

Reflections on the country's situation and the continuity of current policies

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In light of events in Chiapas, it is important to point out the context of this article. Sent to us in mid-November as a critical response to President Salinas' Fifth State of the Union Address (November 1, 1993), it has the virtue of predicting events.

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Following the Fifth State of the Union Address, attention is now focused on the process of presidential succession, as well as on NAFTA. Thus, this is a suitable moment to offer a few reflections and considerations on the current economic and political situation, with a view to contributing to the debate on the suitability or otherwise of continuing present policies.

The Fifth Address is seen as not fully portraying the reality of Mexico. Any economic policy has benefits, and invariably involves costs; otherwise it would be perfect. It is widely considered that the document read by the president underlines the former and at best ignores the latter, in some cases presenting figures that are either incomplete or of questionable validity.

Various government sources, including the president himself, have indicated that a predominant feature of the next government will be the continuity of policies—known as “Social Liberalism”—begun by the previous administration and intensified by the current one. This affirmation is based on two premises that imply a certain degree of risk:

- That the Institutional Revolutionary Party (PRI) candidate will win the elections. While this is likely, as a premise it does not seem to encourage a culture of mutual recognition; and
- That the PRI candidate will be absolutely committed to Salinas' project, which implies a worrisome degree of political presumption on the part of the present government.¹

Although the most recent indicators of freedom of debate and willingness to listen to alternative points of view are hardly encouraging, it does not seem advisable to accept the continuity of current policies without discussion.

This continuity is based on the notion that economic agents react favorably to certainty in economic direction. The drawback to this theory is that it offers no guarantees and has no time limits; the deterioration suffered by the country in the meantime may be irreversible.

As a preamble to these reflections, the three main tenets held to be the basis of the current administration are given below:

1. President Salinas' conviction of the need to reform the state. “This implies modifying doctrines and habits of thought and action, appropriate to previous moments and circumstances in Mexican society and the world.... We have modified institutional instruments, means and practices, over time, and under new circumstances, since what worked before no longer corresponds to the world we live in.... We cannot attempt, at the end of

¹ In his acceptance speech, the PRI's presidential candidate, Luis Donaldo Colosio, stated his intention of guaranteeing the continuity of President Salinas de Gortari's economic and social policies (see *Voices of Mexico* No. 26). On March 6, during the PRI's 65th anniversary, he modified his stance. (Editor's note.)

the 20th century, to do things the same way as they were done at the beginning of the century.”

2. A highly unusual view of the populace, based on the belief that it lives under a series of myths and taboos that have to be overcome. Yet this view is not based on consulting the population, for the same reason: the belief that it lives in a non-existent past. Thus it is seen as unprepared for participation in what should be a democratic decision-making process. This is obviously a subjective view, but one that has not been easy to refute.
3. A severe crisis of legitimacy. The current regime's margin of legitimacy is “the smallest in the entire history of the Mexican political system.... No Mexican president had ever come to power with a vote of fewer than 26% of registered voters and fewer than 11% of the country's entire population.” (*Sucesión pactada* [Pact for Succession], Unidad de Análisis Prospectivo, *El Financiero*, Plaza y Valdez, Mexico City, p. 95.) This, of course, without even questioning the authenticity of official election results which have been queried on a number of occasions.

As a result of these three elements, we find ourselves in a *de facto* situation. The president, whose ascent to power has been the most disputed—and which in any case came through the smallest number of votes—in the country's history, has carried out the most profound and significant transformations ever, based mainly on unlimited presidential powers and with questionable popular support. These measures have ranged from the “reform of the State” to the “reform of the Revolution.” In itself this would not necessarily be negative, but it is worth analyzing the country's current situation to see whether the actions carried out have translated into improved well-being for Mexicans.

Economic considerations

These are the main achievements of President Salinas' economic policy:

- Inflation has been substantially reduced.
- Public finances show a surplus.
- The economy has been greatly opened up.
- Industry is beginning to be deregulated.
- International reserves have reached a record high.

However, the high cost of these policies should be stressed in order to attempt a cost-benefit analysis and have the necessary elements to judge the advisability of their projected continuity.

Economic growth curbed. The growth rate for the GDP has fallen consistently: from 4.4% in 1990, to 3.6% in 1991 and 2.6% in 1992, and it is expected to sink to 0.9% in 1993. Although the average may be satisfactory, the overall trend is worrisome, and exactly the opposite of what the administration had planned.



