THE HISTORY OF US-MEXICO ECONOMIC RELATIONS

Adapted from the broadcast audio segment; use the audio player to listen to the story in its entirety.

The history of the U.S.-Mexican relationship is one of ambivalent friends. For much of the past two centuries, these neighbors were not friends, partners or allies. They were foes.

Mexico's territory was cut in half in the middle of the 19th century when U.S. forces captured what is now all of modern day California, Arizona and New Mexico and parts of Colorado, Nevada and Utah. In the early 20th century, the deadly cross-border raids by the infamous bandit Pancho Villa triggered a U.S. military expedition deep into Mexican territory.

John Coatsworth is a professor of international and public affairs and history at Columbia University. He says the first test of new relations between the U.S. and Mexico came in 1938 when Mexico nationalized its oil industry and expropriated the assets of all foreign oil companies operating in the country.

"The U.S. administration was under enormous pressure from interest groups in the United States, particularly the oil companies that were enormously powerful, to intervene at least to send troops to cease oilfields. The Roosevelt administration, while it did support a boycott, never adopted any of the harsher measures that were urged upon it."

During World War II, economic, political and military cooperation between the United States and Mexico grew more extensive.

After he laid out the good neighbor policy, FDR travel to Monterey, Mexico for a historic meeting with Mexican President Avila Camacho. It was the first time that leaders of these two countries had met in over three decades.

With American workers off at war in Europe and Asia, there was a new shortage in America's agriculture labor force. In 1942, the United States and Mexico signed the Bracero accords that brought tens of thousands of Mexicans to the United States on a temporary worker program. U.S. farm owners used public service announcements to persuade a skeptical public of the need for Mexican workers.

Once the war was over, the neighborly feelings between the U.S. and Mexico began to fade and Mexico turned inward explains Coatsworth.

"To insulate the country's economy from external shocks, depressions, wars and so on, Mexico focused on industrializing and doing it with its own resources or by limiting, controlling or regulating the amount of foreign capital that entered the country.

After Mexico shut its borders to American trade and investment, the U.S. did the same to Mexican labor. The Bracero program was discontinued in 1965 after strong lobbying on the part of the American labor unions convinced the Johnson administration to halt the temporary worker program. But the need for workers persisted in the U.S. and Mexicans began crossing the border illegally in significant numbers for the first time.

Illegal immigration was not the only area of conflict in the relationship. In the late 1970s, oil bubbled up as a point of contention once again.

The government-run oil monopoly Telmex discovered how much oil and natural gas Mexico had in reserves. Mexicans claimed their potential reserves could rival those of Saudi Arabia. The United States' need for the Mexican oil and gas was obvious given that Iran was in turmoil. But the Carter administration and Mexico had problems dealing with each other says Coatsworth.

“In that brief period, Mexico imagined itself a middle-sized power that could confront the United States on issues where it had disagreements in the international arena and where it could go its own way in developing its own economy without the participation of American business and capital and without paying much attention to policy preferences expressed by presidents in Washington.”

In 1982, the high oil prices that had given Mexico the confidence to confront the United States suddenly plummeted. Mexico’s highly regulated economy was unable to absorb the shock.

Mexico suffers through its worst crisis in more than half a century, and the prognosis for the economy was now grave. Inflation was expected to reach 100% by the end of the year. Food prices were skyrocketing. Tortillas, the staple of the Mexican diet, were selling for twice what they did only a few weeks before.

In the decade after the crisis, the Mexican government carried out historic market reforms to open its economy to trade and investments. Many Mexicans worried that an open economy would be vulnerable to U.S. penetration. Mexican President Carlos Salinas made a concerted effort to diversify Mexico’s trading partners in order to limit American influence. Coatsworth explains that Mexico had to revise its relationship with the United States.

“Mexico has always had a very strong pre-occupation with its northern neighbor. The idea of creating an especially intimate relationship with the United States was never popular in Mexico. As Mexico tried to globalize, its first priority was to create a kind of plurality of external partners. That simply didn’t work. The collapse of the Soviet Union created a huge new market for Europeans in Eastern Europe. They were less interested in Mexico than they had been before and the Japanese had become interested in China as it opened up. What Mexico found was that there really was no alternative but to develop a closer partnership with the United States.”