

## *Post-Revolutionary Mexico: The Salinas Opening* \*

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AMERICANS HAVE BEEN so transfixed by the fall of the Berlin Wall - and subsequently riveted to the Persian Gulf crisis - that they have failed to notice the crumbling of the walls that have segmented Mexico and separated it from the United States. Yet Mexico's opening may be more significant for the United States because of its potential for infusing both economies and reshaping the two societies. Challenging a long tradition of state control and anti-Americanism, Carlos Salinas de Gortari is leading this change, transforming Mexico and US-Mexican relations more profoundly and positively than any president in this century.

Not yet one-third into his term, he has already moved decisively to wrestle control from union bosses and drug traffickers; he has sold off state corporations, deregulated large sectors of the economy, lowered trade and investment barriers, and began, grudgingly, to democratize. Yet his most daring gamble is his proposal for a free trade agreement (FTA) with the United States, and he is ready

to sell the idea in both countries. In an interview, he said: "In 1992, the European Community will be the largest market in the world. The United States will be No. 2, but the US and Mexico together could be No. 1." He omitted Canada, which already has a free-trade agreement with the United States, and whose gross domestic product (GDP) is two and one-half times that of Mexico.

His free-trade proposal offers George Bush the opportunity to put the United States back in the center of global calculations, not on the margin of Germany or Japan. Mexico's opening, however, could close unless the Bush administration negotiates an agreement expeditiously. If Bush hesitates, or if Mexico's economy does not improve, or its political climate deteriorates (all real possibilities), Salinas' idea could become an historical footnote, and we might have to wait another generation to recapture the North American opportunity.

In this article, I will first compare Mexico's recent transformation with that of the Soviet Union. Then, I will examine the economic reforms, the prospects for political liberalization, and the implications of the free-trade agreement. Finally, I will offer some recommendations for US policy.

The 20th century's first revolution was in Mexico, and, like the second in Russia, it was cataclysmic: humbling the upper class, mobilizing the peasants, and cutting a wide swath of destruction. The authoritarian parties that found power in the streets used it to build modern, centralized states and generate miraculous rates of economic growth by state management and import-substitution. The new Russian elite built high tariff and political walls to keep the nationalities down and the capitalists out; the Mexicans feared the poor within the walls and the United States outside. Both the Soviet Communist Party and the Mexican Institutional Revolutionary Party (*Partido Revolucionario Institucional* or PRI) also used the walls to deny political alternatives and maintain their grip on power.

By the 1970s, however, the Mexican revolution had grown decadent, becoming, in Carlos Fuentes' words: "a fat lady who drives a Mercedes-Benz." The

protectionist economic strategy had outlived its usefulness, though Mexican oil (and Soviet weapons) postponed recognition of this fact. In Mexico, the debt crisis brought the reality of economic failure home. Average wages declined 40%, and inflation soared to triple digits. A consensus began to emerge on the need for a new economic policy, and President Miguel de la Madrid laid the foundations for it. Real changes, however, would have to await his successor.

Instead of launching a second revolution or returning to the first, Salinas, like Mikhail Gorbachev, has tried to liberate his country from the puerile repetition of meaningless revolutionary slogans. Both are post-revolutionary pragmatists who have begun to tear down the internal and external walls and open their countries to global change. But Salinas, with shrewdness and more options, chose the opposite strategy of Gorbachev's, and it appears that he has the better chance to succeed.

Gorbachev opened the political system first, but that demoralized his party, paralyzed the economy, and released ethnic pressures that threaten to sever the country. Now he lacks the political support to implement economic reforms, and many question his commitment to economic change. In contrast, Salinas opened the economy first but has been much more hesitant and equivocal in opening the political system. He would probably prefer to postpone free elections until the economic reforms re-start the economy, raise wages, and bring people back to the PRI. **The pivotal questions are whether the economic reforms will work, and whether democracy will wait.**

By 1988, Mexico had suffered 7 consecutive years of economic depression after 40 years of outstanding growth. This, plus the tolerance of de la Madrid, led to the opening of a political breach in the previously impregnable PRI. One of its leaders, Cuauhtemoc Cárdenas, son of the Mexican president who had nationalized the oil industry, challenged Salinas for the presidency and for the PRI's soul and legacy. Salinas won election by a bare majority of 50.4%, the

closest vote since the revolution, but the opposition charged fraud and refused to accept the results. For the third consecutive time, the Mexican president left his office and his country weakened and unsteady.

On the eve of his inauguration (on 1 December 1988), I suggested to Salinas that he read Arthur M. Schlesinger's description of Franklin Roosevelt's first 100 days. With a mischievous grin, he said that he had already re-read it. He wasn't kidding.