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Increased poverty. According to the World Bank, nearly 20% of all Mexicans, some 16.8 million, live in extreme poverty. It is estimated that nearly 41 million Mexicans are unable to meet their basic food needs, while the middle classes have become drastically impoverished, seeing their purchasing power fall 50% in the past ten years.

Concentration of wealth. *Forbes* magazine places Mexico in fourth place on the list of countries with the most millionaires, with 13, after the United States (108), Germany (46) and Japan (31), and with a national economy clearly dominated by monopolies and oligarchies. According to data from the National Institute of Statistics, Geography and Information Science (INEGI) and the Mexican Stock Exchange (BMV), just 12 entrepreneurial groups control 32% of the GDP of the manufacturing industry, while at least 11 areas of industrial activity, including the most dynamic sectors, are almost totally controlled by between one and four companies.

President Salinas' justification —“If we didn't have large groups in Mexico, it would be difficult to meet the challenges of globalization”— seems inadequate in view of the country's current conditions, and would appear to be a weak defense against growing criticisms that “investors

with close ties to the PRI were given privileged access to state firms" in the process of privatization (Tom Barry, coordinator, *México, una guía actual* [Mexico, a Current Guide], Editorial Ser, México, 1993, p. 208).

It is significant that the inability to win his bid to acquire Banca Somex cost the head of the bidding group 50 billion pesos in fines alone, which led to the following comment: "Never before in the country's history has the enrichment of so few been treated as lightly as it is today" (José Cabrera Parra, *Siempre* magazine, March 25, 1992).

It is also telling that, according to *Business Week*, while Banamex occupies the 148th and Bancomer the 171st position in the list of the world's 200 largest banks, they occupy the second and third place in the world as regards profits obtained—despite the fact that neither of them fulfils the minimum norms for financial solvency established by the Bank of International Payments, the world banking regulator.

Unemployment. Although figures vary according to the source, from INEGI (5.5%) to Wharton (9.4%), all coincide in citing mid-1993 as the period of peak unemployment for the entire presidential period; at the same time, over four million senior citizens are condemned to misery, and retirement in Mexico is regarded as a "challenge to survival."

Company problems. Lack of liquidity and high real interest rates, as a result of the economic policy that has been adopted, have caused severe financing problems for small and medium-sized firms that have been unable to obtain financing from abroad. At best, this caused severe problems of overdue loans; at worst, the closing of a large number of these firms: 600,000 according to some estimates.

Balance of payments. As a result of the exchange rate policy adopted and an almost indiscriminate opening of the economy, the country's trade deficit reached record levels in 1992, which have gradually fallen in 1993, mainly as a result of the shrinking economy. In addition, Mexican businessmen have seen their products become more expensive abroad, lost their share of the domestic market due to an excessive number of imports, and experienced additional problems due to a lack of financing.

The external deficit has renewed the problem of the foreign debt, now at its highest level ever.

