BIG BUSINESS, THE STATE, AND FREE TRADE IN MEXICO: INTERESTS, STRUCTURE, AND POLITICAL ACCESS

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INTRODUCTION

Business plays a critical role in economic policy making. Important advances have been made in our understanding of the influence of the private sector on macroeconomic and financial policy making, but we lack a similar theory of business participation in trade policy making. Traditional economic analysis has juxtaposed class-based and sectoral theories of trade policy interests, but these theories define interests incompletely and generally do not address the questions of political access and policy outcomes. Given a particular constellation of interests, we need a political model that can explain why one set of interests wins while another loses. Theories of macroeconomic and financial policy that emphasize the impact of capital mobility, asset liquidity and private investment decisions on government policy do not generally address the trade question, perhaps because it is difficult to specify the trade policy interests of different segments of business based on these considerations alone (Maxfield 1990, Winters 1996). This paper brings together and modifies these two approaches to take a first step in formulating a theory of business participation in trade policy making that defines interests, assesses the relative strength of competing factions, and outlines the conditions under which different groups will have the political access necessary to act on their interests. This model is then applied to the case of Mexico by examining the shifting interests, structure and political access of different groups within the private sector and the effect of these changes on trade policy making.

The second section of this paper delineates the conceptual framework. It focuses on the formation of trade policy preferences, the relative strength of competing interests, and the political access of different groups within the private sector. The third section applies these concepts to the Mexican case by examining the evolution of these three indicators from the late 1970s to the early 1990s, and highlights the participation of different business factions in a series of trade policy making episodes. The conclusion discusses some of the implications and limitations of this approach and makes suggestions for applications to other cases.

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BUSINESS INTERESTS, STRUCTURE AND POLITICAL ACCESS

In this section, I sketch out the bare bones of a model of business participation in trade policy. My purpose here is to address only the business side of the story; I do not attempt to explain the totality of trade politics. For example, I consider the role of the state primarily as a secondary concern, as it relates to business. I also do not include labor. Furthermore, though this paper takes several international-level factors into account in its approach to business participation, it does not explicitly address the role of external forces like the International Monetary Fund, the World Bank, or the U.S. government. A full treatment of trade politics would have to take these and other factors into account.[1] My purpose here is simply to help build a better understanding of how and why the different segments of the business community participate in trade policy making, and why some groups succeed while others fail.

I highlight three dimensions of the private sector's participation in trade policy making. First, the trade policy preferences of the various strata within business must be identified and explained. What kinds of policies do different actors favor, and why? How strong are these preferences? Second, given this mapping of preferences, the relevant cleavages within the private sector need to be demarcated and explained. What is the internal balance of forces within business? What factors cause it to vary over time or across cases? Third, not all actors enjoy equal access to policy makers. We must also explain when and why state leaders heed different kinds of societal trade preferences. Which business pressure strategies are most effective in securing this access, and why?

Traditional economic theory makes varying but unambiguous predictions about the trade policy preferences of different groups within the private sector. The Stolper-Samuelson theorem implies that business comprises a single, class-based interest group opposing labor. In a capital-scarce country, business would be expected to oppose free trade uniformly while labor supported it. Divisions within both business and the labor movement suggest that the assumptions of this theory may be unrealistic in some cases. Magee, Young and Brock (1989) test the Stolper-Samuelson theorem and find that neither business nor labor presented united fronts for or against opening in U.S. trade policy. They find instead that the Ricardo-Viner-Cairnes model does a better job of explaining U.S. trade politics. Parting from Stolper-Samuelson, this model assumes that factors of production are immobile within a country and cannot shift from a losing to a winning sector, so that both labor and capital within an industry either gain or lose jointly as a result of liberalization. The immobility assumption yields a definition of interest along sectoral rather than class lines. Business and labor in the import-competing sector tend to oppose opening together, while both actors within the export sector generally support further liberalization. Though not an explicit test of Stolper-Samuelson, Zabludovsky's (1990) analysis of the impact of trade liberalization on Mexican labor shows that it has not had the anticipated positive effect on Mexico's real

[1] For a more general approach, see Thacker (1996, 1997).

wages, which have actually fallen since 1982 as Mexico liberalized its trade regime (see also Sheahan 1997). This suggests that we may be living primarily in a world where sectoral location, rather than class, determines trade policy preferences.

Contemporary theories of international trade and strategic trade policy suggest that considerations other than comparative advantage affect the competitiveness of firms. This implies that cleavages other than class or sector, which determine competitiveness in the Stolper-Samuelson and Ricardo-Viner-Cairnes models, can be used to help define a particular firm or group's trade policy interests. For example, Krugman (1986) and others have argued that a firm's competitiveness is often related to the nature of individual markets and the size of the firm. Where oligopolistic markets exist and economies of scale give competitive advantages to large firms, size will also affect a firm's trade policy preferences. Under these conditions, larger firms will be more competitive internationally and therefore more likely to favor free trade. Smaller firms will be more protectionist.

Finally, the discussion of factoral and sectoral trade theories suggests that we should treat factor mobility as an independent variable, rather than as an assumption. The political economy literature on capital mobility and macroeconomic policy suggests that the international mobility of capital is key to understanding the formation of macroeconomic policy, as Maxfield (1990) and Winters (1996) have shown, but its effect on trade has not been studied in detail. The greater the liquidity and mobility of a firm's assets, the stronger will be its ability to adjust to changes in policy. This is, in fact, the central insight of this literature: the easier it is to relocate assets to another political jurisdiction and the higher the dependence of the state on those assets, the more power the controller of the assets has to influence policy. Assets cannot only be relocated to another political jurisdiction (e.g., when a devaluation is anticipated), however; they can also be shifted internally from one sector of the economy to another (e.g., from the import-competing to the export sector). The more mobile an actor's assets, the more likely she is to support free trade.

Because trade preferences are determined by sector, size and asset type, cleavages within the private sector should be drawn and measured along these same lines. I hypothesize that changes in the overall balance of competing interests affect business participation in trade policy. Rather than take this distribution of preferences as exogenous, I seek to explain these changes. I argue that three broad factors serve to alter the internal balance of forces within the business community in terms of trade policy interests. First, the international context helps determine firms' preferences and strength, as well as the sectoral allocation, size and distribution of assets of firms within the private sector. To give one example, if a country's primary export markets are protected, apart from its own country's policies, the exporting sector will be less likely to increase its weight within the business community. In a more favorable context, export-oriented firms are more likely to prosper and become more economically influential. Second, the status of the domestic economy affects the prospects of serving the domestic market. If the country is in crisis and overall demand is low, import-competing firms will suffer while export-oriented firms will prosper, at least relatively.

