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CHAPTER 6

At Last: An Open Society, an Open Economy, an Open Mind?

When those of us who grew up in Mexico during the 1960s were able to travel abroad—a tiny minority of the population—one of the main events of the year was the holiday visit to San Antonio, or El Paso, or Houston, or San Diego. For Houston and San Antonio, and sometimes El Paso, the voyage was by car; otherwise by plane, though this was not quite as productive. Productive? Yes, since at least one of the main purposes of the journey was to purchase fayuca: contraband electronics, food, clothes, gadgets of all sorts, unavailable in Mexico and quite accessible, price-wise, in the United States. Instead of the obsolete TV sets manufactured in our country, we could buy Sony Trinitrons; instead of rancid peanut butter, we could obtain Skippy; instead of highly flammable Terlenka windbreakers, we could don Members Only jackets.

The only problem was how to get them into Mexico without paying duties (they were onerous), or excessive bribes (moderate ones were okay). The car or station wagon would be filled to the brim, with maybe a small television on top of everything, highly, even ostentatiously, visible. When we stopped at the secondary customs inspection, some twenty miles into Mexico, the on-duty official would make believe he was searching for drugs, guns, money, or high-value contraband, and all of a sudden, lo and behold, he would discover the small TV. With deep regret and shame, he would convey to us his irreversible decision to confiscate it, together with a stern warning to refrain from introducing forbidden goods into the country, since they took jobs away from Mexicans, and besides, “Lo hecho en México está bien hecho” (loosely translated: Mexican stuff should be good enough for you). And we would be on our way, with our fayuca, or American stuff, nicely stashed away under blankets, children, coats, and suitcases.

The difficulties of sealing a border with the United States were present not only at the physical frontier. Stories about the Mexico City airport flourished, each one more imaginative than the other. I remember when cameras were installed above the customs inspection stations; the officials simply glued cardboard blinders on the lens. When the first red-green light system was inaugurated, customs inspectors manipulated the frequency so that red would almost always flash, allowing them to demand their “mordida,” to “bite” travelers for their bribe, more often.

Given all of these ploys and the infinite corruption of the Customs Agency, in the mid-seventies President Luis Echeverría found an ingenious way, or so he thought, to kill two birds (cousins of the duck we met in the previous chapter) with one stone. He needed to employ the Chilean refugees whom Mexico had generously welcomed after the Pinochet coup in 1973, and he had to find and appoint honest customs officials at the Mexico City airport. So he named the Chileans, who actually were honest and efficient. Unfortunately for them, and for Mexico, they were also totally unfamiliar with local customs and celebrities. One day they found nothing better to do than to inspect the dozens of Louis Vuitton suitcases brought back from Paris by an aging but proud Mexican actress; not

only did she not give up the ship (actually, the contraband), but she raised such a nationalist ruckus that the following day Echeverría was forced to fire the Chileans. So much for that idea.

Fifteen years later, in the midst of one more of our recurrent and disastrous economic crises, affecting the balance of trade and the exchange and interest rates, and driving prices to the sky, a new generation of officials abandoned the fight against fayuca. In 1987, deciding that discretion was the better part of valor, in one fell swoop they removed tariffs and quantitative restrictions on most Mexican imports from the rest of the world. By then, entire neighborhoods of Mexico City (mainly Tepito, but also street-vending malls like Coapa, Peritianguis, and others) had become entrepôts of contraband from abroad, on occasion even offering guarantees on illegally imported refrigerators. They had fitting rooms for expensive dresses, warranties on electronics, and on-demand capability for goods not in store: just like the Mall of America. Contraband did not completely disappear, since the Mexican sales or value-added tax was still higher than in the U.S., but the incentive to bring in goods illegally diminished drastically. The drive to the American border towns of McAllen or Harlingen was no longer worth it.

Trading with the Enemy

This was the beginning of Mexico's trade liberalization, which climaxed with NAFTA and was enshrined in the agreement with the United States and Canada. By 2008, practically everything could be imported into the country from its North American partners duty-free, including used cars, corn, beans, powdered milk, and fructose syrup, the last restricted products on the waiting list since 1994. Mexico had become one of the most commercially open economies in the world, where imports plus exports over GDP reached 55%, twice the U.S. number, more than Japan, and a level similar to various Western European nations like Spain, the U.K., France, and Italy, though slightly less than Germany.^{1*} This represented a major shift for Mexico, which traditionally, like most Latin American economies, based its growth on the domestic market; foreign trade, even after the country again became a major oil exporter in the late seventies, never amounted to more than 20% of GDP.^{2†} Perhaps until then the character traits described in the previous chapter were functional to building an unfinished nation, an industrial economy, a national market, a defensive posture against a hostile and distant outside world. No more, not with the numbers summarized below.

Today, while NAFTA has been much less of a resounding success than most of its advocates hoped and advertised back in 1993, a majority of Mexicans are nonetheless attached to it and would not wish to see it repealed. When it was rammed through Mexican society and a rubber-stamp Congress in 1993 by Carlos Salinas de Gortari, his colleague, friend, and counselor, Spanish prime minister Felipe González, was convinced that had it been submitted to a democratic debate and a referendum, it would have lost. (Or so he confided to me years later.) More importantly, Ulises Beltrán, Salinas's pollster at the time, reached the same conclusion, not dissimilar to what has occurred in several European countries along the path to the European Union.³ But today no one seems to want to revoke NAFTA; the proof lies in the fact that the left-of-center PRD opposition, which has had a strong voice in Congress since 1994, has never tabled a resolution to abrogate it, even though the treaty clearly stipulates that this can be accomplished with six months' notice. The Mexican middle classes would not be happy campers if that were to occur.

As might be expected, the opening to foreign trade did not really mean “foreign.” As always, for independent Mexico, the “world” has meant the United States. Ever since 1895, the U.S. has been Mexico’s most important trading partner, concentrating around 70% of all imports and exports in the 1890s, 100% during World Wars I and II, and anywhere between 65% and 70% in the 1970s–80s, and 80.6% of its exports today, though recently a somewhat smaller share of its imports, due to a brief spurt in purchases from China. The next largest partner, China, represents a paltry 7.5% of Mexico’s foreign commercial transactions; the entire European Union accounts for 8%, and the largest Latin American share, corresponding to Brazil, barely 1.3%.^{4‡} The absolute totals for non-U.S. trading partners are not negligible, reaching several billion dollars in some cases, but the relative totals are largely irrelevant. So opening up to “the rest of the world” was another Mexican euphemism; it meant opening up to the neighbor to the north. Nobody thought it through in detail, but the result is that today Mexicans mistrust and are highly ambivalent about the inhabitants of a country with which their wide-open economy does virtually all of its trade; more significantly, that trade today constitutes more than half of all its economic activity. Something has to give, or the mistrust and trade will eventually neutralize each other and paralyze Mexico. This is partly what has happened since 2000, when the initial NAFTA élan began to run out of steam.

