An analysis and comparison of the terms of office of three Mexican presidents

Joel Chargoy
Iowa State University

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An analysis and comparison of the terms of office of three Mexican presidents

by

Joel Chargoy

A thesis submitted to the graduate faculty

in partial fulfillment of the requirements for the degree of

MASTER OF SCIENCE

Major: Interdisciplinary Graduate Studies (International Development Studies)

Program of Study Committee:
Steffen Schmidt, Co-major Professor
Patrick Barr, Co-major Professor
Eugenio Matibag

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Ames, Iowa
2006

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Graduate College
Iowa State University

This is to certify that the master’s thesis of

Joel Chargoy

has met the thesis requirements of Iowa State University
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The following acronyms appeared in the study

BANRURAL (National Bank of Rural Credit)
BIS (Bank for International Settlements)
CEN (National Executive Committee)
CD (Democratic Current)
COFIPE (Federal Code of Electoral Institutions and Procedures)
CONASUPO (National Company of Popular Subsistence)
CTM (Mexican Confederation of Workers)
EZLN (Zapatista National Liberation Army)
FDN (National Democratic Front)
FOBAPROA (Bank Savings Protection Fund)
GATT (General Agreement on Tariffs and Trade)
GDP (Gross Domestic Product)
IEPES (Institute of Political, Economic and Social Studies)
IFE (Federal Electoral Institute)
IMF (International Monetary Fund)
IMSS (Mexican Institute of Social Security)
INFONAVIT (National Institute of Workers Housing)
IPN (National Polytechnic Institute)
ISI (Import Substituting Industrialization)
ISSSTSTE (Institute of Security and Social Services of the Workers)
ITAM (Technological Institute Autonomous of Mexico)

IVA (Value Added Tax)

NAFTA (North American Free Trade Agreement)

PAN (National Action Party)

PARM (Authentic Party of the Mexican Revolution)

PECE (Pact for Economic Stability and Growth)

PEMEX (Mexican Petroleum Company)

PFCRN (Party of the Cardenista Front for National Reconstruction)

PPS (Popular Socialist Party)

PRD (Party of the Democratic Revolution)

PRI (Revolutionary Institutional Party)

PRONASOL (National Solidarity Program)

PSUM (Mexican Unified Socialist Party)

SHCP (Mexican Treasury Department)

STRM (Telephone Workers Union)

TELMEX (Mexican Telephone Company)

TFE (Federal Electoral Tribunal)

TUCOM (All United Against Madrazo)

UIA (Iberoamericana University)

UNAM (National Autonomous University of Mexico)
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ABSTRACT

Throughout the last two decades, Mexico has experienced important political transformations that have affected its economic and social life. The purpose of this investigation is to describe, analyze and compare the most important aspects of these changes that have occurred in the last three presidential administrations. Included in this study are the presidencies of Carlos Salinas (1988-1994), Ernesto Zedillo (1994-2000) and Vicente Fox (2000-2006), and their influence on life in general and the acceptance of democracy in Mexico.

In addition this work is intended to identify the main policies of these three presidential terms in Mexico, in order to obtain answers of how Mexico’s political, economic and social issues have worked in the last eighteen years. Moreover the study will illustrate the erosion of the PRI (Revolutionary Institutional Party) as a central political force, and the emergence of the PAN (National Action Party) as an ascendant power. The research study starts from the Salinas administration, since in the year 1988 Mexico began to experience important transformations. In addition the national elections of 1988 were a decisive event in twentieth-century Mexican politics. Later on, the study continues with Zedillo’s administration which might be considered a period of evolution and the most difficult years for the country through the PRI domination. Additionally, this work concludes with a look at the Fox administration and its impact on Mexican politics and society, emphasizing the process that led to shift in the power structure on the national political scene on 2000.
INTRODUCTION

After the year 2003 and the disappointing first three years of the Vicente Fox administration, I was one of the many Mexicans who wondered what had happened with Mexico and the new era of change that we had all anticipated. In this period many Mexicans lost interest in the political issues of our country. Proof of that was that in the midterm elections of 2003 when only 41 percent of the registered voters participated. In those days many Mexicans, including myself, were disillusioned and were looking for an explanation and for someone to take responsibility. At that time, I had the opportunity to start an interdepartmental Masters in Latin American Studies at Iowa State University. I decided to seek answers to these perplexing questions about the Mexican political scene through my graduate program and thesis. I felt that an analysis and an evaluation of the last three Mexican presidents might shed light on these issues.

The Revolutionary Institutional Party's (PRI) legacy of political stability and economic growth caused modest enthusiasm or appreciation among the Mexican people. The contrary occurred, as the growth of an urban middle class produced pressures for political reform during the 1980s. Either by legal or fraudulent means, the PRI, time after time, won every election at the state and national levels. Just before Carlos Salinas de Gortari's six year presidential term, the PRI's devastating dominance over the political system began to decrease. The national elections of 1988 were a decisive event in twentieth-century Mexican politics. For the first time in its six decades of uninterrupted rule, the PRI found strong opposition. In addition, Salinas, who in 1987 became the party's presidential candidate, faced hostile protests and bitter divisions within his own party. The young elected president was
pressed in the first months of his term to show that he could afford the strong leadership expected of a Mexican head of state. However, Salinas was quick to assert his authority. His rejection of revolutionary principles was known by the press as (salinastroika.) These ideas would affect political and economic life in Mexico. In addition Salinas succeeded in adopting the new strategy to build support for his administration with the creation of PRONASOL (National Solidarity Program) and PECE (Pact for Economic Stability and Growth).

The administration of Salinas achieved a comprehensive structural revolution of the Mexican economy. His administration expanded the process of structural modification begun by his predecessor, Miguel De la Madrid. Some of the most important basis of Mexico’s structural adjustment program was the privatization of the country’s industries, and the liberalization of its foreign trade. Evidently the year 1994 was an important year for the Mexican economy; NAFTA (North American Free Trade Agreement) had introduced new initiatives for accelerated economic growth and the new neo-liberal economic model seemed to have succeeded. Proof of that was that for many Mexicans the idea of reelection was on their minds, even knowing that the Mexican constitution prohibits presidential reelection. Unfortunately for all Mexicans what seemed to be a promising administration ended in disaster. Salinas finished his term of office involved in various controversies.

By the year 1994, Ernesto Zedillo Ponce de Leon became the 62nd president of Mexico, thus continuing PRI’s political dominance of more than sixty five years. Ernesto Zedillo was the first president in Mexican history who obtained the presidency without actually seeking it. After Luis Donaldo Colosio’s (PRI’s presidential candidate) assassination there was not another priista (PRI member) able to fit the technocrat and neo-liberal profile and at the same time compete with the strong candidates of the opposition. Pedro Aspe, then
Finance Secretary, was an option, but a clause in the constitution stipulates that presidential candidates had to be out of government office for six months before Election Day. In order to continue his legacy, Salinas appointed Zedillo, then the director of Colosio’s campaign, to be the next presidential candidate. Zedillo had never been part of an election; all of his previous positions had been awarded bureaucratically. Yet, in his campaign he showed enough capacity to manage a country which had begun to shake in the middle of political violence and a financial crisis. By the end of 1994, the errors in the modification of the exchange rate, connected to the millions of dollars invested short-term in the stock exchange, led the country toward a devaluation, which generated an exit of capital and that in turn led to the break of the Mexican bank system. Indeed President Zedillo faced one of the worst crises of Mexican history; however by the beginning of 1996 Mexico seemed to have prevailed in the financial crisis that had shaken the country. The evidence of progress was reflected by the successful export performance. Increasing foreign trade allowed the Mexican economy to penetrate highly competitive international markets. Nonetheless, by far the most remarkable aspect of Zedillo’s administration was the transition to a democratic model carried out in the presidential elections of 2000. These elections were considered the cleanest, most peaceful and most open in Mexican history. Certainly President Zedillo stepped aside and accepted the electoral victory of an opposition candidate, Vicente Fox. Accepting the victory, President Zedillo finished his term of office with the antidemocratic system in place and marked an end to the more than seven decades of one party rule.

By December 2000, Vicente Fox became Mexico’s President-Elect, thus completing PAN’s long struggle to obtain the presidency. However, due to the lack of experience with democracy as well as the repercussion of decades of almost dictatorial rule, Fox’
administration experienced severe disapproval from critics and the public. Certainly the arrival of Fox, a president from a political party other than the PRI, created enormous expectations and optimism from a large segment of Mexican society. However these expectations have already given way to disappointment, since President Fox’s vision was little more than the vague promises of change, rather than specific policy objectives. In addition Fox’s administration has had to confront a contested congress in which his party does not has a majority, as well as the lack of overall power that once the PRI had used to rule. Despite the severe public disapproval due to the wide gap between what was promised and what was implemented, the Fox administration was able to carry out significant improvements in the health and housing sectors thus addressing two important areas to which the federal government in the past had not given sufficient attention.

The triumph of the PAN in the presidential elections of 2000 would signify a turning point in the country’s political life. After Vicente Fox’s triumph the president was viewed as a provisional occupant of a position which can be won or lost at the polls, rather than a figurehead. Certainly the lost of the presidential chair by the PRI meant the beginning of a new era in Mexico’s political life. Indeed Vicente Fox’s inauguration was not just a change of rule from one party to another, but a profound and dramatic change from the Mexico of the past to the Mexico of today. However, Mexico’s profound transformation was not sufficient to declare that the country had accomplished democratic governance. Mexico is still in the process of building its democracy, therefore the country unquestionably experiences moments of turbulence which might be reflected in the presidential election of 2006.

The Technocrat

Carlos Salinas de Gortari was born on April 3, 1948 in Mexico City. He is the son of Margarita de Gortari Carvajal, co-founder of the Mexican Association of Women Economist, and Raúl Salinas Lozano, a successful politician who was Minister of Commerce (1958-1964) and later Ambassador to the USSR and Senator of the state of Nuevo León. The influence of his father was without doubt conclusive for Carlos Salinas devotion to politics. In 1967 he became affiliated with the PRI while he studied Economics in the UNAM (National Autonomous University of Mexico). He continued his education at Harvard University where he obtained both a Master’s Degree in Public Administration in 1973 and in Political Economy in 1976, and in 1978 he earned the Ph.D. in Political Economy and Government. During this period he taught Public Finance and Fiscal Policies in the ITAM (Technological Institute Autonomous of Mexico). Subsequently Salinas begun to work in the IEPES (Institute of Political, Economic and Social Studies); one of the goals of such teaching was to educate ideologically supportive groups of the PRI designated to take important public and political positions in the government (La Botz, 1995).

Using his successful academic career and his PRI militancy, Salinas held several positions in the administration; among them, Analyst in Public Credit and Director of the Department of Economic Studies in the General Direction of Tax Office Planning (1976-1978), and Co-director and Director (1978-1979) of the same division in the Administrative Office of Tax and Public Credit. In 1979 in the six year term of office of President José
Lopez Portillo, Salinas was named Director of the Economic and Social Policies in the Administrative Office of Budgets and Planning (Camp, 1995).

President Miguel De la Madrid, who was Salinas professor in the UNAM and one of the leaders of the new generation of technocrats, took office in 1982. Salinas, who supervised De la Madrid’s electoral campaign from IEPES, became Minister of Budgets and Planning. President De la Madrid, supported by his right hand man, Salinas, created a new economic policy, which initiated a deep reform in the next decade in Mexico. This policy included the following: austerity in the budget, privatization of government companies, emphasis on foreign investment and reduction in social programs and subsidies (La Botz, 1995).

In October of 1987 Carlos Salinas was named presidential candidate of the PRI for the presidential elections of July 1988. Salinas was chosen personally by Miguel De la Madrid and formally by the National Executive Committee (CEN), thus taking advantage of others in the list of presidenciables (possible occupants of the presidency), such as the ex-governor of the State of Mexico, Alfredo Del Mazo, and Manuel Barlett, Minister of Government. Carlos Salinas was De la Madrid's Minister of Budget and Planning when the President decided that Salinas was best qualified to assume the helm of state (Handelman, 1997). The selection of Salinas appeared calculated to signal the continuation of De la Madrid's austere economic policies, which were largely shaped by Salinas.

Salinas adopted with a passion one of Mexico’s great twentieth century fascinations: the search for modernity. For Salinas, modernity would free Mexico from its historical sequences of tumult, allowing it to take its place among the organized, prosperous, and technologically advanced nations. In addition Salinas believed that the country had to dismantle the obsolete paternalist state that had arisen from the Mexican revolution and give
markets and independent groups in society the freedom to operate (Preston and Dillon, 2004).

During his administration De la Madrid had publicly promised to carry out political reform, a promise that was not realized. De la Madrid's failure to launch the political system to genuine competition dashed the expectations of Mexicans both within and outside the ruling party.

The outcome was that some disaffected PRI members led by Porfirio Muñoz Ledo, a former chairman of the PRI, and Cuauhtémoc Cárdenas, former Governor of Michoacán state and son of President Cárdenas (1934-1940), chose to create the CD (Democratic Current) within the PRI in October 1986. The dissidents particularly condemned the practice of the dedazo (presidential appointment of the party's next nominee). In addition, CD members and their sympathizers also rejected de la Madrid's austere economic policies on nationalistic grounds. The president, they believed, had mortgaged the national patrimony to foreigners. The CD could not get a receptive audience for its position within the PRI. Disliked by his former party members, Cárdenas declared himself an independent candidate for President on July 1987. Supported by a coalition of leftist parties that named itself the National Democratic Front (FDN), Cárdenas promoted an eventual return of the ideology of the Mexican Revolution. The FDN coalition brought together for the first time several populist and leftist political parties and factions that had been notoriously divided in the past. Cardenas, attempting to underplay government corruption and attract public attention away from governmental authoritarianism, began one of the greatest political campaigns in Mexican history (Handelman, 1997).
Meanwhile the PAN became a strong force after several years of struggle and by the hand of Manuel Clouthier, a vegetable rancher from the state of Sinaloa who had been the national president of the Business Coordinating Committee. Clouthier was a charismatic political leader who joined the PAN in early 1980s and soon ran for governor of his state. In 1988, relying on his great charm, he won overwhelmingly the National Action Party Convention's nomination for President and undertook a combative campaign against Carlos Salinas de Gortari. With these new and strong political forces, Salinas embarked upon his campaign having to defend unpopular policies against popular rivals at a time when his party's solidarity and influence were in question (Preston and Dillon, 2004).

Despite Salinas pronouncements mandating electoral probity, the July 1988 elections appeared to most observers to be fraudulent.

The election that brought Carlos Salinas de Gortari to power was clearly fraudulent. On July 6, 1988, when the first results began to arrive at the Interior Ministry's Office, a shockingly high proportion of the votes were marked for the main opposition candidate, Cuauhtémoc Cárdenas (Gil, 1992). In a panic move that in the end proved effective, a computer glitch was created, one long enough to manipulate results in favor of the government candidate. Elections authorities declared that the election computer had mysteriously broken down. Post-election reports by outside observers and voter polling interviews indicated that much of the rural vote experienced some degree of corruption; the FDN and the PAN had insufficient observers to monitor such elections. After much delay, the election commission declared Salinas the winner. The surprise was the total number of votes for the victor, 50 percent. The low total, which itself smacked of manipulation, demonstrated the people's disaffection with the PRI. Later the Congress, which was
dominated by the PRI, ordered that the votes be burned to prevent a recount. Many Mexicans believe that the real winner of that election was Cárdenas (La Botz, 1995). The huge electoral fraud of 1988 crushed confidence in the democratic process in the eyes of most Mexicans in an era when the organization and counting of the votes were carried out by the same government.

The crisis of the political supremacy of the PRI occurred because of the combination of lost chances and a rise of public acceptance for democratic reform. With the election of 1988 came a new attitude of handling politics in Mexico. Many issues impacted the crisis in (PRI) party loyalty followed by the election of President Salinas. This transformation in the PRI did not happen all at once, but there was a gradual culmination of miscalculations, mishandled policies and an effort by the people to bring democracy to the country. The history, management, and longevity of the PRI shows the election of 1988 and its results as a part of the country's movement towards democratic reforms ultimately removing the PRI, which had been dominant since 1929 (Gil, 1992).

The 1988 election, in which Carlos Salinas won only half the votes, raised the possibility that the party’s domination of power might be coming to a conclusion. Things did not look good as the new president took office. Along with the country’s economic crisis, there was a marked decline of public confidence in the PRI. Whereas the percentage of votes in presidential elections had been 84 percent for López Mateos in 1970, 92 percent for López Portillo in 1976, it declined to 71 percent for De la Madrid in 1982 and barely 50 percent for Salinas in 1988, and that in a palpably fraudulent election (Handelman, 1997).
The following table shows Mexico’s presidential election results from 1929-1994:

<table>
<thead>
<tr>
<th>Year</th>
<th>PRI</th>
<th>PAN</th>
<th>FDD or PRD</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>93.55</td>
<td>-</td>
<td>-</td>
<td>6.45</td>
</tr>
<tr>
<td>1934</td>
<td>98.19</td>
<td>-</td>
<td>-</td>
<td>1.81</td>
</tr>
<tr>
<td>1940</td>
<td>93.89</td>
<td>-</td>
<td>-</td>
<td>6.11</td>
</tr>
<tr>
<td>1946</td>
<td>77.9</td>
<td>-</td>
<td>-</td>
<td>22.1</td>
</tr>
<tr>
<td>1952</td>
<td>74.31</td>
<td>7.82</td>
<td>-</td>
<td>17.87</td>
</tr>
<tr>
<td>1958</td>
<td>90.43</td>
<td>9.42</td>
<td>-</td>
<td>0.15</td>
</tr>
<tr>
<td>1964</td>
<td>88.82</td>
<td>11.05</td>
<td>-</td>
<td>1.03*</td>
</tr>
<tr>
<td>1970</td>
<td>84.13</td>
<td>13.85</td>
<td>-</td>
<td>2.03*</td>
</tr>
<tr>
<td>1976</td>
<td>92.27</td>
<td>-</td>
<td>1.03*</td>
<td>7.63*</td>
</tr>
<tr>
<td>1982</td>
<td>71.5</td>
<td>15.68</td>
<td>-</td>
<td>15.89*</td>
</tr>
<tr>
<td>1988</td>
<td>50.74</td>
<td>16.8</td>
<td>32.5</td>
<td>-</td>
</tr>
<tr>
<td>1994</td>
<td>53.4</td>
<td>28.6</td>
<td>18</td>
<td>-</td>
</tr>
</tbody>
</table>

* Total includes anywhere from 1.1% (1964) to 6.7% (1976) cast for “loyal left” parties that supported the PRI candidate.


In the ceremony of Salinas inauguration along with eight other Heads of State, including Fidel Castro, delegations of FDN and PAN appeared at the Legislative Palace in Mexico City. When Salinas entered at the hall, shouts such as “Usurper” and “Salinas: Prove your commitment to democracy with deeds” interrupted the triumphant entrance. The event
exemplified manipulation by the system, as TV cameras were under state control and did not show to the national audience the nonconformist protesters either inside or outside the Legislative Palace. All 143 FDN members walked out the hall accompanied by the cries of protest from a member, “The FDN does not approve this ceremony.” Meanwhile, outside shouts such as “Death to the PRI” and “The people voted and Cardenas won” were heard. The 50,000 police and soldiers protecting the building fought with activists, injuring an estimated 350. While Salinas was delivering his inaugural address, the PAN staged a protest march and rally from Downtown to the Southern part of Mexico City (Russell, 1994).

