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**NAVAL WAR COLLEGE  
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**Restoring Mexican Confidence in the Government:  
Rural Development as a Tool to Stem Migration**

**By**

**Christopher J. Ireland**

**Colonel, USAF**

**A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the Department of Joint Military Operations.**

**The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.**

**28 October 2011**

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## **Abstract**

To restore public confidence, the Government of Mexico must stem the tide of internal migration and the resultant increase in informal employment by focusing on development in rural areas. Decades of policy disruption resulted in an agrarian sector unable to keep up with population growth and economic liberalization, leaving rural Mexican communities without a viable livelihood. Yet, the ongoing US-Mexican cooperation scheme, the Merida Initiative, lacks socio-economic weight of effort, with barely four percent of US contributions aimed at non-security initiatives. To reverse this trend, the U.S. and Mexico should focus not only on security initiatives, but also on repairing the socio-economic opportunities and fabric of rural Mexican life through community-oriented programs that incentivize agriculture workers to stay rural.

## INTRODUCTION

As the crisis of drug-related crime continues in Mexico, a growing body of work emerges focused on the nature and scope of organized crime and drug trafficking in Mexico. Yet a security-centric approach belies the true complexity of Mexico's dilemma. A distinct lack of public confidence—founded in decades of socio-economic distrust among rural Mexicans--erodes the effectiveness of many government activities.

To restore public confidence, the Government of Mexico must stem the tide of internal migration and the resultant increase in informal employment by focusing on development in rural areas. These initiatives must take place concurrently with security initiatives, not sequentially. Programs aimed at reversing the current trend of violence must not only be sustainable, but must begin to address the series of underlying conditions which have led to the current situation, not just the symptoms of crime and violence that make headlines today.

## GRIEVANCES OF THE MEXICAN PEOPLE

Central to these underlying conditions is a persistent lack of popular confidence in the Mexican government. Since 2009, according to the Pew Research Center's annual Global Attitudes Project, over 76 percent of the population has been dissatisfied with "the way things are going."<sup>1</sup> Tied to this dissatisfaction is an associated frustration with the Mexican economy. The same polling data reveals at least 68 percent of Mexicans cited their economic situation was "somewhat bad" or "very bad" every year since 2009.<sup>2</sup> More specifically, 74 percent are concerned with rising prices and 70 percent worry about lack of job opportunities.<sup>3</sup> Placed in

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<sup>1</sup> Andrew Kohut, et al., *The Pew Global Attitudes Project: Crime and Drug Cartels Top Concerns in Mexico*. Pew Research Center, last modified August 31, 2011, <http://www.pewglobal.org/2011/08/31/crime-and-drug-cartels-top-concerns-in-mexico/?src=prc-number>, 12.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid., 5.

context, more Mexicans feel their economic problems are a greater concern than corruption, terrorism and emigration.<sup>4</sup> This perception has deepened in the last two years: in 2009, 61 percent felt the economy would improve, whereas only 48 percent were as confident in 2011.<sup>5</sup>

Yet not all the economic news on Mexico is disheartening. Mexican national Gross Domestic Product (GDP) grew 5.5 percent in 2010<sup>6</sup>--a 2010 GDP ranked 13<sup>th</sup> by the World Bank.<sup>7</sup> From 2009 to 2010, Mexico's per capita GDP increased by 1.4 percent.<sup>8</sup> The unequal distribution of this economic progress detracts from the good news--the richest 10 percent of the population held 39 percent of the national wealth.<sup>9</sup>

Related to this sense of dissatisfaction with economic progress is the growing popular sense that the government is inadequately addressing the economic plight of average Mexicans. During a June 2011 public protest on the government's handling of the growing criminal crisis, protest leaders also pointed out a lack of focus on the underlying socio-economic issues.<sup>10</sup> Their complaints are not without justification. The ongoing US-

| Account                                              | FY2009 |
|------------------------------------------------------|--------|
| Child Survival & Health                              | 2.9    |
| Development Assistance                               | 11.2   |
| Economic Support Fund                                | 15.0   |
| Foreign Military Financing                           | 299.0  |
| International Military Education & Training          | 0.8    |
| International Narcotics Control & Law Enforcement    | 454.0  |
| Non-proliferation, Anti-terrorism & Related Programs | 3.9    |
| Total                                                | 786.8  |

Figure 1. FY2009 US Assistance to Mexico via Merida Initiative.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid., 4.

