

MEXICO'S DOMESTIC DECAY

IMPLICATIONS FOR THE UNITED STATES AND EUROPE

Lauri Tähtinen



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- President Andrés Manuel López Obrador (AMLO) has challenged Mexico’s democratic institutions, including the electoral commission INE, and relies on the military to run sectors of the economy and to provide internal security.
- Recognizing the continuing strategic importance of its southern neighbor, the United States is attempting to “friend-shore” American industry to Mexico despite trade disputes.
- Mexico’s economic convergence with the US is giving way to ideological divergence. In the past year, Mexico has called NATO’s stance on Ukraine “immoral” and openly aligned with the leftist, anti-US dictators of Cuba, Nicaragua, and Venezuela.
- Mexico’s internal development and shifting external stance could spark a return to a United States focused on the protection of its 19th-century borders instead of its 20th-century global footprint.
- European attention to the future of Mexico can help diversify the country’s trade and other partnerships, as well as shine a light on its democratic decay.



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INTRODUCTION

In October 2018, an advisory referendum was held in Mexico on the future of a partly built airport in Mexico City. The plebiscite was held at the initiative of president-elect Andrés Manuel López Obrador, whose election campaign had focused on corruption. Only 1% of Mexicans voted on the \$13 billion project initiated by the previous government. The voters rejected the airport, and the newly-elected president – widely known by his initials “AMLO” – canceled the project. Such was the shock to investors and markets that the cancellation “increased the country risk of Mexico by 10% and caused a similar drop in the stock exchange.”¹ AMLO then chose an old military base as the location for a second airport, which opened for passenger traffic in March 2022; the first foreign carrier to set up shop was Conviasa of Venezuela.

This episode featured many of the leading indicators of concern for the future of Mexico: rule by irregular referenda, military involvement, and AMLO's close relations with regimes such as that of Venezuela. Mexico's domestic chaos is increasingly accompanied by an ideological divergence from its northern neighbor, the United States, forcing the US to shift its focus from global affairs to matters closer to home.

This Briefing Paper tackles these two interconnected developments: Mexico's democratic decay and the country's deteriorating relations with the United States, as well as the role this relationship plays in Washington's global stance. The paper begins with a short history of US-Mexican relations, continues with snapshots of Mexico's domestic context and its foreign relations, and concludes with an argument for increased European attention to the future of Mexico.

A SHORT HISTORY OF US-MEXICO RELATIONS

“Poor Mexico, so far from God, so close to the United States” goes the old saying. It is often attributed to

Porfirio Díaz, who provided the archetype for two kinds of Mexican president: an autocrat and one seeking deep economic integration with the United States. Díaz's decades of rule ended with the 1911 start of the Mexican Revolution, or, in the words of historian and diplomat Miguel León-Portilla, “the first great utopia of the 20th century.”² In 1934, after almost a quarter-century of political tumult, Mexico settled into a pattern of one-term, six-year presidencies. This constitutional norm was upheld through the twentieth century under the one-party rule of the Institutional Revolutionary Party (PRI). In the twenty-first century, two other parties have also held the presidency: the conservative National Action Party (PAN) and, now, the leftist National Regeneration Movement (MORENA). Very few doubt that a new president will be elected in mid-2024; increasingly many fear that the election will not be free, as the current president challenges the existing National Electoral Institute (INE).

Mexico's economic outlook began to deteriorate in 2018 when the MORENA government took over, soon compounded by the COVID-19 pandemic, and looks set to slow from 2022 into 2023. After a quarter-century of convergence with the US and Canadian economies through export-oriented, manufacturing-based growth, Mexico is now increasingly diverging from its northern neighbors, notably in its energy sector. The convergence has been grounded in the 1994 North American Free Trade Area (NAFTA), repackaged since 2020 as the United States-Mexico-Canada Agreement (USMCA). With China plummeting down the trading tables, Mexico now vies with Canada for the honor of top US trading partner, both with around 15% of US total trade. Trade with Mexico is important for the United States; for Mexico, the United States is essential, accounting for 80% of goods exports.