Salinas promised in his speech economic growth. “Without growth”, he said, “There is no possibility of justice and of being able to raise our standards of living.” “Thus, we have to grow again.” As well, he pointed to the process of the new economic model, which De la Madrid had begun, saying that growth was to be based on non-oil exports and private companies, and foreign and domestic trade would be responsible for such growth. Salinas referred to the 1988 elections, noting there had been “deficiencies in the official information mechanism, which the authorities did not adequately explain in time, leaving some groups skeptical about the election results.” He promised that under his administration there would be “respect for the citizens and demand for plurality and effective participation.” After Salinas speech, the list of new cabinet members was read in which appeared names such as Fernando Gutierrez Barrios, who was named Interior Secretary; Jorge de la Vega, named Secretary of Agriculture; Carlos Hank Gonzalez, named Tourism Secretary; Pedro Aspe, Finance Secretary; and Ernesto Zedillo, chosen as Secretary of Programming and Budget (Russell, 1994).
Carlos Salinas entered the presidency promising political modernization. His election with scarcely 50 percent of the official vote may have meant that the period of the virtual one-party system had ended. That bare victory of the PRI also generated a Chamber of Deputies in which the PRI gained a surprising small majority. Political parties called for honest elections, which meant that government no longer control them. Political reforms measures, especially involving electoral issues required opposition legislative support (Klesner, 1996).

As stated in the previous chapter, the opposition launched significant challenges to the PRI's hegemony. The PAN created a long-term federalist transition strategy intended to diminish the power of local and regional governments first, then reduce the role of the Congress, and eventually that of the president. There were three main events, which converted PAN into a strong political force in the past decades -President Echeverría's 1976 land expropriation in northwest Mexico, the 1982 bank nationalization ordered by President Lopez Portillo, and the economic crisis of the 1980's. The PAN began to make severe incursions into the PRI's control in northern Mexico and during De la Madrid's administration became a real opponent. However De la Madrid chose fraud instead of opting to share power. PRI's antidemocratic stance was evident in several local and state elections. After the 1988 elections and the disappointing third place finish of Manuel Clouthier, the party continued to emphasize the call for an orderly transition to democracy. PAN demanded fair elections and a more equitable share of power between the executive, legislative and
judicial branches at federal level, and also between state and municipal governments (Russell, 1994).

In December 1988, PAN launched a policy that emphasized six main points in search of an electoral reform:

(1) changing the makeup of the senate to better reflect the strength of opposition parties, (2) prohibiting the practice of forcing trade-union members to join the PRI, (3) giving all parties equal representation in elections tribunals, (4) giving agencies that organize elections the power to investigate fraud, (5) prohibiting the government from giving founds to or supplying workers to the PRI when such support was not available to other parties, and (6) including referendum, recall, and initiative in the political process (Russell, 1994, p.66).

On the other side, parties such as PARM (Authentic Party of the Mexican Revolution), the PPS (Popular Socialist Party), and the PFCRN (Party of the Cardenista Front for National Reconstruction), which eventually formed the alliance FDN led by Cuauhtémoc Cárdenas, emerged from the 1988 presidential election with high hopes. FDN members realized that the government was vulnerable and it was time to undertake a struggle against Salinas and the whole system. Cardenas decided to form a new political party with the features of nationalist-populist inclinations of 1930’s and 40’s in Latin America. The great majority of the left in Mexico, together with a large section of the social leaders, were becoming the PRD (Party of Democratic Revolution). Ostensibly PRD was composed of two dominating factions, the original left-wing activists who were in strict opposition to the PRI, and the disenfranchised PRI leftists who had been rudely deprived of access to power circles. The PRD used local conflicts, such as strikes in important national industries, to show its support for the activists in challenging the system. The PRD attempted to install its radical bases in the country, also using the stagnant economy and the widespread poverty among peasants and workers to attract opposition to Salinas government and the sixty years of one-
party rule. The strong showing of Cuauhtémoc Cardenas left-center coalition and the catastrophic economic situation of the country resulted in the creation of a new and powerful leftist political force (Russell, 1994).

Days after PAN’s proposals regarding electoral reform, the PRD added to their agenda four additional points: “(1) all parties should have an equal role in organizing elections and preparing the voter list, (2) a new voter ID with a photo should replace the old one without a photo, (3) impartial election tribunals should be created and (4) all parties should have equal access to government funding” (Russell, 1994).

Indeed the legitimacy crisis produced by extensive electoral fraud in 1988 forced the President to respond these proposals in a successful manner with the gradual reform of election rules, planned in part to reduce the PAN opposition. The initiatives sought to recuperate credibility by projecting an image of transparency in electoral institutions, with electoral organization changed at every level except the very top (the IFE was formally independent of the government; however, it still remained under the control of the Ministry of the Interior in which the PRI retained majority representation). Certainly when debate on Salinas reforms began, political parties, civil society leaders, and intellectuals accepted the reforms as a step in the direction of democracy. Yet, others pointed out the reforms, serious limitations. In effect, the debate was over what degree of electoral transparency is needed in order for a democratic system to work (Middlebrook, 2004).

Salinas succeeded in enlisting the PAN’s support for constitutional amendments intended to eliminate opportunities for fraud in registration and voting procedures. During 1989 and 1990 the Congress approved several amendments to the constitution and to the COFIPE (Federal Code of Electoral Institutions and Procedures). One of the main changes of
this law was the creation of the IFE (Federal Electoral Institute), which replaced the administrative office in charge of the organization and supervision of the electoral processes at federal, state, and local levels. The IFE included the introduction of majority nonpartisan representation in the governing board and a legal framework for Mexican and foreign observers to monitor the elections. In addition Salinas implemented the vote register list and the creation of a new voter ID, and he established the TFE (Federal Electoral Tribunal), whose main function was to punish the violators of the electoral law (Russell, 1994).

The Salinas reform left the size and composition of the Chamber of Deputies (300 relative majority seats and 200 proportional representation seats) unaffected. Yet the formula used to give proportional representation seats was modified to favor the majority party. Under the terms of the legislation's so-called governable clause, the prevalent party in the Chamber of Deputies would hold seats disproportionate to its electoral strength up until it controlled sixty percent of the seats in the Chamber. In addition in 1993 the number of senators was increased from three to four per state, of which a fourth of them represented a minority party in each state, thus reducing the representation of the ruling party (Middlebrook, 2004).

In the hands of the PAN, the PRI lost its first state in July 1989 in Baja California North. On that day there were elections for governor, four mayors and fifteen state legislative seats. After a rigorous campaign, Ernesto Ruffo, ex-major of Ensenada, defeated Margarita Ortega, who Salinas had chosen and given massive federal support. On June 1989, Ortega traveled to Mexico City and met with Salinas. On her return she announced the acquisition of 16 million pesos from the federal government to address economic and social problems in the state, but with the message that such problems would only be forthcoming if the PRI
candidate were elected. The PRI announced that Ortega’s campaign cost $1.2 million, but unofficial estimates placed the cost between $8 million and $40 million. PAN created a massive security machine in order to ensure a fair election. Pro-PAN citizens guarded the polls to prevent the government from stealing the election as it had done in the past. As the votes were being counted, President Salinas ordered PRI officials not to engage in electoral alchemy, thus ensuring a fair vote count (Russell, 1994).

Indeed, Salinas administration recognized the triumph of the PAN candidate for governor in Baja California North, thus achieving a significant break with the past, since Ernesto Ruffo was the first opposition governor in sixty years. However, given the small ideological distance between Salinas and the PAN, and the possibility of a mutual benefits, few were convinced that this election represented a solid democratic achievement (Centeno, 1994).

In 1991 the PRI electoral triumph in the gubernatorial elections in Guanajuato and San Luis Potosí ignited accusations of fraud. In both cases, Salinas intervened by forcing the local PRI candidate to resign. In San Luis Potosí a different PRI leader was established as interim governor and in Guanajuato the interim governorship was handed to a PAN member. By compelling the PRI candidates to withdraw, Salinas recognized the demand for democracy made vocal by citizens in Guanajuato and San Luis Potosí. Yet, by imposing alternatives to the PRI candidates, Salinas strengthened the role of the presidency (Otero, 1996).

In the first two years under the Salinas administration, there was a lack of head-to-head political competition in many localities. The Oaxaca municipal election was an example of that, as the PRI was the only party with a candidate in the large number of municipalities.
In 1990, 381 mayors and 110 state legislators were directly elected in the country, all of them of the PRI, which faced no opposition. An important aspect of the elections under Salinas administration was that every election produced fraud charges, thus creating the doubt over whether Mexico was really democratic (Russell, 1994).

The 1992 gubernatorial elections in Chihuahua and Michoacán illustrated the Salinas administration cautious approach to the opposition in general. In Chihuahua the PAN candidate was the victor and was acceptable to take office, however, in Michoacán the PRD victory over the PRI was not accepted by Salinas administration. The results of the state elections seemed to confirm the pattern: some democracy, fraud in many cases, and continued imposition of decisions from above (Centeno, 1994).

The PRD protested over the official results after many days of public protest capped by a massive disapproval march. In addition peasants, workers, and students occupied several government municipal offices. State violence resulted in the deaths of six people. As a result Salinas was finally forced to intervene and change the sitting governor for another PRI substitute. Even though President Salinas rejection of evident electoral fraud was by no means original, his warning concerning fraud in state and local elections helped to reduce some prominent abuses (Cockcroft, 1998).

The dramatic erosion of the PRI from the previous election in 1988 surrendered an unprecedented 50.4 percent of seats in the Chamber of Deputies. However, in the 1991 Mexican mid-term elections Salinas did succeed in building popularity and strengthening the PRI's vote getting at 61.4 percent of seats in the Chamber of Deputies (Handelman, 1997).
The following table shows Mexico’s Chamber of Deputies election results from 1964-1994:

<table>
<thead>
<tr>
<th>Year</th>
<th>PRI</th>
<th>Left</th>
<th>Loyal Left</th>
<th>PAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>1964</td>
<td>86.3</td>
<td>-</td>
<td>2.1</td>
<td>11.5</td>
</tr>
<tr>
<td>1967</td>
<td>83.8</td>
<td>-</td>
<td>3.6</td>
<td>12.5</td>
</tr>
<tr>
<td>1970</td>
<td>83.6</td>
<td>-</td>
<td>2.2</td>
<td>14.2</td>
</tr>
<tr>
<td>1973</td>
<td>77.4</td>
<td>-</td>
<td>5.8</td>
<td>16.5</td>
</tr>
<tr>
<td>1976</td>
<td>85.2</td>
<td>-</td>
<td>5.6</td>
<td>8.9</td>
</tr>
<tr>
<td>1979</td>
<td>74.2</td>
<td>5</td>
<td>5</td>
<td>11.4</td>
</tr>
<tr>
<td>1982</td>
<td>69.3</td>
<td>5.6</td>
<td>5</td>
<td>17.5</td>
</tr>
<tr>
<td>1985</td>
<td>68.2</td>
<td>4.5</td>
<td>6.1</td>
<td>16.3</td>
</tr>
<tr>
<td>1988</td>
<td>50.4</td>
<td>29.6</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>1991</td>
<td>61.4</td>
<td>8.9</td>
<td>8.3</td>
<td>17.7</td>
</tr>
<tr>
<td>1994</td>
<td>50.3</td>
<td>16.7</td>
<td>2.7</td>
<td>26.8</td>
</tr>
</tbody>
</table>

The 1994 totals, unlike the others, includes annulled votes. The party totals, therefore, add up to only 96.5% and are not comparable to those of other years.


The massive public works and welfare program, PRONASOL and the PECE, manifested the new strategy implemented by Salinas to build support for his administration. In addition, while many foreign observers graded the elections as relatively clean, domestic
observers and participants knew otherwise. A close examination of the election shows that fraud, intimidation and rigged procedures were as widespread as ever.

PRONASOL and PECE

After electoral reform, PRONASOL, a “pork barrel program” which was created to give financial relief to Mexico’s poor while ingratiating the new administration to the recipients, became the first component of Salinas development strategy. PRONASOL quickly made possible a major new foundation of presidential power. The new anti-poverty organization served simultaneously to diminish Salinas dependence on the traditional party hierarchy and to build his political support in low-income urban slums and rural Mexico. Eventually, it also became a tool through which the presidential elite were required to recruit new local political leaders who led the reform of the PRI itself. PRONASOL, which raised several million dollars from private funds, intended to deliver public works projects to poor areas in the country. Heavy government spending on social projects (schools, health clinics, and roads, among others) created an image of solidarity of an extension of civil society. Salinas declared that PRONASOL would approach and aid those who lived in need and especially to those mired in extreme poverty. Therefore, the program would reach almost half of the population. In addition, Salinas stated that PRONASOL would lead a campaign for justice and democracy, and he rejected the accusations of opposing parties that had accused the program of having populist and paternalist tendencies (Otero, 1996).
In late 1989, PRONASOL summoned leftist organizations and their communities and peasant groups to allow them to keep their own local organizations and to receive PRONASOL funds. At first Salinas put technocrats in the control, but he later decided that leftists would administer the program. Carlos Tello, a nationalist and social democrat, was named the first coordinator. He was followed by Rolando Cordera, a former member of the PSUM (Mexican Unified Socialist Party), which was one of the Mexican radical parties. Salinas knew that through the leftists, PRONASOL would be able to make connections to many organizations that had appeared after the earthquake in 1985 (It was at this time that the Mexican people organized volunteer rescue units and engaged in reconstruction efforts, while the government itself was ineffective in this effort) and which considered themselves as part of “civil societies”. Soon after, Salinas succeeded in capturing the support of many of these groups through PRONASOL (La Botz, 1995).

Indeed, President Salinas was able to reconstruct the patronage machine of the PRI with PRONASOL. The Salinas administration was able to maintain its control over popular challenges and at the same time respond to strategic needs while imposing several costs. PRONASOL served to provide the states with the political space required to marginalize the opposition while the regime underwent its restructuring. Besides setting up political control, PRONASOL was the key to the success of the technocrats in Mexico, since Salinas began to build a new political structure in order to replace the old one. The new program embraced a budget of 1.7 billion dollars during 1991 besides controlling an unquantifiable percentage of the budgets of other agencies. The flow of funds and the political power was so great that the provincial directors of the program were called “vice-governors” (Centeno, 1994).
PRONASOL was the classic example of the PRI strategy in which opposition and other political discontent could be co-opted through patronage. PRI presidents had used similar populist procedures like PRONASOL; yet Salinas new program was different in three important aspects: 1) the president controlled the program directly (there were no mediating organizations between beneficiaries and the president), 2) the program encouraged local participation in the design and management of the projects (increasing efficiency and generating enormous political support), and, 3) it avoided extensive coverage through subsidies and emphasized assistance to the “truly needy.” In addition Salinas distributed PRONASOL’s projects in the areas where the opposition posed the greatest threat in the elections of 1988 in which Cuauhtémoc Cardenas seemed to have won. As a result PRONASOL appeared to diffuse much of the grass-roots opposition raised in the past presidential election. It is important to mention that during 1988, Cuauhtémoc Cardenas had succeeded in uniting the isolated local movements into a national opposition; nevertheless, PRONASOL was successful one more time in isolating these into individual bodies that could be more easily won over. The result was an electoral victory in the midterm elections of 1991 (for Salinas) in which PRI showed an extraordinary recovery by obtaining a majority in Congress. However, that victory was more of an achievement for President Salinas and PRONASOL than for the PRI. As a final point, Salinas administration was able to assure through PRONASOL political stability (out of popular pressures) and protection from the consequences of its own actions derived from the establishment of a neo-liberal model (Centeno, 1994).

The second developmental initiative of Salinas administration was the creation of the PECE, crafted by Salinas and which revised a three-party accord, which signaled that
inflation was being brought under control and simultaneously had come to serve as a stimulus to the Mexican economy. By the end of De la Madrid’s administration a program was eventually created under the name of Economic Solidarity Pact. Labor, business and commercial farmers agreed to wage controls as well as controls on many consumer supplies as part of an economic recovery plan. However, it was not until the Salinas administration modified program that it began to give results, since inflation was reduced substantially and economic growth became evident. Indeed during the first three years of the Salinas rule the economy grew for the first time since the oil boom in the late 1970s (Handelman, 1997).

The program emphasized the government’s commitment to economic growth without sacrificing price stability. Growth was hindered by the enormous negative transfer of domestic resources since the crisis in early 1980s. During 1989 all prices were regulated through the PECE; since then, this regulation by agreement was relaxed in 1990 and even more in 1991. With some exceptions, the government lifted price controls on many products and made price setting more flexible. Consequently it shortened the list of price controlled items and reduced the differentials among controlled domestic prices and international prices (Lustig, 1998).

The PECE was a mixed program emphasizing traditional and market driven mechanisms and perfectly reflected the particular structures and apparent contradictions of Mexico’s technocrat rule. The program contained on the one hand tighter government spending, greater efforts at increasing revenues and monetary and credit controls; and on the other hand a wage and price freeze meant to reduce inflation. Thus it demonstrated that the technocrats in Mexico were not “generic neo-liberals” who applied monetarist policies arbitrarily but showed that they were willing to develop mechanisms with the intention of
managing the economy. More than the implementation of contradictory policies, which in fact had characterized the PECE, was the willingness and ability of the regime to control various social actors. Yet, the PECE succeeded because of the enforced cooperation of private industry. When the government did not receive the required cooperation from producer and retailers, it threatened major business leaders with sanctions, audits, and loss of government contracts (Centeno, 1994).

The PECE had gone through fifteen negotiations since its implementation in 1987 during De la Madrid’s administration. The negotiations of the program began as very short-term commitments lasting two months, and soon after they grew to longer one year commitments. During the first period of negotiations the Mexican government opted to emphasize price and wage controls, fiscal and macroeconomic adjustment, and debt renegotiation. However, in the later negotiations, the government focused on deregulation and privatization to promote economic efficiency and on trade and financial liberalization to improve competition and establish a reduction of costs. Unquestionably price and wage controls remained the most controversial element of the program, since price controls were not uniform across the economy and wage controls included programs that basically limited nominal increases. Some analysts believed that the price and wage controls policy was necessary to reduce inflation. Others, however, considered the measure unnecessary, since without fiscal and monetary austerity, the lifting of the price controls would just result in a return to elevated inflation. Thus, the price and wage controls policy was much debated during the first years of the Salinas administration (Gould, 1996).
The Crack of the *Ejido* Myth and the State Recognition of the Church

Drought and inefficiency had so severely damaged agriculture that *El Campo* (the rural area) became one of the most urgent issues that President Salinas had to address. The situation of Mexican agriculture was so desperate that some experts considered the situation impossible to change in only one presidential term. In addition the agricultural sector continued to lag far behind the rest of the economy.

Due to the Agrarian Reform carried out in the Mexican Revolution (1910-1920) more than three million peasant families had received land, which under the *ejido* system was distributed by the government to peasant farmers. In this program the parcelled land is reciprocally controlled by the government and by its recipient, and its tenure and sale remain regulated by the state. The intense struggle in the Revolution and the eventual recovery of control of that property by the peasants had made a change in land policy seem unlikely at this stage. In order to prevent the *ejidatarios*, the peasant land recipients, from selling their land to richer farmers, the *ejido* law prohibited the sale or transfer of land to outsiders. Indeed, one of the greatest achievements of the Mexican Revolution was the Agrarian Reform, thus making the altering the of *ejido* system unthinkable. However, not all the communally controlled *ejido* land was useful and peasants were dependent on the state for credit, technical assistance and irrigation. Besides, fertile land had been divided into family plots, which were controlled by *caciques*, the term originally meaning village chief but having evolved to mean local political boss. Many critics believed that the Salinas administration needed to reduce the exploitation by government agencies, such as the business done by BANRURAL (National Bank of Rural Credit), the main agricultural credit
bank, and to expand the state’s aid to be received more directly by the peasants. However the Salinas market-oriented policy makers did not agree that peasants could become competitive and thus opposed significant spending to assist them (Handelman, 1997).

In 1992 the purpose of governmental policy was to permit the privatization of inalienable community ejido land. To promote this effort, the Mexican congress passed a new ejido law amending Article 27 of the constitution. The congress formally ended the original ejido system, one of the Revolution’s most respected triumphs, which had determined that the government had an obligation to redistribute land to the peasant population. The change in policy meant that ejidatarios had to rent or sell their plots or could also use them as a guarantee for loans. In addition, peasant land owners became part of the business enterprise with outsiders including foreigners, which were allowed to own up to 49 percent of the farms. The decision of the Salinas administration to alter the constitution was supported by the speculation for the possibility of increasing production for the domestic and export markets. However, ejido farms have not attracted big interest from Mexican or foreign investors, so the immediate impact of the law has been limited and the future vision of ejido farming does not seem promising (Harvey, 1996).