Third, government policy can change the balance of forces within business. Monetary, financial, trade and other policies can modify business interests and favor certain groups over others (e.g., exporting vs. import-competing, large vs. small, mobile vs. fixed asset holders). Such policies can often create positive feedback loops that provide support for deepening of reforms in the future.

Lastly, given a particular set and distribution of preferences, which group's interests will policy makers heed? Which will be incorporated into or left out of the policy making process? In the most basic pluralist model, the stronger (however defined) of two or more competing groups would be expected to determine policy. But the state typically has some leeway in choosing its coalition partners, and the pluralist model does not directly consider the varying receptiveness of state leaders to different potential societal allies. Two opposing views on this question have been put forth. Frieden (1991a) adopts demand-side, pluralist assumptions to argue that the interests and lobbying capacities of fixed asset holders determine state policy. These actors have little choice but to exert political pressure because the immobility of their assets precludes an economic response, and politicians will simply respond to the group that presents the strongest and most forceful political demands. Bates and Lien (1985) and Winters (1996) argue precisely the inverse by incorporating the supply-side of policy making. State leaders' political survival depends on maintaining a stable tax base, steady employment and economic growth. This makes them vulnerable to the investment decisions of private capital controllers. The soft whispers of mobile asset holders may therefore be more effective politically than the impassioned pleas of fixed asset holders, who in any event have nowhere else to turn if their cries are ignored by the state. I argue that these two positions are not mutually exclusive, nor are the two options. I depart from Hirschman's (1970) original framework in arguing that it is possible for an investor to engage in simultaneous strategies of exit (relocation) and voice (political protest).[2] As Schneider and Maxfield (1997, 20) note, business often "votes twice," once at the polls and again in its investment decisions. An actor's political access depends on the effectiveness of these two strategies. All else being equal, mobile asset controllers who also seek out a direct role in policy making will have better access to the politicians who make policy.

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[2] For example, an investor could withdraw some of his assets from the economy and simultaneously attempt to influence government policy through voice to protect those that he retains or to encourage the restoration of a profitable and stable domestic market to which he may return the withdrawn assets. Voice can also be useful for communicating preferences, which can be subtle and not always readily interpreted, or to capitalize on a high level of structural power at any given moment over a longer period of time by securing a more direct and active role in the policy making process that may outlast the initial gain in structural power.

THE PRIVATE SECTOR IN MEXICO

Trade Policy Interests

Trade policy interests are a function of the sector, size and asset mobility of a business enterprise, usually a firm or conglomerate. This sub-section explores the nature and distribution of these interests in Mexico from the late 1970s through the early 1990s, a period that witnessed a major overhaul of the Mexican trade regime.

Sector

Mapping Mexico's economic geography provides a reasonable proxy for measuring the overall distribution of sectoral power. Businesses in the northern part of the country tend to be both more oriented toward the U.S. and international economies (in terms of both inputs and outputs) and relatively independent of state protection, control and patronage. Firms in the center of the country near the Mexico City metropolitan area have historically depended more heavily on the domestic market and state protection. Thus, northern firms should be more likely to be located in the export sector of the economy, while central and southern businesses are more apt to compete with imports. The shifting relative dynamism across regions reflects, among other things, the changing nature of private sector trade interests in the 1980s and 1990s.

A rapid transformation within Mexican business since the early 1980s has favored the northern, internationally integrated firms at the expense of inward-oriented firms. The strong presence of business in northern Mexico is nothing new, but since 1982 it has become more dynamic than the rest of the country. Elur Velasco Arregui (1993) compares the growth of industry in the northern vs. center regions by comparing the number of industrial workers insured by the Mexican Institute of Social Security (IMSS) between 1981 to 1991. Table 1 summarizes these findings, which demonstrate that the northern areas' industrial growth as measured by formal employment far outpaced the rates for the country as a whole, the center region, and the other regions collectively. By 1991, the northern industrial belt accounted for almost 31 percent of total national industrial employment, nearly one and one-half times its 1981 proportion.[3] At the same time, the center industrial belt lost its dominant position, dipping from nearly 60 percent to less than 50 percent of the national total. The Mexico City metropolitan area absorbed much of this loss, declining from a 45 percent share of total industrial employment in 1981 to a 34 percent share in 1991. In that same decade, the number of industrial workers employed in the Mexico City metropolitan area grew by just 4.5 percent (Velasco Arregui 1993, 169).

The actual trade policy preferences of business appear to follow the economic geography of Mexico reasonably closely. When asked in a 1988 survey for the National Bank of Mexico (Banamex) if they hoped that liberalization would deepen or at least

[3]A full 56 percent of the total 1981-1991 increase in national industrial employment is accounted for by the seven states comprising the northern industrial belt (Velasco Arregui 1993, 169).

continue, northern business leaders led with 89 percent agreement, followed by the northwest with 75 percent. The metropolitan Mexico City area (63 percent), center (61 percent) and east regions (60 percent) had lower rates of agreement (Alduncin 1989).

Size

Small and large firms in Mexico have experienced two reversals of fortune since the 1970s. Between 1975 and 1980, the percent of total fixed investment accounted for by small firms in the industrial sector increased from 2.1 percent to 27.5 percent, while the share of large firms fell from 66.5 percent to 39.1 percent. In the 1980s, however, the internal structure of the private sector became even more concentrated than before. By 1988, small firms' share of total fixed investment was just 3.2 percent, while large firms accounted for 87.3 percent (Hernández Rodríguez 1991, INEGI 1993).[4]

Firm-level data show similar tendencies. A list of the top 500 firms in Mexico is published annually by the magazine *Expansión*.[5] Between 1987 and 1992 alone, the ratio of the top 500 firms' sales to gross domestic product (GDP) grew by more than 50 percent, from 0.20 to 0.31 (Garrido 1993, Table 3). By 1992, nearly one-third of Mexico's GDP was accounted for by the sales of the top 500 firms in the country.[6] The same trends can be observed, in an even smaller subset, within the uppermost echelons of the private sector. Excluding Pemex and all other state-owned companies, my analysis of data published by *Expansión* indicates that the sales of the top ten private (both foreign and domestic) firms in Mexico as a percentage of GDP nearly doubled in ten years, going from 4.2 percent in 1982 to 8.3 percent in 1992. Data on 1992's top 25 (12.3 percent) and 50 (16.0 percent) private firms in Mexico show similar patterns of concentration (International Monetary Fund 1994, *Expansión*, various issues).