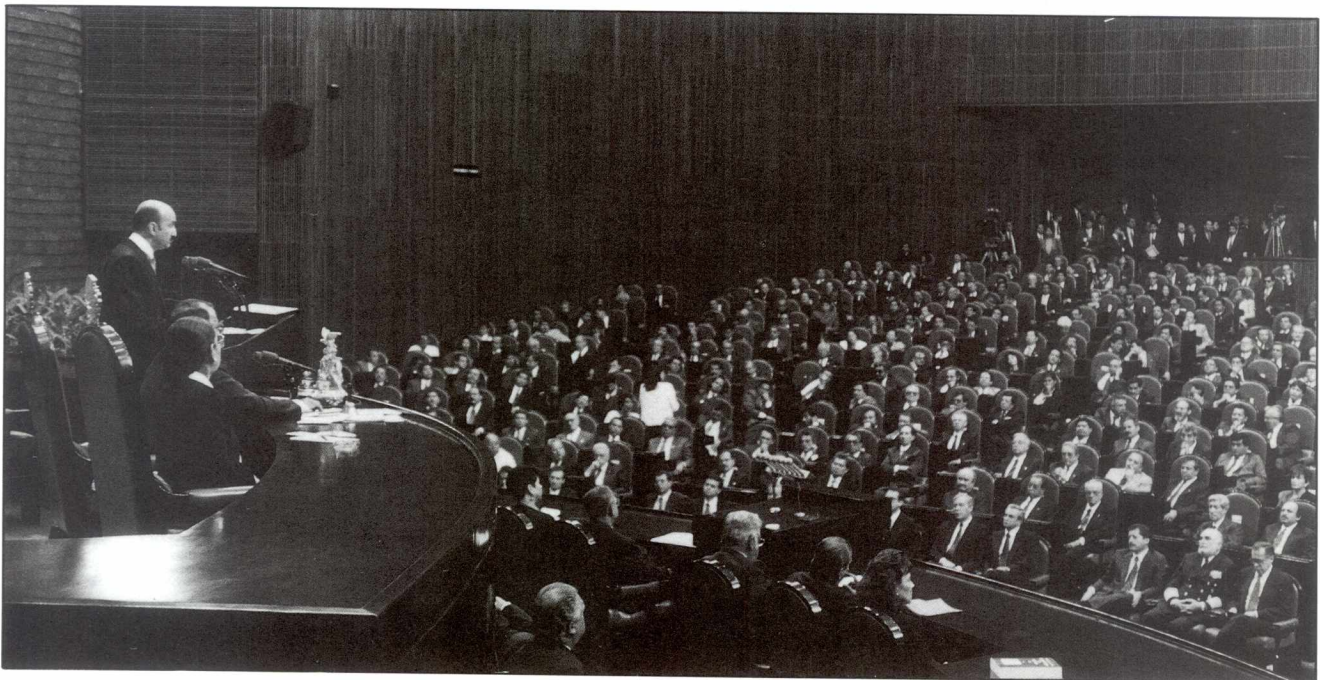
Neglected infrastructure. As a result of the policy of reducing public expenditure, one of the most affected areas has been the maintenance of infrastructure, which has severely deteriorated. Examples include Pemex facilities, the road network, airport services and electricity stations.

Reflections on NAFTA

To a greater or lesser extent, it would seem that NAFTA has been a touchstone of this administration's economic policy: for some, it has been the basic objective of that policy. In view of its importance, a number of considerations on the subject are given below.

Negotiations have followed a tortuous route; at times the process has been slipshod. These negotiations are considered to have been hampered not only by the size of the project, but because they were influenced by several questions that have yet to be answered.

One of the first things that strikes one about the agreement is Mexico's radical change in position, from its



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Challenges for the 21st century

Mexico is currently undergoing a new stage of modernization and change, as it prepares to meet the enormous challenges and possibilities of the 21st century.

We shall have to concern ourselves not only with moderating growth, but also achieving a more balanced geographical distribution of the country's population. While medium-sized cities are experiencing a new —albeit far from straightforward— dynamic of growth, urban concentration in Mexico City, Guadalajara and Monterrey has already reached critical levels.

Despite the efforts that have been made, Mexico's process of urbanization has outstripped planners' projections and even the most elementary framework provided by the authorities. It is no overstatement to note that phenomena of "ungovernability" have resulted from this process.

The decentralization of national life, a more balanced regional development and the strengthening of federal and municipal systems are essential goals for today and tomorrow. It has been clearly established that excessive centralism inhibits and distorts national development.

These are complex, laborious and long-term tasks. It will not be easy to overcome inertia and centralist habits. These are traits, inherited from the pre-Colonial era and reinforced in New Spain, that we have not managed to overcome since Independence.

The task of regulating our demographic growth and improving population distribution is vital if we wish to achieve a greater and more equitable development, with higher living standards for the majority of Mexicans, and sustainability as regards our natural resources. We cannot tolerate social inequality, which offends and degrades us while jeopardizing social peace.

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Extract from a speech given at the Architects of Mexico meeting, February 3, 1994, in support of the UNAM Foundation as part of the program on "The University and its Men."

evident reserve and caution when the project was suggested by President Reagan, to President Salinas' unusual hurry in signing the agreement. Obviously, Mexico's turnaround was due to its president's perceptions.

There are two main trends of thought on the matter. The first is that, during his first trip to Europe, President Salinas perceived that the future of the world economy lay in the formation of trade blocs, in the European style. Mexico could not afford to be excluded from this, and North America seemed the natural trading turf.

The second is that NAFTA was the result of the "spirit of Houston" that arose between Presidents Bush and Salinas in their first interview in that city. The subject of the two leaders' private discussion was not made public, but one can imagine that, among other things, they discussed NAFTA and the renegotiation of Mexico's debt.

It is of course feasible that both events influenced the president of Mexico, and one should not discount the possibility that other considerations weighed on him as well, more related to the doctrine of "social liberalism" in general than free trade in particular.