Mexico’s entry into NAFTA represents another important concern for many peasants. They are, with outdated farming practices and limited technology, hardly ever able to compete with high-tech agricultural practices used by growers in the United States. Since American farmers produce four times as much corn per acre as Mexicans producers do, the exclusion of trade protection means that it is generally cheaper for the Mexican market to import corn from the U.S. than to grow it. However, the Salinas neo-liberal model, which seemed to ignore the reality of Mexican farming practices, believed that peasants would be a
key part of the production of higher value crops than those agricultural products that could be exported (Handelman, 1997).

The Salinas agriculture policy was designed to modernize and improve efficiency of the rural areas of Mexico, although it was a failed plan regarding its intent to rescue one of Mexico’s main industries. In the Salinas administration the national agriculture plan has only created more problems and the farmers have abandoned their land and turned to immigration to the North as an option to avoid economic misery.

Another important issue addressed by the Salinas administration was to give legal status to the Catholic Church, which had not previously been recognized by the Mexican government, as well as to see that relations with the Vatican be re-established. The anticlerical laws that were created in the middle of the nineteenth century eliminated the economic, political and cultural power of the Catholic authorities. Such laws were considered among the great achievements of the Mexican liberals who sought to separate the Church and the State, releasing the Church from an absolute dependence. Later during the revolution, revolutionary governments accentuated the already promulgated laws passed by the liberals through the 1917 Constitution in which the State made clear a refusal to recognize the juridical status of the Church (Puente, 1996).

However, in spite of the laws that reduced its power, the Church in Mexico accumulated vast holdings of property, conducted religious education and sent its priests and nuns into the streets in their clerical dress to proselytize and manipulate the population and government. Catholic influence was an essential element in any sphere of the Mexican society in which 97 percent of the population identified themselves as Roman Catholic.
Indeed the Church in Mexico sought and achieved an overwhelming hold on popular awareness (Krooth, 1995).

Church-State relations became obscenely harmonious especially after 1960, since both Church and State propagandized against communism and terrorism. In addition, private catholic education increased and supported a mounted campaign to defend the virtues of motherhood and family life. Church and state also rejected radical proposals from leftist and feminist groups for the legalization of abortion. Nevertheless by the early 1980s a group of revolutionary clerics who practiced Liberation Theology (a preferential option for the poor in which the Church should be involved in the struggle for economic and political justice) emerged. As a result an important number of socially devoted priests and nuns worked alongside progressive organizations of workers, peasants and students, among others, to provide assistance to the poor and to organize politically for social justice. Yet, in order to diminish right-wing opposition and gain support for his conservative neo-liberal economic policies, Salinas removed the anticlericalism clauses in the constitution with the purpose of making the constitutional amendments effective; thus the Law of Religious Associations and Public Work was created. The Salinas administration had restored the legal status of the Catholic Church, opening a new era in Mexico in Church-State relations (Cockcroft, 1998).

Indeed as part of his inaugural speech in 1988, Salinas announced the necessity of modernizing Church-State relations. In the same year the Mexican bishopric requested President Salinas to amend the several constitutional articles (article 3: concerning education by the church; article 27: ability to acquire property; article 24: religious manifestations of the people; and article 130: political manifestations of the clergy) that restricted the Church and the rights of its parishioners. Then arouse a series of encounters among the government
and representatives of the Church led by the then apostolic delegate Geronimo Prigione. Consequently Salinas announced a series of initiatives sent to the Congress that would reform the constitution. Undeniably, the Salinas declaration was a surprise, since two years before, during De la Madrid’s administration, the agreement was denied due to a church-politic polemic after the declarations of some bishops accusing electoral frauds by the PRI in the 1985 and 1986 elections (Puente, 1996).

Certainly President Salinas was seeking the political advantages of Church backing to carry out his programs based on popular compliance, not caring that these reforms would dissolve one of the revolution’s victories. Thus by 1992 the conservative PRI-controlled congress approved without problem the Salinas initiatives: the Church then obtained legal status as well as the right to own property and to conduct religious education. Consequently the Church, now cleared of impediments, activated its resources pressing the population into its catechism and calling on Catholics to value the family; priests and nuns now openly proselytized in public in clerical dress (Krooth, 1995).

In addition, the new laws gave clergy the right to vote and access to television, and their churches were empowered to run their own schools without state interference. Consequently Mexico completely restored diplomatic relations with the Vatican. As a result the Papal Nuncio (the apostolic delegate Geronimo Prigione who increased his power after the Constitutional modifications and obtained the rank of Nuncio) led a complete offensive against members of the clergy who favored Liberation Theology. In fact the Papal Nuncio made public a scheduled transfer back to the Vatican of Samuel Ruiz, Bishop of San Cristóbal de las Casas Chiapas, who several times had denounced injustice and daily violations of human rights in the region and later was accused of being part in the EZLN
(Zapatista National Liberation Army) uprising (armed guerrilla movement that broke out in the state of Chiapas in 1994 fought mostly by indigenous of the region). However the Indian rebellion put Bishop Ruiz at the center stage of Mexico’s peace process, since many Indians in Chiapas identified with him, and thus left the Papal Nuncio with temporarily diminished influence (Cockcroft, 1998).

According to some analysts, Salinas recognition of the Church as a legal entity was seen as modernization, whereas for others it was seen as a historic regression. In reality the policies carried out by Salinas regarding the Church were controversial. Nevertheless, while there were negative reactions by those who had considered anticlerical postures as a historic advance, a large number of Mexicans believed that it was time to modify the constitution and bring it up to date in order to transform Mexico into a modern state (Puente, 1996).

**NAFTA and Privatization**

During the 1980s, Mexico’s new neo-liberal development policy approved a change in foreign policy. Both De la Madrid’s and Salinas administrations neglected the country’s ISI (Import Substituting Industrialization) model, which was created in Latin America and built on import substitution and protectionism. For decades, ISI had driven economic growth resulting in rising living standards; however, it had also initiated programs that resulted in massive trade and budget deficits. In 1986, Mexico entered into the GATT (General Agreement on Tariffs and Trade), which had been created after World War II in order to
reduce tariffs, thus facilitating trade between the world’s capitalist nations. For many years, Mexico avoided the agreement because of protectionism and the common sense of its ISI model. However, the admission of Mexico into GATT meant the opening of the country’s economy to the world and constituted the first step to create links with the economies of the United States and Canada, in order to become associates with NAFTA (Handelman, 1997).

Salinas supported the creation of NAFTA with the intention of totally integrating the Mexican and U.S. economies and reinforcing Mexico’s capacity to compete in the world market. Under the agreement, Mexicans have gained greater access to imports from the U.S., and at the same time Mexican companies can sell more easily in the North American market. NAFTA reassured Mexican businessman and foreign investors, burned by the preceding government’s economic policy, that the transition to an open economy was irreversible apart from who might succeed Salinas (Handelman, 1997).

On June 12, 1991, U.S., Canadian and Mexican delegates met in Toronto to start negotiations, on six main issues: 1) Market access, 2) Foreign investment, 3) Intellectual property rights, 4) Service, 5) Dispute settlement mechanism, 6) Subsidies and dumping. In August 1992 after successful negotiations with anti-NAFTA groups, the dialogue concluded with a document of more than 1,100 pages. In that instance President Bush declared: “Today marks the beginning of a new era on our continent, on the North American continent.” Three months later in San Antonio Texas, Presidents Bush and Salinas and the Prime Minister of Canada, Brian Mulroney, initialed the full text of NAFTA. Consequently Mulroney stated, “While geography and the forces of history have made us neighbors, this agreement will make us partners - partners in opportunity and partners in the economic success that follows from free and fair trade” (Russell, 1994).
On December 17, 1992 these three heads of state signed the full text of the agreement in their respective capitals. The result was a market population of 369 million: 27 million from Canada, 86 million from Mexico, and 256 million from U.S.; and a gross domestic product of $6.915 trillion: $317 billion from Mexico, $598 billion from Canada, and $6 trillion from U.S. The agreement provides that tariffs will be progressively reduced to zero over a ten-year period and at the same time quotas will be eliminated over 15 years. NAFTA controls tariffs, non-tariff barriers and investment. In other words, those goods that come from the other two nations must be treated like goods produced domestically. Each country in NAFTA exempted certain activities from the agreement: for example, the U.S. does not allow the free movement of people, except for specialists, thus reflecting U.S fears concerning the possibility of an immense exodus of poor people from Mexico to the U.S. On the other hand the Mexican government exempted its main industries from NAFTA: railroads, electricity, basic petrochemicals and oil, thus retaining its right to control them (Russell, 1994).

Agricultural imports have received special treatment. All agricultural quotas and numerous restrictions were eliminated as soon as NAFTA took effect. However, as the NAFTA votes in the U.S. Congress moved toward approval, the Clinton administration gained additional support in order to provide some protections to specific crops. Mexican negotiators conceded to them, even though these agreements violated NAFTA's spirit (Handelman, 1997).

In Mexico, once Salinas decided to generate a free trade agreement among Mexico, U.S. and Canada, the PRI congressional delegation and cabinet members fell in behind NAFTA, the same group who in 1989 had stated that free trade dogma was inappropriate due
to the economic differences among countries. Now they were resolutely defending it after the 1990 policy switch, thus showing one more time the influence of presidential power. The CTM (Mexican Confederation of Workers), which is one of the country’s most important labor unions, took a similar position after Fidel Velazquez, the union’s leader, expressed his unconditional support of NAFTA, reflecting the CTM’s working relations to the PRI (Russell, 1994).

The great achievement of the Salinas administration was the negotiation of NAFTA, uniting three countries (Canada, Mexico and U.S.) in an enormous economic market. However, in reality, NAFTA offered multinationals the capacity to combine and take advantage of three main components: U.S. capital, Canadian natural resources, and cheap Mexican labor (La Botz, 1995).

Salinas significantly increased the already formidable powers of the executive branch of his government. In order to carry out a series of extensive economic reforms, Salinas implemented broad policy-granting authority to the technocratic elite which was committed to market economics, privatization and trade liberalization, mainly with the United States and Canada. In an effort to attract U.S. investment to the country, Salinas launched an ambitious four-page advertisement in the U.S press. In the text Salinas scheduled his priorities in the following order: maintaining the fight against inflation, encouraging entrepreneurial investment, continuing privatization and deregulation, and proceeding with the opening of the economy (Weintraub, 1990).

In 1990, Salinas acted rapidly and further implemented his economic policies: Cananea, a government-owned company producing silver and gold, which also possessed one of the ten largest copper mines in the world, was sold (Teichman, 1996). The copper
mine in the state of Sonora was one of the first objectives of privatization of the Salinas administration; however, workers refused to accept it and radically opposed the move. Salinas reacted and sent 4,000 Mexican troops to seize the town of Cananea (which had not been occupied since 1906, the year that President Porfirio Díaz had intended to crush an anarchist strike). Eighty-three years later, the Salinas government declared the copper mine bankrupt in order to sell it to private Mexican and foreign investors. Many workers resisted, but Salinas finally succeeded (Russell, 1994).

The next state-owned company on the Salinas “hit list” was TELMEX (Mexican Telephone Company). Deemed a decisive factor for the creation of a modern national economy, PRI’s technocrats saw telecommunications as key to bring in Mexico into the world economy. Salinas was aware of the challenge that he faced in the privatization of TELMEX against opposition from radical groups already embedded in the company. However, rather than using force as he did at the Cananea copper mine, Salinas chose a strategy of tact and diplomacy. Francisco Hernández Juárez, who became the leader of the STRM (Telephone Workers Union) in 1976 after a string of radical changes in the union, appeared to pose an obstacle for the Salinas TELMEX privatization plan. However, in previous actions, even before the presidential elections, Salinas had gained favor with Hernández Juárez by making him an important national business figure. This shrewd move by Salinas in boosting the stature of Hernández Juárez would ensure that the STRM would not oppose privatization. Compared with the Cananea copper mine, TELMEX was by no means an unprofitable company. In the 1980s TELMEX’s sales exceeded one billion dollars annually; therefore Salinas justified TELMEX’s privatization as part of the modernization of the country. On December 9 1989, TELMEX was sold for 3.9 billion dollars to a consortium
made up of Grupo Carso, headed by Carlos Slim Helu and also including several American corporations such as Southwestern Bell and the St. Louis-based U.S. Corporation (La Botz, 1995).

The following table shows Mexico’s Foreign Investment from 1970-2000:

Table 3
Foreign Investment in Mexico

<table>
<thead>
<tr>
<th>Administration</th>
<th>Totals (U.S. $ Millions)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-1976</td>
<td>1,601.40</td>
<td></td>
</tr>
<tr>
<td>1976-1982</td>
<td>5,470.60</td>
<td>241.7</td>
</tr>
<tr>
<td>1982-1988</td>
<td>13,455.40</td>
<td>146</td>
</tr>
<tr>
<td>1988-1994</td>
<td>60,565.5(^a)</td>
<td>350.1</td>
</tr>
<tr>
<td>1994-2000</td>
<td>74,100.90</td>
<td>22.3</td>
</tr>
</tbody>
</table>

Source: Crónica del gobierno de Carlos Salinas de Gortari, síntesis e índice temático (Mexico City: Presidencia de la República, Sexto informe de gobierno, anexo, September 1, 2000).

\(^a\)Beginning in 1989, investment figures included those in the Mexican Stock Exchange; the data for 2000 are as of 30 June.

Salinas also privatized the banking system, which had been nationalized in 1982. Eight years later, in 1990, Salinas declared, “A state with too much property, with so many resources tied up in banks, is unacceptable when it has so many other demands to attend. Now the resources from the bank sale and additional resources which will not have to be used to modernize banking can be used to respond to more pressing demands of the Mexican people.” This statement increased business confidence and the bank sale raised more than $12 billion. Highway construction was the next target of Salinas administration. Private
investors were allowed to pay for the construction of four-lane highways, while at the same time tolls were charged to recover the private investment, make a profit and eventually transfer the highways to the public sector (Russell, 1994).

Salinas moved rapidly to privatize as much of the economy as quickly as possible.

Large numbers of state enterprises were sold: the quantity of these was reduced from 1,555 in 1982 to only 217 in 1992. Among the most important were TELMEX and the Cananea copper mine, as mentioned before, but also included in the movement to privatization were the country’s two leading airlines, Aeromexico and Mexicana, and the state steel mill, Altos Hornos de Mexico. Thus, Salinas transformed the Mexican economy into a model of private enterprise, in which the center of the whole project was foreign investment and privatization (La Botz, 1995).

The state obtained more than $3 billion from the deal involving its ten largest corporations, money that was mainly used in social spending. However, enterprises such as PEMEX (Mexican Petroleum Company), the railroads and CONASUPO (National Company of Popular Subsistence) should continue in government hands (Handelman, 1997).

De la Madrid’s administration had initiated these radical changes in the Mexican economy. At the time Salinas had been the architect of the new economic model before his presidency when he was the Ministry of Programming and Budget. Later, as president, he took the decisive step toward structural reforms.
CHAPTER II. ERNESTO ZEDILLO PONCE DE LEON (1994-2000)

The Unknown

Ernesto Zedillo Ponce de León was born in Mexico City on December 27, 1951. He is the son of Martha Alicia Ponce de León and Rodolfo Zedillo Castillo, contractor (Camp, 1995). Even though Ernesto was born in Mexico City, when still a boy, he moved with his working class family to the border city of Mexicali, Baja California Norte. According to the folklore, he shined shoes to help his mother make ends meet (Preston and Dillon, 2004). Zedillo's primary and secondary studies were at public schools in Mexicali (Camp, 1995).

Mexicali was a city of immigrants hunting for assembly line jobs or waiting to make nighttime crossings to the United States; where drug traffic violence and insecurity were common – an environment of bad influences on a raw Mexican boy. Therefore, Zedillo was sent back to Mexico City to continue his preparatory studies (Preston and Dillon, 2004). He attended IPN (National Polytechnic Institute) vocational School No. 5 in the years 1967-1969. Zedillo was not considered an activist leader, but he participated in the 1968 student movement (Camp, 1995). Subsequently he decided to stay in the capital and to attend university at IPN, that great conduit for Mexican lower-middle class social mobility (Preston and Dillon, 2004). He obtained an economics degree in the Higher Economic School of the IPN in the years 1962-1972 (Camp, 1995). Since Zedillo was an honor student, in a time when Mexican welfare state’s meritocracy was at the peak of his efficiency, he gained a government scholarship that allowed him to continue his studies in the United States (Preston and Dillon, 2004). Ernesto Zedillo obtained an M.A. in Economics at Yale University as well.
as a Ph.D. in Economics in the same university with a thesis on the external public debt in Mexico (Camp, 1995).

Zedillo joined the PRI when he was twenty; however, he had never to date become active in party affairs. Indeed, Zedillo never even sought to run for public office. He began his career in government at the Banco de Mexico (the central bank) in 1978. In that era, the institution was a very important instrument of the president, yet it remained isolated from PRI politicking. In that period Zedillo succeeded in the creation of a program that was designed to protect struggling Mexican corporations against currency fluctuations (Preston and Dillon, 2004). Zedillo also dedicated time to teaching. In 1973-1974 and 1978-1980, he was professor in the High School of Economics at IPN. From 1981-1983, he was professor in the Colegio de Mexico (Camp, 1995). In 1987, while managing federal spending in the office of the Planning Secretariat, Zedillo initiated a more politically directed career. One year later President Salinas assigned him command that office. However, Zedillo was not one of the exceptional members of Salinas cabinet. In 1994 Salinas moved Zedillo from the Secretary of Planning to the Secretary of Education. At this time Mexico had an atrocious public education bureaucracy, which, with a reform in structure, Zedillo was able to decentralize (Preston and Dillon, 2004).

In 1994 Zedillo became the director of Luis Donaldo Colosio’s presidential campaign, only in the same year he replaced Colosio as PRI presidential candidate following Colosio’s assassination (Camp, 1995). After the Colosio death, it was very clear that Salinas was not thinking of Zedillo as his successor. Instead Salinas was working to obtain a constitutional waiver that would allow Pedro Aspe, then Finance Secretary, to contend for the presidency (Preston and Dillon, 2004).
Zedillo did not receive support from the PRI’s old guard, who pressed Salinas to tap as presidential candidate the head of the party, Fernando Ortiz Arana, who belonged to the “group of dinosaurs” (old style PRI leaders). Zedillo’s destape (unveiling of the PRI candidate) only served to show the party’s lack of enthusiasm. The ceremony of the destape was a small gathering in an inner salon and the applause for the new candidate was conspicuously reserved. Zedillo’s anxious smile revealed his awareness of his party’s indifference to his candidacy (Preston and Dillon, 2004).

As it was expected, the struggle for the presidency would be hard for the new PRI candidate. Besides, as previously mentioned, Zedillo was not the Salinas man favored to occupy the presidential seat after Colosio’s assassination. This fact was perhaps reflected in the president’s doubt that Zedillo could win the election; as a result, Zedillo would have to carry out an exceptional electoral campaign in order to defeat the opposition candidates.

Zedillo contended against Cuauhtémoc Cárdenas from the PRD, who emerged for second time as presidential candidate and Diego Fernández de Cevallos from the PAN. Unquestionably, Fernández de Cevallos unusual attitude was a primordial factor in the race for the presidency. Fernández de Cevallos, a lawyer with an elevated rhetoric, was a brilliant exponent of the party’s most conservative ideology. In May 1994 the media polls placed him ahead after the historic first televised debate, which was watched by millions of Mexicans. In this event, Fernández de Cevallos took advantage of his exceptional oratory skill and handily defeated Zedillo and Cárdenas in the debate. Yet, inexplicably, Fernández de Cevallos then seemed to disappear from the scene. When he attempted to return to the presidential race, it was too late. Many Mexicans concluded that the strange disappearance of Fernández de
Cevallos at a crucial point in the campaign was due to a pay-off by Salinas (Preston and Dillon, 2004).

The federal elections that took Zedillo to the presidency were proclaimed by the IFE as the fairest and least corrupt in Mexican history. The Mexican government received the congratulations of the Clinton administration for its successful electoral reforms, and the electoral process was called by the New York Times, “the cleanest in living memory” (La Botz, 1995). However, many Mexicans doubted that the election was actually that clean. Certainly the 1994 presidential election was a difficult test of real democracy for Mexican government.

