approach in Mexico are

⁴⁶.Cerny, *Globalization*, op. cit., p. 15.

mixed; yet, it is important to note that the varying degrees of competition state “effectiveness” may very well affect the capacity of the state to bring about integral development at home. How? One of the most important challenges faced by the competition state is to reconcile the domestic interests with the dynamics of global agents, meaning that it is not only responsible for facilitating market forces, but also to make sure that this step benefits the domestic front in a meaningful way. As Cerny suggests, the economic and political strength of a country will determine its ability to achieve this difficult task; however, in the process of commodifying its roles and functions, the competition state can lose sight of domestic interests and needs, even if they could be reconciled with those of transnational forces. This question, after the needed background on the evolution of the Mexican state is provided in chapter two, will be important when analyzing the context within which the Fox administration is promoting the PPP, and how that vision will impact regional development in the S-SE.

In more specific terms, the concept of the “competition state” will be relevant to this thesis in two ways. First, it will be used to explain why the PPP takes the form it does, namely that the Mexican state encourages international capital to penetrate the S-SE as engines of development in order to diversify the economic base of the region. And second, the dynamics of the competition state, especially in terms of facilitating the operations of transnational forces, a step that is consistent with the Fox administration’s vision of the PPP, will be useful in explaining the potential weaknesses of the PPP vis-à-vis integral development in the S-SE. In this context, the main questions to keep in mind are: Will the Fox administration be able to effectively channel international capital to promote the development of the S-SE? Or, by taking this approach, will it exacerbate the

conditions it set out to eliminate in the first place by promoting the PPP? These questions will permeate the analysis throughout the thesis, and it is important to note that, in order to make the context of these questions clearer, the particular context of the Mexican state, focusing on its shift to the “competition state,” will be established in chapter 2. For now, this thesis will turn to the analysis of the dynamics of regional development in the S-SE in order to establish its requirements and set the stage for this thesis to link the vision of the competition state, as manifested in the PPP, to the context of those requirements. And although Cerny does not refer to the competition state in a regional development dimension, these two concepts can be related within the context of the competition state’s policy approach towards the requirements of regional development, and what impacts that approach can have on the way in which those requirements are promoted.

1.2 The Dynamics of Regional Development

Before a discussion on the main elements of regional development is presented, it is important to define and understand what a region is. For Daniel Hiernaux, the concept of “region” denotes a geographical space with homogenous patterns of development, cultural identification, and physical/natural composition, that when combined, result in a well-defined concept of “regional identity.”⁴⁷ This “identity” must have a dual objective: first, to enable the proper delineation of the problems that characterize the region in order to find the most adequate ways to reverse them, and second, to outline the potentials of the region in terms of finding a common ground upon which general policies could be based. In other words, a region cannot be identified based on a negative common

⁴⁷.Daniel Hiernaux-Nicolas, *El Plan Puebla Panamá: ¿Una Nueva Visión del Desarrollo Regional?*, (Montreal: Grupo de Investigación sobre la Integración Continental, 2002) p. 7.

denominator, but rather, its definition must primarily point out the positive elements it conveys, not only in an economic sense, but in a multidimensional one.⁴⁸ For instance, the Mexican S-SE reflects a shared condition of socioeconomic backwardness, but at the same time, it possesses a strong ethnic community organization base that could be utilized to promote plans for regional development.⁴⁹

Therefore, regional development must take in a multifaceted perspective that transcends a mere geographical area and the need for economic growth. For instance, French economist Francois Perroux developed the “development poles approach” whereby the “growth poles are the center of innovation from where progress can trickle down to the surrounding peripheral areas through employment creation and income generation.”⁵⁰ However, Kumssa and McGee argue that the anticipated trickle-down effect of this strategy failed to take help depressed regions because growth poles ended up attracting more investment and capital, and grew at a faster rate than the rest of the country.⁵¹ The failure of this approach suggests the necessity to look beyond the promotion of higher levels of aggregate wealth, and look at the social and political peculiarities of the region in order to shape governmental policies that address development in its various dimensions.

For Javier Delgadillo, Felipe Torres, and José Gasca, regional development must be approached within the framework of a historical, time-and-space vision. Regional development requires a “consensual” process in which the state and all other regional actors (provinces, communities, private investment, etc.) share responsibilities that have

⁴⁸.Ibid., p. 9.

⁴⁹.Ibid., p. 7.

⁵⁰.Asfaw Kumssa and Terry McGee, eds., *New Regional Development Paradigms Vol. I: Globalization and the New Regional Development*, (London: Greenwood, 2001) p. 2.

been articulated based on the real needs of the region, which more often than not, are shaped by those historical and time-and-space circumstances.⁵² Within this context, regional development refers to “qualitative” changes in the economic, social, and political fronts of the region in question, meaning that there has to be an increase in productive and technological levels, governance approaches must reflect the particular political features of the region, and wealth redistribution must be advanced.⁵³ However, a region’s needs and the quest for qualitative changes cannot be conceptualized as monolithic for all regions, and on the contrary, priorities change from region to region, and the scope of qualitative changes varies according to fluctuating circumstances within each one, even in the context of one country.⁵⁴

But for Delgadillo, Torres, and Gasca, the advent of globalization has introduced a new dimension into the dynamics of regional development in terms of reconfiguring the ways in which a region’s needs are perceived, as well as the ways in which they are addressed. Although regions may be characterized by an identity ingrained in history and in their particular multifaceted circumstances, the “unavoidable” phenomenon of globalization induces regions to integrate their developmental efforts into its transnationalized and harmonizing tendencies. To put it differently, as globalization reshapes national and international markets along the lines of the free market, regions are also drawn into that mechanism, thus potentially changing the dynamics of their development.⁵⁵ However, the authors argue that regional disparities within a country

⁵¹ Ibid.

⁵² Javier Delgadillo, Felipe Torres, y José Gasca, *El Desarrollo Regional de México en el Vértice de Dos Milenios*, (México: UNAM, 2001) p. 18.

⁵³ Ibid., p. 8.

⁵⁴ Ibid.

⁵⁵ Ibid., p. 9.

“cannot be corrected by market forces alone; they require the intervention of the state through adequate policies of regional development that take into account regional circumstances and correctly attempt to manage the dynamics of globalization to favor the needs of regions.”⁵⁶

Two of the features of globalization, which are relevant to our study, are: the changes experienced by national states, and the unprecedented role of MNCs in the world economy. As argued before, the changes in production and in international exchange patterns have removed national territories as society's main stage, substituting it with a transnationalized territory revolving around inter-connected networks (Foreign Direct Investment - FDI, liberalized trade, etc.) which the state is now expected to follow and safeguard. Paradoxically, because these networks operate within the context of global competition, the state competes for industries and investment that operate on a transnational basis, making it lose its territorial and regulatory controls as it has to adjust its policies according to the demands of those transnational forces.⁵⁷ For Less-Developed Countries (LDCs), the hangover of the debt crisis, manifested in ongoing structural adjustment processes linked to austerity measures and outward-oriented growth, has created a situation in which the state's fiscal capacity to enforce regional uniformity is also losing strength.⁵⁸

This situation relates to the analysis of the competition state presented in the last subsection of this chapter. As it was discussed, globalization forces the re-structuring of the state's functions due to the overwhelming pressures it applies to liberalize its modes

⁵⁶.Ibid., p. 17.

⁵⁷.Ibid., p. 10.

⁵⁸.Ibid.

of action, curtailing its ability to manage domestic development planning, including regional development, from its own governmental apparatuses. As the competition state assumes the responsibility of attracting foreign investment and promote a “business-friendly” image, mainly in order to remain relevant in the global arena, their regulatory schemes could be weakened and, according to Gasca, “it could be international capital which ultimately defines the ways in which investment is used, and articulates the rhythm and scope of regional and territorial planning.”⁵⁹ This is important for two reasons: first, it could be argued that the interests of transnational forces do not necessarily reflect those of the domestic front, and second, the competition state, especially in LDCs, may lose its ability to plan regional development according to domestic needs. This situation may arguably be brought about either by the pervasive pressures of globalization or by the conscious decision of the competition state to open its economy to transnational agents, but regardless, its consequences could prove to be far-reaching in the context of regional development and its specific needs.

Secondly, globalization has also resulted in the growing activities of MNCs around the world. In order to reduce the cost of production and maximize profits, as well as to create a competitive edge over others in conquering markets, MNCs are transcending their national boundaries and investing in developing countries like never before, and, as a result, their spheres of influence have greatly increased.⁶⁰ In the early 1990s, there were about 37,000 MNCs that concentrated 170,000 subsidiaries and their global stock of FDI constituted about \$ 2 trillion, compared to about 11, 000 MNCs, with

⁵⁹.José Gasca, *Espacios Transnacionales: Interacción, Integración, y Fragmentación en la Frontera México-Estados Unidos*, (México: UNAM, 2002) p. 38.

⁶⁰.Ibid., p. 4.

82,000 subsidiaries and a FDI stock of \$600 billion in the late 1970s.⁶¹ In order to attract these potential financial sources of development, LDCs have resorted to various regional policies, including coastal region development, border industry parks, and export-processing zones, together with lucrative incentives (such as tax exemptions), which have provoked the emergence of problems related to exacerbated regional inequalities (like China's almost exclusive emphasis on coastal development), and of conflicts rooted on MNCs' and states' potentially divergent priorities.⁶²

Again, it is important to revisit the concept of the competition state in this context. It was stated earlier that even if the competition state welcomes transnational agents into its domestic economy, this does not guarantee that the interests of the domestic economy and those of international actors will converge. For example, MNCs' exclusive emphasis on building the mechanisms to maximize profits is insufficient to address the multi-dimensional character of regional development, namely its social and political needs. Moreover, the exogenous and mobile nature of MNCs and their volatility often makes them pursue short-term goals that are not necessarily linked to the overall functioning of the domestic/local productive and social structures.⁶³ In addition, the competition state, in the process of attracting foreign investment, may lose its ability to shape and manage the policies of regional development initiatives. This is important because not all regions have a capacity to absorb international capital and transform it into a meaningful vehicle for development. To put it differently, not all regions, especially in LDCs, possess the conditions, such as infrastructure, a qualified labor force, access to profitable markets,

⁶¹Lawrence Alschuler, *Multinationals and Maldevelopment: Alternative Development Strategies in Argentina, the Ivory Coast and Korea*, (London: MacMillan, 1998) p. 7.

⁶²Kumssa and McGee, op. cit., p. 4.

⁶³Gasca, *Espacios Transnacionales*, op. cit., pp. 39-40.

etc., to face the challenges of MNC penetration in terms of transcending the counterproductive, and now almost conventional, exploitation of cheap labor and fragile primary sectors.⁶⁴

Therefore, the dynamics of the competition state is relevant to our discussion of regional development in terms of how the state changes its operational structures to attract transnational agents to plan for development, but at the same time, may lose its ability to reconcile domestic needs with the interests of international forces, MNCs in this case. Globalization forces national states to reconfigure their decision-making processes in accordance with the requirements of market economics, but for LDCs, this change may not necessarily lead to the championing of domestic developmental needs. This situation may transpire in the PPP's efforts for regional development in the S-SE. As will be shown later, the PPP calls upon Multinational Corporations to serve as the potential financiers of regional development in the S-SE, but the objectives of MNCs may not necessarily coincide with those of the state regarding regional development. But before the dynamics of the competition state can be applied specifically to the context of regional development in the S-SE, this concept must be properly conceptualized.

Sergio Boisier argues that regional development refers to a "localized process of sustainable social change that has as its ultimate end the permanent progress of the region, the regional community and of each individual living in it."⁶⁵ In the context of the S-SE, any initiative striving towards the realization of such project must face systematic developmental asymmetries: as compared to the central and northern regions of the country, the S-SE presents serious deficiencies in terms of infrastructure,

⁶⁴.Ibid., p. 39.

⁶⁵.Quoted from Gasca, *Plan Puebla Panama*, op. cit., p. 84.

technology, and scarce access to markets, which prevent the region from having solid linkages with the rest of the country and with international economic structures.⁶⁶ According to Gasca, this conjuncture is the result of territorial distortions based on excessive economic concentration on selected areas, as well as the lack of adequate redistributive and compensatory policies that would pursue a vision of regional equity.⁶⁷

Equally important, the levels of marginalization reveal a clear political deficit in the region whereby developmental decisions are highly centralized and do not take into account the views of communities. Political alienation among the region's indigenous communities, who make up 74 percent of the country's indigenous population, has been entrenched as a natural result of these policies of imposition.⁶⁸ Considering these complex circumstances, and taking into account the need to promote economic, social, and political initiatives, Gasca proposes the following three sets of policy directions for a successful strategy of regional development in the S-SE:

1. It is imperative to develop sustainable processes for economic reactivation, creating "good" jobs to redistribute wealth and increase the purchasing power within the domestic market. In few words, regional integration cannot "give everything away" to foreign investment, but rather, must strive for systematic ways of domestic accumulation and diversification as to achieve an endogenous-oriented economic growth model;
2. Social displacement and inequalities must be tackled by improving the standard and quality of life of the population, especially through the State's systematic assistance to, and investment on, the vital sectors that must sustain

⁶⁶.Ibid., p. 73.

⁶⁷.Ibid., p. 72.

⁶⁸.José Gasca y Felipe Torres, *El Plan Puebla Panamá: La Asimilación Extensa del Sur-Sureste de México en Tiempos de la Globalización*, Documento de Trabajo, (México: UNAM, 2001) p. 4. Given the introductory nature of this section, only a basic background on these important issues is being presented, mainly to construct a coherent analytical foundation for the rest of the thesis. Note that these issues will be examined in more detail in the next chapters.

the social cohesion of the region. In the context of the S-SE, social development must be equated with agricultural development and food security, and

3. Within the Mexican context, the inherent autonomy and right to be consulted of local and indigenous communities in the S-SE must be taken into account in order to advance authentic policies that have the input of those communities. In other words, “verticalism” and paternalism must give way to political processes that respect the diversity and rights for self-determination of the communities in the region, and take into account their views and considerations.⁶⁹

Therefore, the “regional identity” of the S-SE conveys a condition of poverty and alienation, but at the same time, it possesses a real potential for positive change if the proper mechanisms are put in place to develop them. As the elements proposed by Gasca suggest, those mechanisms have to do with the ability of the state to build economic, social, and political foundations that are conducive to the development of self-perpetuating structures. These efforts must be crystallized in laws and policies that promote productive public and private investment, enhance educational structures, enact and enforce labor laws, and provide social services, among others. Moreover, the region must be “prepared” to face the challenges of both permanent development and globalization by upgrading the quality of strategic infrastructure, boosting the standards of its human resources, setting clear priorities for investment, and guaranteeing that capital is accumulated and reinvested locally. Promoting selected areas without taking into account the all-encompassing nature of regional development, as laid out by Gasca, represents an approach bound to be limited in scope and impact. The importance of

⁶⁹. Gasca, *Plan Puebla Panamá*, op. cit., pp. 82-3.

regional development lies in the idea of attacking the causes and not the consequences of regional problems, meaning that permanent conditions must be established to tackle the roots of those problems and set strong foundations for meaningful change.⁷⁰

The potential relationship between international capital and regional development must convey this process. For Gasca, international capital, as a possible contributor to regional development, is an insufficient factor; yet, it could be a useful part of the overall plan. But if the potential benefits of foreign investment are to be enjoyed, the state must create the conditions, like the ones mentioned above, to facilitate that step in a systematic fashion. In other words, it is not likely that international capital will create the conditions for domestic regional development, but rather, it is the state that must provide the overall conditions to transform international capital into a positive contributor to regional development.⁷¹ As Gasca suggests, the role of the state is key for the proposals he formulates, not as a bureaucratic machine of imposition, but as a fair regulator that encourages economic, social and political development using different means to achieve it. From this perspective, and amalgamating Boisier's definition and Gasca's proposals, the following definition of regional development will constitute the analytical cornerstone for the rest of the thesis:

Regional Development must convey an endogenous and localized process of sustainable social and economic change within the framework of political inclusion and respect for diversity that has as its ultimate goal the permanent progress of the region, its communities, and of each individual that lives in them.

Firstly, this definition is important because it not only establishes the requirements of regional development, but also divides those requirements in three analytical dimensions:

⁷⁰.Ibid., p. 79.

⁷¹.Ibid., p. 78-9.

economic, social, and political. The subsequent analysis of this thesis will be delineated along the lines of these three different dimensions, especially as it relates to the definition of our analytical elements in the next sub-section. Secondly, this definition is relevant because it relates directly to this thesis's main premise in terms of conceptualizing what regional development in the S-SE must convey, and how the PPP is going to promote or hinder the development of its fundamental requirements.

But more importantly, this definition is important to consider because it complements the discussion of the competition state and its relevance to the PPP. As this thesis argues, the Fox administration's main purposes in promoting the PPP are to diversify the economic base of the S-SE and bring about the conditions for political stability, and due to the administration's desire to focus on competitiveness, it believes that international capital will provide for such steps to be realized. But as the competition state could lose its ability to control regional development planning in the long run given the potential predominance of international capital in the region, this vision can prove to be counterproductive. Moreover, there is no guarantee that the objectives of international capital will converge with those of regional development in the S-SE. Indeed, the Fox administration is consciously promoting the PPP and voluntarily giving away some powers in the process, mainly as an attempt to remain relevant in the context of globalization and channel the potential benefits of foreign investment into the S-SE. However, as Gasca argues, the state must provide the needed preconditions for successful foreign investment to occur, but, will the competition state, and its vision of the PPP, fulfill such tasks? Therefore, and to sum up, the following question will permeate the subsequent analysis of this thesis, especially in chapter 3, 4, and 5: in its attempt to

diversify the economic system of the S-SE and bring about political stability, does the PPP, as an initiative put forward by Vicente Fox's competition state, comply with the economic, social, and political requirements of regional development?

1.3 Defining the Three Elements of Analysis: Dependence, Maldevelopment and Undemocratic Governance

As it was stated in our main premise, the Puebla-Panama Plan has the potential to exacerbate the existing S-SE's conditions of economic dependence, social maldevelopment and a governance model characterized by an undemocratic political vision. Before these elements are defined and analyzed, a few clarifications are warranted at this stage. First, the definitions of these three elements will be linked to the dynamics of the competition state in the specific context of each analytical element, and as related to the specific PPP project that corresponds to each analytical dimension. This analysis will be conducted with two interrelated questions in mind: how can the dynamics of the competition state be integrated into the specific context of each element's definition? And, how does the competition state, in the context of PPP projects, contribute to the potential realization of all three elements in the S-SE? Second, all three elements correspond to one of our main analytical dimensions, and later on, each element will be addressed within the framework of one specific PPP project that corresponds to each element's respective dimension. The following table provides the correspondence between this thesis' analytical dimensions, analytical elements, and PPP projects:

Table 1- General Analytic Correspondence

Analytical Dimension	Analytical Element	Corresponding PPP Project
Economic	Dependence	Infrastructure and Maquiladora Development
Social	Maldevelopment	Agricultural Modernization
Political	Undemocratic Governance	Proposed Political Projects

1.3.1 Dependence

The wide range of dependency theory writings and perspectives renders a definition of dependence somehow difficult to attain. In general terms, and trying to capture the essence of dependency theory's leading theorists, dependence can be defined as "a situation in which an asymmetrical exchange between nations reinforces the power of one (the dominant) nation and inhibits the self-reliance of the other (dependent) nation."⁷² However, the main premise of classical dependency theory,⁷³ namely that the internal backwardness of poor countries is rooted in the dynamics of external unequal exchange, has shown to be untenable on a combination of analytical, theoretical, and even logical grounds. Dependency's weaknesses, according to David Booth, revolve around its inherent combination of "circular reasoning, fallacious inferences from empirical observations, and a weak base in deductive theory."⁷⁴ Some of these aspects will be elaborated later in this subsection, but despite Dependency's flaws and its falling out of fashion among experts and academics, it is possible to "salvage" some of its overall contributions in order to accommodate them into the theoretical framework of this thesis. But before those elements are specified, it is important to first examine some of

⁷².Alschuler, op. cit., p. 16. At times, terminology could be confusing and one concept could have more than one meaning. For this thesis, the term *Dependency* encompasses a very complex plurality of situations in which unequal exchange and systematic disparities are manifested in many ways, shapes and forms. Thus, *Dependency* refers to a school of thought analyzing a very complex juncture. This thesis does not pretend to examine that multidimensional framework, but rather, the specific relations of dependence arising from MNC-state interaction, which indeed, fall under the more complex umbrella of dependency. Therefore, this paper will use the term *dependence* to denote this somehow limited, yet important, context.

⁷³."Classical" Dependency Theory is referred to by the literature as the set of pioneer hypotheses that were formulated in the 1960s and 1970s by authors like Frank, Amin, Cardoso, Faletto, and Sunkel. When this thesis uses the term "Classical" Dependency Theory, it will refer to this particular context.

the main precepts of dependency theory, as well as the criticisms presented by its detractors.

Andre Gunder Frank argued that the roots of dependence were found in the dynamics of international capitalism, since it simultaneously produced underdevelopment in some areas and development in others. These asymmetries, represented by the Western industrialized countries as the centre dominant countries and LDCs as the peripheral dependent ones, were perpetuated by the pervasive patterns of international trade in which dependent countries, usually relying on primary exports and manufactured imports, have to “buy dear and sell cheap.”⁷⁵ Moreover, Frank claimed that the West had acquired the means for its development from exploiting LDCs during the pillage of colonization, but on the other hand, LDCs in the periphery will never have access to that colonial “cashcow,” a fact that forces them to deal with center countries that operate within international market structures that tend to favor the latter.⁷⁶ Within this context, Frank’s main premise was that peripheral countries would experience their greatest economic development when their ties to centre countries were weakest.⁷⁷

Cardoso and Faletto provide a more satisfactory understanding of dependence hypotheses by touching upon the dynamics of internal forces within peripheral countries. They argued that the role of external ties in shaping LDCs’ dependent condition was indeed obvious; however, this should not cover up the existence of internal structural

⁷⁴.David Booth, “Marxism and Development Sociology: Interpreting the Impasse,” in Stuart Corbridge, ed., *Development Studies: A Reader*, (London: Arnold, 1995) p. 38.

⁷⁵.Brian Farmer, *The Question of Dependency and Economic Development*, (NY: Lexington, 1999) p.16

⁷⁶.Ibid.

⁷⁷.Ibid., pp. 16-17.

factors that relate to external ones in the maintenance of relations of dependence.⁷⁸ In other words, the economic dependence of poor countries stems not only from the domination of external forces, but also from the much more complex interaction of economic forces, political structures, historically-conditioned alliances that exist within LDCs themselves. Internal players also have stakes in “dependence situations” and they could play a crucial role in the construction of favorable conditions that facilitate the external domination of the country, such as governmental policies that fail to address domestic disparities, or national elites influencing decision-making to preserve exploitative relations that are beneficial to their own particular interests.

Within this context, what are Dependency’s flaws? Among other criticisms, classical dependency theory is portrayed as a tautological paradigm because its main arguments fundamentally convey the idea that dependent countries are those who lack the capacity for autonomous growth because they are dependent.⁷⁹ This circular reasoning is accompanied by a deterministic proposition that renders any engagement of LDCs with external forces as inherently detrimental to the latter’s development, failing to address areas of analysis where the opposite has occurred.⁸⁰ For instance, Classical Dependency does not account for the economic success achieved by several Southeast Asian countries, which precisely chose to engage with international markets in the context of export substitution strategies. Moreover, Dependency’s economic reductionism failed to take into account the dynamics of social and political factors to explain the general

⁷⁸.Fernando H. Cardoso and Enzo Faletto, *Dependency and Development in Latin America*, (Berkeley: University of California Press, 1979) p. xviii.

⁷⁹.Booth, op. cit., p. 39.

⁸⁰.Farmer, op. cit., p. 27.

configurations of underdevelopment.⁸¹ Finally, Colin Leys argues that Classical Dependency's concepts and hypotheses "do not belong to a coherent theoretical system, based on a coherent political standpoint and a consistent methods of analysis," but rather, they are "ideological and unscientific," and thus, highly vulnerable to theoretical and methodological criticisms.⁸²

Other flaws could be pointed out; however, are there sufficient and comprehensive grounds to justify the total dismissal of the Dependency paradigm? Dependency theory, despite its evident shortcomings, has accomplished major gains vis-à-vis the explanation of global inequalities and persistent backwardness in some countries, achievements that, in Colin Leys's view, accounted to "detailed analyses of the institutions and structures of underdevelopment."⁸³ Moreover, Leys claims,

[Dependency Theory's] focus on the many forms of acute dependence of open, ex-colonial countries on the powerful economic interests and states that dominate the financial and commodity markets in which they operate ("concrete situations of dependence") remains indisputable valid."⁸⁴

Thus, a paradigm should not be discarded merely because it has fallen out of favor in the fashions of the mainstream, but only when it is no longer useful to accurately describe, explain, and predict political or socioeconomic processes. Brian Farmer adds, "the Dependency perspective itself is not monolithic, and dependence is a multifaceted concept that encompasses different phenomena. . ."⁸⁵

This thesis subscribes to the above-mentioned formulation, focusing on the idea that useful theoretical and analytical tools could be extracted from Dependency Theory in

⁸¹ Colin Leys, *The Rise and Fall of Development Theory*, (Bloomington: Indiana UP, 1996) p. 49.

⁸² Ibid., p. 50.

⁸³ Leys, op. cit., p. 51.

⁸⁴ Ibid., p. 50

⁸⁵ Farmer, op. cit., p. 2.

order to explain “concrete situations of dependence” in the context of economic exchanges. Therefore, our concern does not concentrate on any reductionist premise that solely attributes to external agents the underdevelopment of LDCs, but rather, on the possibilities that foreign agents involved in specific situations of economic exchange may impact LDCs economic development in an unfavorable way. For instance, relations of dependence may take various forms: trade oriented to the export of primary products, excessive trade dependence on a given country, a high reliance on foreign capital, food dependence, or foreign debt dependence.⁸⁶ Relevant to this thesis is the scenario of foreign capital dependence, which happens when “FDI is not properly regulated by the host country and where there is a disharmony of interests between foreign investor and the host country’s interests.”⁸⁷ This means that MNC penetration may have the capacity to use state regulation, or the lack thereof, to its advantage, an scenario that becomes more problematic for the host country when this disparity results in the prevention of its own self-reliance (or the mastery of wealth creation and utilization).⁸⁸

For Cardoso and Faletto, foreign capital dependence took place within the context of an external-internal relationship involving foreign capital and LDCs’ governments, whereby the structural weaknesses of the latter open the door to the preponderance of the former in LDCs’ domestic economies. However, they argue that this process involves a complex decision-making exercise within LDCs’ elites “since a complex interaction of economic forces, political structures, and historically conditioned alliances,” influence

⁸⁶.Nora Hamilton, *The Limits of State Autonomy: Post-Revolutionary Mexico*, (Princeton, NJ: Princeton UP, 1982) p. 16.

⁸⁷.Alschuler, op. cit., p. 17.

⁸⁸.Ibid.

the decisions to welcome foreign capital.⁸⁹ Within this context, Cardoso and Faletto placed a great deal of importance on the role of Multinational Corporations as agents of dependence. Essentially, they argued that the rise of MNCs, partially in collusion with national states and their policies to attract investment, have placed economic restrictions on the development of LDCs. In the words of Cardoso and Faletto:

The linkages between the dependent economies and the internationalization of the market have solidified through the creation of industrial platforms for the export of products where MNCs seek a comparative advantage, the transformation of colonial enclaves into those of imperialist corporations, concentration of isolated production processes, and the control of local markets by MNC production.⁹⁰

Based on the claims of Cardoso and Faletto, two interrelated clarifications on foreign capital dependence, and its development within the context of MNC-state regulation relationships, are warranted. Firstly, there is an active interaction between internal and external factors, whereby MNCs are able to penetrate the domestic economy because state policies may facilitate and encourage such a step. Secondly, and related to the previous point, the “concrete situation” of foreign capital dependence can have an overall negative impact on the performance of the domestic economy, and if that is the case, it cannot only be attributed to the presence of international capital. For instance, internal shortcomings, such as poor economic infrastructure, unskilled labor, and inefficient public investment, can also play a key role in the poor performance of the domestic economy, and they could even curtail the possibilities for successful foreign investment enterprises.

