

GLOBALIZATION, DEMOCRACY AND THE STATE IN MEXICO.  
A CRITICAL ANALYSIS OF CONTEMPORARY TRENDS OF GOVERNANCE  
PRIVATIZATION AND REGIONALIZATION

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I. INTRODUCTION

During the late 1980s, the so-called democratic transitions in Latin America were largely explained by looking into state actors and institutions' capability to accommodate democratic claims (O' Donnell and Schmitter, 1986). This state-centric emphasis on top-down driven democratizations was strongly criticized from different fronts and some started to look into other factors contributing and/or hampering democratic consolidation in the continent (Kaufman and Haggard, 1995; Grugel, 1999; Grugel, 2002). As a result, globalization complex and multifaceted impacts on the state were considered a central focus of enquiry that helped to prove how the linearity and progressive spirit of previous state-centric emphases on democratization was rather limited (Held, 1995; Grugel, 1999; Scholte, 2002; Scholte, 2004). This paper's argument is located in this sort of critical enquiry as it observes that turns in the governance of global relations in Mexico have followed *paradoxical* directions. In particular, our main argument says that governance's decentralization, privatization and regionalization have *both*, reinforced and challenged some of the traditional corporatist and authoritarian practices of the Mexican state.<sup>1</sup> So far, some spaces have emerged for citizen participation and the public scrutiny of governing authorities. However, this has taken place under a conjuncture of an ascendant material, institutional and discursive hegemony of neoliberal policy frameworks and its accompanying structural reforms according to global markets' requirements. This has had important implications for the consolidation of democracy solely through the state's institutions as the current post-electoral crisis in Mexico has displayed.<sup>2</sup>

These ideas are developed in three steps, the first of which draws on some general arguments regarding the interrelations between globalization and contemporary turns in governance. The second one concentrates on

governance's decentralization and privatization trends and how these impacted on the regulatory, redistributive and political mediation activities of the Mexican PRI/Presidency/state complex. Then, it is explored the regionalization of governance and what this meant for Mexico's political economy during the 1990s and early 2000s. In particular, this section investigates some forms of engagement of private corporate and civil society actors as "region-building forces" in the macro-regionalization processes institutionally framed by the North American Free Trade Agreement (NAFTA) and the Economic Partnership, Political Co-ordination and Co-operation Agreement (EU-MEX Agreement) signed between the European Union and Mexico. The concluding section summarizes the main points developed in this paper and presents some future challenges that Mexican democracy might face.

## II. GLOBALIZATION AND THE EMERGENCE OF POLYCENTRIC GLOBAL GOVERNANCE

In this paper, the concept of governance makes reference to different sets of formal and informal practices, mechanisms and arrangements that regulate social life in multifaceted ways. In contrast to government, governance denotes horizontal and multilayered forms of regulation and steering that can unfold through institutionalized and non-institutionalized mechanisms of power and authority. Amidst conditions of intensifying globalization, governance turns are deeply interrelated to transformations in "traditional" forms of state's authority and sovereignty (Camillieri and Falk, 1992:97-100; Cerny, 1995). In what has been called a post-Wesphalian governance era, states are increasingly unable to exercise "supreme, comprehensive, unqualified and exclusive rule over its territorial domain" as in previous historical conjunctures (Cox, 1997; Scholte, 2004:6). In other words, as the state is territorially transcended by diverse globalizing processes, forces and actors it continues being a crucial but not an exclusive reference of collective action and identity (Lipschutz, 1992). Furthermore, globalization has encouraged the emergence of polycentric (multisided and networked) regulation. "This situation of multi-layered and diffuse governance might be called "polycentrism", to denote its distinctive feature of emanating from multiple locales at the same time" (Scholte, 2004:4).

Moreover, with the proliferation of sub-national, regional and supraterritorial (transworld) identities and the emergence of multiple sites of authority above and below governments and inter-state organizations, governance becomes more de-centralized and unfolds at different policy levels (Held, 1995:121-7; Held and McGrew, 2002:8-11). As such,

governance's decentralization entails an uneven dispersion of public sector governance among different levels of authority (i.e. local, national, regional, global) and non-traditional policy arenas (e.g. global financial markets, civil society actors). This trend has entailed the involvement of diverse agents and institutions of control, co-ordination, deliberation, and contestation at sub-state and suprastate dimensions. In this context, private sites of authority in much driven by prevailing neoliberal policy-frameworks have increasingly and substantially participated in the formulation, implementation, monitoring and enforcement of control, consent and decision-making regarding public and general concerns such as trade, development, macroeconomic policies, etc. This "privatization of governance" has occurred parallel to a shift in the nature of decision-making and steering capabilities of regional, sub-regional and extra-regional arrangements of global governance (institutions, regulatory bodies) and as it is noticed later in this paper, both trends can be mutually reinforcing as the case of Mexico illustrates.