More than 50,000 observers participated, including citizens groups and business organizations. In addition the Mexican government allowed the participation of more than 900 international observers, most of them professionals with careers in social work and education. International observers who witnessed the procedure in several states reported deficiencies such as manipulation, intimidation and dishonesty. The electoral process of 1994 was nonetheless the one of the most open elections in Mexican history (La Botz, 1995).

At the end of the Election Day, a spokesman of the IFE conceded that there had been irregularities, but that these did not call into question the legality of the process. An electoral adjustment eventually occurred in Mexico; however the Ministry of the Interior, the PRI-government’s enforcer, remained in control of the IFE and, in turn, of the electoral process. The official results certified that Zedillo of the PRI had won with 50.18 percent of the vote, while Diego Fernández de Cevallos of the PAN received 26.9 percent, and Cuauhtémoc Cárdenas of the PRD a surprisingly 17.08 percent (La Botz, 1995).
Mexico suffered important economic transformations, especially between 1984 and 1994. However, since the presidential term of Luis Echeverria (1970-1976), all of the presidential administrations have finished with an economic crisis (Echeverria 1976, López Portillo 1982, de la Madrid 1987, and Salinas 1994). The economic modifications implemented by President Salinas and his group of technocrats directed the country, for the first time in years, to economic growth and, in general, to economic stability. A balanced budget, a free trade agreement with the main economies of the world, and an autonomous central bank that could implement a monetary policy able to endure in a tense political environment: these were just some of the elements established by Salinas to overcome Mexico’s economic woes. Yet, the new economic plan could not avoid the catastrophic crisis of December 1994. Neglect, arrogance and the lack of timely decisions especially by the government led to a deep financial crisis (Gonzalez, 1998).

The unexpected December debacle was not, in fact, a surprise. During Salinas entire term as president, observers had warned of a financial crisis and criticized the administration’s economic policy. On the other hand, for millions of Mexicans who believed that the country had finally entered into the First World, the December devaluation was a shock. It was also a bombshell for those entrepreneurs who had become indebted in dollars or had changed from national providers to international ones, reaching better quality and prices (Castañeda, 1995).

In 1994 Mexico had lived moments of political tension and the PRI was the object of hard questions. In May of 1993, drug dealers murdered Cardinal Juan Jesús Posadas, an
important catholic official. Later in January, the EZLN established a presence in the state of Chiapas, and in March the presidential candidate of the PRI, Luis Donaldo Colosio, was assassinated, an event that intensified the political climate.

The assassination of the PRI presidential candidate Luis Donaldo Colosio had a surprising impact on the Mexican economy. As a result of the given conspiratorial character of the murder, financial speculation not in favor of the peso developed soon afterwards, thus forcing the government to create a line of credit with the U.S. Treasury. In the following weeks after the assassination, there was a large reduction of foreign reserves. Down to the coming presidential election, the Salinas administration continued its policy of supporting the peso, even though the central bank had lost a massive quantity of money. After the recommendation of a group of foreign financial investors, the Mexican government appeared with the idea of allowing investors to shift from Mexican bonds to Tesobonos, bonds that even if peso denominated, were indexed to the dollar. As a result, many investors, avoiding an exchange rate risk, acquired large amounts of Tesobonos which, at the end of July, equaled in the hands of investors the total value of the Mexican foreign reserves (Urzúa, 1997).

As the savings of the Mexicans were not enough, those resources coming from the foreigner market were used to cover the excess of consumption expense; unfortunately the entrance of the money went to short term and not to capital investments. Alternatively the rise of interest rates in other countries caused the flow of resources to move toward those markets, leaving the country in a major overdraft.
The Tesobonos were not as effective as the government thought to maintain the country in the correct course. By the second half of 1994, foreign capital flow plummeted 75 percent and reserves dropped from $30 billion to $6 billion (Crandall, Paz and Roett, 2005).

In August of that year, Zedillo won the presidential election by a margin large enough to calm the investors for a while, since receiving 48.7 percent of the total vote showed a certain political stability, though in the following weeks the government let pass the last opportunity to correct the trade disproportion through an unanticipated devaluation. In September, Jose Francisco Ruiz Massieu, former PRI secretary, was assassinated, and soon after; Ruiz Massieu’s brother was appointed by President Salinas as the Deputy Attorney General in charge of the murder case. However, days later he resigned claiming complicity with PRI bosses in the homicide, and thus the government witnessed a further decline of several billions in the reserves (Urúa, 1997).

Zedillo took office in late 1994 facing these dramatic economic changes. Jaime Serra Puche, new Secretary of Finances, opted to maintain the line through December and into early 1995, negotiating with Washington where he had many friends to set a credit arrangement in order to restore Mexican investors’ confidence. Serra Puche bet everything on that strategy, leaning on Zedillo’s overwhelming electoral victory. In addition, he stated that in 1995 the Mexican economy would return the growth as a result of NAFTA. Days later Serra Puche declared in an interview for The Wall Street Journal that the Mexican economy was well in hand and that Zedillo’s administration did not expect to make any alterations in exchange rate policy. However the markets shook one more time, due to the new frictions between the Zapatista guerrilla group and the Zedillo administration. On December 19, the Mexican press declared the capture and occupation of more than thirty Chiapas villages by
the EZLN; even though the reality was that they only had seized one town and blocked some highways. Nevertheless, the Mexican peso and reserve index both plunged (Preston and Dillon, 2004).

With investors selling pesos at the rate promoted by the central bank, on December 20, 1994, Zedillo’s administration extended the exchange rate band by 15 percent. As a result, Mexico’s foreign reserves dropped by $4 billion. The flow of international capital led investors to sell pesos in large amounts and the nominal price of the peso plunged from three pesos per U.S. dollar to six per dollar (Crandall, Paz and Roett, 2005).

President Zedillo, days after the beginning of the crisis, appeared on National television announcing the severe situation of the Mexican economy and for the first time accepted that the peso had to be devalued. Besides, for the first time President Zedillo declared that the Salinas administration was responsible for the financial crisis of the country (Urzúa, 1997).

The government suggested a peso float in an act of desperation. Subsequently, they expanded the flotation band to a margin that would prove to further weaken the peso. The private sector, wishing to avoid a float, even as it was told the urgency of the situation, proceeded to withdraw its money rapidly. After the peso was allowed to float, there were almost no reserves left (Castañeda, 1995).

After the 15 percent exchange rate devaluation the financial markets considered it insufficient to correct the current account imbalance. For that reason, after the exchange correction, the Bank of Mexico performed open market operations with government bonds at interest rates over 30 percent, thus accepting that the 15 percent devaluation was not enough. Exchange rate and credibility crisis followed (Gonzalez, 1998).
The shocking financial situation of the country was amplified due to the large obligations of foreign debt which dramatically threatened an economic collapse; furthermore, a default became imminent or a forced rescheduling of foreign debt. Yet, with the purpose of avoiding an economic catastrophe, U.S. President Bill Clinton loaned Mexico $47 billion, the funds integrating contributions from the International Monetary Fund (IMF), the Bank for International Settlements (BIS), and the United States Exchange Stabilization Fund. Unquestionably the loan was a sign to the investor field (domestic and international) of the support of United States to the Zedillo administration. Mexico made use of the immense credit line to replace the missing capital of its foreign reserve and continued to service and reschedules its debt (Crandall, 2005).

The loan was in part a plan of rescue which included some specific conditions. One of the conditions was that the buyers of Mexican oil would send their payments directly to a special account in the Federal Reserve Bank of New York, avoiding the possibility that Mexico miss its obligations (payments). Other requirements were an increase of the IVA (Value Added Tax) from 10% to 15% which included increases of the gasoline price and electric tariffs as well as the maximum of the domestic credit. The rescue plan concluded with the requirement to privatize some sectors of the Mexican economy, such as railroads, ports and petrochemical industries, and the opening of the banking system to foreign capital (Urzúa, 1997).

Certainly, Mexico paid a dear price; after December 1994 the Mexican economy was severely affected as a result of the crisis. A disastrous proof of that was that in 1995 the Mexican economy contracted by 6.2 percent in real terms, the largest decline since the catastrophic year of 1932 (Gonzalez, 1998).
Break of the Bank System

An adjustment in the exchange rate to an overvalued peso by the Salinas administration could have been a measure to avoid disaster. After the December debacle, the immediate result was the damage to the patrimony of the Mexicans. The loans in credit cards, automobiles and mortgages were overextended past their credit and refinancing limits. The capacity of the borrowers to make payments on these obligations decreased and in some cases were non-existent, and so therefore was generated the largest debt portfolio in the history of the Mexican financial institutions. Mexico operated with a fragile financial system, since the banks had an enormous debt to pay and the recovery of the credit that had been previously granted was very slow and in many cases in doubt of payment.

It is true that the rescue plan could have prevented the Mexican economic situation from going too far into the red. However the country could not avoid falling in a deep recession. During 1995 the GDP (Gross Domestic Product) plummeted by 6 percent. The confused situation unleashed a wave of crime in the entire country, most notably in Mexico City (Crandall, 2005).

The recession was so deep that it could have been called a depression. Thousands of workers lost their jobs and real minimum wages plunged over 20%; annual inflation went up to 52% in 1995 before falling to around 30% in 1996. One of the costs of rescuing the broken financial system was reflected in the 5% drop in GDP and at least as much in 1996 (Urzáa, 1997).

The Salinas administration had privatized the Mexican banks in 1992 after a decade of government ownership. Thus, by the end of 1994, Mexico had 32 private financial
institutions with $160 billion of aggregate assets. In the beginning of the year (1995) six of
the leading banks in the country, Banamex, Bancomer, Serfin, Banco Mexicano, Comer-mer-

n and Bital, reported earnings of more than $100 billion representing 70 percent of the entire
Mexican banking industry. Yet, these banks showed a lack of interest toward the customer
base. In the years of 1993 and 1994 the entire bank industry was under remarkable pressure
to expand its operations (Adams, 1997).

The growth of credit caused economic confusion; therefore a considerable past due
loan portfolio came out, mainly caused by bank’s inefficient credit policies. Banks did not
give the necessary attention to the situation in the market; consequently the excessive credit
growth debilitated banks as well as borrowers. Thus, the financial institutions and borrowers
suffered from moderated asset quality and higher financial margins respectively (Gavito,

The economic crisis of December 1994 severely affected the fragile financial system
which was reflected in three main indicators: asset quality, capitalization, and liquidity. In
addition, domestic reluctance over the NAFTA and a light recession in 1993 began to
deteriorate the banks. By the end of 1994 Mexican financial institutions confirmed past due
loans sorted from 9 to 14 percent of their portfolios, thus the Federal Reserve became
conscious of the imminent impact of what was happening on the monetary system (Adams,
1997).

During the first months of 1995 a risk of insolvency by the banks was exposed, due
to the susceptibility of the Mexican financial sector. In addition, as mentioned earlier, there
existed the need of a union between financial institutions and the customer base. This
weakness, coupled to the considerable rise in interest rates and the severe shrinkage in the
average maturity of debt instruments, caused further turmoil. Also, the existence of a highly concentrated banking system (only three banks controlled 50 percent of the credit market) and a high wealth concentration (0.17 percent of deposit contracts covered 62 percent of bank liabilities), created conditions conductive to provoking a financial meltdown (Gavito, Silva and Zamarripa, 1998).

Debtors received the impact of the new load of interest added to their obligations; in addition, there existed a debt that was virtually impossible to pay. Debtors took refuge in the arcane bankruptcy law and created groups such as El Barzón demanding to receive a break in their debt, thus generating more pressure on the fragile banking system (Crandall, 2005).

*El Barzón* was an alliance of farmers and ranchers from northern Mexico and middle class home owners who pressed banks and government for debt relief programs. The group demanded the reduction of flood loan defaults that had led to foreclosures in the entire country. The organization (*El Barzón*), which reported to have loans amounting over $12 billion, tried to gain attention by holding loan payments, carrying out massive rallies and forcing some banks to temporarily close. However, opponents of this group stated that *El Barzón* had merits but did not warrant borrowers receiving total absolution of their debt (Adams, 1997).

The difficult financial situation in the country led the Mexican government to act immediately to keep other economic areas, such as the private sector, from being affected. A bank with financial problems with the intention of overcoming financial loss, as mentioned before, increased its financial margins which forced at the same time a loan recouping process. Zedillo’s administration attacked the financial crisis establishing some new procedures: among these were measures to limit the transmission of the banking crisis to the
business sector, to re-establish depositors’ confidence, to protect the payment system, to promote the restructuring and capitalization of troubled banks, and to support institutions rather than shareholders with hopes of minimizing the fiscal cost (Gavito, Silva and Zamarripa, 1998).

Zedillo’s administration implemented three main support programs as a reaction to the dramatic collapse of the banking system: 1) A debtor support agenda which could help families and corporations to repay their debts. 2) Reforming the country’s accounting principles, banking regulations and supervisory and enforcement practices. 3) Liquidity support to the banks, proceedings to recapitalize the banks in exchange for non-performing loans, intervention and sale of foreign capitals to the weakest domestic banks and restructuring, selling or liquidating intervened banks since owners could not afford enough capital to reach the new regulations. All of these were implemented through the FOBAPROA (Bank Savings Protection Fund) (Montes-Negret and Landa, 2001).

FOBAPROA was created in 1990 under the Law of Institutions of Credit by Mexican government. During 1995, Zedillo’s administration, in response to the financial crisis, ordered to the SHCP (Mexican Treasury Department) and Mexico’s Central Bank to embark on FOBAPROA to absorb bad loans made by Mexican banks. FOBAPROA was meant to inject liquidity into the vulnerable Mexican financial sector (La Botz, 1998).

Zedillo’s administration declared that FOBAPROA existed to rescue the banking system from its remarkable and disastrous crisis and to protect the deposits of ordinary citizens. Most of the bad loans were absorbed by FOBAPROA; however, most of them came from banks and corporations which had been allied with Presidents Salinas and Zedillo. Suspiciously some of the money involved was used to finance the PRI’s election campaigns.
The amounts overdue were accepted by the government without the consent of the legislature and the opposition parties, even though the Mexican Constitution required legislative approval before contracting a public debt (La Botz, 1998).

Mexico's eleven largest banks composed half of the total liabilities of FOBAPROA, which was calculated at $65 billion. Zedillo received attacks which stated that FOBAPROA had rescued wealthy bankers from precarious loans, loans that they should never have made. In addition, the cost of the debt was to be absorbed into the public debt which cost Mexicans around 15 percent of the GDP (Crandall, 2005).

The opposition parties refused to accept that bad loans be placed into the public debt, as Zedillo's administration suggested, and insisted on knowing who benefited from these loans. Radical parties such as PRD even published a list of the banks, corporations, and individuals rescued by FOBAPROA (La Botz, 1998).

President Zedillo had to struggle with the bank crisis for the rest of his term. His administration was a lost period for the banks, since it took more than four years to overcome the "containment phase" of the banking crisis. The role of the financial institutions as monetary intermediaries had declined dramatically since the beginning of December 1994 with the economic catastrophe. Yet, indicators stated that after six years the banking industry showed signs of improvement (Giugale, 2001).
By the beginning of 1996 Mexico seemed to have overcome the financial crisis that had shaken the country. Even though the recovery was more rapid than expected, the country still suffered from many problems. The economic indicators pointed to a rate of 4 percent of economic growth; in fact the Zedillo administration had completely reimbursed the loan that it received from the United States government (Krause, 1997).

The evidence of progress was reflected in Mexico by a successful export performance. Increasing foreign trade allowed the Mexican economy to penetrate in highly competitive international markets. Mexico had overcome the period in which uncertainty had prevailed over the doubt and ability to export Mexican products, thus achieving one of the clearest signs of increased efficiency of an economy (Winkler, 1998).

NAFTA projected by Salinas administration and which went into effect on January 1, 1994, entailed reciprocal trade liberalization among Mexico, United States and Canada. Therefore, Mexico’s external performance had to develop dramatically in order to achieve positive results. Mexican manufacturing goods assumed a new leading role as a result of the increase of Mexican participation in the world market (Cimoli, 2001).
The following table shows Mexico’s merchandise trade with the U.S. from 1980-1996:

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Annual Percentage</th>
<th>Imports</th>
<th>Annual Percentage</th>
<th>Balance</th>
<th>Annual Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>10,072</td>
<td>61.1</td>
<td>11,979</td>
<td>58.4</td>
<td>-1,907</td>
<td>22,051</td>
</tr>
<tr>
<td>1981</td>
<td>10,716</td>
<td>6.4</td>
<td>15,398</td>
<td>28.5</td>
<td>-4,682</td>
<td>26,114</td>
</tr>
<tr>
<td>1982</td>
<td>11,887</td>
<td>10.9</td>
<td>8,921</td>
<td>-42.1</td>
<td>2,926</td>
<td>20,808</td>
</tr>
<tr>
<td>1983</td>
<td>13,034</td>
<td>9.7</td>
<td>4,958</td>
<td>-44.4</td>
<td>8,076</td>
<td>17,992</td>
</tr>
<tr>
<td>1984</td>
<td>14,612</td>
<td>12.1</td>
<td>6,695</td>
<td>35</td>
<td>7,917</td>
<td>21,307</td>
</tr>
<tr>
<td>1985</td>
<td>15,029</td>
<td>2.9</td>
<td>11,132</td>
<td>66.3</td>
<td>3,897</td>
<td>26,161</td>
</tr>
<tr>
<td>1986</td>
<td>17,600</td>
<td>17.1</td>
<td>12,400</td>
<td>11.4</td>
<td>5,200</td>
<td>30,000</td>
</tr>
<tr>
<td>1987</td>
<td>20,270</td>
<td>15.2</td>
<td>14,569</td>
<td>17.5</td>
<td>5,701</td>
<td>34,839</td>
</tr>
<tr>
<td>1988</td>
<td>23,277</td>
<td>14.8</td>
<td>20,633</td>
<td>41.6</td>
<td>2,644</td>
<td>43,910</td>
</tr>
<tr>
<td>1989</td>
<td>27,166</td>
<td>16.8</td>
<td>24,969</td>
<td>21</td>
<td>2,217</td>
<td>52,155</td>
</tr>
<tr>
<td>1990</td>
<td>30,172</td>
<td>11</td>
<td>28,375</td>
<td>13.6</td>
<td>1,797</td>
<td>58,547</td>
</tr>
<tr>
<td>1991</td>
<td>31,194</td>
<td>3.4</td>
<td>33,276</td>
<td>17.3</td>
<td>-2,082</td>
<td>64,470</td>
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<tr>
<td>1992</td>
<td>35,200</td>
<td>12.8</td>
<td>40,600</td>
<td>22</td>
<td>-5,400</td>
<td>75,800</td>
</tr>
<tr>
<td>1993</td>
<td>39,930</td>
<td>13.4</td>
<td>41,636</td>
<td>2.6</td>
<td>-1,706</td>
<td>81,566</td>
</tr>
<tr>
<td>1994</td>
<td>49,492</td>
<td>24</td>
<td>50,843</td>
<td>22.1</td>
<td>-1,351</td>
<td>100,335</td>
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<tr>
<td>1995</td>
<td>61,706</td>
<td>24.7</td>
<td>46,312</td>
<td>-8.9</td>
<td>15,349</td>
<td>108,018</td>
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<tr>
<td>1996</td>
<td>72,962</td>
<td>18.2</td>
<td>56,763</td>
<td>22.6</td>
<td>16,199</td>
<td>129,725</td>
</tr>
</tbody>
</table>


Over the decade of the 1980’s the performance of Mexico’s exports improved from the value of sales of $24 billion in 1982 to almost $100 billion in 1996. These numbers placed Mexico in the group of the top ten leading export countries in the world. In the early 80’s, the country’s economy was based in petroleum exports; Mexico was considered almost a mono-export economy; however after a decade, the country went from a one-product exporter to one in which manufactured goods were 83 percent of all exports. Indicators show
that in the same period sales of exported manufactured goods went from $6.2 billion to $81.2 billion; in addition, the average annual increase in foreign sales of manufactured goods was 17.4 percent, three times the rate of export growth worldwide (Winkler, 1998).