Many of these top firms belong to one of Mexico's many business conglomerates or "groups," that link together under a single system of ownership a number of different enterprises, either within a single sector or across various sectors of the economy.[7] Data published by *Expansión* on the top business groups in Mexico exhibit patterns of economic concentration similar to what has occurred at the level of the individual firm. Garrido's (1993, Table 16) analysis of the top 59 business groups (excluding Pemex) shows that their total sales expressed as a percentage of GDP

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[4] Size is determined by production value and income. The share of medium sized firms was 31.4 percent in 1975, 33.3 percent in 1980, and 9.5 percent in 1988.

[5] Because of some occasional problems with missing data and the fact that the data are self-reported, the *Expansión* data on firms and groups should be interpreted with caution. Less attention should be paid to slight differences from year to year than to the overall trends.

[6] Because he excludes Pemex, the state-owned oil company, Garrido actually works with the top 499 firms. These totals would be even higher if they included Pemex, the largest firm in Mexico.

[7] Garrido (1992) reports that the 99 groups on the *Expansión* list of the top groups in Mexico in 1989 counted almost 70 percent of the top 500 firms among their membership in that same year.

increased from 11.9 percent in 1987 to 15.3 percent in 1990, before dropping slightly to 14.7 percent in 1991. Furthermore, the level of concentration within these groups was quite high and rising during this period, with the top ten groups' share of the total sales of the top 59 groups increasing from 44 percent in 1987 to 56 percent in 1991 (*ibid.*, Table 18). In terms of the private sector alone, the total sales of the top ten private (both foreign and domestic) groups in Mexico increased more or less steadily from the mid-1980s onward, moving from 4.0 percent of GDP in 1984 (the first year of the data series on groups) to 8.5 percent of GDP in 1990, before declining slightly in 1991 and 1992 (International Monetary Fund 1994, *Expansión*, various issues).[8]

Most scholars support the notion that large enterprises should be more adaptable to economic opening (see, for example, Maxfield 1989a), although Luis Rubio claims that in Mexico the "small and medium-sized firms, in spite of their declarations to the contrary, are actually much better at adapting to and surviving in a competitive environment" (Rubio 1988, 39). In the Mexican case, the most important exporters (and importers) are almost exclusively large firms, as annual lists of the most important exporters and importers published by *Expansión* indicate. Not all of the large firms are pro-free trade, but nearly all of the most important exporters and importers are large firms. By contrast, the smaller firms tend on the whole to be more closely wedded to state protection and producing for the domestic market. Very few of them have extensive ties to the international economy. Furthermore, to the extent that an industry is characterized by economies of scale, larger firms will be more competitive internationally. In addition to sector, the size of the firm helps determine its trade policy preferences.

Assets

I argue that the mobility of an actor's capital assets helps determine her ability to adjust to changes in the trade regime and her trade policy preferences. Frieden (1991b) identifies three types of capital assets, in descending order of mobility: financial, equity, and fixed or sector-specific. I employ two criteria to measure the distribution of interests according to the mobility of assets in a given international context.[9] First, the ability to trade assets depends on the development of national capital markets. Without effective financial and equity markets, for example, an investor would find it much more difficult to shift from one activity to another. Second, the overall distribution of capital assets in a country provides useful information upon which to base an assessment of the evolution of private sector trade policy interests.

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[8]My analysis of the *Expansión* data takes only private foreign and domestic firms into consideration. Garrido (1992, 1993) also includes state owned companies, except Pemex.

[9] I do not address the overall international mobility of capital here. I am more concerned with the liquidity of capital assets within a particular country.

Mexico's capital markets have become much more developed since the early 1980s. In the financial sector, the nationalization of the banks in 1982 temporarily restricted national capital markets (Maxfield 1990). By the mid-1980s, however, the ex-bankers had been indemnified, 34 percent of the bank stocks had been sold back to the private sector, and all of the banks' non-bank financial operations had been re-privatized. The most important of these measures was the re-privatization of the non-bank financial operations, such as stock brokerages, exchange houses, insurance companies, guarantee companies and mortgage companies (Hernández Rodríguez 1986). Back in private hands, these operations grew rapidly in the context of Mexico's volatile financial markets of the 1980s, while the state-owned banks stagnated. The net result of these developments was the rapid growth in the availability of credit on the parallel private markets, which were accessible only to the largest 200 corporations on the Mexican stock exchange (Maxfield 1989a). The reprivatization of remaining bank shares between 1990 and 1992 further strengthened private capital markets by placing control of the largest banks into the hands of a small group of financiers who had made their fortunes in the parallel markets of the 1980s (Elizondo 1993).

Mexico's portfolio markets also prospered in the 1980s. Commercial paper was first issued in 1980. Stock brokerage houses began to flourish after their reprivatization in the mid-1980s as they became the preferred institution for channeling private credit. The Mexican stock market, though volatile, boomed. The end-of-year Price and Quotation Index increased in real terms by 432 percent between 1987 and 1992, while capitalization grew by 602 percent. Average daily trading volume nearly tripled between 1988 and 1992. In the bond markets, Treasury Bills (*Cetes*) were introduced in 1978, and the U.S.-dollar indexed Federal Treasury Bonds (*Tesobonos*) came out in 1989 (Bolsa Mexicana de Valores 1993). In May 1989, the government issued a new interpretation of the foreign investment law that allowed greater foreign participation in equity and bond markets, as well as direct investment. The net result of these changes was dramatic. For example, total foreign investment in Mexico increased by 557 percent between 1988 and 1992, but only a small portion of this increase took place in the fixed assets direct investment sector. By 1992, portfolio foreign investment, which was not technically permitted before 1989, reached $13.6 billion, or 71.6 percent of total foreign investment (Banco de México 1993). The development of national capital markets and the growth of mobile capital assets within the economy helped transform the interests of business in Mexico in a manner favorable to trade opening.

The Internal Structure of the Private Sector

The evolution of private sector trade policy interests in Mexico suggests that the distribution of business enterprises according to sector, size and assets shifted in favor of free trade interests and against protectionists. Three general factors help explain these shifts in the internal structure of the private sector in Mexico: the international context, the domestic economy, and government policy.

