



**Woodrow Wilson  
International  
Center  
for Scholars**

*Mexico Institute*

# **Restoring Mexico's International Reputation**

**Roberto Newell G.**

Working Paper Series on U.S.-Mexico Economic Integration

June 2011

# Restoring Mexico's International Reputation

Roberto Newell G.

Woodrow Wilson-COMEXI Public Policy Scholar and Vice President, IMCO

The conventional wisdom in the United States is that Mexico is a mess- nearly a failed state in the opinion of some- unable to move forwards in several critical dimensions and mired down in frustrating and rancorous debates that seem never to be resolved: in sum, a back-water hardly worth a second look except for the spill-over effects of war against organized crime. This perception is fed by daily reports in the press about yet one more grisly crime, the noise derived from incessant conflicts between leading factions in Mexican politics.

Mounting casualties from the war on crime and relentless political conflicts have made it virtually impossible for policy makers to focus their energies on policies to resolve Mexico's structural problems. With little else to talk or write about Mexican and American pundits and reporters are obsessively focused on corruption, the drug wars and the migration of undocumented workers to the United States.

All of these issues are real but they are not the only news about Mexico that is worth writing about. So much attention focused on these issues has damaged Mexico's reputation, creating the perception that the country is overrun by violent criminals that

destroy lives and properties on a whim. Policy makers have been influenced by the change in perceptions. For many decision makers in the U.S. Mexico has become primarily a security problem; the country is no longer perceived as a key business prospect.

If the conventional wisdom about Mexico were accurate, key policy decision-makers' time would be saved by delegating economic and political decisions to lower level bureaucrats and functionaries so as to focus energies exclusively on organized crime, corruption and undocumented aliens. But the reality about Mexico is far more nuanced and subtle than the prevailing caricature conveys.

Powerful forces are reshaping the political economy of Mexico. As will be shown below, many of these changes are improving the lives of Mexicans and the competitiveness of its economy, but there are enough dark clouds on the horizon to serve as a warning about a potentially more uncertain and unstable future.

Professional business analysts that follow Mexico have also been influenced by the conventional wisdom. This is surprising inasmuch as they are paid to examine the evidence and follow the performance of companies whose results have generally been good for most of the last decade. Yet, somehow the objective evidence that they follow daily is insufficient to cause them to question whether the conventional wisdom is right. As will be shown below, the performance of companies operating in Mexico should have made them examine the conventional wisdom more carefully. The selectivity and

asymmetry with which many of these individuals manage and interpret information is inexcusable but was made the easier by the huge success of Goldman Sachs popularizing the growth and performance of the so-called BRICs.<sup>1</sup>

## All is not well with Mexico

It would be disingenuous to pretend that all is well with the Mexican economy. The caricature that underlies the conventional wisdom is partially correct. For instance, since 1997, divisions in Congress have frustrated and delayed much-needed reforms.<sup>2</sup> The net effect of this has been to cause the economy to grow more slowly than it might otherwise.<sup>3</sup>

---

<sup>1</sup> Goldman Sach's piece on the BRICs is and remains very influential in Mexico and elsewhere. Drawing heavily on the financial firm's reputation for analytical excellence, Goldman created a framework that caused attention to focus on the future of just a handful of countries. But the superb marketing of this piece probably did a disservice to investors seeking to optimize their portfolios. The cost of drastically narrowing the number of countries to follow to just four was to cause decision makers to overlook both positive and negative developments of other large countries, such as Mexico, Turkey, Iran, South Africa, Argentina and Indonesia, all of which are large enough to shelter attractive business opportunities and to influence regional and international events. Goldman Sachs, *Building Better Economic BRICs*, 2003

Another subtle and potentially more damaging effect of Goldman's publication was to give unearned kudos to the leaders of the chosen four, thus, tacitly endorsing the economic decisions of Russia's political leadership, while implicitly providing support for the authoritarian regimes of China and Russia. But then, who was ever fired for following the investment recommendations of Goldman Sachs?

<sup>2</sup> Major reform packages have been considered: Most have been seriously watered-down or changed, such as the Law governing elections (2007), the petroleum exploration and production initiative (2009), or the fiscal reform package (2010). Other reforms are stuck in eternal negotiation loops, for instance: Labor law reforms (2010-2011) and the reforms to the competition law (2010-2011). And in other cases, legal challenges to existing regulations have delayed the modernization of key sectors. An example of the impact that these conflicts have had is to be found in the long delays resolving the controversies that have impeded the adoption of 4G technology in cellular communications (2010-2011).

<sup>3</sup> Estimates by IMCO suggest that Mexico's sustainable annual growth rate might rise by as much as 2.5% by the combined effects of three reforms: petroleum sector liberalization, labor market reform and competition law reforms. IMCO (2010)

This expresses itself very clearly in the labor productivity statistics of Mexico. As shown in the graph below<sup>4</sup>, labor productivity levels have been static since the late seventies:

### Evolution of three indices of real income in Mexico: 1981=100

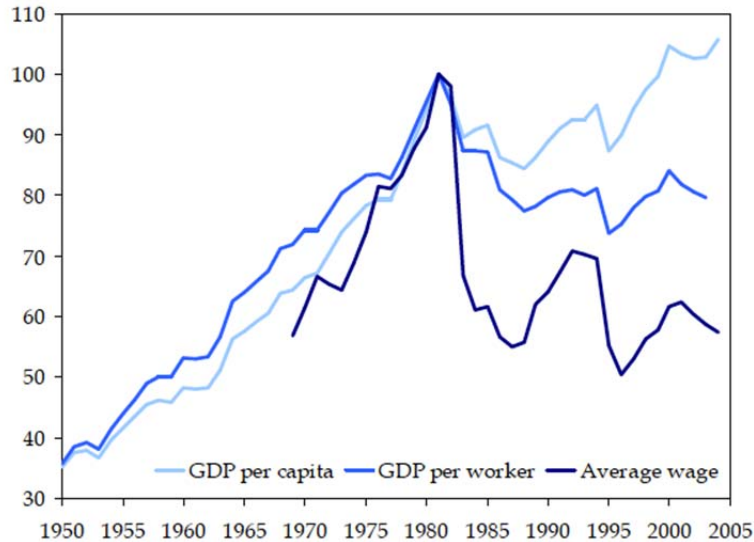


Figure 1. Evolution of three indices of real income in Mexico, 1981=100. GDP per capita and per worker are adjusted for PPP. Average wage is adjusted by CPI. Source: GDP per capita and per worker were taken from Penn World Table 6.2. Average wage comes from the index of wages, salaries and fringe benefits of Banco de México.

There are many reasons for this, but among the most pernicious are the unreasonably high cost of non-tradable goods<sup>5</sup> (i.e. energy costs, telecoms), perverse incentive structures that cause the informal economy to grow at the expense of the formal economy where productivity levels are 30-40% higher<sup>6</sup>, unresolved issues related to Mexico's

<sup>4</sup> Pablo Peña, "Las décadas perdidas y el futuro economico", (Forthcoming)

<sup>5</sup> Gordon Howard Hanson, "Why Isn't Mexico Rich." *The National Bureau of Economic Research*. Paper Number: 16470. October 2010, Page 3. <http://www.nber.org/papers/w16470> (accessed May 30, 2011).

<sup>6</sup> Santiago Levy, *Good Intentions, Bad Outcomes: Social Policy, Informality, and Economic Growth in Mexico* (Washington, D.C.: Brookings Institution Press, 2008).

public finances that rely too heavily on oil revenues and impede the growth of infrastructure<sup>7</sup> and issues related to the competitive structure of key sectors of the economy, including the labor market.

Risk perceptions with relation to organized crime have probably also had an indirect impact on labor productivity by causing the capital stock to grow more slowly than they otherwise would<sup>8</sup> and by inciting talented individuals to emigrate from the country.<sup>9</sup>

## **The BRICs would like to be like Mexico**

While it is undoubtedly the case that Mexico faces grave challenges, the conventional wisdom is wrong. In fact, in most dimensions of public policy, the leaders of the BRICs would love to trade places with Mexico, as the following evidence illustrates:

- Even at current growth rates, it will take China three decades to overtake income levels in Mexico.<sup>10</sup> It will take India even longer; it will not overtake Mexico before the end of the century.<sup>11</sup>
- While Mexico's democracy is less functional than one might wish, free and fair elections determine who governs. There is room for improvement, but the risk

---

<sup>7</sup> Instituto Mexicano Para La Competitividad A.C. (IMCO). *Índice De Competitividad Internacional 2009. México Ante La Crisis Que Cambió Al Mundo*. Page: 13-14. Mexico, 2009. Print.

