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The Geopolitics of Mexico: A Mountain Fortress Besieged

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November 17, 2009 | 1530 GMT
Mexico monograph

Editor's Note: This is the 11th in a series of STRATFOR monographs on the geopolitics of countries influential in world affairs. Click here for a printable PDF of the monograph in its entirety.

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A Difficult Hand

"Poor Mexico, so far from God, so close to the United States!" -

Attributed to Mexican leader Porfirio Diaz (1830-1915)

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As the southernmost portion of North America, Mexico was dealt a difficult geographic hand. It has a small and limited core territory surrounded by mountains, deserts and jungles that are inherently hard to control and nearly impossible to defend against threats from within or without.

The country is funnel-shaped, its high plateau anchored in the mountains and jungles of Central America to the south. The funnel fans and expands northwest toward a 2,000-mile-long desert border with the United States. Bordering the plateau to the east and west are Mexico's two mountain ranges, the Sierra Madre Oriental and the Sierra Madre Occidental. With peaks as high as 18,000 feet, these mountain ranges are extensive and formidable - indeed, the country can be thought of as a kind of mountain fortress that must secure outlying territories that serve as approaches to its core.

Geography of Mexico

([click here to enlarge image](#))

On Mexico's western flank, the slopes of the Sierra Madre Occidental drop precipitously toward the Pacific Ocean. Blanketed alternately with dense deciduous tropical forests and so-called "spine forests," the vegetation of Mexico's western slopes is as inhospitable as it sounds. Though patches of savanna in Sinaloa and Sonora states serve as adequate grazing land for cattle and other livestock, western Mexico requires significant infrastructure to divert water from the region's relatively sparse river system for agricultural use.

On the eastern slopes of the Sierra Madre Oriental, the land drops away to wider flatlands compared to the narrow littoral strip on the western coast, flatlands characterized by dense tropical forests. Despite the relative richness of the land, with its face to the Caribbean Sea and the vast majority of the world's great powers to its east, Mexico's eastern shores have also proved to be a military vulnerability for the Mexican heartland.

No less challenging to the Mexican state are the country's deserts,

which characterize the northern border and boast some of the most desolate territory in all of North America. This no-man's-land forms an impressive buffer between Mexico and its powerful northern neighbor, but it is also the historical seat of insurrection for any force (most often domestic) seeking to challenge Mexico's core.

The Heartland

The heart of Mexico is roughly the region also known as ancient Mesoamerica, which lies between the Tropic of Cancer and the 18th parallel. This region is the native home of the Olmec, Toltec, Aztec and many other North American tribes. Within this region is the true core of Mexico, which STRATFOR views as a double core, with two geographically distinct yet vital centers: the region around the Valley of Mexico and the region of Veracruz.

Situated at the crux of the sierras in the Valley of Mexico, Mexico City is the unquestionable political core of Mexico. This high plateau was home to the Aztecs and was the origin of one of the world's most important grains: corn. Though this region lies at tropical latitudes, the high altitude of the plateau mitigates the tropical influence, providing for a mild, temperate climate suitable for agriculture and sustaining relatively large populations. The sheer heights of the mountains to the east and west of the city also afford the high plateau a certain amount of fortification from outside threats.

Established in the middle of a lake that filled the Valley of Mexico, Mexico City was originally the Aztec capital of Tenochtitlan. Hardly the choicest land in the area, the location was originally selected for settlement at a time when the Aztecs were one of the weakest tribes in the region. The Aztecs ingeniously built the city literally right out of the water, using stone and lime to build temples and growing crops on platforms in the middle of the lake, called chinampas. In the 16th century, the Spaniards built a canal linking the Valley of Mexico to the Tula river system. The project effectively drained the lake but left the city with numerous problems, including severe foundational instability and vulnerability to earthquakes (recent years have ironically been characterized by severe water shortages).

Despite its questionable location, Mexico City is a critical component of national control: Whoever controls the capital can control the highlands. That said, Mexico's rough terrain makes it difficult to secure control of the rest of the country, and Mexico City often finds itself fending off threats from all sides.