### III. DECENTRALIZATION AND PRIVATIZATION OF GOVERNANCE IN CONTEMPORARY MEXICO

The regime established in Mexico in the aftermath of the Revolution of 1917 consolidated what is named here as the *PRI/Presidency/state complex*. In this peculiar institutional arrangement the President selected his successor from within the PRI and political disputes were resolved within the different PRI sectors (labor, agrarian, popular, military) whereas periodic elections were held as a formula of renovation of the political elite that helped to avoid publicly conflicts. The state apparatus (and material resources) were indiscriminately used during 73 years to maintain the Presidency for the PRI and the majority in the National Congress as well as in local and municipal elections (Olvera Rivera, 2000). Nevertheless, in recent years, conditions of economic globalization coupled with domestic socio-economic neoliberal restructuring and long-term political reforms had diverse implications for the PRI/Presidency/state complex. So far, the most visible and direct implications of these structural shifts have been that the PRI lost the majority of seats in the National Congress (1997) together with the Presidency (2000 and 2006) and descended to the third place in voters' preference.

This paper concentrates on "less visible" implications for democracy of governance's decentralization and privatization of Mexican political economy by examining contemporary shifts in the role assigned to the state and its traditional mechanisms of regulation, re-distribution and mediation. However, before proceeding with this analysis, it is important at this point

to keep in mind that although turns in governance have directly or indirectly impacted in some key features of the state in Mexico (i.e. the generalized perception of a “weaker” Executive), this has not meant that its institutions lost their power or relevance. Nor did this entail the end of some authoritarian and corporative social and political practices deeply entrenched in political culture. On the contrary, these were central, for example, to conduct the Constitutional reforms prior to the implementation of neoliberal reforms and the negotiation of diverse free trade agreements (Icaza Garza, 2005).<sup>3</sup> Moreover, it is also pertinent to consider that for some there is nothing new in Mexican state’s responses being shaped by powerful agents and structures of the international system, because this has always been the case especially when the powerful role of the US government over Mexico’s political economy is considered.

Without totally ignoring all these elements, the following paragraphs argue that it is the nature of Mexican state’s regulatory, re-distributive and mediation activities, which has been affected by recent turns in the governance of global relations. In other words, trends of decentralization and privatization of governance have meant that multiple sites of authority directly or indirectly participate in the governance of Mexico’s political economy with a significant degree of autonomy from traditional sites and sources of state’s power and authority (i.e. co-opted popular organizations, PRI’s pro-nationalist sectors) which, in other cases have become instrumental to such regulation (Icaza Garza, 2004). In many cases this involvement occurs without being physically in Mexico and sometimes, it is not subjected to any sort of public responsibility or public accountability mechanisms (e.g. debt rating agencies, trade panels, etc.).

### **Governance’s Decentralization in Mexico**

During the last twenty years, Mexico has joined diverse multilateral organizations and forums mostly concerned with issues of economic co-operation and trade liberalization, such as the General Agreement on Tariffs and Trade (GATT) in 1986, Asia-Pacific Economic Cooperation Forum (APEC) in 1993, the Organization for Economic Co-operation and Development (OECD) in 1994, the World Trade Organization (WTO) in 1995, the World Economic Forum in 1996, and so on. On the one hand, this has meant an increased leverage of these multilateral and suprastate regimes and the involvement at different policy levels of non-state actors on some regulatory, re-distributive and political mediation activities that were traditionally conducted by the PRI/Presidency/state complex. On the other hand, this decentralization of governance has meant that the Mexican government continues to intervene but without exercising full control, for

example, in crucial macro-economic variables such as interest and inflation rates.

A good example of the increasing leverage of multilateral and supranational regimes in Mexico's political economy can be found in the role that has been played by international financial institutions since the 1982 debt crisis. In that year, the Mexican government withdrew from the coalition formed among Latin American countries to declare debt moratorium and embarked on negotiations with the US, the International Monetary Fund (IMF) and the World Bank to delineate the Baker Plan (1985). The Mexican government's compliance with the IMF, the World Bank and the Inter-American Development Bank (IADB) monetary and fiscal policy guidelines since then has been noteworthy. Some commentators have also highlighted that these bodies acted as mediators of commercial banks expanding their participation in national policy-making through "technical recommendations" and through monitoring activities in the implementation of the structural adjustment programs (SAPs), which were a pre-requisite to access further credits (Gwynne and Kay, 2000, Lustig, 1998:46-50).

In the early 1990s, SAPs were beyond stabilization objectives and started to push forward economic restructuring. In particular, SAPs advocated the introduction of reforms in national macroeconomic management such as the cancellation of subsidies to small-scale peasants and marginal sectors as well as regarding the autonomy of Mexico's Central Bank. Subsequent developments in both issues displayed the relevance of these international financing agencies' and supranational regime's discourses and procedural guidelines. For example, in 1995 the public trading enterprise *Compañía Nacional de Subsistencias Populares* (CONASUPO) [National Company of Popular Subsistence] was dismantled. Created in the sixties, CONASUPO carried out direct interventions in the food chain and promoted agro industries and established guaranteed prices and import licensing in agricultural products (e.g. beans, corn, cotton seed, rice, soy, etc.) (Yunez-Naude, 1998).