This analysis leads us to the economic dynamics of the competition state and how it is linked to the MNC-state regulation dichotomy. As it was stated earlier, the

⁸⁹.Cardoso and Faletto, op. cit. p. xviii.

⁹⁰.Ibid., p. 187.

competition state transforms its operational structures in order to provide a favorable atmosphere to welcome transnational agents into their domestic economic schemes. In fact, the competition state becomes a “commodifying” player in itself to maximize the competitiveness of its industries at home and abroad, and to take advantage of the potential benefits of market economics. MNCs represent one of those transnational agents that must be courted, especially by LDC states, but by the doing so, even if consciously deciding to take that step, they may give up regulatory responsibilities and influence when shaping long-run economic policy. And this is precisely an important characteristic of the competition state: giving up some traditional roles in order to remain relevant in the pervasive system of global economics. Why is this important to the concept of foreign capital dependence? It is important in so far as the competition state could open the door for foreign capital dependence to emerge as a preponderant force in the domestic front, thus engendering a situation whereby potentially detrimental results can emerge in the domestic economy. In addition, the objectives of MNCs and those of domestic development may not necessarily converge, and at the same time, by giving up roles and influences, as the competition state tends to do, governments could lose their capacity to regulate international capital so as to make it work in favor of domestic needs. As it was stated before, this is the price the competition state has to pay to remain relevant, and to appear profitable to the forces of transnational economics.

Allegedly, the Fox administration attempts to broaden the economic base of the S-SE by transcending its traditional primary production, and introducing manufacturing activities and a more systematic program of agroindustrial projects as the basis for growth. The Fox administration believes that MNCs are the only long-term meaningful

financial source that can provide a foundation for such initiatives. And even if MNCs are not necessarily keen to go to the S-SE, the need for economic growth and political stability in the S-SE, as conceived by the Fox administration, must serve as the government's main incentive in order to make them arrive. This situation illustrates the MNC-state regulation context discussed by Cardoso and Faletto, whereby internal forces engage with foreign ones, and in this case, a situation of foreign capital emergence may emerge. In the case of the PPP, it is the competition state that willfully and consciously will pursue international capital as a source of economic growth, an approach that, as will be shown later, may be problematic for the economic performance of the domestic front, specifically as related to the economic requirements of the S-SE.

Therefore, and before a definition of dependence is proposed based on this subsection's analysis, five elements must be identified as key factors for that definition: 1) the core premises of Classical Dependency Theory are inadequate to serve as a theoretical foundation; 2) specific formulations of Dependency Theory are valid for our analysis, especially in terms of "concrete situations of dependence"; 3) our analysis will be concerned with the specific situation of dependence arising from the MNC-state regulation relationship in the context of globalization; 4) in the context of the competition state, internal and external factors will play equally substantial roles in the potential emergence of dependence situations, and 5) our focus must be understood within the context of regional development and its needs. Taking these factors into account, this thesis will define dependence as,

The degree to which a country (or a region) is subject to economic outcomes controlled by foreign actors, whether in general terms or in specific situations, which in turn, may entail detrimental effects to its overall economic performance as a result of externally-based disparities or internally-inspired constraints, or a combination of both.

Those potential detrimental effects could be reflected on limited and short-term economic gains with selective growth for the domestic front, lack of local accumulation, non-existent innovation, lack of endogenous development, no domestic reinvestment, and a negligible impact on purchasing power. In other words, dependence will denote an asymmetric relationship in which MNCs may conduct their activities by producing domestic stagnation and minimum growth, accompanied by the competition state's policies that facilitate this situation, or by its inability to create the proper conditions to reverse it. In the context of the PPP's economic growth projects, the following question will permeate the analysis of chapter 3: Will the economic strategy of the PPP, as conceived by the competition state, contribute to the emergence and exacerbation of dependence in the S-SE? The projects on infrastructure development and maquiladora expansion will be analyzed to illustrate the PPP's potential dependence implications.

1.3.2 Maldevelopment

Underdevelopment represents the negation of development in all its different dimensions. Indeed, underdevelopment refers to a wide range of issues, and its complexity would require a more in-depth analysis than the one allowed by the limitations of this thesis. For example, underdevelopment could be conceptualized within the context of the three analytical dimensions used by this thesis: economic, social, and political. From this context, it could be argued that underdevelopment contradicts development in all three dimensions: economic stagnation versus economic growth, social inequality versus social equality, and political repression versus political liberty. Addressing this issue, Brian Farmer argues that underdevelopment "typically

includes the concurrent existence of low GNP per capita, high inequality in income distribution, authoritarian and repressive political regime types, and a failure of the political-economic system in meeting the basic human needs of the masses.”⁹¹

In other words, Farmer argues that the concept of underdevelopment refers to a wide range of situations that may be interconnected in causal relationships, and that in order to grasp the significance and meaning of underdevelopment, it must be analyzed within the framework of dynamics of all those interrelated situations. It would be impossible to elaborate on all three dimensions without falling into conceptual and theoretical impasses as to define their relevance to this thesis, since we already have a specific concept for both the economic and political analytical elements this thesis is concerned with in relation to regional development. At the same time, to use the concept of underdevelopment to refer to only one of those dimensions, such as social underdevelopment or political underdevelopment, would not make justice to the all-encompassing nature and multidimensional character of this concept.

Therefore, a more precise concept is needed to narrow down the analytical parameters needed by this thesis, especially in terms of finding a concept that can provide a theoretical and analytical framework for the specific analysis of the social dimension of regional development. Thus, and instead of employing the broad concept of underdevelopment, which would require major clarifications that do not necessarily fit within the context of this thesis, the theoretical and analytical demands of our social dimension can be met by the term *maldevelopment*. The concept of maldevelopment is

⁹¹Farmer, op. cit., p. 2.

not new⁹² and according to Alschuler, it differs from underdevelopment primarily in the emphasis and scope it gives to the varied situations and dimensions of underdevelopment.⁹³ For this section, and since the economic and political elements of analysis have already been established, the emphasis and the scope needed have to do with the introduction of a concept that can be applied specifically to the analysis of regional development's social dimension. Within this context, maldevelopment refers to the specifically identifiable and diverse situations of underdevelopment, which could cover such specific situations as economic stagnation, social inequality, or political repression. And following this proposition, a simple typology of maldevelopment can be constructed on the basis of the aforementioned three dimensions of analysis and their specific dynamics and configurations.⁹⁴ Therefore, maldevelopment can be specified as economic, social, or political depending on the analytical issues in question; social maldevelopment, the dimension relevant to this thesis, would imply the opposite of social equality, namely, a system characterized by polarized distribution of wealth, a poor standard of living, and generalized societal poverty. But, how can social maldevelopment be more concisely defined? Amalendu Guha, himself trying to address the different dimensions of underdevelopment, proposes that maldevelopment is composed of the following features:

1. Vertical-oriented development policies, models, patterns, and tendencies without regard to the social beings' and the society's needs;

⁹².This term was mainly used by the French Structuralist School, see Johan Galtung, et. al., *Measuring World Development - II*, " *Alternatives*, Vol. 1, No. 2, pp. 523-55; and Rene Dumont, and M. F. Mottin, *Maldevelopment in Latin America*, (Paris: Seuil, 1981). This term was also used by Alschuler (1998) to assess the role of MNCs in the economic, social, and political developmental processes of Argentina, Ghana, and South Korea.

⁹³.Alschuler, op. cit., p. 5.

⁹⁴.Ibid.

2. The state's inability to satisfy the needs, the demands and the needs-satisfying basic commodities, services, and supplies, and
3. The failure to adopt changes in the patterns of social needs and the social need-satisfying capabilities as needed by society as a whole.⁹⁵

Even though these elements may convey general principles that refer to a context that transcends the social dimension we are trying to address in this section, they can be applied specifically to fulfill the requirements of that purpose. In other words, these three features open the door to the discussion of fundamental social components that must be the focus of an initiative on regional development, namely, the idea of tackling displacement and poverty in favor of a raised standard of living by promoting sectors that are vital to the social well being of the region. The three features identified by Guha convey the idea that it is the state which has the responsibility to address the social needs of the people, and that the failure to do so may result in the creation and maintenance of maldevelopment. As it was pointed out before, and as Guha suggests, social maldevelopment denotes the existence of a deplorable standard of living, polarized and unequal distribution of wealth in society, the unavailability to the population of basic services such as education, health care, security and housing.

In the particular social context of the Mexican S-SE, social cohesion revolves around the vital agricultural sector, on which 52 percent of the population, and 82 percent of the indigenous population, depend for sustenance and employment. When the need to upgrade the social dimension of the S-SE is acknowledged, then, the need to protect and enhance the sustainability of the agricultural sector must be a top priority. Agriculture

⁹⁵.Amalendu Guha, "Development Alternative and Social Alternative: Utopia or Possibility?," in Franklin Vivekananda, *Premises and Process of Maldevelopment*, (Stockholm: Bethany, 1988) p. 4.

provides a vital foundation for the survival of millions of families and thousands of communities; it has guaranteed a basic standard of living for more than half the region's population, and represents the blueprint for community unity and harmony in the region, especially for indigenous communities. Taking into account that maldevelopment will be defined within the context of our social dimension, and that its conceptualization must be understood along the lines of the S-SE's social framework, maldevelopment will be defined as:

The result of specifically regressive policies that cause displacement, poverty, and an unequal distribution of wealth, exacerbating the levels of human marginalization.

This definition will guide the analysis on the PPP's agricultural modernization projects, mainly in terms of agroindustrial projects, as they are bound to directly impact the social dynamics of the S-SE.

1.3.3 Undemocratic Governance

While defining democracy in its multidimensional character would represent a complex undertaking, it is imperative to establish the main elements required to advance democracy in the context of regional development. These elements have already been established in the discussion leading up to drafting of our definition of regional development, elements that can be summarized by three crucial factors: decentralization, consultation and community participation. Decentralization, and its emphasis on diversity, is presented as a possible solution to the problems generated by the uniform policies of the past that have failed to bring positive results in the quest for regional development. Decentralization is defined as "the forms and procedures that allow a society to achieve, at the sub-national and local levels, the goals of poverty reduction,

sustainable livelihood, environmental regeneration, and gender equity”; and at the same time, it must provide for different solutions that may be relevant for different areas depending on their historical conditions, resources and problems.⁹⁶ Therefore, the necessary drive towards decentralization must integrate the general principle that new governance structures will have to be more complex than the straightforward central government-run ones of the past; regional development must be embedded in a democratic vision whereby more players are invited into the fold of decision-making, and diversity serves as the basis for proposals and implementation.⁹⁷

Within this context, consultation refers to the open invitation made to regional and sub-regional units of governance, including communities, to be active players in the drafting of solutions needed to solve pressing problems as they perceive/experience them. A more practical and democratic approach to governance to advance regional development must delegate powers to regional and local governments to shape policies as they see fit in order to implement plans that promote the welfare of their neighborhoods without being constrained by the obstacles of centralization.⁹⁸ Finally, this localized decision-making process must facilitate an environment that encourages the active participation of people in the implementation mechanisms and strategies that seek to realize the projects conceived during the process of consultation.⁹⁹ Hence, a model of democratic governance for regional development is bound to respect the diversity and the “identity” of the regions in terms of providing a decentralized decision-making mechanism where consultation with local governmental units and with communities

⁹⁶.Walter Stohr et. al., eds., *New Regional Development Paradigms Vol. III: Decentralization, Governance, and the New Planning for Local-level Development*, (London: Greenward, 2001) pp. 2-3.

⁹⁷.Ibid., p. 12.

⁹⁸.Kumssa and McGee, op. cit., p. 11.

opens the door to the active participation of the main stakeholders in the process of project execution.

At this stage, the issue of globalization becomes important, as it is bound to impact the promotion of decentralization, consultation, and participation in a meaningful way. As David Held argues, globalization has resulted in the displacement of the state as the centre of political authority, and it has been replaced by a wide range of players that have varying objectives and visions, and interact in the multidimensional fora of global relations. For Held, the state transformation brought about by the pressures of globalization could negatively impact the political relationship between the state and society, because “unelected” and “unrepresentative” players are able to gather considerable decision-making powers and influence, which in turn, could affect society as a whole without being accountable to any particular constituency. The operations of Multinational Corporations, the structural adjustment programs imposed on countries by the World Bank and the IMF, and the “decisions” made by speculative capital which affect currencies and the prices of commodities, can be considered as activities that would lack accountability; yet, national governments have been compelled to accept and join. Therefore, there is an undemocratic connotation to the processes of globalization, and in this context, the ideas of decentralization, consultation and participation, could be relegated to a secondary position as compared to the need to “embrace” the pervasive forces of transnational economic processes.

Moreover, the dynamics of the competition state are important in this discussion. As conceptualized by Cerny, the competition state, in order to remain relevant and to take advantage of the potential benefits of transnational economic processes, must transform

⁹⁹.Ibid., p. 12.

itself into a corporation to preserve competitiveness for the domestic economy. In the process, though, it must give up some roles and authorities, and in this context, its civic and political relationship with society could be eroded because, as Held also argued, unaccountable private and foreign players may permeate its management and decision-making processes. However, Cerny goes further and argues that the residual tasks of the competition state, namely the execution of civic responsibilities vis-à-vis its citizens, can be subordinated, or even be vestigial, to the imperatives of the global marketplace. This is relevant to our discussion on regional development and its political requirements, namely, decentralization, consultation, and participation, because the ability and willingness of national, and even regional and local authorities, to promote those elements can be hindered by the need to remain competitive and conform to the requirements of the free market.

The PPP will allegedly attempt to champion the political stability of the S-SE, a region that presents a historical situation where past centralized policies of regional development have failed to democratize its political and governance structures. At the same time, the region has a diverse ethnic composition, a history of community-based involvement and enduring political conflict challenges. According to Gasca, the "heterogeneity" of the S-SE, both in its economic and cultural fronts, cannot be ignored when planning regional development programs because sub-region and/or communities within the S-SE may be different in their developmental levels, their productive capacities, their social problems, and their political needs.¹⁰⁰ Equally important, the S-SE is home to 74 percent of Mexico's indigenous population, a fact that raises questions

¹⁰⁰. Gasca, *Plan Puebla Panama*, op. cit., pp. 78-9.

about the need to take a careful political approach whereby self-determination and autonomy rights are acknowledged and honored.¹⁰¹ Therefore, if political stability is to be achieved in the S-SE, the PPP must face the challenge to take into account and effectively accommodate these multidimensional requirements. However, the very fact that it is also attempting to diversify the economic base of the region through international capital investment, a transnational agent that could influence political decision-making in the region, means that a conflicting situation could emerge between the need to advance political inclusion in the S-SE, in terms of the three elements discussed before, and the promotion of the competition state's economic agenda.

In essence, democratic governance within the S-SE regional context must convey an inherent respect for diversity materialized through decentralized and community-based consultation and participation. Addressing a region with a polarized and repressive past, and with pending political conflicts and instability, the PPP faces the remarkable challenge of reconciling its economic projects with the need to promote political stability and inclusion, a scenario that will be analyzed with more detail in chapter five. For now, and as it was the case with the economic and social elements of analysis previously defined, the antonym of the developmental element will now be defined (as our main premise is focused on this modality). Undemocratic governance will be defined as:

An elitist and centralized decision-making model that does not provide for consultations with the main stakeholders of developmental projects, lacks dispositions for their active participation in them, and central imposition takes precedence over dialogue and consensus.

This definition will serve as a basis for our future analysis on the political and consultative schemes proposed by the PPP. As with the other two analytical elements,

¹⁰¹.Ibid., p. 79.

the context of the competition state will permeate the analysis of chapter 6, when the political project of the PPP will be analyzed. How will the PPP facilitate the perpetuation of undemocratic governance in the S-SE?

To sum up, these three elements of analysis, dependence, maldevelopment and undemocratic governance, will be the basis of analysis for chapters 3, 4 and 5, as they correspond to the thesis' three dimensions of analysis, and will be discussed within the context of PPP projects as they relate to each dimension and element. The above-given definitions will be relevant to the critical analysis that will be presented at the end of each chapter to reiterate the main premise of this thesis. Again, it is important to keep in mind that the context of these definitions will be integrated into the nature of the competition state, as reflected by the Fox administration, once the vision, expectations, and modes of action of the PPP are laid out in general terms, as well as in the specific areas that this thesis is going to examine.

1.4 Methodological Approach

At this stage, several methodological clarifications are required. In the first instance, the lack of English literature on the PPP will be complemented by relying on mostly Spanish primary and secondary sources on the issue, sources that were mostly acquired during the author's fieldwork in Mexico in the fall of 2002. The fieldwork concentrated on the research of material related to the PPP at UNAM's Institute of Economic Research (IIE), as well as the exchange of ideas with professors and

researchers concentrating on the PPP.¹⁰² Government entities were also contacted, mainly the Secretariat of External Affairs, but given the current perceived impasse on the PPP, their help was negligible and limited to the facilitation of information already available in open venues, like the internet. Finally, several NGOs were visited, some of them offering very politicized information with little “academic” backing, but nevertheless, their views were helpful and provided a mostly critical insight on the PPP as well as key information on the evolution and dynamics of projects.¹⁰³

Secondly, and given the PPP’s broad scope, it would be impossible for this thesis to explore every single one of its projects, and even though the parameters of the analysis have already been defined, the PPP envisions short, medium, and long-term goals, and within this context, this thesis will conduct the analysis as to include all three phases (infrastructure projects constitute a short/medium term goal; maquiladora expansion is a medium/long term objective; agricultural modernization and political consultation projects represent processes that will encompass all three phases). Even though the impacts and results of each phase may vary in terms of time and scope, real impacts on the economic, social, and political life of communities are bound to take place throughout the projected process of completion. How can these impacts be effectively predicted,

¹⁰².I had the chance to have a series of informal meetings (not really “interviews” per say) with several prominent scholars at UNAM, including Andrés Barreda, Armando Bartra, and Teresa Gutiérrez Haces. Their tight schedule and the fact that I was not residing in Mexico City but in Guanajuato, prevented us from engaging in more formal conversations. However, our meetings were very insightful in terms of providing ideas and knowledge regarding the PPP, as well as the main sources of information and the best way to obtain them. In the end, my research work was mainly assisted by José Gasca at the IIE, a researcher specifically concentrating on the PPP and its potential impact on the dynamics of regional development in Mexico.

¹⁰³.Among others, the Mexican Action Network on Free Trade (RMALC), one of the most important Mexican NGOs doing work on the PPP, provided me with useful information on the PPP and allowed me to use their resource center. The insight of María Atilano and Gabriela Rangel was particularly useful to formulate a critical perspective on the PPP, and they shed light on several issues related to the PPP that have not been examined in a systematic way by other institutions/researchers.

especially when the PPP's projects, for the most part, still remain on paper?

The evaluation of the PPP's projects will be supported by the systematic assessment of preceding experiences in the Mexican territory similar to the ones established in this thesis as relevant areas of analysis, backed by the views of experts who have evaluated them, especially in the treatment of infrastructure and maquiladora expansion, and agricultural modernization. This modality is designed to provide this thesis with a historical foundation for analysis. Regarding political consultation patterns, the "official claims" will be juxtaposed to those of NGOs and indigenous community groups in order to determine the degree of consultative and participative projects already in progress, or lack thereof. The relative "newness" of the PPP makes this methodological/analytical modality imperative, and the assessment of short, medium, and long-term goals would be incomplete without relying on such important analytical tools and complements. Finally, it is important to note that this thesis's conclusions will be of a tentative and speculative character, given the above-mentioned method of analysis, and taking into account the still-preliminary and embryonic character of PPP projects.

1.5 Chapter Summary

In sum, this thesis argues that the Fox administration is promoting the PPP in order to diversify the economic base of the S-SE, and at the same time, bring about political stability through growth and prosperity. However, the conceptual and operational frameworks by which the PPP is being promoted, could potentially exacerbate the problems already faced by the region. Within this context, our analysis of the competition state is relevant in two ways: first, it explains why the PPP takes the form

it does, i.e. its emphasis on international capital being the primary engine of growth, and second, because the dynamics of the competition state can help to explain why the form that the PPP takes can be detrimental to regional development in the S-SE. But in order to effectively assess the potential impacts of the PPP in the S-SE, our theoretical framework defined the concept of regional development and its specific requirements, and at the same time, indicated how its dynamics have been changed by globalization and the expansion of transnational forces in the global economy. It is precisely in this context which the discussion of regional development must be linked to the competition state: how does the competition state, in itself a result of the dynamics of globalization, impact regional development in all its three dimensions as related to the PPP?

In order to address this question properly, all three of regional development's analytical dimensions must be examined. Our theoretical framework defined dependence, maldevelopment, and undemocratic governance as the three analytical element that cover all three dimensions, and at the same time allow for the more thorough assessment of PPP's projects and their potential impact on regional development in the S-SE. Moreover, all three elements must be conceptualized within the context of the competition state, and how the way it functions could promote their development in the S-SE. As mentioned before, the context of the competition state will run through the whole thesis, especially in chapters 3, 4 and 5, when specific PPP projects, and the way in which the competition state envisions them, will be examined to determine their potential impacts on the development prospects of the S-SE.

Chapter Two - The Competition State and the South-Southeast: The PPP to the Rescue?

The purpose of this chapter is to complement the theoretical foundations of the thesis in three major areas: first, to link the Mexican state to the concept of the “competition state”; second, to analyze the primary reasons behind the endemic backwardness of the S-SE, and finally, to examine critically the vision and operational framework of the PPP. In the first section, the evolution of the Mexican state from a protectionist to a competition apparatus will be presented, emphasizing the post-1982 neoliberal shift that changed the economic direction of the country, and pointing out how the Fox administration is in fact perpetuating that competition nature. An important element to keep in mind will be the idea that the failures of the first phase of the competition state, mainly in terms of “capitalist modernization” and free trade, did not have an impact in the S-SE, and as a result, the Fox administration is promoting the PPP as a way to make the neoliberal project work in the region. This discussion will explain how the competition state policy has increased regional disparities, why the PPP takes the form it does, and why international capital represents an important element in the promotion of the PPP.

Secondly, I will analyze the failure of the earlier ISI policy and of the initial phases of the competition state policy to achieve development in the S-SE, focusing on the discriminatory nature of centralized policies and the tendency to keep the region as a supplier of primary products and natural resources. These major disparities not only provide the justification to promote the PPP, but also the conditions that the PPP could potentially end up perpetuating. Finally, the third section I will focus on the dynamics

PPP initiative with two goals in mind: first, to show why the concept of the competition state helps explain the PPP initiative, and second, to identify the major areas in which the PPP seeks to make a difference. In sum, the following question will provide the underlying analytical context for this chapter: does the roots of the PPP in the competition state strategy augur for the positive reversal of regional development in the Mexican S-SE?

2.1 The Evolution of the Competition State in Mexico

The collapse of world markets in the 1930s decimated Latin America's mainly primary-export industries, provoking a re-direction in economic policy in the 1940s and 1950s. The larger countries of the continent, i.e. Mexico, Brazil, and Argentina, embarked on import substitution industrialization (ISI), a strategy that sought concrete goals: to replace imported manufactured goods with domestic production; to reduce the dependence on volatile export earnings, and to capture more of the domestically generated surplus for local accumulation.¹⁰⁴ The main premise of this strategy was to promote internal industrialization, a step that would have to be accompanied by an expansion in the purchasing power of the internal market in order to secure the strategy's sustainability.¹⁰⁵ Ideally, industrial production would create employment for an expanding urban population who would earn higher wages and, thus, become consumers of domestic production.¹⁰⁶ Moreover, the reduction in imports, coupled with the continuation of agro-exports, would lead to a favorable balance of trade and an

¹⁰⁴ Judith Teichman, *Privatization and Political Change in Mexico*, (Pittsburgh: University of Pittsburgh Press, 1995) p. 13.

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

accumulation of much needed foreign exchange. However, these goals could not be achieved without the long-term fostering of domestic industry, a goal sought through two policies: first, the state had to establish protective tariffs to shield local infant industries from foreign competition, and second, it had to provide the means for local industries to acquire the necessary capital, technology and managerial expertise.¹⁰⁷

In Mexico, the ISI strategy managed to increase substantially the share of industry in the economy, create jobs for an expanding urban population, increase the purchasing power of the middle and working classes, and build key economic infrastructure for long-term growth. In fact, from 1940 to 1970, a period labeled the “Mexican Miracle” because of unprecedented economic performance, the economy grew at an average of about 5 percent annually.¹⁰⁸ However, by the mid-1960s, the ISI strategy began to show signs of stagnation. The domestic industrial sector began to falter as a result of its dependence on expensive capital goods and technological imports, a situation that, when coupled with the fall in agricultural exports due to the state’s almost exclusive focus on industrial growth, forced the state to borrow money externally in order to fill growing balance of payments gaps.¹⁰⁹ Moreover, the capital-intensive nature of ISI led to an impasse in the creation of jobs, affecting the capacity of the domestic market to sustain industrial growth through steady consumption.¹¹⁰

An inefficient protectionist system led to the maintenance of unproductive industrial sectors with government money and outside loans. Artificially low prices for

¹⁰⁷.Daniel Levy and Kathleen Bruhn, *Mexico: The Struggle for Democratic Development*, (Berkeley: University of California Press, 2001) PP. 151-2.

¹⁰⁸.Ibid., p. 152.

¹⁰⁹.Judith Teichman, *Policymaking in Mexico: From Boom to Crisis*, (London: Allen & Unwin, 1988) p. 37.

¹¹⁰.Ibid.

food staples impoverished the rural sector and subsidized urban wages, while an overvalued peso cheapened luxury imports for affluent groups and hurt agricultural exports. These policies resulted in rural and urban unemployment, accelerated migration to the cities, the growth of a large informal sector, and the persistence of income inequality.¹¹¹ The oil boom of the mid-1970s allowed Mexico to over borrow to make up the shortcomings of the ISI strategy, especially because “international banks did not believe that an oil exporter could become an insolvent debtor.”¹¹² As a result, the Mexican foreign debt more than doubled between 1978 and 1983 and the national fiscal deficit reached US\$12 billion, while most of the borrowed money was not used productively and the failures of the ISI, by now in its final stages, remained unsolved.¹¹³ The impending internal crisis coincided with the unleashing of an international economic crisis, which served as a catalyst for Mexico to completely renounce its ISI strategy and radically change course in economic policy.

From this context, it can be argued that the advent of the competition state in Mexico goes back to 1982, when the debt crisis forced the country to adopt a new economic stabilization program. In general terms, the world recession that followed the 1979 inflation-inducing oil shock had two major impacts on Latin America: first, it provoked the collapse in the demand for Latin American exports in world markets, and second, it forced a rise in interest rates in the creditors’ countries to fight inflation, a step that tripled Latin American debts overnight. When combined, these two situations

¹¹¹.Ibid., p. 38.

¹¹². R. Grinspun and M. Cameron, “Mexico: The Wages of Free Trade,” in F. Rosen and D. Mcfadyen, eds., *Free Trade and Economic Restructuring in Latin America*, (NY: Monthly Review Press, 1995) p. 43.

¹¹³.Ibid.

resulted in massive balance of payments deficits for Latin American countries.¹¹⁴ Decreased export revenues, a retroactive hike in interest of old debts, and having to borrow more at high interest rates to fill balance of trade gaps and to buy expensive energy supplies, all incapacitated Latin American countries' capacity to service pending debts in the short-run. The Mexican government's August 1982 threat to default on its external public debt was the "trigger that finally unleashed the debts crisis."¹¹⁵ Fearing a major destabilization in the world financial system, the International Monetary Fund (IMF) and the World Bank, on behalf of western public and private creditors, imposed on Latin American countries a new operational framework for debt repayment based on Structural Adjustment Programs (SAPs), as well as a new growth model rooted in free markets, trade and financial liberalization, and privatization of public enterprises.¹¹⁶

Firstly, SAPs constitute a set of specific policies that debtor countries must implement in order to "reform" their economies, not only as a prerequisite to receive more loans, but also to enable them to collect more revenue on their own to service their debts. The central element of SAPs is the emphasis on conditional "policy-based lending": debtor countries have to implement adjustment policies within very precise deadlines, and are subjected to constant "policy performance evaluation" to determine whether loans should still be advanced based on the debtor's compliance with the SAP.¹¹⁷ According to Chossudovsky, SAPs' policy-based program involves two phases. First, "economic stabilization" includes the implementation of monetary reform by devaluing the national currency to increase exports, fiscal restraint through balanced budgets and

¹¹⁴.Victor Bulmer-Thomas, *The Economic History of Latin America since Independence*, (Cambridge: Cambridge UP, 1994) p. 366.