The greatest threats, historically, have come from the city of Veracruz, which forms the second pole of Mexico's double core, on the eastern shore of Southern Mexico. This lowland tropical region was home to the Olmecs, one of Mesoamerica's earliest tribes. The lush Caribbean climate in Veracruz has historically permitted the growth of a wide variety of plants to sustain the Olmec diet, including squash and beans. However, the humid climate makes it difficult to grow grains, thus the coastline is unsuitable for sustaining large populations.

The city of Veracruz has also been the point from which foreign (and domestic) powers have been able to successfully launch invasions of Mexico City. As one of Mexico's main Caribbean ports, with direct access to Mexico City, Veracruz is a key jumping-off point from the coast to Mexico City. Veracruz was originally established by Spanish explorer Hernan Cortez, who used his time there to form alliances with local tribes that had been subjugated by the Aztecs and were only too happy to support a new regional strongman. In the company of thousands of native warriors, Cortez successfully laid siege to and captured Tenochtitlan from the Aztecs in 1521.

In time, following the collapse of the Spanish empire, the chaos of Mexico's wars of independence was exploited by France, which crowned Ferdinand Maximilian Joseph Hapsburg Emperor of Mexico in Mexico City in 1864. After battling inland from their landing point in Veracruz, the French occupied Mexico City for three years. They soon discovered that taking Mexico City was one thing. Taking Mexico was quite another. The problem for the French was the sheer time and manpower required to conquer Mexico's far-flung deserts, mountains and plateaus - and even solidifying control over areas as close to Mexico City as the state of Oaxaca, where rebel forces were able to find sanctuary. The French were unable to solidify their control over Mexico's territory, and in 1867 French Emperor Napoleon III withdrew troops, leaving the hapless Maximilian to be executed by irate Mexicans.

It is of the highest priority for Mexico to control the highland region around Mexico City as well as the lowland region on the Caribbean coast around Veracruz in order to guarantee the existence of the state. As the French example shows, however, there are nearby areas that must also be controlled. We refer to these regions as the outer core, which consists of the states within the boundaries of ancient Mesoamerica but outside the immediate vicinity of Mexico City or Veracruz. These states include the mountainous, rugged states of Chiapas, Oaxaca, Michoacan and Guerrero. Because of their mountainous terrain, these states can be

difficult to control and can serve as jumping-off points for rebellious forces. For Mexico City, it is critical - at a minimum - to contain and mitigate unrest in these areas in order to guarantee the physical security of the core.

Political Boundaries

Mexico's core territories are critically important to the survival of the state. Less critical - but still important - are Mexico's current political boundaries, which encompass a much larger territory that has repeatedly defied subjugation.

The Spanish viceroyalty established Mexico's southern borders with Guatemala and Belize (which were solidified by treaty in 1882). Upon independence, there was no impetus to push farther south, primarily because the land in Central America is mountainous, difficult to defend or control and not suited for agriculture. The next patch of useful territory is well over 1,000 miles south - in the highlands of Colombia - and everything in between is far more trouble than it is worth. For Mexico, there was nothing to be gained in challenging the southern borderline (indeed, it might actually behoove Mexico to cede more of the mountainous, half-wild territory of Chiapas to its southern neighbor).

The northern borders are a different story altogether. Two seminal events defined the northern border: the Texas War for Independence and the U.S.-Mexican War (known in Mexico as the War of Northern Aggression). The war with Texas effectively released the vast majority of Texas to independence, but it also set the stage for a war between the United States and Mexico by leaving the actual border hotly disputed. Once Texas joined the United States, this dispute erupted into all-out war between the two North American neighbors. The conquering of Mexico City in 1847 by the United States ended the war, with the United States taking about half of Mexico's total original territory - all of Texas along with the land that would become the modern U.S. states of Arizona, California and New Mexico. In one crushing blow, the United States satisfied critical strategic needs (namely an undisputed path to the Pacific Ocean and a strategic buffer for the Greater Mississippi Valley) by relieving Mexico of some of its most promising territory, leaving the country in a state of turmoil.