In 2019, US President Donald Trump threatened to impose a 5% tariff on imports from Mexico if Mexico did not control the surge in Central American migration. This mixing of issues, trade and migration, led the Trump administration to an explicit deal with the

1 Macario Schettino, “Naufragio de la economía” in ed. Francisco Martín Moreno, *El naufragio de México: 16 ensayos sobre el futuro del país* (México: Grijalbo, 2019) p. 70. Author's own translation.

2 Miguel León-Portilla, *México y América Latina: De su historia, penurias y esperanzas* (México: El Colegio Nacional, 2017), p. 120. Author's own translation.



President Andrés Manuel López Obrador addresses his remarks during a meeting with US President Donald Trump on July 8, 2020, in the Cabinet Room of the White House.
 Source: Shealah Craighead / Official White House Photo

devil: If Mexico prevented the influx of migrants into the United States, Washington would remain silent on how AMLO governed at home. This allowed for a good working relationship between the two presidents despite Trump’s “Build the Wall” rhetoric and AMLO’s anti-US reflexes.

Mexican critics of the United States thrive on the role Mexico has played in the global position of the United States and the limited attention Americans tend to give to the countries’ relationship. Few Americans remember the Mexican-American War of 1846–1848 or even the role Mexico played, as the United States entered European affairs in the early twentieth century. During World War I, Germany wanted to redirect Washington’s attention away from Europe by re-opening its Mexican front. In the infamous Zimmermann Telegram of 1917, Germany’s foreign secretary laid out a plan to bring Mexico into the war alongside Germany: Mexico might have recovered much of the territory it had lost to the US in the 1840s. In the event, the United States entered the war in Europe with Mexico in mind, emerged victorious and, consequently, kept its own southern border secure.

In a new era of global rivalry, we must confront the ghost of Zimmermann. One hundred six years ago, the logic ran: If the US engages in Europe, the war will be

brought to its home front. Today’s logic might run as follows: As the US engages in Europe and Asia, a rival might bring trouble to its own border. The logic would be to undo a pillar of US global engagement, relative safety at home, and potentially force it to focus on its immediate security rather than that of its far-flung friends.

CONVERGENCE OR COLLAPSE?

Many of Mexico’s problems have been compounding for years, which means that they predate the AMLO presidency and cannot be fully attributed to his actions or omissions. However, the challenges have taken a turn for the worse during his administration. The Mexican economy is struggling to grow at more than 2%, even after the pandemic and although it has embraced both high-value manufacturing and free trade. Moreover, it has been, by and large, an open economy: It joined the OECD back in 1994 under PRI rule.

So what has held it back? The answer is crime.³ This includes the kind of high-level corruption that the growing role of the military in the economy will

3 Noah Smith, “Mexico: A development puzzle,” *Noahpinion*, 7 August 2022, <https://noahpinion.substack.com/p/mexico-a-development-puzzle>.

bring with it, but also an increasingly volatile security situation in most corners of the country. For many, it is simply too dangerous to operate in Mexico. Organized crime has been responsible for 30,000 murders per year. Evidence is growing of political candidates being directly backed by *narcos*, or drug cartels, as notoriously in the case of the Sinaloa governor's race in June 2022, and politicians providing political protection for crime once in office, as allegedly in Chiapas.⁴

When it comes to drugs, fentanyl from Mexico is on track to replace cocaine from Colombia as the main concern for US drug enforcement, due to fentanyl deaths in the United States exceeding 100,000 per year. The potential for death also crosses the US–Mexican border in the other direction: Mexico recently sued US gun manufacturers for 10 billion dollars for causing a flood of illegal weapons into the country; over 90% of those detained for weapons trafficking into Mexico are US citizens. But even this drama is triangular, as Mexican cartels depend on Chinese brokers for the supply of precursor chemicals to produce fentanyl and other synthetic opioids.