¹¹⁵.Ibid.

¹¹⁶.Ibid., p. 367.

declining expenditures, and price liberalization that scraps subsidies.¹¹⁸ Phase two is “structural reform,” involving trade liberalization, privatization of state enterprises and agricultural land, and deregulation of the banking system to give control over monetary policy to the “free market.”¹¹⁹ After declaring its inability to service its foreign debt in 1982, the Mexican government, which was also facing a drop in oil prices during the aftermath of the oil shock, had to comply with SAPs as its only alternative to re-schedule the debt, changing the country’s economic management perspective in the process.

From 1982 to 1988, Miguel de la Madrid’s government undertook a stabilization SAP which included cutbacks in public works programs, the closing down of several state-owned enterprises, dismissals of thousands of public employees, and reduction of food subsidies, in efforts to control the budget deficit and obtain funds to service the debt.¹²⁰ Moreover, in 1985, the government complemented the SAP by launching a new model of growth which would replace ISI in the domestic market with production for export, based to a large extent on foreign capital. This “new model” aimed at reducing the role of the state in the economy and letting the private sector promote growth, a step that concretely meant the removal of protectionist barriers to encourage foreign investment, especially in the manufacturing sector and in agriculture.¹²¹ These groundbreaking reforms transformed Mexico’s economic direction, and, as Collier

¹¹⁷ Michel Chossudovsky, *The Globalization of Poverty: The Impacts of World Bank and IMF Reforms*, (London: Zed Books, 1998) pp. 51-2.

¹¹⁸ Ibid., pp. 55-61.

¹¹⁹ Ibid., pp. 62-5.

¹²⁰ George Collier, “Restructuring Ethnicity in Chiapas and the World,” *Indigenous Affairs*, July-September 1995, pp. 23-4.

¹²¹ Ibid.

argues, the country “shifted, in a few years, from being one of the most protectionist nations in Latin America, to the most integrated into the international trading system.”¹²²

The Salinas de Gortari administration, in power from 1988 to 1994, intensified the liberalizing and deregulating policies begun in 1982, a process that reached its peak in 1992 with the signing of the North American Free Trade Agreement (NAFTA). In essence, the Treaty was sought in order to maximize the potential of the country’s export-oriented industries by eliminating barriers to trade, and encouraging the inflow of foreign direct investment, mainly from the United States. As a prerequisite for signing NAFTA, the Salinas government reformed article 27 of the Constitution, a clause that had protected land tenure for peasant and indigenous communities since 1917, to end communal possession of agricultural property in favor of full commercialization of individual property.¹²³ Moreover, NAFTA ended import restrictions on basic foods, such as maize, opened the door to the liberalization of the monetary, financial, and banking systems, removed price controls and subsidies, and led to further privatization of state agencies and institutions.¹²⁴

By the year 2001, Mexico had increased its trade with the United States and Canada by 84 percent as compared to pre-1994 levels, and 72 percent of the national GDP depended on the overall export of commodities and services, mainly to the United States.¹²⁵ Furthermore, FDI had reached US\$23 billion, more than five times the amount registered in the early 1990s.¹²⁶ These numbers suggest the transformation of the

¹²².Ibid.

¹²³.Castells, op. cit., pp. 74-5.

¹²⁴.Ibid., p. 74.

¹²⁵.Economic Commission for Latin America and the Caribbean, *Economic Study of Latin America and the Caribbean, 2000-2001*, (Santiago de Chile: UN Publications, 2002) p. 218.

¹²⁶.Ibid., p. 211.

Mexican economy into a structure highly integrated into, and dependent on, the dynamics of international markets and agents, and thus, the discussion on the nature of the Mexican state must be revisited. Three major developments in the post-1982 period suggest that, indeed, the Mexican state has evolved into an apparatus reflecting the features of the competition state: 1) the state's role in the economy has been diminished, and thus, its decision-making powers have been eroded; 2) trade liberalization, financial deregulation, and export-oriented growth strategies have positioned Mexico as a country functioning within the wider context of transnational markets, and 3) Foreign Direct Investment and MNCs, especially in the maquiladora industry in the northern frontier and central region, have become a crucial engine of growth and "modernization" for the country. It is important to keep the dynamics of the maquiladora industry in mind as it represents a clear strategy of the competition state policy' approach to regional development, which in the end, has contributed to the regional disparities in Mexico. But this issue will be discussed with more detail in the context of the next subchapter, and for the time being, it can be argued that entrenchment of the above-mentioned conditions has transformed the Mexican state into a committed promoter of market-oriented mechanisms.

Has the Fox administration changed course? Jaime Ornelas argues that, given the deterioration of the PRI political hegemony in Mexican society leading up to the 2000 presidential elections, "Vicente Fox represented the only and most viable alternative to continue the neoliberal and market-oriented project begun after 1982."¹²⁷ For Ornelas, the election of Fox revolved around the perceived need to change leadership at the executive branch, which may have come from a raised political consciousness among

¹²⁷ Jaime Ornelas Delgado, "El Proyecto Económico de Vicente Fox," *Aportes: Revista de la Facultad de Economía-BUAP*, Vol. 6, No. 17, pp. 112-3.

Mexicans and the PRI's corrupt image, and not necessarily to change the economic direction of the country. In fact, the Fox administration has never questioned the continuation of the neoliberal model as Mexico's economic direction, and on the contrary, it is committed to its perpetuation. Ingrained in his administration's conservative character, the privatizations, the reduced economic role of the state, the continuing liberalization of trade, an austere fiscal reform, and the processes of financial deregulation, are all areas to which Fox has committed in a decisive fashion.¹²⁸ Thus, these "commitments" make the Fox administration fit the competition state category in so far as the state is bound to continue to act as the facilitator of market forces in the economy, to transform its operational structures to further accommodate the demands and interests of transnational players, and to further insert the country into the dynamics of globalization.

In this context, the concept of the competition state can help us understand the reasoning behind this shift. In order to remain relevant in the dynamics of globalization and to attempt to channel the potential benefits of market economics into its society, the Mexican state has transformed itself into an active facilitator of market forces. By opening public institutions to privatization, signing free trade deals that eliminate protectionist policies, providing fiscal incentives to international capital, and letting the free market influence financial and monetary issues, the Mexican state has transformed its operational patterns to accommodate the demands and interests of transnational players. As Cerny argued, the competition state retains some powers, especially in terms of being a key player in the transition to market-oriented policies, but at the same time, may relinquish other important long-term roles in the process of opening up its economic

¹²⁸ Ibid., p. 122.

system. In the Mexican case, this situation is reflected in the post-1982 period where Mexico has become a country heavily immersed in the dynamics of global structures, and the role of the state has been diminished in favor of free-market decision-making processes. In the context of the PPP, the Fox administration is indeed playing an important role in so far as it attempts to lay the groundwork for international capital to arrive in the S-SE, and thus, the initiative is not necessarily state-led, but state-facilitated, just as much as Mexico's overall neoliberal transformation. In other words, the PPP is being promoted in its initial stages by the Fox administration, but in the long-run, it is likely that transnational forces will become the initiative's strongest players, potentially displacing the state in both financing and decision-making. In this context, the PPP represents a continuation of the competition state policy, now integrated into a specific plan for regional development.

And it is precisely in the spirit of neoliberal and market-oriented reform, that the Fox administration has proposed the PPP as the solution to the problems of the S-SE, promoting the need to diversify its economic base, bring about economic and social prosperity, and create the conditions for political stability in the process. The acknowledgement that socioeconomic backwardness persists in the S-SE, a key argument behind the promotion of the PPP, suggests the failure of the post-1982 neoliberal project to impact successfully the region in terms of economic development, and it is precisely the PPP which is seen by the Fox administration as the mechanism that will make neoliberalism work in the S-SE. By further integrating the region into the dynamics of transnational markets, the Fox administration believes that the S-SE can find its way towards permanent economic growth and stability. In its essence, both in principles and

modes of action, it will be shown that the “competition” nature of Fox’s government will be reflected in the main projects proposed by the PPP. But the importance of this analysis is not only to explain the nature of the Fox administration and to show why the PPP is promoted the way it is, but also to explain the potential consequences that this approach can have vis-à-vis regional development in the S-SE. However, and before the PPP vision and projects are analyzed, it is important to present an overview of the historical and structural juncture that has confined the S-SE to a condition of chronic backwardness. We will turn to that analysis in the next subchapter.

2.2 The South-Southeast: From Discrimination to Demagogy

Why has the competition state strategy failed in the S-SE? Why is the S-SE the PPP’s focal point of attention? In all of the most important socioeconomic indicators, the states of the S-SE rank substantially lower than those of its central and northern counterparts, and levels of poverty and marginalization are of endemic proportions. The numbers are categorical: the nine states of the S-SE, with almost one-third of the country’s population, produce only 17.5 percent of the national GDP; they receive only 40 percent of the national average for per capita income; they register almost 50 percent of the country’s illiterate population and 80 percent of communities categorized as “displaced and isolated.”¹²⁹ Moreover, those nine states concentrate the country’s highest numbers of people living in poverty and extreme poverty, with little access to vital services (such as health care, education, housing and running water), lacking vital economic infrastructure, and experiencing the country’s highest rates of infant mortality

¹²⁹ Salomón, op. cit., p. 971.; Gasca and Torres, op. cit., p. 3.

and malnutrition.¹³⁰ According to the World Bank, Mexico ranks as “one of the worst countries around the world,” in terms of the structure it has in place to promote a fair regional socioeconomic distribution.¹³¹

But regional asymmetries in Mexico are not only evident in technical indicators, such as GDP per capita, but also in many other time-and-space variables. These include the geographic location of systems of production; the infrastructure and technological equipment available to regional units; organization of, and access to, markets; distribution of population; and the allocation of public and private investment (see table 3).¹³² The S-SE is lagging behind in all those crucial sectors, a chronic situation that prevents it from acquiring the proper instruments to bring about socioeconomic development, and in turn, perpetuates the vicious cycle of backwardness. What are the roots of this situation? The history of regional development in Mexico has been characterized by a tendency from central governments to impose arbitrary and improvised initiatives, which in the end, have dramatically exacerbated regional disparities, as the indicators presented above illustrate. These asymmetries are the result of three kinds of misguided policy dimensions: two secondary dimensions, comprised of historical and geographical features, which in turn have been shaped and permeated by a primary dimension, a structural/institutional one.

Table 2 – Regional Division of Mexico, 2001-06

Northwest	Central-West
Baja California	Nayarit
Baja California Sur	Jalisco
Sonora	Colima
Sinaloa	Michoacán
	Zacatecas

¹³⁰ Gasca y Torres, op. cit., p. 4.

¹³¹ Gasca, *Plan Puebla Panamá*, op. cit., p. 73.

¹³² Ibid.

Northeast Chihuahua Durango Coahuila Nuevo León Tamaulipas Central Querétaro Hidalgo Tlaxcala México Morelos Distrito Federal	San Luis Potosi Aguascalientes Guanajuato South-Southeast Guerrero Oaxaca Chiapas Puebla Veracruz Tabasco Campeche Yucatán Quintana Roo
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Note: This division was introduced by the Fox administration in order to formulate its regional development plans. Source: Javier Delgadillo et. al, "Distorsiones del Desarrollo Regional en México en la Perspectiva de la Globalización," *Momento Económico*, No.115, Mayo-Junio 2001, p. 33.

Table 3 – Regional Inequalities in Mexico, Selected Socioeconomic Indicators

Region	GDP per Capita, 1998*	% of Public Investment Share, 1999♦	% of FDI Share, 1999†	% of Labor Force Participation, 1999	Mortality Rate, 1000 Live Births, 1998	% of Illiterate Adults, 1998	Doctors per 1000 inhabitants, 1998
National Total	1420.6	100	100	75.1	32.8	10.3	0.8
Northwest	1550.9	6.27	17.95	77.3	28.0	5.3	0.7
Northeast	1867.6	11.37	25.83	84	27.8	5.0	0.7
Central West	1050.6	10.76	7.13	73.3	32.6	10.0	0.85
Central	1717.8	31.58	47.14	84.0	31.2	10.0	0.9
South - Southeast	919.0	38.57	1.35	62.3	39.9	19.0	0.8
Other/not applicable	-	1.45	-	-	-	-	-

* Thousands of 1993 Pesos

♦ Millions of Pesos

† US Dollars

Source: Adapted from information obtained from the National Institute of Statistics, Geography, and Information, Ministry of Labor and Social Services, 2000. Taken from: Delgadillo et. al., op. cit., pp. 29-40.

The advent of Mexico's historical policy disparities in regional planning is found in the mid-1940s, when Mexico adopted the ISI developmental strategy. For more than four decades, the dynamics of ISI, and its emphasis on the need to increase domestic purchasing power and expand the internal market, made the central region of Mexico the

primary recipient of state investment.¹³³ Mexico City and Guadalajara, given their large concentration of people, better economic infrastructure and easy access to markets, were the primary beneficiaries of the national industrialization effort, and they were joined later by the northern city of Monterrey and its eventual expansion facilitated by its proximity to the American border. By the mid-1960s, the economic infrastructure that the central region was able to develop based on the investment from import substitution, by now in its final stages, set the foundation for the region to absorb effectively the fiscal and commercial benefits of the oil boom in the S-SE. Due to its dependence on Mexico City for supplies, technology, transportation and managerial expertise, the oil sector was transformed into a predominantly enclave industry disconnected from its surroundings, and thus, preventing the S-SE from absorbing the benefits of the industry in any meaningful way.¹³⁴

In a similar fashion, the northern region of Mexico has been successful in consolidating its status as a strong agricultural and manufacturing base, both for national and international markets. Its vast territories with low demographic density, coupled with relatively efficient transportation systems, enabled the region to concentrate on the development of agricultural and livestock sectors that had easy access to the 3, 000 km-long border with the United States.¹³⁵ Furthermore, the federal government allocated strategic investment on fishing ports and mining projects that diversified the north's economy and provided a steady inflow of hard currency that managed to be modestly reinvested in local economies. With the genesis of the competition state policy in the

¹³³.Salomón, op. cit., p. 973.

¹³⁴.Ibid.

¹³⁵.Ibid

1980s, regional disparities were intensified as the Mexican government, in an attempt to build on the existing economic schemes (mainly the maquiladora industry) that had been introduced during the ISI period, focused on the allocation of resources and investment to the central and northern regions to consolidate them. With the subsequent signing of the North American Free Trade Agreement (NAFTA), the maquiladora industry in the north was consolidated, gradually reaching significant proportions, especially along the extensive borderline with the United States, employing 1.3 million workers in 2000, up from 440,000 in 1990.¹³⁶

Where does the S-SE fit in this scenario of relative prosperity? In essence, the S-SE has been historically isolated from mainstream national initiatives that sought socioeconomic progress, and its role has been reduced to a second-class provider of raw materials, agricultural crops, oil and electricity. Of course, these four sectors, if planned to enhance the endogenous expansion of the region, have the potential to bring about positive change, especially the profitable energy industries. But, as mentioned before, the energy sector was set up as an enclave structure whereby most benefits ended up being enjoyed by other regions and contributed little, if nothing, to the efforts of local development in the S-SE. At the same time, the “benefits” of the liberalization process have not been felt in the region, and in fact, it has retained its mainly primary productive schemes based on agriculture and natural resource exploitation, suggesting that not much has changed in the S-SE after the introduction of the competition state policy. Instead, there have been several programs implemented by the federal government with the purpose of stimulating economic growth in the S-SE; however, they all have ended in failure. Why is this the case? What is the underlying reason behind the S-SE’s

¹³⁶.Ibid.

systematic backwardness? What is the catalyst of the aforementioned historical and geographical disparities?

Structural/institutional deficiencies are the fundamental reason for those sharp regional inequalities. A structural discriminatory approach characterized by the excessive concentration of economic power in selected areas, together with a systematic lack of compensatory measures for poorer and isolated regions, has been the primary approach permeating the federal government's regional planning for the last 50 years. Complementing the historical and geographical dimensions identified before, as well as the overall reasons pointed out earlier in this paragraph, Delgadillo, Torres, and Gasca propose the following structural/institutional disparities to further explain Mexico's regional inequalities:

1. The lack of project continuity due to limiting six-year planning and the emphasis on a few regions as the centers of development;
2. The centralized and top-down decision-making approaches in which the perceived interests of the federal government, usually temporary, takes precedence over the participation of the regions in terms of benefiting from the wealth created within their territories;
3. The proposals of predominantly normative plans and programs that lack serious control and re-evaluation mechanisms;
4. The economic vulnerability of proposed projects due to recessions and economic crises, and
5. The paternalistic and clientalistic character and use of programs and their resources.¹³⁷

¹³⁷ Javier Delgadillo, Felipe Torres, y José Gasca, "Distorsiones del Desarrollo Regional de México en la Perspectiva de la Globalización," *Momento Económico*, No.115, Mayo-Junio 2001, pp. 30-1.

These five elements can be summarized by saying that Mexico's regional development planning has been conceived through a discriminatory, selective, centralistic, and paternalistic perspective whereby lack of program continuity and normative projects have ended up benefiting some regions at the expense of others. The failure of the energy projects in the S-SE was addressed by promoting "social" projects that targeted poverty and displacement, such as the National Plan for Depressed Zones and Marginalized Groups (1977); the National Solidarity Program, PRONASOL (1993), and, more recently, the National Program for the Promotion of Priority Regions (1999). These projects focused on the handing out of selective subsidies to agriculture, small industries, and communities in the form of financial assistance and/or food, equipment and other supplies, a measure the government claimed would start filling the productive and social gaps of the region and would eventually trigger a more comprehensive system of self-sufficiency and economic diversification.

However, these programs lacked a clear long-term vision of integral regional development, and, on the contrary, their short-term nature and their exclusive allocation to government supporters made them a source of division and wider inequalities amongst communities.¹³⁸ Up to the year 2000, "regional development" plans in the S-SE were primarily used by successive PRI governments as instruments to gain political advantage in the region. What is even more dangerous is the fact that no clear signs have been given for decades of an attempt to integrate the S-SE within the orientation of an economic and territorial platform that addresses the peculiarities of the region's problems and transcends the partial character of the quasi-plans so far conducted. The Fox

¹³⁸.Ibid., p. 35.

administration claimed that these failures were inherently ingrained in the authoritarian and corrupt PRI dictatorship, and that a new approach was needed to develop the S-SE now that a “new Mexico” was awakening to democracy. For Vicente Fox, that new approach is represented by the Puebla Panama Plan.

But before we turn to the analysis of the PPP, it is important to make an analytical clarification. The Fox administration suggests that all previous programs to develop the S-SE have failed, and this is precisely why the PPP must be promoted. However, it does not necessarily condemn Mexico’s neoliberal orientation in the last twenty years, but rather, the way in which the “paternalistic and clientelistic” state has failed to make neoliberalism work in the S-SE. And even though transnational agents have already penetrated the S-SE,¹³⁹ especially MNCs in the agroindustrial sector and, to a lesser extent, maquiladoras in Puebla and Oaxaca, the PPP proposes that the S-SE’s insertion into the global economy should not be partial, but rather total, and as such, that initiative should provide the foundation for long-term progress in all dimensions. Thus, and as it will be shown in the subsequent analysis, the PPP’s underlying proposal is to make neoliberalism work in the context of the S-SE’s needs as perceived by the competition state policy of the Fox administration, mainly by providing the necessary conditions to attract foreign investment and maintain it as a long-run basis for economic growth. Moreover, the PPP tacitly acknowledges the reasons that gave rise to the Zapatista rebellion in 1994, and therefore, it can be argued that the socioeconomic package that the PPP offers is designed to tackle any disparities and bring about political stability, even if doing so by promoting a neoliberal agenda and potentially creating a problematic

¹³⁹. This theme will be analyzed with more detail by our analysis in chapters 3 and 4.

juncture in the process. Keeping these elements in mind, we will turn to the discussion of the PPP's key components.

2.3 The Puebla Panama Plan: the Duplication of Reality

From the outset, the promoters of the PPP claimed that its main objective was to take advantage of the human and natural wealth of the Mesoamerican region within the context of sustainable development and respect for cultural diversity. This “new” mode of action would strive to tackle poverty and displacement, promoted through an unprecedented package of projects pointed towards economic diversification. As an operational foundation for the PPP, the Fox administration claims,

The federal government is committed to changing the priorities of regional development policies, beginning in the S-SE and within the framework of the PPP. Its purpose is to immediately clear the obstacles that have been detrimental to the region, and tackle negative tendencies to improve the quality of life of its inhabitants.¹⁴⁰

Committed to change, the PPP rests on two fundamental principles: first, it argues that development must revolve around “human development,” otherwise “it would not be development at all,” focusing on “the special needs of indigenous communities.”¹⁴¹ And second, the PPP seeks to “insert the S-SE into the international patterns of globalization, taking advantage of its great potentials, in order to establish a strong multidimensional foundation capable of providing a long-term economic growth.”¹⁴² This would be achieved by systematically attracting “productive private investment into the region,” especially by “promoting structural changes within the government in order to promote,

¹⁴⁰.Presidencia de la República, *Documento Base*, op. cit., p. 6.

¹⁴¹.Ibid.

¹⁴².Ibid., pp. 4-5.

stimulate, and facilitate” its inflow.¹⁴³ Within this context, economic diversification, social betterment, and political stability emerge as the Plan’s underlying objectives.

At this juncture, it is crucial to make important historical clarifications. In July 2000, Santiago Levy, an official in Ernesto Zedillo’s finance ministry, published an essay titled “The South Also Exists: An Essay on Regional Development in Mexico,” formulating a categorical diagnosis on the S-SE. Levy claimed that public policies have curtailed the productive development of the S-SE by wasting the region’s comparative advantages, and thus, a new approach based on liberalization must be put forward to properly stimulate the productive potential of the region.¹⁴⁴ Among the destructive policies of the past, Levy mentions the “exclusiveness” of the state’s role in strategic sectors, particularly electricity, oil, gas and petrochemicals, and the negative consequences that land reform, based on article 27 of the constitution, had in terms of discouraging the productive development of agriculture.¹⁴⁵ According to Levy, the roots of the S-SE’s systematic backwardness are historically found in the constitutional pact that emerged in the aftermath of the 1910-20 revolution, whereby the state committed to systematic land reform and to safeguard national sovereignty vis-à-vis the control of strategic natural resources.

However, the strongest observation made by Levy was not necessarily expressed in his diagnosis, but rather, in his alternative policy proposal. Levy claimed that the S-SE needs a project based on the premise that growth is not the same as development, the latter understood as quality of life and social equality, and thus, what the region requires

¹⁴³.Ibid., p. 8.

¹⁴⁴.Bartra, op. cit., p. 93.

¹⁴⁵.Ibid.

is economic growth since the issues revolving around poverty have already been addressed by public social programs, such as PRONASOL. In other words, Levy argues that economic growth and development are totally different goals, and as such, they have to be promoted separately.¹⁴⁶ For Levy, this “separation” must be done because the instruments to tackle poverty and to bring about economic growth are completely distinct from each other, and targeting both objectives in the same program would be problematic and potentially wasteful. Thus, the important step to take is to create favorable conditions to attract foreign investment into the region in order to set the stage for an outward-oriented economic growth system to materialize, while still combating poverty through public “social” projects.¹⁴⁷ Thus, and although the Fox administration is credited for promoting the PPP, its origins go back to Zedillo’s term, and in the evolution of our analysis, Levy’s proposals will be identified both in the means and ends of PPP initiatives. Moreover, Levy’s ideas reflect the dynamics of the competition state in terms of the state “creating the conditions” for international capital to arrive in the region, and focusing on the economic dimension of regional development while potentially neglecting the other dimensions. We will return to this discussion at the end of this subchapter.

Announced in March of 2001, the Puebla Panama Plan intends to promote economic growth and a better standard of living in the Mesoamerican region, by promoting its integration and recognizing that problems and potentials are similar throughout the whole region. With a population of 62 million, 20 percent of them categorized as indigenous, and home to 10 percent of the world’s biodiversity, the

¹⁴⁶.Ibid., p. 94.

¹⁴⁷.Ibid., pp. 95-6.

Mesoamerican region contains considerable natural resources, especially oil, natural gas, and water, as well as a substantial pool of unskilled labor, both important elements in the region's alleged comparative advantage. The PPP has been proposed as a 25-year "megaproject" with an estimated budget of US\$20 billion, financed in its first phases by government revenues and loans provided by the IDB and the World Bank, two institutions that played an important role in developing the financial planning of the PPP and in lobbying governments to embrace it. In its latter phases, the PPP is expected to receive the bulk of its financing from foreign investment.¹⁴⁸ Since this thesis is only concerned with the Mexican S-SE section of the PPP, it is relevant to say that 45 percent of the budget has been assigned to the S-SE, and it will follow the same financing sequence as projected in the overall articulation of the Plan (government and loans first, and foreign investment afterwards).¹⁴⁹

Portrayed as the ultimate plan for regional development by the Office of the Presidency, its initial administrator¹⁵⁰, the PPP announced eight pivotal objectives as the guiding principles for action in the S-SE:

1. To achieve a structural change in the region's economic dynamics;
2. To properly make use of the region's comparative advantages;
3. To attract productive investment into the region;
4. To improve the human and social standards of the population;
5. To achieve a greater participation of civil society in the process of development;
6. To modernize and strengthen the capacity of the region's institutions;

¹⁴⁸Jonathan Treat, *The Puebla Panama's Merida Meeting*, Americas Program Investigative Article, (Silver City, NM: Interhemispheric Resource Center, pp. 1-2; and Salomón, op. cit., p. 973.

¹⁴⁹Ibid., p. 2.

¹⁵⁰Since August 2002, the PPP is under the administrative jurisdiction of the Secretariat of Foreign Relations (SRE).

7. To promote the sustainable management of the environment and natural resources, and
8. To accomplish a concerted implementation scheme between the Mexican S-SE and the seven Central American countries.¹⁵¹

In theory, the economic dimension of the PPP, comprised by objectives 1, 2 and 3, seeks to achieve a structural change in the region's economic structure whereby foreign investment is encouraged, good jobs are created, and natural resources are productively exploited. More specifically, this objective must follow a well-structured sequence of projects. First, the economic infrastructure of the region must be upgraded by improving and/or constructing key transportation routes, such as highways, roads and ports, to facilitate the movement of commodities and more direct access to national and international markets. Moreover, energy infrastructure, especially hydro-electrical dams and telecommunication expansion, are seen as fundamental steps to improve the region's resource base and technological capacity as key preconditions for economic growth.¹⁵² The PPP's base document suggests that an important part of the PPP's budget would be allocated to these goals. Secondly, productivity and competitiveness must be enhanced by reforming the role of the state in the economic fabric of the region, meaning that economic deregulation must be directed towards the improvement of stagnant sectors, i.e. agriculture, and the development of productive systems with high-employment capacity, i.e. manufacturing assembly plants.¹⁵³

Thirdly, and closely tied to the second element, the PPP is looking to grasp the attention of international capital in order to secure a meaningful and long-term financial

¹⁵¹.Presidencia de la República, *Síntesis de Objetivos*, op. cit., p. 1.

¹⁵².Ibid., p. 9.

source to sustain the projects of economic modernization. The federal government is committed to creating the conditions, mainly through fiscal incentives, that appear profitable to foreign capital, and to building the proper legal and judicial structures that would guarantee the integrity and feasibility of foreign investment.¹⁵⁴ Alvarez argues, “perhaps the crucial aspect of the PPP is its insistence on the importance of attracting foreign investment, in particular dealing with transportation, energy, telecommunications, and hydro-agricultural infrastructure; and in niches which will boost the regional economic dynamic: in agriculture, agro-industry, textiles, electronic components and auto parts.”¹⁵⁵ This approach reflects the emphasis placed by the Fox administration on the need to diversify the economic dynamics of the region based on international capital investment, an element that will be vital for our understanding of why the PPP could indeed be counterproductive for regional development in the S-SE.