In his first hundred days, he moved swiftly and with the authority that reminded people of the first Cárdenas. He sent the army to arrest La Quina, the corrupt union boss who had turned PEMEX (Mexico's oil company) from the nation's golden egg into its white elephant. Then, he moved with equal decisiveness to arrest businessmen for illegal trading or for not paying their taxes, well-known drug traffickers who had controlled local or even state governments, and a senior police official for his complicity in the notorious murder of a controversial newspaperman.

Salinas' economic priority was to reduce his country's external debt. He assembled an economic team that out-classed that of Bush, and Mexico became the first to negotiate debt relief under the so-called "Brady Plan," proposed by US Secretary of the Treasury Nicholas Brady. The agreement was signed (on 4 February 1990) between the government of Mexico and the Bank Advisory Committee, representing the roughly 500 commercial banks with loans to Mexico. As a result of that agreement, Mexico's external debt was reduced from about \$100 billion in 1988 to an equivalent of about \$85.8 billion in 1990. More significant, Mexico will save about \$4 billion in debt service each year from 1990 to 1994 (US Embassy, 1990: 9-10). Mexico had hoped to reduce its debt much more, but this was sufficient to divert old funds and generate new ones for investment.

Salinas then raised revenues 13.4% by enforcing the tax laws for the first time in Mexican history, and he cut expenditures. The fiscal deficit shrunk from 11.7% of GDP in 1988 to 5.8% the next year, and inflation plummeted from 160% in 1987 to 19.7% in 1989. Seventy percent of the state's corporations were privatized, and deregulation permitted businesses to respond to the market, rather than to bureaucrats. Trade barriers were lowered so sharply that Mexico went from being one of the most protected markets in the world - with import licenses on virtually every product and a maximum tariff of 100% - to a relatively open one, with an average weighted tariff of 9.5%. Manufacturing exports surged. Instead of pausing for air, Salinas also confronted the untouchables: privatizing the banks, revising the rules on foreign investment, and even relaxing some restrictions on foreign investment in mining and exploration (Uhlig, 1990). "What was most remarkable," according to Carlos Rico, a professor at El Colegio de México, "was that there was no substantive criticism of these changes."

In most of 1989, there was almost no confidence in the economy, and many questioned Salinas' commitment to a free market. By the summer of 1990, no one questioned Salinas' commitment, and confidence was returning. In 1989, the rate of economic growth was 2.9%, the first real improvement since the onset of the debt crisis. The labor market is tighter than it has been in a decade. After moving north for a decade, capital began to return to Mexico. The stock market index doubled in the year since July 1989, better than any other market in the world. In July 1990, *Forbes* magazine told US businessmen to "forget Eastern Europe. The next great economic miracle will take place right on our borders." Mexico, it headlined, had become "a revolution you can invest in" (Goldman, 1990).

Though expectations have improved, investment has not increased sufficiently to generate significant or sustainable growth. Employment in manufacturing has increased, but not as fast as the labor force. Exports have expanded, but imports grew faster, creating a trade deficit. Agricultural production continues its descent,

while prices are starting to climb again, partly because of the reduction of subsidies. The oil price increase will help, but Mexico's new pragmatists are down-playing that as a panacea; they will not repeat their predecessors' oil-boom-and-bust mistake. Mexico can see the light at the edge of the forest, but it is not yet out of the woods.

The economic changes are significant; whether they will last depends partly on Cárdenas and mostly on whether they work. Salinas has altered the economic landscape so much that the traditional terms - Left, Right, revolutionary, conservative - have lost much of their meaning, though they have retained their emotional charge. Cárdenas lays claim to the PRI's "revolutionary" tradition, and Salinas is accused of being "conservative," and yet the president has set an agenda of fundamental change, and Cárdenas has largely accepted it. When I asked Cárdenas whether he would reverse Salinas' program of privatization, lower trade barriers, and free trade with the United States if he were elected in 1994, he responded sharply: "I never said that."

"But would you do it?" I asked.

"I would review the program on a pragmatic, not an ideological, basis," Cárdenas said, rotating the terms to counter those who call him an ideologue and Salinas a pragmatist. His point is that Salinas has "indiscriminately" lowered the economic walls, without taking into account the social, political, or national security effects of those decisions. He argues that it is "irrational" to privatize state companies that are profitable.

To a question on which privatized companies he would re-nationalize, Cardenas again adeptly turns the tables: "The first thing I would do is privatize the media." There are two main television channels - one run by the government and the other by a close friend of the government - and he understands that access to the media is the prerequisite to competing nationally.

"The real issue," Cardenas insists, "is how deeply, at what speed, and under what conditions the [Salinas] changes should be undertaken" (Cárdenas, 1990). For a revolutionary, Cárdenas is surprisingly uncomfortable with the pace of change. His is a classically conservative defense of the *status quo*, a quibble rather than an alternative, but his comment reveals, in a subtle way, the maturing of Mexican politics.