There are many reasons why NAFTA started faltering so soon after its conception, but a few stand out. These were, chiefly, the restrictions on investment in energy, tourism, retirees’ hospitality, infrastructure, and cultural industries that sprang directly from the already described passions. That said, despite decades of efforts, now formalized in free trade agreements with the European Union and Japan, among others, Mexico has proved unable to diversify its foreign trade. There is absolutely no reason to believe that policy will ever trump geography on this score. Mexican businessmen, let alone the executives and strategists for multinational firms established in the country, are accustomed to exporting next door, and have no desire whatsoever to venture far away when they can enjoy the luxury of selling to the world’s largest market, just across the fence or the river.

The “truly existing” Mexico, not the one most of us have in our heads, will always have only one noteworthy trading partner, and it will always have to combat—or accommodate—the protectionist temptations of that partner. We believe Mexico should draw the logical conclusion from this fact, and peel away the atavisms, curtailments, laws, regulations, prejudices, and legitimate grievances that are seared on occasion into its very soul. But it is quite understandable that other voices may hold a contrary opinion, and that, thanks to modern technology, globalization, a deliberate policy, and a national, consensual effort, they might hope to truly diversify the country’s trade patterns, aligning them with the salient traits of Mexico’s national character. In our view, this effort would prove fruitless, and furthermore the new Mexican middle classes would not likely countenance its consequences if it did succeed: higher prices and fewer foreign goods. But what makes no sense at all is the idle insistence on maintaining two diametrically opposed postures: on the one hand mistrusting, “dissing,” or containing the United States, and on the other, possessing one of the world’s most open economies and one of the world’s largest concentrations of trade with one partner.

This ambivalent attitude appears particularly incomprehensible given that its results are so far quite mediocre, despite Mexicans' reluctance to admit this. Since Mexico's unilateral trade opening in 1987, or since NAFTA came into law in 1994, its economic growth has averaged less than 3%. Even if we start in 1996, after the 1995 debacle, the average remains approximately the same.⁵ It's not exactly evidence that the current course is working. This is especially relevant if, as expected, Mexico continues to lose part of its manufacturing export base to China, and finds itself forced to move up the value-added chain into services, or higher tech sales abroad. This process began as early as 2000, and it will in all likelihood further concentrate the country's business with the north, while at the same time making the existing restrictions more damaging to trade and investment, though perhaps not to national pride. It will become particularly valid in one area where Mexico has a huge comparative advantage over practically every nation in the world. And that is tourism: close to 90% of all visitors to Mexico travel from the United States.⁶

Spring Breakers and Retired Baby Boomers

Once again, the numbers do not pan out for the country. Although it is an unquestioned player in the international tourist arena, ranking tenth in the world, it could perform far more competitively. Even if we include one-night stays just across the border, its 20 million tourists compare poorly with those visiting Spain (57 million) or Italy (40 million).⁷ Further, a more realistic number for Mexico's tourists might be 13 million, which corresponds to those who spend at least one night in the interior, not just on the border. Regrettably, Mexico is not taking advantage of some of the special attractions it has to offer, above all, to American visitors, be they spring breakers, honeymooners, or tree huggers. Nothing is more important to the country, and this was acknowledged as long ago as the Alliance for Progress. Tourism constitutes its number one industry in terms of employment, with nearly 2.5 million direct and indirect jobs; its number-three single generator of hard currency; and it represents the only economic activity that is at least partially spread out through various parts of the nation.⁸

Mexico should be welcoming far more tourists to many more destinations, spending more money each day per person. We have to move people away from the traditional beach resorts—Cancún, Mayan Riviera, Puerto Vallarta, Los Cabos, Mazatlán—to "new sites"—Puerto Peñasco, Careyes, Costa Maya, Huatulco—and to old, deserted ones—Acapulco, Ixtapa-Zihuatanejo—and mostly to other attractive spots. Mexico's tourist attractions are almost infinite: archaeological ruins, colonial cities, major modern, urban centers, old hacienda luxury hotels, spectacular canyons and jungles. But all of these need infrastructure—airports, hospitals, highways, and, more than ever, security—in order to attract investment in hotels, restaurants, restoration, and advertising. The country is far from matching its potential to become a major world-class tourist destination; it should be receiving well over 50 million travelers every year.

This is the case as far as traditional tourism is concerned. In practice, at least in the short term, we are moving in the opposite direction. Visits declined by 6% in 2009 over the previous year. The reasons were no secret (H1N1, the war on drugs, insecurity, the worldwide recession), but even in the absence of these problems, our market share is not growing.⁹ When Cuba comes on line as a major destination for Americans, we will face even stiffer competition. So in addition to doing the "easy" things necessary to entice more guests in a traditional manner to traditional resorts, we must

branch out in two directions that only the Caribbean countries can also partly attempt, although most lack the educational, infrastructure, living standards, and even security (which, despite our problems, we have, or had). Those directions are snowbirds and retirees, two groups that on occasion overlap but that can be addressed as distinct markets.

For all sorts of motives—flexible work schedules, more discretionary income for certain population groups, work-at-home through the Internet and broadband—upper-middle-income Americans will be able to spend longer periods away from home, albeit not necessarily on vacation. What they are looking for are convenience, cost, and security. These translate into good transportation and communications, entertainment attractions, health services, and hospitality facilities. Long-term visitors will also want their dollar to go significantly further than at home, so they improve the quality of their lives—and escape the cold or the heat—by spending three to six months of the year away. And, just as importantly, they will expect security for both their property and themselves.

Mexico is the one country that satisfies the first condition—proximity—and the only one that can fulfill most of the others. The Dominican Republic, Jamaica, and Cuba, for instance, lack the touristic and national wherewithal to deliver these services and guarantees. They are close to certain areas of the United States—Florida, the East Coast—but very far from others: the West Coast, the Midwest, Texas. Conversely, some regions of Mexico are near to just about any part of the United States. And the country could become a haven for prosperous, though not necessarily wealthy, American midcareer professionals whose children are in college or a bit younger, who want to spend a few months of the year elsewhere, in an environment where they can work, live differently and better, with everything they are accustomed to back home. No other country can truly compete with Mexico for this market.