To put it simply, Mexico's northern border is neither a product of inevitable geographic dictation nor a border of Mexico's choosing. Stretching across vast expanses of the Sonora, Chihuahua and Baja

deserts, the U.S.-Mexico border bisects a section of Mexico that is at most points only barely habitable. To make things more complicated, the mountains that stretch up into this region allow for pockets of unrest to simmer, and eventually boil over. The physical isolation of northern Mexico and the difficulty Mexico City had in projecting power into the area was one of the most important reasons it lost Texas and what is now the American Southwest, and one of the key causes of the Mexican Revolution of 1910-1920.

Mexico Population Density
(click here to enlarge image)

The mountains, deserts and isolation of northern Mexico provide fertile ground for civil dissent and lawless activity. Thus, while northern Mexico provides a substantial strategic buffer between Mexico City and its northern neighbor, it is also a severe vulnerability. Add to that the fact that Mexico City remains highly vulnerable on its eastern flank, and the benefits of the buffer zone seem negligible.

In addition to its northern expanse, Mexico has two other territories that fall outside the core and are noteworthy. Neither of these territories is particularly useful, but both are strategically important to hold. The first is the Baja California Peninsula, which Mexico managed to retain after the U.S.-Mexican War, despite the U.S. desire to hold the mouth of the Colorado River. Baja stretches nearly 800 miles down the western coast of Mexico, and while it provides little in the way of economic opportunities (outside of tourism), if it were in the hands of a foreign country, Mexico's entire northern Pacific coast would be very vulnerable to external attack.

The second territory in this category is the Yucatan Peninsula. The Yucatan is essentially a large, flat limestone shelf with very few fresh water resources. So while the outcropping has verdant vegetation, it has none of the necessary elements of economically viable terrain. Yucatan does, however, give Mexico a strategic position in the Caribbean. It also allows Mexico to control one of the avenues of approach into the Gulf of Mexico and, of course, Veracruz.

In the cases of both the Baja California and Yucatan peninsulas, Mexico is the owner of seriously inhospitable territory. But the important point is that not having that territory would expose Mexico to even greater territorial vulnerabilities, particularly regarding naval threats.

Even with the relative advantages of having strategic possessions like the Yucatan and Baja California peninsulas, the national borders of Mexico do not make for a politically coherent and manageable state. The mountainous core makes it difficult to solidify control over the southern highlands, and the southeastern coast is devastatingly vulnerable to outside interference. Add to that the hard-to-control northern border zone - a fertile breeding ground for autonomous or rebellious groups - and Mexico has a geography that presents extreme challenges to any central government.

Ideal Boundaries

So, then, what would Mexico's ideal territorial boundaries be, taking into account the geopolitical necessities of a state that has proved so vulnerable to external influence? First and foremost, Mexico must establish control over the main routes of attack on its territory, and only after that will it have the capability to look farther afield for prosperous lands.

It is not easy to invade Mexico via land routes, since the northern Mexican frontier historically has made invasion from the north difficult (though defending this territory is also a challenge), and the highlands of Central America are a barrier to the south. It is far easier to invade Mexico from the sea. This means that if Mexico is to achieve any semblance of true security it must be able to guard the sea approaches to its core. Not only does Europe lie across the Atlantic, but the vast majority of the United States' populated coastline also lies just to the northeast. In the future, rising Brazilian naval capacity could pose yet another possible challenge to Mexico in the Caribbean. In order to protect the core from these potential threats, Mexico must exert influence over the mouth of the Caribbean. And to effectively do this, Mexico needs Florida and Cuba. This puts Mexico in direct competition with the United States for its key strategic needs.

Just as the United States needs to control Florida and at least neutralize any threat posed by Cuba in order to protect its export facilities at the mouth of the Mississippi River, Mexico needs to control transit through the Caribbean. Without the ability to project naval force into the most historically proven and geographically sound path of invasion, Mexico will never be a truly independent and secure nation-state.

The implication, of course, is that there is only room for one great power in North America, and as long as the United States dominates the

naval approaches to the southern portion of the continent, Mexico must maintain a non-hostile relationship with the United States in order to secure its own territory.

However, if Mexico were able to control those territories itself, it would assure its physical security, and the next likely strategic goal would be to regain territory lost to the United States. Assuming it had the military capacity to secure and hold them, having the fertile valleys of California and the expansive range land of Texas would be a great boon to the income-strapped Mexican government. But security must come first, or Mexico would never be able to hold those territories.

