



## Mexico: A Nation-State Dissolves?

Posted by [jeffvail](#) on September 10, 2007 - 9:50am

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*(Repromoted due to today's [explosions in Pemex's pipelines](#) and [JHK's story and link to us today](#)...originally posted 7/12/07)*

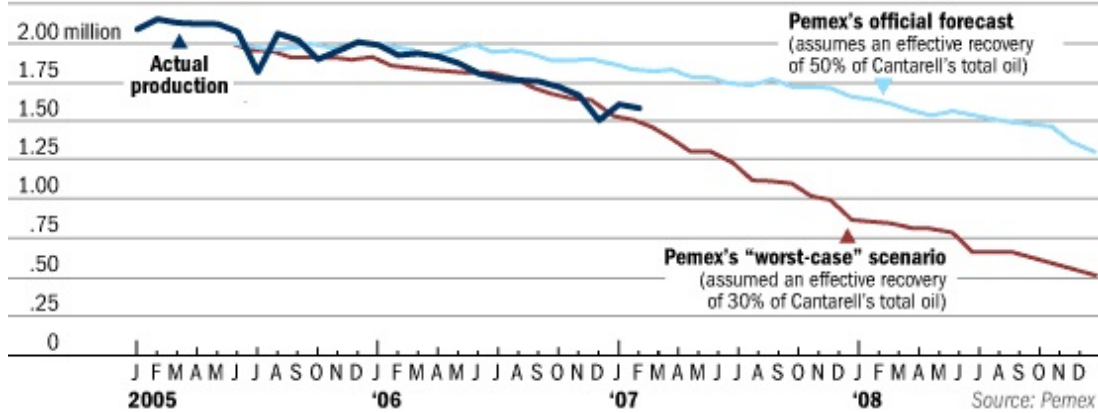
In my annual [new years predictions](#), I said that the most significant, and surprising, development of 2007 would be the collapse of both Mexico's economy and its very existence as a viable Nation-State. While there hasn't been a spectacular, single event confirming my prediction, there has been a steady erosion on all fronts—with five months left in the year, I'm not yet willing to push back my prediction of Mexico's "collapse" to 2008. The decline of the Mexican Nation-State is a bellwether for the massively complex network of geopolitical influences sometimes termed [above ground factors](#). It provides some insight into how symptoms of oil scarcity [already being felt in poorer parts of the world](#) will increasingly spill over into our own back yard...

**UPDATE:** After I wrote this story (July 7th), things took a serious turn for the worse with a series of rebel attacks on Mexican oil infrastructure: [Bloomberg](#), [Forbes](#) (research credit: Dantes Peak).

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Before I highlight the specific events that are undermining the Mexican Nation-State, let me talk first for a moment about what it means for a Nation-State to collapse, an important topic as it's an experience that will become increasingly common over the next decade. When a Nation-State collapses, the cities don't all catch on fire simultaneously whilst roving hords pillage the countryside and the population starves. Nation-State collapse is not the apocalypse—it is exactly what it suggests to be: the collapse of the notional union of Nation and State under one central, viable government. Nation-State collapse also doesn't suggest that there will no longer be Nation-States. It is my prediction that there will be a Mexico, an Iraq, etc. for quite a long time. What collapse does mean is that the importance of Nation-States will decline sharply, as they become increasingly ineffectual both domestically and internationally. Nor does the decline of the Nation-State mean the decline of Nationalism and similar identifying sentiments. Quite the opposite: as States increasingly fail to care for their constituent Nations, those Nations will become increasingly susceptible to the black shirts and brown shirts of history, but these movements will be increasingly dissociated from States, more similar in organizational model to al-Qa'ida than to Nazi Germany. (See [The New Map](#), a paper that I presented at the [2006 Yale International Law Conference](#), for an overview of this notion of the end of the Nation-State)

## Mexico's Oil Production is Collapsing



[Production](#) from Mexico's [Cantarell field](#) is [collapsing](#), and production from new fields are not making up the difference. It appears very likely that Mexico has [permanently passed its peak oil production](#). On top of that, domestic consumption is rising, creating the classic [Export Land](#) effect: declining production and rising domestic consumption equal accelerated declines in exports. Taxes from these export revenues generate the largest share of revenue for the federal government. Recent reductions in the tax rate that the government applies to PEMEX, the state oil company, shows that this key source of revenue is failing. The collapse of Mexican oil production has been extensively [discussed elsewhere](#)—here it is only my aim to highlight this as a component in the collapse of the Mexican Nation-State, and the positive feedback loops between the two events.

## Mexico's National and State Boundaries are Separating

The core proposition of a Nation-State is that the boundaries of the Nation and the State will coincide, allowing the State to effectively provide for the security and welfare of the Nation, and leading in return to the Nation giving their allegiance to the State (See Philip Bobbitt's "Shield of Achilles," the seminal work on the Nation-State construct). While no Nation-State is a perfect example of this ideal, Mexico's proximity to enticing US labor markets, and the resulting massive emigration of Mexicans, is increasingly distorting this overlap. While "Mexico" remains a powerful cultural concept, that concept is increasingly dissociated with the geographic borders of the Mexican state. People can be wholly "Mexican" in Los Angeles, or, increasingly, [Alabama](#).

