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Mexico's Fate Amid U.S. – China Competition

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Mexico's Fate Amid U.S. – China Competition

Abstract

What is Mexico's future in the face of global hierarchical shifts. Mexico has existed in a dependent relationship with the United States since the beginning of the 20th century. Mexico's dependency evolved in tandem with the U.S.' rise to power. That U.S. dominance is being challenged in the 21st century, thus offering Mexico a chance for a different development path. Drawing on elements from world-systems, dependency, and political economy theories, I consider three possible trajectories: Mexico will develop more autonomously; it will become dependent on China; or it will experience stagnation. Using international and governmental data sets, reports from U.S. and Mexican governmental agencies and producer associations, along with journals and newspapers, I suggest that stagnation is the most probable outcome.

Keywords

Mexico, Dependent-Development, Globalization, United States Corporate Power, China

Cover Page Footnote

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INTRODUCTION

What is the fate of nations that are dependent upon, or satellites of a declining global hegemon? The world-system paradigm provides a framework for examining the historical trajectory of core nations as some move through hegemonic cycles, and of other nations dependent on those cores. Counties are not forever locked into specific strata or orbits. Some countries (semi-peripheral, peripheral, or emerging markets) have been upwardly mobile. Others have had their dependency shifted from one hegemon to another. Portugal, for example, was dominant, declined, and became a dependency of England, a then-rising hegemon. What is the fate of dependent nations when there is instability in the epicenter of the world-system hierarchy? The goal of this article is to speculate on the economic future of Mexico, as the U.S. shows signs of decline.

World-systems scholars[i] have offered structural explanations for cycles and fluctuations in the global hierarchy. Some nations take advantage of new opportunities. A non-core nation may become upwardly mobile by producing consumer, capital, or infrastructural goods more cheaply. A similar mechanism would allow a single core nation to gain comparative advantage over other core nations, thus becoming the new hegemon. Having achieved advantages in production, a nation is positioned to acquire commercial, financial, and military dominance, gaining an edge over other nations. Losing that productive advantage may result in a loss of commercial, financial, and eventually military dominance (Wallerstein 2004b). Imperial over-reach and resource wars may also precipitate hegemonic decline (Chase-Dunn 2013).

Addressing the question of upward mobility, Frank (1969), in his formalization of ideas earlier elaborated by the United Nationals Economic Commission for Latin America (ECLA), argued that satellites experience their greatest economic development when the tie to their metropole is weakest. But will this inverse relationship between satellites and declining core nations still hold in the current phase of globalization? Drawing on elements from world-systems, dependency, and political economy frameworks, I elaborate three alternative scenarios regarding Mexico's fate in the shifting global system: 1) Mexico will have an opportunity for autarkic development; 2) it will decline along with the United States; and 3) it will become dependent on another rising hegemon. All three are theoretically conceivable and empirically confirmed in a plethora of historical country studies. My objective is to evaluate their relative likelihood for Mexico. As I suggest in the conclusion, the world-system division of labor extant at the time of Frank's observations no longer exists, viz., industrial production is no longer concentrated in the core. While globalization and commodity chains have precluded the

development path hypothesized by Frank, his thesis is a useful point of departure. My assessment here rests on three assumptions: 1) Mexico is dependent on the United States; 2) the United States is experiencing a hegemonic decline; and 3) China is a rising hegemon. It is beyond the scope of this paper to treat these assumptions in anything but a brief manner. Nevertheless, the contemporary Mexican case can enhance our understanding of dependency relations in the environment of hegemonic volatility during a global economic contraction.

THREE SCENARIOS

Scenario 1: Development

In his early work on Latin America, Frank argued: "satellites experience their greatest economic development and especially their most classically capitalist industrial development if and when their ties to their metropolis are weakest" (1969:9-10). Ties often loosen in the midst of wars or depression. In his later work, *Re-Orient* (1998), Frank attributes the rise of Western Europe in the mid-1800s to an Asian economic crisis. There is abundant historical evidence for this process. Wolfe, for example, describes how the crisis surrounding WWI led to shortages of manufactured goods on the international market. This stimulated Brazil's nascent industry. Foreign observers and Brazilian government officials agreed that 1914-1918 brought extended work hours, increases in industrial output, and substantial profits for Sao Paulo's mill owners. WWII led to similar economic growth. Brazilian textile mills expanded their markets even exporting to Argentina, Chile, Bolivia, South Africa and other countries" (1993:99). In earlier occasions Mexico realized similar outcomes. The global depression of the 1930s was 'transmitted' to Mexico in the form of a 50 percent contraction in the value of exports between 1929 and 1932, and the repatriation of some 310,000 Mexicans from US. The depression contributed to populist political forces that embarked on an autarkic development plan. With a policy for industrialization based on expansionary fiscal and monetary policies; it was hoped that rapid economic development would make it possible to meet popular demands (Cárdenas 1987:33-38). The contemporary situation is characterized by two concurrent circumstances: a global crisis and a declining hegemon. World global growth rates reached a high in 2007 of 4.3 percent before plunging. Rates had recovered by 2010, but then began a decline ending in 2.4 percent in 2019.[ii] An expanding global economy, in principle, would offer Mexico better growth opportunities. The Unites States recovered from its 2009 low of -2.5, but only to 2.2 in 2019—a significant drop from 7.2 (1984): the highest since 1960. According to Frank's theory, U.S. economic contractions should offer Mexico an opportunity for autarkic development.

Scenario 2: Stagnation

U.S.-hegemonic movements, however small, have significant ramifications for the Mexican economy. Mexican President Felipe Calderón acknowledged the potential negative consequences of the U.S. decline, particularly in the areas of trade, remittances, tourism, FDI, and exchange rate volatility. This notion is captured in the Mexican saying-- *cuando EUA estornuda, México sufre pulmonía* [when the USA sneezes, Mexico catches pneumonia]. As Faux (2009) opines, "If Mexico could not prosper during fifteen years of exporting goods and people to a bloated U.S. consumer market, it is hard to believe it will be able to do so when that market has slimmed down." In addition, the U.S. producers have intensified their competition with Mexico to Mexico's disadvantage. In this scenario, the dependency tie remains, but Mexican stagnation is the outcome.

Scenario 3: New Dependency

Numerous scholars have documented China's economic relations with developing countries: they become dependent as they are drawn into China's Belt and Road Initiative (BRI). This scenario builds on the concept of "resource curse" (Curse of Atahualpa), or unequal exchange. The theoretical and empirical plausibility of this scenario is derived from the international actions of past rising hegemons: the search for raw materials and new markets. In this case, Mexico becomes dependent on China. After briefly examining the first and third scenarios, I turn to the second, which I argue seems most probable.

GLOBAL CONTEXT

Mexico's Dependency: From Plunder to Portfolios

As contiguous nations, the links between Mexico and the United States have historical roots. Nevertheless, geography was not always destiny. In 1875, the United States and the UK took about equal shares of Mexican exports (37.92 and 33.75 percent respectively). By 1901, however, the United States was the major trading partner. Seventy-nine percent of all Mexican exports went to the United States and 54 percent of imports came from the United States. This contrasted with 15.2 percent of imports that came from the UK. In that year, metals made up 75 percent of all exports and of metals, 85 percent was various forms of silver (Canales 1980:85). Later crude oil, cotton, sugar, and coffee contributed to export diversification. Although diversified, Mexico's export profile continued to

resemble that of an underdeveloped country exporting unfinished materials. Of foreign investment in 1911, 62 percent came from Europe and 38 percent from North America (Rosenzweig 1988:174). The North American investment was concentrated in railroads and extractive industries (41.4 and 41.1 percent respectively). An 1884 Mining Code, part of Porfirio's "modernization" process (1876-1911) opened the country to foreign investment. By 1910, American investors owned approximately 75 percent of all active mines in Mexico. The foundations of Mexico's semiperipheral status were already visible before WWI: commodity and capital flows between two unequally developed nations.

The contemporary nature and extent of Mexico's dependency is reflected in trade, foreign direct investment (FDI), and other capital flows. All nations engage in such economic flows, but dependency is marked by asymmetry—a mechanism of surplus extraction. Mexico has a substantial asymmetric trade exchange with the United States (Tables 1 and 2). In 2019, 76 percent of Mexico's exports were destined for the United States whereas only 16 percent of U.S. exports went to Mexico. Similarly, in 2019, 44 percent of Mexico's merchandise imports came from the United States, whereas only 14.3 percent of U.S. imports came from Mexico. Mexico counts on the United States as a significant trading partner, but the United States does not rely on Mexico.

Table 1. U.S.-Mexico Merchandise Exports (Percent Share)

	Mexico's Exports to U.S.[a]	U.S. Exports to Mexico
1990	68.8	7.2
2000	88.7	14.3
2010	80.0	12.8
2019	76.5	15.9

Source: U.S. Census Bureau Foreign Trade.
[a] Note: Since 1980, data includes maquiladora trade flows.