A more specific example that gives a good illustration of Mexico's economic policy *convergence* towards the IMF, the World Bank and the IADB macro-economic and monetary guidelines were the National Solidarity Pacts (PACTOS) of 1987. As it was the case with other policies of that time, Mexico's authoritarian rule guaranteed effective control for economic crisis management through the PACTOS. These were defined by some as "de facto imposed national accords" among government, big national entrepreneurial sectors and official labor organizations (Gwynne and Kay, 2000; Lustig 1998:46-50; Middlebrook and Zepeda, 2003:13-5).

On the one hand, PACTOs implementation displays the kind of state's governance decentralization that was practiced in Mexico with regards to macroeconomic policy management. On the other hand, this example can help us to understand that certain multilateral financial institutions gained leverage with respect to other sites of power and authority in Mexico, such as official labor organizations (i.e. Confederation of Mexican Workers-CTM). This by no means entails that official labor organizations were democratic and an efficient alternative. Our point here is to note trend of decentralization of decision-making and policy design as regards to labor policy. These trends can also be seen with respect to the 1990s trade and foreign investment reforms in Mexico which were previously seen as exclusive national or public concerns. In 1986 Mexico joined the GATT; previous acceptance of the Uruguay Round accords which require member-states' commitment to alter their laws, regulations and administrative procedures to conform to this suprastate regime. The institutional convergence of Mexico's trade regime with a multilateral one such as GATT can be observed on the subsequent dismantling of the structure of protection of agricultural products (CONASUPO example) and in the implementation of liberalization laws for the telecom, investment, finance, railways, etc. An example of the later is the 1989 Investment Promotion and Foreign Investment Regulation Act. Moreover, according to the Economic Commission for Latin America and the Caribbean (ECLAC), since 1993 Mexican laws regarding foreign direct investment started to "become in line" with the provisions of North American Free Trade Agreement (NAFTA) at federal municipal and local levels (ECLAC, 1999:98).

As mentioned before, governance's decentralization trends have also entailed in Mexico the participation of non-state actors in activities of redistribution and political mediation that were traditionally conducted through the PRI/Presidency/state complex. Current reforms to the national pensions system not only provides a good example of this, but also shows the involvement of private corporate agents at suprastate level. Prior to the liberalization of pension funds, the federal government in Mexico was their exclusive administrator. In 1997, the government implemented the *Administradoras de Fondos para el Retiro (AFORES)* [Retirement Funds Administrator] as the mechanisms responsible of supervising the participation of foreign and private capital in the administration of pension funds. In 1999, the government authorized the establishment of 38 AFORES and by 2002 only 11 of them remained. In this same year, the AFORES were mainly controlled by private banks, which had been privatized ten years before in 1992.<sup>4</sup> In 2003, all of the major banks in

Mexico were controlled by foreign firms, save one and firms such as CityCorp, BBV and Grupo Santander became responsible for more than the 60 per cent of the operations linked to AFORES administration (Cámara de Diputados, 2004).

The anti-poverty programs which have been implemented by the last three neoliberal regimes in Mexico since the early 1990s also illustrate the sort of governance decentralization trends that we addressed above, but in this case linked to Mexican state's re-distributive and mediation activities. It has been asserted that the agenda of Mexican government on poverty radically changed from one focused on development and social justice towards a poverty agenda *per se*. A crucial shift was that universal programs were in many cases dismantled and the government opted for target-oriented programs. Moreover, it has been observed that anti-poverty programs of neoliberal regimes sought legitimization through *direct allocation* of economic resources (e.g. scholarships) or the provision of basic infrastructure (e.g. sanitation) replacing in this form, intra-state mechanisms previously seen as "traditional" re-distributive channels (Boltvinik, 2003:387-9; Molyneux, 2006). Critics of the National Solidarity Program (PRONASOL) have pointed out how economic resources were directed allocated to "problem zones" (electoral districts, neighborhoods and communities opposed to the ruling political party) through committees specially created for this purpose. The significant role of the Executive as a direct and authoritarian mediator of the resources is also highlighted as a significant shift from customary procedures such as the PRI intra-sectors bargain process (Fox, 1994:167).

In addition to what has been mentioned above, since the inception of anti-poverty initiatives in Mexico "private agents" such as NGOs, research institutes, private foundations together with multilateral financial agencies (especially the World Bank and the IADB) have acted as redistributive and mediating channels of one or various aspects of them (implementation, funding, assessment, reform, etc.). For example, an early assessment of the PROGRESA [Program for Education, Health and Nutrition] was conducted by the Washington D.C. based International Food Policy Research Institute (IFPRI) (Boltvinik, 2003a). This incorporation often surpassed and neglected previously established channels for material and political redistribution with contrasting implications for civil society, state and market interactions.