<sup>6</sup> *L.A. Times*, "Mexico's GDP grows in 2010 at fastest pace in a decade," February 21, 2011, <http://articles.latimes.com/2011/feb/21/business/la-fi-mexico-gdp-20110221/>.

<sup>7</sup> World Development Indicators database, World Bank, last modified October 6, 2011, <http://databank.worldbank.org/ddp/home.do?Step=12&id=4&CNO=2>.

<sup>8</sup> CIA World Factbook 2009, Central Intelligence Agency, last modified January 22, 2009, <https://www.cia.gov/library/publications/download/>. 1.4% represents difference from 2009 per capita GDP of \$14,200 and the 2010 value of \$14,406. Calculations by author.

<sup>9</sup> Michael P. Todaro and Stephen C. Smith, Powerpoint slides to accompany "Chapter 8: Urbanization and Rural-Urban Migration: Theory and Policy," Economic Development, last modified 2010, <http://econweb.rutgers.edu/vellan/ECODEV/develop08.pdf>, 21.

<sup>10</sup> Adam Thomson, "Anger grows as Mexicans reject crime offensive," *FT.com*, June 6, 2011, <http://www.ft.com/intl/cms/s/0/0b4ba0de-9062-11e0-9227-00144feab49a.html#axzz1YKctln50>.

Mexican cooperation scheme, the Merida (and now Beyond Merida) Initiative, is woefully lacking in socio-economic weight of effort (See Figure 1)<sup>11</sup>. Barely four percent of US contributions are aimed at non-security initiatives.

In order make sense of today's statistics and prescribe future action, it is necessary to explore how Mexican culture evolved towards two major events in the last 20 years—the liberalization of Mexico's economy, and the North American Free Trade Agreement.

### **DEVOLUTION OF POST-INDEPENDENCE RURAL CULTURE**

The current state of the Mexican non-political class--and their disenfranchisement with their government--can be understood through a brief review of Mexico's agricultural policy. Since the colonial era, Mexico predominantly consisted of three populations: descendants of indigenous Indian tribes (30% of today's population), mixed descendants of Spanish colonists and Indians (60%), and white/Caucasians (9%).<sup>12</sup> The history of class struggle is also one of ethnic struggle, with the two minority groups historically owning most of the land and power.

After earning independence from Spain, Mexico undertook a path of land consolidation in the hands of the Mexican elite. *Latifundios*<sup>13</sup> and haciendas emerged as a result of an unstated caste war, where regional white rulers known as “*dzules*” reached agreements with national leaders to construct a social regime and establish estates that “combined paternalism, isolation

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<sup>11</sup> Andrew Wainer, “Development and Migration in Rural Mexico,” Bread for the World Institute Briefing Paper Number 11 (2011), <http://www.bread.org/institute/papers/briefing-paper-11.pdf>, 4.

<sup>12</sup> CIA World Factbook 2011, Central Intelligence Agency, last modified October 15, 2011, <https://www.cia.gov/library/publications/the-world-factbook/geos/mx.html>.

<sup>13</sup> Don M. Coerver et al., 1. Coerver and co-authors define “latifundio” as a large-scale landholding, while a “hacienda” is a large estate.

and coercion to diffuse potential challenges from Mayan barbarians.”<sup>14</sup> In 1857, the Constitution was amended with Article 27, opening for sale private Church and community land holdings, including Indian *ejidos*.<sup>15</sup> Over time, in recognition of the need to assuage growing unrest among peasants, successive Mexican governments gradually eased their aggressive stance towards Church and *ejido* lands. The primacy of the *latifundio*, however, continued; 90 percent of Mexicans were landless by 1910 and peasant grievances continued to grow.<sup>16</sup>

The 1910 revolution led by Emiliano Zapata rallied significant support from Mexican peasants with a central theme of agrarian reform. Pledging to expropriate one-third of all hacienda lands previously taken from communities, Zapatista placed limits on the individual land holdings; established national and local processes allowing peasants to petition for land; and revised Article 27 by formally acknowledging *ejidos*.<sup>17</sup> Before decade’s end, however, revolutionary promises of land reform gave way to political reality; agrarian power became increasingly consolidated in the hands of a few, and worker freedoms concurrently restricted.<sup>18</sup>

This cyclical battle for land reform continued, exacting a significant toll on the Mexican economy, and specifically upon the agricultural productivity of the rural peasantry. The disruption caused by small-scale land distribution, increased industrialization, and federal subsidy for *ejidos* left the agrarian sector unable to keep up with population growth. Mexico

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<sup>14</sup> Othon Banos Ramirez, “From *The Decline and Collapse of Yucatan’s Henequan Agro-Industry: Neoliberalism Reconsidered*,” in *Peripheral Visions: Politics, Society, and the Challenges of Modernity in Yucatan* Peripheral Visions, ed. Edward D. Terry et al. (Tuscaloosa: The University of Alabama Press, 2010), 258-259.