Table 2. U.S.-Mexico Merchandise Imports (Percent Share)

	Mexico's Imports from U.S.	U.S. Imports from Mexico
1990	67.15	6.09
2000	71.17	11.16
2010	48.25	12.02
2019	46.59	13.37

Sources: UN Commodity Trade Statistics and U.S. Census Bureau Foreign Trade.

A dependency relationship can be difficult to escape. Because of preexisting dependency, Mexico suffered economic stagnation and a large wage differential with the United States. To stimulate growth, Mexico accepted a new form of dependency—foreign investment. The 1965 Border Industrialization Program (BIP) was Mexico's return to FDI. In 1971, the government modified Art. 321 of the Customs Code, lifting restrictions on some foreign industrial investment. The 1983 and 1987 revisions opened additional sectors to 100 percent foreign ownership. By 1989, Mexico acknowledged the need for FDI to promote economic growth, technological development, and international competitiveness (Ortiz 1994:159). Subsequent laws incrementally increased the percentage and sectors open to foreign investors.

Mexico became debt-dependent. From 1978 to 1981, Mexico's real GDP grew by more than 8 percent, however, the external debt doubled. This was not out of dire need, but due to the ease of borrowing from petrodollar-rich foreign lenders (Fishlow 1986). Mexican parastatals, which creditor banks assumed to be immune from bankruptcy, contracted some 60 percent of the loans (Tapia 1984). In August 1982, Mexico's Minister of Finance, informed the U.S. Federal Reserve Chair, the Secretary of the Treasury, and the managing director of the IMF that Mexico lacked resources to meet its external debt service payment. While some claimed that this was due to Mexico's fiscal mismanagement, corruption, or capital flight, the same fate befell many other countries around the world, as well as American farmers.[iii] By 1983, 27 nations were obliged to reschedule their debts; 16 of them were Latin American. The U.S. Federal Reserve's decision to harness inflationary pressures by increasing the interest rates several times after 1979 affected many borrowers. As rates rose, so did Mexico's dollar-denominated, indebtedness. To gain access to needed foreign currency, Mexico began renegotiating its loans. It acquired a $1 billion loan against future oil shipments, and $1 billion worth of credits from the USDA Commodity Credit Corporation to import U.S. goods such as foodstuffs. A 1983 shortfall brought on a new round of renegotiations, short-term loans, and harsher conditions. A significant portion of the loan money found its way back to the United States in capital flight. Henry estimates that in the 1974-1985 period, Mexico took in $97b in loans, and sent out $50b in "sacadolares" (capital flight). "(A)ggressive banks, such as Citibank, have probably accumulated almost as much in assets from poor countries as they have loaned to them…" (1986:20).

Debt renegotiations set the stage for external pressures that challenged Mexico's autonomy regarding trade, foreign investment, currency policies, and state–civil society relations. In order to become a "worthy" recipient of FDI, foreign portfolio equity investment FPI), and debt renegotiations, Mexico agreed to reforms. The

reforms (structural adjustment programs) involved relaxing trade restrictions; terminating government-directed development programs; privatizing state-owned enterprises; and significantly reducing state involvement in production, capital accumulation, income redistribution, and social welfare. As Silverstein and Cockburn write

> *With Mexico reduced to the posture of mendicant, foreign investors are hastening to extort further concessions .... to placate foreign capital with a giant reestablishment of confidence…such as major new privatizations, allowing for 100 percent foreign ownership of the banking system, and the prising open of Mexico's oil industry to U.S. corporate predators* (1995).

In 1980, President Lopez Portillo had refused to join GATT, arguing that it denied the country the flexibility needed for development. The 1982 debt crisis and Mexico's need for foreign exchange, however, led to its 1986 adherence. Mexico was obliged to reduce import tariffs and eliminate many non-tariff barriers such as import licensing requirements. Average tariffs dropped from 25 to 10 percent. The epoch of protecting domestic industries had ended.

In the 1990s, Mexico entered a new phase of dependency--the flow of U.S. capital into portfolio investments (FPI). Several factors drove U.S. capital outflows: the shift toward a service economy with lower rates of return; the rising role of institutional investors and asset managers seeking more diversified portfolios; and the growth of an aging U.S. population living off savings and investments. From 1990 to 1994, the portfolio capital flowing to developing countries was five times that of the previous five years (Calvo et al. 1996:123). For developing countries, portfolio investments are unstable because they can easily be withdrawn with the click of a computer key. Furthermore, due to the neoliberal pressures, the state is incapable of regulating these financial activities (Arrighi 1998).

Failure to comply with the reforms could result in a loss of badly needed foreign capital. Whereas the 19th c Mexican President Diaz was alleged to have said "Mexico So far from God, so close to the United States," Faux could now write: "Mexico: So Far from God, So Close to Wall Street." Despite carrying out more reforms than other emerging markets, Standard and Poor's judged that Mexico's growth was disappointing and dropped its credit rating from stable to negative (Amador 2016). An updated version of "who elected the bankers" (Pauly 1997) should be "who elected the bond raters" (Schwartzman 2006). Finally, one could add Mexico's dependency on remittances, sometimes topping FDI flows. In 2019, Mexico ranked as the third highest remittance recipient country (World Bank Group 2019).

These mechanisms of surplus extraction also undermine a nation's political sovereignty. A U.S. State Department briefing memo leaked in 1982 noted that financial assistance to Mexico could be helpful in pointing Mexico toward the right internal and foreign policies. It could encourage Mexico to negotiate a trade agreement and cooperate in controlling migration. In 1984, Reagan threatened Mexico with reduced economic assistance, hoping to persuade Mexico to moderate its anti-interventionist policy in Central America. Regarding Chiapas, Roett (a former consultant to Chase Manhattan Bank) wrote "While Chiapas, in our opinion, does not pose a fundamental threat to Mexican political stability; it is perceived to be so by many in the investment community. The government will need to eliminate the Zapatistas to demonstrate the effective control of the national territory and of security policy" (Silverstein and Cockburn 1995).

This condensed chronology highlights the different institutional ways in which Mexico's wealth and political autonomy were appropriated. The early expansion of U.S. territory, the early search for raw materials such as copper and later for petroleum, the pursuit of cheaper labor, and for finally for diversified investment opportunities all contributed to Mexico's dependent development. The contemporary conflicts described below unfold in an environment already structured by these legacies--the early 20th C hegemonic rise of the United States; its subsequent weakening; and the tethered progression of Mexico's dependent development. Mexico's 2020 accession to the updated NAFTA--the United States-Mexico-Canada Agreement (USMCA)--continues these trends.

U.S. Hegemonic Decline

At the end of World War II, the United States enjoyed a temporary monopoly over nuclear weapons, possessed the largest and most efficient economy, and displayed a willingness to assume the role of leader and protector of the world-system. Between 1947 and 1967, the United States enjoyed global hegemony, a position supported by its superiority in production specializing in the production of the most advanced goods, with advanced technology and a highly paid labor force (Wallerstein 1991). Since then, the U.S. has experienced hegemonic decline. The U.S. trajectory parallels those earlier hegemonic transitions of the Dutch and the English: a decline in profits from trade and production, and a shift to finance and speculation (Arrighi and Silver 1999:259).

Some date the decline from 1971, when the U.S. registered its first trade deficit. In an effort to control inflation and promote U.S. exports, President Nixon devalued the dollar. Walters (1985) focuses on the industrial crisis beginning in the 1970s.

He pinpoints U.S. manufacturing decline in sectors ranging from textiles to semiconductors and telecommunications. In 1955, for example, the United States produced 68 percent of the world's automobiles; but by 1982, the share had dropped to 19 percent. U.S. share of global steel production dropped from 26 percent in 1965 to 11 percent in 1982. Foreign producers were also capturing the growth in the U.S. markets. One consequence for these beleaguered industries was that financial losses led to inadequate investment required to stay even with international competition (1985:158). Kentor documents the decline in U.S. prominence in the organizational networks of the global economy. In 1962, the United States had an 83 percent share of all corporations that held foreign subsidiaries. By 1998, it had dropped to 29 percent (2005:272-273). It is beyond the scope of this paper to summarize the enormous literature on the question of the U.S. decline. More importantly, it is not the absolute decline that is relevant for considering Mexico's future, rather the U.S. trend relative to China's rise.

China's Rise

As with the question of U.S. decline, there are diverse views on China's rise. China's global integration, strategized in its 2013 BRI program, envisioned access to the world's raw materials, factor inputs, and markets. By October 2019, BRI had exchanges with 138 countries involving infrastructure, production, loans, migration, and culture. Chinese public financial institutions, such as the Chinese Development Bank (CDB) and the Export-Import Bank of China (CHEXIM) facilitate the BRI projects. Financing also enables China's state-owned enterprises to offer highly competitive bids for projects against foreign companies that might be more financially constrained (China Power 2017). For China critics, this expansion will inevitably bring corresponding increases in Chinese ownership of global financial assets and economic enterprises, expanded military capabilities, and political influence (Ellis 2018b).