Cárdenas stands astride a heterogeneous, Leftist popular movement. He admits that his major challenge is to transform the support for himself into the Party of Democratic Revolution (*Partido Revolucionario Democrático* or PRD): "Little by little, we are consolidating." Taking clear positions on economic policy risks fragmenting the coalition, which includes many Marxists who oppose Salinas' reforms. His answers are clever ways to avoid the questions. Some businessmen believe Cárdenas would return to the old state-led model, and there is no question that he would use the state to intervene in the economy to a much greater degree than Salinas. There is also no question that the tendency in his party would be to have more distant, difficult relations with the United States, to believe the worst about it, to define limits to friendship rather than to negotiate pragmatically as does the Salinas administration.

But the issue is whether Cárdenas would discard all of the Salinas economic policies if he were elected. In my view, Cárdenas' evasive answers are designed to let him keep his options open. If the reforms work, he would probably make only modest changes. If they fail, the statist voices in his party would be strengthened, and he would probably listen to them and advocate a return to a more statist model. Similarly, he would not break a new trade agreement with the United States, but he would not expand it either, and relations would be more tense than they are today with small irritants becoming major crises.

Cárdenas' ambiguous answers permit him and the country to ground the new politics on results rather than on the empty political slogans of the past. And

Salinas agrees that performance should be the standard: "Today ... being progressive is measured by deeds and results, not by rhetoric."

Cárdenas is no Marxist ideologue, *fidelista* demagogue, or Ayatollah fundamentalist ranting against modernization. He is a modest, decent man with Mayanesque charisma. A former PRI governor of Michoacan, he believes that his old party was captured by uncaring technocrats more concerned with promoting business than assisting the poor. But businessmen, like Juan Elek, know him as an intelligent man, and though they think that his popularity has steadily declined since 1988 and that he has no chance of being elected president, they are not frightened of that possibility. "We are willing to pay the price of a multi-party system," said Elek, and "frankly, I don't think he would reverse Salinas' economic program, though his emphasis would be different." Elek compares Cárdenas to Carlos Andrés Pérez of Venezuela, a non-ideological social democrat.

Whether Cárdenas has a future, his place in history is virtually guaranteed by his past defection. By leaving the PRI, he turned a private internal discussion into a public debate, making opposition legitimate and democracy possible. Many of the nationalists and Leftist intellectuals who had accused members of the National Action Party (*Partido Acción Nacional* or PAN) of treason for criticizing Mexico abroad, now find themselves doing the same think and liking it. Unfortunately, Salinas continues to use the PRI's old-style tactics to discourage such debate. At the PRI's National Assembly (4 September 1990), Salinas claimed he represented "a new generation [with] a new attitude," and yet he denounced

those of the opposition who denigrate the party inside the country and who have no political shame in criticizing the PRI and the government abroad ... without caring about the damage that this attitude can cause to the country.

He reversed roles with the *cárdenistas*, criticizing them as "allies of those who seek to trample on the national sovereignty."

This is the old way that nationalism was defined in Mexico to stifle debate, but it is not consistent with Salinas' own promises of greater democracy. Salinas' comment might have helped him in his party, but it has not improved his credibility on the political scene. Fortunately, it does not appear to have affected the debate in Mexico. Mexicans have stopped keeping secrets from themselves, and even from North Americans. "You can discuss anything in Mexico today," said Luis Rubio, the Director of a Mexican think tank. For someone from the United States, this is the most obvious and delightful change in Mexico. The discussion is far-ranging and more open than before. Ironically, the complaints by opposition newspaper columnists are seen as a sign of the openness as they would not have been seen a decade ago.

Mexico's new politics is that of personalities, not parties. "Without Cárdenas," said Adolfo Aguilar, a professor at the National University who is sympathetic to Cárdenas, "there is no PRD." Similarly, Salinas' decisions have earned him the popularity that he had not won in the election, even as his party's fortunes have continued to decline.

With a picture of the evolving economy and a modern society in his mind, Salinas is consciously trying to restructure the PRI to fit into that picture. He is reducing the share of power to its three main components - unions, agricultural workers, and the middle-class - and making room for - "citizens" and new groups. He is not conceding any space on the political spectrum: with his *rapprochement* to the Pope and his free-market strategy, he has stolen much of the PAN's program, and he is also reaching out to Cárdenas' supporters with an innovative policy.

His *Solidaridad* program identifies some of the poorest towns in the nation and asks them to elect leaders who can articulate and negotiate their needs. Often, he then meets with them and delivers funds obtained from the privatization program. Salinas thus shows the poor that privatization can benefit them, and he

shows the nation that he prefers to respond to the people rather than impose projects on them. Critics say that privatization has not yielded new money, and the resources are just re-shuffled from other bureaucracies. But many concede that it is having a real effect on the designated communities and a symbolic effect on the entire nation. The only question that remains unanswered is whether it can win back Cárdenas' supporters for the PRI.