<sup>8</sup> Seth Rojas Molina, "Mexico: Mal y Empeorando," *La Prensa*, October 2010. <http://216.97.33.27/notas.asp?id=32317> (accessed May 30, 2011).

<sup>9</sup> Consulta Mitofsky. "Economía, Crimen, Drogas, Corrupción. Problemas En México." *Mitofsky* (September 9, 2009): <http://72.52.156.225/Estudio.aspx?Estudio=actitudes-globales> (accessed May 30, 2011).

<sup>10</sup> Instituto Mexicano Para La Competitividad A.C. (IMCO), "To BRIC or Not to BRIC," (2010). [www.imco.org.mx](http://www.imco.org.mx), [http://imco.org.mx/images/pdf/To\\_BRIC\\_or\\_not\\_to\\_BRIC1.pdf](http://imco.org.mx/images/pdf/To_BRIC_or_not_to_BRIC1.pdf). (accessed May 30, 2011).

<sup>11</sup> [IMCO \(2009\) \(37, 38, 39?\)](#)

that Mexico will return to a monolithic one-party state is negligible. In this dimension Mexico is far ahead of China or Russia and on a par with Brazil and India.

- There is corruption on many levels, but Mexico ranks on par with BRICs in the quality and transparency of its governance systems.<sup>12</sup>
- Over the past decades, Mexico undertook a host of market-friendly reforms that opened the economy to trade and investment and created institutions to protect private property and supervise regulated sectors. Similar reforms are underway in Brazil and India, especially in trade, which is only now being opened. Russia and China are even further behind. Both of these countries continue to rely on closed, non-institutional political structures to manage market regulations. While in the short run their all-powerful central governments are able to make critical decisions rapidly, both societies face catastrophic institutional risks of the sort currently on display in the Middle East.
- Mexico's population is still growing.<sup>13</sup> The Mexican labor force is much younger than that of China and Russia.<sup>14</sup> The population pyramids of Mexico,

---

<sup>12</sup> Transparency International, "Corruption Perception Index 2010 Results," 2010. [www.transparency.org,http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results) (accessed May 30, 2011).

<sup>13</sup> Instituto Nacional de Estadística y Geografía (INEGI). "Número de Habitantes." [www.cuentame.inegi.org.mx/poblacion/.http://cuentame.inegi.org.mx/poblacion/habitantes.aspx?tema=P](http://cuentame.inegi.org.mx/poblacion/http://cuentame.inegi.org.mx/poblacion/habitantes.aspx?tema=P) (accessed May 30, 2011).

<sup>14</sup> World Bank, "Population Growth Rate: Percentage Change of Resident Population Compared to Previous Year," World Bank-World Development Indicators 2011. [google.com/publicdata, http://www.google.com/publicdata?ds=wb-wdi&met\\_y=sp\\_pop\\_grow&tdim=true&dl=en&hl=en&q=world+population+growth+rate#ctype=l&strail=false&nسلم=h&met\\_y=sp\\_pop\\_grow&scale\\_y=lin&ind\\_y=false&rdim=country&idim=country:MEX:CHN:RUS&tdim=true&hl=en&dl=en](http://www.google.com/publicdata/http://www.google.com/publicdata?ds=wb-wdi&met_y=sp_pop_grow&tdim=true&dl=en&hl=en&q=world+population+growth+rate#ctype=l&strail=false&nسلم=h&met_y=sp_pop_grow&scale_y=lin&ind_y=false&rdim=country&idim=country:MEX:CHN:RUS&tdim=true&hl=en&dl=en) (accessed May 30, 2011).

Brazil and India augur an extended period of economic growth and opportunities for businesses located in these countries.<sup>15</sup>

- Health statistics also favor Mexico: the life expectancy of Mexicans is significantly higher than that of the BRICs.<sup>16</sup> Moreover, Mexicans have growing access to a universal health system that offers a relatively low cost standardized package of health services to the entire population.
- Educational statistics also generally favor Mexico. The average schooling of the working age population of Mexico is 7.2 years, compared to 4.9 in Brazil, 6.4 in China and 5.1 in India.<sup>17</sup> The equivalent statistic is not available for Russia. The quality of education in Mexico is deplorable, but not far different from the levels achieved by the students in the BRIC countries.<sup>18</sup>

## **Mexico is in the best shape ever**

In fact, an objective review of the evidence shows that although Mexico's economic performance still falls far short of fulfilling the needs and aspirations of its population, the country is presently at a high-water mark in most performance indicators:

---

<sup>15</sup> Nicholas Eberstadt, *World Population Prospects and the Global Outlook: the Shape of Things to Come*, AEI Working Papers, Number 5, February, 2011

<sup>16</sup> OECD. "Mexico - Strengthening the Competition and Regulation Framework." Apr. 2010. Web. [http://www.oecd.org/document/34/0,3343,en\\_2649\\_40381664\\_44948578\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/34/0,3343,en_2649_40381664_44948578_1_1_1_1,00.html) . accessed May 30, 2011.

<sup>17</sup> Nationmaster.com, "Average Years of Schooling of Adults (most recent) by Country." *NationMaster - World Statistics, Country Comparisons*. UNESCO. Web. [http://www.nationmaster.com/graph/edu\\_ave\\_yea\\_of\\_sch\\_of\\_adu-education-average-years-schooling-adults](http://www.nationmaster.com/graph/edu_ave_yea_of_sch_of_adu-education-average-years-schooling-adults). accessed 30, May 2011..

<sup>18</sup> IMCO (2009)



- GDP per capita at PPP has risen 46% between 2000-2009<sup>19</sup>, and family income levels have grown even more.<sup>20</sup>
- The health of Mexico's population is also at an all-time best: life expectancy has continued climbing<sup>21</sup> as has the healthy average life expectancy (HALE) of Mexicans.<sup>22</sup>
- Education parameters are also improving, although they are still far short of what is desirable: The average schooling level of Mexico's labor force now stands at 8.3 years<sup>23</sup>, and the education outlook for children currently entering primary school is significantly higher.<sup>24</sup>
- Poverty indicators, long Mexico's bane, are also improving. The incomes of families in the lowest 3 deciles have grown during the past eight years<sup>25</sup>. This improvement is mirrored in nourishment statistics, better housing and higher school enrollment rates.
- Macroeconomic indicators have also improved. The economy is stable and has had low inflation over the last ten years as well as a gradual appreciation of the real exchange rate. Moreover, Mexican public finances are also reasonably healthy: the fiscal deficit stands at less than half of one per cent of GDP<sup>26</sup>; hence

---

<sup>19</sup> INEGI (2011)

<sup>20</sup> INEGI, Encuesta de Ingreso Gasto de las Familias Mexicanas, (2011)

<sup>21</sup> IMCO (2009)

<sup>22</sup> IMCO (2009)

<sup>23</sup> IMCO (2009)

<sup>24</sup> IMCO (2009)

<sup>25</sup> INEGI, encuesta de Ingreso Gasto de las Familias Mexicanas, (2011)

<sup>26</sup> Banco De Mexico. *Informe Sobre La Inflación Enero-Marzo 2011*. *Bancodemexico.com.mx*. May 2011.

Web. <http://www.bancodemexico.com.mx/publicaciones-y-discursos/publicaciones/informes-periodicos/trimestral-inflacion/{C7EBC146-3BF8-058F-9666-4EA1F1126F78}.pdf> accessed May 30, 2011

nominal interest rates have gradually declined making housing and durable consumer goods affordable to a broader swath of the population.

All of this is not to say that all is well in Mexico. As stated above, significant challenges need to be faced. First among these is the need to dramatically improve the quality of law enforcement<sup>27</sup> and the judicial system. The country also needs to improve and reform vital regulatory institutions<sup>28</sup>, especially those that regulate telecommunications and the energy sector and create the conditions that will stimulate labor productivity growth. There is also a need to reduce the dependence of public finances on oil revenues.<sup>29</sup> Steps should also be taken to improve the quality and pertinence of higher education<sup>30</sup> and so on. But the balance of the last twenty years of development and growth is largely positive. Mexico is in better shape today than ever before.

## **Mexico's performance has paid investors handsomely**

For all these reasons cited above, multi-national companies operating in Mexico tend to do very well, as is shown in the graph below, which shows the percent of the operating income that was earned by the affiliate companies of a sample of corporations operating in Mexico.