Mexico is similarly well placed in the contest for baby boom retirees, although here we are in uncharted territory: no country really competes with Florida and the Southwest yet. And indeed, probably only Mexico can. Large numbers of Americans born during the postwar demographic bubble (between 1945 and 1950) are retiring as they reach sixty-five, a new batch of senior citizens. They are quite unlike their parents; they grew up in the sixties, and are reaching retirement age in far better health than others before them. They are far more worldly and open-minded, with more resources available for their retirement; and many have expressed a wish to discover alternatives to Florida, Arizona, or Nevada as their place of late-life residence.

First, it will be necessary to reform the Constitution so foreigners can directly and transparently own beach property, obtain a mortgage if they want one, put their home in their sons' or daughters' names, insure that when they pass away their assets will belong to their estate, as they have stipulated, and not as some government bureaucrat or congressman may determine. Short of this, Mexico will simply not seduce the baby boomers, despite all its attractions. Second, this means top-flight, insurance-covered, next-door health care (at least at a primary level), where the common, but not life-threatening, illnesses that this stage of life inevitably entails can be treated easily, quickly, and competently. This is a health-conscious generation. It requires international airports no more than one hour away, with multiple flights to the main U.S. hubs, and no difficulties in entering or

leaving that could delay a medical transfer. There are already flights stateside from twenty Mexican cities, but they correspond chiefly to migration patterns, not to tourism or retiree flows. The current number of flights for those flows is by no means sufficient.

Third, this means offering baby boomers the amenities of life typical of their station in life: golf, peace and quiet, movie theaters and DVD rentals, cable TV and concerts or shows, good restaurants and pleasant hotels for their friends, traditional Mexican service and hospitality, Walk–Don’t Walk signs to cross the street, stores where they can purchase Mexican goods that will make their stay different, together with the American ones that will make them feel at home. Eliminating price gouging and shakedowns is not a realistic goal, but it is possible to limit these abuses and discourage the national pastime of rooking Americans.

Lastly, and perhaps most decisively, this means bestowing upon these residents a legal and financial situation that is secure, simple, and expeditious: residence or immigration papers, receiving their Social Security check and being able to exchange it for pesos at the going rate without being taken to the cleaners. It involves knowing that their insurance covers treatment in Mexico—a big if, and one that we have been attempting to negotiate, so far unsuccessfully, with major U.S. companies and Medicare since I was in the Foreign Ministry in 2001. It also requires a fair tax status for this potentially invaluable and immense tourism market. It can be done, but only in Mexico, only with Americans (and to a far smaller extent with Canadians), and only if Mexico wishes to suppress, or at least control, the demons of its character from the past.

A better illustration of tourism’s paradoxes lies in the internal debate that took place within government circles of both countries between 2002 and 2005 regarding the issue of “pre-clearance.” This somewhat technical mechanism consists simply in having U.S. Customs and Immigration agents—today called Customs and Border Protection—clear American and non-American travelers to the United States at the point of origin abroad. Countries that have already established this system are Canada, Ireland, and the Bahamas. On taking a plane in Montreal or Dublin, for example, visitors bound for the United States pass through customs and immigration at the local airport, and do not pass again when they land in New York or Chicago; their arrival is classified as a domestic flight. The advantage for the point-of-departure country is that it can receive and dispatch flights destined for the United States to and from noninternational U.S. airports, since Customs and Immigration have already been cleared. This increases tourism, since it allows direct charter flights from airports in the U.S. that otherwise would have to apply for costly federal government permits to process foreign passengers.

In the case of Mexico, the Fox administration sought in 2002 to negotiate a pre-clearance agreement with the U.S., initially in Cancún. It was thought that this would encourage travelers from cities with only domestic airport facilities, such as Memphis, Nashville, several in Alabama, the Carolinas, and perhaps as far as St. Louis, Kansas City, Oklahoma City, and sites in northern Texas. But just as important, it was also believed that given the immense panic, or outright security hysteria, unleashed by 9/11, it would be wise for Mexico to slip in under the American security perimeter or bubble, and indeed extend it to North America as a whole before Washington began slapping restrictions on

travel from other countries to the U.S.—which it did a few years later—that would inevitably hurt Mexico more than just about anybody else. As it happens, such restrictions were imposed anyway.

From the start, things didn't quite work out. Having American Customs and Immigration agents screening Mexicans (since they could not inspect only Americans) on Mexican soil was anathema to the interior and justice ministries, as well as to numerous intellectuals and politicians. Explanations—for example that there was no substantive difference between refusing Mexicans permission to board in Cancún, or to order them home from Miami—were to no avail. There were already dozens of DEA and FBI agents in Mexico; Canada was perfectly satisfied with the procedure; it would protect Mexico from a future U.S. backlash and bring more tourism now, create jobs now, improve living standards now. But the very notion of American agents denying Mexicans anything in Mexico proved intolerable.

A couple of years later, the idea was revived under a new tourism minister, who approached it more assiduously than his predecessor. Progress was made, even on the prickly issue of whether U.S. officials could bear arms in Mexico, a matter that had always been a subject of arduous negotiations with DEA agents. But the talks eventually collapsed, for two reasons: the cost of pre-clearance, which by 2005 the Bush administration was unwilling to pay, and the risk for members of the several shifts of Customs and Border Protection employees who would have to live in Cancún. That resort was already a dangerous city infested with drug traffickers and gangsters, although it would get much worse as of 2007. The owner of the Cancún airport, Fernando Chico Pardo, financed several trips by U.S. officials to visit housing and schools for agents who might eventually be posted there, all in vain. When the deal had been possible, Mexican nationalism held it up; when that nationalism waned, Washington was no longer interested.

Immigration and Investment

Immigration is of course the area that overshadows all of Mexico's relationship with the United States. Many years ago we signed a temporary worker agreement with Canada that provides visas today for slightly more than fifteen thousand Mexicans per year. In contrast, the number of those who legally or illegally seek jobs in the United States every year oscillates between 250,000 in a trough to perhaps 450,000 in a peak year. Thus, for all practical purposes, Mexico, which is a significant sending country by world standards, "sends" everybody who leaves to the United States. Virtually 100% of the between \$20 billion and \$25 billion in remittances shipped home every year originates in the U.S. This represents approximately 2% of GDP, three times what it was in 1985, the first year the Central Bank attempted an estimate.¹⁰ Part of the increase stems from the fact that current flows are much better tabulated than before. All of this has been going on, of course, for more than a century: there is nothing new under the sun.