Salinas' deeper problem is within the PRI, where many are unwilling to risk their power for the uncertain results of a secret ballot. At the PRI's 14th Assembly (in September 1990), about 10,000 delegates discussed Salinas' agenda for modernization of the party, and the conclusion was, typically, a few steps forward toward democratization, but not far enough to demonstrate his - or his party's - commitment. The party was unable to shed its attachment to the obsolete codewords of Mexico's revolutionary history, but it did agree "there will be secret and direct ballots on all internal elections, with the exception of the federal executive." The question is, who will vote in these primaries? There are three possible scenarios: (1) Salinas will pack the conventions and choose candidates as past presidents have done; (2) local *caciques* or party coalitions will replace the president and impose candidates; or (3) the party will become larger and more diverse and choose candidates by a genuinely democratic process. It remains to be seen which of these will prevail.

Another decision made by the party of potentially great significance is that "party affiliation will be an individual, free, and peaceful decision, but not compulsory or through an organization or group." This is Salinas' device for reducing the power of the traditional sectors and increasing the prospects for middle-class membership. Again, whether this is a tactic for democratization or merely a new method for controlling the system from the top remains to be determined. Now that Cárdenas has separated from the party, he wants the party separated from the state. There is little evidence thus far that the PRI is willing to give up, or

even significantly reduce, this control. Cárdenas objects to the use of government funds to assist the PRI. He claims that, during the Presidential campaign in 1988, Salinas used an Air Force plane and received \$2 million a day from the government. In response, Salinas told me that the PRI rented the plane from the government, and that the PRI's books are open for the Chamber of Deputies to review. Salinas questions whether the opposition will open its books. "The problem," according to Lucas de la Garza, another PRD leader who left the PRI, "is that you would have to audit the entire government budget to find all the funds that flow to the PRI."

The PRD speaks from experience, having managed the system. Porfirio Muñoz Ledo, a PRD Senator, was Secretary-General of the PRI in the mid-1970s when he wrote the rules on manipulating the elections in Nayarit. Fraud is almost taken for granted. Miguel Basañez, a former senior PRI official and now one of Mexico's best pollsters, had the most accurate pre-election poll in 1988 because he corrected his data to include a 7% estimate of fraud.

The conservative National Action Party (PAN) has long complained of rigged elections, and when the PRI offered to negotiate a new electoral law with them, they leaped at the opportunity. The new law responds to most of PAN's concerns on registration, campaign finance, faster and more transparent counting and announcement of results, and a more balanced electoral commission. However, Cárdenas's PRD and a third of the PAN voted against the bill in the Chamber of Deputies because the federal electoral institute is not independent of the government, and the PRI retains a majority of seats.

Salinas is proud of the law:

This is the first electoral reform that was the product of negotiations with other parties. It is a major step forward toward greater independence for the electoral commission by reducing the role of

the government and increasing the responsibility of citizens and the civil service. The PAN is satisfied with the results, and they had had the most long-standing grievances against the process.

"It is a pity," he concluded with a wink, "that the PRD took themselves out of the debate." In fact, the PRD had proposed a procedure - that was rejected by the PRI - to improve the nomination process for the independent members of the institute.

The electoral law is an improvement on the past. Salinas had an opportunity to nominate genuinely impartial candidates for the federal electoral institute, but he did not do so, and, as a result, the PRD walked out of the Chamber and did not vote. The opposition believes, more than ever, that it cannot have a fair shake at the polls. "The problem," Cárdenas says, "is that the PRI would not win a clean election," and, therefore, will not permit one. "Then, why contest them?" I asked. "We are trying to strengthen popular support for change," said Cárdenas. "If we can raise the number of votes, it would be more difficult to make a fraud."

Salinas' electoral record is better than his predecessors, but it is still uneven. In July 1989, for the first time since the revolution, an opposition party won a governorship - the PAN in Baja California. At the same time, the PRI stole elections from the PRD in Cárdenas' home state of Michoacan. His supporters then seized the municipal palace. Cárdenas called for restraint, and the army evacuated the buildings without a single death.

There are three possible explanations for the different elections. Cárdenas interpreted the difference between Baja and Michoacan as meaning that the PRI would deny his party power, but that fails to explain why his party won municipal elections in Michoacan in December and why the PRI allegedly stole an election that month in Iruapan from the PAN. Miguel Basañez, the pollster, interpreted the results differently: "The PRI corrected their July fraud with honest December

results." José Córdoba, the Chief of Staff of the Presidency, offered a third explanation. Two cities in Baja had 80% of the vote, and it was "over-observed" by the PAN. "It was impossible to steal that election even if we had wanted to." Remote, rural conflicts in Michoacan were too difficult to control from the center. Córdoba gives his boss too little credit in Baja where local *priistas* were enraged by the capital's decision to permit a loss of the governorship, and he accepts too little blame for Michoacan. The basic problem is that local PRI officials are reluctant to lose power. Salinas would prefer to open the system gradually, but, in the short term, he will discipline his cadres only when the opposition leaves little choice. The PAN did that by covering Baja with its poll-watchers, and the PRD's reaction in July 1989 encouraged the PRI to accept its loss six months later.