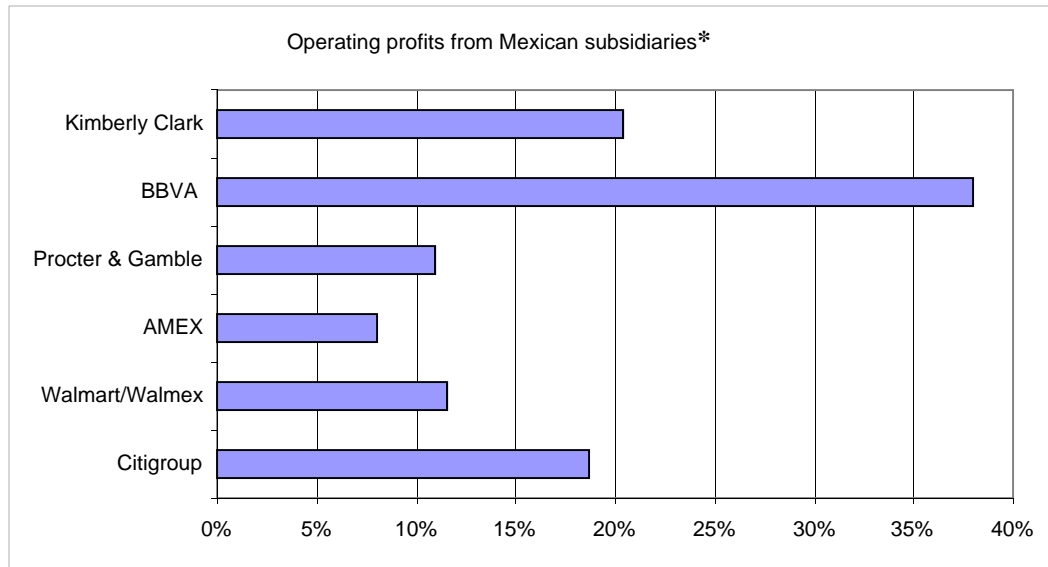
---

<sup>27</sup> Fernando Gonzalbo. "Homicidios 2008-2009 La Muerte Tiene Permiso." *Nexos*. Jan. 2011. Web. <http://www.nexos.com.mx/?P=leerarticulo&Article=1943189> accessed May 30, 2011.

<sup>28</sup> OECD, "Mexico: Strengthening the Competition and Regulation Framework", April, 2010

<sup>29</sup> Alberto Diaz Cayeros, "Political Economy Analysis of Averting the Resource Curse: Mexico Case Study," World Bank, 2009, <http://siteresources.worldbank.org/EXTLACOFFICEOFCE/Resources/870892-1253047679843/ADiazCayerosPPT.pdf> accessed May 30, 2011.

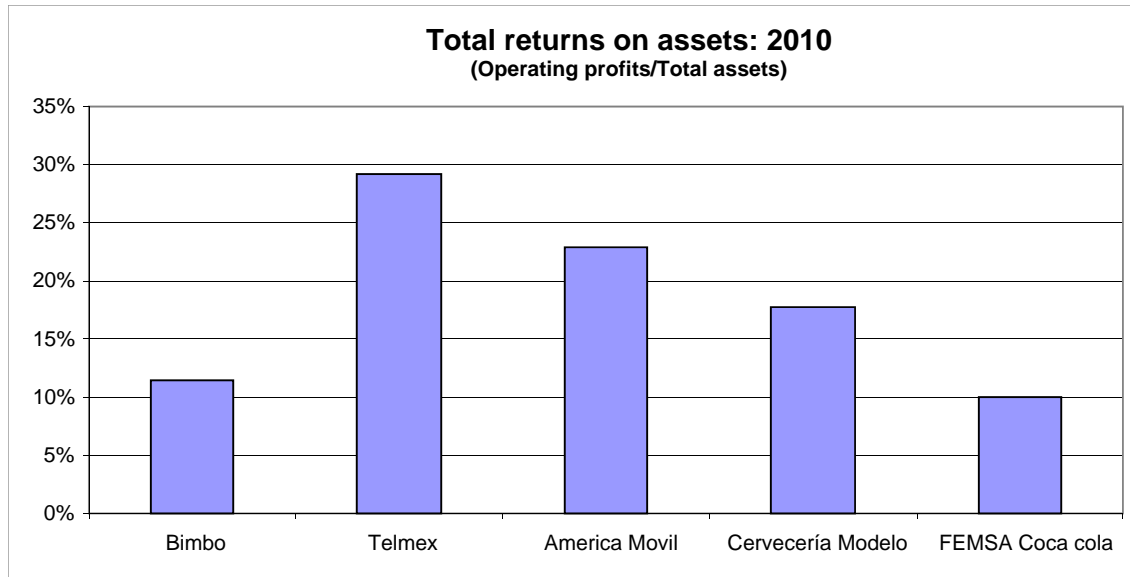
<sup>30</sup> IMCO (2009)



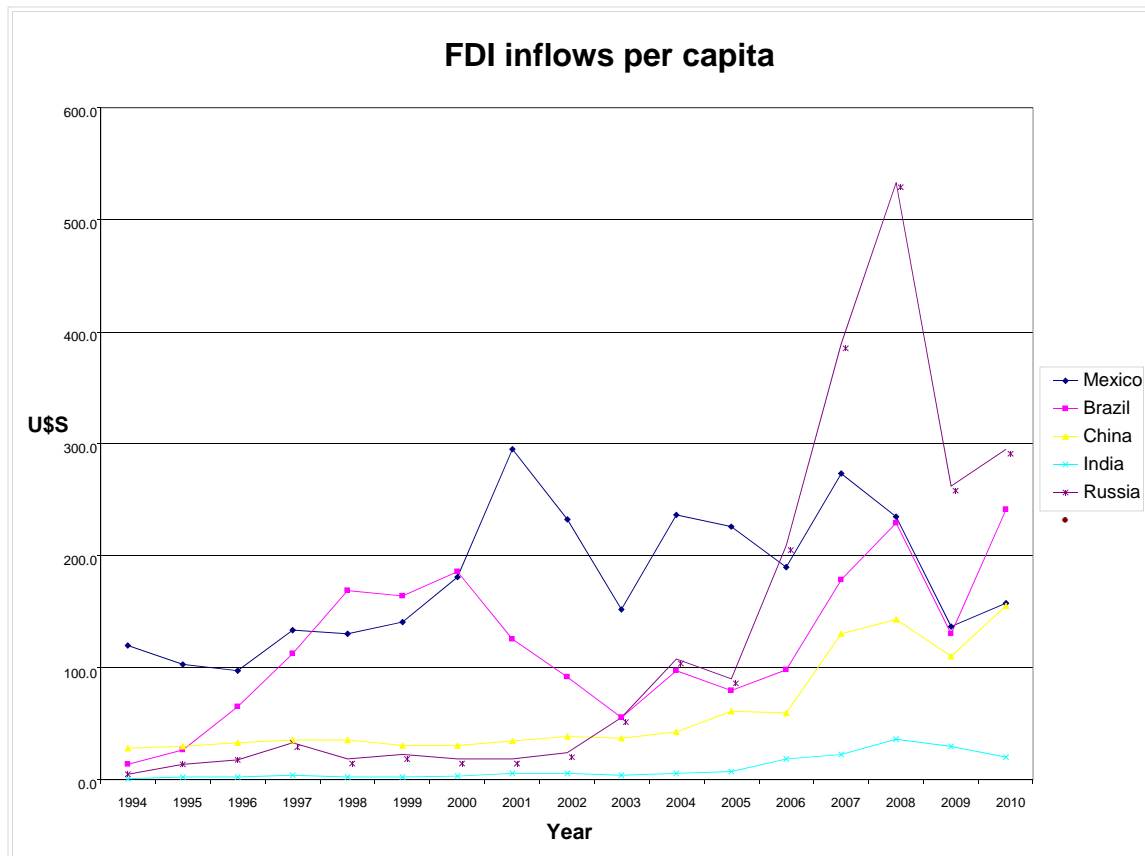
**Source:** Annual Reports and 10K's; estimates prepared by author

Multi-nationals are not the only corporate winners. Business conditions have also been good for domestic incumbents that were prepared to take advantage of the opportunities in the Mexican economy. Many, but not all, of the winning companies are large, established and well managed. Frequently their operational excellence has caused them to have dominant positions in their respective markets. In the graph below is shown the before tax return on assets of several Mexican corporations. The yields earned by these corporations are excellent.<sup>31</sup>

<sup>31</sup> Values are estimated before taxes and interest paid in order to eliminate the impact of debt structure and special tax situations.



In the normal course of events, results such as these would have piqued analysts' interest and caused investments in Mexico to grow exponentially, but these investments failed to materialize in proportion to the available opportunities. As shown in the graph below, during the period 2000-2010, FDI in Mexico grew more slowly than in the BRICs, the fact notwithstanding that frequently profits in Mexico were higher than what could be earned elsewhere.