<sup>15</sup> Coerver et al, *Mexico: An Encyclopedia of Contemporary Culture and History*, 2.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid., 3.

<sup>18</sup> Ramirez, *The Decline and Collapse of Yucatan’s Henequan Agro-Industry*, 261.

would be unable to feed itself by the mid-1960s. From 1964-1976, the next two presidents doubled land distribution to the peasantry, further diluting agricultural productivity.<sup>19</sup>

The Mexican oil bust, concurrent with the global economic crisis in the early 1980s, proved the final straw for agrarian reform. Unable to continue subsidies to *ejidos* on a path to overall economic liberalization, the Mexican government re-reformed Article 27, allowing *ejido* inhabitants to purchase land from the government, and severing all government support to rural agrarian workers.<sup>20</sup> The reversal of course proved a major disruption to the socio-cultural fabric of rural communities and workers, yet provided no transition assistance. Of importance here is not that the average rural farmer was incapable of managing his own farm. Rather, the failure of the government to predict such a significant shift in economic productivity, and mitigate with some form of transition assistance, left rural Mexican communities without a viable livelihood.

The natural rope fiber industry in Yucatan bears witness to this crisis. At its apex, this industry accounted for more than 80 percent of the state's GDP.<sup>21</sup> Employed not only in the agave fields of local government-funded *ejidos*, but also in community factories turning fiber into rope, the rural peasants in Yucatan were a classic one-crop society.<sup>22</sup> As synthetic fibers outpaced natural rope production on the international market, government subsidies propped-up Yucatan's economy. By 1983, the number of rope industry workers doubled the necessary labor force.<sup>23</sup> The government sustained a subsistence income that did not match worker productivity.

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<sup>19</sup> Coerver et al, *Mexico: An Encyclopedia of Contemporary Culture and History*, 4.

<sup>20</sup> Ibid.

<sup>21</sup> Ramirez, *The Decline and Collapse of Yucatan's Henequen Agro-Industry*, 144. The term "state" is used here to refer to Yucatan, not Mexico writ large.

<sup>22</sup> Ibid., 145.

<sup>23</sup> Ibid., 151.

As the government liberalized its economy in the 1980s with the encouragement of the World Bank and International Monetary Fund (IMF), especially via the rapid privatization of *ejido* lands, the new land-owning class of peasants painfully discovered they were ill-prepared for individual management of private property. They had never been trained to take over what was formerly a collective enterprise run and funded by the government. Significantly, with the evaporation of the *ejido* went also the formal pension system for rural Mexican farm workers.<sup>24</sup> Facing increased competition from the world economy as a result of removal of most tariffs on foreign trade and investment, rope industry workers earned a mere 48 percent of the minimum wage for the region.<sup>25</sup> In essence, “intermediate institutions were not created nor were training programs started to handle the new challenges” of the neoliberal economy.<sup>26</sup>

This phenomenon was not unique to Yucatan, however. By the end of the 1980s, it became clear that the liberalization of the economy, done drastically with little earnest effort to transition the rural population from state-sponsored livelihoods to free-market competition, was “a cure that was deadly for the patient.”<sup>27</sup> With the emergence of the North American Free Trade Agreement (NAFTA) in 1994, the problem would only get worse.

Without a safety net to guide rural Mexicans through the liberalization of their economy, the further opening of markets brought on by NAFTA jeopardized additional agricultural sectors of the Mexican economy. Corn, which in 1999 comprised 22 percent of Mexico’s agricultural

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<sup>24</sup> Francisco Mere, “Rural Migration in Mexico,” United States Department of Agriculture, March 1, 2007, [http://www.usda.gov/oce/forum/2007\\_Speeches/PDF%20speeches/PalafoxF.pdf](http://www.usda.gov/oce/forum/2007_Speeches/PDF%20speeches/PalafoxF.pdf), 10.

<sup>25</sup> Ramirez, *The Decline and Collapse of Yucatan’s Henequen Agro-Industry*, 151.