Geopolitical Imperatives

Mexico's Geopolitical Regions
(click here to enlarge image)

To secure its core:

- * Mexico must first control and consolidate what can be labeled as the inner core, which includes both the highlands of Mexico City and the Veracruz coastal region. If these two regions cannot be wielded as a single zone, what we currently think of as Mexico will suffer from insufficient agricultural land and trade opportunities and will degenerate into an assortment of small, impoverished, sub-regional entities.

- * Mexico must then control all pockets of potential dissent within the outer core territories that directly interact with the inner core, including Oaxaca, Chiapas, Guerrero and Michoacan. To do so, Mexico has two options: It can provide economic growth and employment opportunities to its citizens or it can rely on the rule of strongmen or a single strong party.

- * Mexico must push north to control the wild northern territories from which threats might originate. The exact placement of the border is relatively academic, given the lack of clear geographic barriers. However, there is a cost-benefit ratio to take into account: The farther Mexico pushes north, the farther it must project power from its core, and the wider and less useful the plateau becomes.

- * Mexico must control the sea approaches to its core as well as the chokepoints of the Caribbean in order to achieve absolute security. There are two phases to this. The first is the easiest, which is to control the Baja California and Yucatan peninsulas (modern Mexico has achieved this). The second is more difficult and requires gaining command of Cuba and Florida. Without these territories,

Mexico has no choice but to engage in a subordinate relationship with the United States.

* Finally, with physical security ensured, Mexico can afford to reach past its buffer zones to richer territories and more useful coastlines - including the U.S. states of California, Texas and Louisiana.

Clearly, Mexico has not achieved all of its geopolitical imperatives. However, it has achieved just about all of the imperatives that it can without challenging the territorial integrity of the United States. There are also recurrent challenges to its economic stability and physical security, and Mexico still struggles to maintain the status quo on its second and third imperatives.

Economic Fundamentals

Sustained economic development has been a relentless challenge for Mexico. The root of Mexico's slow development (compared to its northern neighbor) lies in its geographic challenges. Whereas the United States has a massive agricultural heartland divided by a highly navigable river, Mexico lacks both a concentrated breadbasket as well as a navigable river network. The geographic advantages of the United States have been rooted in the ease of transport. With the Mississippi River bisecting the U.S. agricultural heartland, access to international markets was incredible simple - and cost only as much as it took to build a boat. Mexico, by contrast, must invest a great deal of capital for every mile of road and rail network. During 300 years of ruling Mexico, the Spanish failed to develop any substantial transport networks, leaving the newly independent Mexico to start from scratch.

With insufficient transportation infrastructure in place, Mexico's first decades of development were difficult. The cost of transporting goods from producing areas to consumer markets was prohibitive and reduced the profitability of private investment. Developing efficient transportation networks requires a massive amount of capital, right up front, which means that Mexico started out its independent statehood with no choice but to go deep into debt. Once Mexico is able to secure an influx of capital, however, it has generally been able to kick start growth sufficiently to sustain a substantial long-term expansion. But without its own domestic capital reserves (or particularly easy ways of developing them), Mexico's development has been cyclical in nature, with great highs followed by crashes as resources deplete.

Since independence, there have been two major boom and bust cycles,

starting with the rule of Mexican President Porfirio Diaz, who took power in 1880, at the end of the wars of independence, and remained in power until 1911 (a period referred to as the "Porfiriato"). In addition to seizing power and maintaining stability, Diaz was able to make substantial improvements to the country's transportation network. With the help of a great deal of foreign investment, Diaz led a 30-year modernization push, including building Mexico's railway system from scratch. The country's rail network not only cut transportation costs drastically and made access to external markets easier, it also facilitated the extension of military power to the outer reaches of the country.

Unfortunately for Mexico, this period of growth and development slowed and was unable to translate foreign investment into overall welfare gains; capital collected in the hands of only a small segment of society. Political maneuvering by the elite, coupled with rising public discontent, eventually ousted Diaz from power in what evolved into the decade-long Mexican Revolution. But the railway infrastructure laid down during the Porfiriato became the foundation for post-revolutionary (and post-Great Depression) growth and development, once Mexico was able to access capital again.