Undoubtedly, this performance was influenced by growth expectations, which are significantly higher for the BRICs than for Mexico, but it is likely that negative perceptions about Mexico also contributed to this outcome.

### **Mexico's internal debates drown out the good news**

The reason that perceptions about Mexico are so negative is related to the fact that political conflicts, crime and corruption have displaced other news in major national dailies and the media.

Take for instance Reforma, arguably Mexico's most influential newspaper: Between April 12 and May 11, 2011, its banner headlines were consistently negative; indeed, 57% of the headlines were related to crime and most of the others criticized Mexico's political leaders. The tone of the headlines was acid, discouraging and representative of its editorial outlook. Similar results would probably apply if the same analysis were made for the last five years of publications.

President Calderon has frequently expressed his view that Mexicans in general and the government that he leads, specifically, are poor at communicating Mexico's strengths and achievements. On some level, he is undoubtedly correct. But the picture that emerges upon reviewing news reports about Mexico is that Mexico's leaders have totally lost control of what issues are discussed in the media and how these issues are framed and discussed.

As shown in the sections above, there is significant objective evidence to show that Mexico still out-performs the BRICs. Yet this is not the impression gained from listening to Mexican pundits. Similarly, there are many reasons to be satisfied with the direction that Mexico is moving in, yet many Mexicans are nostalgic for the past.

In retrospect it is easy to understand why this is the case. Since 1997, and even before, the preferred tactic of opposition parties has been to blame Mexico's many problems on the incumbent administration. The PAN did this to Zedillo during the period of the

banking crisis, and the PRI and PRD have done this to the Fox and Calderón administrations during the last ten years.

Attacks of this sort are common in open political systems. Indeed, this phenomenon is identical to what happens in the U.S. and elsewhere. But what appears to be different is that in Mexico these tactics have succeeded in profoundly affecting domestic and international perceptions.

The political debate in Mexico is loud, critical, rancorous and polarizing. The attack-dogs of the political parties are perpetually on the prowl for issues and personalities to attack. A great amount of energy is expended on discrediting the sitting government. Critics blame the government for every imaginable problem, including many that are legacies of past administrations.

These tactics have paid-off, and not just for current opposition parties, but they have come at a great cost to the body politic.<sup>32</sup> Since 1997, no national government has been able to shape the majority needed to pass politically sensitive reforms through Congress, even in cases where there has been significant public support for change, as in the case of the reforms to strengthen the federal competition commission.

The incessant polemics have boxed-in the serving administrations and affected how it is perceived. The unremitting attacks on the leadership capabilities of government officials

---

<sup>32</sup> Radioformula.com. "Rupturas En Partido Más Peligrosas Que Alianzas: Roy Campos. Con Óscar M Beteta." *Grupo Fórmula*. [Http://www.radioformula.com.mx/notas.asp?Idn=155128](http://www.radioformula.com.mx/notas.asp?Idn=155128), 8 Feb. 2011. Web. May 2011. <http://www.radioformula.com.mx/notas.asp?Idn=155128>

have undermined the public's faith in the government's capabilities and the direction of the country. In April, 2011 60 % of the Mexicans polled by Mitofski<sup>33</sup>, answered no to the question whether the nation was on the right course; only 32 % answered in the affirmative. People are deeply dissatisfied with current situation and favor changes the fact notwithstanding that the objective conditions of their life have never been better.

The PRI's attacks have been so effective that is now uses as its key campaign message that its candidates uniquely know how to govern the country (*Nosotros si sabemos gobernar*). This battle cry resonates with hundreds of thousands of Mexican voters hence it currently leads in early presidential preference polls.<sup>34</sup>

In a context in which suspicion has replaced trust; where civil behavior is regarded as evidence of weakness and hard-evidence is instantaneously disputed, it is almost impossible to sound credible when speaking well of Mexico. The problem is that this is a game that two can play. Because of this there is no end in sight to the polarization of Mexico's body-politic, or to the polemics raised whenever public policy issues are debated and political issues contested.

The barrage of criticism has had corrosive effects. The reiterated attacks on the PAN administrations have created political opportunities for the PRI, but these attacks have also undermined the public's faith in democracy in Mexico, and in the quality of

---

<sup>33</sup>Consulta Mitofsky, "Rumbo Del País," Consulta Mitofsky,<http://www.consulta.mx/Default.aspx> accessed May 30, 2011

<sup>34</sup> Consulta Mitofsky, "ASI VAN.... PRESIDENTE DE LA REPUBLICA," Consulta Mitofsky,<http://www.consulta.mx/Default.aspx> accessed May 30, 2011



country's institutions. In the process they have also obscured the facts about the country's performance.

Cacophony has substituted debate and fed the distress that Mexicans feel when they regard the state of the nation. Paraphrasing Aguilar Camín and Castaneda, what Mexicans most need today is a psychiatrist to help them to more objectively evaluate the country's situation.<sup>35</sup>

## **Mexicans' depression is contagious**

In such an environment, one might expect foreign observers and journalists to be more objective than their Mexican cohorts, but this seems not to be the case. As we shall show below, an examination of articles about Mexico in major U.S. and U.K. dailies suggests that Mexicans' depressed state is contagious.

Recent publications by researchers in influential think tanks also reflect these negative perceptions. For instance, recent publications at influential think tanks such as Brookings<sup>36</sup> and the Heritage Foundation<sup>37</sup>, to take two on opposite sides of the political spectrum, coincide in their negative assessments. And the same is true of publications by multi-lateral institutions' staff, as in the case of the OECD<sup>38</sup> and the World Bank<sup>39</sup>.

---

<sup>35</sup> Jorge G. Castañeda, and Héctor A. Camín. "Un Futuro Para México." *www.nexos.com.mx*. 1 Nov. 2009. Web. <http://www.nexos.com.mx/?P=leerarticulo&Article=29024> accessed May 30, 2011

<sup>36</sup> Levy, Santiago, Brookings, 2008

<sup>37</sup> Ashley Hosteller. "Losing the Mexico Drug War | The Foundry." *The Foundry: Conservative Policy News Blog*. Heritage Foundation, 23 Apr. 2011. Web. May 2011. <http://blog.heritage.org/2011/04/23/losing-the-mexico-drug-war-one-protest-at-a-time/> Accessed May 30, 2011.

<sup>38</sup> OECD, "Mexico: Strengthening the Competition and Regulation Framework", April, 2010

The conclusion most people reach from reading the sources cited above, is that Mexico is hopelessly off course. Mexico's image has seriously deteriorated over the years.

## **Negative reporting dominates international newspapers**

In order to get a grasp of how perceptions about Mexico have varied over time, a large sample of articles written about Mexico in the *New York Times* (NYT) and the *Wall Street Journal* (WSJ) was reviewed. These publications cover the period 1/1/1987 to 12/31/2010.

This exercise pursued a simple purpose: to gain a clear, fact-based understanding of how Mexico has been covered in these two periodicals over the years. These periodicals were chosen for their prestige and national and international coverage. Our underlying hypothesis is that the two significantly influence the perceptions and opinions of American decision makers.

The starting date of the articles reviewed herein was chosen to coincide with Mexico's decision to enter GATT. This policy decision signaled the country's intention to open the economy to international trade and investment. In making this choice, Mexico's government tacitly accepted that thereafter it would be forced to take into consideration the opinions and perceptions of foreign investors and trading partners about the state of its domestic affairs.

---

<sup>39</sup> World Bank. "Mexico Competitiveness: Reaching Its Potential." [www.wds.worldbank.org](http://www.wds.worldbank.org). Report 35388, 10 Aug. 2006. Web.

More than 4000 articles were classified. Each article was skimmed in order to determine in which of three categories it belongs.

Placing each article in a given category was necessary in order to track how Mexico has been covered by these two periodicals. In those cases in which an article was broadly scoped and ranged across categories, it was necessary to make a decision about what category best described the article. In the most of these cases the choice was easily made; in a small number of cases judgments had to be made about what category best describes an article.

Three categories were defined:

1. Articles to do with **Mexico's economy** were placed in the first category. Articles that fit this description dealt primarily with economic growth, macroeconomic performance, trade, investments, employment, poverty, banking and exchange rate crises, and so on. Although these articles ranged across a broad spectrum of issues, what they had in common was that they covered topics of the sort normally discussed in the business and economics sections of the news. No economist would have been surprised by the articles that were included in this category.
2. Articles that dealt primarily with **Mexican politics** were placed in the second category. They too ranged over a broad set of issues, such as: elections, political disputes, land and water disputes, political parties, election

campaigns, protest movements and so on. Given that Mexico experienced a profound political restructuring during the period in question, it was decided to create a category that covered these issues.