High crime undermines the ability of any Mexican leader to govern. AMLO's predecessors, Enrique Peña Nieto and Felipe Calderón, had both increased the militarization of Mexico's internal security. AMLO ran on a promise to de-militarize but has instead deepened the military's role in police work and extended the military's reach into the economy. The best example of the former is the 2019 creation of a National Guard, a force to which Congress gave a civil mandate but one that AMLO had in practice already put under military command before Senate confirmation.

The military also engages in a vast array of civilian projects, and not just infrastructure ones, but also luxury condominiums, and is also looking to operate its own airline. AMLO is trading on the trust that Mexicans have placed in their military, while blurring the lines between military opacity and civilian review. The enlargement of the military's role provides opportunities for graft in a country that already ranks 124 out of 180 in the Transparency International Corruption Perceptions Index. It also points toward the kind of military entrenchment that contributes to ungovernability.

All this indicates that Mexico might be veering onto the same path as its new-found friend, Venezuela. A mere two decades ago, Venezuela was Latin America's richest country. Then it fell victim to five Cs:

centralization, collectivization, corruption, cronyism, and criminality. Both China and Russia have benefited from the country's pain and diminishing pool of trading partners; they are hoping it can happen again – this time with Mexico.

DISCOURSES OF DISCONTENT

Two recent disputes highlight the increasingly difficult relationship between Washington and Mexico City. One, on the surface just a diplomatic spat, is an indicator of Mexico's willingness to challenge and to align against the United States. The other raises questions regarding the continuing economic integration of the two countries.

The first issue has to do with the Summit of the Americas hosted by the US for the first time since the summit's inaugural meeting in Miami in 1994. Last year's summit, after many delays, landed in Los Angeles in June 2022 during a couple of months of busy summitry for the Biden administration. In the run-up to it, AMLO announced his decision to boycott the summit in solidarity with the uninvited dictators of Cuba, Nicaragua, and Venezuela.

Why did AMLO choose to boycott? One answer offered by the president and his supporters is that Mexico's constitutional commitment to non-intervention necessitated it. This technical reasoning belies AMLO's propensity to weigh in on the internal affairs of other countries – including in favor of electoral candidates. For good measure, the Secretary of Foreign Affairs, Marcelo Ebrard, has proposed that Washington should adopt a new “Good Neighbor Policy,” or a disinterest regarding the internal affairs of other countries in the Western hemisphere.⁵ Such a policy would hardly align with the mandates of the Inter-American Democratic Charter, signed by all in the hemisphere apart from Cuba.⁶

Others suggest, more prosaically, that AMLO unwittingly backed himself into a corner by making his own attendance conditional on that of Venezuela's leadership, wanted on US soil for narco-terrorism. More troublingly, he may have recognized that the summit would have offered an opportunity for his critics to highlight Mexico's internal trajectories. At home, AMLO certainly enjoys the spotlight, as evidenced by

4 Anabel Hernández, “Miembros de la Guardia Nacional y Ejército protegen al Cartel de Sinaloa en Chiapas,” *Deutsche Welle*, 30 September 2022, <https://www.dw.com/es/miembros-de-la-guardia-nacional-y-ej%C3%A9rcito-protegen-al-cartel-de-sinaloa-en-chiapas/a-63223566>.

5 Marcelo Ebrard, “Contra la historia e y el futuro,” *Reforma*, 24 June 2022, https://twitter.com/m_ebrard/status/1540317785280110592/photo/1. For subscribers: <https://bit.ly/3yw89U0>.

6 Ryan C. Berg and Lauri Tähtinen, “Latin America's Democratic Recession: How Washington Can Help Turn Things Around,” *Foreign Affairs*, 6 October 2022, <https://www.foreignaffairs.com/central-america-caribbean/latin-america-democratic-recession>.

his hallmark La Mañanera, an open-ended, televised news conference every weekday morning at 7 am. His love of the lectern was also on display when he directed his worldview, at length, at President Biden whilst visiting the White House in July 2022 – in lieu of attending the summit in June.