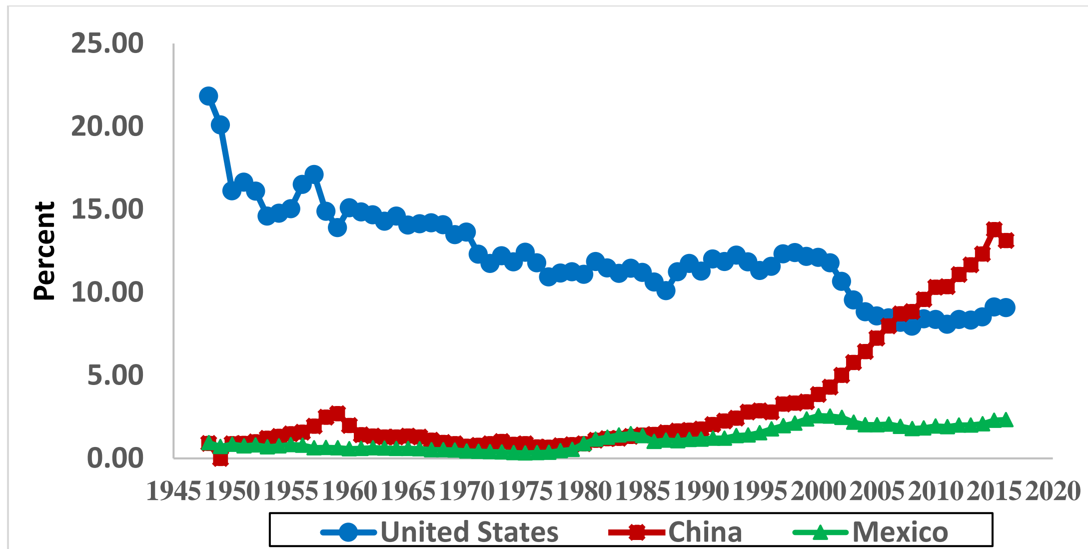

Figure 1. Share of World Merchandise Exports 1848-2016: U.S., China, and Mexico.
Source: Author compiled from World Trade Organization data.

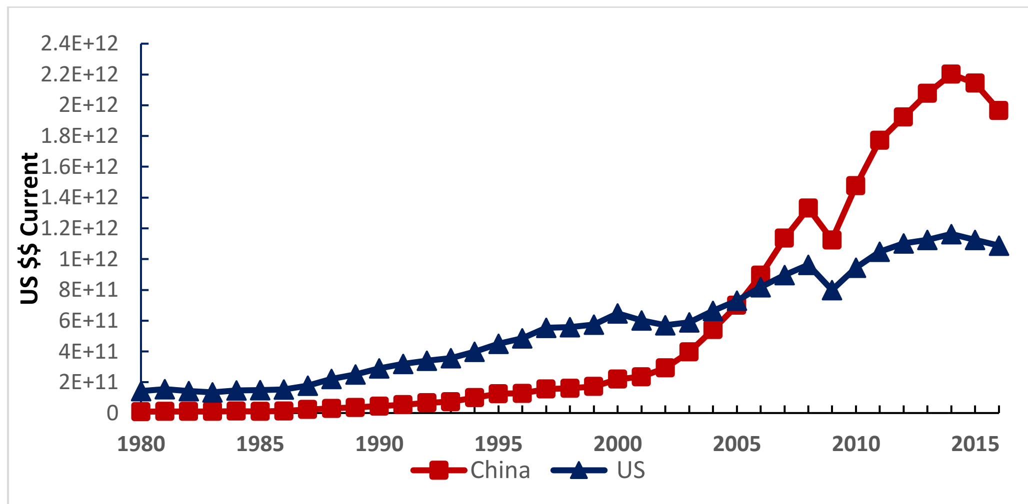

Figure 2. Value of World Manufacturing Exports 1980-2016: United States and China.
Source: Author compiled from World Trade Organization data.

In 2006, China surpassed the United States in its share of global merchandise and manufactured exports. In 2016, China's foreign investment outflows surpassed its inflows. It has not yet surpassed the United States as the origin of global FDI; nevertheless, it shows a steady upward trend.

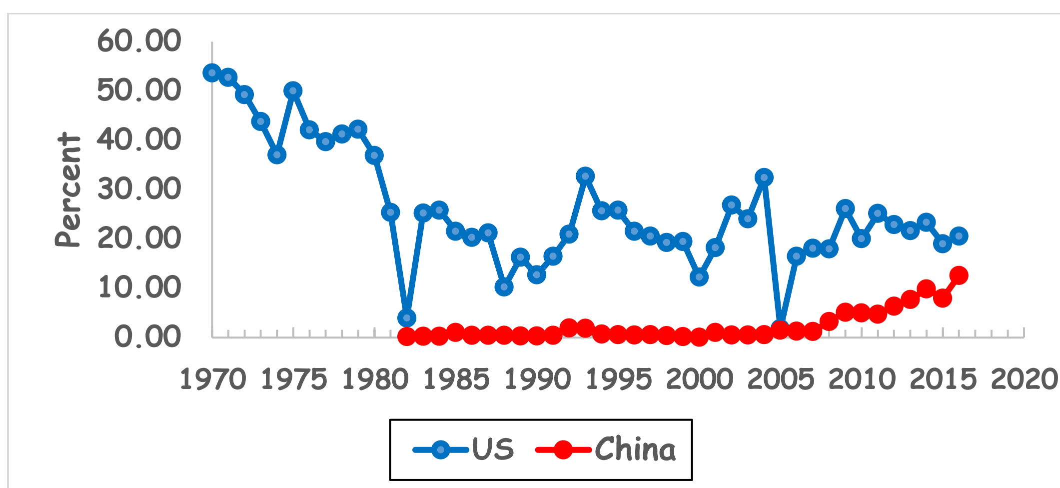

Figure 3. Share of Global FDI Outward Flows: 1970-2016. United States and China.
Source: UNCTAD Stat.

The United States is still the largest destination for Chinese FDI, receiving 16.4 percent of China's total outflows since 2005. Nevertheless, natural resources make Latin American and the Caribbean (LAC) desirable investment destinations with over 61 percent of all construction contracts since 2010 going into the energy sector. In the 2015-2017 period, the two primary Chinese lenders (CDB and CHEXIM) issued 85 loans for energy, transportation, and infrastructure. In terms of mergers and acquisitions completed in 2017 in LAC, China was the biggest investor. By 2010, China's loan commitments in LAC surpassed those of the World Bank, Inter-American Development Bank, and the United States Export-Import Bank combined (China Power 2016).

Regarding international currency, the *Economist* (2015) asks "What If the yuan competes with the dollar?" From a world-system perspective, it would seem natural that the yuan replaces the dollar just as the dollar replaced the pound reflecting a passage of economic power. Some predict that the Yuan (RMB) is on the verge of displacing the dollar in Asia. China has built a network for yuan-trading around the world. Although some 45 percent of all cross-border transactions still are denominated in dollars, the share of Chinese cross-border trade settled in yuan rose from nothing in 2009 to 22 percent 2014. Overall, Prasad (2019) judges that the dollar's grip on global finance has not weakened; the dollar's share of global foreign exchange reserves was 62 percent in 2018.

MEXICO: DEVELOPMENT, STAGNATION, or DEPENDENCY?

Scenario 1: Development

Frank's theory would suggest that as the U.S. economy contracts and its ties to Mexico diminish, Mexico has an opportunity for autarkic development.

U.S. Race to the Bottom and Weakening Ties

The U.S. hegemonic weakening had economic consequences for Mexico. Mexico's comparative advantages had been lower labor costs and geographic proximity. Overtime, the U.S. offshore-production regime in Mexico evolved from addressing a volatile U.S. consumer demand (BIP described above) to addressing rising U.S. labor costs. When the Mexican Senate approved the North American Free Trade Agreement (NAFTA) in 1993, it was with the understanding that its low labor costs and U.S. technology would allow both partners to be competitive with Asia.

But U.S. economic contractions led importers and investors to search the globe for still lower-cost production—the race to the bottom. Between 1980 and 2002, for example, the United States lost over 600,000 apparel industry jobs to offshoring (Chan and Ross 2003:1015). By 2010, the value of U.S. imports from China was one and a half times that from Mexico. China's capture of low-wage production was Mexico's loss.

Gallagher and Porzecanski (2008) ask if China's vertiginous export growth was at the expense of other emerging markets (lesser-developed countries), or if it represented an expansion of the global consumer market. Specifically, did Chinese exports crowd out third-country market shares, or exert downward pressure on global prices? They conclude that because China and LAC had dissimilar export profiles, they did not compete on the world market. However, this was not true for Mexico. It is not simply that the U.S. purchases more from China; but that China produces and exports commodities that compete with those from Mexico (2008:186). Numerous researchers have identified Chinese-Mexican competition in commodities ranging from t-shirts to electronics to garlic (Carrillo and Gomis 2003; Chan and Ross 2003; Iranzo and Ma 2006; Rumbaugh and Blancher 2004; Schwartzman 2015). The number of Mexican maquiladora enterprises dropped from a peak of 3,703 in December of 2000 to 3,230 in July 2003. Of 523 enterprises that left, one-third relocated to China (Werner et al. 2006). NAFTA may have given Mexico one decade of a privileged position in the U.S. market; but with China's 2001 adherence to the WTO, Mexico faced new competition.

