“Shannon O’Neil has combined her deep knowledge of Mexico with illuminating anecdotes and insightful analysis to set out the opportunities and challenges for Mexico and to persuasively make the case that a successful Mexico is of vital importance to the United States. In that context, she thoughtfully explores the policy paths that Mexico and the United States should pursue to realize the potential for Mexico’s success that she strongly believes in. And, while this discussion is serious and important, it is also well written and engrossing.”

Robert E. Rubin, Co-Chairman, Council on Foreign Relations, and former U.S. Treasury Secretary

“Two Nations Indivisible is an in depth analysis of the relationship between two nations that together can play a major role in the 21st century.”

Claudio X. Gonzalez, Chairman, Mexico Business Council

“Wedded—for better or for worse. Trade booms, they reshape each other’s societies, and Mexico democratizes. Yet, Mexico’s thugs get weapons in the United States; U.S. kids get cocaine from Mexico. Shannon O’Neil’s smart, articulate, well-researched, and illuminating book sheds light on this binational intimacy, its tragedies and hopes, and sets the path for a better future.”

Jorge Domínguez, professor and vice provost for international affairs, Harvard University
“Two Nations Indivisible provides a brilliant, well-documented roadmap showing how and why the United States and Mexico could and should collaborate to solve shared economic, social, and security challenges and in doing so advance their respective national interests. Leaders, public and private, on both sides of the border should take note.”

Carla A. Hills, former U.S. Trade Representative, and Chairman and CEO of Hills & Company

“A good political and economic history of modern Mexico, the book will be of interest to those seeking a deeper understanding of the country.”

Publishers Weekly

“The U.S.-Mexico relationship is as complex as it is misunderstood. Shannon O’Neil provides a lucid and timely correction to the many myths that have long plagued this relationship.”

I arrived at Benito Juárez airport in Mexico City around four o’clock in the afternoon on a full direct flight from New York’s John F. Kennedy airport. With two large suitcases I pushed my way through the Mexican families waiting for their sons and daughters and past numerous porters wanting to assist the güera with her bags. Forty-five minutes later, I met two strangers—my new Mexican roommates. The three-room railroad apartment in Anzures, adjacent to the tonier Polanco, was too small for the three of us and, as I discovered over time, we had little in common. But at that moment I was happy not to be alone facing my first days in one of the world’s largest cities.

I came to begin a job as an equity analyst at a boutique investment bank. I was an unconventional hire, somehow convincing my soon-to-be boss that a good liberal arts education, passable Spanish, and a stint at a human rights organization in New York City would translate well into analyzing retail, food, and beverage companies on Mexico’s expanding stock market.

The fact that Mexico was booming helped. In March 1994, NAFTA was three months under way, and a pervasive optimism filled Mexico City’s taxis, streets, and neighborhoods. Sure, there was talk about the Zapatista uprising, but it was mostly gossip about the group’s mysterious green-eyed leader Subcomandante Marcos and the wave of Hollywood celebrities heading to meet him in the Chiapas jungle. The poverty and pain of southern Mexico seemed otherworldly in the streets of Polanco, Mexico City’s financial hub. Our traders worked the phones all morning, selling hundreds of millions of dollars of cetes and tesobonos—Mexico’s treasury bonds—to French millionaires, Scottish pension fund managers, American institutional investors, and each
other. Our corporate finance guys joked between client calls, gossiping about Morgan Stanley’s newly rented space down the street, and whether an upcoming high-society wedding would lead to a corporate merger. Hermès tie wearing businessmen (and just a few women) filled the serene courtyard bar and restaurant of the newly opened Four Seasons Hotel, business lunches often extending into the twilight hours. Long meals, bookended by small glasses of Don Julio tequila, were part of the normal business schedule. Political heavies gravitated toward Casa Bell, the also new gardened courtyard restaurant—complete with songbirds—just a few blocks away. At the ivory-clothed tables, the seating chart was always meticulously curated. Avid watchers of the ruling political party’s smoke signals could discern the current hierarchy of power and favor from the subtle positioning of advisors and aides at the tables radiating out from a prominent minister, or on some days even the president himself.