3. The third category was less tightly defined. Stories dealing with **organized crime, corruption, documented and undocumented migration to the U.S., border issues and conflicts, money-laundering** and so, on were placed in this category. The idea was to create a category that would capture the full range of “unpleasant” issues related to Mexico; something roughly equivalent to what would typically be covered in the metro sections of city dailies, where local issues, disputes and crime stories are reported and debated.

The three categories were not exhaustive. Articles to do with cultural affairs, literature, book reviews, perspectives on Mexico’s history, social customs, cuisine, art, vacation spots and various other forms of entertainment and sports were set aside and not included in any of the categories described above.

## **Mexico in the NYT: 1987-2010**

Interest in Mexico as reflected by the number of articles about it in the NYT has waned.

The high-point of interest came during the period 1993-94, when NAFTA was being negotiated. Before that period, the number of articles dealing with Mexico had been fairly stable and the three categories were roughly equally represented.

But interest surged when the discussions regarding NAFTA began. The peak came in 1993. 271 articles corresponding to the three categories described above appeared in NYT that year. A large number dealt with the economic issues of Mexico and NAFTA (50%). Articles regarding Mexico's political system were also quite common, as were reports on the political negotiations leading to the passage of the trade treaty by the U.S. Congress, which were placed in the same category. These accounted for 37% of the total.

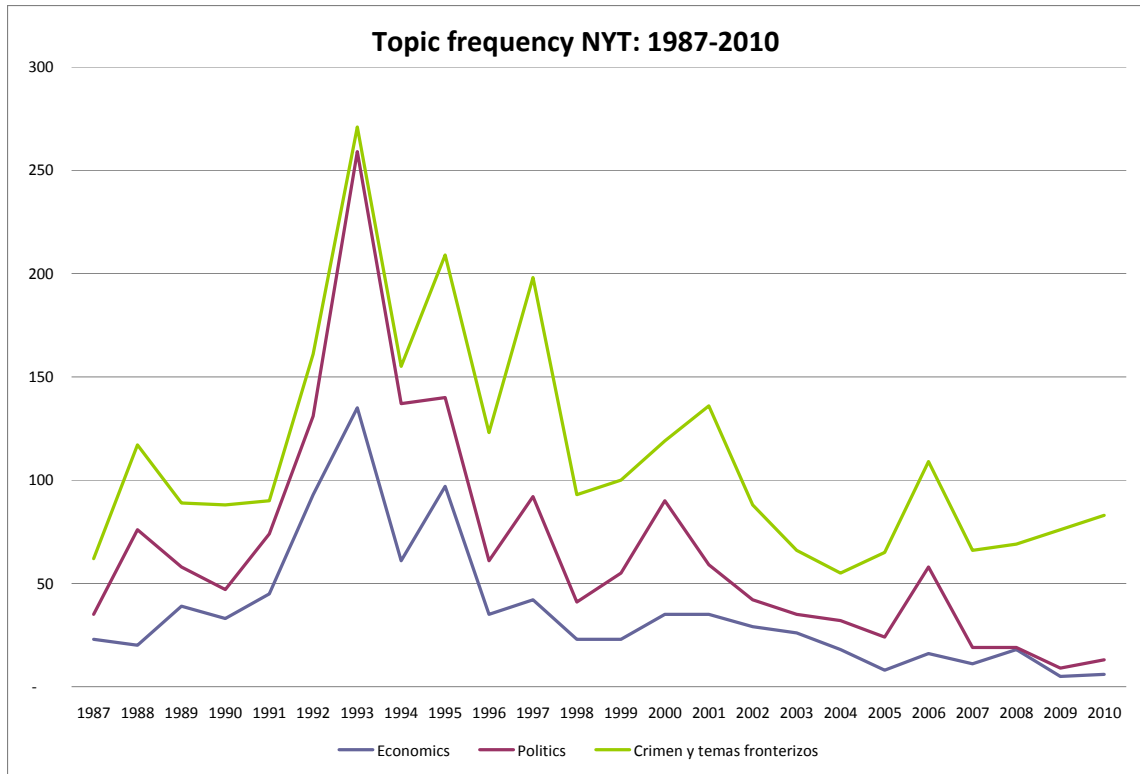
During 1993, and the subsequent year, the overwhelming majority of articles dealt with the political and economic issues of Mexico and how these issues would bear on the U.S. economy and on trade and investments in the region.

Only 13 % of the articles written in 1993 were about crime, corruption and border issues, including undocumented migrants and other border conflicts. Economic and political relations with Mexico were the subjects of the day.

Reports to do with these two topic-areas were not uniformly positive. Many reflected the biases and concerns of labor groups and environmentalists and were very critical of conditions in Mexico. Taken as a whole, they conveyed the impression that the trade treaty would be costly to American workers and the environment.

But if one steps back and looks at the general thrust of the NYT's reports, the impression gained is that the newspaper's journalists perceived that NAFTA was likely to have

significant positive impact on Mexico, forcing it to modernize its political and economic systems, thus improving the stability of the country and pushing it forward towards a more prosperous future. In sum, the “editorial slant” of NYT, if such a thing existed, was basically optimistic and encouraging. This was the high point of reports to do with Mexico.



Since then, interest in Mexico (as reflected by the number of articles appearing in NYT) has waned. Short surges in reporting have occurred regularly, generally coinciding with the ebbs and flows of Presidential elections in Mexico and with stories to do with one-off events such as the banking crisis, the uprising in Chiapas or the influenza epidemic.

The most important change in the way that Mexico is covered in the NYT is not fully captured solely by counting the number of articles written about it. Over time, a far more significant and subtle trend has emerged that reflects (and feeds back) on the current conventional wisdom about the country.

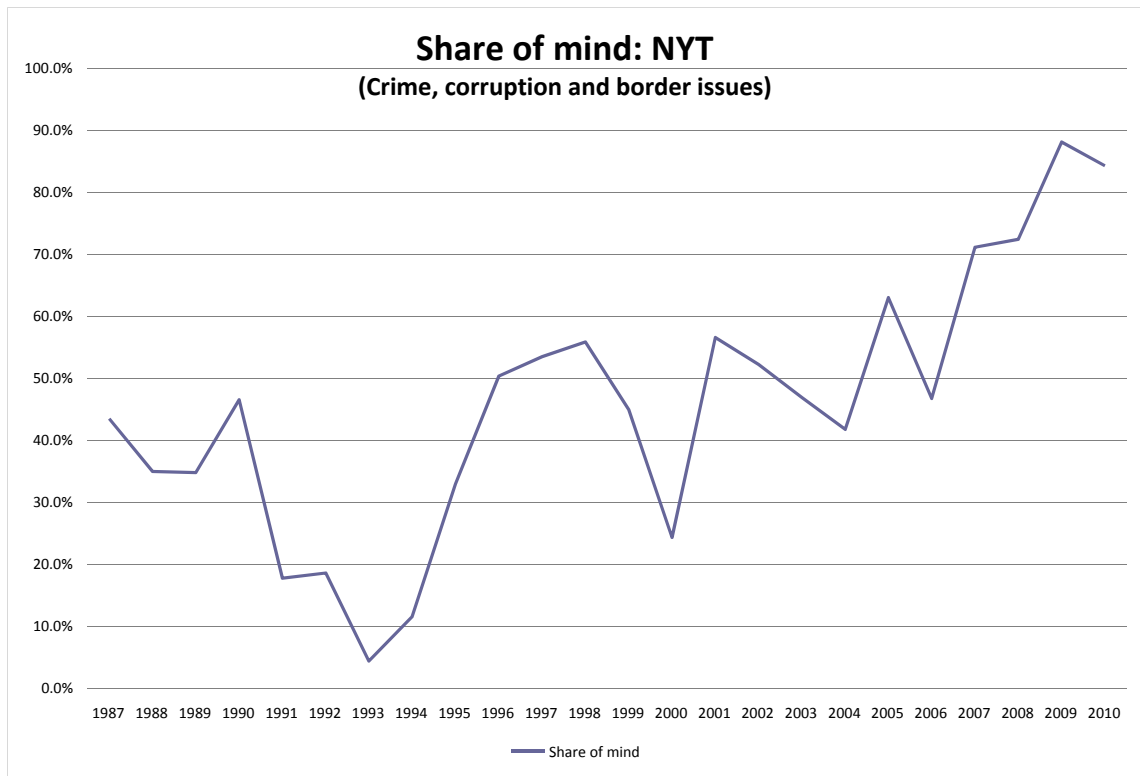
If one judges Mexico's performance by the nature of the articles written about it, it is clear that the focus of the stories has changed from business and politics to other, less savory subjects. Mexico is now presented in the press as an on-going crime story, spiced with corruption scandals and laced with occasional reports to do with undocumented aliens and issues related to the frictions that this causes between the people and governments of the two nations.