<sup>26</sup> *Ibid.*, 153.

<sup>27</sup> Gilbert M. Joseph, “From *Some Final Thoughts on Regional History and the Encounter with Modernity at Mexico’s Periphery*.” In *Peripheral Visions: Politics, Society, and the Challenges of Modernity in Yucatan*, edited by Edward D. Terry et al. (Tuscaloosa: The University of Alabama Press, 2010), 257.

crop output,<sup>28</sup> provides another example of this trend. Rick Relinger, from the University of California San Diego, notes that following the implementation of NAFTA, Mexican corn prices fell 25 percent in 1994 alone, plummeting to 50 percent of its pre-NAFTA value by 2000 (See Figure 2).<sup>29</sup> The rural corn farmer population reduced 33 percent over the same period (See Figure 3),<sup>30</sup> driven by the NAFTA-enabled drop in corn prices due to the introduction of subsidized American corn into Mexican markets. He also notes Canada negotiated trade protection with the United States to prevent this exact phenomenon. Mexico did not.

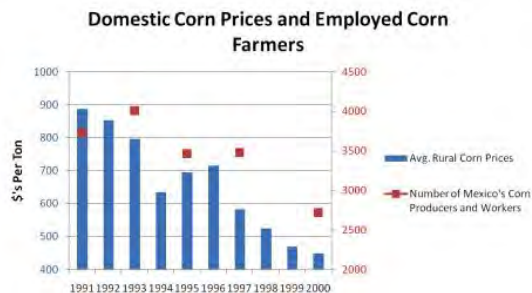


Figure 2. The Impact of NAFTA on Mexican Corn Prices

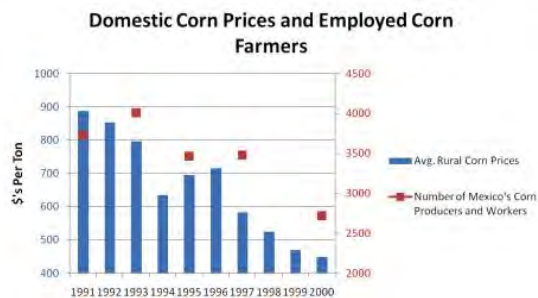


Figure 3. The Impact of NAFTA on Mexican Corn Farmers

Corn and rope are but two examples, but remain indicative of the impacts of poor policy delivery by the Mexican government during economic transition. Cumulative effects of disruptive rural economic policies emaciated Mexican agriculture's contribution to national GDP and employment. The percentage of the Mexican labor force engaged in agriculture dwindled from 21 percent (1999)<sup>31</sup> to 13.7 percent (2009).<sup>32</sup> With a drawdown in workers, agricultural

<sup>28</sup> Mexico-Agriculture, Encyclopedia of the Nations, last modified October 15, 2011, <http://www.nationsencyclopedia.com/economies/Americas/Mexico-AGRICULTURE.html>.

<sup>29</sup> Rick Relinger, "NAFTA and U.S. Corn Subsidies: Explaining the Displacement of Mexico's Corn Farmers," *Prospect* (April 2010), <http://prospectjournal.ucsd.edu/index.php/2010/04/nafta-and-u-s-corn-subsidies-explaining-the-displacement-of-mexicos-corn-farmers>.

<sup>30</sup> Ibid.

<sup>31</sup> Carlos Salas, "The impact of NAFTA on wages and incomes in Mexico," *Economic Policy Institute* (April 2001), <http://www.epinet.org/briefingpapers/nafta01/mx.html>.

contributions to GDP dropped from 25 percent (1970) to 3.9 percent (2006).<sup>33</sup> Rural job losses had a direct impact on basic subsistence family farming as well. “The loss of rural jobs and the inability to generate income impacted family farms in particular: non-salaried ...family employment declined 58 percent between 1991 and 2007.”<sup>34</sup>

The drops in wages; the disintegration of *ejidos* and their inherent social fabric; and the lack of any alternate employment training precipitated an ongoing rural-urban migration that is flooding regional cities and aggravating urban under- and unemployment.<sup>35</sup> These fundamental impacts to Mexican society reflect a need to address more than just land reform; any future government action, then, must improve base conditions in order to decrease internal migration.