Within days of my arrival, this balance briefly foundered with the assassination of Luis Donaldo Colosio, the dominant Institutional Revolutionary Party’s (PRI) presidential candidate. Still finding my feet, I didn’t understand its significance for Mexico. But, it turns out, neither did anyone else. After initial market jitters, President Carlos Salinas and his world-renowned finance minister, Pedro Aspe, reassured the markets and kept the party going through the July 1994 presidential election. Even after a second political assassination—of José Francisco Ruiz Massieu, secretary general of the PRI—prominent investment firms and voices shook off any worries that Mexico might be on the edge of yet another economic crisis.

In October I temporarily joined our trading desk, filling the seat of a honeymooning colleague. For the next three weeks I took orders from foreign clients and negotiated with my Mexican counterparts, cajoling them to go easy on the newbie gringa. As I (gladly) returned to my research reports in early November, my bosses, veterans of the 1982 Latin American debt crisis, sold all their Mexico positions, fearful of a peso decline with the presidential transition on December 1. Going against the markets, they were in rarified company. Over the course of
1994, Carlos Slim, at the time Mexico’s wealthiest man (later the world’s wealthiest), converted into pesos over $1 billion of dollar-denominated debt owed by his various companies.

History did repeat itself on December 19, 1994. His hand forced by dwindling international reserves, newly installed President Ernesto Zedillo initially devalued the peso by 15 percent. A bewildered and betrayed market then pummeled the currency, which quickly tumbled past six pesos to the dollar—erasing half of its value in the following weeks.

Inflation rose, stores and restaurants closed, and millions lost their jobs. Even Mexico City’s main volcano, Popocatepetl, reacted, spewing ash across the capital’s beleaguered residents. Daily life as a foreigner became more difficult; while my compatriots and I were somewhat less affected by the economic crisis, crime quickly worsened. The often entertaining rides in Mexico’s Volkswagen Bug taxi cabs turned menacing, as stories of “express kidnappings”—forcing passengers to withdraw the maximum from ATM machines before dumping them in outlying, sketchy neighborhoods—spread through the expat community. Like others I knew, I was held up at gunpoint outside my apartment. After almost three years, I decided to return to New York. While I and others didn’t realize it, we were experiencing the lethal blow to Mexico’s political system. Once all-powerful, the PRI could not control the economic, political, and social changes that would follow.

I returned to live in Mexico City in 2002 at a very different moment. Having left the investment banking world for academia, I came on a Fulbright grant as a visiting researcher at the Autonomous Institute of Technology, or ITAM, one of Mexico’s most prestigious private universities located on the edge of San Ángel, a cobble-stoned neighborhood in the south of the capital.

Much had changed in my absence. Immediately noticeable was the air. Economic shifts and government regulations that pushed factories out of the city and limited car use meant one could finally see, even on bad pollution days, at least a block ahead. The city too
had expanded. Just a mall, movie theater, and a couple of apartment buildings in the mid-1990s, the far western end of Reforma Avenue had become a city unto its own. Dubbed Santa Fe, it made one feel transported to a Houston suburb, the landscape dominated by sleek glass office buildings interspersed with residential high-rises and gated communities. With so many multi-national corporations headquartered in the new neighborhood, many—mostly Mexico’s rich—rarely headed into the city’s down-town anymore, their world now centered on the westward edge, halfway to Toluca. The city stretched farther to the east as well, creeping out past the airport to the toll booths on the highway to Puebla, where miles of neatly appointed starter houses trailed off toward the horizon.

Even as the upper classes and newly middle classes pushed out and filled in the city’s edges, Mexico’s central neighborhoods made a full comeback. Condesa and Roma—once home to bookish immigrants and the bohemian set—now attracted the chicer Lomas and Polanco crowd. The incessant hammering of construction workers slowly erased the 1985 earthquake scars, sleek apartment buildings popping up next to stately belle époque and art deco jewels.

In the 1990s we had made the culinary trek to the few Condesa outposts: Fonda Garufa for its huitlacoche pasta, or next door to the newly opened Café la Gloria for bistro-style fare. Nearly a decade later, these stalwarts were surrounded by dozens of competitors, diners spilling over the sidewalks and onto the streets. The arrival of Mexico’s young, hip, and moneyed changed the feel of the leafy neighborhoods.