In short, the economic dimension of the PPP could be summarized in four policy directions: 1) improve the condition of economic infrastructure to maximize the opportunities of export-oriented industries; 2) a shift in the region’s economic emphasis from an agricultural to a manufacturing assemble base, whereby the role of international capital is maximized; 3) readjust the agricultural sector from an area of chronic instability to one characterized by a modern and technologically-advanced export system, and 4) expand the overall participation of international capital in the development of the S-SE’s productive patterns. Addressing these policy strategies, and expanding on the observation about the importance that international capital has for the PPP, Alvarez

¹⁵³.Ibid., p. 10.

¹⁵⁴.Ibid., p. 11.

¹⁵⁵.Alejandro Alvarez, “*The Puebla Panama Plan: Development of a Region or a Multinational Enclave?*”, working paper, (Mexico: Faculty of Economics, UNAM, 2001) p. 9.

continues, "there is no doubt about the public policies that the PPP emphasizes must be applied: opening, privatization, and deregulation."¹⁵⁶

The social and political objectives of the PPP reflect a more abstract and general character, containing less specific policy orientations. Objective 4, the only one addressing social issues, calls for the systematic improvement of educational, health care and housing services to the region's population, primarily through programs that increase the availability of those services and modernize their administrative structures.¹⁵⁷ Undoubtedly, these projects would require a substantial allotment of financial resources to be realized; however, the official documents do not clearly specify the government's commitment to finance these areas in any meaningful fashion. In addition, the political dimension of the PPP, contained in objectives 5 and 6, acknowledges the need for the federal government to decentralize its modes of action as to integrate regional governments, civil society groups and community players into the fold of key developmental discussions. Special attention would be given to the inclusion of indigenous communities, and the respect for their cultural values, as the blueprint for a comprehensive system of political inclusion to be successfully materialized.¹⁵⁸ At the same time, the modernization of regional institutions refers to the capacity they must have to monitor and constantly strive to improve the mechanisms whereby political consultation and participation are promoted.¹⁵⁹ Again, and as opposed to the economic dimension of the Plan and reflecting the status of the social dimension, neither specific

¹⁵⁶. Alvarez, *The Puebla Panama Plan*, op. cit., p. 9.

¹⁵⁷. Ibid., pp. 4-6.

¹⁵⁸. Ibid., p. 7.

¹⁵⁹. Ibid., p. 22.

policy directions nor potential projects were outlined to attempt the realization of its theoretical propositions.

In June 2001, the “Eight Mesoamerican Initiatives” were announced as a way to give the eight theoretical-oriented objectives of the PPP a more practical dimension. Ideally, each initiative would correspond to one objective; however, from the outset, clear disparities between the two sets of proposals become evident. But before this problem is analyzed in more depth, it is important to outline the basic elements of the eight Mesoamerican initiatives:

1. Highway Integration: promote the physical integration of the region in order to facilitate the movement of people and commodities. The construction of several strategic “corridors” across the region (to be analyzed in section 4 of this thesis);
2. Energy Interconnection: connect the electrical markets of the region to set the stage for private investment and reduce energy costs. Major projects would include the Central American Interconnection System, and the Mexico-Guatemala and Mexico-Belize interconnection initiatives;
3. Telecommunications Interconnection: develop the necessary infrastructure to promote the integration of telecommunication and information resources in the region, focusing on private investment;
4. Facilitating Trade and Outward Development: promote the expansion of small and medium-size manufacturing enterprises, together with agricultural modernization, to improve the region’s trade potential. These initiatives would be accompanied by the promotion of free trade deals within the region together with the procurement of foreign investment;
5. Tourism Promotion: diversify and promote the region’s tourism industry by focusing on eco-tourism, indigenous communities participation, and the development of integral tourist circuits that simultaneously respect the environment and create jobs;

6. Human Development: reduce poverty and improve the standard of living in communities. This would be achieved by integrating local communities into economic management, administration of natural resources, and community-based capacity building;
7. Sustainable Development: promote the conservation and the sustainable use of natural resources, especially by integrating local communities into the processes of environmental management. The creation of a Mesoamerican Fund has been proposed in order to finance those potential projects, and
8. Prevention and Mitigation of Natural disasters: Strive to minimize the negative impacts of natural disasters in the region, mainly through the modernization of relevant technology, raising awareness among the population and disseminating proper information.¹⁶⁰

In principle, these initiatives are designed to be promoted in a joint fashion between the Mexican Federal government, on behalf of the S-SE, and the seven Central American countries, focusing on an cooperative operational model in order to determine the common needs of the region overall and act accordingly. However, in November 2001, the Mexican government presented four major policy strategies for the Mexican S-SE, which were derived from the orientations of the Mesoamerican initiatives, proposing a dual operational framework whereby the S-SE projects could either be developed in partnership with Mesoamerican initiatives, or could be developed exclusively for the S-SE and separate from Central America. In essence, those policy directions for the S-SE are:

1. Strengthen, expand and diversify the current centers of production (oil, maquiladoras, agro-industries, tourism)
 - * Main Aspects: - Build the proper infrastructure and strive for long-term economic growth based on qualitative innovation;

¹⁶⁰Presidencia de la República, *Antecedentes, Avances y Perspectivas a un Año del Plan Puebla Panamá*, (México: Presidencia de la República, Junio 2002) pp. 9-10.

- Promote favorable conditions for interregional and foreign investment; and
 - Consolidate the traditional economic base and generate new opportunities for their development.
2. Promote social cohesion, equity and equality of opportunities
 - * Main Aspects: - Reinforce the role of communities as agents of social revitalization;
 - Reduce the vulnerability of the region's communities; and
 - Respond to the needs of communities.
 3. Strengthen Regional Institutions
 - * Main Aspects: - Enhance communities' participation; and
 - Promote cooperation among the region's political units at a territorial and community levels.
 4. Protect the environment and promote the sustainable use of natural resources
 - * Main Aspects: - Promote eco-efficiency;
 - Use renewable natural resources in a productive and sustainable fashion; and
 - Prevent and reverse contamination in the region.¹⁶¹

Clearly, these policy strategies for the S-SE were proposed as a way to recognize the potential differences between the S-SE and Central America, both in problems and possible solutions. However, the similarities between the eight Mesoamerican initiatives and the S-SE's four policy strategies are evident in terms of typology and operational orientation, emphasizing economic, political and environmental initiatives. In addition, both sets of proposals, while similar in strategic perspectives, also share a generally vague procedural connotation that lacks the proposal of specific projects, with the exception of the economic dimension, which has identified concrete areas for potential action and investment. Both sets of proposals are linked through a common budget whereby the S-SE is to receive 45 percent to Central America's 55 percent, for both interregional and intraregional projects (see Table 4). Based on the correspondence

¹⁶¹Presidencia de la República, *Plan Puebla Panamá: Informe de Avances y Perspectivas*, (México: Presidencia de la República, Noviembre 2001) p. 186.

between the Mesoamerican initiatives and the S-SE policy strategies, and their joint financing according to the area in question, each initiative has been assigned with a specific budget lump figure for the period of 2002-5, of which 97.5 percent is dedicated to infrastructure development projects (see table 4). Again, projects in the S-SE are bound to follow the regional integration patterns formulated by the Mesoamerican initiatives; yet, “the concrete development of projects will depend on the financing decisions made by the participating countries and their endogenous/intraregional or exogenous/interregional goals.”¹⁶²

Table 4 – PPP Objectives, Mesoamerican Initiatives, and Funding

PPP Objective	Mesoamerican Initiative	Budget 02-05 (\$millions)
1. Structural Change in the Economic Dynamics of the Region*	1. Highway Connection	3,420.6
2. Properly Take Advantage of the Region's Comparative Advantages*	2. Energy Interconnection	445
3. Attract Productive Investment into the Region*	3. Telecommunication Interconnection	1.2
	4. Promoting Trade and Outward Oriented Development	23.5
	5. Tourism Promotion	51.7
		Sub-Total: 3,918.5 (97.5%)
4. Human and Social Development†		
5. Promote the Participation of Society in the Processes of Development♦	6. Human Development‡	31.5 (1.2%)
6. Modernize and Strengthen the Region's Institutions♦		
7. Sustainable Use of Natural Resources	7. Sustainable Development	16.5
	8. Prevention and Mitigation of Natural Disasters	27
8. Concerted Implementation Scheme Between the S-SE and C. America		Sub - Total : 43.5 (1.3%)
		Total: 4,017.7

* Represents a part of the economic dimension of the PPP, as established by this thesis

† Represents the social quality dimension of the PPP, as established by this thesis

♦ Represents a part of the political dimension of the PPP, as established by this thesis

‡ This initiative covers both the social and political dimensions of the PPP's objectives

Source: Presidencia de la Republica, *Antecedentes (Junio 2002)*, op. cit., p. 15.

After examining the financial resource allocation patterns, it can be concluded that the priority lies on the economic growth initiatives dealing with infrastructure,

¹⁶² Ibid., op. cit., p. 19.

manufacturing and agricultural development initiatives. Infrastructure projects, as established earlier in the analysis of the objectives, must serve as a precondition for the development of the manufacturing industry and of agricultural modernization in the region that, arguably, represent medium/long-term goals of the PPP.¹⁶³ The eight Mesoamerican initiatives and the four policy strategies for the S-SE represent a blue-print to set an initial foundation of a rather long plan, and they will pave the way for the aforementioned medium/long-term goals to be realized, goals that this thesis considers fundamental. Taking these factors into account in the one hand, and keeping in mind the financial priorities of the initiatives on the other, the PPP's evolution can be laid out as follows: 1) infrastructure development; 2) manufacturing expansion, mainly maquiladoras; 3) agricultural modernization, and 4) development of the tourism potential of the region.

Moreover, the social and political dimensions initially expressed in the PPP's objectives do not seem to be clearly addressed neither by the eight initiatives nor by the four S-SE policy strategies. In fact, both of these complex and crucial dimensions have been lumped into obscure categories that lack specific policies and projects for taking action, and have rather negligible budget shares for their financing. For instance, the "human development" Mesoamerican initiative is supposed to address both the social and political dimensions with 1.2 percent of the budget assigned to the overall package. The PPP places a clear and almost exclusive emphasis on the economic dimension of its overall program, and even agriculture, which is the region's primary sector and its basis for social cohesion, is portrayed as an area that just needs more productivity, rather than a

¹⁶³ Taulli Nauman, *Development in Mexico: As Established Policies are Nurtured, the Hopes of Many Mexicans Wither on the Vine*, Americas Program Investigative Report, (Silver City, NM: Interhemispheric

socially-just developmental orientation that addresses the need to boost the region's standard of living. In the same fashion, the political dimension of the PPP is downgraded to the vague recommendation of community involvement without outlining how this goal is going to be accomplished. These procedural disparities will become more evident in the analysis of the next three chapters, but for the time being, it can be asserted that the PPP relegates social and political projects to a secondary position after the primary imperative of economic growth; poverty and political exclusion are to be eliminated through the trickle down effect and the "democratizing demands" that economic prosperity would eventually bring to the region.¹⁶⁴

What does this mean? Santiago Levy's premise that argued in favor of promoting poverty reduction and economic growth separately has been incorporated into the pragmatic configurations of the PPP. The crux of the Plan conveys the need to create wealth first, and then redistribute it, but without addressing social and political issues with a separate meaningful strategy. Within this context, globalization must be fully embraced by reforming the state to bring about the needed levels of foreign investment. Likewise, political inclusion, as necessary as it is, must be kept on paper waiting for a better set of conditions to be properly advanced. Therefore, the two guiding principles of the PPP, namely the emphasis on "human development" and the need to insert the region into the patterns of globalization, have not been addressed as equal and simultaneous policies, and on the contrary, it is believed that the promotion of the latter will eventually remedy the former's problems and concerns. The next three chapters will corroborate

Resource Center, October 2002) pp. 2-3

¹⁶⁴ Gasca, *Plan Puebla Panamá*, op. cit., p. 79.

these assertions, but how do these formulations affect the PPP's claims of being an initiative for regional development?

Two fundamental points must be noted at this stage. First, the PPP's concentration on economic growth and the explicit desire to welcome international capital into the region convey the competition nature of the Fox administration. As seen before, this step is rooted in Levy's premises regarding the need to "globalize" the S-SE and to create wealth first and foremost. Secondly, there are no indications in the official documents that the Fox administration is planning to invest substantially in the creation of the necessary preconditions to make foreign investment successful. In other words, the budget shortcomings suggest that these preconditions, from the need to build the proper economic infrastructure to the commitment to fair labor laws and competition regulations, will be promoted along the way of international investment, or in the margins of their interests. This is important because, as argued before, the interests of MNCs may not necessarily coincide with those of regional development, and, as it will be shown in the next three chapters, this juncture could bring about major problems for the achievement of PPP objectives. If the competition state argues that the PPP is an integral plan for regional development, where are the projects to improve the education and health care systems? How will the social well being of the population, as a precondition for economic success, be promoted? How will political inclusion be integrated into the economic plans of the PPP?

The evident neglect of the social and political dimensions in the Plan suggests that these are not real priorities for the Fox administration, even when they must be advanced if the foundations for successful economic are to be established, of course, beyond the

exploitation of cheap labor and natural resources. From the outset, the PPP faces major contradictions: it is promoting only an economic formula, but it is not planning to create the necessary preconditions, of which social and political elements are fundamental, to make sure it benefits the region as whole. In the end, the competition state is “hoping” that MNCs will create those conditions through investment; yet, as it will be shown later, this vision lacks the multidimensional scope necessary for regional development.

2.4 Chapter Summary

In short, the purpose of this chapter was three-fold. Firstly, the Fox administration's continuation of the post-1982 competition state policy framework in Mexico helps explain why the PPP has taken the form it does, focusing on the further integration of the S-SE into globalization mainly through the expansion of international capital investment in the region. In this context, the Fox administration may indeed play an important role in the initial promotion of the PPP, but given the emphasis placed on international capital, the its long-term roles within the initiative can potentially be diminished. Thus, the competition state policy on regional development in the S-SE, as reflected by the PPP, is not state-led, but state-facilitated in its initial stages. Secondly, the systematic backwardness of the S-SE, a situation created and perpetuated by structural disparities and so far not addressed by the post-1982 competition state policy objectives, provides the underlying reasoning behind the promotion of the PPP. But at the same time, the S-SE's current situation of backwardness sheds light into the set of economic, social, and political conditions that could be perpetuated by the PPP itself. In an attempt to expand the economic dynamics of the S-SE, raise the standard of living, set

a foundation for long-term prosperity, and thus, provide the conditions for political stability, the PPP highlights the need for the region to fully integrate into globalization, a vision that raises questions about the PPP's potential to achieve the aforementioned objectives.

Indeed, the PPP's approach to regional development conveys several flaws that could potentially be detrimental to the development of the S-SE. In the first instance, the PPP, through its plans for manufacturing and agroindustrial expansion, stands to give MNCs the helm of economic growth in the region, a step that could be counterproductive due to the potentially diverging objectives of MNCs and those of domestic development. Second, this potential problem could be further exacerbated by the almost exclusive economic focus of the PPP, which neglects the social and political problems of the region, and in turn, could actually intensify them. The implications of those potential developments are key to our analysis: the multidimensional context analyzed in this chapter suggests that the PPP, as a project promoted by Fox's competition state, far from advancing the socioeconomic and political it set out to achieve, could actually end up exacerbating the reasons that allegedly justified its promotion in the first place. The rhetorical and practical shortcomings of the PPP point to a situation whereby international capital could materialize on the economic growth emphasis of the PPP, at the expense of potentially reproducing dependence, maldevelopment, and undemocratic governance in the S-SE, thus representing, prospectively speaking, a misguided approach to regional development as defined by our study. Keeping these elements in mind, the next three chapters will analyze with more detail the dynamics of those disparities within

the framework of specific PPP projects as they relate to each of this thesis's main analytical dimensions.

Chapter Three - The Maquiladora Sector: Economic Growth or Dependence Enclaves?

This chapter will analyze the potential that the PPP's economic growth strategy has to bring about a new cycle of dependence in the S-SE. In the first section, and to set the stage for the discussion on the maquiladora sector, the main elements of the highway expansion projects will be examined. In the second section, the initiative to turn the S-SE into a "maquiladora development zone" will be assessed, focusing first on the evaluation of the maquiladora's nature and history in Mexico, and secondly, on the overview of the PPP's maquiladora project and its different components. Finally, the apparent failures of the maquiladora sector in bringing about positive economic results in Mexico will be analyzed, mainly based on past experiences, in order to put the PPP's initiative in perspective. Will the maquiladora sector fulfill the economic requirements of regional development as defined in our theoretical framework? Or, will it potentially provoke a situation of dependence in the region? Our analysis will attempt to answer these fundamental questions. In the last section, a summary of the chapter's analysis will be provided, linking it to the relevant elements of our theoretical framework.

It will be vital to keep the context of the competition state in mind throughout the analysis of this chapter. As it will be shown, the Fox administration is attempting to diversify the region's economic base by attracting MNCs in the infrastructure and maquiladora sectors, in order to maximize the region's potentials and economic growth. Given the failure of the competition state policy to spark economic diversification in the

S-SE, the Fox administration is attempting to make the free market work in the region by facilitating the arrival of international investment in secondary production. Within the context of the competition state, this move is consistent with the state's policy of accommodating the needs of transnational forces to both remain relevant, and channel the potential benefits of the free market into the domestic economy. But, what are the implications of such a step? Potentially, and if the PPP's economic growth strategy is achieved, at least partially, the Fox administration is running the risk of diminishing its role in the economic planning of the region by delegating powers to MNCs as the new engines of growth, and as a result, it could increasingly find its ability to intervene in favor of the region's interests hindered. But since it is precisely the Fox administration's policy to take that step, this situation is secondary to a more important question: is this approach the correct one in order to achieve the economic requirements of regional development? This is why the analysis on the competition state is important when the assessment of the PPP's economic growth strategy is developed: as it stands, and within the context of the PPP, the misguided economic vision of the competition state is potentially setting the stage for dependence and stagnation to increase in the region. In the last section of this chapter, and after the examination of the PPP's projects is presented, the appropriate links will be made between those project's potential results and the economic dynamics of the competition state.

3.1 Infrastructure Projects and Foreign Investment

As was stated earlier, the analysis of the projected infrastructure initiatives is an imperative step to set the stage for our discussion on maquiladoras, as they have been

proposed as the first important phase of the PPP's economic growth strategy. In essence, the major projects of that economic strategy call for 8,800 kilometers of new or improved highways throughout the Mesoamerican region; 1,830 kilometers of new electrical lines to distribute power generated by gas and dams; and six massive "development zones" for maquiladora plants and processing facilities.¹⁶⁵ This subsection will concentrate on the highway strategy for two major reasons: first, because of its massive financial and operational scope, which is devoted more than 80 percent of the Mesoamerican Initiatives budget, and second, because of its close relevance to the eventual promotion of the maquiladora sector. Related to the latter point, the PPP considers highway projects as a vital step to:

1. Facilitate the transportation of raw materials and commodities;
2. Improve the region's access to markets;
3. Enhance intraregional and interregional trade opportunities by promoting efficient connection routes and reach isolated communities;
4. Attract foreign investment;
5. Harmonize and liberalize the region's transportation projects, and
6. Develop markets for logistical services.¹⁶⁶

According to the Inter-American Development Bank (IDB), a key promoter of the plan, these highway projects must strive to facilitate the region's integration in order to successfully incorporate it into the patterns of globalization. Thus, these endeavors are not only useful, but also necessary "if economies of scale, foreign investment, and the political-economic stability of the region are to be attained."¹⁶⁷ Moreover, the IDB claims that these projects would represent "clear signs to foreign investment that the

¹⁶⁵ Call, op. cit., p. 1.

¹⁶⁶ Grupo Técnico Interinstitucional para el PPP, *Plan Puebla Panama: Iniciativas Mesoamericanas y Proyectos*, (San Salvador: BCIE-BDI-CEPAL, 2001) p. 45.

current authorities have assumed the need for 'responsible' economic reactivation."¹⁶⁸ In other words, highway integration is seen as a catalyst to conduct a more generalized strategy of economic growth based on private and foreign investment, a wider movement of commodities through more liberalized trade, and an export-oriented growth model in the S-SE. Highway development must precede the achievement of those aims, but for the meantime, it is also expected to stimulate short-term economic expansion by creating jobs and channeling financial resources into the region.¹⁶⁹

There are three major highway projects that have been identified within the framework of the Mesoamerican Initiatives. These include the construction, rehabilitation and improvement of the following routes:

1. The Pacific Corridor: the biggest project, which will connect Puebla with Panama, and includes a predominantly new highway covering 3750 kilometers, is designed to complement the chronically-cluttered Pan-American highway. In Mexico, this corridor would connect Puebla-Oaxaca-Ciudad Hidalgo (in the border with Guatemala), with about 400 kilometers to be rehabilitated;
2. The Atlantic Corridor: Integrate Mexico, Belize, Guatemala, Honduras, and El Salvador, mainly to facilitate trade and tourist routes. Close to 1000 kilometers are expected to be constructed and/or improved, and
3. Internal Corridors in Mexico: It is expected that 3000 kilometers will be constructed and improved in a series of projects within the S-SE.¹⁷⁰

The highway projects in the Mexican S-SE have been divided into three initiatives:

1. Corridor Veracruz-Monterrey: it is expected to connect Tabasco with Chiapas, and in its second phase, connect the two states all the way up to the Mexico-

¹⁶⁷.Ibid.

¹⁶⁸.Ibid., pp. 45-6.

¹⁶⁹.Ibid., p. 46.

¹⁷⁰.Ibid., pp. 46-7.

United States border through Tamaulipas (mainly to facilitate the movement of commodities);

2. The Yucatán Peninsula Corridor: a tourist circuit beginning in Cancún that aims at connecting the peninsula's most important eco-tourism sites, and
3. Transversal Corridors: a series of highways built as logistical/manufacturing corridors for maquiladora and tourist purposes, integrated into the so-called Milenio Corridor (Veracruz-Acapulco), the corridor Acapulco-Tuxpan, the corridor of the Central Highlands, and the Trans-circuit of the Tehuantepec Isthmus.¹⁷¹

The overall price tag for the Mesoamerican highway initiative is US\$3.5 billion for the period 2002-05, with \$1.7 billion going towards the S-SE initiatives.¹⁷² The Mexican government has pledged \$600 million to the budget, while Central American countries have committed \$72 million overall.¹⁷³ The other \$2.8 billion needed to complete the projects is expected to come from World Bank and IDB loans; in fact, the latter has offered an initial \$4 billion line of credit for infrastructure development in general.¹⁷⁴ Interestingly, the Mexican government has expressed its unwillingness to use loans towards the development of PPP-related projects, arguing that it is Central American countries which should receive the loans given their worse infrastructural conditions, a rather illogical proposal taking into account the already-unsustainable debts those countries have.¹⁷⁵ But, in Mexico alone, there is a \$1.1 billion deficit to complete the proposed highway projects, and the lack of interest shown by the Mexican

¹⁷¹ Gasca and Torres, op. cit., pp. 14-5.

¹⁷² Treat, op. cit., p. 1.

¹⁷³ Ibid., pp. 1-2.

¹⁷⁴ Ibid., p. 1.

¹⁷⁵ Alejandro Alvarez, *The Puebla Panama Plan: Stylized Facts*, Ottawa: Conference Paper, February 2002, p. 3

government to assume more debt to fill that deficit, begs the question: where is that money going to come from?

The answer is not found in any of the PPP's official documents; however, experts on the matter agree: highway infrastructure projects are to be primarily financed by private foreign investment.¹⁷⁶ Moreover, the IDB claims,

It is important to attract foreign investment to finance transportation projects because of three main reasons: first, to "liberate" public funds to finance other projects of social character; second, to utilize the concept of 'user charge' whereby the users of the highway will finance it by paying tolls, and third, to avoid the typical burdens imposed on governments by the construction and maintenance of highways. . .¹⁷⁷

If the Mexican government is not willing to increase its debt, and is not even providing one-third of the budget proposed for transportation projects in the S-SE, why would it agree to a deficit-ridden budget? Both the discrepancies in the budget figures, and the recommendations of the IDB as a major promoter of the PPP, make it safe to assert that privately-owned highways are bound to spread throughout the S-SE in the context of the PPP. Alvarez argues that there is already a precedent of private highways throughout Mexico, including the Mexico City-Acapulco super-highway, where tolls could cost up to \$75 for a regular car, as well as the Mexico-Guanajuato and Mexico-Guadalajara circuits.¹⁷⁸ Foreign MNCs financed these highways, and they were given 20-25 year concessions to administer them, charging almost at will, and being largely immune to government regulation vis-à-vis controlling user fee. In theory, governments would have the option of removing the highways' administrative rights upon buying them and paying other compensatory costs, a measure that is highly unlikely at this time of fiscal

¹⁷⁶ Ibid., pp. 3-4; Salomón, op. cit., p. 973; Treat, op. cit., p. 2; Call, op. cit., p. 2.

¹⁷⁷ Grupo Técnico, *Plan Puebla Panamá*, op. cit., p. 46.

¹⁷⁸ Alvarez, *Plan Puebla Panama*, op. cit., p. 5.

constraint and neo-liberal policies. And, why would governments attract foreign investment to construct highways only to buy them back later at double the price?

The concerns about high user fees in private highways is just one among several problems regarding the PPP's approach to highway development. Wendy Call argues that this perspective "emphasizes superhighways, not local improvement to help connect area communities and local markets, and lends only minimal attention to rail transport and similar lower impact option. . .the projects already underway, especially the Pacific Corridor, demonstrate the promotion of this limited approach."¹⁷⁹ In our definition of regional development, it was seen as imperative for national states to guarantee and pursue the endogenous-oriented growth of the region. In this context, it is vital to connect isolated areas into the mainstream of transportation circuits in order to facilitate the movement of goods and the access to larger markets. In the S-SE, this step is paramount, especially given the fact that 80 percent of the country's isolated communities is located within the region, is considered. But most highways in the S-SE are only scheduled to be rehabilitated, as opposed to building new intraregional lines and alternate options, and, in essence, these improved highways would simply follow the status-quo articulation of existing circuits that currently do not reach isolated areas and provide connections only between major centers of regional economic activity.

To sum up, two major contradictions can be identified within this process: first, high-priced tolls will mean that only the relatively well-off will be able to use them, and they will be disconnected from the peripheral sub-regions and communities of the S-SE. Secondly, it seems likely that foreign capital will take over most of the projects due to the

¹⁷⁹.Call, op. cit., p. 2.

insuperable budget deficits forecasted for the highway sector in the Mesoamerican Initiatives, a step actually supported by the main promoters of the PPP. These scenarios can be labeled as contradictions because of their potential to diminish the development of transportation circuits and economic connection schemes, especially in terms of integrating marginal sub-regions and communities into the mainstream of economic activities. Moreover, the mere reinforcing of the status quo highway routes would further reduce the possibilities of achieving that objective, taking the region in an opposite direction from the one originally laid out by the PPP's objectives in relation to highway development. Moreover, these contradictions open the door for a situation of heightened dependence in the region regarding highway administration and its important economic ramifications.

How so? By giving concessions to international capital, the Mexican government will lose its ability to allocate the benefits of those projects towards the fulfillment of important needs for regional development, such as reaching isolated areas. At the same time, it will relinquish its regulatory powers to correct any perceived shortcomings, given the fact it will not be involved in their direct administration. This is important to point out because governments are unlikely to invite international capital to finance these major projects only to take them back afterwards, incurring into additional costs in the process. This scenario suggests that MNCs will be a long-term players in the development of highway projects in the S-SE, and in fact, construction has already begun on the Pacific Coast highway system, and four major American infrastructure MNCs, namely Eagle

Marine, Maya Kin Superferries of Texas, Prescott Follet and Associates, and Union Pacific-Southern, are expected to invest heavily in its development.¹⁸⁰

But it is important to note that the possible MNC “take over” of PPP highway projects is indeed the direct result of a clear policy of Fox’s competition state. After analyzing the information available on this issue, it is safe to assert that the role of the state in advancing the development of infrastructure projects has been minimized, and in turn, it is international capital which has been approached to provide the massive funding needed for those initiatives. Thus, it is the competition state itself which has paved the way for a potential situation of dependence to emerge in the highway sector, a situation that is important to consider, specially when the likely impacts on the regional economy, in terms of expensive tolls and disconnected circuits, is taken into account. The Fox administration espouses the premise that it is international capital that can provide funds and efficiency, and even if conflicting results are bound to surface, more positive impacts are likely to spread throughout the region. But this “globalizing” perspective seems to permeate all the aspects of the PPP’s economic strategy, and when it comes to growth, the maximization of exports, the creation of jobs, and the expansion of investment, the Plan considers the maquiladora industry as the fundamental agent capable of delivering them. We will now turn to the discussion of this issue.