In 2010, 84% of the articles written in NYT about Mexico were related to organized crime, undocumented aliens and corruption. Only cursory attention was paid to economic (7%) and political (8%) issues. The trend showing the "share of mind" of articles to do with crime, corruption and migration is shown below. Since Mexico's reputation is at least partially shaped by these articles; the effect of the current focus on these issues cannot be good for Mexico.<sup>40</sup>

---

<sup>40</sup> In order to assure that the articles in the two periodicals were dealt with consistently, the articles were selected using the same key words. An example of the string of instructions used to select articles from the NYT appears below; the search was executed using Nexus:

Terms: (body(mexic! w/5 (migration or illegal alien or border crossing or border infrastructure or customs office or customs procedure or trucking dispute or border security or drug traffick! or drug distribut! or corrupt! or assassin! or kidnap! or bribe! or scandal or narcotics or gun or money launder! or weapon! or economic conditions or trade or investment or economic growth or employment or income level or political conditions or political part! or election or (elect! results) or (elect! disputes) or state government or mexican congress or national government or federal government or mexican government or poverty or jobs or multi-national or multinational)) and atleast3(mexic!)) and length>200)



## Mexico in the WSJ: 1987-2010

The relative specialization of WSJ in business and economics shows in the distribution of stories published by the periodical. As one would expect of a publication primarily focused on business, economic and political issues were the primary concern of the newspaper for most of the period of observation.

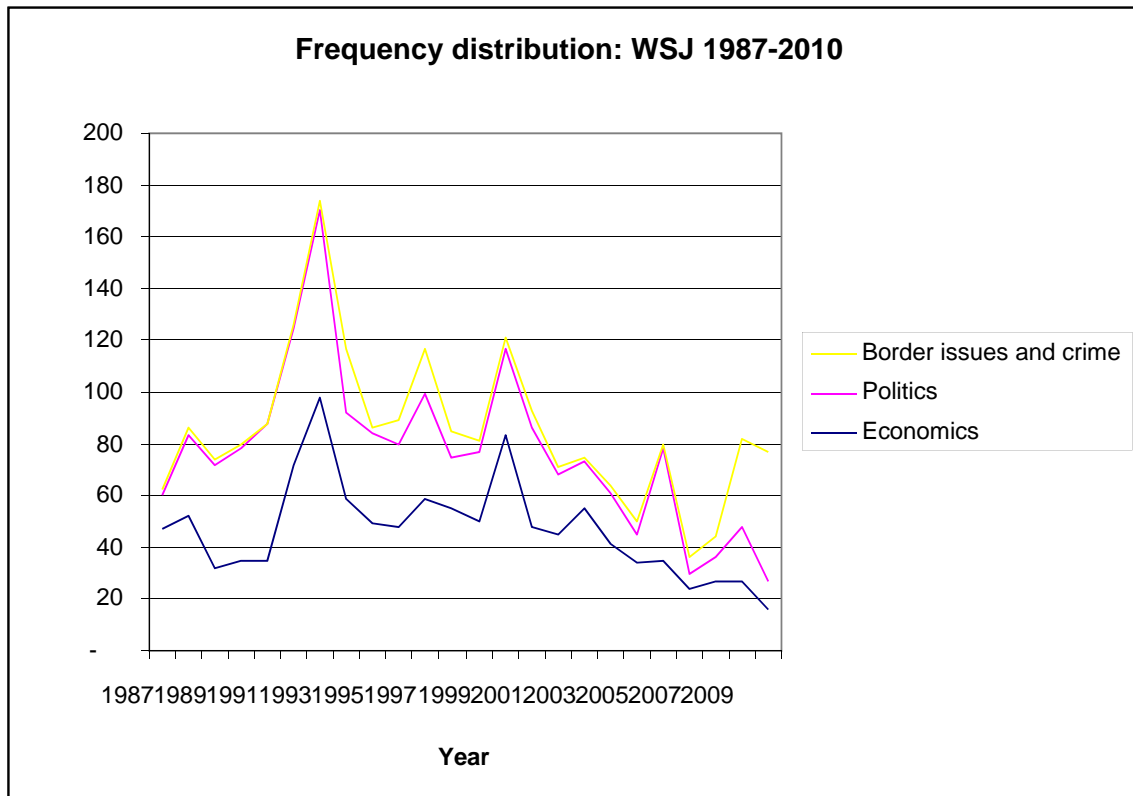
---

The same key words (and similar search parameters) were used to execute the search in the WSJ's data base.

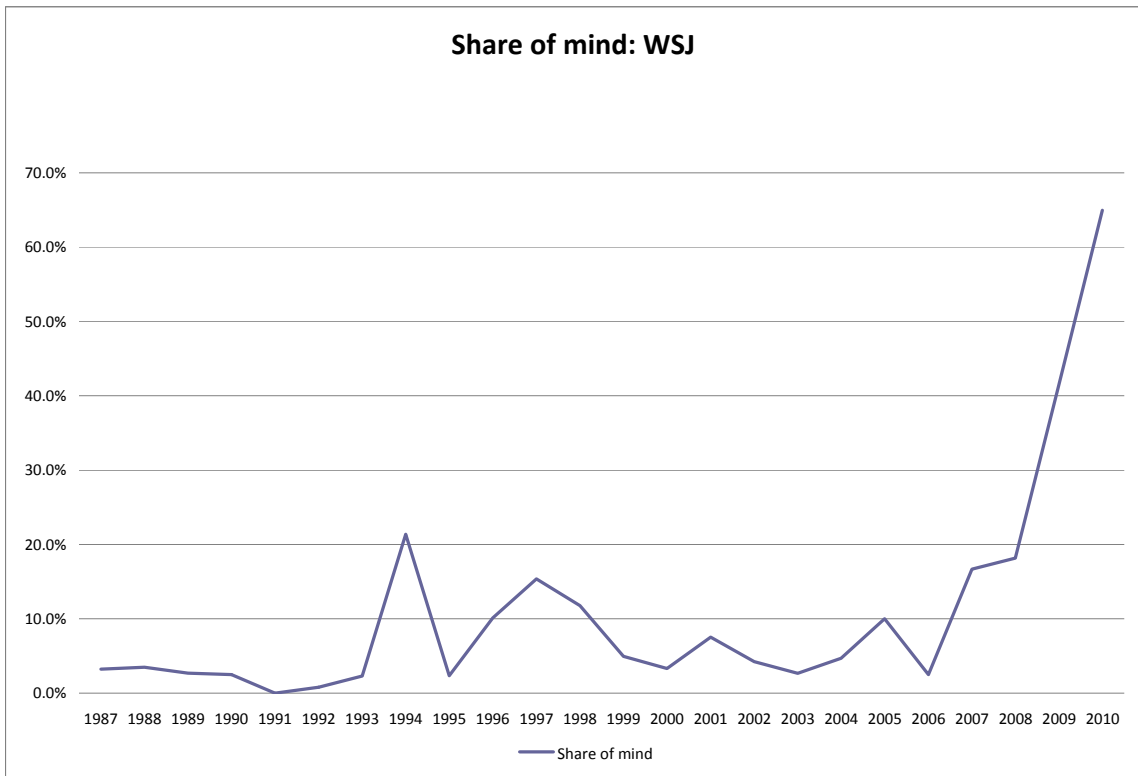


As in the case of NYT, the number of articles appearing in the Journal peak in 1993, when NAFTA was being negotiated and considered by the U.S. Congress. Thereafter, the number of articles written about Mexico follows a downward trend but continues to be primarily focused on economic and political issues.

This pattern changed in 2007, coinciding with President Calderon’s decision to make the war on organized crime the first priority of his administration and with the acquisition of the Journal by Rupert Murdoch.



The change in the WSJ’s focus is clear in the graph below which shows the “share of mind” that border issues and crime have had in the periodical ever since.



The change in the nature of articles being written is marked. In 2010, two thirds of the articles dealt with issues that are damaging to Mexico's international reputation.