International Context

Two aspects of the international context contribute to the distribution of business preferences. First, patterns of international financial integration and international capital mobility have favored the larger, more outward oriented firms by granting them special access to mobile investment resources. Large firms' closer ties to the international economy have enabled them to take advantage of the integration of international financial markets that gathered momentum in the late 1970s and early 1980s. The largest firms in Mexico, mostly large Mexican conglomerates and multinational subsidiaries, had preferential access to mobile capital assets, especially foreign lending. These conglomerates normally link industrial concerns with, among others, the financial sector. The large firms' close ties to the international financial system gave them access to low-cost dollar financing, which the banks would reserve "for their privileged customers" (Maxfield 1989b, 80).

Second, the degree of openness of foreign markets can provide opportunities or constraints to exporting interests. When the principal export markets are relatively closed, as they were throughout much of the 1950s and 1960s, the balance of forces within business would be expected to lean toward the import-competing sector. If foreign markets begin to open up, as they did with the Kennedy, Tokyo and Uruguay Rounds of the General Agreement on Tariffs and Trade (GATT) from the 1970s through the 1990s, these new opportunities help strengthen export interests. The behavior of foreign investors in Mexico and other countries confirms this idea. In the immediate postwar period, multinational corporations served the domestic market principally (Maxfield and Nolt 1990). As opportunities to export increased in later years, foreign and domestic investors began to use Mexico as an export platform. The rapid growth of the *maquiladora* sector during this time was part of a rebalancing away from the import-competing sector and toward the export sector.

The Domestic Economy

The post-1982 economic crisis and the government's policy response furthered the rebalancing of business interests in Mexico. Negative real rates of economic growth, hyperinflation, high real rates of interest, restrictions on government spending, and abysmally low domestic demand shifted economic opportunity away from the domestic market and toward external markets. These changes facilitated the shifts within Mexican business in favor of large, export-oriented, mobile asset controllers. For example, thousands of small firms went bankrupt in the 1980s because of stagnant domestic demand, rising inflation, greater foreign competition, and higher credit costs (Davis 1992, Maxfield 1989a & 1990, Vega 1991). Large differentials in the post-bank nationalization costs of credit on the private parallel and official state-controlled financial markets also led to a greater divergence between small and big business, as the large firms' preferential access to the parallel market's cheaper credit in the 1980s favored the financially-connected conglomerates at the expense of the smaller independent firms. In a context of domestic stagnation, trade liberalization abroad, and

a consumption boom in the U.S., those segments of Mexican business that served foreign markets fared much better than the domestically-oriented ones in the 1980s.

Government Policy

The most politically and economically effective state policy makers tend to be those who are able to align themselves with the more powerful elements of the business community, including those whose strength grows as a result of state policy. "Reform results when political movements secure sufficient backing from the reform-minded interests that they capture power and use their control over the government to impose reform programs" (Bates and Krueger 1993, 465). The state itself can effect changes in society that may later detract from, limit, add to or enhance the state's capacity to govern. These consequences may be planned or unanticipated. The ability of groups within the state to recognize opportunity and forge ties with key members of the private sector is thus a critical ingredient in a successful transformation to free trade.

Several types of government policies have altered the balance of forces in the private sector in ways that favor the free trade coalition's constituency. The administrations of Miguel de la Madrid (1982-88) and Carlos Salinas de Gortari (1988-94) adopted banking policies that led, first, to the emergence of a lower-cost parallel private financial market, and, second, to the eventual reprivatization of the banks into the hands of a new group of business elites who had made their fortunes on the volatile parallel financial markets of the 1980s. These policies strengthened the largest business conglomerates and those with ties to private financial institutions, and weakened the smaller firms that were forced to rely strictly on the high-cost bank credit market. Government financial policy hastened the development of the new, financially-linked private sector elite that would be more amenable to free trade.

Another set of policies that helped transform the state's potential and existing private sector constituencies was the government's overall package of stabilization and structural adjustment reforms. One important component of this program was the privatization of much of the state enterprise sector of the economy. In addition to the bank reprivatization, several other state-owned companies have been privatized since the early 1980s as part of the government's broader structural adjustment plan. Between 1983 and 1992, 215 state-owned enterprises were sold off, and another 594 were either closed, merged or transferred by the state (Bazdresch and Elizondo 1993, 51). Altogether, from 1982 to 1993, the Mexican state divested itself of some 942 parastatal entities, and by 1993 only 213 remained in state hands (Garrido 1993, 36). Some of the more prominent examples of the privatized firms include companies from the sugar, automobile, food processing, tobacco, fertilizer, copper, airline and telecommunications industries (Bazdresch and Elizondo 1993, 52).

Essentially starting from scratch and economically streamlined, these privatized companies on the whole have a different economic and political perspective than most of the small, medium and even large national industries that began to develop in the 1940s and 1950s and that have traditionally depended more heavily on state patronage and protection. Furthermore, most of the purchases of the most expensive and most

prominent parastatal firms have been made by the larger domestic and foreign business conglomerates. The Cananea mining company, for example, was auctioned to Jorge Larrea's Grupo Industrial Minera México, which now controlled nearly 95 percent of national copper production and 6 percent of world production (Puga 1993, 194). And Teléfonos de México (Telmex), Mexico's telecommunications monopoly, went to Carlos Slim, who had made his fortune as the head of the Inbursa brokerage group in the 1980s, and his Grupo Carso, which bought 20 percent of Telmex's stock and 51 percent of its voting options (*ibid.*, Bazdresch and Elizondo 1993, 59). The acquisition of these companies fortified the development of the new, independent, financially-connected entrepreneurial class.

Decreases in fiscal expenditures were another factor behind the decline of the state-dependent business sector in the 1980s. Many of the firms in this sector had previously received high levels of direct and indirect subsidies from the government, and in conjunction with rapid inflation and decreased domestic demand, the efforts to cutback on government spending hit them hard, sending many into bankruptcy. In addition, many of these firms had in the past sold a high proportion of their products to the parastatal sector (often at artificially inflated prices) and/or received subsidized imports from state-owned firms. When the bulk of the state enterprise sector was sold off, it left many state-dependent firms in the lurch. Public sector revenues to small and medium industries fell from 473.6 million pesos in 1980 to 282.6 million pesos in 1991 (Davis 1992, 25).