Elections in the state of México, for 121 municipalities, in November 1990 are viewed by the opposition as a prelude to extremely important mid-term elections in August 1991. The PRI did poorly in the state in 1988, and the polls in the summer of 1990 suggested that the PRI could lose all of the 25 key municipalities where 80% of the 12 million voters live. This would be difficult for the PRI to accept, and so it has been working overtime to try to win back the state. If the election is rigged, the potential for violence in the state is quite real. Another possible outcome is very low voter turnout, due either to apathy or to a feeling that there is nothing to be done if the officials choose to steal the election. The PRI views the elections as "local" and not important. However, they do clearly acknowledge the significance of 1991 mid-term elections for the Chamber of Deputies, one-half of the Senate, and seven governors. These elections will be the main test of Salinas' pledge to democratize the country. Unfortunately, he is in the awkward position of being credible only if the PRI loses.

One way to break out of this no-win situation would be to invite international observers. The Foreign Ministry describes elections as "the ultimate sovereign

act," and the idea of letting foreigners judge their elections gives them - the defenders of Mexico's virtue from rapacious North Americans - paroxysms. Yet Cárdenas, whose movement pretends to a higher nationalism than the PRI, has already broken Mexican tradition by criticizing his government in the United States, and he told me that he is prepared to invite international observers. The PAN already internationalized the debate by taking its charges of electoral fraud to the Organization of American States (OAS).

If the next two elections are debacles, and the news media exaggerate the opposition's charges, then Mexico's observers might begin to view outside observers as an escape from this predicament. Silva-Herzog thinks the old arguments against observers "are getting weaker," and that "it would be healthy" to invite them. Mexican pollsters could offer a "sovereign" alternative to observers by raising the cost of manipulating the count.

Despite frequent predictions, Mexico has not had a second revolution, nor has it become "another Iran." One reason is that the system has always been more resilient than it appears to outsiders, and even to many inside the system. The elite have always found ways to communicate, and this is easier now that the phones work, thanks to the government's drive to spruce up Teléfonos de México before putting it on the auction block. But one can never completely discount violence in a society of such gross inequalities, where the masses are very poor, darker than most leaders, and probably suspended in silent rage. Cárdenas is a hero for many of them. If they feel that his path to power is blocked, it is hard to know how they will react.

Cárdenas has tried to restrain his followers, but he has been unwilling to talk with Salinas about ways to navigate this delicate democratic transition. Similarly, the most telling criticism of Salinas is not that he is dismantling the state, but that he is using it too forcefully with too little concern for the opinions of others. In June,

America's Watch issued a scathing report on human rights abuses in Mexico. It criticized the regime for torture, disappearances, extra-judicial killings by police and security forces, abuses in the criminal justice system, electoral fraud, rural repression, media censorship, and violence against unions. The fact that Mexico is often overlooked by the human rights community, the report charges, is "more a testament to the Mexican government's cultivation of its pro-human rights image than its care to ensure that individual human rights are respected."

Political violence directed at some Cárdenas supporters and death threats against one of his most effective critics, Jorge G. Castañeda, have led many to question Salinas' commitment to a modern, more open political system. Salinas told me that he was deeply troubled by the death threats against Castañeda, and he phoned him immediately and subsequently met with him to send a message "to the fourth or fifth level" in the police that such threats were beyond the pale. Castañeda says that Salinas' letter to him was published at his suggestion by *La Jornada*.

The America's Watch report and the other charges have stung Salinas, and he established a National Human Rights Commission, under the chairmanship of Supreme Court Justice Jorge Carpizo, and with an advisory council of credible, independent leaders, including Carlos Fuentes, Héctor Aguilar Camín, editor of *Nexos*, and Carlos Payán, editor of the independent newspaper *La Jornada*. He also established a Director-General for Human Rights in the Secretariat of Government.

Carpizo acknowledges that the Federal and local police are the principal sources of human rights violations (Carpizo, 1990; Green, 1990). The Mexicans agree with Carpizo's assessment, according to surveys. Carpizo is trying to structure the Commission to act as an "ombudsman," to investigate human rights violations, and to use "transparency" (publicity) to embarrass senior officials in

the Attorney-General's office (or in local police stations) to remove and, when possible, try such people. Over the long term, he hopes that, if a sufficient number of officials can be removed, it will serve as a significant deterrent to official crime.