\* \* \*

The gap between reality and perceptions is enormous: Objective performance indicators show that in many meaningful dimensions Mexico is in the best shape that it has ever been, yet this message is not reflected in the press. Articles published in the NYT and WSJ, or for that matter, in the Mexican press, and even *The Economist* focus primarily on organized crime, corruption and undocumented aliens.<sup>41</sup>

Corporate performance indicators, of the sort that investors normally track and reward, also show that corporations operating in Mexico are generally doing well, but here, too, there is an enormous cognitive dissonance.

But whether these perceptions are grounded in reality or not they influence firms' and individuals' behavior and shape the nature and quality of relations between Mexico and the United States. Because perceptions influence the expectations and concerns of decision makers in government and business, how the country is perceived is an issue that must be understood and managed.

## **Costs are associated with a negative image**

Risk perceptions influence economic decisions in different ways and with varying levels of intensity. Tourists' consumption decisions, for instance, are probably quite sensitive to rising risk perceptions. After all, making alternative travel plans is fairly easy to do.

---

<sup>41</sup> The Economist. "Shallow Graves, Deepening Alarm." *www.economist.com*. 28 Apr. 2011. Web.

<http://www.economist.com/node/18621268> accessed May 30, 2011.

That this is true is borne out by the gut-wrenching drop that Mexico has suffered on FutureBrand's Country Brand Index. Between 2009 and 2010, Mexico dropped 11 places in this ranking system which focuses primarily on tourism destinations, mostly due to perceptions about the threat of violent crime. But if this were only reflected in the international ranking systems, the damage would be minor. Unfortunately, this was not the case: tourism revenues dropped 15.3 % in 2009, and only recovered part of these losses in 2010, when revenues rose 5.3%.<sup>42</sup>

The drop in tourism revenues was caused by several circumstances: the U.S. financial crisis was still in full swing; the swine flu epidemic started in Mexico and spread from there to the rest of the world, and so on, but undoubtedly negative perceptions also contributed to the crisis.

The situation became so dire that Schweppes poked fun at Mexico in the advertisement shown below, that appeared in London newspapers.

---

<sup>42</sup> Travel Pulse, "Mexico Tourism Reports Final Tianguis Exhibition Statistics", April, 2011. Web. <http://www.travelpulse.com/mexico-tourism-reports-final-tianguis-exhibition-statistics.html> . accessed May 30, 2011.



The sensitivity of different sectors to risk perceptions varies greatly. Auto-parts exports to the U.S. are, by their nature, hard to “turn on and off”. Major performance changes take time to materialize due to the sizable investments and lead time needed to arrange alternative sourcing. But, over time there is no doubt that even this type of sector can be affected by perceptions.

Foreign investment flows are also likely to be influenced by perceptions. Negative perceptions influence investment decisions in three ways. First, by causing projected income streams to grow more slowly than they otherwise would, reflecting consumers’ concerns about the future; second, by forcing corporations to spend more on security and on other risk containment measures, thus depressing profits, and third, by obligating companies to invest in costly non-earning assets.

The analytical effort required to statistically show that the current cost of negative perceptions exceeds the scope of this paper, but common sense and anecdotal evidence<sup>43</sup> suggest that Mexico's deteriorating image in U.S. periodicals is having a corrosive effect on export revenues and investment. It would be surprising if this were not the case.

## **Mexico has lost brand equity**

If Mexico were a branded product sold in the global economy, I would recommend firing the brand manager. While it is undoubtedly true that real issues are partially responsible for Mexico's fall from grace, it is also true that the country's "brand managers" have failed to develop a communication strategy to counter the damage being done to the country's reputation by the lop-sided nature of the reports being aired.

It is a well-established fact that in the current global economy a country's image is a vital asset whose value must be protected. Because of this, several countries pursue public policies designed to protect and enhance this value. Countries that understand this tend to act assertively to preserve this asset. Different countries have developed different responses to this challenge.

---

<sup>43</sup> The author of this paper sits on several corporate boards. This role provides several windows that show how investment and operating decisions are being affected by what is reported in the foreign press. For instance, concerns about safety of workers and executives have caused board meetings to be held at secure locations at a significant cost to the organization. Cases such as this affect a great number of organizations and the individuals that work for them.

The value of assets is also being affected by risk perceptions. Many people in Monterrey, Ciudad Juarez and Mexico City have moved out of single family residences into apartment buildings that provide good security as part of the amenities. As a consequence, the price of single family houses has dropped in these cities.

An especially well structured program was established by the Swiss government. It has charged an agency (Presence Switzerland) that reports to the Federal Department for Foreign Affairs for the centralized management of *Brand Switzerland*. “The Federal Council, through its strategy of communication abroad, sets the thematic and regional focal points, the priority countries and the target groups. The strategy thus contains specific guidelines for activities relating to communication abroad”.<sup>44</sup>

Presence Switzerland was created expressly in order to extract value from the largely good image and reputation that Switzerland has internationally, although it is easy to imagine that the agency also has a role dealing with less savory image issues, such as the role of its financial system in international money laundering and tax evasion.

The country’s strategy was developed using opinion surveys that allowed the authorities to understand how Switzerland is perceived internationally. Based on this evidence, it devised strategies that leverage how the country is perceived.

But the Swiss do not face Mexico’s perception problems. The challenge facing Mexican authorities is both bigger and broader than the issues that Presence Switzerland mostly deals with. Mexico’s challenge has more in common with the issues that the Uribe

---

<sup>44</sup> The text cited above was taken from Presence Switzerland’s web site. This web site provides guidance and information that describes the role and communication strategies that are recommended to project Brand Switzerland internationally. The site also provides support materials useful to communicate specific attributes to target audiences.

administration has successfully addressed in Colombia.<sup>45</sup> We will turn to this in the following section.

## **Don't kill the messenger; shape the message**

The first thing to keep in mind in shaping a response to the current situation is to avoid acting impulsively. Strategies designed to “kill the messenger” or to keep journalists from having access to information that interest them are unlikely to work and are probably counter-productive. In fact, designing a successful influence strategy conceptually is not different from the challenge that marketing and lobbying organizations face daily.

The starting point is to understand what motivates journalists that work for influential periodicals. Hundreds of interactions with large numbers of journalists have convinced me that they are motivated by the pursuit of three objectives: they want to be read, they want to portray the facts correctly and they want to write stories that are aligned with public interest.

It has been my experience that journalists pursuing these objectives respond positively to communication strategies that are grounded in facts and faithful to reality. Influencing what messages are transmitted and how these messages are communicated is possible if the relationships with the journalists are trust-based. The only way that trust can flourish is for the relationship to be candid and truthful.

---

<sup>45</sup> Several articles are available on the internet dealing with the Colombian government's rebranding strategy.



The Readership Institute, a division of Media Management Center of Northwestern University, has recently released a report<sup>46</sup> that suggests that most readers are repelled by crime stories and prefer stories that help them understand global forces at work (politics and economics) and how these shape the circumstances in which they live. This insight should be kept in mind when devising a strategy to recover Mexico's international reputation.

Mexico is not a planet populated by alien life forms. It is close enough to the lives of most Americans for this familiarity to serve as the foundation to rebuild Mexico's reputation. The skill that Mexican communicators must develop is assisting journalists to prepare studies about Mexico that are relevant to the concerns and interests of newspaper readers in the U.S.

As in the case of any new strategy a sustained effort will be needed before this approach materially affects how Mexico and Mexicans are perceived abroad.

---

<sup>46</sup> "High Potential Content Areas." *Readership Institute*. www.readership.org. Web. May 2011.

<http://www.readership.org/content/highpotential.asp> accessed May 30, 2011

## **How will we know if it working?**

Other countries have faced this challenge and succeeded. So, it is not beyond Mexico's capacity to do so too. But, if the country's is to fully realize its potential and improve its role in the global economy it is indispensable to influence how it is perceived.

This involves acting on two fronts. The only way that Mexico can sustainably improve its reputation is to carry out the reforms needed to remove the many obstacles that keep it from fulfilling its growing more rapidly. But, if by some miracle Mexico suddenly implemented these reforms it would take many years for these changes to shape the conventional wisdom. Hence, it is indispensable to implement an integrated program to correct perceptions and align them with reality.

Mexico's government and the society that it serves would be amply rewarded by the implementation of a multi-year strategy that recasts these perceptions and correctly portrays Mexico to the world. The organization charged with executing this strategy must have a clear mission, well-defined segment strategies, targeted goals and objectives, and the resources needed to fulfill its mandate.

The mission of the proposed organization should be to bend the shape of the "share of mind" curves discussed above, so that the majority of articles in foreign media are focused on substantive issues to do with the economy and the political system. To bend the share of mind statistics it is indispensable to develop coherent messages that appeal to the interest to specific target segments. Tourists planning a trip and businessmen making

investment decision have different interests and require different types of information and analytical support; this should be reflected in way that communications are shaped and channeled.