### **Governance's Privatization in Mexico**

In recent years, Mexico has not been an exception but rather a verification of the ascendance of national and foreign private actors, capital

and their institutions of global governance in the making of national economic policy. In other words, Mexico's political economy has increasingly become conducted not only through "official" or "governmental" channels but also through private ones as well as through private-public partnerships. Clearly this trend is not "new", but previous to this the Mexican state apparatus retained and controlled aspects of public policy in which now increasingly plays an arbitrator role. On the whole, private corporate actors and some civil society sectors have gained leverage on public concerns in Mexico, to the extent that it has been argued that in the formation of new institutions for market governance in Mexico, the state's apparatus served as a relevant source of legitimization for private corporate governance (Snyder, 1999:173). In relation to civil society, commentators often assert that some of its organizational expressions in Mexico (NGOs, private foundations, etc.) have contributed to contest authoritarian structures in diverse matters such as human rights, social policy, electoral competition, and so on. From this perspective, civil society is seen as part and parcel of contemporary political democratization trends in the country (Olvera, 2003:13-7).

As was mentioned earlier, the privatization of governance makes reference to the involvement of private corporate and civil society actors and their institutions and associations in processes of control, mediation, negotiation, co-ordination, contestation and deliberation of public or general concerns. In Mexico, underneath this trend in governance lays complex dynamics resulting from neoliberal restructuring and long term political reforms. Therefore, the privatization of governance has followed uneven and contrasting patterns. For example, neoliberal restructuring has positioned private citizen associations (e.g. business chambers) in relevant decisions with widespread implications (e.g. liberalization laws) to the detriment of other social agents (e.g. unions). At the same time, long-term political reforms have opened up spaces for the participation and involvement of both corporate and civil society sectors in public-decision making (see ahead).

### **Corporate Governance in Mexico**

The process of legal and technical standardization of telecommunication services in Mexico is a pertinent example to illustrate how corporate national and suprastate actors have been comprehensively involved in some aspects of this sector's governance. In the 1990s, Mexican government's twofold strategy towards worldwide deregulation of telecommunications entailed the privatization of public companies and the

creation of autonomous bodies for the normalization and regulation of the sector according to international standards (Ruelas, 1996).

In 1996 the Telecommunications Federal Law established the creation of the Federal Commission of Telecommunications (COFETEL), a national autonomous agency responsible for the design, enforcement and assessment of the technically pertinent rules for the sector. COFETEL's official website informs us that this agency was established following institutional frameworks and policy guidelines of international agencies responsible for setting global standards such as the International Telecommunications Union (ITU), the Inter-American Telecommunication Commission (CITEL) and the Hispano-American Association of Research Centers and Telecommunication Firms (AHCJET).<sup>5</sup> Moreover, COFETEL became responsible of establishing national consultative committees (NACs) for the formulation, implementation and monitoring of technical and legal standards. Through these committees a complex interplay between national and suprastate corporate actors on Mexican telecom regulation started to unfold. In short, national private firms participated in the committees as members of industrial chambers and as members of those international agencies responsible for setting the standards worldwide. At the present moment, the membership of these agencies includes governments, public and private firms, non profit organizations and research centers.

More precisely, in the telecom sector, non-profit organizations in Mexico participated through their membership into suprastate and international agencies that set standards in the design, implementation, monitoring and assessment of such standards. This was the case of the Mexican non-profit organization Normalización y Certificación Económica, A.C. (NYSE), which was involved in the mid 1990s on issues of technical standardization in the sector of telecommunications as a sub-contractor of the Mexican public agency National Direction of Normalization (DGN). The DGN is the Mexican member body of the International Organization for Standardization (ISO).<sup>6</sup>

On the other hand, the lack of public accountability of private corporate governance is well exemplified in the case of consulting firms such as Standard and Poor's or Fitch IBCA, Duff & Phelps regarding debt and creditworthiness national rates (Sinclair, 2005). These private agencies act as evaluating and monitoring bodies and as such serve to legitimate and promote particular policies and trends in state's policy. Notwithstanding, these are exempted from wider and effective forms of public scrutiny despite their significant impacts (Cutler, Haufler and Porter, 1999:357-64).

In January 2002 - during President Vicente Fox's administration - Fitch IBCA, Duff & Phelps upgraded long-term Mexican public debt in foreign currency under the consideration that tax and customs administration allowed an increase from 11.2 to 13 per cent in income and value added tax collection in relation to the GDP (Barranco Chavarría, 2002). A few months later, after the approval of a new fiscal reform and the 2002 federal budget, Standard and Poor's upgraded Mexico's credit worthiness as well.<sup>7</sup> Such ratings were one of the factors that pushed forward policy priorities of international financial circuits such as the advanced payment of public debt bonds.