Most impressive, Carpizo, and the Commission's Executive Secretary, Rosario Green, visited Washington (DC) and other parts of the United States to explain the purposes and plans of the Commission. A visit to the United States by a senior group of Mexicans to discuss human rights violations in Mexico would have been unthinkable just two years ago. Although Salinas' predecessors did not control the police, they were unwilling to acknowledge the fact for fear that the power of the presidency might be diminished in the public mind if the truth were known. The fact that Salinas has created an institution whose work begins from the dual premises that the police are the most serious human rights problem and that the President does not control them represent promising admissions. More than that, the Commission might very well be the best vehicle for dealing with Mexico's most serious source of corruption and brutality.

Respect for basic human rights - the right not to be tortured and abused, especially by the police - is a crucial step toward a more civilized Mexico. But democracy is both simpler and more difficult. It requires that the government respect the vote. In Mexico, politics have never been simple or direct, but the logic of democracy is indisputable. The PRI is currently, and is likely to remain in the foreseeable future, the country's largest political party. Since the PRI has had total control of the political system, however, opening that system means that they have to lose some control. They have already done that. As a result of the 1988 election, the opposition won 237 of the 500 seats in the Chamber of Deputies, which is beginning to show signs of becoming a real, autonomous source of power in the national government.

To prepare for a multi-party system, the PRI amended the constitution to assure that, should the strongest party received more than 35% of the vote, it would be guaranteed a majority in the Chamber of Deputies. This would preclude the kind of parliamentary deadlock that Israel, and some Latin American countries, have had. It also means that the PRI can feel reasonably confident of winning the Chamber of Deputies, particularly if the economy is growing. This "governability clause" provides some assurance to the PRI as it makes the transition to a competitive political system, but the road toward that destination will not be easy. The most intrepid gamble of Salinas' presidency has been to expand the boundaries of cooperation with the United States.

"In the old days," Jesús Silva-Herzog, Minister of Finance in the previous government, explained, "we *priistas* were taught that Uncle Sam and foreign investment were the problem. Now, we are being told that they are the solutions." Salinas and his Foreign Minister, Fernando Solana, are not afraid to say they want good relations with the United States. Critics, like Jorge Castañeda, have accused them of abandoning Mexico's "one distinct trademark" - a foreign policy that differs from the United States (Castañeda, 1990: 407). Salinas' practical approach to the United States is one of the reasons why some *priistas* are estranged or have left the party.

Despite criticism, which makes the normally defensive Foreign Ministry even more so, and despite serious strains, particularly in the area of drug trafficking, the relationship is as good as it has been for a very long time. The adeptness of US Ambassador John Negroponte is one reason why the relationship is working so well, though he, diplomatically, offers three others. **First**, "excellent personal and substantive chemistry between Bush and Salinas, who have consulted regularly and met four times, including an unprecedented meeting in Houston when both were Presidentselect. **Second**, a "good institutional relationship" that includes regular meetings between as many as ten members of each cabinet

with their counterparts. The only discordant note in these consultations has been between the two Attorneys General, who have failed to establish an effective rapport. The **third** reason is the growing importance of trade between the two countries.

Though few in the United States are aware of it, Mexico is a more important trading partner for the United States than Germany, England, or France; and it has been No. 3 - behind Canada and Japan - for most of the decade. Therefore, it seemed logical for the United States to formalize this relationship with a free trade agreement, and leaders as different as Ronald Reagan, Jerry Brown, and Phil Gramm regularly offered such proposals, undeterred by Mexico's lack of interest. As late as October 1989, when Salinas went to Washington on a state visit, he dismissed the idea of a free trade agreement, saying that the unevenness of the two economies made such an idea unrealistic.

What led him to change his mind and propose one in his meeting with Bush in Washington on 10 June 1990?

"Two elements," he said. "First, we opened the economy to reduce inflation." Since Mexico no longer protected its market, its challenge was to secure access to the US market.

Secondly, the changes in Europe and East Asia, and an apparent reliance on blocs, convinced me that we should also try to be part of an economic trading bloc with the United States and Canada.

But [he insisted] we do not want this bloc to be a fortress. We want it to strengthen our ability to be part of Asia, Europe, and especially Latin America.

Salinas needed new investments to move his economy, but he found Western Europe preoccupied by the East and Japan hesitant. The traditional Mexican

strategy was to try to gain US attention by feinting toward other regions, but Salinas reversed that, and his approach might work. After proposing a free trade agreement (FTA) with Washington, he traveled to Japan where he converted Japanese interest in a guaranteed US market into \$2 billion worth of commitments for new investments - equivalent to current Japanese investment in Mexico.