The White House meeting highlighted another issue eating away at the bilateral relationship: trade disputes. AMLO has advertised how US companies are to invest 40 billion dollars in Mexico by 2024. In reality, an estimated \$30 billion in investments by US companies in the Mexican energy sector hang in the balance. These include a wide range of companies, from operators of fuel terminals to generators of renewable energy. When US Trade Representative Katherine Tai escalated claims of Mexican violation under the USMCA core obligation of equal treatment for private producers vis-à-vis public plants, she stated that “arbitrary treatment in Mexico” is placing more than \$10 billion of US investment “at risk, much of it in renewable energy.”⁷ To diverge even further from its northern neighbors, Mexico has nationalized its lithium production.

By the September 2022 visit to Mexico by US Secretary of State Antony Blinken and US Secretary of Commerce Gina Raimondo, the pressure to begin to think beyond the trade dispute had built up. From the perspective of Mexico City, Biden’s success at passing the Inflation Reduction Act in August 2022 posed an opportunity to retaliate against Washington, as it contains subsidies for US domestic manufacturing. In return, the Blinken and Raimondo visit resulted in a broad package of industrial cooperation between the US and Mexico. Here, the preferred mechanism is to nearshore the manufacturing of critical products such as semiconductors and clinical Personal Protective Equipment (PPE) to Mexico. In early January 2023, the North American Leaders Summit (NALS) added critical minerals to the list of regional priorities alongside the exchange of knowledge in advanced manufacturing.

Nearshoring is seen as only second best after “friend-shoring,” a current term of endearment in Washington’s trade circles, where mere geographic proximity is considered inadequate in providing protection against economic disruption.⁸ “Friend-shoring,” in contrast, entails a more comprehensive alignment of values and interests between trading partners. Such

alignment is regarded as ideal but also in shorter supply, as the United States struggles to discover security and resilience in its relationship with Mexico.

MEXICO’S PIVOT

During the Long War in Afghanistan, it was often said in the United States that it was better to fight over “there” in order not to have to fight “here.” In the case of Mexico, the “there” is also “here” due to a highly trafficked and porous border of over 3,000 kilometers. In the fiscal year ending in September 2022, US authorities tallied 2.76 million undocumented migrants, a record-breaking figure with many as repeat visits and with notably high numbers of Venezuelans, Cubans, and Nicaraguans making the trip. The difficulties of Mexican central governance and state failure are also on display when *Narco* leaders act as de facto warlords within roughly a third of the territory. Mexicans themselves are increasingly envisioning a “catastrophic scenario” in which the country might become “easy prey for international interests.”⁹

The possibility of such a collapse in territorial governance suggests that the earlier policy of the US soft-pedaling its criticism of Mexico’s internal developments in exchange for border control has run its course, even if the Biden administration admits to reticence in commenting on Mexico’s internal affairs. Making migration a Mexican problem has undermined Mexican security, resulted in trust issues within US-Mexican security cooperation, and magnified the risks for the United States. Therefore, Washington must continue to seek to integrate Mexico’s economy with its own; the alternative, the abandonment of Mexico and related national-security interests, remains too dire. The wind in the sails of “friend-shoring” is also strong, continuing to bring US business and investment to Mexican shores despite the government’s actions.

Yet this tango takes two. AMLO openly empowers US foes and attempts to dismantle institutions that were created under US leadership. He has called for the Organization of American States (OAS) to be replaced with something “truly autonomous, not anybody’s lackey.”¹⁰ After the onset of Russia’s war in Ukraine, a MORENA youth group openly supported Russia, AMLO

7 Eric Martin, “US Poised to Escalate Claim Mexico Violated Free-Trade Pact,” *Bloomberg*, 23 June 2022, <https://www.bloomberg.com/news/articles/2022-06-24/us-poised-to-escalate-claim-that-mexico-violated-free-trade-pact#xj4y7vzkg>.

8 Jeffrey J. Shott and Matthew P. Goodman, eds., *Bringing Supply Chains Back to Mexico*, PIIE Briefing 21-4 (Washington: Peterson Institute of International Economics, 2021)d, <https://www.piie.com/sites/default/files/documents/piieb21-4.pdf>.