The government's policy on privately held debt gave a boost to the largest firms and groups during the 1980s. In 1983, the government established the Fund for Exchange Risk (FICORCA) to provide financial assistance to indebted private firms (Pozas 1993, Maxfield 1990). The government set up FICORCA as a mechanism through which it would protect private borrowers from the risk of currency devaluation by covering the difference between the exchange rates at which the private sector took out and repaid dollar-denominated loans. This fund subsidized approximately 50 percent of the private sector's debts, for a total $12 billion, but most of these benefits accrued only to the very largest firms (Maxfield 1990, Pozas 1993). For example, just 20 large groups and businesses accounted for 80 percent of FICORCA's resources (Garrido and Quintana 1988, 50). Moreover, these large firms "were those that assumed the leadership of the non-traditional export expansion" associated with Mexico's new export-oriented development model (Garrido 1991, 23).

The final component of the government's stabilization and structural adjustment programs that fostered shifts within the business sector was the positive feedback loop fostered by trade reform itself. Once the reform process had gained a certain degree of momentum after mid-1985, it began to feed off of itself to begin creating a new group of pro-export interests and weakening or even eliminating many import-competing interests in the private sector. This mechanism helped clear the path for the liberalization measures that followed, providing greater potential support for each subsequent round of reform. Many of the firms that had opposed trade reform in the late 1970s and early 1980s had either adjusted or gone out of business by the latter part

of the decade. Thus, trade policy shifts are not entirely exogenous. Earlier reforms can gain momentum and help boost potential business support for free trade in later policy episodes. As Mexico's trade reform progressed in the 1980s, free trade gradually gained more support within the private sector. Reforms that a narrow group of public sector employees pushed through in 1985 with the support of the World Bank generated a broader base of private support for free trade in the 1987-88 Economic Solidarity Pact talks and the 1991-92 NAFTA negotiations (cf. Gil Díaz and Zepeda 1991).

A New Business Elite Emerges

The cumulative effect of these multiple changes within the Mexican private sector has been the emergence and fortification of a new, corporate, northern-oriented, outward-looking, multinationally-linked, big business elite. Two aspects in particular distinguish this new elite from other historical and contemporary segments of the business community. First, it is characterized by a culture and business structure that is corporate rather than family based, hierarchical, oriented toward external markets, and more likely to form alliances and joint ventures with multinational corporations (MNCs) doing business in Mexico. Many of Mexico's largest and most important business conglomerates have gone public by selling shares on the Mexican Stock Exchange (BMV) only as recently as the 1980s and early 1990s. Many firms also separated ownership and management by placing control over management in the hands of a director general who is not an owner or shareholder in the company (Salas-Porras 1992). These changes have closely paralleled many of shifts that have occurred with respect to sector, size and assets. In particular, the large outward-oriented, northern business groups have adapted this new corporate culture much more readily than others. Generally, "the most profoundly affected by this process appear to be the most internationalized groups and the groups that emerged from the process of privatization" (*ibid.*, 152). Most of the groups that fit this categorization are in the state of Nuevo León, where the industrial center Monterrey is located. In sum, these changes involve, "on the one hand, a new organizational culture (a corporate culture), and, on the other, elitism, pragmatism and an ideology of globalism, widely shared by management and shareholders" (*ibid.*, 136).

Second, this new corporate culture, along with shifts in the size, mobility and sectoral distribution of economic resources, has given rise to the consolidation of power by a small number of new businesspeople. This new business class controls, by means of a system of interlocking management and boards of directors, many of Mexico's most important business conglomerates. Celso Garrido's (1992) analysis implies that the actual number of people who control the top firms in Mexico is smaller than one might expect, due to overlapping networks of ties between the management of different groups spanning across several sectors of the economy. For example, several of the largest business groups in Mexico have as many as 8 board members in common (Garrido 1992, 57). Garrido uses the term "big business" (*grandes empresarios*) to refer to those people in positions of ownership and/or control over two or more conglomerates or groups. In his study of the boards of directors of both financial and non-financial

large businesses listed on the Mexican Stock Exchange, 33 of the 111 board members studied participated in the boards of two or more groups, conglomerates or financial enterprises. Some of these people sat on the boards of as many as 10 or 15 such entities. Many of these board members linked together various non-financial business concerns with a number of different types of financial operations, such as private banks, stock brokerages, insurance companies and investment funds, that control large amounts of investment resources. The growing presence of these big business leaders "shows the existence of a small national nucleus of economic control" across multiple sectors of the economy (*ibid.*, 28). Many of these new leaders are relatively young and have made their bulk of their fortunes since the 1980s, and a good number of them took an active part in the auctioning off of the many state-owned enterprises during the Salinas administration.[10] Together with the management of MNC subsidiaries, these big business elites represent a new generation of private sector leadership in Mexico.

Political Access

The degree of political access gained by different segments of the private sector depends on two related factors. First, the strategies that business adopts to pressure state leaders affect its ability to participate in policy making. Second, the receptiveness of state leaders to different economic and political strategies helps determine the access given to different groups within the private sector.

Business Strategies

Exit, which Hirschman defines as "withdrawal from a relationship with a person or organization" (1986, 78), was the dominant strategy for the Mexican private sector for several decades. Since the early 1980s, voice, or political protest, has begun to gain favor among some segments of the business community. Those groups that had both options at their disposal obtained more direct political access and more influence in the policy making process. Those groups that relied solely on exit usually did not seek out a direct role, while those who did not have the exit option (because their assets were fixed) were typically left out of the policy making process despite their often vocal protests.

Historically, the private sector preferred not to involve itself directly in the messy politics of Mexico: "Businessmen left politics to the PRI in return for a promise that their profits would be guaranteed and their interests would not be compromised" (Maxfield 1989a, 221). If businesspeople were unhappy with current policy, they could disinvest from the Mexican economy and send their capital abroad, thereby exerting a strong, if indirect, pressure on the Mexican government to change policy. Both disinvestment and capital flight are common examples of exit in Mexico going back at

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[10]To cite just two examples, Carlos Slim of the Grupo Carso, which controls the recently privatized Teléfonos de México (Telmex), and the Banamex-Accival group's Roberto Hernández, who began his career as a stock broker, are among the more prominent and widely known members of this leadership.

least as far as the administration of Lázaro Cárdenas (1934-40).[11] The economic instability associated with the crisis of the 1980s was no exception to this rule, and the greater degree of international capital mobility has made it even easier for the private sector to exercise its exit option. While precise measures of capital flight are impossible to make, Lustig's (1992) conservative estimates place cumulative net capital flight from 1981 to 1991 at $76 billion, $18 billion in 1981-82 alone. Dornbusch (1990) estimated Mexico's total accumulated flight capital at $60 to $100 billion. This exodus of private capital from Mexico is reflected in the low growth rate of private investment, which not only slowed in real terms but actually turned sharply negative, declining by 11.1 percent in 1982 and 17.7 percent in 1983 (Pfeffermann and Madarassy 1992, International Monetary Fund 1994).