Some Mexicans have raised questions about the details of the proposed agreement or about the style of the approach. Silva-Herzog said that "Mexico should have waited to be caressed first, before dropping its pants." But despite deep uneasiness among the *cárdenistas*, there was no serious criticism about whether to negotiate, and Mexican public opinion, for the moment, is in favor. A nation-wide poll in July 1990 found 59.4% of the Mexican people in favor of a free trade agreement and only 19.3% opposed (FBIS-LAT, 1990). This support could change, however, if it were perceived that the United States was not negotiating fairly. Cárdenas will probably criticize the negotiations on the margin, but would shift to a frontal assault if he sensed public opinion turning against it, the United States, or Salinas.

In Washington in June, Salinas encountered a cautious George Bush. In one of the ironic role reversals that have come to characterize the relationship, Salinas proposed immediate negotiations, and Bush offered informal talks, with negotiations only after the completion of the multilateral "Uruguayan Round" negotiations in December. Pressure was then applied on the administration, and when the Binational Commission met in Washington in August, Bush announced that he would formally notify Congress in September of his intent to negotiate an FTA (Truell, 1990). On 21 August, Salinas proposed initiation of negotiations, and, on 26 September, Bush notified Congress of his intent to negotiate a free trade agreement with Mexico.

The importance of moving rapidly to negotiate a free trade agreement with Mexico is apparently not evident. However, Mexico has been the largest source of migration to the United States by far in the last three decades, and its impact on US society can already be gauged by the fact that surveys reveal some 38%-50% of its 85 million people have indicated that they have close relatives in the United States. <sup>1</sup> If Salinas' strategy fails, Texas and the southwestern United States will feel the impact first and hardest. Bush, Baker, and Secretary of Commerce Robert Mosbacher - all Texans - understand these points. Yet, despite their arguments, Bush decided not to overrule Special Trade Representative Carla Hills and appoint a senior negotiator to work out the Mexican agreement.

The issue now is whether his Special Trade Representative will deal with it like any other trade negotiation, squeezing the Mexicans point-by-point, product-by-product. This risks losing the whole enchilada. Bush needs to recognize that such an agreement, with its potential impact on Mexico's development and stability and its opportunity to strengthen the US economy, should be one of the nation's highest foreign policy priorities, requiring a long-term vision and a genuine bipartisan approach.

The first step is for both sides to define clear limits on discussions of the two most sensitive issues - migration and oil. With respect to migration, it might be possible to negotiate larger numbers of Mexican migrants to the United States in specific circumstances, but it is unrealistic to expect a free-moving labor market. Similarly, while it might be possible to negotiate US financing for certain areas of the oil industry, it is impossible, under the Mexican Constitution, for Mexico to entertain foreign ownership of hydrocarbons and other natural resource. Second, both sides should agree to phase in reductions in trade barriers more gradually and less completely in Mexico than in the United States. Third, US negotiators should concentrate on the largest issue - an agreement - and concede the

smaller ones to permit Salinas to build a durable coalition in Mexico in favor of the agreement. Finally, borrowing the dispute-settlement mechanism and other elements from the Canadian agreement, negotiators should aim to complete the agreement in one year. If it takes longer, Mexicans could have second thoughts, and the United States could be distracted by possible political turmoil in Mexico. A recipe for ruining an agreement would be if the US tried to condition it on changes in the Mexican political system. The United States has a stake in those changes and should state clearly its preference for democracy over "stability" (a false choice anyway since Mexico will not be stable without democracy).

Nevertheless, democracy is more likely to arrive in Mexico if the United States completes the agreement sooner, than if it conditions acceptance of an agreement on those changes or, worse, if it tried to interfere in Mexico's politics. President Bush also needs to find ways to demonstrate his administration's respect for Mexico's sovereignty, which is its principal concern about an economic embrace with the United States. The indirect involvement by the Drug Enforcement Administration (DEA) in the kidnapping of a Mexican doctor who was allegedly involved in the murder of a DEA agent was illegal and wrong, as confirmed by the US judge who charged the US government with violating its extradition treaty with Mexico. The Mexicans, following the rules, then sought extradition of the DEA agent and informant who admitted to the kidnapping. If the Bush administration dismisses the request, it will be sending the wrong signal to Mexico.

Jorge Louis Borges, the great Argentine novelist, once wrote: "I came to Mexico and found the Mexicans contemplating the refuse of their past." To many North Americans, Mexico's proclivity to hold past US transgressions responsible for current problems has been infuriating. For too long, the relationship was constrained by a United States that does not feel a need to remember its past, and a Mexico that feels it cannot afford to forget it. Under Salinas, Mexico has

moved with confidence to expand the limits to friendship. For many of the *cárdenistas*, the strategy of Salinas is viewed as "pro-American" or "caving in to the Americans" and is the most difficult part of his program to swallow.

Salinas realizes that he is swimming upstream against a tradition of state control of the economy and a preference for distant relations with his neighbor. He told me,

These two changes have a political cost, no doubt, but I am convinced that the social and economic benefits will compensate, and that Mexico will be able to strengthen its sovereignty through a stronger economy.