## **INTERNAL MIGRATION AND INCREASED RELIANCE ON INFORMAL ECONOMY**

To reach the conclusion that NAFTA alone caused rural-to-urban, or internal, migration would be inaccurate. Certainly, the gradual liberalization of Mexico’s economy—coupled with a lack of replacement job opportunities in rural areas—played a sustained role in the change in Mexican demographics. The absence of unemployment compensation and the disintegration of rural social structure also contributed to the exodus of workers from rural to urban areas.

In his 2007 research, Francisco Mere calculates that internal “migration grew...352 percent between 1980 and 2002.”<sup>36</sup> More narrowly, Andrew Wainer of the Bread for the World

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<sup>32</sup> Background Note: Mexico, Bureau of Western Hemisphere Affairs, last modified December 14, 2010, <http://M.State.gov/md35749.htm>.

<sup>33</sup> CIA World Fact Book 2006, Central Intelligence Agency, last modified January 22, 2009, <https://www.cia.gov/library/publications/download/download-2006/index.html>.

<sup>34</sup> Wainer, *Development and Migration*, 5.

<sup>35</sup> Ramirez, *The Decline and Collapse of Yucatan’s Henequen Agro-Industry*, 151.

<sup>36</sup> Mere, *Rural Migration*, 3.

Institute writes “[a]lmost a quarter of rural Mexicans ages 15-24 in 1990 had left by 2000.”<sup>37</sup>

The same year, 70 percent of Mexico’s population lived in cities.<sup>38</sup>

Such distinct demographic shifts are not easily absorbed in any economy, let alone a developing economy. Increased urbanization presents an ill-defined set of infrastructure problems that exacerbate the people’s loss of faith in government: sewer, water, electricity and roads become overloaded, exacting a physical and socio-economic toll on urban populations.<sup>39</sup> This dissatisfaction with government-provided services compounds the innate frustration associated with rural-urban migration; namely, that people migrate based on an expectation of increased wages, yet are often disappointed with the reality of actual income and employment.<sup>40</sup>

The natural result, then, is that many internal migrants end up working in the informal economy. Typical informal sector jobs attract migrant workers since the jobs require low skill, low productivity, self-employment and a lack of complementary inputs;<sup>41</sup> such attributes compound the difficulty of assisting the informal sector. Typically, wages in the informal sector are nearly 15 percent lower than the formal sector and offer no benefits, adding to the problem.<sup>42</sup>

As an example, Mexican unemployment jumped 50 percent between 2007 and 2010,<sup>43</sup> but may not fully reflect the nature of the problem. Current Organization for Economic Co-operation and Development (OECD) “figures suggest that many job losers left the labour (sic)

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<sup>37</sup> Wainer, *Development and Migration*, 5.

<sup>38</sup> Todaro and Smith, Powerpoint slides, 21.

<sup>39</sup> Ibid., 7.

<sup>40</sup> Ibid., 14.

<sup>41</sup> Michael P. Todaro and Stephen C. Smith, “Chapter 8: Urbanization and Rural-Urban Migration: Theory and Policy,” Economic Development, last modified 2010, [http://wps.aw.com/aw\\_todarosmit\\_econdevlp\\_8/4/1112/284700.cw/index.html](http://wps.aw.com/aw_todarosmit_econdevlp_8/4/1112/284700.cw/index.html).

<sup>42</sup> David J. Robinson and Aasim Husain, *International Monetary Fund Mexico: Staff Report for the 2010 Article IV Consultation*, IMF Country Report No. 10/71, <http://www.imf.org/external/pubs/ft/scr/2010/cr1071.pdf>, 28.

<sup>43</sup> Organization for Economic Cooperation and Development, “Employment Outlook 2010 – How does Mexico compare?” <http://www.oecd.org/dataoecd/13/39/45604035.pdf>, 1. 50 percent represents increase from 3.9% to 5.7%.

market altogether..., thereby reducing the impact of the crisis on measured unemployment.”<sup>44</sup>

The OECD continues, in its *Employment Outlook 2010*, stating the Mexican government faces a challenge to support not only job losers, but also those pushed into informal employment.<sup>45</sup>

Without an accurate understanding of a local economy, let alone the ability to generate public revenue from it, the government continues to struggle to provide for its people.