These welcome shifts were just one part of a larger transformation. Ubiquitous shopping malls, internet cafés, and Walmarts fed the consumption habits of Mexico’s expanding middle class. Mexicans reveled in their newfound democracy, with debates over issues large and small covered in the now fiercely independent press. The country began to reenvision its ties north, with politicians referring to migrants as “diplomats” and even “heroes” rather than implicit traitors to their country.
But even as the old system faded, new problems appeared. Political competition brought legislative deadlock, delaying necessary reforms. Free elections did little to create strong independent public institutions or widespread accountability—frustrating citizens and international observers alike. International competition and Mexico’s own failings meant only slow (if stable) economic growth, which was unable to provide opportunities for many Mexicans at home. Workers and their families continued to migrate north, despite the increasingly hostile reception from U.S. policymakers, media, and a number of communities.

Some things hadn’t changed. Crime, which spiked during the 1995 economic crisis, never subsided. Drug-related violence rose, spurred by changes in the global narcotics industry as well as the side effects of Mexico’s democratization. The vacuum left by the retreating autocratic power of the PRI had yet to be filled by a far-reaching democratic rule of law.

While starting the century on its most promising note ever, by 2003 Mexico’s relationship with the United States had again stumbled, falling back into traditional patterns of mutual suspicion and vocal recriminations in the raw days following September 11 and in the subsequent lead-up to the war in Iraq.

In the capital, the green Volkswagen Bug taxis had been mostly replaced by more sedate maroon and gold Nissan Tsurus and Volkswagen Jettas, though the passive-aggressive driving style of the *chilangos* remained the same. Even as Mexicans added the local Sam’s Club and Superama supermarkets to their shopping circuit, vendors still did a swift business at the city’s stoplights and major intersections—hawking newspapers, phone cards, gum, “Japanese” peanuts, oranges, and even coat racks. Still ubiquitous, too, were the weekly *tianguis*, or open-air markets, where Mexicans of all stripes bought fruits, vegetables, and meats, as well as flowers, pots, pans, and even electronics in the temporary maze of stalls and stands set up under bright red, pink, and blue tarps, shielding the overloaded wooden pallets from the sun.

As I finished my research at the ITAM, I again left Mexico, though
this time with a greater appreciation of the country’s challenges, opportunities, and its incredible importance for the United States. Since then, I have remained a frequent visitor to Mexico. Each time I return, I see a sharp contrast between what I read and hear in the United States about our southern neighbor and what I experience on Mexico’s streets. Mexico faces serious challenges, but it is also committed to addressing them, working to enlarge its middle class, open its political system, and provide for its citizens. What is true is that the future of its economy, its democracy, and its society hangs on the many choices being made today.

What is also more apparent, whichever side of the border I am on, is that the United States’ future will be highly influenced by these outcomes next door. As one of the United States’ largest sources of trade, oil, people, culture, and illegal substances, what happens in Mexico no longer stays in Mexico. The stakes for U.S. economic growth, social cohesion, and basic security are high.

Unfortunately, U.S. policy toward its neighbor hasn’t caught up. The old mindsets and approaches are now exacerbating the challenges facing both countries, as we obstinately try to solve alone the many issues permeating official boundaries. Mexican and American individuals and communities span the border, flouting outdated and counterproductive immigration laws. Decaying border infrastructure limits North American competitiveness, hitting the bottom lines of both U.S. and Mexican companies. Mexico’s economic struggles lead many into illegal trades—including drugs and contraband—and crime more generally, which can then spill over the border. Even as the United States spends billions to support democracy in faraway places like Iraq and Afghanistan in the search for world stability, it overlooks the related struggles next door. Instead, the United States’ reaction—committing billions of dollars toward a border wall—hasn’t stopped illegal migration, trafficking, or, in the end, made America safer.

Resolving these problems, as well as taking advantage of these opportunities, requires a new approach to our neighbor. It requires a rethinking of the United States’ understanding of Mexico, and the
forces that have shaped it and that will shape its future. It requires us to understand those problems from Mexico’s perspective as well as our own, and to put U.S. interests front and center. Perhaps most of all, it means understanding the implications of the United States’ continued thinking that we can wall Mexico off, or the idea that we would ever want to do so.