Despite domestic opposition and the widespread effects of such priorities, in April 2002, the Mexican government made an advance payment of Brady Bonds for US\$153md at the same time that a reduction on the public budget of US\$10md was announced. According to one source, this decision largely affected the program to reinforce local governments (Programa de Apoyo para el Fortalecimiento de las Entidades Federativas) (La Jornada 03/03/2002). To sum up, this example illustrates how the state institutions in Mexico have followed suprastate interests, which in this case were that of servicing international debt.

### **Polycentric Governance and Civil Society in Mexico**

As previously noted, current transformation in the governance of global relations are much related to the effects of globalization on the state's territorial sovereignty. Commentators have observed that as a Westphalian type sovereignty is being undermined or at least altered by global trends in markets, communications, finance, culture, migration and so on, non-territorially based communities or the so-called sovereignty free groups have proliferated (Camillieri and Falk, 1992:230-2; Lipschutz, 1992). These collective expressions have in many cases constituted formal and informal groups and participate in voluntary initiatives and actions in order to influence and/or challenge socio-economic and/or political forms of governance (Icaza Garza, 2004; Scholte, 2001). Some of these initiatives have become directly or indirectly involved in governance through transborder channels and mechanisms such as global communications, suprastate institutions and transborder issue networks. By doing so, local, ethnic, gender, class, race, religion identities are reaffirmed at diverse policy levels: sub-national, regional, suprastate, etc.

In Mexico, civil society organizations have been increasingly involved in different forms and extents in the governance of global relations. For example, some civil society associations in Mexico have participated through transborder forms of activism as monitoring bodies of

the structural adjustment programs (SAPs). This has been the case of the network Citizen Assessment on the Structural Adjustment (CASA). This transborder network performed as a counterpart of the World Bank and the Development Gap citizen network in the program “Structural Adjustment Program International Network” (SAPRIN). SAPRIN’s membership comprised the World Bank, some of this organization’s state members and numerous civil society organizations.

In the launching of SAPRIN in Mexico during 1997 the government of President Ernesto Zedillo declined the World Bank’s invitation. However, CASA Mexico conducted the assessment on the implementation of the SAPs and their socio-economic impacts on diverse economic sectors, paying special attention to peasantry, small and medium enterprises, children and women (CASA Mexico, 2001).<sup>8</sup> In agreement with the UN Chart on Political, Economic and Social Rights signed and ratified by the Mexican government, CASA Mexico scrutinized SAPs as a central feature of neoliberal economic policy reform. In doing so, this Mexican network performed as a “non-official” mechanism of public accountability legitimated by an international regime (Thourup, 1993).

During mid-1990s, worldwide interest on public transparency that surrounded “good governance” discourses contributed to gather civil society organizations and some sectors of mass media in Mexico interested in governance at the level of law formulation (Commission on Global Governance, 1995). In 2001, the so-called Grupo Oaxaca [Oaxaca Group] was created as a loose and non-formal network of Mexican academics, journalists, NGOs, human rights activists, and intellectuals that commenced to advocate a federal law on public accountability and transparency. In doing so, Grupo Oaxaca mobilized public opinion through information campaigns, seminars, lobbying to Mexican Congress and public communiqués. The latter were published in numerous journals and newspapers that received a great deal of coverage from the mass media (Escobedo, 2003, Villanueva, 2002). As a result, a key proposal of Grupo Oaxaca was incorporated into the Ley Federal de Transparencia y Acceso a la Información Pública Gubernamental [Federal Law on Governmental Public Information Transparency and Access]: the Executive designations on the commissioners of the Instituto Federal de Acceso a la Información (IFAI) [Federal Institution for the Access to Public Information] need approval of the Mexican Senators Chamber.<sup>9</sup>

The contemporary indigenous national movement in Mexico also provides a good example of how governance is being built upon and contested on the grounds of multilateral regimes previously ratified by national governing authorities. In 2001, the national indigenous movement

in Mexico – including the EZLN – proposed the Ley sobre Derechos y Cultura Indígena [National Law on Indigenous Rights and Cultures] on the grounds of the 169 Convention of the International Labor Organization (ILO) that establishes the property rights of indigenous inhabitants on their original territory and grants them autonomy in the exercise of their culture and forms of traditional governance. By granting local autonomy to ethnic groups in Mexico, this law would have required institutional reforms at federal and local levels of government, including the National Constitution of 1917.