Undeniably, Mexico’s economic relationship with United States was the main impetus that pulled the country out of the remarkable crisis. During 1995 and 1996, the U.S economy found the path for rapid economic growth, after having suffered a light recession. As a result, Mexican goods, cheaper in real terms, were in high demand by the U.S., taking the Mexican economy to extraordinarily positive levels. During Zedillo’s administration the dynamism of the Mexican export sector greatly strengthened the Mexican economy (Crandall, 2005).

From 1995-1997 the export sector performance had been more remarkable than the domestic sector. During 1995-1996 exports increased 53 percent, while internal production for the domestic market was shrinking 8 percent. This variation however, represented a problem, since the domestic economy represented about 70 percent of total economic activity, which included a large number of companies and generated most local employment (Gonzalez, 1998).

Mexico’s economic performance during the second half of Zedillo’s administration was notable. Between 1995 and early 2000 the GDP grew by an average of 5.1 percent, and inflation that had reached an astonishing 52 percent in 1995, in 2000 barely reached 4.4 percent. In addition the overvalued exchange rate that had caused so much damage during 1994, enhanced the domestic market significantly (Crandall, 2005).
The following table shows Mexico’s main component of real GDP growth from 1994-1996:

<table>
<thead>
<tr>
<th>Table 5</th>
<th>Main Components of Real GDP Growth (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>3.5</td>
</tr>
<tr>
<td>Consumption</td>
<td>3.5</td>
</tr>
<tr>
<td>Private</td>
<td>3.7</td>
</tr>
<tr>
<td>Public</td>
<td>2.5</td>
</tr>
<tr>
<td>Investment</td>
<td>8.1</td>
</tr>
<tr>
<td>Exports</td>
<td>7.3</td>
</tr>
<tr>
<td>Imports</td>
<td>12.9</td>
</tr>
</tbody>
</table>

Source: Grupo de Economistas y Asociados, based on information from the Instituto Nacional de Estadística, Geografía e Informática (INEGI).

Mexico made important gains due to access to new and more competitive markets and especially with the involvement in NAFTA. Latin American countries, and especially Mexico, had previously been vulnerable due to the lack of access to international capital markets, which became a factor in the severe financial crises. However, the Mexican economy bounced back with a stronger showing in 2000 than in the mid 1990s. Zedillo’s administration was conscious of the fact that Mexico was vulnerable to external market shocks; therefore, to avoid another financial crisis, the Mexican government negotiated an emergency line of foreign financing, which worked as a line of credit, mostly performed by its NAFTA partners. Furthermore, Mexico benefited from three important market forces - commercial earnings with its central associates, high oil prices and the productivity of the Mexican industry (Corbo, 2001).
As mentioned previously, the opening of new markets, given by NAFTA, provided Mexico a place in the competitive world market. Thus, better quality and competitively priced Mexican goods entered the market place in other countries. Exports included a vast variety of manufactured goods. However, those exported goods were concentrated in the hands of a small number of companies, a practice that followed all exporter countries (Winkler, 1998).

The *Maquiladora* (assembly plant) Industry became the main support of the country in achieving economic growth. *Maquiladoras* began to develop along the U.S. border in the beginning of 1980s. American-made parts were assembled in Mexico and then exported back to the United States. Even when NAFTA had not yet been proposed by the Salinas administration, Mexico became the third most frequent U.S. trading partner, just behind Canada and Japan. By the end of the 1980s, Mexico was the largest exporter of color televisions, computer keyboards and refrigerators to the United States. In 1990 the Salinas administration decided to direct the Mexican economy to an export-oriented industrialization with NAFTA (Handelman, 1997).

The disappearance of the legal requirement to have a border location similar to the *maquiladora* model and the option of using domestic components (free of U.S. import taxes) to reduce the advantage of a border locality, favored the establishment of *maquiladoras* in all parts of the country, mostly in southern and central Mexico. By the end of the decade (1990s) almost one third of the *maquiladora* companies and around one fifth of *maquiladora* employees were situated in non-border states. In these states the proportion of *maquiladora* establishments doubled, and *maquiladora* jobs and worker remuneration had grown rapidly. In sectors such as apparel where the wages were low, new high-tech factories employing
more skilled workers gave Mexico the best chance to create new jobs and for workers to become better remunerated (Gereffi and Martinez, 2005).

Transportation equipment, textiles and apparel, and electronics are the three main maquiladora sectors. Transportation equipment has become important in the U.S. import market with several components of this industry related to vehicle transports. They are produced by subsidiaries of the three main automobile manufacturers. U.S. textile and apparel is a very competitive industry group in which Mexico, as well as several Caribbean countries, struggle to match the assembled U.S. products. However after NAFTA took effect, Mexico benefited and the sewn apparel was among the fastest growing maquiladora segments. Assembled electronics components that include goods from semiconductors to television parts are the last maquiladora element which compete with several Asian countries including Malaysia, Korea and the Philippines. By 1996, with a total production of $35 billion, there were 754, 858 employees in 2,411 plants with investment heavily dominated by U.S. business. Of all the existent maquiladoras in Mexico, 43% were totally owned by Mexican interest, 38% by U.S. parties, and 14% by Mexican-U.S. organizations. The remaining 5% came under Japanese and other foreign interest ownership (Bates, 2002).

Undeniably, maquiladora exports are crucial for consistent performance from the Mexican economy. A clear example is that in 1991, maquiladora industry generated $15.8 billion in exports and provided work to 446,000 Mexicans; by the beginning of 2000 the industry had developed to $77 billion in profits with over 1 million employees. In fact in 2001, 15 percent of the country’s GDP belonged to maquiladora export industry (Gereffi and Martinez, 2005).
Recovering from the shock of the 1994-1995, Zedillo’s administration had made significant progress in reordering its public finances, in stabilizing its economy and increasing its economic growth rate. Besides, the foreign debt was being managed over a long term, making Mexico able to rescue its financial system. Moreover these advances were even more valuable, since the second half of 1997 until early 1999; all the Latin American countries experienced the aftershocks of the crises of the emerging markets of East Asia and Russia. Among the achievements reached at macroeconomic levels by Zedillo’s administration, was the reduction of the programmable State spending from 17.5 percent of GDP in 1994, to a 15.6 percent in 2000. In addition indicators showed that between 1996 and 2000 the Mexican economy had an average annual growth rate of 5 percent. However despite these enormous achievements, Mexico was still struggling with the improvement of living conditions nationwide and the reduction of high (current) levels of poverty (Corbo, 2001).

Democratic Transition

By the end of Zedillo’s administration the PRI was agitated with internecine jealousies since President Zedillo had announced a primary election in order to name the next PRI presidential candidate. Zedillo was betraying the PRI’s most powerful principle: “el dedazo” (presidential appointment of the party's next nominee). Zedillo’s goal was to help the party hold on to the presidency by making it more viable, yet the new strategy implicated a certain degree of risk, since Zedillo was proposing a competition between rival presidential aspirants in which the PRI could intensify its internal struggle (Preston and Dillon, 2004).
Mexico’s PRI presidential candidates were decided by the top brass of the party, not by open primaries. PRI’s system worked more by party loyalty rather than in a democratic way. If members of the PRI were satisfied with a candidacy, a bureaucratic position, a senate seat, or a governorship, that candidate was appointed in exchange for his permanent devotion to the party. Therefore the incoming president protected the interests of the former president in order to obtain the candidacy. This antidemocratic system worked in Mexico’s ruling party for decades (Dresser, 2003).

With the intention of mediating the internal struggle for the candidacy, President Zedillo created the Committee for the Development of the Internal Process, as well nominated as chair a traditionalist intensely loyal to the PRI. Consequently four important leaders of the party contested for the desired candidacy. PRI hard liners claimed that the new and historic process would cause chaos in the party. Therefore they demanded Zedillo that cancel the primary process. Yet, the process continued and it became a hostile and unrestrictive fight between Francisco Labastida Ochoa, former government secretary and ex-governor of Sinaloa, and Roberto Madrazo Pintado who had held a seat in the congress as well as being ex-governor of the state of Tabasco (Wiarda and Kline, 2001).

By November 1999 the internal election for the presidential candidate of the PRI was carried out and in it some irregularities were reported. Yet, Labastida won the primary in a firm way. In response Madrazo threatened to desert the party; he stayed, nevertheless, having to tolerate his defeat. Meanwhile President Zedillo and his collaborators celebrated this achievement by his administration, even though it was not an historic act to celebrate for many PRI members (Preston and Dillon, 2004).
With the internal presidential elections, President Zedillo accomplished four important tasks in favor of his party. These included taking the PRI from underdog situation, weakening the ability of future presidents to capriciously choose successors, involving one fifth of the almost 60 million voters, and finally enabling Labastida, a powerful candidate, to compete with the strong candidates of the opposition, PAN: Vicente Fox and PRD: Cuauhtémoc Cárdenas. This resurgence by the PRI led to the candidates of the opposition (Fox and Cardenas) to consider a coalition to finally remove the PRI from “Los Pinos” (presidential residence). However they never reached an agreement, and so this option was discarded (Wiarda and Kline, 2001).

Vicente Fox had established his presidential campaign based on “The Millennium Project” which was a very carefully constructed assignment considered a political manual and a roadmap. Fox and his team succeeded by carrying out an exceptional presidential campaign which at the end was reflected in the polls on July 2, 2000. The final results indicated that Fox’s coalition, the Alliance for Change, won 43.7 percent of the vote, PRI and Labastida with 36.91 percent and Cardenas Alliance for Mexico with 17.02 percent (Dresser, 2003).

At the end of the Election Day (July 2, 2000), close to midnight, in an unscheduled and controversial television appearance, President Zedillo declared that Vicente Fox, the candidate of the PAN, was the next constitutional president of Mexico, thus ending 71 years of rule of PRI. Democracy became a reality in the life of many Mexicans; there was no doubt that Fox had won and that the President of Mexico had declared him the victor (Preston and Dillon, 2004).
The election of Vicente Fox, the victorious candidate of the PAN, had shown for the first time that the long-standing ruling party PRI had failed to secure the presidential chair. At the same time the defeat marked the conclusion of a process of political reforms that had been building for fifteen years and that had culminated with Zedillo’s administration. After 2000 Mexico had entered into the sphere of democratic politics (Rubio and Kaufman, 2004).

Mexico’s 2000 presidential election was different from all preceding elections in several ways. First, the internal election of the PRI opened a new road to democracy; second, an independent electoral commission (IFE) was in charge; third, the media was more independent, the PRI did not limit the press in covering its candidate; and finally, Mexicans showed a new perception of political culture, since younger and middle class voters (the majority) supported PAN, while older tended for the PRI, following an aged relation with the ruling party (Wiarda and Kline, 2001).
The following table shows the distribution of preferences according to voter's profiles in the 2000 presidential election:

<table>
<thead>
<tr>
<th></th>
<th>Labastida</th>
<th>Fox</th>
<th>Cardenas</th>
<th>Others</th>
<th>% of the sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>36</td>
<td>45</td>
<td>17</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Education level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>University</td>
<td>22</td>
<td>60</td>
<td>15</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>Baccalaureate</td>
<td>28</td>
<td>53</td>
<td>16</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Secondary</td>
<td>34</td>
<td>49</td>
<td>15</td>
<td>2</td>
<td>22</td>
</tr>
<tr>
<td>Primary</td>
<td>46</td>
<td>35</td>
<td>18</td>
<td>1</td>
<td>34</td>
</tr>
<tr>
<td>None</td>
<td>46</td>
<td>30</td>
<td>21</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>32</td>
<td>47</td>
<td>20</td>
<td>1</td>
<td>52</td>
</tr>
<tr>
<td>Female</td>
<td>40</td>
<td>43</td>
<td>14</td>
<td>3</td>
<td>48</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55 or older</td>
<td>42</td>
<td>34</td>
<td>23</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>45-55</td>
<td>38</td>
<td>45</td>
<td>16</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>35-45</td>
<td>36</td>
<td>44</td>
<td>16</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>25-35</td>
<td>34</td>
<td>48</td>
<td>15</td>
<td>3</td>
<td>31</td>
</tr>
<tr>
<td>18-24</td>
<td>32</td>
<td>50</td>
<td>17</td>
<td>1</td>
<td>18</td>
</tr>
</tbody>
</table>


The IFE gained power as an institution, seeing that the weakness in its election system became more solid and denoting a new era in the political life of Mexico. IFE emerged in the 2000 presidential election as a consolidated and strong entity; its representatives confirmed impartiality and intelligence, good sense and professionalism. The organization proved that it was able to carry out an impeccable election day; tasks such as the installation of electoral booths on time, flowing of data in a regular manner and the high
training of the electoral councils. All of these allowed IFE to have credibility in the country. Therefore it was undeniable that the institutional reform was crucial in dealing with the pressing items of Mexico’s transition to democracy. Mexico after the 2000 elections became a more democratic country and a more open society (Dresser, 2003).

In July 2000, Mexicans, by taking a huge and crucial step, completed their democratic transition. The elections of 2000 were considered the cleanest and most open vote in Mexican history; the country elected a candidate of the opposition (Vicente Fox) to end the more than seventy years of one party rule. Zedillo’s administration accepted the results and stepped aside. Many Mexicans did not notice the magnitude of the event, since the democratic transition was carried out in an efficient and peaceful way (Preston and Dillon, 2004).
CHAPTER III. VICENTE FOX QUESADA (2000-2006)

The Newcomer

Vicente Fox was born in Mexico City on July 2, 1942. He is the second of nine children born to farmer José Luis Fox, and Mercedes Quesada. While very young, Fox moved with his family to the San Cristóbal Ranch in the municipality of San Francisco del Rincón, in the state of Guanajuato. Vicente Fox grew up on a farm where he had the opportunity to share his childhood with the children of the peasants who were communal land owners. Undeniably it was an experience that influenced his life, since he could experience close up one of the evils (poverty) that unnecessarily afflicted Mexico (Garcia, 2004).

Vicente Fox remained for most of his education in his home town, Leon Guanajuato, where he attended La Sallist and Jesuit schools. Contrary to his PRI predecessors, Vicente Fox only completed an undergraduate business administration degree in the UIA (Iberoamericana University) in Mexico City. Since Fox was not a professional politician, nor employed in the federal bureaucracy, the broad enrollment criteria created by influential political mentors and presidents did not influence his preparation. However although Fox did not earn a graduate degree, he acquired a diploma from a short advanced management course from Harvard (Camp, 2003).

After graduation, Vicente Fox never planned to go into politics, but rather he worked for fifteen years in Coca-Cola de Mexico in which he started supervising delivery routes and ending up as chief executive. In 1979, after a successful career in the multinational
corporation, Fox left the company and in turn Mexico City. Consequently he settled in Guanajuato to help his brothers manage the large family vegetable farm (Preston and Dillon, 2004).

Once settled down in Guanajuato, Fox served as a Board Member of the United States-Mexico Chamber of Commerce. He also served as the Director of the Grupo Fox, whose companies were involved in the farming and agribusiness industries and the manufacture of footwear and cowboy boots for export (Garcia, 2004).

The early 1980s was a time when the PRI’s economic management had led to a severe economic crisis and the Mexican peso had suffered several devaluations. Therefore in early 1988, Fox, then an entrepreneur unhappy with the struggle to turn a profit under the thrall of an inept state, determined to run for a seat in the Federal Chamber of Deputies (Preston and Dillon, 2004).

Thus, at the age of forty five, Vicente Fox would begin his political career, which in a few years by the hand of his tenacity and charisma would lead him to contend for the presidency in the elections of 2000.

In 1987, Vicente Fox registered with the Guanajuato PAN and became a deputy candidate. He could barely give a coherent speech; however, the Guanajuato electorate was fed up with the PRI, and he won the election. As a result in August 1988, Fox took his seat in the Chamber of Deputies, then serving in its role as an electoral college. Barely had Vicente Fox become one of the 240 deputies of the opposition in the Congress, when the Chamber of Deputies went into session for the certification of the 1988 fraudulent presidential elections, which brought Carlos Salinas to the presidency. The debate in the Congress, which Fox later called “the thirty most enjoyable days of my life”, lasted several days and at times erupted
into violent discussions. On the last day of the debate more than a hundred orators stood to condemn the fraudulent electoral process. One of the orators was Vicente Fox, who, standing at the microphone, tore slits in two ballots, fashioning them into gigantic ears, imitating the outsize ears of Carlos Salinas. In his speech Vicente Fox acted as if Salinas was talking to his family: “My children I am feeling sad because I’ve had to ask many friends to ignore their moral principles and help me obtain this triumph. I had to do it because I don’t think Mexico is ready for democracy.” Many PRI deputies tried to stop Fox, but he continued until he had finished his parody (Preston and Dillon, 2004).

By 1991 Vicente Fox determined to run for governor of his native state, Guanajuato. Nonetheless after a controversial election, the PRI candidate was declared the winner in what a number of observers considered a fraud by the government. As a result and after behind the scenes negotiations with President Carlos Salinas, the governorship was given to Carlos Medina Plascencia of the PAN on an interim basis (Russell, 1994). Therefore Vicente Fox opted for retiring from political activity for nearly the rest of the Salinas administration.

In such negotiations, after several protests in which Fox and his supporters nearly paralyzed the state, President Salinas offered to Luis H. Alvarez and Diego Fernandez de Cevallos (PAN leaders) the alternative of another Governor from the PAN instead of Vicente Fox. PAN leaders, trying to achieve the greatest gain for their party, convened with Fox, since Fox realized that he never could take office if the President was determined to block him. As a result Fox returned to his ranch with his future in politics uncertain (Preston and Dillon, 2004).

In 1993 Vicente Fox became involved with a pro-democratic civil action movement. The organization was called the San Angel Group; at this time Fox made contact with
prominent intellectuals, civic leaders, politicians and professionals favoring democracy. The San Angel Group was an organization small in numbers, nonetheless very influential, and that became involved in electoral processes as a watchdog. Vicente Fox admitted that meeting with the San Angel Group helped sustain his struggle for democracy in the country (Camp, 2003).

By 1993 Fox was preparing for another run for governor in Guanajuato, but also considering a larger goal: the presidency. However the presidential seat was far away, since an article of the Mexican constitution (Article 82, Clause 1) established that only Mexicans whose parents were born in Mexico could contend for president (Fox’s mother was born in Spain). After several consultations and an amendment campaign, in which intellectuals such as Octavio Paz and Carlos Fuentes participated signing a petition for the modification of the article, the amendment passed the Congress months later. However Fernandez de Cevallos was determined to be the PAN candidate in 1994, since he worked secretly with the PRI to include a clause that the modification of the article would come into effect until 2000 (Preston and Dillon, 2004).

Therefore, in 1995 Fox again ran for the governorship of his state. This time nobody stopped him and he won by an undisputedly wide margin. Consequently in December 1995 Vicente Fox became the first democratically elected PAN Governor in the state of Guanajuato. He received the office from Medina Plascencia, interim governor appointed by Salinas. The transfer of command from a panista administration to another meant that the new governor could initiate his administration without tribulations. However, Fox took an excessive amount of time to assemble his agenda and policy formulations, thus when finally his Plan of Government was presented, several political observers, as well as informed
citizens, were disappointment. Yet, the popularity of Vicente Fox throughout the state remained at very high levels (Shirk, 2005).

Two years before the presidential election, Vicente Fox declared that he would be the candidate for his party. Many were concerned because Fox had not served in a main position in the national political scene, because he was mostly an unknown, and even his own party colleagues thought he lacked the political expertise to contend for the candidacy. However on the basis of his position as governor of Guanajuato, using his experience of in this office as a manner to promote his image, Fox rapidly rose to prominence on the national scene.