3.2 The Maquiladora Sector and the Potential for Dependence

In the March 2001 “base document” of the PPP, it is stated “the development of the maquiladora industry is a crucial step, and thus, it is proposed that specific

¹⁸⁰ Miguel Pickard, *PPP: Plan Puebla Panama, or Private Plans for Profit?*, Corpwatch Investigative Article, September 29, 2002, www.corpwatch.org/issues/articleid=3953. p. 4.

opportunities be created to attract investment into this initiative primarily in the textile, electronics, and small auto parts sectors.”¹⁸¹ The expectations placed on maquiladora expansion portray it as a cornerstone in the PPP’s economic growth strategy, but, will the maquiladora sector live up to the economic requirements of regional development in the S-SE? As it was stated in the theoretical framework, those requirements are constituted by the development of endogenous-oriented economic structure with links to the domestic economy, the increase in the region’s purchasing power, the creation of “good jobs,” and the diversification of the local economy. However, and after assessing the Mexican experience with this industry, the nature and functioning patterns of the maquiladora sector have proven to be problematic when addressing those needs, and to a large extent, it has been counterproductive. The PPP attempts to introduce the maquiladora sector in the S-SE, a region that has little experience with it, but before the main elements of this initiative are examined, it is important to present a background on the nature and history of this sector as related to Mexico’s economic evolution.

The word maquiladora evolved “in practice from its use to designate any partial activity in an industrial process, such as assembly or packaging, effected by a party other than the original manufacturer.”¹⁸² In a more technical sense, maquiladoras are defined as “assembling shops or factories located in tax-free and duty-free zones where the final stage of production takes place for goods bound for the markets of the developed world.”¹⁸³ In Mexico, the bulk of maquiladora activity has been carried out within the framework of MNC penetration, mainly from the United States, Japan and Taiwan,

¹⁸¹.Presidencia de la República, *Documento Base*, op. cit., p. 97.

¹⁸².Kathryn Kopinak, *Desert Capitalism: What are the Maquiladoras?*, (New York: Black Rose, 1997) p. 7.

¹⁸³.Grinspun and Cameron, op. cit., pp. 44-5.

whereby labor-intensive productive units turn out specific components or finished goods almost exclusively for export. In the post-WWII period, and in their drive to reduce costs and maximize profits, western MNCs expanded their activities to developing countries, where the abundant availability of cheap labor and wide fiscal incentives to attract them, safeguarded their competitive edge both nationally and internationally. The maquiladora MNCs began their expansion within this juncture in the 1950s, primarily going to Southeast Asia and Mexico, and from the outset, host countries perceived their presence as a source of employment, hard currency, skill development and new technology transfer.¹⁸⁴

As far as Mexico is concerned, the history of maquiladora expansion has been divided into three stages. The first stage, from 1965 to 1982, was a period of installation and consolidation during which the majority of the labor force was comprised of young women who had not previously worked outside the home, and MNCs benefited from the relaxing of strong import substitution-inspired protectionist policies that eventually allowed them to own 100 percent of maquiladoras and were exempted from some federal-law requirements as a way to encourage their expansion.¹⁸⁵ In addition, their operations were facilitated by allowing them to import components and raw materials duty-free, and in turn, finished products were also exempted from tariffs once they entered U.S. territory.¹⁸⁶ Two major developments characterized this phase: first, there was a slow gradual increase in the operations of maquiladoras, registering a modest diversification in the sectors of production from textiles to electronics, and, as a result,

¹⁸⁴.Kopinak, op. cit., p. xvii.

¹⁸⁵.Patricia Wilson, *Exports and Local Development: Mexico's New Maquiladoras*, (Austin: University of Texas Press, 1992) pp. 39-40.

wages also registered a slight boost. And second, the northern region of Mexico, especially because duty-free status in the corridor along the U.S. border, and the central highlands close to Mexico City, Guadalajara, and Puebla, were consolidated as the most important areas of maquiladora development, receiving more than 85 percent of the country's overall foreign investment in this sector.¹⁸⁷ Moreover, the constant devaluations throughout the seventies and early eighties proved to be profitable to MNCs, since workers could be paid lower wages in real terms.¹⁸⁸

The second stage, from 1982 to 1994, was marked by a meaningful increase of maquiladora activities in Mexico, a step that was encouraged by the International Monetary Fund as an imperative measure to deal with the hardships of the debt crisis. In an attempt to spark economic growth and increase the state's revenue sources, the Mexican government responded by trying to turn maquiladoras into permanent industries that could consolidate border development, creating more jobs and diversifying their operational structures so as to include domestic suppliers.¹⁸⁹ Indeed, by 1989, the number of workers employed by maquiladoras tripled as compared to 1980 levels, and a chronically weak peso represented a permanent incentive to expand investment. More capital-intensive industries, especially automotive equipment, provided a encouragement to strive for skilled high paying jobs, although periodic devaluations made this goal largely unattainable in the end.¹⁹⁰

¹⁸⁶ Bill Weinberg, *Homage to Chiapas: The New Indigenous Struggle in Mexico*, (London: Verso, 2000) p. 63.

¹⁸⁷ Ibid., p. 40.

¹⁸⁸ Kopinak, op. cit., p. 12.

¹⁸⁹ Ibid.

¹⁹⁰ Ibid., pp. 12-3.

Finally, the third phase began in 1994, after the NAFTA came into effect. The maquiladora industry became the fundamental element in the government's efforts to attract more foreign investment, and expand the venues to acquire hard currency and create more jobs. The northern frontier, given its proximity to the U.S. markets, the relative expertise of its labor force on maquiladora processes, and its modest economic infrastructure after decades of investment, has absorbed the largest amounts of MNC investment since 1994, and registered the highest level of net job creation in the sector.¹⁹¹ Under NAFTA, and based on the principles of steady expansion and more high-paying capital intensive jobs, "maquiladoras have become the engine of industrial development throughout Mexico."¹⁹² Two analytical elements can be drawn from this historical evolution. First, the changing dynamics of the maquiladora have been shaped by the policies of the Mexican government, which in essence have moved from protectionism to a competition state policy, and in the end, have worked to the benefit of MNCs.¹⁹³ The competition state policies' of opening the economy, devaluing the peso, and providing generous fiscal incentives have primarily been responsible for this situation. Secondly, and although the maquiladora system has not been static throughout the years, four major aspects have characterized their operational framework in relation to the domestic market: 1) feminization of the labor force; 2) segmentation of the skill categories (with the majority of workers in unskilled jobs); 3) declining real wages, and 4) introduction of a non-union orientation.¹⁹⁴ After a thorough analysis of the maquiladora's operating

¹⁹¹.Salomón, op. cit., p. 973.

¹⁹².Kopinak, op. cit., p. 3.

¹⁹³.Ibid., pp. 9-10.

¹⁹⁴.Ibid., p. 13.

schemes is given, we will revisit and analyze these important aspects later on in this sub-chapter.

As we have seen, the maquiladora strategy of the Mexican state, which was intensified by the competition state policy, promoted regional disparities by concentrating on specific regions while neglecting others. As a result, the competition state has proposed the PPP as a means to promoting greater geographic dispersion of the maquiladoras to the impoverished S-S-SE. Within the PPP, a long-term maquiladora strategy has been proposed, which is comprised of two major components. The first one is the so-called “Program for Industrial Modernization,” a rather obscure initiative put forward by the IDB, and which would attempt to “improve the institutional management of industrial promotion” within the federal and regional governments in order to “effectively organize the introduction of manufacturing tax and duty-free zones in the region.”¹⁹⁵ This strategy includes the promotion of adequate means to attract investment, namely infrastructure and fiscal incentives, and the introduction of capacity-building programs allegedly to prepare the region’s labor force for the dynamics of the manufacturing industry.¹⁹⁶

This first strategy was designed to set the foundation for the second one, labeled “The March Towards the South” by the federal government. This program was approved in February of 2001 by the Ministry of Finance, and was originally intended to cover the states of Campeche, Chiapas, Guerrero, Oaxaca, Tabasco and Veracruz, but one month later, it was integrated into the wider operational framework of the PPP. Fundamentally,

¹⁹⁵.Grupo Técnico Interinstitucional para el PPP. *Conectividad de la Propuesta Regional de Transformación y Modernización de Centroamérica y del Plan Puebla Panamá*. (México: BCID-BID-CEPAL, Mayo 2001) p. 22.

¹⁹⁶.Ibid.

this program envisions the transformation of the S-SE into a maquiladora development zone, and intends to strive towards the fulfillment of three major goals: 1) build the proper-maquiladora related infrastructure (with a \$20 million fund from the federal government); 2) develop regional productive chains, and 3) create 300,000 jobs by 2006, and 1.6 million in the long-run.¹⁹⁷

The underlying purpose of this strategy is to duplicate in the S-SE the alleged success that the maquiladora industry has had in other regions of the country, especially in northern states, encouraging massive foreign investment as the blueprint of long-term economic growth.¹⁹⁸ In addition, the “March Towards the South” will attempt to build on the apparent boom of maquiladora expansion in the states of Puebla and Oaxaca in the last three years, a result of the systematic migration of the maquiladoras from the north to the south, where wages are 40 percent lower and the supply of unskilled labor is greater.¹⁹⁹ We will return to these facts later on, but for now, it is crucial to ask: has the maquiladora industry been that beneficial to the Mexican economy? Can this be duplicated in the S-SE?

José Gasca, in a categorical statement, claims “the implantation of maquiladoras in Mexico, especially in the north, in terms of its overall contribution to the integral economic development of the country, has been essentially inconsequential, to say the least.”²⁰⁰ How can this assertion be justified? Three major elements can be identified: 1) the condition of maquiladoras as economic enclaves with no links with the domestic

¹⁹⁷. Gasca, *Plan Puebla Panamá*, op. cit., p. 79; and, Alejandro Villamar, “El Plan Puebla Panamá: Extensión y Profundización de la Estrategia Regional Neoliberal, o Nueva Estrategia de Desarrollo Integral y Sustentable desde las Comunidades,” *Documento de Trabajo*, (México: RMALC, Febrero 2001) pp. 6-7.

¹⁹⁸. Ibid., p. 5.

¹⁹⁹. Carlos Beas, et. al., *Síntesis del Foro “Mitos y Realidades de las Maquilas en Tiempos del Plan Puebla Panamá,”* (Tehuacán: Alianza Mexicana por la Autodeterminación de los Pueblos, Junio 2002) pp. 6-7.

²⁰⁰. Gasca, *Espacios Transnacionales*, op. cit., p. 190.

economy; 2) their mobile and volatile productive status, which is highly dependent on U.S. fluctuating business cycles, and 3) their dismal record on employment and depreciated wages as a way to keep “competitive.” This sub-section will now turn to the analysis of these three elements, and it will be crucial to keep the following question in mind for our later evaluation: how will these elements materialize, and what consequences will they have, in the peculiar context of the S-SE?

In the first instance, maquiladoras function as isolated economic enclaves that are fundamentally detached from the overall operational patterns of the domestic economy. In the year 2000, mainly due to the high degree of MNC intra-firm trading, 97 percent of the inputs and raw materials that maquiladoras used in their production process were imported, mainly from the United States, adding up to more than \$1.5 billion.²⁰¹ Two consequences must be considered: first, by relying heavily on imports, maquiladora production discourages the development of domestic productive chains since local supplier industries are rendered unnecessary along the process. Moreover, most maquiladora outputs leave the country, eliminating a potential factor that could help in the diversification of the consumption patterns of the local markets, especially maquiladora employees themselves. And second, this reliance on imports has had a detrimental effect on the country’s overall balance of payments, a completely superfluous constraint since most inputs could in fact be produced and supplied by domestic productive linkages. In addition, maquiladoras do not allocate capital and resources for domestic reinvestment, but rather, one of their main features is to repatriate profits to the

²⁰¹ Armando Bartra, “Sur: Megaplanes y Utopías en América Equinoccial,” en A. Bartra, ed., *Mesoamérica, los Ríos Profundos: Alternativas Plebeyas al Plan Puebla Panamá*, (México: RMALC, 2001) p. 46.

mother country, leaving little for local diversification.²⁰² Given their tax and duty-free status, maquiladoras are exempted from paying taxes, another unfavorable aspect that negatively affects the availability of revenue for local accumulation.

Furthermore, maquiladoras have also had the tendency to displace local industries because the latter cannot compete with the capital and technological superiority of MNCs, even if their direct involvement with the domestic economy is meager. Grinspun and Cameron argue that “domestic manufacturing industries employ approximately 2.5 million, while the maquiladoras have not even reached the million mark (in 1995),” and thus, the inability of those industries to effectively compete with MNCs’ cheaper exports “is creating a situation whereby massive net job losses could be registered” in the near future.²⁰³ In fact, from December 1994 to December 1999, and in the context of the aftermath of the 1994 Mexican peso crisis, “20,000 domestic businesses closed down and two million jobs were lost.”²⁰⁴ Moreover, according to the National Institute of Statistics, Geography, and Informatics (INEGI), from 1993 to 2000, the number of jobs in the manufacturing sector decreased by 0.5 percent in absolute terms, while the level of real wages in this sector fell by 8 percent in the same period.²⁰⁵ The framework of unequal competition is exacerbated by the lack of governmental plans directed towards the closing of those capital and technological gaps between national industries and MNCs, a policy kept in place by the perceived advantages of foreign investment in relation to

²⁰² Beas, op. cit., pp. 17-8.

²⁰³ Grispun and Cameron, op. cit., p. 45.

²⁰⁴ Leslie Rothenbach, *The Mexican-American Border: NAFTA and Global Linkages*, (New York: Routledge, 2001) p. 8.

²⁰⁵ Alberto Arroyo, *Resultados del Tratado de Libre Comercio de América del Norte*, (México: RMALC, 2001) pp. 43, 52-3.

capital and skill transfers, and by chronic fiscal constraints that hold back potential government revenue for those goals. Addressing these issues, Neil Harvey argues,

The development of local export-oriented firms is hindered by low levels of investment, education and training, and inadequate infrastructure. Given the decline of public investment in these areas since 1982, the strategy of export-led growth has only benefited those firms that have access to foreign technology, inputs, and markets.²⁰⁶

Consequently, Mexico's economic growth strategy cannot limit itself to providing favorable conditions for large companies and MNCs; it must direct its economic development policies towards the improvement of local companies to enable them to compete with foreign ones on a leveled playing ground. Yet, the Mexican government has been unable to systematically put forward initiatives that empower domestic small and medium enterprises at the local, regional, and national levels.²⁰⁷

Finally, maquiladoras have been responsible for causing serious environmental damage in Mexico, which in turn depreciates the future prospects of the local economy and imposes extra costs that are not addressed by MNCs. For instance, the systematic use of toxic substances, their inappropriate disposal, poorly managed waste, water contamination, and air pollution are some of the environmental impacts caused by maquiladora production, and to this date, MNCs have not properly dealt with them. In fact, these developments may be encouraged by a weak enforcement of environmental laws, which is essentially rooted in the government's fears of discouraging further investment.²⁰⁸ Leslie Rockenbach claims that, after the coming into effect of NAFTA, and among other environmental regressions, "Mexico has dismantled its General Law on Ecological Equilibrium and Environmental Protection (LGEEPA), which required MNCs

²⁰⁶ Neil Harvey, "The Difficult Transition: Neoliberalism and Neocorporatism in Mexico," in Neil Harvey, ed., *Mexico: Dilemmas of Transition*, (London: Institute of Latin American Studies, 1993) p. 15.

²⁰⁷ Ibid.

²⁰⁸ Bartra, Sur: Megaplanes, op. cit., p. 48.

to provide environmental impact statements for large projects undertaken in Mexico.”²⁰⁹

The results of lax enforcement are important to note: in the northern border town of Ciudad Juárez, 352 maquiladoras release an estimated fifty-five million gallons of raw and toxic sewage in the Río (river) Grande every day, which in turn is used to irrigate Mexican and American agricultural farmland; and according to Oscar Canto Cetino, chair of the Mexican Ecology Commission, seven million tons of toxic waste, a large percentage of it coming from MNCs, is illegally dumped in Mexico each year, and only one percent of all Mexican hazardous waste is under government control.²¹⁰

Furthermore, Husted and Logsdon argue that “after the inception of NAFTA, the number of annual government-carried environmental inspections decreased by 2.7 percent, and only 25 percent of all investigated firms were in compliance with law.”²¹¹ These developments suggest that Mexico’s weak enforcement of environmental laws may encourage the continuation of polluting activities by MNCs, and according to Rockenbach, this may be the result of both government negligence and its need to attract investment, but in the end, serious damages may be inflicted on both the environment and the economy.²¹² Therefore, the enclave character of maquiladoras presents a clear scenario: MNCs benefit from favorable productive conditions at the expense of discouraging the reactivation of the domestic economy, provoking major costs due to profit repatriation, reliance on imports, displacement of local industries, and causing serious environmental damage, liabilities that local economies must eventually account for.

²⁰⁹Rockenbach, op. cit., p. 32.

²¹⁰Ibid., p. 5.

²¹¹Bayan Husted, and Jeanne Logsdon, “The Impact of NAFTA on Mexico’s Environmental Policy,” *Growth and Change*, Vol. 28, Winter 1997, p. 42.

Secondly, the export-oriented nature of maquiladoras depends heavily on the business cycles experienced by the North American economy, primarily the United States, where more than 80 percent of Mexico's manufacturing exports are destined.²¹³ The sector is vulnerable to slowdowns in the world economy, and in historical terms, the Mexican experience with the maquiladora industry points to a clear tendency for reallocation and/or closings when international conditions become adverse. For example, with the advent of the current American recession, only in December of 2000, 648 maquiladoras relocated and closed down their business, laying off 250,000 workers.²¹⁴ This situation carried into 2001, and by October, 100,000 more jobs had been lost, a number that represented half of the total employment reduction experienced so far in Mexico during 2001, and "perhaps only one-seventh of what may occur if the recession were last until mid-2002."²¹⁵

At the same time, and based on the maquiladoras' patterns of mobility, it is safe to argue that they have adopted a southward-oriented perspective moving from the relatively high paying zones of the north into the S-SE, where wages are 40 percent lower, then into Central America where wages are 50-60 percent lower than in the Mexican north, and finally into Southeast Asia, where workers only earn \$1 a day.²¹⁶ Thus, maquiladoras represent an inconsistent and unstable foundation to base long-term economic progress on, and their short-term goals and mobile character cannot contribute to the construction of integral and meaningful economic growth strategies as the threat of relocation and closings is ever-present, and even more during times of recession in the

²¹² Rockenbach, *op. cit.*, p. 6.

²¹³ Nauman, *op. cit.*, p. 6.

²¹⁴ Various Authors, *op. cit.*, p. 18.

²¹⁵ Nauman, *op. cit.*, p. 6.

American economy. Moreover, the industry's almost total dependence on that market makes it even more vulnerable to economic slumps, which in turn, could bring about potentially detrimental impacts on the domestic economy in terms of withdrawal of capital and loss of jobs, among others.

Finally, and given the industry's outward orientation that fuels a constant urgency to preserve "competitiveness," wage levels have been historically kept repressed by maquiladoras. In fact, from 1982 to 2000, Mexico's overall rate of maquiladora wages fell by 20 percent in real terms, and it is estimated that border-zone maquiladoras, considered to be the ones with better wages at about \$ 8 a day, only pay a mere 20-30 percent of what an average family needs to live on.²¹⁷ Even highly skilled workers, especially in auto parts assembly lines, are not earning above the levels of the national average wage, let alone unskilled workers employed by textile maquiladoras, who earn 30 percent less than Mexican-owned manufacturing industries.²¹⁸

Additionally, maquiladora production in Mexico has not been conducive to high-skill, high-paying jobs, and on the contrary, net job losses due to constant relocation and closings have kept wages down (on top of the above-mentioned peso devaluations), a feature that precisely represents the opposite characteristic that a promising export-oriented strategy must put forward, whereby jobs and wages would have to be gradually upgraded.²¹⁹ These circumstances, again, kept in place under the pretext of enhancing competitiveness, do not provide for the imperative increase in the purchasing power of workers as well as their standard of living, since wages merely allow for subsistence, and

²¹⁶.Beas, op. cit., p. 17.

²¹⁷.Nauman, op. cit., p. 5.

²¹⁸.Beas, op. cit., p. 13.

in many cases, not even for this. The role of maquiladoras in Mexico has only been relevant to the economy in so far as the meager wages they pay are considered, and even if the overall rate of absolute exports has increased, this has not translated into a systematic improvement in wage levels along the process. Yet, a strong economic system must be able to transcend these subsistence levels and stimulate meaningful domestic productive linkages that trigger the expansion of higher wages and a boosted purchasing power for domestic workers.

Another important aspect to point out is the maintenance of a predominantly feminine workforce in the overall employment structure of maquiladoras. The roots of this situation can be found in the initial stages of maquiladora development back in the 1960s, when the majority of workers were young, unskilled women.²²⁰ The number of male workers has gradually increased; yet, the percentage of females workers has remained consistent for the last twenty years at around 60 percent, and wage levels have also remained lower than those of men.²²¹ However, it is important to clarify that a feminine workforce does not signify an automatic unskilled labor force, but rather, it is the nature and operational patterns of the maquiladora sector which have transformed female labor into an entrenched, fabricated source of “unskilled labor.” It is a fact that women working in maquiladoras earn 40 percent less than their male counterparts, and, just to note one example of how much this is valued by this sector, women took almost 60 percent of all new jobs created on the northern border maquiladoras between 1995 to 1997.²²² Moreover, a little more than two-thirds of all jobs in the maquiladora industry in

²¹⁹.Grispun and Cameron, op. cit., p. 46.

²²⁰.Kopinak, op. cit., p. 14.

²²¹.Ibid., pp. 13-4.

²²².Rockenbach, op. cit., p. 7.

1996 specifying gender as a job prerequisite, preferred women.²²³ What do these facts indicate? In essence, they reflect international capital's sexist nature which has transformed women into an easy and permanent source of more capital, categorizing them as "unskilled" and paying them accordingly for the sake of profit maximization. Thus, it is to the advantage of MNCs to hire women and to keep a "feminized" labor force in place.

Moreover, and as noted before, unskilled workers continue to be the primary source of labor for maquiladoras, contributing to the preponderance of low wages in the sector.²²⁴ Labor laws have not been widely enforced, and on the contrary, maquiladoras are exempted from several important federal labor laws, such as paying minimum wage during probation time, paying severance after a worker is dismissed, and they are allowed to lay-off workers without notice. Additionally, they are free to adjust the size of their workforce or length of their work-day according to their needs.²²⁵ Finally, maquiladoras are not required to allow union organization in their premises, and can take swift action to stop any attempts by dismissing the responsible parties without previous notice and severance compensation.²²⁶ Unions do exist in some maquiladoras in the northern frontier zone; however, they have historically been ran by the PRI-controlled Confederation of Mexican Workers (CTM), which "supports the state goal of neoliberal development by controlling its members in exchange for preferential treatment in the allocation of state resources and subsidies."²²⁷ In other words, the corporatist nature of

²²³.Kopinak, op. cit., p. 71.

²²⁴.Grinspun and Cameron, op. cit., pp. 46-7.

²²⁵.Kopinak, op. cit., p. 10.

²²⁶.Grinspun and Cameron, op. cit., p. 45.

²²⁷.Rockenbach, op. cit., p. 81.

the PRI dictatorship led the state-subsidized labor movement to evolve in a well-established tradition of incremental, intra-elite bargaining with government officials.²²⁸ During the de la Madrid administration, the CTM sided with the regime by emphasizing the importance of neoliberal changes at the expense of its members' needs.²²⁹ Unions in the maquiladora sector have followed this highly "compromised" modality, diminishing their capacity to advance the interests of workers, and adhering their actions to the schemes of the state's liberalizing policies.

To sum up, the maquiladora strategy has represented a largely counterproductive paradigm of economic growth, with clear consequences for the overall Mexican economy. Maquiladoras form isolated economic enclaves with no connections to the domestic front, relying heavily on imported inputs and discouraging local economic expansion in the process. Moreover, maquiladoras pay low wages that have little impact on purchasing power and have dropped 20 percent in real terms for the last twenty years, and they have had a tendency to relocate or close down when the international economic situation that their production depends on hits adversity. Indeed, capital, jobs and modest technology transfer have been acquired by Mexico through maquiladora investment; however, experience reveals that those resources have not been used to benefit the Mexican economy as a whole, and in fact, have traveled a one-way street whereby MNCs have benefited at the expense of low wages, unskilled labor and periodic relocation to more depressed areas. Moreover, tax incentives, lax enforcement of environmental laws, and weak labor unions have been detrimental to the economic interests of the domestic economy. Is this the scenario that awaits the S-SE with the PPP? It is very likely, and it

²²⁸.Ibid.

²²⁹.Ibid.

could be even worse, taking into account that wages there are 40 percent lower than in the north, and that a pool of unskilled labor adding up to 18 million workers is set to put even more pressure on that already-repressed rate.

There is one more crucial element to note. As mentioned before, the penetration and consolidation of MNC maquiladoras in the Mexican economy was partially the result of government policies that gradually evolved to benefit the requirements of MNCs, especially when labor and investment laws were eased during the processes of economic liberalization. All four major elements that characterize the maquiladora sector, namely a predominantly female labor composition, reliance on unskilled labor, lower real wages, and a non-union orientation, have been realized in the Mexican experience, in part because of government policies that encouraged them and did little to correct them. Thirty-five years after they were introduced, maquiladoras are yet to integrate into the wider schemes of the Mexican economy; they have not created the high-skill, high-wage jobs they were supposed to, and they have not represented a strong model for long-run economic growth due to their vulnerability to international market fluctuations.

3.3 Chapter Summary

As we have seen in this chapter, the economic growth strategy of the PPP is likely to perpetuate a situation of dependence through its policies on infrastructure development and maquiladora expansion. Within the specific context of MNC-state regulation relationship, this thesis defined dependence as “the degree to which a country (or a region) is subject to economic outcomes controlled by foreign actors, whether in general terms or in specific situations, which in turn, may entail detrimental effects to its overall

economic performance as a result of externally-based disparities or internally-inspired constraints, or a combination of both.”

In both areas, the PPP will potentially engender a situation whereby the competition state could relinquish its regulatory powers to attract MNCs as the primary engine of development, firstly, because its hard-pressed fiscal condition forces it to do it, and secondly, because regulating MNCs would represent a significant obstacle to their arrival, as we had established it back in our theoretical framework. Thus, the PPP’s economic growth strategy could potentially result in a situation of dependence for the S-SE, a result that, in essence, could be attributable to the nature of MNCs and their functioning patterns, specifically in terms of the maquiladora sector, but more importantly, to the policies of Fox’s competition state. We will return to this discussion later on in this subsection.

In the highway sector, which is missing \$1.1 billion of its projected budget, problems may be encountered in two fronts:

1. Private Highways would only be available for those who can afford them, and
2. Projects envision mainly the rehabilitation of old circuits that fail to connect the isolated areas of the S-SE to the mainstream of economic activity.

Of course, it is the Fox administration which is determining the routes that should be rehabilitated, but it would be naïve to argue that a final decision would be made without consulting the financiers of the projects, who may very well have interests and objectives of their own. In this context, the Mexican government is bound to give MNCs very profitable projects for highway construction, but mainly for their improvement, which in the long-run would not be available to everyone and would not connect isolated areas to the routes of mainstream economic activity. This would be detrimental to the

development of an endogenous-oriented economic growth initiative, and given the roles of MNCs, the Mexican government would not be in a position to swiftly and strongly intervene to regulate and remedy the situation. In its essence, and based on the analytical framework outlined in this thesis, this juncture would represent a clear situation of dependence.

