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Business Organizations Question Salinas Administration's Economic Policies

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President Carlos Salinas de Gortari's administration which has for the most part received strong support for its economic policies from the Mexican private sector is now facing growing criticism from business organizations and private economic analysts regarding several perceived deficiencies in the government's economic program.

The business organizations, while acknowledging the economic advances reached under Salinas such as reducing inflation, attracting foreign investment, and creating new export markets for Mexican products have also urged the President to correct problems in certain areas. For example, during a business conference held at the Universidad Autonoma de Mexico (UNAM) on Jan. 29, Fernando Cortina Legarreta, director of the National Confederation of Industrial Chambers (Confederacion Nacional de Camaras Industriales, Concamin), complained that the Salinas administration and especially the Trade Secretariat (Secretaria de Comercio y Fomento Industrial, SECOFI) failed to prepare Mexican companies adequately to compete against US and Canadian firms under NAFTA.

No preparation for NAFTA

Cortina suggested that President Salinas, before pursuing NAFTA, should have helped strengthen Mexican companies by providing training on new technology, special financing, subsidies and tax breaks, and incentives to help Mexican businesses enter the export market. Similarly, a report released by the Institute for Strategic Planning (Instituto de Proposiciones Estrategicas, IPE) in late January warned that the enactment of NAFTA will aggravate, rather than improve, Mexico's employment situation during 1994. In the report, the IPE which is affiliated with the Mexican Employers Confederation (Confederacion Patronal de la Republica Mexicana, Coparmex) said the increased competition created by the phase-out of tariffs on US and Canadian products may put many small- and medium-sized companies out of business, which will swell the unemployment lines.

The IPE report also suggested that worker salaries, both the minimum wage and those negotiated through contracts, have failed to improve the purchasing power of workers because of restrictions imposed under the anti-inflation Economic Stability and Growth Pact (PECE). In fact, the Salinas administration's inability to create a significant number of new jobs has become a strong concern for other business organizations. A joint report produced by the Mexican Institute of Finance Executives (Instituto Mexicano de Ejecutivos de Finanzas, IMEF), the Confederation of National Chambers of Commerce (Confederacion de Camaras Nacionales de Comercio, Concanaco), and business consulting firm Consultores Internacionales, suggested that fewer jobs were created in Mexico during 1993 than in any other year since Salinas took office in 1988.

The joint report, released in January, suggested that President Salinas placed greater emphasis on measures to limit inflation and to eliminate the budget deficit, which in turn inhibited job creation. In addition, the report said job creation was limited by a lack of expansion by the manufacturing sector, which was discouraged both by high interest rates and by the need to retool and modernize in order to compete under NAFTA. In a separate report, issued on Jan. 20, the Private Sector Economic Studies Center (Centro de Estudios Economicos del Sector Privado, CEESP) reported that Mexico's manufacturing sector only generated about 200,000 new jobs in 1993. CEESP director Oscar Vera Ferrer told reporters he anticipates that the open unemployment rate, unofficially at 3.6% for 1993, may only improve by "a couple of tenths of 1%" during 1994. According to statistics released by the National Manufacturing Industry Chamber (Camara Nacional de la Industria de Transformacion, Canacintra) at the end of 1993, open unemployment in the manufacturing sector alone increased to 6% during 1993, up from 2.9% in 1992.

Too much emphasis on northern states

Meantime, statistics issued by the Mexican Workers Confederation (Confederacion de Trabajadores de Mexico, CTM) and the Authentic Labor Front (Frente Autentico del Trabajo, FAT), showed that almost five million Mexicans were unemployed and another eight million were underemployed in 1993. Another major criticism of Salinas's policies is that too much emphasis has been placed on development of the northern states, which border the US, while the southern part of the country is largely ignored. In fact, one of the few states that reported a drop in unemployment during 1993 was Chihuahua, which borders Texas and New Mexico. The uprising which began on Jan. 1 in Chiapas has also focused attention on the problem of uneven economic development in Mexico.

Some organizations, such as Coparmex, have urged the Salinas administration to modify its economic policies in order to allocate more funds for programs designed to ease extreme poverty and to promote direct investment in poor regions. According to *El Financiero* International weekly business newspaper, Mexico's 15 largest companies which account for about 70% of the country's annual GDP formed a new consortium which will promote economic development projects in southeastern Mexico. A partial list of participants, brought together under the leadership of Coparmex, includes food producers (Maseca, Nestle, and Herdez); industrial companies (glass producer Vitro and cement manufacturer Apasco); and a bank (Banco Union). Coparmex is hoping to use the project in Chiapas as a model for other parts of the country.

Others organizations, such as Concamin, have offered to work with the government in defining a package of fiscal incentives which would contribute to improving economic conditions in Chiapas. Meantime, the weekly economic bulletin *Tendencias* suggested that the "Chiapas factor" has already caused the Salinas administration to modify its economic policies. The bulletin, published by Grupo Expansion, said many financial analysts are underestimating the weight that developments in Chiapas will have on economic policy during the coming year.

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