In addition Fox had governed Guanajuato on the streets and on the television screens, consulting, listening, and traveling to the country side obtaining public support for his policies. Fox started his campaign for the presidency based in the Millennium Project which was created by Jose Luis Gonzalez, Fox’s close friend and Colleague in the Coca-Cola Company. The project addressed basically how Fox, “the product”, would be sold and what would induce Mexicans to buy it. Fox was advised by a group of marketing experts who indicated to him how to develop a winning personality. Meanwhile, the rest of his team, led by Lino Korrodi, another Coca-Cola colleague, dealt with the resources needed to support the campaign. Korrodi had created a parallel fund raising and electoral mobilization agency called, “Amigos de Fox” (Friends of Fox); thus, Fox proceeded not relying exclusively on the PAN’s campaign organization (Dresser, 2003).

On July 2, 2000, Vicente Fox won the elections and became Mexico’s President-Elect, thus, achieving Fox’s main objective. At the same time PAN’s long struggle to obtain the presidency was finished; yet the historic electoral victory and the manner in which it was achieved raised questions concerning the party’s future path.
Enormous Disappointment

After the electoral process of 2000, Mexico was hoping to achieve a stable democracy characterized by equality and the presence of a strong middle class, features that the country has never been able to develop. The lack of experience with democracy as well as the repercussion of decades of almost dictatorial rule are issues that the country has had to confront and has created intense social conflicts which put stress on democratic politics. As a result, the task facing Fox was seen as enormous (Levy and Bruhn, 2001). In addition the new era of democratic change that Fox claimed to have brought to the country has proved to be more difficult and challenging than many had expected (Shirk, 2005).

President Fox’s successful campaign installed the origins of many of his difficulties on his administration. In reality Fox assembled a coalition to win the presidency, such coalition was basically a group that did not wish another PRI president. As a result several members of his party disagreed, since PAN’s members favored a pure electoral victory. At the moment that Fox structured his cabinet, he opted to reach outside of this complex coalition which included representatives with contradictory priorities and agendas. This decision was a clear example that Vicente Fox instead of establishing a plan to govern was intent on keeping his constituencies close at hand. The deficiency of a strong system in the cabinet led each of the sustaining parts to believe that they had priority through its member. The result of such diversity of opinion created a lack of cooperation, yet President Fox during his first two years of rule was reluctant to make changes (Rubio, 2004).

Despite the discrepancies within his own party which faced a difficult dilemma, (the PAN had to decide to support Fox to win the election, but at the same time winning with Fox
as candidate meant that the party risked losing its ideological profile) Vicente Fox could defeat the PRI by a substantial margin. However Fox’s triumph could be seen more as a personal victory than a one of a party. Consequently once Vicente Fox took office, the distance between the PAN and the president damaged the executive’s governing capacity and weakened the party in future elections (Mizrahi, 2003).

Although Vicente Fox came to the presidency with great confidence regarding the policies and reforms that would be accomplished by his administration, his vision was more the vague promises of change, rather than specific policy objectives. During his campaign, Vicente Fox’s most memorable promises were that he would resolve the situation of the Chiapas indigenous insurrection in “fifteen minutes” and that his administration would accomplish GDP growth rates over 7 percent annually (both promises have not to be near to being accomplished). Therefore Fox’s administration experienced severe disapproval from critics and the public for the wide gap among campaign promises and his actual accomplishments in office (Shirk, 2005).
The following table shows why Mexicans voters cast their ballots for president in 2000:

<table>
<thead>
<tr>
<th>Reasons for voting</th>
<th>Fox</th>
<th>Labastida</th>
<th>Cardenas</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change</td>
<td>66</td>
<td>15</td>
<td>18</td>
<td>1</td>
<td>43</td>
</tr>
<tr>
<td>His proposals</td>
<td>37</td>
<td>42</td>
<td>17</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>The candidate</td>
<td>28</td>
<td>50</td>
<td>18</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>By custom</td>
<td>12</td>
<td>82</td>
<td>5</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>34</td>
<td>43</td>
<td>22</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Party loyalty</td>
<td>8</td>
<td>79</td>
<td>12</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Least bad</td>
<td>37</td>
<td>40</td>
<td>20</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Obligation</td>
<td>31</td>
<td>56</td>
<td>13</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Don't know</td>
<td>27</td>
<td>55</td>
<td>14</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>


By 2001 the worldwide economy fell into recession and as a result Mexican working families began to face layoffs. Another promise of Fox’s presidential campaign was the creation of enough jobs to provide employment for the 1.3 million new workers who go through the job market each year. However during the first year of Fox’s administration, the country lost 500,000 jobs and there was little economic improvement subsequently (today Fox’s administration is still struggling with that crisis) (Preston and Dillon, 2004).

It is important to mention that when Vicente Fox took office in 2000, the PRI had ruled Mexico for more than 70 years without interruption, therefore it would be extremely
hard for a president of another party to reverse the course of history and demonstrate clear signs of progress. Vicente Fox raised enormous expectations of change and Mexicans gave Fox their vote in exchange for assurances of immediate results. Consequently these enormous expectations have already given way to disappointment, as shown in the polls as the president’s approval rating dropped from a 70 percent job approval in 2000 to an unprecedented 45 percent in 2002 (Mizrahi, 2003).

The following table shows Mexico’s presidential approval rate from 2001-2003:

<table>
<thead>
<tr>
<th>Table 8</th>
<th>Presidential Approval Rates, 2001-2003 (In percentages)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>February</td>
</tr>
<tr>
<td>2001</td>
<td>69.7</td>
</tr>
<tr>
<td>Approve</td>
<td>69.7</td>
</tr>
<tr>
<td>Disapprove</td>
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Due to the dramatic transformation of Mexican political life in which presidentialism came to an end, Vicente Fox had less room to maneuver even though the electoral euphoria after the PAN’s triumph had indicated the opposite. Indeed Fox is governing without access to the instruments that once the PRI used to rule and with the limitations of a contested Congress. More Mexicans voted for Fox than for the PAN: proof of that shown in the electoral process of 2000 in which the Congress was elected also, and the “Fox effect” was
not enough to win a PAN’s majority in the lower house. Therefore Fox’s administration would construct an alliance inside the Congress, a difficult task to carry out due to the unprecedented division of power in the lower house. Certainly the real battles over Mexico’s future are being fought not in the presidency but in the Chamber of Deputies. As a result the changes that Fox’s administration had envisioned upon taking power have been difficult to accomplish. Ordinary laws, constitutional reforms and even the budget reforms, which in previous administrations were carried out passively, have become challenged affairs in Congress. In other words, the election of 2000 produced a weaker president who had to negotiate with a hostile chamber of deputies (Dresser, 2003).

With the combination of PRI-PRD majority in the Chamber and Senate, President Fox certainly inherited conditions for a weaker presidency relative to the legislature than Mexico had ever seen. Thus, the probability of an executive-legislative impasse for Fox seemed high. As a result key initiatives were clearly blocked or delayed with apparently strategic moves from the opposition. A clear example of the hostile and frustrating situation was the rejection of Fox’s initiatives to reform the fiscal and the energy sectors, as well as the negative response of constitutionally mandated travel requests by the president. Therefore the circumstances of a divided government in the first three years of Fox’s administration (2000-2003) created an austere legislative perspective (Shrik, 2005).

The frustration of President Fox, caused by the obstruction of Congress and his declining levels of support, led him to appeal directly to the public, bypassing Congress and blaming political parties for the administration’s incompetence. Yet, in a country like Mexico with a newly born democracy, this lack of support for its practice and institutions had affected the path toward democratic governance (Mizrahi, 2003).
President Fox had carried out a different plan to govern in which surveys, data processing, image management and marketing were performed. Vicente Fox believed that the successful promotion of himself and his policies would lead to key legislative victories in the new divisions of power in the country; however, this new way of doing politics which would direct him to successful governance was difficult to negotiate, since the congress and institutions did not respond to the president’s demands. The alternative of “going public” usually fits in consolidating democracies, something that Mexico does not have (Dresser, 2003).

In the first half of his administration, President Fox has little to show for its efforts. The economy has remained stable, however, with a low demand from the U.S. economy and with economic growth questionable and far from being a significant accomplishment. In addition unemployment and crime have increased, the cabinet has remained a source of a power struggle and incompetence rather than one of producing true results, and Fox’s main initiatives in an attempt at reform have been rejected by the legislative power. Therefore the first three years were not easy for Fox’s administration and the big expectations that had been generated during the campaign became an enormous disappointment for many Mexicans (Rubio, 2004).

The midterm elections in 2003 were evidence of the people’s disappointment. The Mexican electorate let Fox know of their irritation by not turning out to vote, since only 41 percent of the registered voters participated. In addition Fox’s party (PAN) lost 54 seats in the Congress, while PRI increased its delegation from 208 to 222. Meanwhile the PRD, which is considered the third political force in the country, a party driven by the charisma of Andrés Manuel López Obrador (former Mexico City major), went from 54 seats to 95. Thus,
President Fox at present has lost support for the important reforms that he claims the country needs (Preston and Dillon, 2004).

The 2003 federal elections were seen as a referendum on the promises of the Fox administration to bring change to the country. This election also produced a record low for voter turnout in Mexican federal elections, and analysts rapidly proclaimed the event an enormous defeat for both President Fox and the PAN. Subsequently the Congress remained as divided opposition led by a recovering PRI and a rapidly rising PRD. The PRI also showed its recovery in the Congress, since it also won the governorships in Campeche, Colima, and the state of Mexico. Critics attributed PAN’s defeat to the fractured Congress that banned the implementation of Fox’s agenda, as well as the failures, mistakes, and setbacks in diverse policy areas of Fox’s administration (Shrik, 2005).

The Beginning of a New Era

The PRI political party’s presidents were the image of a symbiotic fusion of party and government, where political support was reached through preferential distribution of government resources throughout an enormous serpentine labyrinth of power. Moreover consistent legislative majorities were a key element to guarantee the longevity of the PRI machine. Therefore, Vicente Fox’s inauguration was not just a change of power from one party to another, but a profound and dramatic transformation from the Mexico of the past to the Mexico of today. Before the year 2000 and the endless victories of the PRI, the structure of the system established was very clear, yet after Fox’s election the country lost that
equilibrium and individual politicians and political parties were learning to maneuver in a new atmosphere (Shirk, 2005).

The triumph of the PAN party in the presidential elections of 2000 represents a turning point in the country’s political life, since the PRI was not just a political party: it was an essential part of Mexico’s political regime. As an important vehicle for gaining and maintaining power, the PRI held a virtual monopoly which controlled the presidency since its creation several decades before. In addition the party controlled, until the mid 1980s, all state governments and the overwhelming majority of municipalities. Moreover the PRI controlled until 1997 an unchallenged majority in both chambers of congress. The new political era in which the country lives is characterized by plurality in government, effective separation of powers, a freer and more aggressive media and an entirely different profile in the composition of the executive cabinet (Mizrahi, 2003).

In the past the PRI has operated under the simple formula of “loyalty and discipline in exchange for benefits.” The PRI encouraged the development of multiple organizations which had a place inside the party, but appointments were made, of course, in exchange for party loyalty, thus creating a network which reached into all the areas of the economy and society to exercise political control. This network of controls became a primordial source of power for the president, who also was the party leader. However, when the link between the PRI and the presidency was broken with Vicente Fox’s election, Mexico experienced a deep transformation that altered the country’s entire political system (Rubio, 2004).

Vicente Fox’s victory eliminated three main conditions that had previously enabled Mexican presidentialism to exist and flourish - unified government, strong discipline with the majority party, and presidential leadership of the PRI. During the long priista reign, the
Mexican presidents set down different guidelines to govern based on singular national projects. Yet, they exercised enormous power with almost a nonexistent accountability, besides sharing a common purpose: to preserve the party (PRI) dominated system for flexible presidential intervention. After 2000, Mexico entered an era in which the imperial presidency, which accentuates the president’s almost absolute power over the country, had ended and the informal presidency, which emphasizes the limited powers of the president, had begun. Today in Mexico the president is viewed as a temporary occupant of a position which can be won or lost at the polls, rather than as symbolic figure. Therefore the president, instead of establishing his irrevocable determination, has to negotiate in order to obtain support from below (Dresser, 2003).

Mexico was not spared suffering a rough and somewhat painful transition to democracy since many of the key institutions of the society were slow to transform. Such institutions (congress, judicial system, state and local governments and political parties) were established in a system of firm hierarchical authority and now they were learning to function in a different manner, one more horizontal with dispersed political power. Other institutions such as the armed forces and the intelligence services are being forced to redefine their roles, since they were structured to reinforce and preserve an authoritarian state (Tulchin and Selee, 2003).

Once the presidency was separated from the PRI, the structure of power changed dramatically. Mexico’s presidents became powerful not because of the rights granted to them by the constitution, but because of the network of controls reached by their connection to the PRI. Constitutionally the Mexican presidents are much weaker than any president in the hemisphere. After academic research comparing the power of the president in twenty three
countries, Mexico obtained a score of one in a scale from zero to six, where Brazil obtained four and United States a two. Therefore the power that once was concentrated in the presidency had moved to other elements of the government. Power was thus granted to the Congress which has become the center of political negotiations. However deputies (once in the past) accountable to the president are more independent today and are accountable to their party leaders, who exercise enormous influence in their future aspirations in politics. As a result deputies have no incentive to negotiate or even take notice of the president's constituents. Another element where the power departed from the president was the media. After years of self censorship, in exchange for benefits and privileges, the media (until 2000) was but a government instrument. Today the media has become a critical political antagonist that acts as unruly, inflexible and aggressive, sometimes pushing their own agendas and interests at the expense of the politicians. Nevertheless, a free and independent media remains preferable even though more controversial than previously. Power has also shifted to governors and some local leaders, since the structure of controls once used by the PRI to establish a strict discipline has been vanquished. Today in Mexico governors and municipal presidents are found brokers of a significant part of the political process often exercising influence over their state's representatives in Congress. Furthermore the budgets of many states and municipalities have been increased as the result of larger direct transfers from the federal budget without a means of making them accountable to a central authority for the use of these funds. Another critical player in the country's politics is the Supreme Court and the judiciary in general. This element has become a central arbiter of disputes in the political system after having obtained a new autonomy and power to review the constitutionality of laws. In addition the Supreme Court has played a key role in defining the restrictions of
presidential authority. Despite the presence of seemingly constant conflict in Mexican politics, it is important to reveal that most controversies and political disputes are being settled through the judiciary system (Rubio, 2004).

Indeed, Vicente Fox’s election brought about political change, an issue which was promoted so much in his campaign. This has become a change that many do not recognize or that many have misunderstood; however, there is no doubt that Mexico experienced a transformation after the year 2000. One aspect of the change can be seen in methodical adherence to democratic procedure, instead of the substantial frauds and resulting post-election hangovers of the past. Another indication of change was the end of abuses of political monopoly and recognition of the spirit of challenge through political competition and cooperation. One more sign of change can be observed in the balance of the power in the three branches of government, the executive, the legislative and the judicial; as well in terms of accountability. This means that Mexican presidents and generally speaking all politicians have had to become more accountable for their actions or inactions in public office (Shirk, 2005).

During the long run of PRI rule, Mexico had become a country where corruption and complicity had dominated the political environment. Fox’s victory entailed more than the rule of a different party and more than another step in Mexico’s tortuous transition to democracy. Vicente Fox’s victory represents the materialization of a profound change in Mexican politics. Today Mexico has a Congress that works a counterweight, a media that serves as a watchdog, and a civil society that demands more and accepts less from its elected representatives. Yet the country still needs to establish institutions and cultivate habits and attitudes that will allow democracy to grow and thus succeed and flourish. Mexico today
shows signs of a free and vibrant society; however, the will of the citizens has not yet completely been expressed by those elected to Congress. Indeed Mexico exhibits a relatively autonomous political society with elected officials not consistently in touch with the will of the people, yet it takes time for a new democratic order to mature and to succeed. Another important issue is the rule of law, which seems to be lacking in Mexico, yet there is a struggle underway to acquire it. With the intention to assure the rule of law to all citizens, Mexico has to deal with and remove the following impediments: a divided government, reduced presidential power in a former presidentialist regime, a party system in flux, political and economic decentralization, and the absence of an institutional framework that would be able to implement the rule of law (Dresser, 2003).

INFONAVIT and SEGURO POPULAR

Despite the severe disapproval from critics and a large segment of Mexicans due to the wide gap between campaign promises and the actions which took place in office, the Fox administration performed significant achievements that can be pointed out. Indeed, President Fox succeeded in two important areas to which the federal government in the past had not given adequate attention nor the required importance. Fox’s administration carried out a substantial reform of the INFONAVIT (National Institute of Workers Housing) which was implemented to facilitate the acquisition of houses by workers using durable lending against their salary. Before the Vicente Fox presidential term INFONAVIT was paralyzed by corruption at every level, yet during the Fox administration the INFONAVIT became more
proficient, increasing the number of homes bought by workers and thus establishing a considerable achievement in this area in the history of the country.

Certainly in the first four years with Fox in power (2000-2004), the federal government succeeded in conceding more than one million housing loans. To be precise, this sum was the same amount that was reached in the eight previous years. In addition for the first time in Mexico’s history, the applicants with the lower incomes in the country received a subsidy from the federal government in order to facilitate the poorest families the opportunity of acquiring a house (Niño, 2005).

By September 2005 the INFONAVIT reached the astonishing number of two million housing loans granted. The investment in the housing sector represented 500,000,000 pesos, and during the last five years, the grow of this industry has been, in average, 18% annually. The housing industry in Mexico represents an important segment of the country’s economic development since it generates direct and indirect employment to three millions Mexicans, besides being related to thirty-seven branches of the national economy. In addition, housing, besides being an important factor of economic development, is a component marking progress for the Mexican families. This is reflected in the fact that more than 40% of the loans granted during Fox’s administration have benefited families whose incomes fell in the bottom 25% of the country’s wage earners. Indeed the support to the housing sector by the Fox administration has provided direct benefits to more than 9 million Mexicans since, besides the 2 million housing loans, the federal government has granted almost 1 million loans and subsidies for housing improvements (Milenio, 2005).

The director of the INFONAVIT, Victor Manuel Borras Setien, who was designated by President Fox in the year 2000, established that the success of the institution during Fox’s
administration is attributable to the operation of the new pattern of loans and to the coordination of lending with the developers, construction engineers, assessment entities, notaries and financial institutions (El Universal, 2005).

Nevertheless, even though INFONAVIT is the organization that for a fifth consecutive year has allowed the housing industry to grow more than two digits, it still has some old bad habits, such as the delay in the granting of financing to the applicants, a situation that negatively affects companies that trade on the stock exchange. Borras Setien, who recognizes that the organization is not yet working at its best, declared that INFONAVIT suffers from defects such as the delay of up to six months in the granting of loans for the purchase of a traditional house, due to the fact that demand for loans surpasses the financial assets of the organization (Martínez, 2005).

Another of the significant achievements of the Fox’s administration was the creation of the national system of medical insurance covering families, called Seguro Popular (People’s Insurance). For a small fee calculated against their socio-economic situation, an entire family can be insured against common health problems and special events like pregnancies. After its recent creation the program was criticized since the program required a fee, even though all the government insurance systems require one. Another criticism was that the insurance program covered a rather small number of health conditions. However, afterward, coverage was expanded to include cancer, HIV and cataracts for vulnerable groups such as children and senior citizens. Moreover, the program has expanded to all the states of the country.

By the year 2004 more than 1.5 million families had registered in the Seguro Popular. The new program consists basically of giving integral health services, such as external doctor
consultations, emergency medical care and hospitalization, to all the population that lack these benefits. The Seguro Popular is focused in the part of the population that has not a formal job, thus leaving them out of existing governmental health programs. This (neglected) segment of the population is basically the self-employed, the unemployed and part-time workers (Niño, 2005).