In addition, the maquiladora sector in the S-SE stands to duplicate three major economic flaws:

1. It would be disconnected from the domestic economy, actually discouraging local growth. Moreover, its high reliance on imports, profit repatriation, the closing down of domestic companies due to unequal competition, and costly environmental damages, would add to the costs that the domestic economy would have to account for sooner or later;
2. It would create bad jobs with depressed wages, taking advantage of an abundant pool of unskilled labor, and
3. It would be vulnerable to international economic slowdowns, jeopardizing long-term economic commitments.

As the Mexican government would have to relinquish its economic regulatory roles in order to attract MNCs to finance the PPP's proposed maquiladora projects, since, again, no specific budget has been assigned for this purpose, MNCs would end up benefiting from a soft regulatory framework that in turn, would have very detrimental impacts on the domestic economy of the S-SE. There is no reason to believe that the S-SE's experience with maquiladoras is to be different from its overall experience everywhere else in Mexico, and again, the government would find its hands tied if it was to take action to reverse the above-mentioned flaws. As MNCs are portrayed to be the main source of financing for maquiladora development, the government could increasingly

find itself outside the realms of administration and decision-making as to re-orient policies to benefit the region as a whole. Clearly, this MNC-state regulation relationship resembles the juncture reflected in the highway sector, and dependence will likely emerge in a situation where MNCs would have used state policy to their advantage to the detriment of the local economy.

The role of the competition state is fundamental in shaping these potential events. The Fox administration's policy of attracting MNCs as sources of economic growth in the S-SE, reflects several primary features of the competition state: first, the state facilitates the development of market forces in the domestic economy; and second, by taking that approach, it could diminish its economic roles in the future. In the particular context of the PPP's highway and maquiladora initiatives, this misguided vision could potentially result in the situation of dependence analyzed in this chapter. Moreover, policy flaws of the competition state could have the potential of exacerbating economic stagnation in the S-SE. For instance, it can be proposed that if the maquiladora sector has not been beneficial to the Mexican economy in overall terms for the last 35 years, how can the competition state expect it to be successful in the S-SE? No clear indications have been given by the PPP's official documents that the necessary preconditions, such as infrastructure, education, social services, strong labor laws, and political stability, will be systematically provided in order to improve the maquiladora sector's chances for success in the S-SE.

Furthermore, the PPP has not announced specific policies to make sure that maquiladoras develop strong linkages with domestic partners and that capital is retained for local accumulation and reinvestment, or safeguarding workers' rights by guaranteeing

fair wages and collective bargaining. In addition, nothing has been said about the need for maquiladoras to pay fair taxes, observe environmental responsibilities, and commit to long-term activities even in the face of international and domestic economic adversity. In other words, these needed preconditions, which in fact are the very essence of the model of regional development proposed by this thesis, are likely to be developed along the lines of MNCs' objectives and interests, as opposed to being put forward by separate state-led initiatives. This situation is problematic because the interests of MNCs and the needs of domestic economic development may not necessarily converge, and as this chapter showed, this situation is likely to be duplicated by the PPP in the context of the S-SE.

Finally, and as it stands, the PPP's economic growth vision does not comply with the economic requirements of regional development as defined by this thesis. According to that definition, an integral economic growth strategy for regional development must promote an endogenous-oriented approach directed toward meaningful local accumulation and productive diversification, building a multidimensional scheme of domestic linkages that create good jobs and increase the purchasing power of the population. The focus of the highway and the maquiladora development projects will have the opposite effect from the one needed to lift the S-SE out of its current depressed condition, offering status quo initiatives that dampen domestic diversification, create low-paying and unstable jobs, and lack a long-term commitment to economic growth due to deep vulnerability to international economic fluctuations. The "structural economic change" that the PPP offers in its theoretical propositions, together with its promise to create "well-remunerated jobs" and to promote the "proper use of the region's

comparative advantages” of the S-SE, will not be fulfilled in the long-run by introducing the flawed and inconsistent maquiladora industry, and in turn, the exploitation of cheap labor will only bring about the duplication of a defective reality already experienced by other regions of the country. In the end, and due to its dependence potential, the economic strategy of the PPP will likely promote the interests of international capital, a step that could result in an unfavorable situation for the realization of the S-SE’s economic requirements vis-à-vis regional development.

Chapter Four - The “Modernization” of Agriculture: Consolidating Maldevelopment

This chapter will examine the potential that the PPP’s “agroindustrial” initiative presents for the consolidation of social maldevelopment in the S-SE. The analysis will be developed within the framework of the importance that the agricultural sector, especially in terms of subsistence and communal production, has for the social well being of the region. In fact, agriculture represents the foundation upon which social cohesion in the region has been constructed both historically and culturally, and as such, it is important to address in our discussion of the PPP. The first section of this chapter will be dedicated to establishing the dynamics of this important issue. In the second section, a discussion will be presented on the impacts that the competition state policy on agriculture, mainly through agricultural liberalization and NAFTA, has had on the region’s subsistence agricultural sector. In essence, those impacts are characterized by diminished production, loss of land, migration, and generalized poverty and displacement. This discussion will be important because it will establish the competition state’s policy framework on agriculture and how the PPP is likely to follow it, and hence, it will set the stage for the analysis on the conditions that its proposed projects are likely to exacerbate.

In the third section, the agricultural project of the PPP will be critically examined within the framework of its potential impacts on the social fabric of the S-SE. The dynamics of the “agroindustrial” initiative will be discussed, focusing on the idea that in order to improve the agricultural productivity and management of the S-SE, MNCs must provide the foundation for a strong export-oriented mechanism to materialize. Taking into account the precedent of NAFTA, the potential impacts of this agroindustrial initiative will be assessed, emphasizing the possibilities that loss of land, food insecurity,

increased migration, and intraregional inequalities can be exacerbated in the process. In this context, it will be shown that in overall terms, the PPP is likely to worsen the conditions that NAFTA has created, thus representing an initiative that could further entrench maldevelopment as the region's social common denominator. In the summary section, the dynamics of the competition state will be linked to the analysis on the PPP's agroindustrial initiative, especially in terms of the latter's interpretation of agriculture in the S-SE as an exclusively economic sector needing investment and productivity, and neglecting its social dimension.

4.1 Agriculture and Social Cohesion in the S-SE

By far, the agricultural sector represents the most important socioeconomic sector in the S-SE, employing more than fifty percent of its workforce, generating forty percent of its GDP, and producing forty-five percent of Mexico's overall agro-exports.²³⁰ At the same time, and despite the deregulatory tendencies of successive plans to modernize the sector so as to make it more efficient, five million peasant families continue to see the land and farming as fundamental to their daily survival, providing sustenance and employment, and helping them avoid migrating to the cities or roaming the countryside for temporary work.²³¹ By no means can the S-SE be characterized as "well-off," and on the contrary, peasant communities, or *campesinado*, have been experiencing a process of systematic decline due to misguided governmental policies on agriculture that have exacerbated poverty and displacement in the region. Some of these ill-fated measures will be analyzed later on in this section, but for the time being, it is important to ask: why

²³⁰ Bartra, *Sur, Megaplanes*, op. cit., p. 24.

²³¹ Tom Barry, *Zapata's Revenge: Free Trade and the Farm Crisis in Mexico*, (Boston: South End, 1995) p. 3.

have these five million families preserved their links to the land in the face of pervasive policy changes that alter traditional structures? What is the reason for their staying power?

For the S-SE's rural population, which is more than half the total and 80 percent indigenous, more than a way of earning a living, the land (*campo*) is a way of life and the very blueprint of existence.²³² Being a *campesino* transcends the simplistic economic perception of just having a job, and, instead, it represents a way of relating to the land and to the community, which essentially conveys a sense of place and identity not easily shaken.²³³ For rural and indigenous communities in the S-SE, the land and its products are seen as the foundation of social cohesion and understanding whereby commonly-held principles command the actions of the collective vis-à-vis its sustenance and well being, and solidarity serves as the driving force behind production and distribution.²³⁴ It is a socio-cultural ideology with roots in the pre-Columbian past that has been sustained by the agrarian reforms and rhetoric of the 1910 revolution, permeating the expectations, modes of action, and demands of those communities over the decades.²³⁵

In the Mexican S-SE, the "modern" significance of land and agriculture can be traced to the mid-1960s, when Mexico finally proclaimed itself self-sufficient in basic food stuffs, a historic event made possible by the successful application of the agrarian reform program put in place in the 1930s.²³⁶ This land reform, based on the breaking up of the colonial hacienda system, was the product of one of the most important demands of the Mexican Revolution of 1910: the fair redistribution of land. This principle was

²³².Ibid., p. 5.

²³³.Ibid.

²³⁴.Bartra, *Sur, Megaplanes*, op. cit., p. 6.

²³⁵.Barry, op. cit., p. 5.

enshrined in Article 27 of the 1917 constitution; however, it was only systematically implemented during the presidency of Lázaro Cárdenas from 1934 to 1940. The land reform program redistributed hacienda land by creating rural communities- *ejidos* - whose members could work the land individually or collectively depending on the political and economic circumstances of the community. This system would eventually be known as the “social sector” of Mexican agriculture because of its important role in providing food sustenance to the communities and to overall national domestic consumption at relatively low prices.²³⁷ The motivation of having their own land to work was enough to encourage most peasant farmers to dramatically improve their production, increasing the productivity of the lands at an average annual rate of more than 3 percent following the redistribution of the 1930s, doubling their yield to more than 1.2 tons per hectare by 1960.²³⁸

However, and despite their relative progress, most peasants were condemned to poverty by a rigid system of state control of credit and by the prices of agricultural inputs and products, which did not appropriately allocate resources and lacked fair compensatory methods for productivity. Most *ejidatarios* (ejido farmers) were relegated to their traditional cultivation systems, producing corn, beans and a variety of other products for domestic consumption, while, at the same time, were highly constrained by a corrupt federal bureaucracy that prevented the promotion of meaningful credits and capital allocation to introduce modern farming systems and new crops.²³⁹ On the other hand, a highly capitalized and technical commercial agricultural sector emerged in the

²³⁶David Barkin, “Mexico’s Disappearing Countryside,” in Rose and Mcfadyen, op. cit., p. 197.

²³⁷Ibid., p. 198.

²³⁸Ibid.

1970s as a result of substantial public investment in irrigation, rural road networks, and agricultural research, revolutionizing the productive patterns of land tenure, and polarizing the rural fabric into two major groups: subsistence *ejidos*, and a profitable commercial agricultural network represented by big land owners tied to the PRI regime.²⁴⁰ The federal government, conscious of the fact that *ejido* production was allocated to subsistence and domestic consumption and not for export, discriminated against it in the administration of public funds, favoring an incipient rural bourgeoisie focused on the production of cash crops, and along the process, leaving ejidos out of the mainstream schemes of agricultural modernization in the 1970s.²⁴¹

However, the *ejido* land tenure structure has been able to withstand the various processes of agricultural modernization that discriminate against it, and in fact, this “social sector” of Mexican agriculture, by 1990, still accounted for 55 percent of the total domestic corn production and covered 49 million hectares of arable land.²⁴² As mentioned before, agriculture in the S-SE employs more than half the labor force, a figure that reaches 60 percent, and 85 percent of them classified as indigenous, in Chiapas and Oaxaca.²⁴³ The predominance of indigenous peoples in this category adds a new dimension to the issue: it is indigenous communities which rely the most on the *ejido* system for sustenance and employment, and at the same time, and given the gradual abandonment this system has been subjected to, they have been the big losers of the whole process. We will return to this discussion later in this chapter, but for now, it can

²³⁹ George Collier, and Elizabeth Lowery, *Basta: Land and the Zapatista Rebellion in Chiapas*, (Oakland: Institute for Food and Development Policy, 1994) p. 48.

²⁴⁰ June Nash, et al., *The Explosion of Communities in Chiapas*, (Copenhagen: International Work Group for Indigenous Affairs, Document No. 77, 1995) pp. 11-13.

²⁴¹ Barkin, op. cit., p. 200.

²⁴² Ibid.

²⁴³ Barry, op. cit., p. 160.

be argued that, despite the obstacles, *ejido* agricultural land remains the cornerstone for the survival of thousands of communities and millions of families. This staying power is sustained by the region's traditional socio-cultural ideology that considers the land as the fundamental element in the preservation of social cohesion even in the face of ever increasing multifaceted adversities.

As a matter of fact, the importance of land and agriculture for the S-SE is disturbingly tangible through the effects that "modernization" policies have had in the sector, plunging it into poverty and displacement, and institutionalizing its gradual disappearance as a system of social stability. Agriculture represents that social base for the S-SE; yet, the fact that it is being undermined is an issue on its own that must be analyzed more thoroughly. The significance of agriculture to the S-SE's social fabric seems to be measured through the devastating impacts, in terms of generalized poverty and food insecurity, that ill-conceived policies are inflicting on its functioning patterns. And this is precisely why the examination of this issue, within the context of the PPP is important: how will the PPP impact the agricultural sector in the S-SE, and its condition as the blueprint for indigenous and rural communal cohesion? But before this question is addressed, the effects of NAFTA on the agricultural sector in the S-SE must be discussed in order to set the stage for the analysis on the PPP. We will now turn to the analysis of the most recent important developments in this respect.

4.2 NAFTA and the Frontal Attack on Agriculture

The policy directions mentioned in the previous subsection represented only a preamble for the eventual more serious abandonment of the *ejido* agricultural system brought about by the competition state agricultural policy in the post-1982 period.

Beginning in 1984, the Mexican government, as part of SAPs, began to adopt neoliberal programs of economic stabilization for the agricultural sector, channeling resources to producers of export crops and abandoning its commitment to food self-sufficiency.²⁴⁴ By the end of the 1980s, annual food imports had risen to an unprecedented \$5 billion, and the government responded by supporting corn and bean production in the irrigation districts and fertile plains of the north, mostly administered by richer commercial farmers, rather than helping the *ejidatarios* who had traditionally sowed these crops in the south.²⁴⁵ Yet, these policies were part of the competition state's background preparations for negotiating NAFTA, showing an explicit commitment to eradicating traditional forms of cultivation of basic food crops. In fact, the then undersecretary of agriculture, Luis Téllez, stated unequivocally that, "it is the government's intention to encourage the emigration of more than 13 million people from the rural areas, people who are not only redundant, but who are preventing progress from coming to rural Mexico."²⁴⁶ In other words, *ejido* lands were blocking the launching of more profitable outward-oriented agroindustries, and for the S-SE, where half of the workforce is dedicated to agriculture mostly within the framework of *ejidos*, the impacts of this policy were to be monumental.

In 1992, President Salinas de Gortari pushed through a constitutional amendment that made the country's agricultural policies consistent with the government's commitment to private property and the free market, as encapsulated in the NAFTA negotiation efforts. The amendment of Article 27 of the Mexican Constitution ended the land redistribution and communal protection programs and opened the door to *ejido* and

²⁴⁴.Weinberg, op. cit., p. 7.

²⁴⁵.Ibid, pp. 67-8.

²⁴⁶.Barkin, op. cit., p. 200.

agrarian communities' privatization, concurrently dismantling other agrarian programs, such as subsidies for agricultural inputs like fertilizer and seeds, reducing farm credits, and liberalizing prices so they would drop to international levels.²⁴⁷ The overall objective of this measure was to make Mexican agriculture more efficient, competitive, and less dependent on state support, opening the door to land privatization and MNC penetration in the cash crop exporting sector. These policies reinforced the two-tier, polarized agricultural system that had emerged in the 1970s and had been gradually reinforced in the 1980s, whereby subsistence agriculture had been neglected in favor of commercial agriculture producing for international markets. Moreover, the tariff and quota-free imports coming from the United States in the context of NAFTA exerted massive pressure on domestic agricultural production, mainly for basic grains, that when coupled with the disappearance of government assistance, were bound to cause serious disruptions in the social structures of farming communities. One element can be singled out to examine this situation: free trade and its role in depressing domestic production and exacerbating food insecurity.

The "big losers" of the implementation of NAFTA since 1994 have proven to be small agricultural producers, mainly in the basic foodstuffs sector. By 2001, Mexico imported from the United States one-fifth of the corn it consumes, more than one-third of the wheat, 8 out of 10 kilograms of rice, and more than 90 percent of the soy beans, to name just a few crops.²⁴⁸ The specific case of corn, and its crucial status for agricultural communities in the S-SE, deserves special attention. It had been initially agreed that Mexico would allow the import of 3,671,327 tons of tariff-free corn by the year 2007;

²⁴⁷Weinberg, *op cit.*, p. 67.

²⁴⁸Arroyo, *op. cit.*, p. 74.

however, by 1996, 5,843,726 tons had already been imported, effectively liberalizing the Mexican corn market by the third year of NAFTA, as opposed to the originally planned fifteenth year.²⁴⁹ Moreover, Mexican producers have complained that those imports are usually authorized before their crop has been reaped, and by the time their product reaches the market, it has already been flooded by imports, driving down the prices.²⁵⁰ These massive structural disparities have meant the economic demise of millions of small farmers, since prices have not been protected and production has been discouraged due to unsustainable production costs, threatening the availability of food for domestic consumption.

Furthermore, significant inequalities can be identified in the agricultural subsidy levels of Mexico, the United States and Canada. In fact, by 1999, the United States provided \$21,000 in average subsidies to each full-time agricultural producer, Canada provided \$9,000, and Mexico only \$1,000, a clear picture that reveals massive inequalities among the three NAFTA “partners.”²⁵¹ This means that Mexican producers not only have to compete with unregulated levels of non-tariff imports, but also with products whose cost of production is substantially lower and more productive due to higher levels of assistance. Mexico’s aid to food farmer communities has been reduced 77 percent from its 1980 levels, and almost 40 percent of this figure has been reduced since 1994.²⁵² Yet, government inaction in Mexico goes beyond the lack of agricultural spending and the incapacity to uphold agreed import quotas, since it has stopped intervening in the production of cheaper inputs, in credit, and in the commercialization

²⁴⁹ Ibid.

²⁵⁰ Ibid.

²⁵¹ Ibid., p. 76.

²⁵² Ibid., p. 77.

structures of agricultural products in the domestic markets.²⁵³ In other words, not only has NAFTA effectively opened Mexico's agricultural sector to foreign products, it has also paved the way for the Mexican government to abandon small producers to the rigidities of a "free trade market" plagued with overwhelming asymmetries.

These important discrepancies are the result of ill-fated NAFTA negotiations carried out by Mexico in the face of extreme pressures from the United States, and more important, of its inability to enforce properly the stipulation of the Treaty in terms of agricultural matters; but in the end, the productive and social patterns of small, food stuff producers have substantially been disrupted. Alberto Arroyo identifies four alarming developments in this respect:

1. The destruction of conventional production chains: the inability to compete has forced small farmers to stop production, and with it the other sectors that sustain it, threatening local food production;
2. Extreme Poverty: It has been estimated that the Mexican countryside has suffered a systematic impoverishment since 1994, especially when the demise of small producers has increased unemployment and seriously threatened food production. More imports have not resulted in cheaper food for the population, and on the contrary, from 1994 to 2001, inflation in basic food stuffs was higher (360%) than the overall rate (349%);
3. Displacement of small producers: peasants have been forced to leave depressed areas, destroying the traditional social structure of communities, and
4. Food dependence: Mexico is increasingly dependent on the U.S. for its supply of basic food stuffs. By 2000, Mexico imported \$ 6 billion worth of basic crops (corn, wheat, soy bean) from the United States; before NAFTA came into place, that figure was \$1.8 billion. As mentioned above, imports have not been translated into cheaper products for consumers.²⁵⁴

²⁵³.Ibid.

²⁵⁴.Ibid., p. 79.

These circumstances will be relevant for our subsequent analysis of the PPP's agricultural initiative, especially the issues surrounding food insufficiency and community displacement, as they strike at the heart of the social composition and well-being of *ejidos*. The NAFTA, in its liberalizing nature, has threatened the long-run survival of communities, but how will the PPP fit into the evolutionary patterns of this grave scenario?

4.3 The PPP and Agricultural Modernization: NAFTA-Plus?

In the summary of objectives of the PPP, it is stated that the program is "bound to develop agro-industrial conglomerates that generate value-added mechanisms for production, integrating all inputs and resources used along the process. . . a special focus will be given to technological diversification in agriculture."²⁵⁵ Armando Bartra argues that this statement conveys very clear ideological and operational configurations. In its ideological dimension, Bartra claims that the PPP, following Santiago Levy's premise, is poised to "sell extensive fractions of land to establish a plantation-like agricultural sector where technified cultivation develops specific cash crops for export to developed countries' markets."²⁵⁶ On the other hand, its operational dimension envisions "the welcoming to the S-SE of economic agents that enjoy meaningful financial resources," or in other words, the expansion of agroindustrial MNCs in the region.²⁵⁷ In order to properly make use of the region's comparative advantages in agriculture, the "old" public policies that repressed productivity must give way to a more technologically-based

²⁵⁵.Presidencia de la República, *Síntesis de Objetivos*, op. cit., pp. 10-13.

²⁵⁶.Bartra, *Sur, Megaplanes*, op. cit., p. 46.

²⁵⁷.Ibid.

system where cash crop plantations substitute the inefficient results of subsistence schemes.²⁵⁸

In effect, NAFTA has already opened the door to the privatization of communal land by reforming Article 27 of the Constitution, firstly, in terms of selling lands that were co-owned by ejidos and the government, and secondly, facilitating the sale of ejido land by removing the protective stipulations that banned it. Moreover, *ejido* land had increasingly become more “available” because of the disastrous effects that unequal trade has had on communal production (regarding cheaper imports and low prices), forcing them to sell their land as credits and costs of production cannot be sustained due to depressed productivity.²⁵⁹ According to Barry, Monsanto, Nestlé, and Green Giant have considerably increased their activities in the S-SE since the early-1990s, concentrating more than two-thirds of agroindustrial MNC production in Mexico, and controlling one-quarter of the country’s overall food-processing capacity.²⁶⁰ In addition, Alvarez claims that land privatization in the S-SE “has benefited the big foreign agroindustrial MNCs at the expense of *ejido* farming. . . land tenure is shifting in favor of the former.”²⁶¹ Arguably, the most important objective of Article 27 reform was to “liberate” lands that were considered idle so as to diversify production, and this process evolved from partnerships between small farmers and foreign investors who put land up for capital, to the full-fledged take-over of lands by MNCs due to small producers’ inherent competitive weaknesses in relation to foreign capital.²⁶² Without state protection, *ejido* and communal lands have been left vulnerable to the dynamics of liberalized markets, which,

²⁵⁸ Ibid.

²⁵⁹ Alvarez, *The Puebla Panama Plan*, op. cit., p. 9.

²⁶⁰ Barry, op. cit., p. 63.

²⁶¹ Alvarez, *The Puebla Panama Plan*, op. cit., p. 9.

as we have noted before, have exclusively benefited those with capital and technological superiority.

Barry identifies five elements that characterize the functioning of agroindustry: 1) constant search for substitute inputs to reduce costs and increase control, concentrating on synthetic replacements, food substitutes and food engineering; 2) diversification of input sources (from different countries and regions) to bolster price-setting capabilities; 3) increased control over the production process to guarantee quantity and quality; 4) quality standards set by biochemical engineers and company scientists rather than determined by farmers, and 5) research, development, and marketing expenses for new products, resulting in further concentration of the food processing industry by marginalizing smaller companies and obstructing competition.²⁶³ This is important to point out for two reasons: first, the scope of the agroindustry sector is bound to revolutionize the food production patterns of any region/country, because of its high reliance on technology and its tendency to monopolize production. And second, because Mexico is already experiencing the systematic expansion of this sector within its agricultural system, put forward by a handful of American MNCs and especially penetrating the S-SE. The PPP has set out to reinforce this system.

In February 2001, the project "March Towards the South" had assigned \$60 million for projects related to irrigation and enhanced agricultural production in the S-SE, but as was the case with maquiladora expansion, this initiative was eventually integrated into the overall project implementation plans of the PPP.²⁶⁴ After being left out of the framework of the 8 Mesoamerican Initiatives, and not having its budget openly ratified,

²⁶². Treat, op. cit., p. 3.

²⁶³. Barry, op. cit., p. 62-3.

in November of 2001, the PPP Administrative Office announced a specific project that seemed to address agricultural issues related to agroindustry. The project was titled "Diversified Agroindustrial Corridors," and in essence, it was comprised of 11 corridors designed to build the necessary infrastructure and production patterns to connect the whole region as a compacted unit capable of maximizing that quantity and quality of agroproducts bound for international markets.²⁶⁵ More specifically, the following goals are identified:

1. The development of profitable economic activities by modernizing the primary sector;
2. The enhancement of small and medium-size producers' entrepreneurial capabilities, and
3. Increase the activities of agroindustrial entities in the region.²⁶⁶

No budget figures were given, and this project was introduced in a low-profile fashion without major details about its mode of action. It is clear that the expansion of agroindustries is the underlying purpose of the project; yet, Wendy Call goes further and claims,

Land privatization continues to underpin Fox's PPP and is the key to achieve its goals of expansion of agroindustries and manufacturing, and increased private control over the areas' natural resources, so much that it is the case that Mexico's Agrarian Reform Minister has said that land will be expropriated from indigenous and peasant communities, if necessary, to implement the PPP.²⁶⁷

Following the trend of the maquiladora initiative, the lack of financial details, reinforced by the PPP's clear goal to expand agroindustries at whatever means, make it

²⁶⁴ Villamar, op. cit., p. 7.

²⁶⁵ Presidencia de la República, *Avances y Perspectivas (Nov 2001)*, op. cit., p. 188.

²⁶⁶ Ibid.

²⁶⁷ Wendy Call, *Plan Puebla Panama: Done Deal or Emerging Flashpoint?* Americas Program Investigative Article, (Silver City, NM: Interhemispheric Resource Center, April, 2002) p. 2.

safe to assume that the privatization of land will continue by spreading the already-significant presence of MNCs in the S-SE, precisely because they are the “economic agents that enjoy meaningful financial resources.” According to the PPP’s vision, this system will result in a better standard of living for the population, since more efficient and technologically-advanced methods of production would decrease poverty and would facilitate a better management of food production as land and resources would be allocated more effectively for both domestic consumption and exports. But taking into account the already-fragile agricultural sector in the S-SE, would a MNC-led agroindustrial sector be the answer for the region? It is very unlikely, and on the contrary, the currently difficult conditions imposed by agricultural liberalization would be aggravated by this plan, specifically in four areas:

1. Increased loss of land for small producers and *ejidatarios*;
2. Consolidated food insecurity;
3. Increased labor migration, and
4. Benefits to larger domestic landowners.

The social consequences of these results could potentially be considerable, entrenching poverty and a diminished standard of living among the S-SE’s subsistence agricultural communities, and replicating a new cycle of displacement with far-reaching implications.

In the first instance, the welcoming of more MNC agroindustrial activities would likely lead to the privatization of more *ejido* land, thus eliminating the means of subsistence and employment for thousands of families. It is no secret that ejidos were already renting, sharecropping, and to a lesser extent, selling their lands even before the reform of Article 27 was passed. However, this happened in an insignificant percentage of communal lands, and, as pointed out before, most *ejidos* kept their status as the basis

of subsistence for millions of families. This situation is now threatened by the liberalizing reforms and their policies of deregulation which unequivocally favor those with capital, technology, and market access.²⁶⁸ Cornered by the lack of subsidies, cheap imports, depreciated crop prices, and a strong drive from MNCs to appropriate lands, *ejidos* are likely to gradually sell their lands as a last resort to avoid their complete idleness and the communities' financial downfall. The drive to individualize and privatize production, within the vision of the constitutional reform and now reproduced by the PPP, will also adversely affect the role of *ejidos*, because by undermining collective forms of economic organization ingrained in historical patterns, the basis of communal survival is put at risk.²⁶⁹ Thus, *ejidatarios* are not only poised to lose their lands in the dynamics of government abandonment and the pressures unequal competition, but also the fundamental schemes that have kept social and communal cohesion in place for decades.

Secondly, the agroindustrial initiative proposed by the PPP has the potential to exacerbate the lack of local food security already present throughout the region. The pervasiveness of NAFTA's unequal exchange patterns has discouraged the steady production of basic grains, especially corn, because small farmers have proven unable to compete with cheap and almost unrestricted tariff-free imports, and in turn, they have been forced to rely on those imports for their sustenance, a measure that is neither cheaper nor safe, given the predominantly transgenic nature of U.S. grain.²⁷⁰ Food insecurity will be further accelerated by the fact that agroindustrial MNCs place an

²⁶⁸.Barry, op. cit. p. 121.