In contrast, Kamil and Zook (2013) argue that by 2012, Mexico showed signs of regaining lost U.S. market shares in a diverse range of goods—including electrical machinery and building materials. Their optimistic stance is based on a narrowing gap in labor costs between Mexico and China, productivity increases in Mexico, strong commitment to the protection of intellectual property, and location advantage.

Nevertheless, the South-South competition also led to shifts in investment flows. Mexico lost its status as a preferred investment destination. China gained the investment confidence of market raters e.g. Kearney (2020) whose FDI Confidence Index influences global capital flows. Mexico's rank slipped, particularly after China's WTO membership took effect. In 2012, Mexico was not even ranked among the top 25. China ranked in the top three from 1998 to 2017. In 2017, Mexico again was missing from the top twenty-five. Numerous organizations evaluate investment climates. Transparency International (2019) ranked China 87th and Mexico 138th (out of 183 countries) on its 2018 Corruption Perceptions Index (1= least corrupt). The 2019 Global Competitiveness Report ranked China 28th and Mexico 48th (out of 141 countries) (1 = most competitive) (Schwab 2019). China's export and foreign investment gains and Mexico's losses are not isolated trends; they are linked though the commercial and financial actions of the United States.

Trading Partner Diversification

The drop in trade and capital flows from the United States created opportunities for Mexico to promote its own production and diversify its trade profile. Mexico is turning toward non-U.S. partners. For example, in 2018, Mexico increased its purchase of soybean from Brazil, up 100 percent from the same period in 2017. In June 2018, Mexico received its first shipment of frozen pork belly from Germany (Mexico SAGARPA 2018). In 2020, Mexico, the world's largest consumer of eggs and importer of about 3 percent of U.S. egg production, opened its market to Brazilian eggs (United Egg).

Mexico continues to sign trade agreements with other nations. One example is the upgraded 2000 Free Trade Agreement with the European Union (TLCUEM2). The European Union is Mexico's third largest trading partner and, in 2019, the second source of foreign direct investment. TLCUEM2 negotiations were completed in April 2020, and takes effect following legislative approval. In December of 2020, following Brexit, Mexico and the UK signed a Trade Continuity Agreement to maintain the preferential trade regime as was signed under TLCUEM (Mexico SE 2020). Many products traded between the European Union and Mexico will enter

without any type of tariff. New provisions include the liberalization of tariffs on 86 percent of the agricultural and fishing products, establishing fair conditions for telecommunications providers, and creating a chapter on digital commerce (Morales 2019b). According to the Mexican Chamber of Deputies (2018), TLCUEM2 will position Mexico as an exporter and strengthen its international trade under a strategy of market diversification. Mexico will need to implement some reforms: the five most widely used pesticides in Mexico are banned in at least 34 countries due to their high degree of toxicity (Enciso 2020). In describing the evolution of TLCUEM2, Gómez et al. (2019) argue that both parties worked to advance negotiations after the 2016 elections and the uncertainty generated by President Trump's protectionist stance. For Mexico, it was the threat of the U.S. withdrawal from NAFTA or being diluted in the USMCA. For Europe, it was the stagnating Transatlantic Trade and Investment Partnership (TTIP) negotiations. In addition to the EU, Mexico has found new markets for some traditional exports. China, for example, jumped from 20th to 11th place among tequila importers between 2017 and 2018. While these exchanges may not immediately yield a significant drop in U.S.-Mexico trade, they reflect Mexico's ambition for trading partner diversification.

Yet, Mexico may be a long way from autarkic development (Scenario 1). Mexico's trade as a percentage of GDP rose from 60.5 percent in 2013 to 75.8 percent in 2018 (Morales 2019a). In 2018, the United States still topped the list of Mexican export destinations (76.5 percent). Further limitations derive from the fact that much of the U.S.-Mexico trade is generated inside of commodity chains. Intermediate inputs flow from the U.S. to Mexico and finished goods flow back. In the automotive sector, parts may cross the border several times before final vehicle assembly. "Much of the increase in U.S.-Mexico trade, for example, can be attributed to specialization as manufacturing and assembly plants have reoriented to take advantage of economies of scale…supply chains have been increasingly crossing national boundaries as manufacturing work is performed wherever it is most efficient" (U.S. CRS 2020).

Foreign Investment

In 2007, ProMéxico was created to advance Mexico's participation in the international economy: to attract FDI, to promote Mexican products and services abroad, and to enhance the international reputation of Mexican companies (Mexico. ProMexico). Mexico now receives increased FDI from non-U.S. core nations. The U.S. share of total Mexican investment dropped from a 1985 high of 77 percent to 37.5 percent by 2019. Germany and Spain have invested increasing amounts since

1999; however, in 2019 their shares only hovered around 10 percent of total foreign investment (11.94 and 10.05 percent respectively).

Since Mexico has come to rely on foreign capital inflows, a significant boost in non-U.S. FDI or domestic savings would be required to alter the direction of the economy or improve the infrastructure. For Mexico, FDI flows (as a percentage of GDP or gross domestic capital formation) are not increasing (Table 3). Regarding Scenario 1, the pre-existing structure curbs what is possible: in the current phase of neoliberal globalization, it will be challenging for any country to develop as optimistically portrayed by Frank.

Table 3. Foreign Investment's Contribution in Mexican Economy (Percent Share)

	FDI of U.S. origin	Flows of FDI / GDP	Flows of FDI / GDCF	New Investments / Total FDI
2000	65.22	2.7	12.5	47.70
2005	55.25	2.8	13.5	54.77
2010	41.15	2.0	9.4	57.63
2015	54.54	1.9	8.4	37.71
2019	37.52	1.3	6.4	52.80

Source: Author calculations based on data from Mexico. Secretaría de Economía and Banco de México.

Scenario 3: Mexico Becomes Dependent on China

Will Mexico's dependency shift to China--a rising hegemon? Ellis warns: "the continued expansion of Chinese ownership in Latin America and elsewhere will likely deepen the "peripheral" status of those countries, generating wealth for the Chinese core, while the limited number of managerial and technical jobs in the region will principally serve the flow of value to the Chinese center" (2018a:4). Santibañes believes that the U.S.' lack of attention contributed to the growing economic and political influence of China in Latin America—ending Monroe-Doctrine influence. In 2004, President Hu Jintao spent twelve days in Latin America, more time than President Bush spent in the region during that period (2009:23).

China follows the pattern established by Great Britain in the nineteenth century and the United States in the twentieth century (Bernal-Meza 2020). China's BRI includes the search for natural resources to feed a growing population, and to supply sprouting factories. Will Mexico become a peripheral nation for a new rising core? The dependency literature typically considers indicators e.g., the source of imports,

the destination of exports, the origin of FDI, the source of loans, and political autonomy. Although there is no commonly agreed upon threshold, "dependency" sets some nations apart based on the volume, relative weight, and asymmetry of these exchanges.

There is notable country variation in China's outreach. "China saw Latin America as a source of raw materials, a market for exports of manufactured goods, and an area of diplomatic competition with Taiwan" (Jenkins 2012). A few years later, Guoyou et al. described the range of China-LAC exchanges: some are Free Trade Agreements (FTAs); some are traditional economic ties (investments, loans, and aid); some are based on the ideological factors; and others on non-traditional economic ties (2019:34-38). "Non-traditional" refers to an assortment of economic initiatives, a mixture of technology transfers, and a development of overseas financial and administrative platforms. The Mexico-China cooperation occurred through a non-traditional alliance. Due to their economic competitiveness, there are no FTAs. Guoyou et al. conclude that many LAC economies are seeing their trade patterns modified, but Mexico among others perceives China as a threat to development (2019:21).

Trade with China

The composition of bilateral trade sheds light on a possible dependency relationship. Mexico's development could be blocked if it principally exported raw materials and agricultural commodities and imported technologically advanced or higher value goods. Mexico is a potential consumer market for China. Mexico receives both legal and contraband Chinese products, ranging from chili peppers to blue jeans to electronics. In 2004, Mexico imported $31 in Chinese goods for every dollar's worth it exported back (McKinley Jr. 2005).