Mexicans have of course always possessed an ambivalent attitude toward immigration to the north, but the reality is devoid of ambiguity. Approximately two in every five Mexicans have family in the United States; 30% or 40% of all Mexicans say that they would leave if they could; and Mexico has today, at the nadir of its outbound migration evolution, one of the highest shares in the world of native-born population residing abroad.¹¹ The total has reached more or less 11%, that is, several

times what it was in the sixties and seventies, less than El Salvador (16.4%) or Ecuador (15%), but more than Guatemala (9%), Algeria (2%), Turkey (6%), Morocco (8.6%), or Egypt (3%).¹² The main difference lies, however, in the concentration of residents abroad: Ecuador has some people in Spain and elsewhere in Europe in addition to the United States, Egypt in several areas of the Persian Gulf, the Philippines in many countries. Mexico has virtually all its migrant eggs in one big American basket.

Since there is no likelihood that Mexicans will start immigrating to other destinations, or that they will stop emigrating anytime soon, it appears almost certain that at least for another couple of decades a significant share of the country's population will reside in the United States. If they are legalized, these Mexicans will once again come and go incessantly, as their countrymen and women with legal status do now, and as even those without papers did continuously until the mid-nineties, when migration circularity was interrupted. Their impact on Mexican society will expand, bringing new ideas, skills, habits, and attitudes to the poorer neighborhoods of the large cities they left, and to the villages where many of them were born and raised. Insularity, fear of the foreign, and reverence for a supposedly common past are simply not compatible with the extraordinary churning of people that circular and legal immigration entails. The two forces clash constantly, and will do so increasingly in the near future: Mexicans who live, work, marry, and age in the United States cannot, with fewer and fewer exceptions, hold the same views about the country they have tacitly adopted, as those foisted upon their compatriots who stayed home. If the United States is the source of all of Mexico's ills, why in the world would anyone want to go there? It's not just an example of the old maxim, "If you can't beat them ... join them." Millions of Mexicans do join them, and indeed tens of millions of them are modifying their attitudes toward the U.S., even though the official, conventional, and archetypical perspective remains fixed in the popular imagination, both at home and abroad.

Moreover, if there ever is an immigration deal between Mexico City and Washington that includes amnesty and a migrant worker program, it will inevitably also require Mexico to curtail further illegal emigration. This would add another ingredient of incompatibility with the specter of the perils of the past and with self-identification as victims of the outside world. Does the country want legalization of its undocumented expatriates and a legal path of entry for future flows, or does it wish to maintain the pretense that it holds no responsibility for dissuading or deterring illegal departures (despite standing Mexican law)?

For its part, foreign investment, like foreign residence, works at cross purposes with Mexico's attitudes, laws, and current set of incentives. Back in the seventies, when the economic model of import-substitution industrialization ran out of steam, foreign direct investment from abroad represented 0.87% of GDP—a tiny figure, less than half of the equivalent for Canada but four times below the corresponding figure for the United States, and similar to Spain's at the end of the Franco, statist, corporatist, protectionist era.¹³ And it accounted for at most one twenty-fifth of total yearly investment in Mexico, foreign or national, public or private. In other words, the country was clearly reluctant then, as now, to open up to foreign investment, banning it from many sectors, such as oil, electric power, the media, and mining. But at the same time, Mexico did not really seem to require resources from abroad, insofar as it was annually saving and investing a hefty sum of its GDP—more than a quarter—with the foreign component playing a minor role.

When the domestic savings rate dipped, and inflows from abroad became indispensable during the mid- and late seventies, Mexico needed to find a way of sustaining previous growth rates. Like just about every nation in the so-called Third World, it therefore sought external credit, of which there was plenty, thanks to billions of petrodollars available around the globe after the quadrupling of oil prices in 1973. It was only a decade later, when, crushed by the debt crisis and reduced to virtually no economic growth at all, that Mexico found itself obliged to court foreign investment and adjust its laws accordingly, and join the General Agreement on Tariffs and Trade (GATT) in 1985. NAFTA, although technically a trade agreement, was in fact intended much more as a guarantee of continuity and orthodoxy in macroeconomic policy for foreign investors who liked what they saw in Mexico—investment from abroad had begun to climb—but were still unwilling to take the plunge.

The Salinas de Gortari government eliminated various restrictions on inflows from abroad, such as the 51% Mexican ownership rule for many companies with foreign affiliations. It allowed foreign ownership of mines and secondary petrochemical plants, and implemented changes in intellectual property regulation. And after NAFTA became law in 1994, a noticeable initial increase in foreign investment did occur, from below \$12 billion per year on average during the previous five years, to more than \$15 billion on average between 1996 and 2000, reaching almost 3.5% of GDP yearly.¹⁴ But there was softness in these figures. Part of the rise stemmed from one-time-only or nonrecurrent purchases of Mexican state- or privately owned firms (steel, banks, insurance, telecommunications, airlines); and much of the truly new investment continued to spring from Fortune 500 companies present in Mexico for decades. The thousands of small and medium-size enterprises from the United States, Europe, and Japan that Mexico expected and needed did not come about, in view of the lingering legal and bureaucratic obstacles.

By 2005, foreign investment share of GDP was back down to 2.5%, and in 2008, admittedly a bad year, it dropped further, to 1.8%.¹⁵ More worryingly, for the first time since 1960, in the third quarter of 2009, foreign direct investment turned negative: firms were disinvesting more than they invested, at least during those months. Today Mexico is capturing a shrinking slice of the world's investment pie, whereas countries like Brazil, whose economy is roughly 17% larger than Mexico's (depending on the year, the respective exchange rates, and the price of certain commodities), are receiving twice as many dollars, euros, and yen from abroad. Mexico invests a greater share of its product (20.4%) than Brazil (16.5%), but foreign investment represents a far larger share of Brazilian overall investment (19.6%) than in Mexico (8.7%), despite Brazil's being as nationalistic and inward-looking a country as Mexico.¹⁶

Growth, Gaullism, and Gringos

Mexico's real challenge is to grow. In order to achieve this, it needs far more domestic and foreign investment, public and private. Oil in the deep waters of the Gulf of Mexico, at more than seven thousand feet below the surface of the sea, can only be found and extracted through massive outlays by huge companies, whether oil giants or service providers, in association with Pemex. Millions of new jobs can only be created by thousands of new midsize firms investing for the first time in Mexico for the domestic market and for reexport to the U.S. Mexican infrastructure—ports, airports,

highways, power grids, and so on—and education can only be ramped up to world standards with financing, both public and private, from abroad, meaning largely the United States and, to a lesser extent, Canada.