The implicit bargain in which business agreed to forsake a direct role in politics in exchange for the maintenance of a stable investment climate has been called the "alliance for profits" (see Mizrahi 1992). This system, established during the administration of Manuel Avila Camacho (1940-46) to assuage business alienation that had resulted from the populist measures of the Cárdenas (1934-40) regime, was remarkably stable until the mid-1970s. A series of redistributive measures undertaken by Luis Echeverría (1970-76), including 1975 land expropriations in the state of Sonora, began to undermine private sector confidence in its silent partnership with the state. Partly in response to these measures, a group of private sector leaders founded the Business Coordinating Council (CCE), a peak organization that represents some 900,000 businesspeople from virtually every sector within a structure that brings the leading business organizations in Mexico together under the same institutional roof (Luna and Tirado 1992).

José López Portillo's September 1, 1982 executive decree that nationalized Mexico's private banking system and imposed strict exchange controls dealt the major blow to private sector confidence and the alliance for profits. As in the past, this move caused the private sector to engage in rapid exit. Although capital flight eased up after the nationalization and the imposition of exchange controls, the rate of private sector investment plummeted even faster in response to what business viewed as an encroachment upon its rights by a capricious state (Lustig 1992, Pfeffermann and Madarassy 1992, International Monetary Fund 1994).[12] Data collected in a survey of 200 Mexican businesspeople in mid-1985 by Sylvia Maxfield link the lack of investment directly to the bank nationalization. Seventy-four percent of those surveyed indicated that confidence in the government was an "extremely important" variable affecting their investment decisions, and 92 percent said that confidence in the government was

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[11]In a follow up to his original theory, Hirschman (1981, 253-58) specifically discusses the use of capital flight as exit.

[12]The gap between capital flight and investment after September 1982 is accounted for mostly by the exchange controls and the ensuing diversion of assets into short-term, highly speculative financial markets (Maxfield 1989a, 230).

at least "important" to their investment decisions. Only 9 percent said it was "not very important." Of the various policies of the López Portillo administration that could have decreased investor confidence, 96 percent of those surveyed felt that the bank nationalization was an "extremely important" policy that decreased investor confidence. The remaining 4 percent said it was "very important" (Maxfield 1989a, 227, 229).

Perhaps the most striking result of the bank nationalization was its inducement of a sustained, vigorous political reaction by the private sector. For many businesspeople, the government had broken an unwritten rule of the game by violating the norm of private property. Given the powers of the state specified in the Mexican constitution, the state could potentially undertake similar measures in the future (Hernández Rodríguez 1986, 247). José María Basagoiti, a director of the Employers Confederation of the Mexican Republic (COPARMEX), summarized business's fears succinctly when he stated "anything could happen in Mexico" after the bank nationalization (quoted in *ibid.*, 260).

After the bank nationalization, various parts of business began to supplement their use of exit with voice, defined as "any attempt at all to change, rather than to escape from, an objectionable state of affairs . . . known sometimes also as 'interest articulation'" (Hirschman 1970, 30). Business increased its voice-related activities to levels not seen since the Revolution by participating in daily political life in Mexico through business organizations and political parties, especially the leading opposition National Action Party (PAN), beginning in the early and mid 1980s.

The significant efforts of the de la Madrid administration to win back investor confidence by reversing part of the nationalization failed to halt the politicization of the private sector, and the mid-1980s witnessed a greater degree of agreement within business that a more politically confrontational strategy was necessary to protect their interests. This politicization was channeled primarily through business organizations and the political parties. The ruling Institutional Revolutionary Party (PRI) is organized into three separate corporatist structures representing labor, peasants and the popular classes. Since business is not officially represented within this schema, business organizations have historically been the principal outlet for the expression of private sector concerns, even though they are officially prohibited from engaging in "political" behavior (see Camp 1989). In the 1980s, COPARMEX and the National Chamber of Commerce (CONCANACO), along with the peak organization CCE, were the most strident defenders of the political rights of business. These groups initiated the "Mexico in Freedom" movement, organizing demonstrations in the fall of 1982 in several cities to demand political democracy and the reversal of the "socializing actions" taken by the state since 1970 (Bravo Mena 1987, 99). Though the Mexico in Freedom movement eventually petered out, other types of business political activity continued to flourish through the rest of the decade and into the 1990s.

The most noticeable and effective use of the voice strategy by business was its electoral participation, which was most prominent within the PAN. The PAN experienced unprecedented success in the 1980s, much of it occurring at the regional

level, where its support was more highly concentrated (Loaeza 1992). The PAN's first measure of success was in 1983, when it fared well in the municipal elections in Chihuahua (Heredia 1992a), but the 1986 governor's races in Chihuahua and Sinaloa represent the first truly troublesome electoral challenge to the PRI. The PAN ran business leaders Francisco Barrio Terrazas in Chihuahua and Manuel J. Clouthier del Rincón in Sinaloa. Each lost, but there were widespread suspicions of fraud perpetrated by the PRI (Maxfield 1987). Determined to fight on, the PAN eventually took two governorships by 1992, winning in Baja California in 1989 and in 1992 in Chihuahua, where Barrio Terrazas was the victor.

The goals of the private sector in exercising voice were not merely to exact specific short-term policy concessions, but rather to challenge the legitimacy of the system itself and secure a permanent role in the political system so that they could more directly protect and promote their interests in the future. Though still effective, exclusive reliance on exit now seemed inadequate to some parts of the business community. Rather than just exercising a sort of veto power over policy, business now wanted a direct say in its formulation. In particular, the excessive power of the PRI and the executive branch came under business attack. The private sector's ultimate goal was to play an active part in making policy and governing the country, to share power. As the then-president of COPARMEX, Alfredo Sandoval, declared in 1985, "instead of reacting, *we want to participate in the process of making decisions over the long-term*" (Hernández Rodríguez 1986, 262, emphasis added).

State Receptiveness

The receptiveness of the state to business's exit depends on the state's structural dependence on private investment. The state's responsiveness to voice is a function of its electoral vulnerability. The Mexican state became more receptive to both exit and voice during the 1980s, giving business a larger role in economic policy making by the end of the decade. Those groups within business that exercised both strategies played the largest role in Mexico's trade reform, especially during the NAFTA negotiations of 1991-92.

