Preface

This book went to press on the eve of the tumultuous presidential election in Mexico in July 2006. A pro-globalization champion of a newly emergent middle class squared off against a populist defender of the "losers" of globalization—farmers, workers, the urban poor. For weeks after the razor-thin election, millions of people marched and camped in Mexico City's *zocalo*, convinced that the election had been stolen. The fundamental axis of political conflict in Mexico—and indeed in much of Latin America—involves the issues that we explore in this book: the social, environmental, and economic impacts of "Washington Consensus" policies based on global market-led growth, the role of foreign direct investment in promoting economic development and industrial transformation, and the economic and environmental sustainability of market-driven globalization as a development path.

In the 1990s, Mexico was a "poster child" for globalization. In an abrupt about-face, Mexico threw open its borders to trade and foreign investment, embraced the North American Free Trade Agreement (NAFTA), and ejected government from its role in building up domestic industry. Multinational corporations swarmed into Mexico, creating low-wage jobs in enclaves. Domestic firms, including some in the high-technology sector, went bust at a rapid clip. Along with large numbers of farmers displaced by agricultural imports from the United States, the result was ever-increasing unemployment and migration, a deeper and more apparent gap between globalization losers and winners, and the political mobilization of the "losers" and their allies.

The story was repeated throughout Latin America. The election cycle of 2005–2006 was widely seen as a referendum on "free-market" policies associated with the Washington Consensus. Center-left and left-wing candidates pointed to the Washington Consensus as the reason for the failure of per capita income to rise in 20 years and the persistence of poverty, inequality, low economic growth, and environmental degradation. Their center-right and right-wing opponents countered that the problem lay in not following Washington Consensus policies closely enough. They argued that greater liberalization would generate more foreign investment, which would, in turn, drive economic growth, create employment, and reduce social disparities.

Virtually every presidential contest was very close. In Argentina, Bolivia, Brazil, Chile, Uruguay, and Venezuela, critics prevailed. Only in Mexico, Colombia, and Costa Rica did "neo-liberal" candidates win, and by very slight margins.

There was no closer call than in Mexico. Manuel Andres Lopez Obrador, former Mayor of Mexico City and presidential candidate for the center-left Party of the Democratic Revolution (PRD), criticized Washington Consensus policies and NAFTA in particular as the cause of Mexico's economic perils. Lopez Obrador promised to renegotiate NAFTA's agricultural provisions and steer large amounts of government resources toward the poor. Lopez Obrador's opponent, Felipe Calderon, a former energy secretary under President Vicente Fox (2000–2006) acknowledged that growth and poverty alleviation have been slow to come to Mexico under NAFTA. However, he argued that Lopez Obrador's program would undermine economic stability—a major concern of a newly prosperous middle class—and that the solution lay in increasing foreign investment through even greater liberalization. Despite their differences, the candidates were in broad agreement about the basic "merits" of economic integration in North America and the importance of foreign investment. While he argued for restraints on NAFTA, Lopez Obrador did not—as his critics implied—call for a fundamental change in direction for Mexican economic policy. Indeed, neither candidate had much to say, in public at least, about how to promote the growth of Mexican firms, build an internal market in Mexico, or work in new ways with multinational corporations to boost Mexico's prospects for technological upgrading.

Calderon won the election by fewer than 300,000 votes out of nearly 40 million votes cast. Even if the Mexican Presidential Commission had agreed to a recount, it is unlikely that the margin of victory would have changed much, though perhaps the candidate would have. The political reality is that neither candidate could have gotten a clear mandate to either slow or accelerate Mexico's economic model.

If current trends continue, however, it is likely that they will exacerbate the deindustrialization of Mexico and widen the gap between a foreign enclave economy and the poor and unemployed who stand outside it. The articulation of a compelling and sustainable development strategy—drawing, we hope, in part from this book—may be the key to winning a political majority and putting Mexico's economy on the right track.

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