None of this can happen today, given the obstacles posed by the country's laws and attitudes. And they are many: the absence of competition, the monopolistic practices of business, the regulatory agencies' lack of teeth, the overall crony nature of Mexican capitalism, and the overt protection enjoyed by, among others, the media, oil, and electric power. All this insures that only the brave or reckless will dare to venture into Mexico if they lack the tools—the size, the right connections, and experience—to overcome these obstacles on their own. No one claims that the drawbacks to foreign investment often denounced in Mexico are unreal or insignificant. This "foreign" investment is generally financed with local resources, rarely benefiting the balance of payments; the technology it introduces tends to be both antiquated and expensive; it caters more often to headquarters' needs and sensibilities than to those of the local economy; it is rarely in for the long haul. But all of these deficiencies cannot alter the fact that Mexico today will find it extremely difficult to grow if it does not attract two or three times the amount of investment from abroad that it is receiving today, specifically from firms with no previous presence in Mexico, and in higher value-added sectors than before. If one accepts that the traits of the national character outlined in the previous chapter are real, they do not permit this, even if a government were to prove bold enough to change laws and customs in order to proceed in this direction.

Although the analogy might seem strange, what Mexico needs is a Charles de Gaulle, a leader capable of adapting the country's psychology to its reality. This recourse to a foreign parallel is less abrupt than it may seem at first. Only a transcendent historical figure like de Gaulle in France could bring this about in Mexico, and there is no leader of equivalent stature on the horizon. De Gaulle persuaded the French to bury their resentments and grievances against Germany precisely because of the role he played combating the Nazi occupation of France in World War II: he was practically the founding father of modern France thanks to that role. Between 1958, when the Treaty of Rome established the Common Market and de Gaulle returned to power, and 1963, when he and Germany's chancellor Konrad Adenauer signed the Elysée Treaty, which put a new Franco-German alliance at the heart of the construction of Europe, de Gaulle transformed French attitudes toward their previously despised and feared neighbor. The general understood, knowing his people like no one else, that a pro-German policy was indispensable for France, but that it would never fly if French hearts and minds were not won over. So he included massive schoolchildren exchanges in the Elysée Treaty, as well as other similar provisions, and an unspoken but vigorous admonition to his compatriots: no more calling the Germans "sales boches" ("dirty krauts"), even in their absence. He grasped that it was impossible to leave behind three wars (1870, 1914–18, 1939–45) and millions of French dead if the people of France did not set aside their anti-German resentments in all walks of life.

There are few expressions more common in Mexican everyday conversation than "pinches gringos." The qualifier can be loosely translated as "lousy," "fucking," or "asshole" Americans; the noun "gringo" has roots as mysterious as the treasure of Moctezuma. The etymology of the word, which is also used in a more generic fashion elsewhere in Latin America, varies from country to country, and the list of its roots is never exhaustive. In Chile, where it refers to practically any foreigner, it is said

to stem from the use of any incomprehensible language often referred to generically as Greek, which in Spanish is griego, which can rapidly become gringo. Another anecdote states that when British and American engineers built Chilean railroads, and established the traditional semaphore, stop-and-go system, they would always shout “red-stop,” “green-go” (thus gringo), to the Chilean railroad workers. In Uruguay, where the term designates people of English origin, some suspect that it springs from the expression “drink and go” always used by Brits in Montevideo downing a quick beer or tot of rum; in nearby Argentina, the term referred to Italian immigrants, basically because they did not speak Spanish, gringo being a generic term for anyone who didn’t know the local tongue.¹⁷

Finally, and most importantly, in Mexico two historical origins are offered, both obviously unproven. The first comes from the use of colors to differentiate between various American battalions that in 1847 invaded and captured the capital. Several were green (their designation, not their uniforms), and their marching orders were voiced out constantly and stridently: “Go, green, go.” The other root lies in the song “Green Grow the Lilacs,” originally an Irish melody that was chanted recurrently by American troops in Mexico. Its first verse is “Green grow the bushes,” which was rapidly translated intro “gringo” by Mexicans who heard the American invaders belting it out in battle or on the march. Some Mexican scholars have insisted on the non-Mexican etymology of the expression, even dating it back to Don Quixote, where in Cervantes’s second chapter he refers to a shepherd in love, and says that he could not understand a word, because everything he heard was in “griego o gerigonça,” that is, incomprehensible. Again, griego or gerigonça can easily become gringo, meaning someone who cannot be understood in the language he speaks.¹⁸

Today, the term is clearly pejorative, although on occasion it can be admiring, as when followed by an exclamation mark. But it is more generally muttered behind Americans’ backs, and encapsulates perfectly all of the paradoxes and mazes of the Mexican perception of the United States and its inhabitants. Mexico needs something like a de Gaulle to convince itself that it can no longer utter these words, because the only way it will ever stop thinking about them is by no longer pronouncing them. An interesting precedent—as well as an appropriate response to those in Mexico who object to American references to Mexicans as “spics,” “greasers,” “wetbacks,” or “beaners”—lies in the American predilection for political correctness, and what it has wrought in the U.S., despite its heavy-handedness and occasional obnoxiousness. Derogatory expressions in reference to Mexicans, Mexican-Americans, Latinos, and so forth are just not acceptable anymore, and are gradually disappearing from public and private discourse, perhaps less rapidly than would be desirable, but consistently. We are a long way from there in Mexico. As we are also far from banishing the other despicable expression of “pinche indio.” Mexicans from all walks of life, including the members of the indigenous communities themselves, resort to this derogatory expression or term incessantly, using it to designate and offend someone they consider to be uncouth, poorly groomed, lacking in social graces, and, in general, poor. Political correctness of this sort has not yet made it to Mexico in this case either.