From the first quarter of 2009, through May 2011<sup>46</sup>, the official Mexican Statistics Agency, INEGI, consistently estimated 28 to 29 percent of Mexico’s working population found work in the informal sector. (See Figure 4)<sup>47</sup> The IMF, in a 1 March 2010 report, estimated as much as 60 percent of the labor force was employed in the informal sector.<sup>48</sup> The same report gauged the informal sector “could be costing the Mexican economy as much as 9 percent of GDP.”<sup>49</sup>

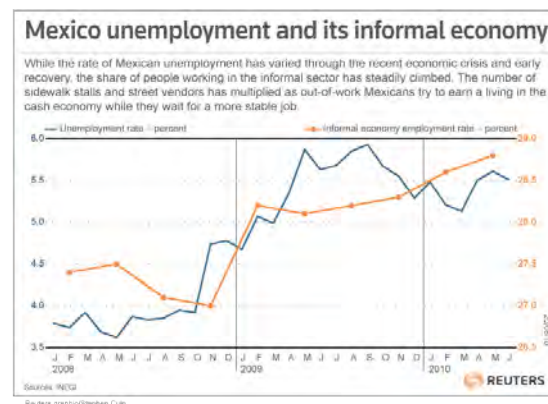


Figure 4. Unemployment and Informal Employment in Mexico

The government stands to lose more than just a percentage of GDP. Criminal groups gain freedom of maneuver and can easily create dependency among citizens in informal economies. The Brookings Institute’s Vanda Brown, during a 2011 testimony before a U.S. Senate Foreign Relations Subcommittee, noted “[t]he government responses to the [informal]

<sup>44</sup> Ibid.

<sup>45</sup> Ibid., 2.

<sup>46</sup> Mexican Business Web, “Informal work grows 28.5% in first quarter of the year,” last modified October 16, 2011, <http://www.mexicanbusinessweb.com/english/noticias/tendencias-consumo.phtml?id=5565>. Mexicanbusinessweb.org provides the May 2011 figure for the informal sector at 28.5%, compared with the 2009-2010 data provided in figure 4.

<sup>47</sup> Caroline Stauffer and Patrick Rucker, “Mexico’s informal economy swells through recovery,” *Reuters*, August 25, 2010, <http://www.reuters.com/article/2010/08/25/mexico-employment-idINN2425351120100825/>.

<sup>48</sup> Robinson and Husain, *International Monetary Fund Mexico*, 28.

<sup>49</sup> Ibid.

economy (which can range from suppression to laissez-faire to rural development) determine the extent to which the population depends on the belligerents to preserve and regulate the [informal] economy.”<sup>50</sup> Were the government to formalize the informal, support to cartels would dry up.

This historical review points out that, while land reform policies contributed to the existing migration-urbanization-informal economy problem set, land reform was not the sole cause. Nor should new land reform be viewed as the solution. To restore public confidence, the Mexican government must reestablish the primacy of the formal economy to enable service provision, while focusing on rural development to stem the tide of internal migration. These challenges aimed at repairing Mexico’s traditional, rural social fabric are not insurmountable, however. A number of successful examples can be referenced—both domestic and regional.

### **WESTERN HEMISPHERE EXAMPLES OF SUCCESSFUL REFORM**

Within Mexico, a number of ongoing initiatives hold promise for further expansion. In Michoacan State, manually-intensive laborers belonging to a logging cooperative manage 680 hectares as part of their furniture making enterprise. The forest is technically owned by the state, but the community members have been granted rights to the land. What makes this relationship work is the government’s deference to local execution, coupled with technical assistance. While this form of forestry management is inefficient, it is consistent with rural socio-economic habits and has received solid reviews from citizens, government and academia. It empowers local ideas

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<sup>50</sup> U.S. Congressional Documents and Publications, *Senate Foreign Relations Subcommittee on Western Hemisphere, peace Corps, and Global Narcotics Affairs Hearing: “A Shared Responsibility: Counternarcotics and Citizen Security in the Americas,”* (Washington , DC: GPO, 2011), 4.

on forest management, “which are often...based on a deep understanding of the local ecosystem,” to dictate the pace of events, sustaining a critical resource and its dependent economy.<sup>51</sup>

A similarly-styled program is taking root in the State of Chihuahua, in north central Mexico. Building on small-scale initiatives dating back to the 1980s, the Frente Democrático Campesino (FDC or Farmers Democratic Front) offers a regional cooperative structure for 5,000 farming families via a democratic structure open to innovation. Cooperative cold-storage projects preserve the life of harvested goods, allowing sales in non-harvest months at higher profits, thus keeping the profits with the local farmers (vs. middlemen). The cooperative also provides credit to small farmers who might otherwise be unable to get commercial loans due to exorbitant rates, thereby strengthening civil society and reducing migratory pressures.<sup>52</sup>