After 2005, China dramatically increased food imports from the global market. However, as Zhan et. al (2018:708) demonstrate, China specializes in importing land-intensive commodities, such as soybean, corn, and cotton while exporting labor-intensive food products. China has been the top exporter of aquatic products since 2002, accounting for 12.5 percent of total global aquatic exports in 2014. Several Mexican producer organizations have protested these imports. In 2016, Chiapas aquaculture representatives complained that distributors were selling Chinese Tilapia to local markets, restaurants, and supermarkets. They claimed that the fish was of inferior quality, without the necessary phytosanitary certificate, and priced below market costs (Burguete 2016). While troubling to certain commodity producers, trade flows are minor. In 2019, only 1.9 percent of all Chinese exports were destined for Mexico and less than 1 percent of Chinese imports came from

Mexico. For Mexico, only 2 percent of all exports went to China. The only hint of growing trade asymmetry is China's rising share of all Mexican imports (18 percent by 2019) (Table 4).

Table 4. Mexico-China Merchandise Trade

	1995	2019
% of ALL Mexican exports that go to China	.05%	1.45%
% of ALL Mexican imports from China	.72%	17.77%
% of ALL Chinese exports that go to Mexico	.13%	1.86%
% of ALL Chinese imports from Mexico	.15%	.69%

Source: https://comtrade.un.org/data/

Raw material exports often serve as an indicator of dependency. Observers all point to China's growing need for fuels, minerals, and metals. The WTO estimates that China's import share of the global trade of fuels and mining products grew from .55 percent in 1985 to 5 percent in 2003, and then to 17 percent in 2018. This affects some countries more than others. In 2018, for example, China was the top receiver of all Chilean exports (33.50 %) (Table 5). Chile' share of China's global imports of ores and metals is 9.84 percent in contrast to Mexico' share of 1.56 percent. Moreover, Mexico's trade profile with China was more diverse (as measured in the number of HS commodities). The comparison with Chile demonstrates Mexico's weak role in an area conventionally highlighted as a measure of dependency.

Table 5. Trade with China: Mexico and Chile, 2018 (Percent Share)

	Mexico	Chile
China Share of Total Exports	1.6%	33.5%
Ore and Metal Share of Exports to China	24%	78%
Source of China Global imports of ores and metals	1.56%	9.84%
Number of HS6* commodities exported to China (total exported)	1374 (4235)	436 (3650)

Source: Author calculation based on data from https://wits.worldbank.org/
*Traded products at the Harmonized System (HS) six-digit level with value greater than 100,000 USD.

Mexico and China have engaged in trade talks and signed several minor trade agreements. In 2019, Mexico inaugurated the Mexican pavilion at the Chinese trade fair. The Business Council for Foreign Trade, Investment and Technology

coordinated Mexico's participation. Comparatively speaking however, China has not displaced the United States in trade dependency.

Foreign Direct Investment

Another indicator of dependency would be Mexico's reliance on China for FDI and loans. Beyond trade, China has designed financial flows to advance its resource acquisition. China expanded its direct investment in agriculture as part of its 'Going Out' in 2000 (Zhan et al. 2018:713). Chinese agricultural capital was channeled into overseas land acquisitions in Africa, Latin America, Australia, and elsewhere; no Latin American country was among the top ten.

China has invested in Peru, Brazil, Panama, and Venezuela, funding new roads, refineries, railways, and ports. In 2012, Cuba imported a deep-water oilrig from China. Ecuador has Chinese-built hydroelectric plants paid for with oil revenue and Chinese loans (China Power 2020). In 2017, China planned to launch a US$ 20 billion partnership with Brazil, concentrating on Brazilian ports to facilitate the exports of iron ore, and grains (Saraiva 2017). Many Latin American projects receive Chinese Communication Construction Company financing (China Invests 2019). They predominantly finance infrastructure projects contracted with Chinese-based companies (using Chinese workers).

Mexico may not be as attractive a geographical location as Pakistan (route to the sea) or Panama and Brazil (ports). Mexico may not be as beneficial as Zambia, Australia, or other Latin American countries whose commodities (copper or iron ore) have attracted Chinese investments (Foer 2017). China's minor investment in Mexican mining may be due to Mexico's lack of large reserves of iron and bauxite (although it holds significant reserves of silver, gold, and copper). While Mexico is a top recipients of mining dollars (Burnett 2017) and foreign investors held 70 percent of the Mexican mining concessions in 2015, China held only 3 percent (Garduño 2015). Certainly, part of China's absence is due to unavailability; Canada holds 74 percent of all foreign-held Mexican concessions.

China's share of Mexico's FDI is small. In 2019, Mexico received less than 1 percent of its total FDI from China (up from .04 percent in 1999). This contrasts with 38 percent from United States (Mexico SE). Nevertheless, there are notable Chinese investments. In 2016, Mexico awarded the concession of two massive patches of deepwater oil fields in the Gulf of Mexico to a Chinese oil company. The Mexican billionaire Carlos Slim, (the 5th richest person in the world in 2019), collaborates with Anhui Jianghuai Automobile to produce SUVs in Hidalgo. In 2019, China's Risen Energy Co., Ltd. announced its 117MW project to make solar

panels. According to Yue (2018) nearly 1,000 Chinese companies have settled in Mexico. From 2014 to 2016, Mexico saw more than 40 deals from China valued at over $4 billion; no previous year had seen more than five. With rising Chinese salaries, Mexico might offer offshoring possibilities for Chinese firms. Foer suggests "Mexico increasingly looks like a sensible place for Chinese firms to set up shop, particularly given its proximity to China's biggest export market" (2017).

Mexico's National Registry of Foreign Investments (RNIE), published by the Secretary of Economy, lends plausibility to the notion that China views Mexico as a potential consumer market (Table 6). Of the 1,122 Mexican firms with Chinese investment, more than half (649) are in the commercial sector.[iv]

Table 6. Chinese Investment in Mexico as of August 2020.

Number	Foreign Investment in Mexican Companies (Sec 2) (N=65,249)	Foreign Investment in legally constituted foreign companies (Sec 1) (N=767)
Total Chinese registered in 2020	1,122	6
Chinese registered 2010 and after	553	4
Chinese in mining, ore, petroleum, or gas sectors	49	0
Total in commerce and related sectors	649	2
Total in construction and related sectors	8	4

Source: Mexico. National Registry of Foreign Investments

In conclusion, Chinese commodity and capital flows into Mexico are increasing; however, they are lower than flows into other Latin American countries, and significantly below U.S.-Mexico exchanges. These indicators do not suggest a transfer of Mexican dependency from the United States to China at this point.

Scenario 2: Stagnation

Mexico faces many challenges stemming from both internal and external factors (and their interaction). The U.S. decline affected Mexico in two ways. First, it exacerbated the South-South competition (race to the bottom). U.S. businesses, constantly seeking reduced production costs, fueled competition among Mexico,

China, and other low-wage countries. As described in Scenario 1, this loss might have provided an opportunity for autonomous development.

Second, the U.S. decline intensified "North-South" competition: U.S. private producer associations gained commodity protection against Mexican exports. WTO and the USITC are post-colonial institutions, but they can produce the same outcome as earlier colonial policies. The Portuguese Royal Act of 1785, for example, controlled the extraction of minerals and agricultural production *and* prohibited textile and other manufacturing in Brazil. This allowed most of Portuguese production and its exports to monopolize the colonial Brazilian market (Marques 1972:441). It was the ruin of much Brazilian manufacturing. Today WTO and USITC decisions contribute to similar outcomes.

North-South Agricultural Commodity Competition

North-South competition transpires in numerous economic sectors. Here I highlight several agricultural commodity conflicts. Certainly, these two countries arrived at current commodity conflicts with different endowments: 1) the historical practice of American agricultural protectionism, and 2) the historical underdevelopment of Mexican agriculture.

The United States has a long tradition of agricultural protection. As early as January 1891, the Blaine-Mendonca Accord gave Brazil the advantage of free admission of sugar, molasses, hides, coffee, and teas. In exchange, the United States secured free admission into Brazil for a long list of agricultural and manufactured goods. The ultimate U.S. political goal was to lure Spain into signing a similar accord allowing Americans to acquire cheap sugar from Cuba. For Brazil, it would have meant a loss of their monopoly in the U.S. sugar market. Worse, it contained an injurious protectionist element, viz., that free entry of Brazilian sugar was restricted to lower grades (below level 16 of the Dutch refining standard). The measures of refinement levels have evolved over the years, but the 2017 U.S.-Mexico sugar agreement described below is strikingly similar to that Blaine-Mendonca Accord. The U.S. sugar refining industry continues to benefit from such protectionism. The 1933 U.S. Agricultural Adjustment Act and its subsequent amendments allowed U.S. Presidents to levy import fees to prevent lower-priced commodities entering the higher-priced U.S. market.

Pena et al. (1993) describe the historical underdevelopment of Mexican agriculture from the time of the revolution. As of the pre-NAFTA period, Mexican rural units were largely subsistence, lacking infrastructure and technology, and with limited access to markets. In Mexico, only 12 percent of the land is arable and only 25

percent is irrigated—the rest depending on rainfall. During the 1950s, elements of the "green revolution," along with investments and modern farming techniques did generate agricultural growth. However, the authors point to the disinvestment in agriculture as the governments directed resources toward industrialization and the production of consumer goods. Between 1960 and 1976, 40 percent of public spending was dedicated to building the industrial capacity while only 14 percent went to agriculture. There were attempts to maintain the standard of living of the politically important peasant population thru policies such as guaranteed prices, subsidized credit to producers, and food at non-inflationary consumer prices. These did not, however, upgrade agriculture. The austerity reforms implemented following the 1982 debt crisis ended both rural investment and involvement (Huerta 2001:160). The government further reduced the budgets for agricultural parastatals, and in 1992 revised the constitution to allow ejido rental, privatization, and sale. This was the state of Mexican agriculture as it entered commodity competition with the United States.