Getting to where we should arrive means, among other things, of course, carrying out a profound revision of elementary school history and civics, or social studies, textbooks, not only regarding Mexico’s complicated issues with the United States during the nineteenth and twentieth centuries, but also about the state of the world today. Where does Mexico belong? How can it separate its current worldview from its obsession with history? Can it find and consolidate a location in the world

compatible with its needs and the desires of its people? Should it set aside history in order to do so? Short of clear answers to these questions, and the changes their answers impose, most of the ambitious and necessary reforms spelled out by numerous Mexican intellectuals, businessmen, and a sprinkling of politicians about the country's ties with the United States will remain in limbo. Before describing some of these possible reforms, and providing a few insights into what Mexican society really wants in life, the story of 9/11 in Mexico can serve as a somber illustration of the emotional, intellectual, and political challenges the country confronts.

That day's tragic events in New York and Washington took place in a peculiar context of U.S.-Mexican ties. President Vicente Fox had just returned from a highly successful visit to the U.S. capital, where he had been hosted by George W. Bush at the first state dinner of his term, applauded by a joint session of Congress and by a second meeting of legislative leaders, feted by the U.S. press on its front pages. Fox was further informed by Bush, Secretary of State Colin Powell, and National Security Advisor Condoleezza Rice that, despite the known reluctance of Congress, the administration would attempt to deliver on its promise of some sort of immigration deal by the end of 2001. The specifics were not entirely clear, but private conversations by senior officials in both governments suggested that a compromise could include a legalization process for Mexicans in the United States without papers, as well as a temporary worker program for new migrants at a level well above the existing legal flow, though below the total illegal sum. Bush had made his first trip abroad as president to Fox's home in Guanajuato back in February of that year. Overall, despite the intense dislike that both countries' punditocracy felt for the two "cowboys," public and published opinion in the two nations coincided in detecting a new era in relations and a new place for Mexico under the American sun. It lasted five days.

When news of the Twin Towers disaster hit Mexico, there were three types of reactions. The official one, logically enough, was headed by Fox, who called Bush that day and extended his sympathy and support. The second one, of Mexican society at large, was of strong solidarity with the United States, together with a wisp of foreboding that Washington would retaliate against somebody, and this would not benefit Mexico, or anybody, for that matter. The third was more complicated. This response was generally muted and indirect, or, some might say, hypocritical, though a few demonstrators voiced it explicitly in their banners and chants. It consisted of a gamut of sentiments ranging from glee to smug condescension. The United States got what it deserved; after all, hadn't it bombed Hiroshima, Nagasaki, Vietnam? And it translated into a none too subtle, though elliptical, warning to the Fox government: don't even think of unconditionally endorsing any reprisal that Bush might order.

The ambivalence spilled over into policy and politics on two scores. First, there was a deep division within Fox's cabinet as to whether he should promptly travel to Washington and New York to personally extend his condolences to Bush, New York mayor Rudy Giuliani, and the American people, as Tony Blair, Jacques Chirac, and countless others did during the first days after the attacks. Alternatively, since he had just been in the U.S. capital, perhaps he should wait a couple of weeks, until the American team was under less pressure and tension. The interior minister, Fox's closest aide and his purported heir-to-be (in fact, he lost out to Felipe Calderón in 2006 in the race to become the PAN candidate in 2006), as well as his chief of staff, were opposed to excessive gestures of sympathy and support. They thought that a dignified, sober approach was more fitting, especially since they

were negotiating important domestic issues with the left-wing PRD and the old, nationalistic PRI. Further, since they had been led to believe that Bush would soon invade Afghanistan (he did, on October 13), they considered that Mexico should offer only lukewarm backing to that venture. On the other side, I as foreign minister and a few other presidential aides believed that Fox should travel to the United States as soon as possible. On September 12, I said: "This was not a time to nickel-and-dime our support for the American people and their government."

The discussion was complicated by a singular feature of Mexican politics at the time. Until 2008, whenever the president left the country he was required to seek authorization from Congress. So if Fox had wished to travel immediately to Washington, he needed first to find a window with the Bush administration, then to resolve the divisions within his inner circles, all the time facing the risk that Congress might veto his trip. It took me until October 4 to get Fox to Washington and New York; he went on the Larry King show before that and stated unambiguously that Mexico stood side by side with the United States at that moment of trial.

The Mexican position nonetheless continued to appear unsatisfactory to the chattering classes on both sides of the border. One segment of the commentocracy and political elite decided that the government had been excessively accommodating, forthcoming, and ebullient with Bush, especially since Fox's visit was followed just ten days later by the invasion of Afghanistan. But another part concluded that Mexico had snubbed the United States, since Fox's delay in traveling to Washington implied a reluctance to display our solidarity in public. The so-called Mexico experts in the U.S. reached the same conclusion, without offering any evidence that anyone in the Bush administration shared their point of view. Several years later, I asked Colin Powell whether there were any grounds for thinking that Mexico had been slow and tepid in its support; nothing of the sort, he replied. In the end, the Mexican government, myself included, ended up pleasing no one: on the one hand being seen as too friendly with the U.S., and on the other as not friendly enough.

The true issue, however, was identified by Jeffrey Davidow, then the United States ambassador in Mexico, a career bureaucrat from the State Department with an enormous load of chips on his shoulder, but an acute observer of Mexican mores, if not of local politics. He understood that the problem was not the Mexican government's reaction to 9/11. It was Mexican society's response. This did not reflect the closer bilateral ties generated by NAFTA, or the impact of Fox's visit to Washington, or the fact that dozens of Mexicans, or perhaps many more, according to a comment Mayor Giuliani made to me on October 4, when we visited Ground Zero with him, died in the World Trade Center disaster. Quite simply, there was no outpouring of broad Mexican sympathy, support, and solidarity for the tragedy befallen its neighbor. Fox's supposedly slow response would be forgotten; Mexican society's coolness would not.

What this shows is that, in the absence of a fundamental shift in attitudes, such as those carried out by de Gaulle in France, the social and economic transformations Mexico requires are implausible. As long as Mexicans remain persuaded that their oil is better left under the ocean floor than exploited in association with foreign petroleum companies, the laws will not change; and if they do, the legal, political, and even violent challenges to any relevant constitutional amendment will sabotage their

intent. As long as Mexicans continue to consider that their beaches enclose a strategic national interest, and cannot be sold to foreigners (meaning Americans), the country will persist in being a second-rank, though first-rate, resort spot, depriving its citizens of the millions of additional jobs the industry can provide.