9 On the “catastrophic scenario,” see Julio A. Millán Bojalil, “Los futuros de México,” in ed. Francisco Martín Moreno, *El naufragio de México: 16 ensayos sobre el futuro del país* (México: Grijalbo, 2019), pp. 217–88.

10 Benjamin Wilhelm, “The Limits of Mexico and Argentina’s Regional Leadership,” *World Politics Review*, 13 August 2021, <https://www.worldpoliticsreview.com/the-limits-of-mexico-and-argentina-s-regional-leadership/>.

has called NATO's stance on Ukraine "immoral," and Mexico has continued to provide diplomatic support to dictators, including Nicolás Maduro of Venezuela, Russia's leading ally in the hemisphere. Russia and Mexico have also signed an agreement on space cooperation, which includes the installation of GLONASS in Mexico, Russia's competitor to GPS. In October, AMLO ridiculed Members of the European Parliament for their support of Ukrainian President Volodymyr Zelenskyy as a contender for the Nobel Peace Prize. At a time of international sorting, an AMLO-led Mexico is emerging as a country that Europeans, too, will have difficulty seeing as a friend. Quiet diplomacy has run its course when its leader is an apologist for Vladimir Putin's vision for Europe.

Even before 2022, AMLO had developed a paradigm in which the US is a declining power and the Russia-China nexus is the future of world affairs.¹¹ This has been buttressed by nostalgia for the Soviet Union and the Cuban Revolution, both of which run deep on the Mexican Left. Combined with veering off the democratic path, such attitudes bring to the fore a possible alignment not only with Havana, but also Beijing or even a recently diminished Moscow. It is precisely by controlling foreign involvement in the Mexican economy that AMLO can shut out foreign influence. Clearly, Washington is trying to prevent an intensifying US-Mexican tit for tat, yet at this stage even attempts at rescuing investment and trade may feed anti-US sentiment. By contrast, Mexico may seek new friends and trading relationships elsewhere, ones that would allow for AMLO and his associates to consolidate power in Mexico City. That, after all, was the logic of the Cuban Revolution and the geopolitical pivot it entailed.

Therefore, alongside the Road to Caracas lies the Road to Havana: not just a descent into ungovernability but a conscious choice by a governing elite. In this version of Mexico's future, either AMLO or his successor would seek domestic power consolidation by clearly aligning with a powerful outsider. Much further south, China already supports Argentina with its claims over the Falkland Islands against the UK. In Central America, China's influence campaigns are manifold, ranging from cultural diplomacy to infrastructure funding; in recent years, Panama, El Salvador, and Nicaragua have recognized the PRC's claim over Taiwan. The COVID-19 pandemic demonstrated how rapidly Mexico's dependence on legal Chinese imports, in addition

to illegal ones, could increase. Mexico is increasingly looking like a potential pivot state, one that might geopolitically realign from its powerful neighbor to its foe.

A pivot would require AMLO to further consolidate power, a process already underway. Jockeying for the president's favor has left an environmentalist mayor of Mexico City, Claudia Sheinbaum, defending a fossil fuel-driven, state-led energy strategy and Foreign Secretary Ebrard to serve as an apologist for AMLO's unpredictable foreign policy. While some young people have come to suffer from buyer's remorse, AMLO's approval rating continues to hover around the 60% mark.

The future, however, is not yet settled. The opposition that has hit AMLO hardest are street protests, beginning with protests headlining growing violence against women. At NALS in January 2023, Mexico signed up to combat not only violence against women but also sexual and gender minorities. Recently, citizens have also rallied against AMLO's attempts to reconfigure the independent election regulator INE, a cornerstone of Mexico's multiparty democracy, by having its members be elected by voters.

WHO CARES ABOUT MEXICO?