Access to micro-credit is key to relieving pressure on small-scale, rural businesses. Recent government actions in Brazil and Peru demonstrate the potential for improvement. In Brazil, peasants faced traditional challenges securing titles for their property. Brazil suffered from similar internal migration trends from 1960 to 1990, resulting in urban overcrowding. Bureaucratic hurdles and local power brokers prevented farmers from filing for title, which prevented access to credit; the result being departure from rural homelands in search of sustainable work. In response, successive presidents focused on civil-society institutions instead of land reform. Supported by the World Bank, the national family farm credit program disbursed over \$1.3 billion, and is targeted to increase to another 2 million families. President Rousseff, in her effort to retain people in the countryside and make Brazil self-reliant for food, summed up

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<sup>51</sup> *The Economist*, “Keeping it in the community,” Sep 25, 2010, <http://www.economist.com/node/17062703>.

<sup>52</sup> Wainer, *Development and Migration*, 8-9.

her plan: “what we need is to transform the small farmer into a property owner, and ensure he sees his life improving in the countryside and in his educational opportunities.”<sup>53</sup>

Much of this agrarian transformation in Latin America can be traced to Peruvian reforms led by economist Hernando de Soto. de Soto espoused the primacy of institutionally-guaranteed property rights as the collateral and key to unlocking credit. In societies without guaranteed rights and processes, citizens maintain “extralegal” control of their assets, in essence: “They have houses but not titles; crops but not deeds; businesses but not statutes of incorporation.”<sup>54</sup>

Critics of de Soto claim his fundamentals are reasonable, but his proscriptions ignore malevolent actors, including power brokers that attempt to consolidate property titles and re-sell them for large profits. To mitigate this, Geoffrey Payne, an urban planning consultant with vast land-titling experience, recommends a community-based approach. Rather than entitle individuals in state where governance is weak and susceptible to predatory behavior, empower communities to organize and gain access to credit needed for advancement of their livelihoods.<sup>55</sup>

As if these challenges aren’t difficult enough in politically stable societies, the presence of widespread violence exacerbates the government’s problems as laid out in this paper. A common critique to community-oriented development programs calls for the ordinal provision of security before any development can, and should, be attempted.

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<sup>53</sup> Cliff Welch, “Lula and the Meaning of Agrarian Reform,” NACLA Report on the Americas, March/April 2011, ProQuest (875636339), 1-4.

<sup>54</sup> Hernando de Soto’s Biography, The Cato Institute, last accessed October 15, 2011, <http://www.cato.org/special/friedman/desoto/index.html>.

<sup>55</sup> John Gravois, “The De Soto Delusion,” *Slate.com*, January 29, 2005, [http://www.slate.com/articles/news\\_and\\_politics/hey\\_wait\\_a\\_minute/2005/01/the\\_de\\_soto\\_delusion.html](http://www.slate.com/articles/news_and_politics/hey_wait_a_minute/2005/01/the_de_soto_delusion.html).

## SECURITY FIRST: AN INSUFFICIENT RECIPE

The inter-governmental plan that is Plan Merida clearly leans towards the philosophy that security is the guiding principle to dealing with unrest in Mexico. To date, roughly 59 percent of executed U.S. funding targeted Mexican law enforcement activities, while 41 percent assisted Mexican military entities.<sup>56</sup> This is justified, given the exorbitant number of drug trafficking-related deaths in the last five years. Additionally, the annual Pew surveys referenced above point to crime, cartel-related violence, and illegal drugs as the top three concerns surveyed.<sup>57</sup>

Yet, taking violence head-on it is not wholly sufficient to address underlying conditions of the conflict. The criminal, profit-oriented motivations of Mexico's drug cartels warrant a different approach. "In areas of state weakness and under-provision of public goods, increased action by law enforcement agencies rarely is a sufficient response," testified Vanda Brown.<sup>58</sup> She continued: "effective state response...usually requires that the state **address all the complex reasons** why populations turn to illegality, including ...*economic poverty* and *social marginalization*."<sup>59</sup> "Alternative development efforts need to address all the structural drivers of ... illegal economies—such as poor access to legal markets, deficiencies in infrastructure and irrigation systems, no access to microcredit, and the lack of value-added chains."<sup>60</sup>

Andrew Wainer of the Bread for the World Institute echoes this idea. "In order to address...[these] pressures directly, the United States must consider a more balanced development agenda.... This includes elevating the importance of poverty reduction and job-

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<sup>56</sup> Wainer, *Development and Migration*, 3.