The improvement in the health sector, evident through efforts by the Fox administration, was considered to be important achievement while forgotten or nonexistent in other administrations. Indeed Mexico’s health coverage system has increased greatly in the last five years. While it has not accomplished maximum or hoped-for standards, the population's more vulnerable segment at present has access to more health care services than ever before, and Mexicans are thus enjoying a better quality of life. Health services have been through the years a serious problem for a significant part of Mexican society without IMSS (Mexican Institute of Social Security) or ISSSTE (Institute of Security and Social Services of the Workers), which are the main institutions of social security in Mexico. These institutions protect only 55% of the population, while around 45 million Mexicans who belong to the impoverished strata do not have health care services. In order to strengthen their political posture in this matter, the federal government decided to push reforms to the General Law of Health in 2003 and 2004; however, after the reforms were implemented, there emerged a string of questions regarding the supposed intent of privatizing these services. Nevertheless, Secretary of Health Julio Frenk established that the reform addressed three main problems that the health system faced. These included a change in the population's epidemic profile, potent technologies for the control of the illnesses, and a population more conscious and more demanding in the matter of health rights of citizens. At
the present the Seguro Popular works in the whole country and protects more than 2.5 million families, even in Mexico City, where the agreement was signed until August 2005 (Mexico City Mayor Andrés Manuel López Obrador had refused to sign the agreement due to the then political conflict with President Fox). The Seguro Popular is provided in 1,800 clinics and hospitals and it is expected that by 2010 it will cover 5 million families, or approximately 20 million Mexicans (González, 2005).

Furthermore the Seguro Popular will be extended to undocumented migrants working in the United States. Meant as a move to improve both health care and relations with the United States, the Fox administration is unveiling an extension of Seguro Popular in the United States, thus offering many Mexicans who do not have medical coverage an unprecedented access to treatment back home. It is expected that by 2005, 400,000 migrants would be eligible for the Seguro Popular extension which would be launched in the state and city of Zacatecas, which is known for its high number of migrants in the United States. Undocumented migrants can find medical care at United States emergency rooms; however, those facilities cannot address chronic or complicated conditions. Those from Mexico currently can get treatment back home but have a hard time making their way through that nation's labyrinth of health care bureaucracy. Under Seguro Popular, migrants will be able to obtain immediate attention and low-cost care. The extension of the Seguro Popular is the first step toward a more sophisticated system, since enough funds should be available to people with severe medical conditions. And ideally, the program will provide an incentive to work out agreements with U.S. insurance companies so migrants can acquire immediate access to basic medical services in the United States (Rozemberg, 2005).
Regrettably Mexico’s profound transformation was not sufficient to declare that the country had accomplished democratic governance. Indeed Mexico does not have any path to guide politicians, neither a process to prevent the new legislative-executive tension. For example in countries such as Spain and Chile, which in recent times experienced vast changes achieving democracy, the outgoing government designed a course of action and developed institutions for the emerging democratic system. Yet, even after the discrete political adjustment of Salinas and Zedillo’s 1996 electoral reform, in Mexico there does not exist a system of transition for the institutional structure. Certainly in Mexico there is no incentive for members of Congress to renovate by any means the old institutions; possibly it would take another six years of non-PRI rule for this to begin to change (Rubio, 2004).

Nevertheless democracy does not assure an exceptional government; democracy after all, is a set of rules and a culture that serves to choose political leaders and permits citizens to limit misgovernment. Building a democracy is not easy task; it is a work in progress, in many countries it had taken decades. Mexico in reality has been building its democracy for scarcely three decades and is still working on it. Indeed Mexico is a country which today maintains an effective division of powers and a well-tested electoral system; besides it has achieved complete liberty of expression. However the country unquestionably embraces moments of turbulence directing a drama in which the President, the newly independent Congress and political leaders are the main actors (Preston and Dillon, 2004). The PRI, led by Roberto Madrazo Pintado, its national Leader; the PRD, led by Andrés Manuel López Obrador, Mexico City mayor; and the PAN already in the presidential chair, have unleashed a severe
political struggle for a distant 2006 presidential succession in which the landscape seems surprisingly uncertain due to a string of attacks in all directions among the three main political forces in the country.

Roberto Madrazo, a lawyer graduated from the UNAM and whose father was a populist governor of the state of Tabasco in the late 1950s, became an active PRI member when a teenager. He rapidly “climbed the ladder” to become senator as well as president of the Tabasco state party, thus building his followers among the state’s truck farmers, oilmen and ranchers. During that period Madrazo was a supporter of President Salinas and his economic modernization, but when Salinas fell into scandal, Madrazo shifted quickly and attacked the federal government. Madrazo developed into the figure of a cacique (local political leader, which combines repression, patronage, and charismatic leadership) and in 1994 won the election of governor of Tabasco after laying out enormous amounts of money, buying up media time and paying journalists, in addition to carrying out an electoral fraud. Madrazo’s term as governor was characterized by his populist style of governing in which he ruled his party and state at the same time. By the year 2000 Madrazo had lost the PRI’s primary election for the presidential candidacy against Francisco Labastida, after spending millions of Tabasco’s state funds supposedly to promote the state’s image but in reality promoting himself. By 2001 Madrazo was elected the national president of the PRI which had experienced an extraordinary recovery winning several state elections after the substantial defeat in the 2000 presidential election (Preston and Dillon, 2004).

Indeed Roberto Madrazo is one of the main characters of the recent scandals that have shaken the national politics of Mexico. Since President Fox’s term began, the figure of Madrazo has appeared in the most important political events, such as the scandal in the
elections of Tabasco in the late 2001. The clear fraud carried out by the PRI, was made under Fox indulgence, since the President did not accommodate the requests that made their own people of Tabasco to politically impede the advance of the PRI madraca that acts as the mafia. Later Madrazo “seized” the national leadership of the PRI, and already as national president of the party, committed with Vicente Fox to support the important structural reforms (fiscal, energetic and labor) that the country needed and approved them in the Chamber of Deputies. Madrazo gave his word and, through Elba Esther Gordillo, then coordinator of the PRI in the Chamber of Deputies, participated in the negotiations among government and the other parties, the leaders of the oil and electrical unions, as well the labor sector. However Madrazo suddenly changed his mind and the reforms were revoked; thus Madrazo betrayed his own word, let the unpopular reaction be directed to Fox and Gordillo, and until much later appeared in the political scenario to begin a new adventure; this time against Andrés Manuel López Obrador (Olmos, 2005).

Andrés Manuel López Obrador, also a populist and even more talented as a grassroots organizer, was Madrazo’s most formidable rival in Tabasco politics. López Obrador had started in the Tabasco PRI, yet not from a position of privilege as had been the case with Madrazo. In 1970 López Obrador served as the State Director of Indian Affairs. By 1982 he was selected to direct the PRI gubernatorial campaign which soon took him to the state party leadership. By 1985 he left Tabasco for a position with a federal consumer rights agency in Mexico City; during that time his disappointment with his party (PRI) grew. By 1988 Cuauhtémoc Cárdenas disaffection with the PRI influenced López Obrador, who after the electoral fraud that put Salinas in the presidency, organized a voters rights civil resistance movement, leading marches and blocking roads across Tabasco. Afterward López Obrador
returned to Tabasco to contend for governor representing the Democratic Current (CD), Cárdenas coalition. However, he lost the election against Roberto Madrazo by a margin of 97,000 votes; although it was a wide margin, López Obrador rejected the results arguing that Madrazo had surpassed the campaigns finance limits besides carrying out electoral fraud. In protest López Obrador’s followers seized dozens of Tabasco PEMEX facilities, partially paralyzing the huge oil production in that state. However Madrazo remained firmly in charge in Tabasco; meanwhile López Obrador became a national opposition leader of the system after a running battle against Madrazo and the PRI as well as heading the new dissenting wing of the PRI led by Cuauhtémoc Cárdenas a few years before, known as the PRD. By 2000 López Obrador was elected mayor of Mexico City (the second most important elected office in the country) after carrying out a campaign focused on the urban poor. As mayor of Mexico City, López Obrador governed as an articulate populist who frequently challenged President Fox and soon he (López Obrador) became Fox’s most powerful rival (Preston and Dillon, 2004).

López Obrador as mayor of Mexico City has faced several polemic situations in his administration. In September 2003 he received the order by a judge to pay 1,810,000 pesos of indemnity in the case of the Paraje San Juan. Three months later López Obrador faced the “nicogate” which involved his personal driver Nicolas Mollinedo and his excessive salary, by pay standards in Mexico, of more than six thousand dollars per month. López Obrador was barely recovering from the “nicogate” when a string of video tapes, called “videoescándalos”, shocked the entire country. One of those videos showed Mexico City’s Minister of Finances, Gustavo Ponce, gambling large amounts of money in Las Vegas and another one evidenced Rene Bejarano, local deputy of the PRD, receiving wads of cash from
businessman Carlos Ahumada and putting the money in a portfolio and in his jacket pockets. One month later the Attorney General Rafael Macedo de la Concha announced the solicitude of the Chamber of Deputies regarding the lawsuit of desafuero (fact that deprives the constitutional protection against being subjected to judicial process) against López Obrador for accusations of disobeying a judicial order, which asked López Obrador to cancel the construction of a street in the property of El Encino. The lawsuit of desafuero would disqualify López Obrador from the race for the presidency in 2006 in which he would seem to be the favorite by more than ten points in recent surveys. Members and supporters of the PRD claim that the series of attacks are part of a solid campaign against López Obrador in an effort to discredit his administration and to test his “enormous” popularity. This has raised the whole party (PRD) against Fox, whom they hold responsible for what they think is wielding the law for political ends (Cancino, 2004).

Yet once more Madrazo appeared on the scene heading the campaign of desafuero against López Obrador through the faction of the PRI in the Chamber of Deputies, coordinated by Emilio Chuayffet Chemor. On this occasion using a form of “double talk” saying that he would like to see López Obrador in the competition for the Presidency of the 2006, while in private he organized the strategy to support the elimination of his main opponent. Thus by April 2005 Madrazo has advanced his intentions, since the Chamber of Deputies removed López Obrador’s constitutional protection; an event that abroad was called a setback for the weak Mexican democracy. Again Madrazo let Fox pay the consequences of the enormous national and international scandal that had caused the law suit (Olmos, 2005).

However the legal proceedings that threatened to force Mexico into turmoil seemed to come to an end when President Vicente Fox announced the resignation of his attorney
general and a review of the government's case against López Obrador. Twenty days after the Chamber of Deputies removed López Obrador's constitutional protection, in a nationally televised address, President Fox established that he had accepted the resignation of Attorney General Rafael Macedo de la Concha, who directed the prosecution of the politician, López Obrador. Macedo de la Concha was considered a conservative brigadier general who had been credited with dismantling some of the most prevailing drug cartels, but also criticized for using his office to intimidate President Fox's political opponents. Macedo de la Concha's resignation was widely considered a kind of peace offering to López Obrador. Yet President Fox in a speech stressed that defending democracy was his government's most important responsibility, and wanted to guarantee that next year's presidential elections would be fair, transparent and open to all qualified figures (Thompson, 2005).

Indeed President Fox delivered one of the most important speeches of his presidency when he addressed the nation establishing that Mexico City's mayor López Obrador would not be excluded from the presidential race by an unconvincing legal move. Certainly by doing that, President Fox acted like the leader of a real democracy, since before Fox took action, it was established that López Obrador would not be the candidate of the leftist party in the presidential elections of 2006. However at the present López Obrador would be able to contend against the PRI and President Fox's party, the PAN. The decision made by President Fox was too long in coming, yet a vital one, since the Mexican democracy could have been damaged severely. President Fox was correct in avoiding the old way of doing business in Mexico, the "taking out" of a major political opponent (New York Times, 2005).

Nevertheless the rectification of the federal government in not prosecuting López Obrador took Roberto Madrazo unawares, since he was to be the main beneficiary of the
exclusion of López Obrador. Madrazo and the PRI erupted in irritation and accused Fox of "inconsistency", since the PRI with López Obrador out of the race, was freely heading for victory in the elections of 2006. Thus the deterioration strayed toward Madrazo and toward the PRI which was exposed as the true instigator of the desafuero (Olmos, 2005).

At the present Mexico's three main political forces are moving towards carrying out their respective primary elections in which the three parties are significantly divided. The PRI embraces two blocs, the TUCOM (All United Against Madrazo) which is constituted by several PRI governors, as well as PRI deputies and senators, and is represented by Arturo Montiel Rojas, Governor of the State of Mexico; and the bloc of Madrazo which is considered the strongest one (on October 2005 Montiel Rojas renounced to his precandidacy, apparently after being accused of corruption). In the PRD the division exists among López Obrador's group that is the great majority and the so-called group of Extreme Leftists with few possibilities of giving a fair struggle against López Obrador. And lastly the PAN in which Felipe Calderón Hinojosa, former Secretary of Energy who broke with the federal government in 2004 and who leads the surveys, and Santiago Creel Miranda, former Secretary of Interior, representing the two groups inside the PAN at a time in which President Fox has tried to remain neutral.
CONCLUSIONS

One must be discrete in attempting to draw definitive conclusions from this study and analysis of the terms of office of three Mexican president, Carlos Salinas de Gortari (PRI 1988-1994), Ernesto Zedillo Ponce de Leon (PRI 1994-2000) and Vicente Fox Quesada (PAN 2000-2006). Nevertheless I found remarkable circumstances in examining the three periods that are worthy of discussion.

First of all, it is important to mention the political backgrounds of the three presidents. Both Carlos Salinas and Ernesto Zedillo were the products of the Mexican welfare state’s meritocracy, which flourished during the vast part of the 60’s and 70’s in Mexico. Both did their undergraduate studies in Mexican public universities and later went abroad using government resources to obtain graduate degrees (Master’s and Ph.D.). Vicente Fox completed only an undergraduate business administration degree in a Mexican private university, and later acquired a diploma from a short course in a university abroad. Also, after graduating from their respective universities, Salinas and Zedillo were influenced by political mentors as they started careers in the federal bureaucracy. At the same time they were affiliated with the PRI, since both party and government were fused; while, by contrast, Fox did not plan to be a bureaucrat, and after graduation worked for fifteen years in a private company.

Whereas Salinas and Zedillo were climbing the political ladder through positions in the federal government toward the top of the complex government hierarchy in which the influences and loyalties were extremely important, Fox left his current job in the private company and went to manage his family businesses in Guanajuato, becoming an
entrepreneur, and much later got involved into politics. Indeed Salinas and Zedillo occupied different positions in the federal government before becoming presidential candidates of their party; however they had never run for public office before, whereas Fox, before becoming the PAN’s presidential candidate in 2000, had run once for federal deputy, and twice for Governor of Guanajuato.

Considering that Salinas was selected as his party’s next presidential candidate by his predecessor (President) Miguel de la Madrid in 1987, taking advantage of the preferential treatment to sink the hopes of the other possible candidates of the PRI, and in the process leaving the party completely fractured: in a similar manner, Zedillo (in 1993) was chosen to carry his party’s banner by Salinas after the assassination of Colosio (PRI’s presidential candidate) creating enormous internal problems within the PRI. Certainly Salinas had not been thinking of Zedillo as his predecessor, however, due to the pressing circumstances created by the assassination and due to the fact that there was not another member of the PRI with the technocrat profile. Also, pressure was being exerted by PRI’s “old guard” and Salinas was compelled to make a decision and thus declared Zedillo as the PRI’s presidential candidate. Nevertheless, while the Salinas and Zedillo’s candidacies came about through different circumstances, both were selected by an incumbent president and not by party vote and democratic practices. Fox’s nomination for the presidency took place three years before the election, and, although a large segment of his party showed dissent, Fox rapidly rose to prominence on the national scene in Mexico and became a very popular aspirant who did not have any prominent PAN candidate in position to challenge him.

The circumstances in which these three presidents positioned themselves for the presidency were given in different situations. The election that brought Salinas to the
presidency was clearly fraudulent, since in the mid 80s the PRI’s overwhelming dominance over the political system began to diminish, and for the first time in Mexican history the PRI faced enormous challenges and possibility of defeat. In 1993 although the country was in a period of political violence and some international observers reported several deficiencies, the election that brought Zedillo to power was quite clean, a result of the evident reform of state carried out by Salinas administration (even though Salinas himself became president through a fraudulent election, as a result of this fraud he was forced by the public opinion to carry out reforms to assure the legitimacy of future elections) which built and strengthened PRI’s popularity. On the other hand the election that brought Fox to the presidency was different from all preceding elections in which stands out the fact that a now totally independent institution (the Federal Electoral Institute) was in charge, thus concluding a process of political reforms that had been building for fifteen years.

Even though Salinas took power in the middle of a controversy caused by the electoral fraud in the 1988 presidential elections, he succeeded in settling down an angry opposition (PRD and PAN) which had launched significant challenges to the PRI’s hegemony. A part of the strategy was to carry out a discreet electoral reform and to yield power to the opposition in some states. It was in the hands of the PAN that the PRI lost its first state (Baja California Norte) in 1989, thus achieving a significant break with the past, since this state had its first opposition party governor in more than sixty years. Following that, in 1991 Salinas intervened in Guanajuato and San Luis Potosi forcing his own party’s standard bearers, PRI governor candidates, to resign after receiving accusations of fraud and paving the way for an opposition party governor. By 1992 in Michoacan the PRD gave a fair
struggle to win the state but at the end the victory was not recognized by Salinas; nonetheless in the same year the PAN won another state, this time Chihuahua.

These efforts and achievements in election reform allowed Salinas to proclaim a truly open democracy in Mexico; however, the country was probably not quite ready for the democratic process. Since the old way, an antidemocratic pattern (some democracy tainted by local fraud and continued unethical influence on elections from the president in power) remained in Mexico’s political environment. For example, examination of three democratic events in Zedillo’s and Fox’s administrations show a significant exacerbation in Mexico’s antidemocratic pattern. These events were as follows: 1.- President Zedillo put an end to the use of the PRI’s most powerful principle, “el dedazo” (presidential appointment of the party’s next nominee), when in 1999 he announced for the first time the implementation of a primary election to elect the PRI’s presidential candidate, thus opening the country to a new road to democracy. 2.-President Zedillo accepted the results and stepped aside, after the 2000 irreversible victory of Vicente Fox, candidate of the opposition, thus directing the country toward the sphere of democratic politics and ending 71 years of rule of PRI. Undeniably with this event President Zedillo was credited with this progress and noted in history as the leader who facilitated the transition to the full democracy through a peaceful process. 3.-President Fox left behind the old antidemocratic way of doing politics in Mexico when he announced the resignation of his attorney general and a review of the government’s case against Andrés Manuel López Obrador. By doing that, President Fox strengthened a Mexican democracy that had been weakened by the removal of the constitutional protection (for disobeying a judicial order) of López Obrador and disqualifying him from the race for the presidency in 2006 in which he at the time was leading the polls by a wide margin.
A significant feature of the Salinas administration was the creation of PRONASOL (National Solidarity Program) and PECE (Pact for Economic Stability and Growth). With PRONASOL Salinas was able to reconstruct the patronage machine already rendered obsolete in its use by the priista (PRI member) old guard, and at the same time created a functional instrument for development. Besides reforming the PRI through PRONASOL, Salinas also built enormous support to his administration from low-income urban slums and rural Mexico: the result was political stability and an electoral victory in the midterm elections of 1991 recovering the majority in the congress which had been lost in 1988. Even though knowing that Salinas successful program contained massive political ends, as well as populist and paternalist tendencies, it is evident that thousands of Mexican families of low-income benefited from PRONASOL, thus improving their quality of life. On the other hand PECE whose main purpose was to bring inflation under control and in turn stimulate the economy, stands out in the Salinas administration record, since inflation was reduced significantly and economic growth became evident. In the first years of Salinas rule the Mexican economy grew for the first time since the late 1970s.

The success of PRONASOL and PECE is comparable with the considerable achievements in the creation of Seguro Popular (national system of medical insurance covering families) and the significant reform of the INFONAVIT (National Institute of Workers Housing) carried out by Fox’s administration. Like PRONASOL, Seguro Popular has been a target of the critics as being a program with populist and paternalist tendencies, as well as being an attempt to privatize the health sector in Mexico. However it was evident that many Mexicans had improved their living conditions, since the population’s more vulnerable impoverished segments have been benefited by the innovative program of health care. On the
other hand, previous to the Vicente Fox presidential term, INFONAVIT was paralyzed by corruption at all levels and this situation had largely affected the progress of this essential area for the social development. The Fox administration addressed one of the sectors, housing, which had not been given adequate attention by other administrations. Proof of that was that by 2005 the federal government awarded through INFONAVIT more than 2 million housing loans. In addition the housing industry in Mexico represents an important segment of the country’s economic development, since this industry generates employment and is related to several agencies of the national economy, thus with coordination has power to stimulate significantly the Mexican economy.