## The State of Mexico is Failing to Provide for its Nation

While the dissociation of the boundaries of a Nation with the borders of a State makes it more difficult for a notional Nation-State to provide for that part of its Nation outside its State borders, Mexico is also failing to provide for its nationals inside its borders. Recent protests over [tortilla prices](#) are just one example of the [extreme poverty](#) suffered by much of the nation (and, not entirely coincidentally, largely the result of scarcity in global oil markets driving demand for corn-ethanol). Similarly, while the [average](#) Mexican's wealth is increasing, there are shadow factors at work—people like the [Mexican businessman Carlos Slim, now the richest man in the world at \\$68 Billion net worth](#), are skewing the statistics. Without [remittance payments from emigrants](#), Mexico's poverty situation would be far worse. When a State can no longer provide for its Nation, there is no longer any incentive for that Nation to voluntarily give allegiance and support to their State. The only remaining tool to exert control is coercion through a State's theoretical monopoly on violence, and in Mexico even that is breaking down.

## Mexico's Monopoly on Violence is Collapsing

Not that Mexico was ever a poster-child for civic safety and effective policing, but the situation has grown [considerably worse](#) in the past year. There are [mass desertions](#) among the federal police. [Outright infantry battles between crime organizations and the government](#) are becoming a [common occurrence](#). [Hundreds, perhaps thousands, of police, judges, government officials, and reporters have been assassinated over the past few years](#). What control the federal government continues to exercise in states such as Sonora, Sinaloa, and Nuevo Leon is mainly due to the fact that crime organizations don't want to actually take over the territory—they already experience the benefits of acting as a sovereign government without the burdens, and they're happy to leave those burdens to the "official" government.

## Can Mexico Protect Its Oil Infrastructure?

Mexico's increasing inability to deal with drug violence within its own borders begs the question: can Mexico protect its oil infrastructure? A [string of attacks on Mexican gas pipelines this week](#) suggest that they are ill-prepared for this threat.



*Photo: Flames from the attack on a gas pipeline in Queretaro, Mexico illuminate a passing army truck. (AP)*

The same profit motivation that increasingly drives attacks on oil infrastructure in Nigeria and Iraq is tailor-made for the combination of disaffected rebels and powerful criminal organizations that already exist in Mexico. The chief source of revenue from oil attacks in Nigeria is the ransoming of foreign contractors working in the oil sector. The more that Mexico succeeds in modifying its constitution to bring foreign service workers and foreign concession-holders into its oil and gas industry, this same problem could spring up with a fury in Mexico. Similarly, the high return on investment for attacks on Mexico's oil industry make this the most promising target for politically motivated groups. Finally, while "illegal bunkering"--poor consumers stealing various hydrocarbons direct from production pipelines--is not yet a common occurrence in Mexico, "Export-Land" effects will likely make domestic consumers, especially rural and poor consumers, feel a financial crunch that will drive bunkering.

Mexico's military and police forces have, to put it mildly, not demonstrated much competence over the past decades. The same corruption, desertion, and competing interests that are causing the Mexican state to lose its monopoly over violence will prevent Mexico from effectively protecting its oil infrastructure. The simultaneous (and partially resulting) financial crunch will further degrade their ability to respond. How long until we hear that "oil rose in New York today on news of continued attacks on oil facilities in Mexico"??

## Collapse is a Positive Feedback Loop

Every one of these factors, individually and in combination, act as positive feedback loops. Collapsing oil production decreases available revenues to reinvest in exploration and delays bringing new fields to production. The comparative success of Mexicans outside of Mexico drives further emigration. Failure of the Mexican government to provide for its people drives more economic activity to the black market, erodes the tax base, and makes taxes more difficult to justify at election time. And failure of the government to provide for fundamental security compels the population to turn to primary loyalties for protection—corrupt local governments, criminal organizations, etc. These factors in combination erode the foundation of the rule of law and the viability of Mexico's infrastructure network, which in turn puts the brake on foreign investment, tourism, and the ability of legitimate businesses to produce and export goods and services from within Mexico. To the extent that Mexico uses central banking to prop up the peso, it drives a wedge between actual, local economic production and the monetized economy.

## Is Mexico a unique case or a bellwether?

In my paper [The New Map](#), I argue that these same factors are eroding the viability of the Nation-State everywhere. The situation in Mexico is exacerbated by reliance on declining oil revenues and proximity to the US. However, the Mexican Nation-State enjoys many advantages: with significant exceptions, indigenous populations are well integrated into Mexican culture; a strong, shared Catholic identity; a rich history as an independent nation; a relatively long period of independence since the end of colonial control. Nigeria, Iraq, and other fragmenting Nation-States would be lucky to have even one of those advantages. Every Nation-State is the product of unique circumstances, but the broader forces undermining the Mexican Nation-State are shared around the world. The decline of the Mexican Nation-State is most visible because of the impact of symptoms of this decline on the US, and the resulting media coverage of these symptoms: America's "broken borders," the "war on drugs," the "outsourcing of America," and virtually anything else that comes out of [Lou Dobbs' mouth](#) (a "rise" in [leprosy due to Mexican immigrants —look out!](#)).

The collapse of the Mexican Nation-State will have serious, negative impacts on global oil markets, on the US economy, and on xenophobia and anti-immigrant sentiment in the US, not to mention its impacts inside Mexico. It might not happen in 2007—and it certainly won't occur in one sudden "bang" that can be easily marked on a date in history—but the process is already well under way. On a broader trend, the decline of the Nation-State as a mode of social organization will have profound effects in a post-peak world. In one sense it will cement the inability of Nation-State governments, and international coalitions of governments, to act effectively to address Peak Oil. In another sense, it may facilitate exactly the kind of localization that will be necessary in a low-energy world. Of course, this isn't a suggestion that the transition will be peaceful, enjoyable, or brief.



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