In 2001, the main objective of the EZLN's mass rally to Mexico City was that of introducing this law in to the National Congress deliberations. Nevertheless, in April 2001 the Mexican Congress passed a law which was more restrictive than the one presented by the EZLN. More specifically, this law was approved with significant modifications that didn't grant local autonomy to ethnic groups (Maza, 2001). In response to this, some months later two networks of civil society organizations presented a legal recourse to the ILO against the Mexican government under the premise that this law contravened the previously accepted 169 ILO Convention. Parallel to this, these groups took this claim to the Mexican Supreme Court against the resolution of the Law. It is noteworthy that on the grounds of an international regime (ILO Convention) a sub-national concern such as ethnic groups' cultural and governance autonomy in Mexico has mobilized transborder forms of support all around the world (see Olesen, 2004).

#### IV. REGIONALIZATION OF GOVERNANCE IN MEXICO

Governance has also followed trends of regionalization. In other words, different sets of formal and informal practices mechanisms and arrangements that regulate and co-ordinate social life have been increasingly connected or are resulting from, formal and informal processes of regional integration, cooperation and complementarity. In Mexico, trends of regionalization have unfolded linked to processes of macro-regionalization such as North America or Western Europe but also to micro-regionalization processes unfolding as Export Processing Zones, regional industrial corridors, and so on.

The regionalization of governance often takes place hand in hand with the decentralization and privatization turns previously described. Therefore, multilateral and suprastate regimes and/or private corporate actors and civil society organizations are directly or indirectly shaping some aspects of Mexico's political economy at regional level. In the following paragraphs, it is examined how free trade agreements such as NAFTA and the EU-MEX Agreement have provided procedural

frameworks and an institutional basis that not only have implications for intergovernmental dynamics (e.g. levels and forms of co-operation) but also for market actors decisions (e.g. mergers, investment plans, joint ventures) and civil society manifestations (e.g. oppositional or supportive activism).

### **Inter-Governmental Dynamics**

For some commentators, some of the regional governance arrangements that have framed dynamics and transactions in which Mexico is involved have displayed a notable degree of autonomy from Mexican state's power and authority in some policy areas (e.g. industrial policy) (Dussel Peters, 2003; Icaza Garza, 2004). Nevertheless, it has also been noticed that official mechanisms and institutions continue to be central arenas. For example, formal regional units are still constituted and regulated through agreements signed between countries and numerous regulations are implemented through state's apparatuses and intergovernmental and regional bodies. For example, in the last twenty years, Mexico has subscribed to diverse agreements at regional, sub-regional and extra-regional levels. The implementation of some of these regional governance arrangements have brought important Constitutional reforms to Mexico, for example the amendment of the 1996 Foreign Investment Act (1998), which brought the Mexican law in line with the provisions of NAFTA (ECLAC, 1999:98). In the implementation of these reforms, the state's authority and power in Mexico have been crucial as it was highlighted before.

A good example of governance's regionalization in Mexico has been the so-called "pro-development policies" financed by regional banks. Since the early 1990s, the IADB has promoted the formulation and implementation of development plans at regional level assuming that important opportunities for economic convergence and cooperation can be achieved. In 2000, the IADB provided US\$4mmd for the launching of the Plan Puebla Panamá (PPP), a core element within the Mexican government National Development Plan for 2000-2006. The PPP seeks to create the conditions for integrated development in the southern half of the country and throughout the Central American isthmus. It also promotes trade and industrial policy convergence as well as energetic, agricultural, social and cultural co-operation among the nine Mexico's Southern provinces of Campeche, Chiapas, Oaxaca, Puebla, Veracruz, Quintana Roo, Tabasco, Yucatan and the Central American countries of Belice, Costa Rica, Guatemala, El Salvador, Honduras, Nicaragua and Panama (INEGI, 2001).

The main goal of the PPP is the development of Southern Mexico and Central American countries through their integration into global markets. The role of governments in the PPP comprehends direct actions focused on providing basic physical infrastructure (e.g. highways, ports, industrial corridors) and the promotion of the necessary institutional reforms such as incentives to private investment that can finance these actions (PPP official website).<sup>10</sup> Currently, the program is focused on building up infrastructure and developing economic relations between the countries and regions concerned.

### **Private Corporate Dynamics**

As for the involvement of private corporate actors in governance at regional level, NAFTA and the EU-Mexico Agreement provide relevant examples of how this unfolds. Commercial actors have been seen as constituting core agents in the making and re-making of regions. For example, US, European, Asian and Mexican based firms have turned to the North American “region” to compete globally because their long-term earnings are maximized through the profits of regional outlets. For example, Volkswagen, BMW and Honda expanded their production for export in Mexico to comply with NAFTA rules of origin and sell to the North American market (Gereffi, 2003:212-9). Moreover, acquisitions, mergers, marketing strategies have occurred at regional, sub-regional and extra-regional levels. For example, numerous sourcing activities in the North American region take place in Mexico due to the country’s cheaper labor costs.