Mexico Transportation Networks
(click here to enlarge image)

In the wake of the Great Depression and with the onset of World War II, Mexico experienced its second major influx of foreign capital. The government's increased access to foreign lending was made possible by the renegotiation of outstanding debt (which, with the intervention of the United States on behalf of Mexico, was reduced by 90 percent) and the settlement of outstanding disputes with oil companies whose property had been seized in the oil nationalization project of 1938. Mexico was also aided by a boom in global demand for Mexican goods, particularly textile exports, as its northern neighbor went to war.

Renewed access to international capital markets and a surge in demand for exports catapulted Mexico into a five-year period of growth that averaged well over 6 percent per year. When the war ended, the export sector became less important for growth, but the five-year boost gave Mexico the industrial and developmental momentum it needed to continue growing through the 1950s and 1960s, albeit at a slower pace.

The 1970s told a slightly different story. With the oil price spike of the 1970s, European banks became flush with cash deposited by Middle

Eastern countries. The resulting fall in interest rates encouraged developing countries around the world, and particularly in Latin America, to take out loans to finance industrialization projects. Mexico was no exception - the country was quick to take up debt in this period. Mexico's discovery of major oil deposits in the late 1970s led to a sharp uptick in exports of oil - which jumped from a net worth of \$500 million in 1976 to more than \$13 billion in 1980. This led, in turn, to the optimistic belief that capital would always be cheap and oil prices always high. At this point it looked like Mexico would have a chance to complement a period of sustained growth with a brand new, and substantial, tranche of capital. This was not the case.

The collapse of oil prices in 1981 triggered a major devaluation of the Mexican peso, making it impossible for Mexico to make its debt payments on time. The resulting debt crisis of 1982 triggered a period of economic turmoil for Mexico - and the rest of the region - that is known simply as "the lost decade." The International Monetary Fund (IMF) came to Mexico's rescue with financing, preventing a debt default. However, Mexico struggled mightily to regain lost ground while at the same time meeting the IMF's structural adjustment demands. Although stabilization was achieved for a few years, the policies enacted were insufficient. A severe overvaluation of the peso triggered a second financial hiccup in 1994 - the so-called "Tequila crisis."

Since the revaluation of the peso in the wake of the Tequila crisis, Mexico has experienced moderate growth, averaging just over 3.5 percent between 1996 and 2008. Mexico's modest growth rates have surprised observers, particularly given the fact that exports grew by an average of 11.1 percent per year between 1993 and 2003, which was facilitated by the enactment of the North American Free Trade Agreement.

Despite this impressive performance in the export sector, Mexico's growth has once again been impeded by a lack of capital. Low investment levels have not resulted from a lack of international investment interest, as foreign direct investment has increased dramatically, from less than \$5 billion in 1993 to a high of nearly \$30 billion in 2001. The capital shortage has instead come from the public sector, where spending has held steady at a relatively low level in the wake of the 1982 debt crisis. Furthermore, in the wake of the crisis and the privatization of the banking sector, lending to non-financial businesses fell by half from 1995 to 2007.

Mexico's lack of capital investments has translated into an inability to sufficiently develop its own human capital resources. This lack of

development is the main driver behind the constant flow of migration from Mexico to the United States, with Mexico's labor market fortifying the U.S. labor pool and helping to underwrite the United States' low-inflation growth. While workers in the United States do send back over \$20 billion worth of remittances every year to Mexico - contributing to the overall growth of Mexico's gross domestic product - it is difficult to determine if this money is being reinvested into Mexico in a way that contributes to growth in Mexican productivity.

This situation is being exacerbated by the decline of the energy industry. Income from Mexican state-owned energy company Petroleos Mexicanos (Pemex) accounts for 30 to 40 percent of the federal budget in any given year. With profits absorbed by the government for operating expenses, Pemex has very little spare cash to invest in its own industry, and the industry is facing serious declines in production. With prospective income headed downhill, Mexico is facing a grave fiscal problem - and the question will be whether to take the political risk of raising taxes or the financial risk of assuming greater amounts of debt. These energy woes are the most recent manifestation of Mexico's boom-and-bust cycle of capital shortage.