²⁶⁹.Weinberg, op. cit., p. 67.

²⁷⁰.Barry, op. cit., p. 59.

exclusive emphasis on the production of cash crop exports, such as sugarcane, coffee, vanilla, African palm, and cocoa, thus decreasing the availability of land dedicated to food crops and opening the door to poverty, hunger and malnutrition to spread among the local population.²⁷¹ At the same time, the PPP has not proposed a coherent parallel plan to address the real possibilities of larger local food shortages, and for the time being, the social concerns raising from the radical liberalization of agricultural production seem to have been placed under the category of problems to be solved by the eventual trickle down effect that the market is bound to activate.

Thirdly, the loss of land and social support networks, coupled with the high possibilities of intensified food insecurity, will likely result in increased emigration and disintegration of social and family structures in the region. More unskilled workers are likely to be integrated into the operations of large MNCs as temporary farm workers and food-processing due to loss of land, earning depreciated wages, and dependent on the fluctuating circumstances and needs of MNCs and international markets. Another option for this pool of unskilled labor to be absorbed by the maquiladora sector that is expected to expand throughout the region, an alternative that would offer little to former peasants in terms of standard of living, wages and socioeconomic stability, as the previous chapter concluded.²⁷² The next option would be going to the big cities in search of work, or to attempt to cross the border into the U.S., engendering a situation of family and of community dislocation that would corrode the social fabric of the region.²⁷³ Whatever the options, the underlying consequence of this new system of labor will hardly make up

²⁷¹ Andrés Barreda, "Los Objetivos del Plan Puebla Panamá," en Alvarez, Barreda, y Bartra, op. cit., p. 51.

²⁷² Nauman, op. cit., p. 6.

²⁷³ Bartra, Sur, Megaplanes, op. cit., p. 46.

for loss of land and food insecurity, and in fact, could minimize the chances for social stability.

Finally, a point that deserves consideration is the tendency of agroindustries to polarize the economic structures of the domestic front where they operate. How so? Large landowners in the S-SE, who consolidated their position during the 1980s, are usually integrated into the MNCs' productive configurations as suppliers of specific products, mainly because of their superior technological status vis-à-vis small producers, or renting their lands to large foreign conglomerates.²⁷⁴ At the same time, these large landowners could diversify their crops or switch practices (such as cattle raising instead of agriculture) in order to accommodate the requirements of the agroindustrial system. This juncture would make them direct beneficiaries of the scheme by having operational links with MNCs, protection from the government, and hiring cheap labor from displaced peasants who could not compete with this system in the first place.²⁷⁵ This is important to consider because the PPP will potentially introduce a system that encourages the emergence of local disparities at the expense of aiding small primary producers to keep their lands and participate as a link in the wider context of agroindustrial production. Instead, small producers are transformed into cheap labor providers with minimal prospects, while the small local agricultural elites end up benefiting from this system of inherent inequalities.

Thus, and to sum up, the PPP's "Diversified Agroindustrial Corridors" is a project that seems likely to consolidate the land privatization patterns begun by the reform of Article 27, at the cost of seriously altering the social fabric of the S-SE. Given that

²⁷⁴.Ibid.

²⁷⁵.Ibid., p. 46-7.

MNCs are called upon to invest as alleged agents of agricultural modernization and efficiency, the way has been paved for the consolidation of the NAFTA's detrimental effects on the S-SE's agricultural sector. Those impacts, namely the destruction of local productive chains, extreme poverty, displacement of small producers, and food dependence, are set to be reinforced by the PPP's agroindustry initiative whereby MNC takeover will increase land loss for *ejidatarios*, exacerbate food insecurity by concentrating on cash crops, transforming small producers into a pool of cheap labor and dislocating communities, and introducing local inequalities in favor of large landowners, all of which are likely to generalize poverty and displacement in the S-SE as they have an impact on social structures. Land and agriculture represent the cornerstone of social cohesion in the region, and the move towards privatization and deregulation begun by NAFTA and now continued by the PPP, has threatened their integrity and encroached upon their traditional conceptual and operational essence. In the end, it is Monsanto, Nestlé, and Green Giant, among other MNCs, which stand to be the overall winners of this ill-conceived initiative.

4.4 Chapter Summary

In its drive to privatize agricultural production in the S-SE, a process initiated by NAFTA eight years ago, the PPP's proposed projects on agriculture could open the door to the consolidation of social maldevelopment in the region, potentially safeguarding the interests of agroindustrial MNCs in the process. This thesis defined maldevelopment as "the result of specifically regressive policies that cause displacement, poverty and an unequal distribution of wealth, exacerbating the levels of human marginalization," and

from the analysis presented in this chapter, it can be concluded that the PPP's agricultural project could open the door to the realization of such scenario. The traditional methods of agricultural production, which in essence represent the cornerstone of social cohesion in the region, are facing an overwhelming dichotomy: in the one hand, they have been abandoned by government assistance and protection, and in the other, they are facing powerful competition from heavily-subsidized imports that kill local production, and make the sale of communal lands the only feasible short-run way out of the crisis. This juncture is vital to our analysis because the social fabric of the S-SE, represented by land and its products, has come under systematic attack in last two decades, and especially in the aftermath of NAFTA, begging the question: what can we expect from the PPP and its alleged attempt to "modernize" and improve agriculture in the PPP?

The PPP's perspective on agroindustrial development precisely conveys the idea the "status quo" subsistence and communal production is fundamentally stagnating, and as such, must be replaced by a MNC-led export-oriented scheme whereby capital and technology inject dynamism and efficiency to an otherwise crippled sector. If this program is implemented, MNCs could potentially stand to benefit the most through cheap land and labor, tax concessions, and better market access. But as this chapter showed, its social repercussions would be far-reaching. On top of the detrimental effects that NAFTA has already had on the social-agricultural base of the S-SE, it has been analyzed how the PPP's calls for more *ejido* land privatization will inevitably lead to loss of land, food scarcity and labor migration from small communities, triggering a more general context of displacement, poverty and hunger. Also, and as it was discussed before, the PPP is likely to increase intraregional inequalities by favoring foreign capital and larger

domestic landowners who are more capable of fitting the productive chains of agroindustrial mechanisms. By dismantling the systematic support network that safeguarded communal agricultural production, the Mexican government, first with NAFTA and then with the PPP, is effectively carrying out a neoliberal economic plan to address a fundamentally social issue in the S-SE, and doing so by giving market forces and MNCs the helm in the development of policy implementation.

This leads us to the discussion on the competition state and its PPP policy perspectives on agriculture in the S-SE. Clearly, the PPP's proposals on agricultural modernization follow the neoliberal vision begun after the 1982 in Mexico, which reached its peak when Article 27 was reformed to pave the way for NAFTA. The PRI competition state, and its PAN successor, which has not challenged the neoliberal model, but has actually embraced it, have been clear in their desire to give up on subsistence agriculture, and rely on privatization and foreign investment to allegedly revitalize the agricultural sector as a whole. So far, and after twenty years of neoliberalism, this vision has proven flawed, and despite the tangible evidence to support that claim, the PPP's agroindustrial initiative seems to follow this very same policy alternative, which in the end, is a choice made by the competition state. But in essence, the flawed nature of these proposals stem from the fact that agriculture is seen by the competition state only as an economic and productive sector, as opposed to its real social connotation that requires more than just efficiency and modernization. The PPP's agroindustrial project seems to be a conscious governmental decision; yet, it fails to address agriculture within the framework of its status as the social backbone of millions of peasant and indigenous families in the S-SE.

Why is the competition state promoting this strategy? It can be argued that the Fox administration is attempting to transform and diversify the agricultural sector in the S-SE as to make a bastion of export-oriented growth, and MNCs are perceived as a key component for capital, technology and expertise. However, by perpetuating a vision that produced serious shortcomings, the Fox administration not only ignores the crucial social character of agriculture in the region, but also its current devastated condition. For indigenous and rural communities in the S-SE, the social character of agriculture is reflected in their ability to keep their lands and provide for their employment and sustenance, interacting within the framework of collectively-held beliefs based on land tenure, and making decisions on agricultural policies as determined by the fluctuating circumstances of their communities. Privatization, deregulation, and transferring power to MNCs will likely minimize the possibilities for that set of conditions to be properly fulfilled, because the most powerful have clear advantages when facing the challenging dynamics of the “free market.” And it is precisely these elements which the competition state overlooks in its formulation of the PPP’s agricultural initiatives: the fact that, for the S-SE, the foundation for socioeconomic progress must be fostered by guaranteeing the sustainability and protection of the agricultural sector, not just as a potential recipient of investment, but more importantly as the very blueprint of existence for thousands of communities and millions of families. On the contrary, and as marginalization, basic needs deprivation, the undermining of communal agriculture, and social gaps are likely to grow if the PPP’s agroindustrial project is implemented, maldevelopment will likely be consolidated as the common social denominator throughout the region.

Additionally, the PPP fails to promote any of the vital social requirements needed in the context of regional development. Some of these requirements, as established earlier, included the need to reduce inequalities and boost the standard of living of the population through governmental programs that safeguard vital sectors and stimulate their sustainability. These include education, health, and decent housing, but in the concrete case of the S-SE, those needs must be equated with agricultural and land maintenance, mainly in its communal form, and food security. The PPP is headed towards the achievement of an antithetical set of results from the ones needed to satisfy those crucial needs, and the “progress of the region and of every individual living in it,” as a fundamental part of our definition of regional development, stands to be undermined by governmental inaction and international capital penetration. In its social dimension, the PPP will not fulfill the requirements of regional development, and rather it is social maldevelopment that finds a clear correspondence with the ideological and operational propositions of the PPP’s agroindustrial initiative.

Chapter Five - The Political Dimension of the PPP: Déjà Vu Yet Again

Within the context of globalization's impacts on the roles of the state, David Held argues that, among other consequences, the transformation of the state to comply with the requirements of transnational relations could lead to the erosion of its roles and autonomous decision-making vis-à-vis society. The possibility of unelected and unrepresentative agents, from MNCs to IFIs, influencing the state's policies and modes of action could potentially lead to serious political implications in terms of the state's responsibility and accountability toward its constituents. In the same context, Cerny argued that the competition state, in its attempt to accommodate market forces, may give up certain roles in the process, including political and civic functions. Again, the issue of the state's decreased accountability becomes an important political consequence of the "price" the state has to pay for engaging in the dynamics of globalization, but the long-term consequences of this juncture can result in far-reaching political implications at the domestic front. Keeping these ideas in mind, this chapter will critically examine the PPP's "political project", and the theoretical proposals it puts forward to bring about political inclusion and community involvement into its implementation processes. In itself, this "political project," and its inherent competition state-inspired shortcomings in terms of accountability, consultation, and participation as needed in the S-SE, represents a mechanism that could potentially reinforce the region's current situation of political exclusion, polarization, and conflict.

In the first section, this chapter will present a background analysis on the evolution and dynamics of political governance in the S-SE, a juncture that is fundamentally characterized by the PRI's systematic repression and cooptation of peasant

and indigenous communities. A brief discussion on the Zapatista revolt, as a response to that repressive system, will be presented, together with a synopsis of the San Andrés Accord and the COCOPA Law as initiatives that attempted to end the conflict and forge a new relationship between Mexico and its indigenous peoples rooted in respect and inclusion. Does the PPP's political project reflect the need for this new relationship to materialize, or does it represent an initiative that duplicates the status-quo? In the second section, this chapter will address that question by analyzing the most important elements of the PPP's political project, which focus on civil society's and communities' consultation and participation in its implementation procedures. The potential flaws of this approach will be examined, and this will be complemented by a discussion on the open rejection that a wide segment of the region's civil society and communities has expressed toward the PPP, precisely because of its alleged lack of inclusive practices. In the end, the consequences of this situation will be discussed as related to the competition state's relationship with its constituents in the S-SE, and how this relationship has been eroded in favor of transnational agents.

5.1 The Regional Political Background to the PPP

Due to the monumental scope and groundbreaking approach characterizing the PPP's initiatives, it is clear that the political landscape of the S-SE will be substantially affected, for better or for worse, within the context of complex implementation procedures. By no means is the S-SE a homogenized region where consensus is taken for granted and governance models are unchallenged; on the contrary, "the S-SE represents a significant obstacle for the PPP given its heterogeneous character in terms of degrees of

development, cultural composition, and productive capacities.”²⁷⁶ These intraregional differences will require a well-structured and carefully-planned coordinative mechanism whereby they are addressed, specially regarding the “how”, “where”, and “why” of PPP project execution. This becomes even more urgent when the cultural makeup of the region is taken into account: 74 percent of Mexico’s indigenous people lives in the S-SE, representing several ethnic denominations and speaking dozens of languages and dialects; espousing different visions of life and treasuring specific political and economic philosophies.²⁷⁷

But even if differences within the S-SE can be pointed out, a common pattern of entrenched injustices can also be identified vis-à-vis the region’s indigenous and peasant populations, a process encapsulated in one reality: marginalization and repression. Half of the region’s indigenous people live in isolated communities, one-third of them does not have an income, 60 percent of families live on less than one minimum wage, and two-thirds of illiterate people belong to indigenous groups.²⁷⁸ Moreover, the 1997 National Survey on Employment determined that in Mexico, 80 percent and 60 percent of indigenous peoples are poor and indigent, respectively, figures that in the S-SE reach 95 percent for poverty and 66 percent for indigence.²⁷⁹ Superficially considering these facts, the PPP’s base document states that “within the region, there is a great diversity of ethnic groups, languages, cultures and different customs, and thus, the ‘indigenous question’ cannot be addressed by a homogenous response applicable to all groups (except in terms

²⁷⁶ Gasca, *Plan Puebla Panamá*, op. cit., pp. 78-9.

²⁷⁷ Luis Navarro y Laura Carlsen, “El Plan Puebla Panamá: Pueblos Indígenas y el Café,” in Bartra, *Mesoamérica, Los Ríos Profundos*, op. cit., p. 359.

²⁷⁸ Ibid.

²⁷⁹ Bartra, *Sur, Megaplanes*, op. cit., pp. 28-9.

of combating poverty and marginalization).”²⁸⁰ Both sets of circumstances, that is, the heterogeneous cultural composition of the S-SE and the marginalization that commonly afflicts various groups, are “officially” acknowledged by the PPP as a starting point to advance badly-needed policies, a positive sign that could induce structural improvements. The document concludes by arguing,

Indigenous groups have been the subjects of systematic discrimination. . .the polarization in income distribution is evident in the region, and the precarious and backward conditions in terms of education, health, and nutrition have become a powerful obstacle to achieve the integral development of the indigenous population, and hence, of the region as a whole.²⁸¹

However, the “base document” fails to identify effectively the reasons behind the appalling conditions in which indigenous people live. The structural disparities analyzed in section two pointed out, among other things, the top-down decision making approaches that have been the federal government’s predominant mode of action towards the S-SE, transgressing and ignoring the rights of communities, especially indigenous ones, during the implementation of alleged developmental policies in the region. The S-SE has historically been the recipient of ill-fated programs that only accommodated the temporary interests of the federal government and of its supporting elites, imposing a backward economic system that has perpetuated poverty and inequalities among indigenous communities. And ingrained in the PRI’s seven-decade dictatorship, this tendency to impose was complemented by a ruthless mechanism of repression against those who challenged long-standing grievances over unequal distribution and rural poverty.²⁸² In the context of the S-SE, and with special emphasis on Guerrero, Oaxaca,

²⁸⁰.Presidencia de la República, *DocumentoBase*, op. cit., p. 33.

²⁸¹.Ibid., p. 34.

²⁸².Neil Harvey, *The Chiapas Rebellion: The Struggle for Land and Democracy*, (Durham: Duke UP, 1998) p. 8.

and Chiapas, indigenous communities have been shut down from the meaningful structures of the political system, which in turn, has made decisions for them on the basis of discriminatory and elitist approaches that overlooked their rights, and “built jails and barracks to repress their calls for vindication.”²⁸³

In the post-revolutionary context, this system of repression was systematically sustained through control, cooptation, and fear. In order to control the potentially militant character of peasant and indigenous communities, the PRI resorted to *caciquismo*,²⁸⁴ a system of control whereby indigenous leaders were co-opted to join the party, receiving positions of authority, land, and resources in exchange for keeping rural and indigenous discontent in check.²⁸⁵ According to Neil Harvey, one of the most important “grievances” that *caciques* managed to control was the inherently unequal relations of production prevalent in the region, which saw the PRI-affiliated *ladino*²⁸⁶ minority concentrate the best land and the most wealth and resources, subjecting the indigenous majority to poverty and exploitation.²⁸⁷ At the same time, the *caciques* eventually made alliances with the *ladino* elites, mainly to resolve the ethnic conflicts of the post-revolutionary period, and to facilitate the subjugation of indigenous communities and the maintenance of “stability.”²⁸⁸ The outcome was the consolidation of a group of bilingual, politically connected indigenous *caciques* whose alliance with the PRI and the *ladinos* enabled them to accumulate wealth and land within their communities. For Harvey, this did not result in an autonomous defense of indigenous rights against outside

²⁸³ Ibid.

²⁸⁴ This term derives from the word *Cacique*, used to refer to a local indigenous leader.

²⁸⁵ Nash, op. cit., pp. 23-4.

²⁸⁶ Non-indigenous person of Spanish cultural descent.

²⁸⁷ Harvey, *The Chiapas Rebellion*, op. cit., pp. 56-7.

²⁸⁸ Ibid., p. 57.

agents, but rather, “in the penetration of community life by the party. . .by the 1970s, those who dissented from the ruling cliques were being forcibly expelled on the pretext that they were ‘enemies of tradition’.”²⁸⁹

In a broader regional context, the PRI, coming out of the elite settlement of 1929, engaged in a corporatist governance system that allowed it to exercise wider political control beyond the mainly localized indigenous communities. This elite settlement, which resulted in the creation of the National Revolutionary Party²⁹⁰, or PNR (later to become the PRI), was based upon compromising and elite-power sharing as a vehicle for limiting competition and conflict, and for distributing political and economic concessions equitably among the various surviving revolutionary factions.²⁹¹ By effectively incorporating and balancing the potentially conflicting interests of these factions, which ranged from the business sector, to the middle class, to labor and peasant groups, the PRI managed to eliminate political violence and conflict, share power effectively between “right and left,” and carry the peaceful administration of the “revolutionary family.”²⁹² In the context of our analysis of the S-SE, these corporatist developments are important in two ways: first, political and ethnic conflicts were replaced by multifaceted alliances, including the above-mentioned *caciquismo*; and second, the PRI state apparatus managed to organize, sponsor, and control the larger peasant and indigenous organizations that were allegedly in charge of championing the rights of those disenfranchised groups.

Indeed, the Confederación Nacional Campesina (CNC), the largest peasant organization in the country, was founded and tightly controlled by the PRI, and it was

²⁸⁹ Ibid.

²⁹⁰ National Revolutionary Party.

²⁹¹ Mattei Dogan, and John Higley, *Elites, Crises, and the Origins of Regimes*, (London: Rowman and Littlefield, 1998) p. 72.

through this organization that resources and assistance for peasants were largely channeled and administered, from land, to credit, to equipment.²⁹³ According to Collier, “peasant communities affiliated with independent organizations not aligned with the PRI were almost completely excluded from the benefits of state programs and resources.”²⁹⁴ Moreover, the control over peasant communities and organizations was “institutionalized” through a corrupt system of fraudulent elections, that was sustained precisely through the control and manipulation exerted on the population by *caciquismo* and co-opted organizations to deliver the peasant and indigenous vote for the PRI. This scheme was enforced with the systematic spread of paramilitary groups, often tied to local and regional authorities, that monitored communities and organizations from within in order to forcibly keep them “in line.”²⁹⁵ This tightly controlled multifaceted system allowed the PRI to keep control over the political and socioeconomic life of the region, using the resources of the state to buy and impose loyalty to the regime, and to neutralize and undermine any potential opposition to the system.

This entrenched system of political polarization and repressive governance, the very root of the socioeconomic decimation of indigenous communities, arguably served as a catalyst that triggered the January 1994 Zapatista Indian uprising in Chiapas. With a rallying cry of “land, justice, and democracy,” the rebellion’s message revolved around the demands for a meaningful political transformation at the federal and regional governmental levels as a key precondition to end poverty and exploitation among indigenous communities, and create a framework whereby centralization gave way to

²⁹².Ibid., pp. 72-3.

²⁹³.Collier, op. cit., p. 51.

²⁹⁴.Ibid.

²⁹⁵.Weinberg, op. cit., p. 57.

self-governance with political, economic and cultural autonomy for those communities. The Zapatistas let it be known that the plight of the peasantry and of indigenous communities could no longer be ignored, and drew a close connection between their poor economic circumstances and their lack of political control at the local level.²⁹⁶ Within this context, their central premise calling for radical change explicitly laid out the imperative to guarantee political autonomy to peasant and indigenous communities as the only way for them to address their multidimensional needs based on their own solutions and practical orientations. Interestingly, both the Zapatista message and the PPP's base document, even if expressed in different conceptual scopes and ideological perspectives, identified a analogous juncture: the entrenched political and socioeconomic marginalization of indigenous peoples due to structural disparities, as well as the need to introduce substantial changes to remedy this situation.

However, the scope of Zapatista demands transcended the geographical boundaries of Chiapas, and encompassed a wider range of entities that resembled these conditions of repression and marginalization. In this context, it can be asserted that the S-SE shares more similarities than differences in this respect, and the overall regional diagnosis given by the PPP's base document can provide a basis to substantiate this argument. Furthermore, these common trends, both in terms of causes and consequences, were already discussed in chapter two, an analysis that identified a series of regionally-shared policy disparities that provoked similar results throughout the S-SE, and inevitably linked the region as a unit of almost homogenous characteristics. At the same time, these regional features, the very target of Zapatista demands, can be established as the main components of a powerful system of undemocratic governance, as defined in our

²⁹⁶. Barry, op. cit., p. 3.

theoretical framework, that reigned over the region for several decades. More specifically, decentralization, consultation, and participation, as crucial political elements to advance regional development, have been historically neglected and kept down by a centralized governance approach based on political imposition and discrimination.

Therefore, socioeconomic and political changes had to be advanced simultaneously, as they have proven to be dimensions that mutually reinforce each other in the maintenance of structures of repression and exploitation. In February of 1996, the Zapatistas and the federal government signed the San Andrés Accord, which contained a series of jointly-agreed commitments designed to halt the armed conflict in Chiapas and set the foundation for a new relationship between indigenous peoples, Mexican society and the State. The central purpose of the Accord was to put an end to the conditions of misery and subordination experienced in indigenous communities by formulating specific proposals that would eventually lead the way for constitutional reform to officially recognize the rights of indigenous peoples. Among others, the “joint proposals” of the Accord called for:

1. The recognition in the Constitution of indigenous peoples and their right to self-determination and autonomy;
2. The increase in political participation and representation by indigenous peoples, and the open recognition of their political, economic, cultural and social rights;
3. The guarantee of full access to the State’s political and legal mechanisms without discrimination;
4. The promotion of indigenous peoples’ cultural manifestation, and
5. The satisfaction of indigenous peoples’ basic needs.²⁹⁷

²⁹⁷ Víctor Manuel Toledo, *La Paz in Chiapas, Ecología, Luchas Indígenas, y Modernidad Alternativa*, (México: Ediciones Quinto Sol, 2000) p. 17.

At the same time, the Accord made it clear that these proposals had to be accompanied by the upholding of essential operational guidelines, such as:

1. Self-determination and autonomy, in their objective sense;
2. Consultation and Participation, by which indigenous peoples are subjects, and not objects, of history;
3. Pluralism, vital to respect diversity and eliminate discrimination;
4. Integral Coverage, meaning that governmental programs must attempt to cover all problems, and not just some of them, and
5. Sustainability: programs and projects must respect the integrity of the environment and natural resources in order to protect the cultural heritage of indigenous peoples.²⁹⁸

In November of 1996, the COCOPA (Commission for Harmony and Peace – Comisión para la Concordia y la Paz), a commission appointed by Congress to find a solution to the conflict in Chiapas and honor the San Andrés Accord, presented a draft bill to Congress for consideration and debate. In essence, the “COCOPA Law,” as the bill was eventually labeled, integrated the “joint proposals” and their main operational guidelines within the framework of a constitutional reform package covering seven articles. These reforms dealt with the recognition of indigenous peoples’ right to self-government, political autonomy, economic self-sufficiency, cultural preservation, and collective access to natural resources, land, and environment for their own sustainable use.²⁹⁹

The presentation of the San Andrés Accord and the COCOPA Law initiatives is relevant to our study in two senses: first, they represent the ultimate instances of official recognition in relation to the precarious and undemocratic conditions that prevail in the

²⁹⁸ Ibid., p. 19.

²⁹⁹ Alejandro Alvarez, “El Plan Puebla Panamá: ¿Para el Desarrollo Regional o de Enclave Transnacional?” *Memoria*, No. 148, Junio 2001, p. 11.

S-SE, and mainly in Chiapas. Secondly, and more important, the all-encompassing character of the PPP could face major implementation obstacles if the constitutional reforms are actually passed, primarily in issues dealing with autonomy, consultation, and access to land and natural resources favoring indigenous communities. However, in April 2001, a modified and toothless COCOPA Law was adopted by Congress, which required neither constitutional reform nor the government's upholding of indigenous rights and autonomy. According to Alejandro Alvarez, the passing of a revised version of the COCOPA Law sent an implicitly clear message: the original COCOPA Law would have threatened the implementation of the newly-announced Puebla Panama Plan, and thus, indigenous self-determination had to be shelved.³⁰⁰ The magnitude of the programs, and the need to attract international capital to finance them, could not be put at risk by upholding the rather complicated reforms that COCOPA called for, especially when most projects and expectations had already been decided on. To uphold the COCOPA Law would have meant an allegedly costly reconfiguring process implying the waste of both time and resources. In theory, the PPP appears to integrate the "spirit of San Andrés" into its political proposals for the S-SE; however, a closer analysis into its real political measures and procedures would reveal a quite different picture. We will now turn to the analysis of these elements.

5.2 Towards the Replication of the Status Quo: The PPP and Its Political Project

From the outset, the PPP's base document states that the development of the Plan must take into account the following political considerations:

1. The recognition of peasant and indigenous community rights;

³⁰⁰.Ibid.

2. The recognition of past marginalization and discrimination in the S-SE, and
3. The acknowledgement that the PPP cannot be successfully implemented without serious and systematic consultation to, and participation from, its central stakeholders at the sub-regional and local levels.³⁰¹

Apparently, these elements are designed to reflect the San Andrés context and attempt to include, at least in part, the recommendations of the COCOPA in the Plan. In terms of the PPP's specific policy orientations, these can be grouped into two categories: a consultative orientation, and a participative orientation.

Addressing the issue of consultation, the PPP's "Synthesis of Objectives" document states,

The execution of big projects will have to be subjected to an objective and profound analysis by civil society. . . throughout the process, special attention will be given to need to respect and preserve the rights and cultures of indigenous peoples, making sure that their views are permanently incorporated into the design and implementation of projects.³⁰²

The document attempts to portray the PPP as a process that encourages the development of solutions to community problems, from economic to social and cultural, in the context of those communities' needs and expectations. And within this context, the government must select specific policy initiatives that "will have to be shaped through a mechanism of continuous and permanent consultation with civil society in order to build a rational and integral development strategy for the long-run."³⁰³ Allegedly, the PPP rejects the idea of "imposing" pre-established developmental models and paradigms, and instead, it favors the building of consensus by following principles and objectives determined by the

³⁰¹.Presidencia de la República, *Documento Base*, op. cit., pp. 5-8.

³⁰².Presidencia de la República, *Síntesis de Objetivos*, op. cit., p. 7.