No previous Mexican president would take such a risk. If Bush does not move quickly and wisely to help demonstrate that the benefits outweigh the cost, then the opportunity could be lost.

The regional, Hemispheric, and geopolitical implications of Salinas' proposal also argue for an immediate, positive response by the United States. North America - Canada, the United States, and Mexico - have resources, complementary labor skills, and a market of 350 million people. The United States sits in the middle, with its two neighbors anxiously circling each other. Salinas would prefer to complete an FTA with the United States before including the Canadians, but Prime Minister Brian Mulroney of Canada asked Bush to be included. Bush, therefore, consulted with Salinas about Mulroney's request before submitting the notification to Congress. The Mexicans fear that the Canadians might delay the agreement, but they don't want to appear to be negative. In the end, Bush changed his notification and informed Congress of trilateral consultations about a three-sided FTA.

However the negotiations proceed, it appears that the end will be a North American Free Trade Area, a formidable economic base that exceeds that of either Europe or Asia, and with advantages that the others do not have. As the North Americans grow accustomed to a new relationship, they will inevitably begin to consider expanding the community into other more sensitive areas. For the third time in 20 years, a crisis in the Middle East has awakened US awareness to its dependence on Arab oil, but our leaders, still asleep, have not yet begun to explore more secure arrangements with our neighbors: Canada, Mexico, and Venezuela. Energy is a sensitive subject in all three nations - particularly Mexico. Just as the United States wants to reduce its dependency on particular sources, none of our neighbors want to become too dependent on a single market for their oil. Nonetheless, given the Canadian free trade agreement, the Venezuelan debt crisis, and the prospect for a North American Common Market involving both Canada and Mexico, a North American energy community is no longer inconceivable. Such a community could agree to long-term contracts for oil at prices that would be re-negotiated every 2-5 years. The stability of the prices would offer great security to all of the countries that have seen the consequences of volatile swings in the prices.

The fear of being locked out of a North American economic community generated interest in the rest of Latin America in a Hemispheric-wide union. That interest was reinforced by Bush's speech (on 27 June 1990) offering FTAs to Latin America, and by the fact that the most nationalistic country in the hemisphere, Mexico, proposed to tie its economic fate to the United States. Whether a North American or a Western Hemisphere community, neither should be a fortress; rather, as Salinas suggested, it should be a platform for building a competitive edge. Unlike the 1930s, when the US withdrew into Hemispheric isolation rather than face the new power of Germany and Japan, today the new Hemispheric community could be a source of geopolitical leverage.

All of this starts in Mexico, the country that poses both the most elusive threat and the most abundant opportunity for the United States. If Mexico does not succeed in modernizing its economy and democratizing its politics, the United States cannot escape the consequences. Instability in Mexico would cause massive migration, capital flight, and radicalism. US citizens would probably be harmed, border states would be adversely affected, and the pressures on the US president to solve Mexico's problems will build. But then, it will be too late for the US to do anything.

It is not too late now, but, given Mexico's ultra-sensitivity, there are few acceptable ways for the US to help Mexico develop and democratize. The FTA is the best way, particularly as it's Mexico's idea. "US unions," Salinas said, "will lose more jobs if Mexicans don't find them in Mexico." President Bush has an able partner and an historic chance to reshape our most important and difficult relationship; he should not dawdle.

During this difficult transition in Mexico, the sounds of protest are likely to toll louder than in the past, but that reflects a system that is opening, not closing, and a people who are weary of the authoritarian temper that seems an inherited trait of Mexican politicians regardless of where they stand on the political spectrum. As it observes these changes, the United States should be aware of the cultural differences and similarities and sensitive to Mexico's need to resolve its internal problems on its own, but it should also be clear as to its own objectives. The United States should be sympathetic to those in Mexico who want their country to be democratic and respectful of human rights. A country with a system that is more just and provides opportunity for all will be the best neighbor. The United States will live with whatever Mexico becomes, but this is the kind of neighbor that most in the United States would like to see, and this is the Mexico that will be the best partner in a sustainable free trade area and, eventually, a North American Common Market.

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### Notes

**Note \*:** An earlier, much briefer version of this article was published in THE NEW REPUBLIC. This article relies on the author's extensive interviews in Mexico City, in July 1990, with many Mexican leaders and officials at the US Embassy there, including: President Carlos Salinas de Gortari; José Córdoba, Chief of Staff of the Mexican Presidency; Jaime Serra Puche, Minister of Trade and Industry; Cuauhtemoc Cárdenas, leader of the PRD; Jesús Silva-Herzog, former Finance Minister; US Ambassador John Negroponte; and numerous intellectuals. [Back.](#)

**Note 1:** A *New York Times* poll of the Mexican population indicated that half said they had a close relative (Stockton, 1986). A *Los Angeles Times* poll in August 1989 said that 38% had a close relative. [Back](#).