Shifting Politics

Mexico is unique among countries in Latin America in that the seat of national power has been occupied for most of Mexico's modern history by a single party: the Institutional Revolutionary Party (PRI), or its historical antecedents. But despite the rule of a single entity, Mexico's modern history has been relatively peaceful, avoiding (with some exceptions) the bloody political tangles that characterized many South American countries in the latter half of the 20th century.

This was in part possible because of the post-WWII prosperity that buoyed Mexico through the middle of the 20th century. In the context of sustained growth and sufficient capital, Mexican politicians didn't need to do very much in order to keep the country on an even keel. The key to maintaining stability in a complex system characterized by a proliferation of interests - from business to farmers to unions - was a very strong party that used political inclusion to soothe all comers. This meant that, for the PRI, it made more sense to entice political opponents into inclusive political cooperation than it did to threaten them with force. The rule of the PRI was still authoritarian, but it was very gentle compared to the brutal dictatorships of the 1960s and 1970s in other Latin American countries.

The strength of the party, at least in large part, is a result of Mexico's single-term limit for politicians. An idea that has been a rallying cry since the 19th century and was cemented by the Mexican Revolution, the edict that no politician should seek re-election is designed to avoid rulers who overstay their welcome.

The policy has had a number of consequences. It has made it difficult for individuals to build up their own power centers, or hold on to any single office for very long. The president can serve for only one six-year term - and for decades finding a successor was as simple as selecting an obvious heir. Theoretically designed to prevent despotism, the one-term limit also has made it very difficult to achieve standard goals of statehood - like economic or political reform. The primary problem is that Mexican politicians are not actually answerable to democratic processes. This creates an incentive structure that has very little to do with accountability to voters, and provides little to no incentive for politicians to achieve campaign promises.

Indeed, Mexican legislators often begin searching for their next job soon after entering office. And without the need to hold on to voter approval, Mexican politicians are much more free to engage in cronyism (something that helps with the job search). Indeed, in the politics of inclusion, this is actually quite beneficial. When the business of governance is dealt with through deal-making and favor distribution, having a system that leaves its legislators free to make such deals is conducive to the party's strategy for power consolidation.

This structure is not, however, beneficial for setting a political trajectory, or enacting policy over the long term. Without any continuity in personnel, there is little to no institutional memory of legislative efforts. This allows Mexico to move forward only in short bursts of legislative action, if at all.

While these dynamics and PRI rule have shaped the foundation of modern Mexico's political system, important shifts have occurred in the past decade. In 2000 the first elected president from the National Action Party - Vicente Fox - came into office. The transition of Mexico from a one-party system to a multiparty system pushed the country into relatively uncharted territory.

The dynamics of a multiparty system are different, with parties now able to openly oppose the will of the president in the legislature as a way of positioning themselves to propose candidates for the presidency. Though the system under the PRI was never particularly unified (nor in

any way polite), all political maneuvering happened within the rubric of the PRI party machine, and dissent was relatively easy to control. Now such maneuvering occurs beyond that machine.

This dynamic is new, so it is too early to say how it will evolve, but the system appears to encourage political polarization in part because each party seeks to distinguish itself from the others. Additionally, as the inclusive framework used by the PRI to manage the country's myriad interests breaks down, it will expose sharp regional and factional differences. The multiparty system has likely made Mexico a much more difficult country to rule, since the president now represents a swath of voters and doesn't simply sit at the apex of a power balance held steady by a broad and inclusive effort.

Opportunities for divisiveness have flourished, and a willingness to break with past political arrangements has become clear. This is nowhere more evident than in the current administration's decision to use the military to fight the power structures built and maintained for years by Mexico's powerful criminal organizations.

Modern Challenges

Drugs

Like most of Mexico's problems, the drug wars are also a result of the country's geography. The flow of drugs is an ever-shifting river that follows the path of least resistance on its way from producer to consumer. When the United States and its international partners started shutting down direct air and sea traffic from Colombia to the United States in the 1990s, drug smugglers began to bring cocaine through the land corridor of Central America and Mexico. Mexico's border with the United States became ground zero for drug smugglers, and Mexican organized crime found itself with a much larger portion of the drug money at its fingertips.