Since NAFTA came into effect, private corporate actors’ strategies have placed Mexico as main base for exports into US markets. Through subcontracting schemes some industries (e.g. electronics, apparel, and automobile) assemble in Mexico and then export towards the US and some EU countries. This has important effects on state’s regionalism (e.g. domestic reforms) and also for world-wide regionalization trends such as patterns of trade specialization on hemispheric locations (ECLAC, 1999). However, prevailing conditions of intensifying inequality in the distribution of wealth and power and in the accumulation of capital have entailed few winners and many losers in processes of economic regionalization. For example, one source documented that big US automobile corporations were active contributors in the design of NAFTA rules of origin to the detriment of other industries in Mexico (Studer Nomez, 2000). As for the EU-MEX Agreement, it has been documented how the industrial chambers that participated in the negotiations only represented big enterprises owners, for example Coordinadora de Organismos Empresariales de Comercio Exterior

(COECE) [Coordinating Organization of Business Agencies of Foreign Trade] and excluded small and medium enterprises and peasants representatives (Icaza Garza, 2004).

### **Civil Society Dynamics**

As for the involvement of civil society groups in governance at regional level, this has taken place in various forms and extents. For example, civil society organizations have become directly involved in inter-governmental mechanisms that formulate, implement, monitor and enforce governance at regional level. This has been the case of the Asociación Latino Americana de Organismos de Promoción (ALOP) [Latin American Association for Social Promotion], Corporación Participa [Participation Corporation], Alianza Cívica [Civic Alliance] and the Canadian Foundation for the Americas (FOCAL). These organizations and networks have produced recommendations for economic growth with equity, social development and democratic governance for the Summit of the Americas Implementation Review Group (SIRG) through the institutional framework of the Organization of American States (OAS).<sup>11</sup>

Civil society involvement in regional governance has also taken place in the form of non-official accountability mechanisms. This has been the case of the transborder alliances formed between Mexican, Canadian and US labor unions that oppose NAFTA negotiations and afterwards have monitored its impacts. More recently, some civil society organizations and networks within and outside Mexico have participated in monitoring the possible costs of the Plan Puebla Panama (PPP) implementation for indigenous inhabitants of Southern Mexico and Central American countries (Icaza Garza, 2004). Nevertheless, civil society organizations involvement in regional governance has been constrained by undemocratic practices and broad structural conditions which affect broad participation and effective democratic representation. For example, in relation to NAFTA's labor and environmental side agreements, it has been observed that moderate and pro-free trade civil society groups in Canada, Mexico and the US were included in the negotiations while radical groups opposed to neoliberal frameworks on regionalization remained excluded or were simply unable to participate (Icaza Garza, 2004). In fact, for one commentator the increasing presence and leverage of some groups such as NGO's and private foundations in regional governance has occurred to the detriment of social movements, labor unions or peasants' alliances (Drainville, 1999:234-5). This trend has also been observed, in relation to the Free Trade Area of the Americas (FTAA) and the EU-Mexico Agreement negotiations and with

respect to those multilateral organizations supportive of open forms of regionalism (Icaza Garza, 2004).

## V. CONCLUSIONS AND FUTURE CHALLENGES

This paper has argued that the impacts of governance decentralization, privatization and regionalization in Mexico have been multi-faceted, not except of paradoxes and have rendered unequal capacities to design, implement, monitor and contest powerful economic and social structures. At regional level, legal frameworks and regimes often have benefited supranational capital formations as sites of authority. For example, the constitutional reforms that anticipated or have derived from NAFTA and the EU-MEX Agreement's implementation have in the mid term affected some domestic economic sectors incapable of facing trade liberalization. This has been the case of the reform to Article 27 of the Mexican constitution that permitted the privatization of *ejidos* – communal owned lands - affecting the small scale peasantry sector (Audley et al, 2003:5-7). Furthermore, the making and re-making of regions has meant in Mexico the emergence and proliferation of “regional” constituents – e.g. regional investors and entrepreneurs, holders of Mexican debt - in addition to domestic citizenry. In some cases, these “regional constituents” have undermined a full realization of democracy through the institutions and mechanisms of the state in Mexico. This has been the case of the Joint Council in the EU-MEX Agreement, which is the body with authority to complete free trade negotiations between the two parties. According to an official report by the European Parliament, the Joint Council's resolutions contravene Mexican Constitution because these don't require the approval of the Legislative Power in Mexico (see: A5-0036/2001). Interestingly, some of the “regional constituencies” that have emerged around NAFTA and the EU-MEX Agreement – or that these regional governance arrangements have contributed to extent beyond the Mexican geographical territory- have pushed forward democratic practices of the state in Mexico. This has been the case of the tri-national coalitions formed between Canadian, Mexican and US labor unions, Ngo's and civil society groups that have promoted the public scrutiny of NAFTA by the Mexican Senate.

As for trends of governance's privatization, it was observed that these have unfolded at different levels and through diverse forms and mechanisms. Private agents and structures in some cases have been comprehensively involved in governance whereas in other cases these are just connected with a particular aspect of it. In other words, some private corporate actors can participate in the formulation, implementation,

monitoring and assessment of certain regulatory frameworks whereas civil society organizations can be exclusively related to monitoring activities.