The state becomes more susceptible to the capital flight and disinvestment of the private sector when the rate of economic growth falls and when the state has few alternative resources that it can substitute for private investment. When economic growth is slow or negative, as was the case in Mexico throughout most of the 1980s, the position of state leaders becomes more precarious as society begins to question their political legitimacy. Rates of economic growth in Mexico fluctuated between very low positive values and negative values. I hypothesize that the marginal utility of investment rises as the overall rate of growth slows, so the state becomes more sensitive to changes in the rate of private investment in a sluggish economy.[13] This makes state

[13] Note that the marginal *private* utility of investment (that is, to the investor) demonstrates the reverse relationship. As the overall level of economic activity slows, the returns to a new investment project fall

leaders more susceptible to disinvestment and capital flight during a crisis period. These conditions held in Mexico throughout the decade of the 1980s.

Faced with economic stagnation, the state can sometimes replace private investment with its own resources (Winters 1996). During the 1970s, the Mexican state had ample access to foreign lending from private transnational banks. It also began to receive high petroleum revenues after the discovery of large oil deposits in Mexico and the oil price shocks of 1973 and 1979. In 1982, net transfers of private foreign lending to Mexico turned negative, where they remained until 1990 (World Bank, various years). Mexican crude oil production also began to level off in 1982. Combined with the 1985-86 fall in world petroleum prices, this led to a sharp decline in state revenues (Jenkins 1989). The Mexican government's deficit increased from approximately 6 percent of GDP in 1981 to over 14 percent in 1982. It fell back down to the 7 to 8 percent range in 1983-84, before rising again to approximately 13 percent in 1986 and 1987 (International Monetary Fund 1994). The lack of alternative investment resources to raise Mexico's low rates of economic growth left the state vulnerable to the exit strategies of business in the 1980s.

State leaders also became more sensitive to electoral pressures during the 1980s. Before 1983, no party had successfully challenged PRI rule at any level since its creation in 1929. Beginning in 1983, and increasingly after 1985, the PAN presented real threats to PRI governance in local and state elections, eventually taking control of several municipalities and governorships. But the greatest threat to PRI dominance came when a group of former PRI politicians led by Cuauhtémoc Cárdenas, the son of former president Lázaro Cárdenas, formed the leftist Democratic National Front (FDN) to compete in the 1988 presidential elections. The official results gave the PRI's Carlos Salinas de Gortari 50.4 percent of the votes, but only after an alleged late night computer breakdown that opposition leaders claim the PRI used to steal victory from Cárdenas. The PRI's response to claims of electoral fraud was a carefully crafted strategy of rapprochement with business and the PAN and combativeness toward the Democratic Revolutionary Party (PRD), which succeeded the FDN in 1989. The PRI began to recognize PAN victories at the local and state levels and in congressional races, in exchange for continued PAN allegiance to the electoral system. Meanwhile, the PRD continued to accuse the PRI of committing fraud in PRD strongholds, including Cárdenas's home state of Michoacán (Pastor 1990). The PRI appears to have made a distinct choice to respond to the threats to its governance by moving toward a very limited form of shared power with the PAN and by shutting out the PRD from the electoral game. An example of the appeasement of business is the fact that, in addition

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due to decreased domestic demand. (I am grateful to John Sheahan for pointing this out.) This accentuates the power shift already underway, as the state becomes more dependent on private investment at precisely the moment when investors become less willing to invest. Investors producing for export, who would benefit from the lower labor costs associated with high levels of domestic unemployment and who produce for a much larger international market, can avoid these problems. The relatively greater willingness of export-oriented interests to invest in the domestic economy also helps explain their greater attractiveness as coalition partners.

to recognizing certain PAN victories, the PRI also began to incorporate business leaders into its ranks and run its own business candidates in areas where business was strongest, including the states of Sinaloa, Sonora, Nuevo León and Chihuahua.

The Role of Business in Trade Policy Episodes

The increasing political access of large, exporting, mobile asset controllers is reflected in the process of trade policy reform from the late 1970s to the early 1990s.[14] In 1979, President López Portillo negotiated a protocol of accession to the GATT that would lower Mexico's trade barriers to levels consistent with the GATT over a period of several years. In November, López Portillo called for an unprecedented public debate (*consulta pública*) on GATT accession. In March 1980, López Portillo declared that Mexico would not join the GATT, citing public opposition and divisions within his own cabinet (see Story 1982; Mares 1985; Helms 1985; Luna, Tirado and Valdés 1987; Escobar Toledo 1987). Business opinion on entry was divided, as were the cabinet level ministers advising the president. Business interests still leaned in the direction of protectionism, as the net effect of international context, the domestic economy and government policy still favored inward looking interests. Mexico was also awash in oil revenues and foreign lending, and the dominant position of the PRI was unchallenged electorally. Most businesspeople had little interest in free trade, and limited access to policy makers. Despite the calling of the public debate, both the protocol of accession and the final decision rested entirely in the hands of the president and his closest advisors.

Miguel de la Madrid succeeded where López Portillo failed in securing Mexico's entry in the GATT in 1986, but the initial phase of liberalization actually began a year earlier. In July 1985, officials from the Bank of Mexico, Mexico's central bank, convinced the president to slash Mexico's non-tariff barriers. This decision was made in conjunction with the input of a small number of financial and banking sector officials within the state and with the support of the World Bank (Cronin 1994; Heredia 1994, 1996). Business had little say in the matter, but it is clear that one of de la Madrid's goals in adopting free-market policies was to restore some of the investor confidence that had deteriorated after the 1982 bank nationalization. Business preferences had begun to move in the direction of free trade and liberalization's business supporters had become more vocal, but import-competing interests were still strong. Private sector exit put significant pressure on the state, which modified policy partly as an attempt to attract greater investment flows. Business voice had just been initiated and had not yet posed a serious hindrance to the PRI. Few firms had direct access to policy makers, but the policy outcome reflected the interests of the nascent group of free traders within the private sector.

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[14] What follows is a skeletal description of business's role in trade policy. For more details, see Thacker (1996).

The 1987-88 negotiations for the Economic Solidarity Pact (PSE) brought selective private sector interests into the policy making process in an *ad hoc* manner. This pact brought together leaders from the government, business and labor to negotiate a package of policies designed to combat inflation through a series of wage and price controls and the acceleration of trade liberalization (Kaufman, Bazdresch and Heredia 1994). Within business, the balance of forces continued to move in favor of the liberal elements, especially after the 1985 and 1986 reforms began to reshape the internal structure of the private sector (Gil Díaz and Zepeda 1991). The structural dependence of the state remained high, as economic growth lagged, inflation soared, and private investment failed to respond to the conciliatory policies adopted by de la Madrid. Electoral challenges became more troublesome as the 1988 presidential elections approached, especially after the 1987 split of the Cárdenas faction from the PRI. The solution crafted by Salinas and Pedro Aspe, who together directed the state's delegation in the PSE negotiations, was to reach out to a few critical business interests, primarily the large financial-industrial groups that were more likely to favor liberalization, by including them in the peak level negotiations (see Hernández Rodríguez 1990, Kaufman, Bazdresch and Heredia 1994).

