

# Challenges to the Fox Administration



Adolfo Ventura

Left:  
Workers at lunch time near  
the border

by Enrique Dussel Peters

Vicente Fox's clear victory in the July 2, 2000 elections reflected Mexican civil society's thirst for change. Yet Mexico's transition remains at a crossroads: it has neither dismantled old institutions nor built significant new ones. After seven decades of PRI rule — which began to erode at the end of the 1960's, and to crack with the campaign of Cuauhtémoc Cárdenas in 1988 — the victory of the National Action Party (PAN) showed that *sí se puede* (it is possible). The authoritarian system designed by the PRI had seemed omnipresent and adaptable as recently as a few years ago. The "new breed" of post-Salinas government officials and technocrats — including many current high-level officials, such as Guillermo Ortíz, President of Banco de México; Francisco Gil Díaz, Secretary of Finance, and Santiago Levi, Director of the Instituto Mexicano de Seguro Social (IMSS) — were expected to "resuscitate" PRI's ideological and socioeconomic debacle but they visibly failed, both within the PRI and before Mexican society as a whole.

As Fox completes his first year in office, the main features of the current transition stand out. The period has been free of scandals and major stumbles within the administration and with the inherited institutions, an important achievement given the inexperience of the new administration and the uncertainty this provoked. The continuity of economic policy in general has been striking, further reducing inflation rates and attracting foreign investments. Three other themes, however, cause concern:

## 1. There has been too much continuity and too little change.

With the exception of the fiscal reform attempt and the Indigenous Law, the new administration has shown an inability to present a bold new strategy regarding social, economic, or political topics. This content vacuum dates back to 1997, when Fox's inner circle chose to market their candidate as "product x" — their term for Fox — despite the fact that "product x" did not have any specific content. In contrast, the transi-

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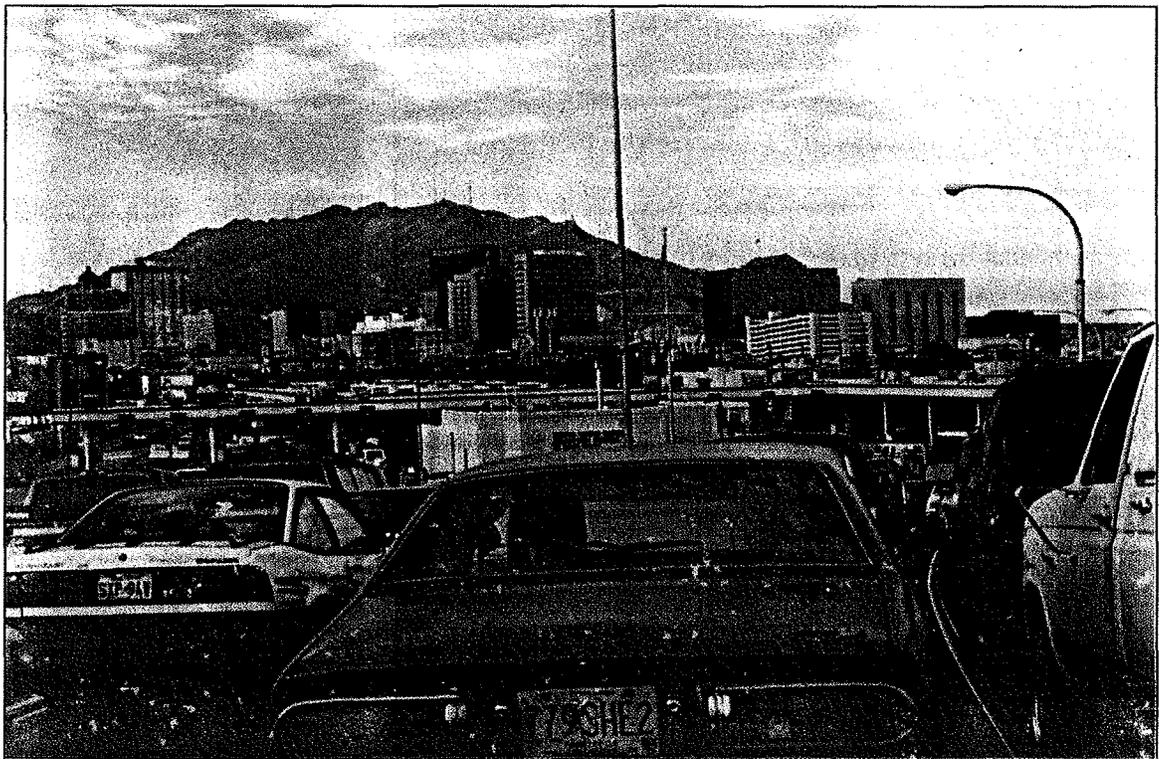
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### 2. Is a recession or even an economic crisis coming up?