What About Obama?

Similarly, Mexico will again miss the boat if it does not recognize the extraordinary opportunity represented by the Obama administration, led by a president who perhaps for the first time in recent history is capable of grasping and following a visionary agenda (more so than Bill Clinton) with his neighbor. Certainly the time has come for both countries to start detailing—or at least imagining—how their relations can be transformed: a North American Economic Union, or Common Market, with full mobility of capital, labor, goods, and services; with infrastructure and social cohesion funds along European, Marshall Plan, and Iraq lines, and a common antitrust approach; a unified security commitment, against both organized crime and potential terrorist threats; a single currency and permanent supranational institutions, at first devoted strictly to trade issues, but later to broader economic and social matters, including labor rights, the environment, and human rights in the broadest definition of the term; and finally, far away in the future, a venture into certain political areas and the crucial realm of the rule of law. At first sight, this may seem like an overambitious agenda, one that could take decades or longer to implement, although it is certainly being increasingly contemplated.¹¹ It may also seem far removed from the current mood of American and Mexican public opinion. But it is the one path that promises rewards for both countries.

Most thoughtful Mexicans agree with many of these proposals, but believe, not unjustifiably, that the United States, particularly the conservative heartland, would never go along with them. That may be true today, but the situation is not static. Americans have a record of modifying their stances when persuasive arguments are presented to them, are openly debated, and when they are given the option to choose. They decided to support the United Nations (after rejecting the League of Nations a quarter century earlier); they always backed the Marshall Plan, granted under far different circumstances, but that cost, in today's dollars, far more than any ambitious development agenda for Mexico ever would; and they decided to support NAFTA, largely because it didn't really matter to them. Paradoxically, Americans have also subscribed to the idea, for different reasons and with a different strategy under Bush and Obama, of an exorbitantly expensive process of nation building in Iraq and Afghanistan, arguably two countries where their interests pale compared with Mexico.

If Mexico were to submit such a vision during the Obama era, at first it would almost certainly be laughed out of court. On second thought, however, Obama and the sophisticated people working with him might grasp that nothing is more in the United States' interest than a modern, prosperous, democratic, and equitable Mexico. And they might then conclude that endorsement of this or a similar agenda offered the best and fastest—and perhaps the only—way to achieve this goal. One additional advantage, while not of the same importance, might be Washington's role in the new world order. The United States needs additions to its roster of friends, allies, and credentials in the post-Cold War international arena; solid relations with a stronger Mexico would improve America's standing in the world.

Washington lacks reliable, constant, durable ties with midsize, mid-development, mid-influential countries, such as emerging economies comparable in political weight with, say, Canada, Italy, or Australia. Mexico can be one of these allies, if its neighbor seizes the chance the moment offers; not many others fit that description. The U.S. could use a positive story to tell the world about its contribution to a lasting and substantial rise in the living standards of what are still referred to as developing countries. For Washington, Mexico could become the North American equivalent of the Northern European nations' success in lifting Ireland, Spain, and Portugal by their bootstraps in the 1970s, 1980s, and 1990s. For this to happen, the United States has to change, but so must Mexico. And for us, once again, the main obstacle is the Mexican national character. Perhaps a change in Mexican attitudes toward the United States is not impossible, and part of the heavy lifting in this realm has begun. Interestingly, according to one poll, Mexicans today, despite their misgivings, when offered the choice of European-style integration with North America or with Latin America, opted for North America by a narrow majority.¹⁹

The tale is often told of how when Spain's Socialists came to power in 1982, barely seven years after Franco's death, they asked themselves what country they would like theirs to resemble. The response was France and Germany. In their view, Spain's problem was Spain: they did not want to see Spain remain the Spain of the past, and to avoid that, they saw Spain's solution to be Europe. Inspired by this episode, the Mexico City magazine *Nexos* asked Mexicans, in late 2009, in the course of an incipient national conversation about Mexico's future, what country they would like theirs to be like. The results were remarkable.

When the question was asked without offering examples to choose from, the answers were: the United States, 31%; China, 6%; Canada, 5%; Brazil, 5%; Spain, 4%; and none of the above, 34%. The proportion of those picking the U.S. ranked above the national average among men as a whole, among thirty- to forty-nine-year-olds, rural dwellers, the inhabitants of the north of the country, and PRI sympathizers. When offered five specific choices—the United States, China, Brazil, Spain, and Cuba—the answers were even more startling: the United States, 34%; China, 9%; Brazil, 7%; Spain, 6%; and Cuba, 2%; none of the above, 29%. The breakdown by groups was similar to the open query, but with nuances. The preference for the U.S. was higher than the overall average among thirty- to forty-nine-year-olds and among higher-income Mexicans, and it reached a remarkable 50% in the central states of the country, probably because this region has always experienced the highest outmigration.²⁰

The poll was somewhat skewed by the peak of Obamania in Mexico and the world, as well as by the severity of the 2008–09 economic crisis for Mexico, where the economy contracted more, 6.5%, than in any other major country. Economic considerations were dominant in people's thinking, and the main justification for choosing the U.S. was its economic strength. Another poll, taken at the same time and again asking for a country that could serve as a role model for Mexico, produced similar results: the U.S. with 37%, Canada with 8%, then Japan, France, Germany, and Spain, each with 3%. When the question was phrased more indirectly, but perhaps more revealingly—"If you had to entrust your children's future to someone who lives abroad, where would you want that person to

live?”—the answers were the U.S., 38%; Canada, 14%; then Spain, Germany, Japan, and France, each between 7% and 5%.²¹

Ready for Change?

Despite the distortions introduced by their timing, the outcome of these surveys was totally unexpected by most analysts, and showed what other statistics, as well as several historians, had already surmised. Mexico’s business, political, intellectual, and even religious elites were the last barricade, the only surviving depository of the trait of national character described in the previous chapter: the obsession with the past and the dread of the external. Mexicans on Main Street, it seemed, were finally leaving this baggage behind, even if their leaders of all stripes and in all walks of society were not.

In the meantime, the lingering impact of those traits paralyzes Mexico in an area of political endeavor that is of less relevance than others we have reviewed, but that nonetheless increasingly affects the daily lives of its citizens. Foreign policy, and Mexico’s role in the international arena, is dramatically constrained by the straitjacket of the past and the foreign. This has led a country of 112 million inhabitants, with the world’s twelfth-largest economy, and a unique geographical location, often to vanish from the world stage or, when it seeks a more active role, to face major domestic opposition or rejection.

