and Canada had hardly gone into effect when the peso collapsed in December 1994. Having depleted its foreign reserves to protect an overvalued peso, Mexico could not pay its dollar-indexed foreign debt. Its economy went into a tailspin. But NAFTA eased the impact and helped with the recovery. As their domestic market shrank, Mexican producers were able to expand exports to the United States by 28 percent in 1995. Economic growth returned the following year.

"In its own terms—the expansion of trade and the attraction of more foreign investment—NAFTA has succeeded beyond anyone's expectations," says Weintraub. Between 1993 and 2002, Mexico's exports to the United States increased by 14 percent annually, while exports to the rest of the world increased at an eight percent rate. Oil once dominated Mexico's exports; today, as NAFTA's architects intended, manufactured goods make up almost 90 percent of the total. Foreign investment has flowed into Mexico at a rate of $13 billion annually, more than two and a half times the rate in the 13 years before NAFTA.

But foreign trade can do only so much. Mexico's economy has grown by an average of only three percent annually since 1994. One cause of the mediocre performance is a low level of tax collection—only 11 percent of gross domestic product, compared with Brazil's 37 percent, for instance—that leaves the government starved for resources: Up to half of Mexico's population remains in poverty.

There is one Mexican problem, though, that NAFTA has aggravated: regional inequalities in wealth. The trade pact has fostered stronger growth in the country's central valley and in the north, while other regions have languished. NAFTA should have followed the European Union's example by providing for subsidies to these poorer areas, Weintraub believes. But Mexico's fundamental economic problems do not lie with NAFTA. On the contrary, NAFTA is "the one policy initiative that has worked."

Two Cheers for Russia

"A Normal Country" by Andrei Shleifer and Daniel Treisman, in *Foreign Affairs* (March–April 2004), 58 E. 68th St., New York, N.Y. 10021.

Alas, poor Russia: no longer the Evil Empire, but now a near basket case with criminals riding high, the long-suffering populace economically worse off, and democracy still a distant dream. That's a common assessment these days—but it's far too gloomy, maintain Shleifer, an economist at Harvard University, and Treisman, a political scientist at the University of California, Los Angeles.

Russia "began the 1990s as a highly distorted and disintegrating centrally planned economy, with severe shortages of consumer goods and a massive military establishment. It ended the decade as a normal, middle-income capitalist economy." By then, too, "its political leaders were being chosen in generally free—if flawed—elections, citizens could express their views without fear, and more than 700 political parties had been registered." Yet Freedom House gave Russia a lower rating for political freedom in 2000 than it gave to Kuwait, where political parties are illegal and criticism of the hereditary ruler is punishable by imprisonment.

With a gross domestic product per capita of $8,000, Russia now is like other middle-income democracies, such as Mexico, Malaysia, and Croatia. These democracies "are rough around the edges: Their governments suffer from corruption, their judiciaries are politicized, and their press is almost never entirely free. They have high income inequality, concentrated corporate ownership, and turbulent macroeconomic performance. In all these regards, Russia is quite normal."

Because Soviet-era data were distorted, today's harder data exaggerate the perception of decline. During the 1990s, average living standards may even have improved; private ownership of cars nearly doubled (to 27 per 100 households).

Why is there such despair about Russia? In part because the West once saw it as "a highly developed, if not wealthy country." That it proved otherwise seemed "a disastrous aberration."