External economic conditions have been unfavorable for Mexico in 2001, particularly in response to the global economic slowdown and the uncertainty of oil prices. There were few expectations that these conditions would improve, even in the United States, and after September 11 the situation has gotten markedly worse. Moreover, the profound structural problems that plagued Mexico's economy throughout the 1990's remain unsolved in 2001. As a result, the export-oriented sector, the only motor of growth, has stalled for the first time in more than 12 years: the maquiladora sector lost more than 90,000 jobs and, in May 2001, posted the worst annual growth rate since 1982. In this context, the economically active population will grow by around 1.2 million in 2001, whereas the economy will lose 800,000 jobs, totaling an employment generation deficit of 2 million. These trends are far from the promised 1.2 million jobs to

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tion groups (*equipos de transición*), which Fox created after the election in several areas such as social, business, fiscal and regional policies, presented very specific policies and generated an initial consensus among different social groups. These results, however, were discarded since the PAN and other influential interest groups negotiated with Fox to place people not involved in the transition groups in important posts.



Right:  
Cars in line to cross  
the U.S.-Mexico  
border

be created annually. Added to these disturbing trends, manufacturing shrunk 3.4% for the second quarter of 2001, the worst results since the crisis of 1995. And unlike prior economic calamities, this time around the international economy will not be able to jump-start the domestic market through exports.

**3. The Mexican economy has been suffering from structural limitations at least since the 1995 crisis, and they have yet to be discussed by the current administration.**

In the last 12 years the domestic market has not recovered. Only a small group of households, firms, branches, sectors and regions have benefited from export-orientation, underscoring severe polarization. Adjusted for inflation, the minimum wage this year has hovered at 30% and the manufacturing wage at 60% of their 1980 levels. The financial sector in Mexico, after a massive bailout that cost more than 20% of GDP as a result of the crisis of 1995, is still anemic. Added to high real interest rates, the exchange rate has been highly overvalued, as much as it was before the 1995 crisis, and up to 30% according to some analysts. This is a hard hit for exports and a magnet for imports. Finally, only a small segment of firms, branches and regions have been highly dynamic in terms of GDP and productivity. This segment is extensively integrated with the U.S. economy through exports and intraindustrial trade, but has few linkages to the rest of the Mexican economy, which has not recovered throughout the 1990's — particularly micro, small and medium firms.

From this perspective, the Fox administration faces substantial challenges in the short run, many of which are likely to last throughout the *sexenio*. To begin with, the administration needs to develop a workable political strategy. It needs to deepen contacts and negotiations with the PAN itself, since substantial opposition to Fox's initiatives comes from his own party. Fox must also reach out to the

opposition parties, since the experiences of the Indigenous Law and the fiscal reform proposals underscore the limits of the executive branch seeking to "market" the "products" directly to the population. Second, the Fox administration has to start analyzing the main priorities of its *sexenio*: beyond the success of beating the PRI, what are the main socio-economic targets of the respective policies? On which objectives does the Fox Administration want to be evaluated in 2006? So far, the recently presented *Plan Nacional de Desarrollo* (National Development Plan) does not provide guidelines to understand this process. Third, regarding economic policy, fiscal reform is pivotal for the policy options and potential during the *sexenio*. Based on the outcome of fiscal reform, the Fox administration will be able to prioritize either poverty; financing; micro, small, and medium firms; education; and/or a regionalization process, among other issues that have yet to be defined.

At the beginning of the 21<sup>st</sup> century, Mexico and the Fox administration have the unique opportunity to achieve a socio-economic integration of its households, firms, branches and regions, after a profound process of polarization since the end of the 1980's. Yet many challenges remain ahead: although the election victory of Fox showed that "*sí se puede*" (it is possible), the voters, the same night of the election, reminded him: "*no nos falle*" (don't fail us). ■

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Above:  
Enrique Dussel Peters at CLAS