<sup>57</sup> Kohut et al., *The Pew Global Attitudes Project*, 5. 80%, 77% and 71% respectively cited these concerns as a "very big problem."

<sup>58</sup> U.S. Congressional Documents and Publications, *Senate Foreign Relations Subcommittee*, 5.

<sup>59</sup> *Ibid.*, 6. Emphasis added.

<sup>60</sup> *Ibid.*, 7.

creation projects targeted to migrant-sending communities—particularly in rural Mexico, where poverty and migration are concentrated.”<sup>61</sup>

Even more fundamentally, the cartels receive tacit and explicit support from populations along the U.S. border; many of whom have moved in search of income unavailable in their rural homelands. If the government can provide such opportunities apart from the urban border areas, the task of getting after the cartels without alienating the civil population should become easier.

### **RECOMMENDATIONS FOR U.S.-MEXICO COMBINED EFFORTS**

First and foremost, the Mexican government must reaffirm its commitment to free-market economy. Mexican GDP growth has been real, albeit challenging where it meets head-on with socio-economic traditions. To backslide into more socialist measures at this point would reverse gains of the world’s 12<sup>th</sup>-largest economy, and the third-largest in the western hemisphere.<sup>62</sup> Concurrent with this commitment to a free-market economy should be a bi-partisan effort between the U.S. and Mexico to revisit barriers to trade and unbalanced assistance that undercut the Mexican rural economy. This may include a provision similar to that between Canada and the U.S. regarding NAFTA; at a minimum it should drive an adjustment to the Merida initiative.

Domestically, Mexico—with the encouragement of the U.S., World Bank, and IMF—should adopt a more comprehensive approach to understanding what drives their rural economies, how the under-resourcing of those regions feeds migration, and what forms of transition assistance would create more sustainable rural livelihoods. Within this proposed rubric, the government should allow for variations in religious, gender, and other social drivers at

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<sup>61</sup> Wainer, *Development and Migration*, 2.

<sup>62</sup> CIA World Factbook 2011.

the **local** level, while avoiding disciplinary “balkanization.”<sup>63</sup> The comprehensive approach demonstrated in the Mexican forest vignette may prove a useful example. Key to these reforms must be a widening of access to credit for Mexico’s rural communities—both agrarian and non-agrarian. Development of efficient processes to receive and grant micro-credit is essential to energizing local development, without blossoming a new and undesirable form of bureaucracy.

As the U.S. and Mexico look to implement such reforms, they may be wise to borrow from a relatively recent practice in civil-military cooperation. Since 2008, Army National Guard units have mobilized and deployed Agri-business Development Teams (ADTs) of citizen-soldiers to Afghanistan to aid in implementing agricultural development programs. Comprised of Soldiers and Airmen with first-hand, real-world agricultural experience--and augmented by U.S. officials from various government agencies to include the U.S. Dept. of Agriculture--the ADTs have deployed from at least 12 different states for 12-month rotations in Afghanistan.<sup>64</sup> In an environment like Mexico, where the introduction of US forces should likely be kept at a minimum, ADTs could operate in rural areas away from the main centers of violence and provide expert assistance in not just agriculture, but agri-business.

Finally, the government of Mexico should aggressively work to identify, register, support (with micro-credit) and formalize the informal sector. As de Soto described, engaging business into the formal economy with property rights (not merely land property, but all business property) produces tangible fiscal benefits for businessman and government alike. The intangible benefits are as great, allowing the government to connect with the people by intelligently providing services for the urban populations.

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<sup>63</sup> Joseph, *Some Final Thoughts*, 254.

<sup>64</sup> National Guard Agriculture Development Teams, National Guard, last modified September 7, 2011, <http://www.ng.mil/features/ADT/default.aspx>.

## **CONCLUSION**

The key to future Mexican stability lies in a combined, U.S.-Mexico approach that deals not only with security concerns, but earnestly addresses underlying conditions in rural Mexico. By repairing the socio-economic opportunities and fabric of rural Mexican life, the government will stem internal migration, decrease the problems of urbanization, and regain public confidence at the expense of the cartels. While there are examples of regional success to build upon, both sides must be clear-eyed in their expectations. This will be a multi-generational effort.

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