These legacies are the essence of what McMichael (2013) and Otero (2012) refer to as food regimes. The 1891 Blaine-Mendonca Accord fits McMichael's food regime driven by the principle of empire. The contemporary U.S.-Mexico agricultural competition is aptly described by Otero as a neoliberal food regime (2012:283). The state, agribusiness transnational corporations, and biotechnology firms drive the regime. Mexico is forced to protect two markets: first its own against imports, and second, the U.S. market for Mexican exports.

In 2019, 75 percent of Mexico's agricultural exports went to the United States, and 66 percent of Mexico's agricultural imports came from the United States (Inforural 2020). Since Mexico imports close to 50 percent of the food it consumes; protecting its market requires reducing dependence on U.S. commodities. The General Secretary of the Mexican Northwest Peasant Alliance (ALCANO 2018) rejects the "free-trade" claim that "food self-sufficiency is nonsense." To the contrary, he argues, food-dependent Mexico would be at the mercy of food blackmail. Mexico seeks to boost its food sovereignty and security, reduce its U.S. dependency, and offer employment to the some estimated 6 million rural workers.

The potato case (mentioned above) reveals the complexity of tariff-politics. Mexico is the third largest export market for U.S. potatoes (National Potato Council 2018). Under NAFTA, frozen, dehydrated, and fresh potatoes were entitled to enter Mexico duty-free. The Mexican National Confederation of Potato Producers (Conpapa) wanted to eliminate U.S. competition. They protested U.S. potato imports on phytosanitary grounds: a crop highly vulnerable to pests and diseases that can be transmitted from one country to another. Conpapa also argued that

Mexico has sufficient production to meet domestic demand and imports were financially injurious (De La Rosa 2017). In June 2018, a Mexican federal judge, invoking the legal foundation of the human right to food and national sovereignty (Constitution, Article 39), issued a ruling prohibiting the importation of fresh potatoes from the United States. In reality, the 20 percent Mexican tariff on frozen and processed potatoes was a retaliatory response to the U.S. 25 percent tariff placed on Mexican aluminum and steel. In May of 2019, the potato tariff was removed following the U.S. decision to remove the tariff on Mexico aluminum and steel. Protecting potatoes became entangled with other tariff battles.

Only 20 percent of all U.S. food imports come from Mexico, but Mexico struggles to defend that share. There are commodity variations. In 2017, of all U.S. imported fruits and vegetables, 40 percent and 50 percent, respectively, came from Mexico. Meanwhile, U.S producer-associations continue to lobby to maintain their dominance over Mexican commodities in the U.S. market. North-South competition has erupted in cases such as tuna, sugarcane, tomatoes, ethanol, corn, milk, and mescal.

Case 1: Tuna

Some 80 percent of Mexican tuna exports was destined to the U.S. The final 2018 WTO verdict favored the United States. Mexico is not allowed to use the label "dolphin safe." The tuna wars, which began in 1991, pivoted around the question of whether Mexican tuna fishing was dolphin friendly. The United States submitted the dispute to the WTO. Environmental groups such as the International Marine Mammal Project at Earth Island Institute joined the lobby on behalf of the dolphins. Fishing methods used by Mexico's tuna fleet are regulated by the Agreement on the International Program for the Conservation of Dolphins (AIDCP), recognized by the UN. Mexico protests that the Eastern Tropical Pacific region where the Mexican tuna fleet operates is subject to measures for the protection of dolphins which no other region in the world meets. As a member of the Inter-American Tropical Tuna Commissions (IATTC), Mexico has been in compliance. Nevertheless, Mexico is not allowed to use the label "dolphin safe." Because of this, several major U.S. distributors, like Walmart, will not sell it. "The Trump administration scored a victory against Mexico" (Gillespie 2017).

Case 2: Sugar

Mexican sugarcane producers suffered a defeat at the hands of the U.S. sugar refining industry. By 2014, Mexico was supplying a large portion of the U.S. market. American refiners (American Sugar Coalition and its members) lodged a

complaint with the USITC and USDOC. They accused Mexico of "dumping" subsidized sugar and sending too much in a refined form. In April 2014, the USDOC initiated a dumping investigation. In May 2014, the USITC agreed that there was a reasonable indication that Mexican sugar imports materially injured American sugar producers. The USDOC found that the Mexican sugar was unfairly subsidized. This finding was followed by an agreement in which the USDOC imposed a volume limit on Mexican sugar imports; set a minimum price; and established CV duties ranging from 2.99 to 17.01 percent and AD duties from 39.54 to 47.26 percent. In exchange for Mexican compliance, the USDOC suspended investigations.

Some U.S. entrepreneurs wanted even stronger protectionism. In January 2015, the Imperial Sugar Company and AmCane LLC filed separate 'interested parties" appeals, requesting USDOC continue investigating the CVD and AD charges against Mexico. In opposition, the U.S Sweetener Users Association (SUA), representing beverage makers, confectioners, and other food companies using sugar as an input, argued that the real problem was the market distortion caused by the U.S. government's sugar program. According to the SUA, these agreements dismantle the unrestricted free trade of sugar between the United States and Mexico and undermine the core principles of the North American Free Trade Agreement (U.S. CRS 2020).

In 2017, U.S. Secretary of Commerce and the Mexican Secretary of Economy signed an agreement that was to the detriment of the Mexican sugarcane industry (Páez 2017). The U.S. agreed to suspend the abovementioned duties against Mexican sugar exports in exchange for a reduction in the quantity of "refined sugar" that Mexico could export. The agreement specified that at least 70 percent of Mexican exports must be raw and of inferior quality (up from 47 percent). Furthermore, the agreement reduced the purity line dividing refined and raw sugar from 99.5 to 99.2 (USDOC 2017). The U.S. sugar refining industry had successfully engaged the U.S. government in its protection of the U.S. market.

In contrast, U.S. high fructose corn syrup continued to enter Mexico freely, displacing domestic sugar. In 2018, the president of the National Union of Cañeros asked President Andrés Manuel López Obrador (AMLO) to decree safeguard measures and initiate proceedings against the U.S. for fructose dumping and subsidies. That battle began in 1997 when Mexico initiated an antidumping investigation on U.S. high fructose corn syrup. Twice, the Dispute Settlement Body of the WTO held that Mexico's actions violated its international trade commitments. In 2002, Mexico placed a 20 percent tax on soft drinks containing high fructose corn syrup. This was harmful for Iowa's corn farmers, and in

retaliation, the U.S. Senate Finance Committee introduced a “Tequila Tariff” Bill against Mexican agricultural commodities including tequila, tomatoes, bell peppers, avocados, and limes. The tariff was to compensate for the value of lost sales of U.S. high fructose corn syrup producers. Such agreements are economically and politically volatile. In March 2020, USDA notified the USDOC of an additional need for refined sugar. Consequently, Commerce temporarily raised the quota on imported Mexican refined sugar (USDA 2020).

Case 3: Tomatoes

North-South competition flared up around Mexican tomatoes. In 2019, the U.S. imported 27.3 percent of total world tomato imports. Mexico’s share of U.S. imports was around 90 percent (USITC), and about 99 percent of Mexican fresh tomato exports went to the United States. On April 1, 1996, the USITC instituted a preliminary antidumping investigation in response to a petition put forward by the Florida Tomato Exchange, a trade organization representing U.S. tomato growers. The petition alleged that Mexican tomatoes were sold in the United States at Less than Fair Value (LTFV), harming American farmers. Between 1996 and the final agreement in 2019, the USITC conducted four different five-year reviews, suspended, and then reinstituted antidumping investigations. In April 2019, Mexico’s offer to renegotiate the agreement was rejected. Consequently, a compensatory tariff of 17.56 percent was to be charged on Mexican tomatoes after May 7, 2019. The president of the National Council of the Mexican Association of Protected Horticulture warned that without an agreement, almost 1.5 million jobs would be at risk. By August 2019, Mexican tomato growers reached a last-minute deal with the USDOC that suspended the antidumping investigation and removed duties on U.S. imports of Mexican tomatoes (Harrup 2019). In exchange, the agreement included inspections for 66 percent of the truckloads of Mexican tomatoes entering the U.S., an increase in the minimum reference price of tomatoes, and an additional charge of 40 percent for organic tomatoes. Again, U.S. private producer-associations successfully defeated Mexico in this North-South competition.