Many Europeans are not used to thinking in terms of America's own understanding of its global needs. In 2022, they certainly did not focus on the threat that a leftist leader may pose to Mexico's democracy to the extent that they tracked the anti-democratic maneuvering of Brazil's rightist president, for example. Part of this was learned as a defensive mechanism during the Cold War, when Europeans often entertained the worldviews of Latin American anti-imperialists and leftists. Such separation between anti-democratic forces of the left and right made it possible to live with Washington's assistance in Free Europe, while simultaneously protesting, for example, Southeast Asian instantiations of US anti-communism.

Now, America is once again called to rally Europe against a revanchist Russia and defend allies in the Asia-Pacific against an emerging People's Republic of China. But US resources and, especially, attention span have limits. They may shift just like they did twenty years ago due to terrorism at home or sixty years ago due to communism, almost at home, in Cuba. Similarly, 106 years ago, the Zimmerman Telegram reoriented the United States toward the world because of Mexico. Today, Mexico with its antagonistic leader and

¹¹ Ricardo Pascoe (Idyllic Love vs. Pragmatism: Why President López Obrador Chose Cuba over the U.S.), interview with Mariana Campero, *Mexico Matters*, podcast audio, 22 June 2022, <https://www.csis.org/node/65840>.

domestic troubles may soon draw much of America's attention; immigration is already the number one foreign policy concern among Republican voters.¹²

This is occurring in a world in which regional security arrangements are becoming globalized. Without Beijing's February 2022 statement of "friendship without limits" with Moscow, it is hard to imagine that Putin would have launched his full-scale war in Europe. By extension, Washington's beef with Beijing is increasingly Europe's, and Beijing's behavior is a security issue for Europeans not only in Europe but also in Asia, where President Biden has on several occasions committed the US to the defense of Taiwan. From friends, Washington will expect burden-sharing, especially in non-military realms, so it can focus its efforts on military containment.

Meanwhile, the pressure for the US to focus on the home front is increasing. A key plank of today's Republican Party is "Build the Wall," a message focused on separating Arizona from Sonora, and Baja from California. Indeed, Mexico's internal development and shifting external stance could spark a return to a United States focused on the protection of its 19th-century borders instead of its 20th-century global footprint. That would leave less room for far-flung friends or even treaty allies. For example, the 18 House Republican votes against Finnish and Swedish membership in NATO came from the flank of the party most vocal about the Mexican border.

If Mexico's worrisome trends persist, the first to suffer will be Mexicans. And then the pain will be felt much further afield. For US friends and allies, it means that their interests and security remain undergirded by American perceptions of their own. Navigating that world is not easy as, in contrast to the Cold War when

different blocs were economically and culturally distanced, today's geo-economy presents more shades of gray and interconnectedness.

That is why Europeans could do worse than support Mexico as a "friend-shoring" destination, including by the many economic means at their disposal. Mexico is already the EU's third largest trading partner in the hemisphere, just behind Brazil but ahead of Canada. A pending free-trade agreement should help strengthen ties between Mexico and Europe's capitals and both enrich Mexicans and help alleviate Mexico's dependence on the United States. Yet Europeans should not fail to notice that Mexico's notably popular president does not sound or act like a friend of theirs. The coming years will be critical for ensuring that he or his successor will not become an actual foe.

CONCLUSION

In 2024, Mexico will have a presidential race in which not only the country's political leadership, but also its constitutional order is on the ballot. To add to the stakes, Mexico's general election will coincide with the election of its northern neighbor, contributing to dynamics that do not stop at the border. In his November 2022 announcement about running again for the US presidency, Donald Trump both spoke at length of the threat of fentanyl from Mexico and called AMLO a "Great Man." Due to Mexico's single-term limit, AMLO will not be able to run again, but he is already molding the process to serve the MORENA party and his chosen successor. How far along that path he progresses will help determine not only Mexico's internal development but also the future of its external relations. /

¹² Sonnet Frisbie, "The U.S. Midterm Results Will Accelerate Cooperative Isolationism in Trans-Atlantic Relations," *Morning Consult*, 5 December 2022, p. 6, <https://bit.ly/3Hm31XX>.