Furthermore, contrary to mainstream thought on governance, its privatization and its decentralization has not necessarily resulted in more democratic or socially sustainable economic and political interactions.<sup>12</sup> For example, the involvement of private firms in numerous processes of legal and technical standardization in Mexico has lacked effective mechanisms for public accountability, deliberation and contestation. Such policies and the adopted frameworks have not automatically worked for the general wealth of society or reduced conditions of socio-economic polarization. Most importantly, conditions to establish more democratic (as more inclusive and participative) and socially sustainable (as promoting better socio-economic conditions for all) governance practices in Mexico, are in many cases non-existent (e.g. free and available media) and/or undermined by structural constraints (e.g. socio-economic polarization).

It has been the norm rather than the exception that some private firms and civil society associations in Mexico had become subtly but significantly involved in governance in the absence of mechanisms or legal frameworks to scrutinize or demand some sort of social responsibility to their performance. This has been the case of creditworthiness evaluating firms, international NGOs and national and international private foundations. In the case of Mexico's corporative and authoritarian regime, the involvement in social development initiatives of non-traditional political actors like NGOs, civic associations, business chambers and private foundations broke the monopoly of the state over various issues (e.g. development, democracy, public information, macro-economic management, etc). However, once more it is important to notice that to break the monopoly of the state over certain issues and concerns did not necessarily entail better results or the automatic democratization of official policy making processes, understood as the effective involvement of citizens in all the steps that these involve (i.e. design, formulation, implementation, evaluation and reform). In many countries including Mexico, powerful actors and forces aiming to expand their influence on emerging political institutions resulting from a transition to formal democracy or/and from economic restructuring, have advocated (not necessarily in a democratic way) in favor of their particular interests. As a result, various policies and programs have not been the most democratic ones. Some processes of state's assets privatization and the official regionalist projects of the last decade in Mexico have been examined to provide an illustration of the different forms and varying extents of a

pervasive democratic deficit that characterized contemporary trends of governance in Mexico.

## Notes

- <sup>1</sup> The time-span of this analysis covers the last two Partido Revolucionario Institucional (PRI) governments in Mexico (1988-2000) and the first Partido Acción Nacional (PAN) presidency (2000-2006)
- <sup>2</sup> At the moment of writing this article, fraud allegations by the centre left-wing coalition headed by Mr. Andres Manuel Lopez Obrador have had unprecedented results: mass mobilizations in Mexico City, blockage of highways and public buildings, etc. According to official numbers in July 2006, the rightist PAN candidate, Mr. Felipe Calderon won the Presidency by less than 1% and the Tribunal Federal Electoral (Electoral Federal Tribunal) ordained the re-count of 10% of the votes for President as a way to gain some credibility in the whole process. From August 5th to September 4th took place a recounting of the ballots from 9% of polling booths. The final result barely altered (from 0.58% to 0.56%) the advantage obtained by Felipe Calderon over Lopez Obrador. On September 5th the Federal Electoral Court (TRIFE) validated the results and declared Calderon elected President, but established that the most significant irregularity of the whole electoral process was the intervention of president Fox and the Business Coordination Council (CCE) during the electoral campaign to discredit Lopez Obrador.
- <sup>3</sup> In fact, numerous of the constitutional reforms in Mexico anticipating or resulting from NAFTA implementation were conducted as Presidential decrees, such as: the Decree for the Automobile Industry (1989), which allowed more participation of foreign capital in the production of automobile parts; the Decree for the operation of Maquiladora Export Industry (1989), etc.
- <sup>4</sup> Source: [http://www.consar.gob.mx/social/infoconsares/02/Info\\_2602.pdf](http://www.consar.gob.mx/social/infoconsares/02/Info_2602.pdf)
- <sup>5</sup> For more information visit: [www.cofetel.gob.mx](http://www.cofetel.gob.mx)
- <sup>6</sup> ISO's official website: [www.iso.ch](http://www.iso.ch) and COFETEL's website [www.cofetel.gob.mx](http://www.cofetel.gob.mx)
- <sup>7</sup> [www.standardpoor.com](http://www.standardpoor.com)
- <sup>8</sup> SAPRIN official website: [www.saprin.org](http://www.saprin.org)
- <sup>9</sup> The IFAI was established in 2002 as an autonomous public body responsible for enforcing and monitoring the Federal Law on Governmental Public Information Transparency and Access.
- <sup>10</sup> See Plan Puebla Panama official website at: <http://www.iadb.org/ppp/>
- <sup>11</sup> <http://www.summit-americas.org/SIRG/SIRG-MAIN-documents.htm>
- <sup>12</sup> This was the predominant view as regards to governance in the launching of the Commission on Global Governance. See: Commission on Global Governance 1995

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