If the European Community was the paradigm, it is well known that the process of integration has been taking

place over the past 40 years, albeit with very slow periods of development. This contrasts sharply with the Mexican president's urgency regarding timing.

As for the "spirit of Houston," what one finds hard to explain, given NAFTA's evident importance for Salinas, is how he could have gambled everything on Bush's reelection, without even remotely considering his possible electoral defeat, engaging in sloppy diplomacy with then-candidate Clinton, for which he will obviously have to pay a price.

Another factor that weighed against the approval of NAFTA is the lack of popular support it inspired in each of the three member countries, as a result of the great secrecy with which negotiations were conducted. In Mexico, attempts were made to endorse the presidential decision to begin negotiations by means of an extremely heterodox "consultation" of the Senate, whose representativeness, in any case, poses another kind of problem.² Also, it was always said that NAFTA would be "good for everyone," without providing any basis for this assertion. This lack of information and handling of

² The Mexican Senate has an overwhelming PRI majority. (Editor's note.)

What's needed in Mexico?

As Arturo Warman rightly points out (see pages 80-81), what's needed is persistence, work, resources, imagination, audacity, and once again persistence.

We would add that the country also needs to be governed by people with a real vocation for service and the skills required for adequately administering resources; who are honest, creative and open to seeking advice from experts. Politicians well-rooted in local realities, knowledgeable about the region they seek to govern and the characteristics of its inhabitants, with a competitive spirit driving them to be the best at promoting the prosperity of their communities.

That state and municipal governments be genuinely autonomous in utilizing their resources and making decisions to achieve greater regional development. That the executive branch be genuinely balanced with the legislature and judiciary.

We need to be governed by men and women elected democratically by the people and for the people, who are convinced that our nation can grow and achieve high levels of well-being through the education of its inhabitants. Because an educated people strengthens its country.

It is necessary to fight intolerance as well as the mentality and attitudes characteristic of *caciquismo*. [Literally, the rule of local political bosses (*caciques*). More broadly, the authoritarianism of hidebound vested interests.] In order to do this we must lay the groundwork for genuine national reconciliation. Let those who abuse and silence the voices of the downtrodden understand that the wealth they obtain with these methods will always be at risk and that extreme inequality makes for a sick society.

It is necessary to recover the dignity of the Indian population and of Mexicans in general. [In our translations of articles written in Spanish, we have used *Indian* to translate the Spanish word *indígena* (indigenous or native person). It seems important to note that unlike *indígena*, in Mexico the word *indio* is often considered to have a racist connotation.] Especially in this era of globalization, we must recover our roots, cultural grandeur and age-old veneration for nature so we may become part of modernity in a balanced way and in accordance with our own interests.

The editors.

perceptions gradually translated into diminishing popular support for the Agreement.

One issue that has yet to be explained, from the point of view of Mexico's negotiating position, is why the economy was opened so quickly, unilaterally and indiscriminately, before NAFTA talks began, when this opening process could obviously have served as a negotiating instrument for obtaining better terms.

The fact is that Mexico's negotiating position has gradually weakened since President Clinton's election. Mexico has been forced to make all sorts of concessions to the United States, from parallel agreements to the acceptance of "non-traditional" sanctions; from permitting the interference of foreign tribunals ("not supranational, but trinational") in matters of sanctions, to last-minute negotiations in the areas of sugar, citrus fruits, household electrical appliances, vegetables, plate glass and wine. The situation of the Mexican in-bond (*maquiladora*) industry has yet to be clarified, and it is still unclear whether Mexico will continue to benefit from the General System of Trade Preferences.

All these concessions, together with sloppy negotiating on the part of the Mexicans and President Salinas'

ultimatum—"Delaying the date NAFTA comes into effect would mean cancelling the agreement, perhaps for many generations"—naturally lead one to ask, "Why the hurry?"

The answer may involve Carlos Salinas' perception of the agreement, the continuity of his project, and presidential succession, subjects that are obviously interlinked. In this respect, one could hypothesize that:

- The main advantage Salinas saw in NAFTA was that it guaranteed the continuity of his project, regardless of who his presidential successor might be. Thus, one reason why the Agreement became the dominant issue may have been that attempts to promote re-election failed, for the time being at least.³
- In keeping with the above, the time pressure has to do with the political moment, and everything would seem to confirm the accuracy of the perception that NAFTA's ratification or defeat will have a determining influence on the PRI candidate's nomination, since without the agreement, Salinas would be more dependent on the next president for the continuity of his project.