Diverse segments also have different knowledge needs that can only be met by developing a full array of offers that meet their needs and expectations of the many segments of decision makers that are contemplating decisions related to Mexico and its economy. Newspapers have a role to play in these strategies and should be one of the many channels that are used to get Mexico's story out.

Policy leaders and analysts pose an even more demanding challenge. But they too should be the focus of a carefully crafted influence strategy designed to meet Mexico's needs. There are many previous success stories to consider: Israel, Canada, Korea, Taiwan and China, to name just a few, have deployed carefully designed strategies focused on influencing U.S. decision makers. Mexico during the negotiation of NAFTA deployed a world-class influence strategy whose outcome was the ratification of the trade treaty by the U.S. Congress.

None of this can be done without resources and the commitment of the Mexico's executive. Changing perceptions about Mexico is so important that the task cannot be delegated. This must be one of the primary responsibilities of the President.

To ensure success, the strategy should fulfill clearly defined objectives with specific and measurable outcomes that should be reviewed periodically. Enhancing and protecting the value of the Mexico “brand” is one of the most significant international challenges facing the country. It is time to take this issue seriously.

*Roberto Newell G. is an Economist. He is currently serving as a COMEXI-Woodrow Wilson Public Policy Scholar at the Woodrow Wilson Center for International Scholars.*

## Bibliography

- Castañeda, Jorge G., and Héctor A. Camín. "Un Futuro Para México." *www.nexos.com.mx*. 1 Nov. 2009. Web. <http://www.nexos.com.mx/?P=leerarticulo&Article=29024> accessed May 30, 2011.
- Cayeros, Alberto Diaz. "Political Economy Analysis of Averting the Resource Curse: Mexico Case Study," World Bank, 2009, <http://siteresources.worldbank.org/EXTLACOFFICEOFCE/Resources/870892-1253047679843/ADiazCayerosPPT.pdf> accessed May 30, 2011.
- Consulta Mitofsky, "ASI VAN.... PRESIDENTE DE LA REPUBLICA," Consulta Mitofsky, <http://www.consulta.mx/Default.aspx> accessed May 30, 2011
- Consulta Mitofsky, "Rumbo Del País," Consulta Mitofsky, <http://www.consulta.mx/Default.aspx> accessed May 30, 2011
- Consulta Mitofsky. "Economía, Crimen, Drogas, Corrupción. Problemas En México." *Mitofsky* (September 9, 2009): <http://72.52.156.225/Estudio.aspx?Estudio=actitudes-globales> (accessed May 30, 2011).
- Eberstadt, Nicholas, *World Population Prospects and the Global Outlook: the Shape of Things to Come*, AEI Working Papers, Number 5, February, 2011
- Griffiths, Richard. "Colombia Uses Flowers to Improve Its Image - NATION BRANDING." *Everything about Nation Branding and Country Brands - NATION BRANDING*. Nationbranding, 2009. Web. May 2011. <http://nation-branding.info/2009/05/27/colombia-land-of-flowers-new-imagery-blooming-for-colombias-brand/> accessed May 30, 2011.
- Hanson, Gordon Howard. "Why Isn't Mexico Rich." *The National Bureau of Economic Research*. Paper Number: 16470. October 2010: Page 1-5. <http://www.nber.org/papers/w16470> accessed May 30, 2011.
- Hosteller, Ashley. "Losing the Mexico Drug War | The Foundry." *The Foundry: Conservative Policy News Blog*. Heritage Foundation, 23 Apr. 2011. Web. May 2011. <http://blog.heritage.org/2011/04/23/losing-the-mexico-drug-war-one-protest-at-a-time/> Accessed May 30, 2011.
- Instituto Mexicano para la Competitividad A.C. (IMCO), "To BRIC or Not to BRIC," (2010). [www.imco.org.mx,http://www.imco.org.mx/images/pdf/To\\_BRIC\\_or\\_not\\_to\\_BRIC1.pdf](http://www.imco.org.mx/images/pdf/To_BRIC_or_not_to_BRIC1.pdf). (accessed May 30, 2011).
-

Instituto Mexicano para la Competitividad A.C. (IMCO). "Reforma Laboral"  
[http://imco.org.mx/images/pdf/Reforma\\_laboral\\_\(Factores\\_de\\_produccion\)\\_09.pdf](http://imco.org.mx/images/pdf/Reforma_laboral_(Factores_de_produccion)_09.pdf). 2009. Available from  
www.imco.org.mx. Internet; accessed 30 May 2011.

Instituto Mexicano para la Competitividad A.C. (IMCO). *Índice De Competitividad Urbana 2010 Acciones Urgentes Para Las Ciudades Del Futuro*. Mexico. 2010. Print.

Instituto Mexicano para la Competitividad A.C. (IMCO). *Índice De Competitividad Internacional 2009. México Ante La Crisis Que Cambió Al Mundo*. Page: 13-16. Mexico, 2009. Print.

Instituto Nacional de Estadística y Geografía (INEGI). "Número de Habitantes."  
www.cuentame.inegi.org.mx/poblacion/. <http://cuentame.inegi.org.mx/poblacion/habitantes.aspx?tema=P>.  
accessed May 30, 2011.

Levy, Santiago. *Good Intentions, Bad Outcomes: Social Policy, Informality, and Economic Growth in Mexico*. Washington, D.C.: Brookings Institution Press, 2008.

OECD. "Mexico - Strengthening the Competition and Regulation Framework." Apr. 2010. Web.  
[http://www.oecd.org/document/34/0,3343,en\\_2649\\_40381664\\_44948578\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/34/0,3343,en_2649_40381664_44948578_1_1_1_1,00.html) . accessed May  
30, 2011.

O'Neill, Jim. *Building Better Global Economic BRICs*. New York. 2001. Print.

Peña, Pablo, "Las décadas perdidas y el futuro económico", (Forthcoming)

Readership Institute. "High Potential Content Areas." *Readership Institute*. www.readership.org. Web.  
May 2011. <http://www.readership.org/content/highpotential.asp> accessed May 30, 2011.

Rojas Molina, Seth, "Mexico: Mal y Empeorando," *La Prensa*, October  
2010. <http://216.97.33.27/notas.asp?id=32317> accessed May 30, 2011.

Swiss Federal Department of Foreign Affairs (FDFA). *Working with Brand Switzerland*. Swiss Federal  
Department of Foreign Affairs (FDFA). www.image-switzerland.ch. Web. [http://www.image-  
schweiz.ch/fileadmin/user\\_upload/pdf/e/Marke\\_Schweiz/en\\_prs\\_anleitung\\_monitor.pdf](http://www.image-schweiz.ch/fileadmin/user_upload/pdf/e/Marke_Schweiz/en_prs_anleitung_monitor.pdf) accessed May 30,  
2011.

The Economist. "Shallow Graves, Deepening Alarm." www.economist.com. 28 Apr. 2011. Web.  
<http://www.economist.com/node/18621268> accessed May 30, 2011.

---

Transparency International. "Corruption Perception Index 2010 Results." 2010.

www.transparency.org.[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010/results](http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results)(accessed May 30, 2011).

Travel Pulse, "Mexico Tourism Reports Final Tianguis Exhibition Statistics", April, 2011. Web.

<http://www.travelpulse.com/mexico-tourism-reports-final-tianguis-exhibition-statistics.html> accessed May 30, 2011.

World Bank, "Population Growth Rate: Percentage Change of Resident Population Compared to Previous Year." World Bank-World Development Indicators 2011.

google.com/publicdata. [http://www.google.com/publicdata?ds=wb-wdi&met\\_y=sp\\_pop\\_grow&tdim=true&dl=en&hl=en&q=world+population+growth+rate#ctype=l&strail=false&nslm=h&met\\_y=sp\\_pop\\_grow&scale\\_y=lin&ind\\_y=false&rdim=country&idim=country:MEX:CHN:RUS&tdim=true&hl=en&dl=en](http://www.google.com/publicdata?ds=wb-wdi&met_y=sp_pop_grow&tdim=true&dl=en&hl=en&q=world+population+growth+rate#ctype=l&strail=false&nslm=h&met_y=sp_pop_grow&scale_y=lin&ind_y=false&rdim=country&idim=country:MEX:CHN:RUS&tdim=true&hl=en&dl=en) . accessed May 30, 2011.

World Bank. "Mexico Competitiveness: Reaching Its Potential." *Www.wds.worldbank.org*. Report 35388, 10 Aug. 2006. Web.

---