Whether at the United Nations, in Central America, on climate change, or regarding the defense and promotion of human rights and democracy, let alone in dealing with the United States, Mexico is forced to oscillate between rhetorical attachment to abstract principles—nonintervention, self-determination, absolute sovereignty of states—enshrined in its Constitution, and a realpolitik diplomacy that confuses or irritates a good part of its elites. But the reality is that those abstract principles, which (like most other countries from Latin America, Africa, and Asia) Mexico could apply only sporadically and when its national interests were not at stake, are less and less relevant to a modern, middle-class, democratic, and market-based society. On the other hand, Mexican society, or at least its leaders, is rubbed the wrong way by a foreign policy that separates Mexico from the rest of Latin America—where its heart lies but its interests do not—and from what used to be called the Third World. It is rapidly rendered inoperable in part.

When Mexico adopts positions at the United Nations or at the Organization of American States that correspond both to its objective importance and to its ever-tightening links with the United States, the left, the intelligentsia, part of the PRI, and even the Church and the business community complain. The position of the Church and the business elite is perhaps oddest. They do not lament Mexico’s convergence with Washington, or its upholding human rights in Cuba or Venezuela, or its alignment with the G-8 on climate change because they reject these positions *per se*. Rather, they feel these positions do not merit a fight with the left, its newspapers and pundits, its foreign allies and domestic sympathizers. They see them as ultimately minor matters. Conversely, when Mexico does side with Hugo Chávez, the Castro brothers, Iran, or Nicaragua, they view the costs of doing so as minimal and the benefits as considerable. Since frequently—though not always—Washington cuts Mexico some slack on these questions, the conclusion becomes self-evident: Mexico is better served

by pursuing a traditional, “nonaligned,” moderately anti-American course, without resorting to U.S. bashing but nonetheless befriending regimes that do. This tactic translates rapidly into a default solution. It is the option any Mexican president or foreign minister chooses, unless for reasons of conviction, vision, or contrariness, he or she decides otherwise. It is what has been labeled the PRI “chip” present in every Mexican official’s mind.^a The problem, of course, is that this default stance is misunderstood by most of Mexican society. Instead of recognizing it as a second or third best option, Mexicans believe that this approach corresponds to the country’s international interests, to its history and tradition, and to its very soul.

Consequently, the government’s views are often misunderstood by its foreign partners, and by Washington in particular. They react with incredulity, dismay, or cynical resignation to what they perceive as Mexico’s persistent hypocrisy. In their view, Mexico continues to espouse causes, allies, and so-called principles that it knows full well it has outgrown yet cannot convince itself to abandon because of seemingly petty domestic considerations. Mexico’s international posture tends then to be dismissed by many as unreliable, inconsistent, and contradictory—or simply introverted and irrelevant—especially on issues that are not of great import to Mexico, although they may be to others.

In the next installment of this soap opera, Mexico discovers that it actually possesses an agenda with the U.S. or Canada or the European Union, and seeks the comprehension and sympathy of their respective governments in order to move that agenda forward: immigration, drugs, pandemics, and tourism, among others. Sometimes its requests are well received, despite its ambivalent behavior on other items; but on occasion, Washington or London or Tokyo responds with a “Where were you when I needed you” smirk, or, more justifiably, with a “We have domestic political considerations to attend to also, by the way.” Likewise, if for another motive, Mexico is forced to side with Washington or the richer countries on a bilateral or multilateral issue of import to them, even though it may seem inconsequential, Mexican society ends up more confounded than ever. It feels that national sovereignty has been sold out for no good reason.

Any Mexican government’s options are limited by the national character traits we have described, either as they are lived by society at large, or as they are expressed by vocal and powerful elites. It often cannot establish international commitments or be taken at its word, since, as Leonard Cohen’s song goes, everybody knows that it will be abandoned either by its people or by its neighbor. At the same time, Mexico cannot utilize its strongest card in its dealings with Latin America or other regions, i.e., its “special relation” with that neighbor, because society won’t allow it. The final outcome is an obstinate tendency for Mexico to punch way below its weight in the international arena, to find its foreign policy reduced to the bare essentials of its links with Washington, and to constantly discover that even this relationship is often poisoned by American mistrust or neglect, all too frequently provoked by Mexican hypocrisy. It is a vicious cycle.

The only solution would be for a government to brave the fires of national character, not only for two or three years, as was the case with Fox between 2000 and 2003, but persistently, until a series of policies are locked in by international covenants or other instruments. In the end, the outcry would

almost certainly be far less strident than anticipated, and in so doing, Mexico would be carving out a role for itself in the world far more consonant with its economic, political, and social realities than the one long imposed by its history and phantoms. But it would take a courageous chief executive to follow this path, sown with all sorts of tricks, traps, treason, and traditions. Since the line between courage and foolhardiness is a fine one, there is little hope that this trait of the national attitude will be soon abandoned. But it will be difficult, if not impossible, for Mexico to thrive if somehow it does not find a way to break out of this impasse.

* Exports reached 28% in 2009, and imports 29% in 2009. Exports plus imports were 57%; World Bank, “Exports of goods and services (% of GDP)” and “Imports of goods and services (% of GDP)” (Washington, D.C., 2010).

† Exports were 8% in 1970, and imports 10% in 1970. Exports plus imports are 18%.

‡ Mexico’s foreign trade with Brazil represents 1.28% of its total sales abroad. Subsecretaría de Comercio Exterior, Exportaciones e importaciones totales de México, Secretaría de Economía, 2010.

§ Mexico: 21.5 million international tourist arrivals in 2009; Spain: 52.2 million international tourist arrivals in 2009; France: 74.2 million international tourist arrivals in 2009; Italy: 43.2 million international tourist arrivals in 2009.

|| See, for example, the work of the North American Forum, chaired by George Shultz, Pedro Aspe, and Peter Lougheed; COMEXI and Pacific Council on International Policy, “Managing the United States—Mexico Border: Cooperative Solutions to Common Challenges”; and Robert Pastor’s new book, *The North American Idea*.

a Mexican officials, whatever party they belong to, have what many called a “PRI chip” in their mind. They react and respond to stimuli of all sorts in the same way, which is the way the PRI ran the country for the past eighty years. The reason is simple: the PRI simply reflected the basic traits of the Mexican psyche, not the other way around.