Both Mexico's southern and northern borders are rugged and as populated as they are guarded (which is to say not much). This is the perfect combination for robust smuggling, particularly of goods that are in great demand in the United States. Since these border regions have few economic opportunities (the costs of development are simply too high and the state's resources too few), this smuggling is met with the de facto participation, if not outright approval, of local authorities. Mexico's fragmented geography also allowed plenty of room for different organizations to gain power in their local areas by controlling

particular transport corridors or critical cities - even to the point of operating like a local government. These gangs jostled for control of territory and the state turned a blind eye.

But infighting and violence among drug smugglers did not go unnoticed, and as the political system shifted, so too did the rules of the drug game.

Under previous PRI governments, the need to keep local governments and power structures under the party umbrella meant that Mexico City ignored smuggling. That was the price of inclusion. Now that the government has shifted to an untested model, however, inclusion is not the only goal - and the model has become less predictable. The result has been the decision by Mexican President Felipe Calderon to deploy federal military forces to fight the influence and activities of the drug cartels throughout the country's periphery. This war between the states and the smugglers has put Mexico at war with itself at many levels. In some ways, the drug war is simply a repeat of the Mexican Revolution of 1910-1920.

The end game for the cartel wars is unclear. As the violence continues, the government will have to choose between continuing a confrontational strategy against the cartels or returning to the old system of inclusive acquiescence, and any decision on the matter could very likely be forced by public opinion turning against the anti-cartel effort. As the military is exposed to the cartels, it will become increasingly vulnerable to corruption, reducing its effectiveness. The bottom line is that, as long as drugs are produced in South America and consumed in North America and Mexico's borders remains porous (for the geographic reasons described above, this would be very difficult to change), the drug challenge will not go away. The challenge for Mexico is to decide when fighting the war on drugs is no longer concordant with its domestic political stability.

Energy

A direct result of Mexico's more inclusive political system is that it is very difficult to make sharp changes in policy, which is a primary reason behind the country's suffering energy sector. Because of the high costs of development, the state has never managed to implement policies that would promote growth - they would have too damaging an impact on the regional power balance. Oil proved to be a way around the distribution imbroglio.

Early costs were borne by foreign investors, assets were nationalized and the industry was seen as a free income stream for the state. But now those assets have been squeezed for everything they can produce, and Mexico requires a new wave of capital and technology - capital and technology it does not have - if it is to maintain its energy revenues.

The only option is to open up the industry to foreigners once again, but the 1917 constitution makes this illegal, and any attempt to change it would greatly upset powerful entrenched interests. Attempts at reform have so far fallen flat, and there is little to suggest that the country has the wherewithal to substantially change its energy policy.

Conclusion

Mexico is fundamentally challenged, first and foremost, by its physical geography. With mountain ranges for dissidents to hide in, expansive deserts that are difficult to control or defend and serious vulnerabilities to naval incursions, Mexico is inherently susceptible to serious security challenges. Throughout its history these threats have ranged from foreign invaders to leftist militants to upper-class rebels. Today's drug-trafficking organizations are only the latest manifestation of this challenge.

The country's rugged terrain lacks natural river transport networks, which makes it exceedingly difficult for Mexico to generate and accumulate capital. This leaves the country dependent on external capital and at the mercy of international market dynamics. Mexico shares an underdefended 2,000-mile-long border with the United States, the world's largest consumer market. This leaves Mexico's economy, which relies on the United States to import from Mexico everything from computers to drugs as well as to export to Mexico critical foodstuffs, highly dependent on the vagaries of the U.S. market. Mexico is also militarily reliant on the United States to defend Mexico's vulnerable eastern flank, and thus is highly vulnerable to U.S. political influence.

In the face of all of these challenges, it is no surprise that Mexico has remained embattled and underdeveloped compared its northern neighbor. Even before addressing issues arising at a political and policy level, Mexico must overcome the challenges of its physical geography.

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