³⁰³.Grupo Técnico, *Conectividad*, op. cit., p. 10.

consultation process itself.³⁰⁴ In order to make the PPP a “lively mechanism of development,” consultation schemes represent a fundamental component in the overall articulation of the Plan’s projects, their objectives, and their execution patterns.³⁰⁵

In the same fashion, the PPP’s base document touches upon the issue of participation by claiming,

The mission of the PPP is to advance a regional development plan that is integral and long-term in nature, by integrating the participation of civil society (NGOs, communities, etc.) into its implementation and functioning patterns. . .the active participation of civil society in general, but especially of indigenous groups, will be indispensable if the PPP is to have any possibilities of success.”³⁰⁶

According to this perspective, it is necessary to encourage the active participation of different sectors in the implementation process of the PPP, in order to guarantee equality of opportunity for all persons and communities, simultaneously improving the levels of trust and legitimacy among the people vis-à-vis national political institutions. Moreover, this participatory vision should incorporate as much input and talent as possible from social and community players, building multidimensional social networks that contribute to and evaluate the execution of projects, as a way to improve the chances of the PPP’s success.³⁰⁷ Ultimately, and besides the specific sectorial objectives of projects, this success is also supposed to be measured by determining whether or not their implementation integrates the active participation of their alleged beneficiaries, a step that would signal both consent and the break from the top-down methods of the past.³⁰⁸ This focus on participation is bound to be accompanied by human-capacity building in

³⁰⁴ .Ibid.

³⁰⁵ .Presidencia de la República, *Síntesis de Objetivos*, op. cit., p. 7.

³⁰⁶ .Presidencia de la República, *Documento Base*, op. cit., pp. 38-40.

³⁰⁷ .Ibid.

³⁰⁸ .Ibid., pp. 38-9.

communities, improving their management skills, and coordinating specific projects for experience-sharing and auto-evaluation in an intraregional context.³⁰⁹

But, what are the specific policies proposed by the PPP in order to achieve these goals? None of the official documents provides a clear answer to this question, and the PPP's political intentions seem to have been reduced to passive rhetoric of overused terminology ("integral and long-term plan," "participation," "respecting the rights of..." etc.). For instance, the Mesoamerican Initiative of "human development," which is supposed to cover both the social and political issues with only 1.2 percent of the overall budget, mentions the need to "promote participative methods within communities," but fails to outline how and when this initiative would be accomplished. And in more general terms, the issue of decentralization is not addressed by any of the official documents dealing with the PPP's political projects. Are consultation and participation going to be advanced within the context of status quo centralization?

It could be argued that decentralization is a given factor if consultation and participation are to be pursued, but why is it that the concept is not even mentioned? Decentralization represents the foundation for the construction of consultative and participative initiatives because it opens the door to diversity and micro-level debates free from the constraints of bureaucratic impositions of the central circles of power. In other words, decentralization recognizes that local development can only be achieved by those who experience it directly and envision it as part of their daily lives. Without a clear framework for decentralization, consultation and participation lack a structural dimension and an operational perspective, and by ignoring this necessity, the PPP fails to

³⁰⁹.Presidencia de la República, *Síntesis de Objetivos*, op. cit., pp. 7-8.

acknowledge an important part of regional development and, in the process, renders its consultation and participation proposals superfluous.

This theoretical failure to address and elaborate on the issue of decentralization has transpired into a practical inability to incorporate sub-regional governments and communities into the development of PPP projects currently being advanced. In fact, this assertion can be substantiated by the open concerns expressed by a wide variety of civil society groups, from NGOs to community and indigenous groups. For instance, the Mexican Action Network on Free Trade (RMALC) claims that the PPP “is the antithesis of decentralization because its modes of action lack well-defined time and space limits, let alone specific stipulations for community autonomy; the PPP has a supra-municipal and supra-national character ingrained in the dynamics of globalization and imposes pre-established patterns of development.”³¹⁰ In other words, decentralization and debate would represent potential obstacles for the implementation of the PPP’s neoliberal program, in terms of attracting MNCs and further privatizing land, a policy approach that, interestingly enough, was approved by the federal government without properly bringing sub-national and municipal governments, let alone communities, into the its process of preparation.³¹¹

Moreover, the administration and publicizing of the PPP has been exclusively centralized in the hands of the federal government, while regional entities lack the information and details about projects supposedly being planned for their jurisdictions and territories. In fact, Alvarez argues, “regional governments have been disconnected from the developmental processes of the PPP, and are only invited by the federal

³¹⁰Julio Moguel, “Claroscuros del PPP,” in Bartra, *Mesoamérica, Los Ríos Profundos*, op. cit., p. 339.

³¹¹*Ibid.*, p. 340.

government to regional summits where already-established projects are discussed, and their input is acknowledged but not integrated.”³¹² Furthermore, another factor of high centralization is manifested by the lack of information available regarding the PPP. Wendy Call states, “information about the PPP is scattered, and confusing. . .the single largest document available (the base document) is devoted to general information about the demographics and natural resources of the S-SE with only a few details about PPP projects. . .information on regional entity involvement is not available anywhere.”³¹³ Indeed, the systematic unavailability of information represents a sign of central imposition in so far as the imperative debates between diverse views and concerns is curtailed in the process of withholding information, especially at the regional and local levels, where involvement in the implementation of the PPP has not been recorded. In the end, the arbitrary imposition from the federal government in the administration of developmental plans for the S-SE, that is to say, the status quo, stands to be reinforced by the real political vision espoused in the PPP.

This issue becomes even more important when the impacts of centralization are analyzed in regards to consultation and participation. Since a clear framework for decentralization has not been proposed, let alone implemented, the possibilities for systematic, local-level consultative processes is diminished, as neither a clear working plan nor specific resources have allocated to this purpose. In effect, after almost two years in the making, no PPP proposal or project has ever been subjected to popular consultation and scrutiny, and on the contrary, “the federal government has shut itself in to plan and decide the lives of millions of indigenous peoples and peasants without

³¹².Alvarez, *El Plan Puebla Panamá*, op. cit., p. 13.

³¹³.Call, *Resisting the PPP*, op. cit., p. 2.

consulting or listening to the positions of communities.”³¹⁴ Moreover, Villamar argues, “the PPP intends to impose a vision, a solution, and a future to the S-SE without a previous discussion of such groundbreaking step. . .this is openly contradictory to the government’s political discourse.”³¹⁵ And this is precisely the underlying factor behind the PPP’s flawed political project: trying to uphold the “spirit of San Andrés” without providing the required framework for its objective realization in the form of decentralized consultative patterns that integrate the views and concerns of communities.

On the other hand, the perspective of imposition seems to be consistent with the economic strategy proposed by the PPP. As this thesis established in the previous two sections, the PPP is attempting to radically change the socioeconomic configurations of the region by developing infrastructure, expanding maquiladoras, privatizing land, and presumably making agriculture more efficient through MNC-led agroindustrial promotion. As it was stated, those policies are likely to provoke significant disruptions in the economic and social fabric of the S-SE, bringing about economic dependence and stagnation, and consolidating social maldevelopment. Thus, this juncture begs the question: why would the federal government consult millions of people who are likely to reject the PPP as it will be detrimental to their own well-being? The PPP would not only be delayed by carrying out consultations, but it would have to be substantially modified, a step that the federal government would not be willing to undertake.³¹⁶ Moreover, why would the government consult communities on the implementation of projects when they were not consulted during the process when those projects were conceived (arguably, the

³¹⁴. Treat, op. cit., p. 2.

³¹⁵. Villamar, op. cit., p. 7.

³¹⁶. Treat, op. cit., p. 3.

most important phase)? No communities have been consulted on projects currently underway, especially in the infrastructure sector, a fact that suggests a wider reality: contrary to its rhetorical claims, the PPP is a pre-determined initiative with high economic stakes that cannot be delayed or jeopardized by “complicated” procedural consultative exercises with civil society and communities.³¹⁷

This juncture is directly linked to the “competition” nature of the Fox administration. The competition state, in order to remain relevant in the context of transnational interactions, must accommodate the demands of market economics into its policy making processes, and in the process, could give up important economic and civic roles. In this context, and as the PPP depends on the influx of international capital to carry out its long-term projects, it can be argued that the Fox administration is relinquishing its political and civic duties vis-à-vis civil society and communities in the S-SE, in order not to jeopardize the arrival of badly needed foreign investment. Despite the fact that consultation is officially recognized by the PPP’s theoretical propositions as an imperative step, its practical dimension fails to honor this important requirement. not just because it is “impractical,” but because a potential change in direction could threaten the PPP’s top priority: economic growth. If the Fox administration is committed to breaking with the undemocratic ways of the past, how can it be explained that it has so far been unable to deliver on a basic principle such as consultation, especially in the unstable political context of the S-SE?

Furthermore, this situation also suggests that community participation in the implementation of PPP projects is not expected. If communities have not been consulted, how can they be expected to participate in the execution of the PPP? In turn, consultation

³¹⁷.Call, *Resisting the PPP*, op. cit., p. 3.

and participation have been conducted within the framework of civil society's and communities' own interest in denouncing the PPP and providing an alternative for change in the S-SE. Trying to ensemble the fora so far denied to them by the PPP, since the May 2001 gathering of 250 community groups and NGOs in Tapachula, Chiapas, civil society has organized two other large-scale gatherings on the PPP. More than 300 groups attended a November 2001 in Xelajú, Guatemala, and 350 participated in a July 2002 forum in Managua.³¹⁸ In addition, other international meetings of activists and citizens have focused on particular issues relevant to the PPP, like a June 2001 conference on biodiversity and biopiracy held in Chiapas, and a March 2002 forum on hydroelectric dams convened in Guatemala.³¹⁹

These events are noteworthy because they convey a clear indication of the generalized concerns and rejection that the PPP has inspired amongst a large segment of those it is supposed to help. For example, the Tapachula meeting's final declaration stated that, "We firmly reject the Plan Puebla Panama because it is a rejuvenated, brutal colonization plan that will deepen the poverty of our communities and the destruction of our cultures. . . we categorically reject the attempt to impose this plan over the desires and interests of our communities."³²⁰ Allegedly, these civil society groups, and peasant and indigenous communities were to be an essential part of the consultation processes so publicized by the PPP's rhetoric, but instead, they have opposed its vision and plans of action. What does this mean? The growing opposition from a significant part of civil society signals the failure of the PPP's political dimension to transform its theoretical

³¹⁸.Ibid., p. 4.

³¹⁹.Ibid.

³²⁰.Ibid., p. 3.

precepts into real and substantive mechanisms of consultation and participation, especially when dealing with a plan that projects the radical transformation of the region. The categorical tone of the Tapachula Declaration suggests that, for a large segment of civil society, the PPP, contrary to advancing a “new way of doing politics,” is actually perpetuating the typical approach of central imposition.

Therefore, and to sum up, the PPP could potentially engender the duplication of a polarized and undemocratic political system in a region that has historically experienced the negative effects of such flawed configuration. In different scopes and visions, the Zapatista rebellion, the San Andrés Accord, the COCOPA Law, and the PPP’s base document, echo the common reality of injustice, poverty and lack of democracy preponderant in the S-SE, a collective recognition that requires certain and swift solutions if the region is to escape its general backward conditions. The “political project” of the PPP, at least in theory, attempts to advance these solutions by promoting consultation and participation; however, major shortcomings prevent their objective realization. Firstly, no specific policy orientation and resource allocation is proposed in the PPP’s official documents so as to guide the efforts to uphold consultation and participation. Secondly, the issue of decentralization is not even addressed by the PPP, an element that is fundamental in terms of setting the conceptual and operational foundations for consultative and participative schemes.

Thirdly, consultation with civil society and communities has not been conducted, and in fact, projects already underway have been imposed on communities without any degree of public scrutiny. And finally, a wide segment of civil society, from NGOs, to indigenous communities, to citizen groups, has expressed itself in frontal opposition to

the PPP by mobilizing, gathering, and informing the public in general, a development which raises questions about the utility and legitimacy of the PPP, as those who are supposed to be its main beneficiaries have not been forthcoming in endorsing its perspectives and modes of action. The PPP fails to articulate the necessary objective conditions to bring about a meaningful political and governance change in the S-SE, and in turn, its pragmatic weaknesses suggest the perpetuation of a flawed system that rests on its ability to impose without consulting the primary stakeholders of its actions.

5.3 Chapter Summary

Plagued with several theoretical and practical inconsistencies, the political project of the PPP stands to propagate a system of undemocratic governance in the S-SE. Within the context of regional development, this thesis defined undemocratic governance as “a centralized decision-making model that does not provide for consultations with the principal stakeholders of developmental projects, lacks dispositions for their active participation in them, and central imposition takes precedence over genuine dialogue and consensus.” Although the theoretical dimension of the PPP’s political project may have partially addressed consultation and participation, our analysis revealed that its practical dimension reflects the ill-conceived patterns of old central impositions, neglecting the need to integrate social and community players in the decision-making schemes of the Plan. Indeed, this approach appears to be consistent with the socioeconomic initiatives of the PPP, which forecast substantial changes in the region and are bound to negatively impact the lives of millions, and thus, integrating them into the drafting and execution processes could jeopardize the timing and scheduling of the Plan as a whole. Within this

context, undemocratic governance can be identified as the underlying characteristic of the PPP's political dimension.

In addition, the PPP fails to clearly uphold the principles of decentralization, consultation, and participation, which are crucial in the quest to accomplish a political and governance system based on inclusion and diversity. The following four elements were identified in our analysis that confirm this assertion:

1. No concrete policies, projects and budget were assigned to the PPP's political projects;
2. The issue of decentralization is not even mentioned, let alone properly addressed;
3. Consultation with civil society and communities has not been conducted, simultaneously diminishing the possibilities for future participation, and
4. The PPP has been rejected by a wide segment of civil society and peasant and indigenous groups, precisely because of its undemocratic and polarizing character.

All three elements, decentralization, consultation, and participation, represent the interconnected links of a structural sequence in which all three reinforce each other in the process of political change. In other words, decentralization must provide the foundation for consultation to be properly advanced, meaning that local entities must be given power and resources to integrate diverse needs and views based on those entities' particular circumstances, and emerging from this process, propose a set of policies and solutions. In turn, this consultative process must pave the way for the active participation of local units in their developmental plans, safeguarding and encouraging in their operational schemes the permanent involvement of the community in the development of projects conceived during consultation. In the practical dimension, and to certain extent in its

theoretical one as well, the PPP fails to openly address and honor these fundamental principles.

Naturally, the PPP does not offer an appropriate framework to fulfill the political requirements of regional development in the S-SE, which besides decentralization, consultation, and participation, requires the respect for the autonomy of peasant and indigenous communities, their diversity, and their distinct views and considerations. These principles were pointed out in the analysis leading up to the establishment of our definition of regional development; however, they are also key components of the San Andrés Accord and of the constitutional reform package proposed by the COCOPA Law in order to address the conflict in Chiapas. As it was stated before, the COCOPA Law was adopted without upholding indigenous autonomy and self-determination, arguably, and among other factors, to accommodate the operational requirements of the PPP, suggesting the incompatibility between the efforts to democratize the region and the developmental precepts of the PPP. In order to settle the long-standing issues of poverty and discrimination in the S-SE, regional development must address indigenous autonomy as a crucial element to facilitate political openings, and as it stands, the PPP is actually bound to undermine it.

Finally, it is important to discuss the role of the competition state in the perpetuation of undemocratic governance and political polarization in the S-SE. As a key feature of the competition state, and in order to remain relevant, it must transform itself into a primary facilitator and promoter of market forces, and in this context, it could relinquish certain roles and functions in the process, whether economic or political. In the particular dynamics of the PPP, the unwillingness of the Fox administration to uphold

the original version of the COCOPA Law and to deliver on its promises of civil society consultation and participation, can be attributed to the need to guarantee foreign investment as the PPP's key to survival. The COCOPA Law and consultation provisions could potentially alter the pre-established operational plans, a step the federal government would not be willing to accept. Besides, why would the Fox administration consult civil society and communities when the projects it has envisioned are potentially bound to exacerbate the deplorable conditions in which they live, especially in the context of agriculture? The Fox administration is aware of the opposition that neoliberal policies would inspire, but whether or not this is the case, by skipping on its civic obligations vis-à-vis civil society and communities, the Fox administration is relinquishing important political responsibilities in order to accommodate the requirements of transnational economic agents. In essence, this step reflects a key feature of the competition state, but more importantly, and in the context of the S-SE, this approach will likely perpetuate the already entrenched situation of undemocratic governance and political polarization present throughout the region.

Moreover, it can be argued that the economic concessions that will be given to MNCs by PPP projects, mainly in maquiladora development and agricultural modernization, could potentially be transformed into political concessions since the processes of crucial decision-making will be influenced by the economic interests of MNCs. In other words, the economic weight and leverage power of MNCs would position them as powerful decision-makers in the region, enabling them to transcend their economic character and penetrate the realms of the political. This possibility is important to consider because this potential concentration of political power in the hands of foreign

MNCs would be fostered at the expense of the consultation and participation rights of civil society and indigenous communities, imposing a polarized political structure where important decisions are influenced and made by a reduced circle of well-defined and exclusive interests.

Again, the watering down of the COCOPA Law, and the rejection of indigenous people's autonomy and self-determination, signals the significance that MNCs have for the promotion of the plan. Without the maneuvering freedom given by unrestricted maquiladora and infrastructure expansion, as well as land privatization, all three elements that are to be challenged by a significant segment of civil society and rural communities, the eager arrival of international capital would be put at risk, and hence the PPP's very own survival. Maquiladora expansion and land privatization are likely to have a major impact on the rural and indigenous communities, and the fact that these initiatives are bound to be imposed indicates that not only will undemocratic governance and political polarization be replicated, but also the alienation and conflict within those communities. Of course, it is the competition state which serves as the key facilitator of this juncture, but, nevertheless, the potential preponderance of MNCs' interests would further undermine those of communities', forging a scenario of increased polarization and discrimination. Thus, undemocratic governance and political polarization, a results of the PPP's flawed political project ingrained in the dynamics of the competition state, could very well be the political legacy of the PPP, recreating the patterns of the status quo, and accelerating the instability of an already politically vulnerable regional context.

Conclusion - The PPP and Regional Development: Does the Competition State Transcend the Status Quo?

In essence, the Fox administration, in a clear acknowledgement of the systematic backwardness of the S-SE, is promoting the PPP as an initiative to diversify the economic base of the region from primary to secondary production, raise the standard of living, and create the conditions for political stability. But, why does the PPP take the form it does? The Fox administration, continuing the competition state policies of the three preceding PRI governments, believes that the best way to achieve those goals is to further insert the region into the dynamics of globalization and its free market mechanisms, calling upon international capital to provide the blue-print for the construction of long-term economic growth. However, this approach conveys several flaws that could potentially transform the PPP into an initiative lacking the necessary elements to bring about integral regional development in the S-SE. In fact, and as this thesis showed, the PPP is likely to exacerbate the conditions of economic dependence, social maldevelopment, and undemocratic governance already so entrenched in the S-SE, and thus, it can potentially intensify the conditions that it set out to eliminate in the first place: socioeconomic backwardness and political instability.

But in order to understand these potential developments more clearly, the dynamics of the competition state concept, within the context of the debate on globalization's impacts on the state, must be revisited. As a preamble to Cerny's ideas, David Held's and Michael Mann's views were presented on the changing nature of the state in the context of globalization, and although the authors differed on the magnitude

of those impacts, they agreed on one important point: the state has had to transform itself in order to effectively face the challenges of globalization. For Held, those challenges come from the dynamics of transnational economics, liberalized finances, free trade, and multilateral schemes of political and legal decision-making that in the end, have diminished the state's autonomy and regulatory powers. Moreover, the possibility of having unelected and unrepresentative players heavily influencing the decision-making processes of the state raises questions about the state's responsibility and accountability vis-à-vis its constituents, and in this context, state-society relations could be seriously eroded setting the stage for far-reaching political implications in the future.

Philip Cerny goes a step further and argues that, indeed, the state has transformed itself, but doing so by becoming a competition structure in its own right. In order to remain relevant in the processes of transnational economics and global interconnectedness, the state must change its operational mechanisms to facilitate and accommodate the demands and interests of the main players that dominate the dynamics of globalization, and by doing so, the state retains some powers but relinquishes others in the process. For Cerny, economic, regulatory, political, and civic functions could represent the main "casualties" of the competition state's drive to remain competitive and relevant in the context of globalization, and in the long run, such disparities, just as Held argued, could engender significant damage to the state's relationship to society as an allegedly accountable and responsive entity. These formulations reveal how the roles of the state have changed in the context of globalization, but the main question about this debate can be formulated as follows: what are the impacts of this state transformation on the development and well-being of society?

In the context of the competition state, as manifested by the Fox administration's promotion of the PPP as the ultimate plan for regional development in the S-SE, this thesis has shown that those impacts can be detrimental. After the post-1982 competition state policy in Mexico failed to bring about economic development in the S-SE, the Fox administration is proposing the PPP as an initiative to make the neoliberal agenda work in the region, mainly by systematically facilitating and promoting the arrival of international capital as the basis of long-term economic growth. The PPP is state-facilitated in its initial stages, but the emphasis placed on the role of international capital opens the door to the possibility of trying to solve one problem, namely the backwardness of the S-SE, by creating another: the reliance on MNCs whose interests do not necessarily converge with those of regional development in the S-SE.

And it is precisely this possibility which transforms the PPP into a potential political mistake of far-reaching implications. The Fox administration, consciously advancing a neoliberal agenda that transforms the state into the primary facilitator of transnational market forces in the processes of development, the very focal characteristic of the competition state, is promoting the PPP within the context of a free market perspective that neglects the social and political requirements of regional development. Moreover, the competition state, in order to remain relevant in the context of globalization and attract vital foreign investment to finance the PPP, is likely to give up important roles and functions that are essential to advance regional development in all its three essential dimensions. This thesis conceptualized regional development in the S-SE as a concept that had to promote economic, social, and political needs in a balanced way, and as it stands, the PPP is likely to not only emphasize one dimension over the others,

but also to promote its projects within the framework of a misguided ideological and operational perspective. It is this misguided perspective which is likely to exacerbate the conditions of dependence, maldevelopment, and undemocratic governance in the region, and in this context, economic stagnation could be accelerated, the standard of living may plunge even further, and political polarization and alienation may be deepened. Thus, the conditions for more political conflict and instability, the very juncture the PPP is attempting to tackle, may be entrenched in the process.

As chapter three analyzed the economic growth project of the PPP, mainly made up of highway and maquiladora development programs, is likely to intensify economic dependence and stagnation in the region. The way in which highway projects are designed is likely to result in a situation where expensive highways and the rehabilitation of status-quo routes may fail to connect isolated areas to the mainstream of economic activity in the region. Moreover, the maquiladora experience in Mexico has shown that this system has failed to develop endogenous-oriented economic schemes that spark domestic production, pay high wages and raise the purchasing power of the workers, reinvest capital for local expansion, and commit to long-term operations due to its vulnerability to the fluctuations of the American market and its high tendency for relocation when times are adverse. Indeed, this juncture would be replicated in the S-SE, and MNCs would end up benefiting from a soft regulatory framework that, in turn, would have very detrimental impacts on the domestic economy of the S-SE. As MNCs are portrayed to be the main source of financing for maquiladora development, the government could increasingly find itself outside the realms of administration and decision-making as to re-orient policies to benefit the region as a whole. In the context of

the PPP, dependence will likely emerge in a situation where MNCs would have used state policy to their advantage and to the detriment of the local economy.

Secondly, the agroindustrial projects promoted by the PPP could potentially bring about major disruptions to the social fabric of the S-SE. Privatizing land in order to install a MNC-based agroindustrial complex in the S-SE is likely to exacerbate poverty, displacement, and inequalities, as loss of land, food insecurity, labor instability and out-migration, and a bias in favor of those who have the means to work within the MNC schemes, are all bound to spread throughout the region. For millions of families and thousands of communities in the S-SE, agriculture and land, even in the face of increasing challenges, represent the basis for social stability, an ideology ingrained in history and culture whereby cohesion, sustenance, and employment have been preserved for generations. However, the destabilizing effects of “capitalist modernization,” as represented agricultural modernization and NAFTA competition state policies, has put this system under tremendous pressure and threatened the livelihood of millions of small and subsistence producers, a situation likely to be exacerbated by the PPP’s agroindustrial projects. Therefore, social maldevelopment, meaning the result of policies that exacerbate poverty, displacement, and human marginalization, could very well be the natural result of the PPP’s NAFTA-plus agroindustrial initiative.

Finally, the “political project” of the PPP represents a contradictory proposition of massive proportions. Recognizing a past of discrimination and ill-fated governance models in the S-SE as well as the demands conveyed by the Zapatista rebellion, yet falling short of adopting the principles of San Andrés, the PPP presented a theoretical platform that embraced the need for consultation and participation at the community

level. However, its practical approach has been plagued with significant irregularities, which range from lack of specific policy orientations and projects to fulfill the theoretical platform, to the fact that decentralization is not even mentioned by the initiatives. By ignoring the very stepping stone needed to bring about change in a system characterized by centralization and imposition, consultation, and let alone participation, are automatically made unlikely since decentralization must provide the conceptual and operational base for them to be effectively advanced in a meaningful way. At the same time, consultation has not been conducted and projects are being imposed on communities and sub-regions, a situation widely denounced and rejected by a wide segment of civil society in the S-SE through mobilization, gatherings, and alternate information. The Mexican government was not willing to consult the people that would be directly affected by the policies proposed by the PPP, a process that would not only reveal massive opposition, but would also delay them and put at risk their original conception, especially in regards to MNC involvement. By adopting this approach, the Mexican government will open the door to the perpetuation of undemocratic governance and political polarization already prevalent in the S-SE.

The Fox administration, in a conscious political decision, assumed the responsibility to attract international capital to provide the crux of funding for the projects it proposes in the PPP. As seen in chapters 3, 4, and 5, this perspective is likely to force the Fox administration to give up important regulatory, economic, and civic roles that are essential in the promotion of regional development, and our conclusions on the potential emergence of dependence, maldevelopment, and undemocratic governance reflected those potential limitations. But this is also important to highlight because the

PPP, as it is being promoted, is very unlikely to adequately advance the requirements of regional development as needed by the S-SE. According to our definition, economic growth in the context of regional development means the creation of endogenous-oriented structures that create good jobs and raise the purchasing power of the population, as essential foundations for sustained long-term economic expansion. The PPP offers a project that, as we have seen, stands to produce the opposite effect.

The social requirement of regional development calls for a system whereby the standard of living of the population is systematically enhanced, wealth is distributed equitably, and vital sectors that help maintain social cohesion and justice are permanently supported. The PPP's agroindustrial projects, which in essence stand to reinforce the deplorable effects of NAFTA on the S-SE's agricultural sector, are very unlikely to fulfill those important social requirements. And finally, the political requirement of regional development in the S-SE calls for the promotion of consultation and participation mechanisms whereby communities, especially indigenous ones, play a meaningful role in their development and their self-determination is guaranteed. Again, the PPP's "political project" is plagued with theoretical and practical shortcomings that fail to effectively promote decentralization, consultation, and participation, and in fact, are potentially in course to perpetuate the undemocratic and polarized system of governance that so far has characterized the region. It becomes evident, at this stage, that the PPP is potentially bound to exacerbate the very same conditions it is attempting to eliminate in the first place: economic backwardness, social exclusion, and political instability.

Furthermore, other shortcomings rooted in the misguided perspective of the competition state must be highlighted. One of the PPP's underlying components is its

economicist nature whereby economic growth is seen as the priority, relegating the social and political dimensions to secondary positions. The PPP does not acknowledge agriculture as a social sector, even though its results are likely to have monumental social repercussions for the communities in the S-SE. And in its political dimension, the PPP is all talk and very little action, especially in terms of upholding indigenous rights and self-determination as an essential element of the San Andrés Accords and a key requirement for the achievement of political stability in the region.

Regional development must transcend a purely economic focus in order to be properly advanced, and as it currently stands, the PPP reflects this one-dimensional character, which in turn, is being pushed forward by a misguided economic vision that emphasizes the role of international capital and neglects the integral economic development in the domestic front. And it is not the theoretical propositions of the PPP which represent the problem, since the economic, social, and political dimensions seems to be addressed by them, but rather, the competition state approach that the Fox administration has adopted to promote it, its operational dispositions, and the potential consequences of their practical realization. Our conclusions must remain tentative, given the still embryonic state of PPP projects and the questions that have been raised about their feasibility. However, based on the analysis conducted by this thesis, it can be argued that, as it stands, the PPP is likely to intensify the conditions of economic backwardness and political instability by reproducing dependence, maldevelopment, and undemocratic governance, not only defeating its alleged *raison d'etre*, but also laying the groundwork for deepened political conflict and hostility in the region.

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