³ Mexico's constitution limits presidents to one term in office. (Editor's note.)

Political considerations

The Institutional Revolutionary Party. One of the results of President Salinas' administration has been the weakening of the PRI as well as growing dissatisfaction within its ranks in general and among its traditional cadres in particular. The reasons behind this include the following factors:

- Bringing the scheme of national privatization to the party level by attempting, among other things, to collect \$25 million USD from each of the country's leading entrepreneurs, which was interpreted as, "I have scratched your back, now you scratch mine."
- The PRI's traditional cadres have been pushed aside to a considerable extent by Salinas' inner circle, which handles the country's politics and administration. This group scarcely identifies itself with the party and may even regard it as an obstacle to the country's modernization.
- Unexpected and sloppily handled replacements of PRI leaders.
- Many of the constitutional reforms that have been carried out are regarded, within the party, as counter-revolutionary and opposed to PRI ideology.
- The majority of the old "revolutionary family" feels increasingly remote from the main positions of power, and from the ideological orientation that has been imposed on the country. That orientation coincides more and more closely with, and sometimes even surpasses, the ideology of the National Action Party (PAN).
- The post-electoral negotiations conducted with the opposition, in which the party's stated triumphs were placed on the negotiating table with no advance warning or previous consultation.
- In many cases, the structure of the National Solidarity Program (Pronasol) has replaced local party cadres. Pronasol has become a much more reliable springboard for state governorship than any party position or activity.
- The process of selecting PRI candidates for positions filled through popular election has become centralized in Los Pinos (the Mexican White House). The president's stated aim of involving the basic party cadres in these processes has remained a pipe dream.

Crisis of governability in the states. Another characteristic feature of the current administration's political management has been the crisis of governability in the states. This is both cause and effect of the lack of respect towards popular will and sovereignty, and the imposition of central executive decisions through interim governors attempting to eliminate "centers of unrest."

"Presidential interference in state affairs and the removal of governors at the federal leader's behest have never before produced such severe conflicts of governability as they have during the present

administration" (special report in *El Financiero* newspaper, November 7, 1992).

By the end of 1992, 14 governors had been forced to resign over a period of four years. In the case of San Luis Potosí, this reached absurd proportions when an acting governor had to be designated to replace an already acting governor.⁴ Thus, a third of the country's population is now governed by individuals who were not elected; over half, if one includes Mexico City.⁵

This would seem to pose no problem at all for President Salinas. He appointed a governor, Patrocinio González Garrido, to replace Fernando Gutiérrez Barrios, precisely in the Ministry of the Interior, which created a new temporary government, this time in Chiapas.⁶

Political reform. One of President Salinas' first promises was to extend democracy. After two political reforms in the course of this administration, one might think that some progress had been made. However, an analysis of the elements in these reforms leads to the conclusion that the basic structures and procedures that could effectively democratize the country have stayed on the shelf. The expression coined to describe this situation is that Mexico is "the perfect dictatorship."

None of the changes made in the Constitution and the Federal Code of Electoral Institutions and Procedures (Cofipe) are thought to respond to the most fundamental demands for genuine progress towards democracy: that electoral institutions become autonomous, and that there be a delimitation of presidential power—which has been omnipresent during this presidential term and will reach its fullest expression shortly. It's no wonder that in Mexico discussion of the presidential succession is considered "one of the most useless pastimes."

It is worth pointing out the view that the PAN is jointly responsible for the limited nature of these reforms, since it adopted a strategy of acquiring political spaces to recover its position as the second political force, in exchange for moderating its demands as an opposition party and making concessions to the PRI.

In this sense, a certain frustration is evident, not only because the president offered to extend democracy, but also because he continually fed people's hopes, with his spectacular coups at the beginning of his term, his exhortation to change, his swift, dramatic constitutional modifications, and his invitation to destroy taboos—in short, his constant urging to modernize the country. It is now patently clear that the country's modernization did not include its democratization. **M**

⁴ The same situation now exists in the states of Yucatán and Chiapas. (Editor's note.)

⁵ The Federal District (Mexico City) mayor is appointed by the president of Mexico. (Editor's note.)

⁶ Patrocinio González Garrido was then replaced by Elmar Setzer, who was in turn replaced by Javier López Moreno. (Editor's note.)