As in the case of sugar, different fractions of U.S. capital took distinct positions. Florida Tomato Exchange and groups of California growers such as the Western Growers’ Association, and California Tomato Growers lobbied the U.S. government for a higher minimum import price, whereas tomato processors lobbied against import restrictions. Political considerations matter: Florida has been a swing state (now with 29 electoral votes) (Devadoss and Kosse 2020:3). In the large-tomato market, processors' lobbying efforts have been unsuccessful compared to

lobbying by growers (2020:24). In the end, private producer-associations in the United States engaged in North-South competition to the disadvantage Mexico.

Case 4: Ethanol

In the case of ethanol, the North American industry preserved its market share in Mexico. On October 30, 2018, the Mexican Secretariat of Energy published guidelines on the use of ethanol in gasoline. Specifically, by relaxing the Mexican regulation—allowing the use of less pure biodiesel and ethanol--it opened the door to the use of a hydrous ethanol of lower purity (92.1 percent), in contrast to purity of 99 percent proposed by the Mexican industry. Mexican producers complained that the North American ethanol industry would completely displace them from the market (Loredo 2018). In the case of ethanol, the Brazilian government reached a different outcome. The United States and Brazil were engaged in negotiations to drop tariffs on U.S. ethanol imports in return for the United States dropping import restrictions on Brazilian sugar exports. Following the 2020 breakdown of negotiations, Brazil placed a 20 percent tariff on all U.S. ethanol imports.

Case 5: Mezcal

Even mezcal is ensnarled in potential North-South competition. In July 2019, the Mexican National Association of Denominations of Origin (ANDO) speaking for the Mezcaleros of Oaxaca and the Regulatory Council of Tequila, submitted a letter of protest to the Mexican Minister of the Economy. They expressed discontent with the creation of a new U.S. drink category labeled "Agave Spirits." They were concerned that with the rise of mezcal's popularity, U.S. consumers might choose such agave spirits, thinking that they were similar to those produced in Mexico. In addition, they feared that this drink category will spread to other agave distillates from South Africa, Australia, or Spain. Because of Mexico's history and culture, they argued, Mexican beverages do not belong in the general "Agave Spirits" category. While commodity classifications must follow the NICE[v] international system, ANDO requested that the Minister of Economy promote a subclass, which could bear a name such as "cultural beverages of Mexico," or "Mexican ancestral beverages." A new rule issued by the U.S. Alcohol and Tobacco Tax and Trade Bureau on the labeling on alcoholic beverages became effective on May 4, 2020. It defined "agave spirits" as "distilled from a fermented mash, of which at least 51 percent is derived from plant species in the genus Agave" (U.S. Federal Register 2020). It is likely that within five years, Mexico will have competition from an agave distillate produced from California agave.

USMCA-New Trade Agreement

The USMCA retains most of NAFTA's market opening measures (US CRS 2020) although there are some new rules regarding product origin, energy, labor, environment, digital commerce, agriculture, and intellectual property rights. While some Mexican businessmen have expressed satisfaction with the new agreement, various sectors of the Mexican agroindustry believe that the USMCA will magnify their disadvantage. The head of the National Milk Producers and Consumers Front, representing 150,000 small and medium milk producers, asserts that the sector would be among the biggest losers of the trade agreement. He complains that U.S. milk and derivatives are LTFV and of poor quality--often mixed with water, sugar, and flour (Wasson et al. 2019). Moreover, they add, that families who are displaced and lack resources to pay their debts, will have to sell their livestock and emigrate. The association requested protection for the Mexican market (Escorcia 2020). Navarro (2020) and others agree, NAFTA devastated the countryside forcing millions of small farmers to migrate to the United States. USMCA will deepen this displacement.

Mexican organizations such as the Coalition for Food Security (Seguridad Alimentaria Mexicana), the Authentic Countryside Front (El Frente Auténtico del Campo), National Agricultural Council (Consejo Nacional Agropecuario), the Consultative Group of Agricultural Markets (Grupo Consultor de Mercados Agrícolas), and the Mexican Corn Defense network (La Red en Defensa del Maíz), were critical of agricultural-related clauses in the USMCA. Of quantities consumed quantities in 2018, Mexico imported 82.2 percent of the yellow corn, 86 percent of the rice, 70 percent of the wheat, 13 percent of the beans, and 39.3 percent of the pork. USMCA will block any attempt by Mexico to reduce those quantities. Another concern is the agricultural biotechnology clause (Intellectual Property Rights – USMCA Chapter 20). It requires Mexico to adhere to the 1991 Act of the Convention of the International Union for the Protection of New Varieties of Plants (UPOV 91). By granting intellectual property rights to plant breeders--mainly transnational seed corporations--it limits the use and exchange of seeds by farmers. This clause violates the food sovereignty of Mexico and criminalizes native and improved public seeds.

A third peril is the U.S. use of a seasonality claim. It would make it possible for a U.S. producer of perishable goods to initiate anti-dumping and subsidy investigations against Mexico in a fast-track manner, putting 5 million jobs at risk. Although seasonal limitations on Mexican exports of fruits and vegetables was excluded from the USMCA, the Office of the U.S. Trade Representative, the U.S. Department of Agriculture, and the U.S. Department of Commerce held virtual

meetings in August 2020 to discuss trade policies that may harm American growers. Such an action could jeopardize Mexican exports of berries--ninety percent of which are destined for the United States (Sanchez 2020). Southeast growers' associations (Florida, Georgia, and elsewhere) insisted that the U.S. government invoke the rarely used Section 301 National Security protections against Mexican produce e.g., strawberries, blueberries, bell peppers, tomatoes, sweet corn, watermelon, and pecans. The Georgia Fruit and Vegetable Growers Association charged that "Over the past twenty years, imports of fresh produce from Mexico have grown tremendously … The pattern has now shifted from undercutting our growers' financial and competitive health, to threatening our industry's very survival." U.S. domestic blueberry shippers are growing more concerned with the increasing level of imported blueberries and the overlap of domestic and import products. In 2010, Mexico made up 4.7 percent of the total volume used in the U.S. In 2020 that number had grown to 17.1 percent (Blue 2021). Following U.S. producers' request, an investigation was launched to determine "whether fresh, chilled, or frozen blueberries are being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry…" (U.S. Federal Register 2020).

A fourth threat to Mexican agriculture is the USMCA clause that prohibits imports from a country employing child (or forced) labor. The director of the Mexican Consultative Group of Agricultural Markets did not defend such labor arrangements but expressed concern that the United States would use this clause to levy import restrictions against Mexican products (Sánchez and Lozano 2020).

Such conflicts pose serious challenges to Mexico's economy where the agrifood sector accounts for almost 8.5 percent of the GDP, 14 percent of formal jobs, and foreign currency that sometimes exceeds that generated by remittances, tourism, or crude petroleum (Foer 2017; Haro 2019). While any one commodity-conflict is insignificance at the national level, these examples highlight ongoing North-South competition. The agricultural cases also highlight the roots of rural unsustainability, a major cause of Mexican emigration. As the U.S. experiences competition not only from other developed countries, but also from less developed ones, private actors, use their organizational power to curb imports from Mexico. It may happen that U.S. agricultural producers, particularly those who suffered from President Trump's trade wars, will be even more motivated to engage in this lobbying (Palacios 2018).

I have highlighted agricultural commodities, but similar conflicts occur over intermediate goods. Table 7 lists commodities that have been the object of U.S. producer's complaints against Mexico. U.S. industries may petition the USITC and

USDOC for relief from imports that they claim are sold at LTFV or that benefit from countervailing subsidies provided by foreign governments. In cases such as steel, U.S. import restrictions and/or tariffs have a long history and are not directed solely at Mexico. In 1992, U.S. producers filed a petition against fourteen countries regarding “cut-to-length carbon steel plate.” The list included Mexico, along with Belgium, France, German, the UK, Poland, and Romania. The USITC rendered an affirmative decision--there was injury to U.S. industry--against eleven of the fourteen, including Mexico. The exports of steel and aluminum have been contested continuously up to the 2019 USMCA negotiations (USITC 2019). The United States continues to promote free trade and to practice protectionism, particularly when advocated by powerful producer organizations.

Table 7. U.S. Antidumping and Countervailing Duty Investigations against Mexico: FY 1980-2008.

Ball bearings	Emulsion styrene-butadiene rubber	Portland cement
Carbon steel pipe nipples	Fresh cut flowers	Prestressed concrete steel wire strand
Carbon steel standard pipe	Fresh tomatoes	Purified carboxymethylcellulose
Carbon steel wire rod	Lemon juice	Seamless Refined Copper Pipe and Tube
Certain seamless pipe and tub	Light-walled rectangular pipe & tubes	Spring table grapes
Cordage	Light-walled rectangular pip	Stainless steel sheet & strip
Cordage	Line pipe	Steel pails
Cordage	Live Cattle	Steel wire rod
Corrosion-resistant carbon steel sheet	Magnesia Carbon Bricks	Steel wire rope
Crude oil	Oil country tubular goods	Welded steel wire fabric
Crushed limestone	Phthalic anhydride	Welded large diameter line pipe
Cut-to-length carbon steel plate	Porcelain-on-steel cookware	Wire rope

Source: Author compiled from USITC, Office of Investigations 2010.