On the subject of successful programs and economic development, it is important to point out the remarkable economic recovery carried out in Zedillo’s administration after the devastating financial crisis of 1994. Certainly Mexico overcame the 1994 financial crisis more rapidly than expected due to the success in reordering its public finances, in stabilizing its economy and increasing its economic growth. The evidence of progress was reflected by successful export performance in which the Maquiladora (assembly plant) industry became an important economic force in Mexico. Increasing foreign trade allowed the Mexican economy to enter in highly competitive international markets. From the hand of NAFTA, which was projected by Salinas administration but did not yield results until the second half of Zedillo’s administration, Mexico improved its export value of sales from $24 billion in 1982 to almost $100 billion in 1996. These numbers placed Mexico in the top ten leading export countries in the world and at the same time economic stimulus was reflected in the creation of employment and an average annual growth rate of 5 percent.
Although NAFTA provided positive results in the second half of the Zedillo administration due to the efficient management of the economy, it is significant to declare that the negotiation of NAFTA was a great accomplishment of the Salinas administration. President Salinas succeeded through NAFTA in reinforcing Mexico’s capacity to compete in the world market. Certainly NAFTA unified three countries (Canada, Mexico and United States) in a huge economic market. Under Salinas leadership, the PRI abandoned its revolutionary nationalist triumphs and ideology (a clear example of that was the dissolution of the original ejido system which was the distribution of land by the government to peasant farmers, and the recognition of the Church by the state, both by removing important clauses of the Mexican constitution) and relinquished its protectionist economic development model in exchange for the policy of free trade. These economic liberalization policies led the country to an unquestionable economic growth, and Salinas was seen as the leading figure and force in a sweeping neo-liberal economic reform. Thus, Salinas improved the relationship between the private sector and the state and established a policy that integrated many ingredients of international economic liberalism including a vast program of privatization. Large numbers of state enterprises were sold: the quantity of these was reduced from 1,555 in 1982 to only 217 in 1992. President Salinas transformed the Mexican economy into a model of private enterprise, in which the center of the whole project was foreign investment and privatization. Certainly for the first time in years Mexico had accomplished economic growth and economic stability because of modifications that Salinas and his group of technocrats had carried out.

However the new economic plan could not avoid the catastrophic and surprising crisis of December 1994, better known as “The Error of December”, that occurred just days after
President Zedillo took office. Both administrations (Salinas and Zedillo’s) are to blame for the financial crisis. Yet, the reality was that neglect, arrogance and the lack of timely decisions by both administrations led to the deep financial crisis which meant a contraction of the Mexican economy of 6.2 percent (the largest decline since the year 1932). During the entire Salinas presidency, economic specialists had warned of a financial crisis and criticized the economic policy of President Salinas; yet despite the advice, his economic policy remained, leaving the country in a high risk of an economic disaster. Besides by 1994 the country lived moments of political tension caused by a string of political assassinations in which the PRI was the object of hard questions, causing political instability that in turn produced uncertainty in the markets. In addition the friction with the guerilla group EZLN and the inefficient management of the situation by Zedillo’s administration resulted in significant disruption of the economy in which both the Mexican peso and reserve index plunged. The immediate consequences of the financial crisis were reflected in the severely damaged patrimony of many Mexicans.

Both the Salinas and the Zedillo administrations by taking essential measures could have avoided the severe economic crisis which also affected severely the susceptible Mexican financial sector. After the “Error of December” many borrowers were obligated to decrease their payment obligations or in many cases stop paying, thus generating the largest debt portfolio in the history of the country. In addition debtors received the impact of the new load of interest added to their obligations and found their debts virtually impossible to pay. Consequently groups such as El Barzón (an alliance of farmers and ranchers from northern Mexico and middle class home owners) emerged, demanding banks and government provide debt relief programs. Whereas the banks had an enormous debt to pay and at the same time
its collection was almost inexistent, the bank system found itself in a precarious situation. As a reaction to the dramatic collapse of the banking system, Zedillo’s administration rapidly attacked the financial crisis establishing (through FOBAPROA) supporting programs. However an enormous controversy emerged after FOBAPROA absorbed most of the bad loans which came from banks and corporations related to Salinas and Zedillo’s administrations, since some of the money involved was used to finance PRI’s elections campaigns. The massive cost of the debt was to be absorbed into the public debt which cost Mexico around 15 percent of its GDP. President Zedillo had to struggle for the rest of his term with a broken financial system, since it took more than four years to overcome the banking crisis. In addition, Zedillo’s administration faced severe attacks because of the FOBAPROA disagreement, since many Mexicans refused to accept the rescue of bankers, corporations and individuals from precarious loans, loans that they should never have made.

The “Error of December” which unleashed the break of the bank system and that in turn generated the controversial situation of the FOBAPROA, caused an enormous dissatisfaction for millions of Mexicans who had previously believed that finally the country had entered into “the first world.” Indeed, Mexicans accept as true that the new economic model (in which progress was evident) would vault the Mexican economy into the category of one of world’s leading economic forces. However, what seemed to be a promising economic model became controversial. The immense frustration felt in the first half of Zedillo’s administration was similar to the enormous disappointment that occurred in the first half of Fox’s administration. Although the causes were different, the intensity of the dissatisfaction with the federal government was equivalent.
The new era of “change” that Vicente Fox claimed to have brought to the country proved to be more complicated and challenging than many had expected. Indeed Vicente Fox raised enormous expectations for change and Mexicans gave Fox their vote in exchange for assurances of immediate results. Mexicans believed that a new leader from a different political party, not the PRI, to the presidency would transform automatically the entire country. Initially President Fox assembled a complex coalition (mainly composed of a group that did not want another PRI president, with contradictory priorities and agendas) with its sole objective to win the presidency. The result of the diversity of opinion among coalition members created a lack of cooperation within the federal government which damaged the governing capacity and at the same time deteriorated the PAN’s ideological profile. On the other hand the wide gap between campaign promises and actual accomplishments in office was the result of severe disapproval from the public. Indeed President Fox’s vision presented more vague promises, rather than specific policy objectives. A clear example of that were the promises of resolving the situation of Chiapas indigenous insurrection in “fifteen minutes”, and the accomplishment of a gross domestic product growth rate over 7 percent annually, neither of which has been achieved. Another issue that severely affected President Fox’s image was his failure in carrying out the important structural reforms (fiscal, energy, and labor) that the country needed. Although it is evident that an unprecedented division of power in the legislature blocked or delayed key initiatives further hindered by apparently strategic moves from the opposition, Fox’s administration could not construct through negotiation the necessary powerful alliance inside the Congress. Therefore the first three years were not easy for the Fox administration. Mexicans had placed their hopes and optimism in the new President; however the results, did not come fast enough to suit the
electorate. The midterm elections in 2003 were evidence of the disappointed people, since only 41 percent of the registered voters participated. In addition, Mexicans let Fox know of their irritation by punishing him and his party, since the PAN lost 54 seats in the Congress. In addition it was not close to winning any state election and analysts proclaimed the event an enormous defeat for both, President Fox and the PAN.

Despite the enormous disaffection of all Mexicans after the first half of Fox’s administration, it would be correct to declare that Mexico experienced, after the year 2000, a deep transformation which many do not recognize or that many have misunderstood. The new political era which began with Fox’s election and the severing of the link between the PRI and the presidency spelled change in the entire Mexican political scene. Thus the era of the imperial presidency, which accentuates the president’s absolute power over the country had ended. Indeed, Vicente Fox’s election eliminated conditions such as unified government, a single dominant majority party, and presidential leadership of the PRI that had enabled “presidentialism” to exist. Today the power that once was concentrated in the presidency has moved to other elements of the government such as the Congress, which has become the center of political negotiations. More independent expression also has been displaced to the media which (until 2000) was but a government instrument. Today the Mexican media has become a critical political protagonist. Power has also shifted to governors and local leaders who have become brokers of a significant part of the political process, since they are now autonomous from the PRI control. Another critical player in the country’s politics is the Supreme Court, which was almost nonexistent in previous decades. Certainly the Supreme Court has become a central arbiter of disputes in the political system after having obtained a new independence to review the constitutionality of laws. Other aspects that represent a
change in the Mexican political system are the methodical adherence to democratic procedure, the end of abuses of political monopoly, a balance of power in the three branches of government (executive, legislative, and judicial) and a better of accountability in and among the different government agencies.

After a previous long political history marked by bloody battles and corruption, Mexicans have finally experienced a peaceful transition of power: one that many did not notice, since the change was achieved in an efficient and peaceful way. On the historic day of July 2nd of 2000 not only did Vicente Fox and a different political party triumph; on this day there was victory for every Mexican in favor of democracy. Today Mexico has a civil society that demands more and tolerates less from their elected representatives; such civil society has demonstrated a new perception of political culture able to transform the path of the country. Yet Mexicans have to establish institutions and cultivate habits and attitudes that will allow democracy to grow. Once democracy became a fact of life in the nation, Mexicans have had to deal with establishing the rule of law. In order to achieve the rule of law, the Mexican people have to struggle with several impediments such as a divided government, political and economic decentralization, the absence of an institutional framework and reduction of presidential power.
REFERENCES


In the first hours of the year 1994, when the celebration of another successful year of neo-liberalism in Mexico was finishing, all cautious Mexicans found out that an insurgency movement had began in the state of Chiapas. The timing was not an accident: the insurgency movement was launched in sequence to make a political proclamation the same day that NAFTA went into effect. Armed indigenous fighters from the mountains of Chiapas moved down to the cities and declared war on Mexico’s criminal government, making it the most recent movement in a long history of rebellions by a people demanding basic human dignity and privileges. The frustrated peasants confined and occupied San Cristóbal de las Casas and three other major towns. The Mexican army responded aggressively, resulting in more than 145 deaths and estimates of the wounded numbering in the hundreds.

The Zapatista National Liberation Army (EZLN), as they were called, took its name from Emiliano Zapata, a famous champion of indigenous rights in the Mexican Revolution. The Zapatistas, as they called themselves, did not act like most other guerilla groups. They were not interested in seizing state power nor did their revolt take on ethnic themes. Instead they declared to be fighting for freedom, democracy and sovereignty.

After twelve days of combat, national and international scrutiny caused the image alert Mexican government to call a cease fire; thus, the Zapatistas decided to call off their attacks and instead go into negotiations with the government. The conflict is still unresolved. The outcome of the conflict may well determine if this is the beginning of a grassroots movement to verify the growing power of global capitalism. In their moral dispute with neo-
liberalism, the new Zapatistas made claims that indigenous people were making all over Latin America. Their claims focused on injustices, which had been around for 500 years.

President Salinas and his neo-liberal advance were characterized by reduced role of the government in economic and social policies, increasing domination of the free market, and privatization of public property and services. However, this modernization process did nothing but increase social class strife in Chiapas. The implementation of his policies led to record levels of impoverishment in the region. Salinas terminated all of the programs which had been put into place by previous PRI leaders in their attempts to limit discontent in Chiapas. Salinas eliminated the state-run agency established by President Echeverría. That agency had been in charge of the acquisition of coffee from small producers and had led to the disintegration of small scale coffee production between 1989 and 1993. Although corn growers were still receiving subsidies, they were receiving them at a steadily declining rate, because the Mexican government was preparing for the implementation of NAFTA which would tolerate the importation of cheap corn from the United States.

The government’s neo-liberal economic program, which included reduced subsidies for the small farmers and the free trade policy with the United States, was the main factor which had caused the rebellion to explode.

The reduction of aid given to the small farmers and the competition of the cheap corn imported from the United States had caused a more severe crisis in the Indian communities subjugated by the events of the previous five hundred years. On the morning of January 1, 1994 indigenous people descended from the mountains and under the First Declaration of the Lacandona Jungle, Subcomandante Marcos along with armed Indians, declared war on Mexico’s illegitimate government, and announced ¡Ya Basta! (That’s enough!). These
modern rebels were inspired by the example of their rebellious ancestors and taking principles and even names of Mexican revolutionaries. The EZLN sees NAFTA as the death sentence for Mexico’s Indian peoples. NAFTA removed the trade obstacles between the U.S., Canada and Mexico allowing the workforce to compete on a level playing field. This does not, however, work in the favor of poor Mexicans, the Mexican farmers who have neither the technology nor the fertile ground to compete with American farmers.

The struggle in Chiapas persists; the latest in a long line of resistance against the control of native resources by outside interests supported by Northern capital and the local ruling elite. The world continues to watch the situation with great interest. It is a fight, not for control of a country or people, but rather a position for human rights and dignity of each individual. The question remains if this rebellion will result in the conversion of society from the bottom up or will continue with the present state of repression and exploitation by the global elite. The Zapatista’s originally began as a group committed to self defense. Over the years other political structures had been tried and failed. In the years before the EZLN formed, several efforts to reduce aid to the poor in the Lacandon Jungle had been implemented. In the face of the “inevitability of globalization,” the Zapatistas have been able to bring about an effective critique of neo-liberalism and help to promote worldwide resistance against it.
APPENDIX B: THREE ASSASSINATIONS

Three tragic assassinations had occurred in Mexico in less than one year. The possible links between organized crime, in particular drug trafficking and corruption, and political activity in Mexico might be evident. The first assassination attempt occurred in Guadalajara’s airport. Juan Jesús Cardinal, Posadas Archbishop of Guadalajara, was assassinated point-blank inside his car. Months later the second occurred in Tijuana. Luis Donaldo Colosio Murrieta, former presidential candidate of the PRI for the 1994 elections, was killed during a campaign meeting. Six months later in Mexico City the third occurred. This time it was the turn of Jose Francisco Ruiz Massieu former national leader of the PRI.

Cardinal Jesús Posadas Ocampo was assassinated on May 24, 1993. The Cardinal was arriving at the Guadalajara airport and was about to get out of his car when an armed man forced open the door and shot him. At the time, he was wearing full church dress and a large cross on his chest, which did not protect him from being killed at point-blank range. His assassination was the first of many assassinations and his murder shocked the country and produced a debate linking security forces with organized crime (Guillermoprieto, 1995).

It was reported that the cardinal was killed because he was mistaken for a drug kingpin, but some government circles believed that the murder was a warning from the mafia to avoid breaking the “traditional understanding” that existed between the security forces and drug traffickers. Another rumor was that the Cardinal had copies of documents that were taken from the office of Justo Ceja, a secretary of Carlos Salinas that linked the Salinas family to the drug cartels (Curzio, 2000).
After Cardinal’s assassination prosecutors concluded that the men who shot him were paid by Ramón and Benjamín Arellano Felix, drug traffickers who mistook Posadas for Joaquín Guzmán, also known as “El Chapo”, and who was the mortal rival of Arellano. All the parties were at the airport and the gunmen summarily left the city on a commercial flight. The Mexican Church doubted this version of the crime and some of the people close to the Bishop’s Conference mentioned that Posadas was prelate of Guadalajara and earlier of Tijuana, which were major drug trafficking centers, and they also pointed out the fact that he was vice-president of the Latin American Episcopal Conference, established in Bogotá Colombia. According to Guillermoprieto they also mentioned that Posadas could have been an intermediary between the Salinas government and the Colombian drug trafficker Pablo Escobar. It was speculated that Posadas could have tried to make an offer between Escobar and Salinas by giving Salinas a list of Mexican officials that were involved in the drug trade in exchange for asylum. According to the church people the deal was refused by Salinas and Posadas was killed as an act of revenge (Guillermoprieto, 1995).

Luis Donaldo Colosio, former presidential candidate of the PRI for the 1994 elections, was killed on March 23, 1994, after walking away from the site of a campaign speech in Tijuana. Colosio was shot two times: one from the right, near the temple and another from the left, through the lower abdomen (Guillermoprieto, 1995).

It is believed that Colosio was assassinated because his policies would have negatively affected the Gulf cartel, since one of his main intentions was to attack the principal Mexican drug cartels and investigate other narco-political assassinations. After Colosio refused to meet with Humberto García Abrego, brother of the cartel boss, the Gulf cartel’s leaders were very irritated and Colosio was killed two days after the cartel’s
invitation. Since Jorge Vera Verdejo, a coordinator for Colosio’s campaign routes, and Jorge Antonio Sánchez Ortega, an advisor to Salinas, were connected to Marcela Bodenstedt, the gulf cartel’s principal liaison, journalists have linked Colosio’s assassination to a narco-political nexus in the Mexican political system.

It is uncertain whether the chief of security of Colosio, Romiro García, had ties to Emilio Gamboa Patrón, the then secretary of Communications and Transportation, and to Carlos Salinas. Fernando de la Sota was another member of the security team that was part of a secret intelligence group. De la Sota was trained by the CIA to deal with and investigate insurgency groups in Mexico. Among the skills he learned in the CIA was how to create screens to hide responsibility for assassinations. Some of the theories used in the Colosio assassination propose that the assassin Mario Aburto Martínez acted alone. However, this theory was discarded after a videotape showed how the people in charge of guarding cleared the way so that Aburto Martínez could get close to him. Another theory is that PRI activists from the state of Baja California could have done it, but this seems doubtful as none of them were nearby when Colosio was killed. The third theory was that federal or state officials acted in association with narcotics interests. This version was the most accepted since narco-politicians and drug traffickers had a strong interest in ending Colosio’s attempt for the presidency (Jordan, 1999).

Ruiz Massieu was assassinated on September 28, 1994, after a meeting with newly elected deputies to Congress. Daniel Aguilar Treviño fired the single shot that killed Ruiz Massieu. Since an Uzi weapon was used at the scene crime, it was believed that drug traffickers were involved in the assassination. Massieu’s brother, Mario Ruiz Massieu, had vigorously prosecuted drug traffickers, and it seemed that a possible reason for the murder
was a vendetta of these drug traffickers working together with some resentful politicians. Since former deputy of the PRI and President of the Commission of Water Resources of the House of Deputies Manuel Muñoz Rocha disappeared after the crime was committed, he was linked to the assassination. Muñoz Rocha also was closely associated with Carlos Hank Gonzáles and belonged to his political group. Mario Ruiz Massieu also stated that Muñoz Rocha did not act alone and the investigation pointed also to Raúl Salinas, President Salinas brother. However, as the investigation led to the names of some politicians, Mario Ruiz Massieu received orders from the presidency to slow down the investigation and to stop talking to the press without the express approval of the president’s public relations officer. After saying that he (Mario Ruiz) no longer believed that there was conspiracy involved in his brother’s murder, he then fled to the United States where was detained for accepting money from one of the main Mexican drug dealers and for depositing the cash pay-off in a Texas bank account. Months later Raúl Salinas was arrested for arranging the assassination of Ruiz Massieu. During the course of their investigation, Salinas prosecutors exposed some surprising financial dealings. The magnitude of these dealings led to another charge of corruption on the grounds of “inexplicable enrichment”. Mexican prosecutors found $120 million in foreign bank accounts in addition to savings in real estate and other valuable resources. Investigators also came across clandestine accounts in the name of Raúl Salinas in Switzerland and the Cayman Islands and estimated the Salinas total fortune at more than $300 million (Jordan, 1999).

The evidence of common interests among the drug cartels and the Mexican government during the Salinas administration appeared to be valid. Raúl Salinas was charged with various crimes in which he was linked to organized crime and which suggested an
obvious connection between illegal interests and the highest groups of power in Mexico (Curzio, 2000).

The relocation of the PRI in some regions had accelerated the dismantling of the apparatus for mediation between those in political power and the traffickers. The assassinations of Posadas, Colosio and Massieu were conclusive events that showed that the governing class had broken its own rules and that “hunting season” had begun (Astorga, 2000).

In the history of the corruption in Mexico, it is evident that the country’s present and past leaders have connected with and facilitated the domestic and worldwide drug trafficking cartels. It is not a surprise that a ruling elite alliance between Mexico’s leaders and the mafia would have the complete power to assassinate a presidential candidate. Also a ruling elite and mafia coalition would with no trouble possess all the power necessary to stop the country from revealing the true instigators of the acts of crime (Jordan, 1999).