The negotiations for the North American Free Trade Agreement represent the formal incorporation of big business into the trade policy making apparatus. In 1990, Jaime Serra, then Minister of Trade and Development (SECOFI), issued an invitation to the leadership of the CCE to organize the business community to consult with government negotiators regarding the NAFTA negotiations. In response to this invitation, the private sector formed the Coordinating Council of Foreign Trade Business Organizations (COECE). COECE was officially open to all firms and brought together the various private sector trade policy interests under one organizational body for the first time. Over time, COECE secured an important role in the negotiations. Government negotiators would typically meet with business leaders in the "side room" (*cuarto de al lado*), a hotel room nearby the negotiations where business's "negotiating team" gathered, in order to get their input into the negotiations and to keep them abreast of their progress. In general, the largest and most internationally integrated firms played the most active roles in the negotiations, often sending one or more representatives to the negotiations on a daily basis. Small and medium firms usually relied on the appropriate business organization to represent their interests, while groups that opposed the agreement altogether generally had no place in the negotiations (interviews with government and business officials).[15]

The segments of business that were incorporated into the NAFTA negotiations shared some important characteristics. First, they favored free trade in general and

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[15] In order to promote maximum candor, I assured all interviewees that their responses would not be attributed to them but that their names would appear in a list of subjects interviewed. This list can be found in Thacker (1996) or obtained from the author. I cite all interview responses in such a way as to protect the identity of the respondent while still giving some idea of the respondent's ability to speak to a certain issue.

NAFTA in particular. They tended to be large, exporting, mobile asset holders. Second, they had gained strength within the private sector as a result of international and domestic economic trends. Third, the firms that enjoyed the greater degree of political access associated with presence in the "side room" were typically those that were able to employ both exit and voice strategies. Government documents and public statements by Salinas, Serra and Mexico's Chief Negotiator, Herminio Blanco, indicate that the government was extremely concerned with attracting these firms' mobile investment resources (SECOFI 1991 & 1993, Arriola 1994, Blanco 1994, Puga 1993). With respect to voice, few representatives of these firms had actively participated in electoral politics, but many of them had been involved in behind the scenes efforts to increase the private sector's participation in policy making through such organizations as the Mexican Business Council for International Affairs (CEMAI) and the National Association of Importers and Exporters (ANIERM). These two organizations in particular were eager to play more active roles in trade policy making, each having prepared concrete proposals for the future of Mexican trade relations in the late 1980s (interviews with business leaders). The members of these and similar groups were most actively courted by state leaders and given a prominent role in the NAFTA negotiations.

CONCLUSION

I argue that the interests, structure and political access of different segments of the business community help determine their role in trade policy making. This paper's brief exploration of the Mexican case shows that the trade policy preferences of business in Mexico shifted from the import competing to the export sector over the course of the 1980s and 1990s. These shifts resulted from changes in the international context, the domestic economy, and government policy. The relative attractiveness of foreign and domestic markets reversed in the 1980s as northern consumption fueled southern exports and economic crisis dampened domestic demand. Government financial, stabilization and trade policies helped promote these shifts. The political access of different groups within business is consistent with their use of different kinds of pressure strategies and the state's susceptibility to those tactics. An examination of a series of trade policy episodes confirms that those groups within business that favored free trade, whose strength grew, and who had access to policy makers played a more prominent role in trade policy formation in the 1980s and early 1990s.

Traditional economic analysis provides an incomplete vision of business interests. It also does not explain how those interests differ over time or across cases, nor the degree of political access granted to specific groups. More recent theories of macroeconomic and financial policy cannot be imported directly into the study of trade because they are unable to specify trade policy preferences, but certain aspects of these theories do help us understand why particular groups gain political access while others languish outside the main circles of power. This paper develops a more complete political framework in order to understand more fully when and why different segments of the private sector participate in trade policy making. It does not attempt to

explain the final outcome of trade policy.[16] A full explanation of trade policy would have to take other factors into account, especially the role of the state. Specifically, one would have to examine the balance between free trading and protectionist interests within the state. The institutional configuration of the state would be another important variable. For example, the power of the presidency in the Mexican system cedes policy makers greater autonomy to make policy and to forge winning political alliances with members of the private sector. This aspect of Mexican politics could lessen the impact of structural power considerations and augment the effect of government policies on the private sector.

This paper's explanation of the participation of different business actors in trade policy making could be profitably applied to other cases in future research. For example, the divergent preferences, balance of forces and political access of business may contribute to the different role of the Brazilian private sector in trade policy, and less directly to Brazil's lingering protectionism. Trends similar to those the Mexican case might be found in Argentina, which has adopted more open trade policies. Finally, a cross-regional comparison with East Asia would provide more empirical leverage with which to answer the questions that this paper raises. South Korea and Taiwan, in particular, are characterized by business-state relationships that differ from the Latin American cases in interesting ways.

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[16] I treat the broader question of trade policy outcomes in Thacker (1996).

Table 1: Regional Distribution of Industrial Employment,[a] 1981 & 1991

Region	1981	Percent of 1981 National Total	1991	Percent of 1991 National Total	Percent Change, 1981-1991
Northern Industrial Belt	474,170	21.3	950,177	30.9	100.4
Center Industrial Belt	1,321,021	59.3	1,505,142	48.9	13.9
Other regions	433,688	19.5	622,681	20.2	43.6
National Totals	2,228,879	100.0	3,078,000	100.0	38.1

Note: Percentages may not add to 100 due to rounding.

The geographical regions are defined in the following manner:

NIB: Baja California, Sonora, Chihuahua, Coahuila, Nuevo León, Tamaulipas, Aguascalientes
CIB: Metropolitan area-Valley of Mexico, Jalisco, Veracruz, Puebla
Other regions: All other areas of Mexico

Source: Velasco Arregui (1993, 169) from INEGI data

[a] Defined as the Number of Industrial Workers Insured by the Mexican Institute of Social Security (IMSS). Excludes the informal sector.

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