Mexican producers inside the auto commodity chain are concerned that the labor regulation clauses in the USMCA are tantamount to removing Mexico’s sovereignty. The Confederation of Industrial Chambers expresses concern regarding the rules of origin because inputs used in Mexico come from the United States and Asia. Several chapters (22, 28, 31) affect the energy sector. For critics, Chapter 22 clashes with President AMLO’s proposed National Development Plan 2018-2024, a policy based on concepts of energy sovereignty and self-sufficiency. Mexican critics also decry Chapter 28 which defines “good regulatory practices.”

This involves cooperation between two or more Parties to prevent, reduce, or eliminate unnecessary regulatory differences or discriminatory treatment in order to facilitate trade and promote economic growth.

These examples capture the complexities of a North-South competition in which various U.S. actors successfully secure markets to the disadvantage of Mexico. Mexico lost some of its comparative advantage in the offshoring race to the bottom, but in addition, it lost to competition coming from the United States. This sampling of cases does not warrant a definitive conclusion; nevertheless, it does indicate a stronger likelihood of increase stagnation for the Mexican economy (Scenario 2).

DISCUSSION: Scenario 4?

Two additional issues might be raised in this evaluation. First, the economic interests of nations are not homogeneous; both the United States and Mexico have multiple fractions of capital with varying economic preferences. Second, the power of nation-states and their respective leaders varies over time.

Intra-state economic interests

Nations make treaties. However, subnational governments have become increasingly relevant actors in North American diplomacy. Typically, paradiplomacy refers to subnational governmental entities (e.g. Texas-Nuevo Leon or Arizona-Sonora) that engage in cross-border diplomacy to create mutually advantageous solutions (Zepeda 2017). Here, I focus on subnational private entities that engage in a kind of cross-border "diplomacy" to create a disadvantageous solution for one of the parties. The agricultural commodity examples reveal that under certain circumstances, powerful fractions of U.S. capital (organized producer lobbies) have engaged branches of the national government (e.g. DOC or USITC) or international organizations (e.g. WTO or ILO) in paradiplomacy to advance their interests. These efforts transpire below or above the level of nation states; they are, so to speak, independent of international agreements such as the USMCA.

Presidential power

Over time, one or a combination of presidents can affect a country's path dependency. For Mexico, state power waxed and waned as it did in other countries. Following the 1930s economic crash, Mexico, the United States, Sweden, Latin America, and the USSR among others, increased state intervention in the economy. In the United States, state intervention continued into the 1960s

with the Great Society programs. The Mexican government's position toward the economy followed what Evans (1995) calls a "midwife" state. The state assists in the emergence of new entrepreneurial groups and accelerated economic development through a variety of techniques and policies: state-owned enterprises (SOEs); direct and indirect subsidies to private industry; and protectionist trade policies. The import-substitution industrialization (ISI) policies along with tariffs shielded Mexico's domestic market from foreign competition. Mexico's development strategy was accompanied by a variety of welfare systems covering basic social services (health, retirement pensions, education, water, sanitation, and, in some cases, home-ownership programs for working and lower-middle classes). Lipietz (1997) has referred to this industrial relations model combined with formal employment and social welfare as "peripheral Fordism."

While it is important not to over or underestimate the degrees of freedom of any one president, we can ask if there was (or will be) a significant reduction in Mexico's dependency under Mexican Presidents Enrique Peña Nieto, and Andrés Manuel López Obrador, or under U.S. Presidents Barack Obama, Donald Trump, and now Joseph Biden?

Several examples point to the challenge and the transition away from Mexico's pre-neoliberal state. Mexico's acceptance of neoliberalism demonstrates the extent to which the need for foreign investment and debt relief, led Mexico to relinquish or reform numerous fiscal, monetary, and social policies. From 1980 to 1998, Mexico's usage of IMF credits was frequently the largest of all recipient countries, and the amount received by Mexico in 1995 was way out of proportion to any prior disbursement to Mexico, or IMF funding to any other country up to that time. Renegotiated debt set the stage for the non-market pressures that affected trade, foreign investment, currency policies, and state–civil society relations. Credit flows brought on the wave of neoliberalism, wiping out Mexico's developmental project. Mexico accepted the privatization mandate. The number of governmental enterprises dropped from 1155 firms in 1982 (accounting for 10.5 % of GDP) to 280 by 1990 (King 2006). The neoliberal turn swept away the country's edifice of economic and social nationalism; the Mexican government could no longer intervene to promote development or compensate for inequities in wealth.

While some speculated that the "China card" might reduce Mexico's U.S. overexposure, success seems only modest. Foer (2017) reports that the Obama administration urged Mexico to steer clear of Chinese investment in energy and infrastructure projects. Sometime later, Mexico did scuttle a $3.7 billion contract with a Chinese-led consortium to build a bullet train linking Mexico City with

Querétaro. However, as described above (Scenario 3), China has made other inroads.

President AMLO has proclaimed that he wants to make Mexico great again. Nevertheless, in his 2020 announcement of Microsoft's decision to invest USD 1.100 billion to promote technological development he thanked foreign investors for their confidence in Mexico (Inforbae 2020). Failure to comply with capital account liberalization and transparency mandated by the Wall Street Investors would result in the loss of badly needed capital. However, compliance will pose a challenge for a nation's political sovereignty and the legitimacy of its democratic regime Was this poor presidential leadership?

Albeit with varying emphases, Evans (1997), Klein (2007), Lipietz (1997), Harvey (2007), Rodrik (2000), and others reflect on the difficulty of escaping the dependency ties under neoliberal globalization (Schwartzman 2019). Such paradigms provide macro and global frameworks for understanding individual presidential actions beyond the perspective of personal failings. In Rodrik's paradigm, nations hold three important goals: international economic integration, mass politics, and national sovereignty (2000:180). He contends that governments face a trilemma which imposes serious constraints, viz., nations are only able to attain two of the three goal. The loss of economic sovereignty is the premise of Rodrik's trilemma. The ability to promote general social welfare and, therefore, democratic legitimacy has typically depended on a sovereign and viable nation state, but the new globalization has led to a deterritorialization of economic power or what Evans (1997) calls the "eclipse of the state." Harvey (2007) calls it creative destruction. He contends that the neoliberal reforms were fundamentally political projects to destroy both the economic framework and state sovereignty over political–economic affairs. Klein (2007) describes it as disaster capitalism. The reforms terminated the two class-compromises that had contributed to a pro-development industrial policy (between the state and capital) and to domestic peace through welfare systems (between the state and labor). In short, the structural edifice of global integration has diminished the maneuverability of individual governments and individual leaders. These theoretical frameworks go a long way toward explaining why the Asian Tigers, and now China, have success not likely for Mexico –state directed development.

CONCLUSION

The world-systems and dependency perspectives provide structural interpretations of global cycles of expansion and evolution. The paradigms delineate an "ideal-

type" global hierarchy and corollaries regarding relationships within and between levels. As hegemons rise, fall, and are replaced, these movements reverberate throughout the system—not just as waves of south-south competition but also as waves of north-south competition. The additional analysis of business groups reveals the influential role of subnational actors (fractions of capital) alongside of global and national processes.

I have tried to show how we can understand Mexico's fate more fully in the context of major world-system shifts. U.S.' economic slide might have boded well for Mexico, however, the current globalization no longer looks like that described by Frank (Scenario 1). For Frank, dependent nations regained control of pre-existing domestic markets in the absence of imported foreign commodities. Mexico's economy, in contrast, is embedded in global commodity chains. Mexico can make its own future, but economic and political legacies matter. Dependence on the United States led Mexico to accept neoliberal reforms that in turn handicap the development of an autarkic economy. The data also suggest that for now, Mexico's links with China do not rise to the level of a dependent relationship (Scenario 3).

Mexico's fate seems more aptly described by the lament: when the USA sneezes, Mexico catch pneumonia. The deleterious consequences are due, in part, to the fact that some U.S. enterprises have shifted their offshoring away from Mexico. However, they are equally due to the aggressive competition launched by other U.S. businesses. While exogenous (covid-19, U.S. trade policy, and global recession) and endogenous (cartel violence) factors may have exacerbated this trajectory, this review of Mexico's fate is not optimistic.

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[i] These are a few of the many excellent overviews of the world-system approach: Arrighi 2010; Chase-Dunn and Lerro 2014; Hopkins, et.al 1982; Reifer 2004; Shannon 1989; Wallerstein 2004a.

[ii] https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG

[iii] Half of the 120 U.S. banks that failed in 1985 were agricultural banks.

[iv] Four of the 6 Chinese firms registered in RNIE Section 1 (legally constituted Foreign individuals/entities) are in construction and related sectors.

[v] International Classification of Goods and Services for the Purposes of the Registration of Marks (Nice Agreement 1957).