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Analysis: Zedillo's First Year, President, Or Prisoner Of Crisis?.

by Guest

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By John Ross

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When outgoing president Carlos Salinas affixed the sash with the colors of the Mexican flag red, white, and green across Ernesto Zedillo's chest on Dec. 1, 1994, Mexico appeared to be on the rebound after a nightmare year of Indian rebellion and political assassination. The new president inherited an economy that appeared to hold great promise for Mexico due to the enactment of the North American Free Trade Agreement (NAFTA).

Additionally, his long-ruling (66 years) Institutional Revolutionary Party (PRI) managed to win with 50% of the votes in national elections in August 1994.

However, less than three weeks after his installation, massive capital flight and the time bomb of short-term debt obligations left behind by Salinas, forced Zedillo to devalue the peso, triggering a chain reaction that quickly plunged Mexico into an economic and social crisis which has colored every minute of the new president's first year in office. Since the so-called "December errors," Zedillo has staggered from one crisis to the next, like a shipwrecked soul, overwhelmed by the flood of events.

In February, as the economy crashed in flames, Zedillo bowed to the military and ordered a full-scale offensive into the Lacandon Jungle base of the popular Zapatista National Liberation Army (EZLN), setting off a worldwide tide of protest. At the end of February, as public disdain for Salinas began to soar, Zedillo gave the green light to arrest the former president's brother for masterminding the murder of the PRI's secretary-general, Jose Francisco Ruiz Massieu. For his part, Salinas took umbrage, declared a hunger strike, and flew off into self-exile in Canada, from where he has unremittingly sniped at Zedillo's fumbling administration ever since.

Meanwhile, the PRI was losing state elections to the center-right National Action Party (PAN) by lopsided margins and the bottom continued to fall out of the economy. Indeed, a drop of 10.5% in the GDP during the second quarter was a 64-year low. So desperate has the economic slide become that when the GDP tumbled only 9.6% in the third quarter, the numbers were hailed by Zedillo's Finance Secretary Guillermo Ortiz Martinez as a sign that "the crisis was over."

In September of 1995, when Zedillo went before the nation to deliver his annual state of the union message (the shortest ever), the words most used to describe Mexico's current state of affairs were "grave" and "crisis." These terms were used a total of 27 times. From 1981 through 1989, Mexicans endured versions of "La Crisis." These were actually a series of crises associated with short-term debt obligations and the falling price of oil.

La Crisis blurred into the short-lived boom under Salinas, whose enthusiastic neoliberal adjustments struck a gusher of quick-fix investment on Wall Street. Now, however, La Crisis has come back with a vengeance. But for most Mexicans, living in and around the poverty line, the crisis never really went away. "We live in a culture of crisis," said columnist Carlos Ramirez of *El Financiero* daily business newspaper and editor of a hot-selling weekly, aptly entitled "The Mexican Crisis Bulletin," or simply, as the cover announces, in large gothic letters, *La Crisis*.

As Zedillo comes to terms with his first year as president, *La Crisis* pervades every aspect of national life. For millions of Mexicans, Zedillo's crisis is, first and foremost, an economic one that has sunk Mexico into its deepest recession since the Great Depression of the 1930s. An estimated 10 million Mexicans one third of the workforce are unemployed, and there is no indication of recovery on the horizon. About 1 million new job seekers will enter the labor market in 1996.

Despite Zedillo's insistent pronouncements that the bottom has been touched, recovery is undermined by a crisis in the banking system. Interest rates above 60% have driven the cost of money beyond borrowers' capacity to pay, even though rates have dropped from the triple digits of February 1995. The loans provided by Mexico's 38 private banks are three times as high as the money they have on hand. What's worse, nearly half the loans are now considered unpayable. Moratoriums, led by debtors' unions like *El Barzon*, have so constricted liquidity that some bankers admit privately their only cash flow comes from money linked to narcotrafficking. Zedillo's crisis is also a monetary crisis.

Since the "December errors," the peso has lost 55% of its worth and some analysts predict the exchange rate will soon reach 10 nuevo pesos per US\$1.00. Indeed, Mexico's currency has become extremely vulnerable to speculators, forcing the Banco de Mexico (central bank) to intervene by spending hundreds of millions of dollars loaned last February by the US and the International Monetary Fund. Despite the interventions, the peso is buying less and less every day. Inflation is expected to reach 50% in 1995, a seven-year high, and it now takes two and one half minimum salaries to buy the basic food basket.

Zedillo's crisis is not yet a debt crisis as was the case with *La Crisis* of 1982. However, default remains a strong possibility in the near future. The nation's combined public and private debt ended 1995 at close to US\$162 billion, 36% of the GDP and the highest dollar amount ever. Mexico, which is now banking export oil revenue in the US Federal Reserve as collateral for the US-IMF bailout, transferred US\$19 billion to the exterior in debt service in 1995. In 1996, the government is expected to pay out another US\$25 billion to service the debt. Zedillo's crisis is also a crisis for the super-rich.

The economic boom under the Salinas administration created 24 Mexican billionaires, but during 1995 only 10 of those billionaires remained in the rankings of *Forbes* magazine. But Zedillo's crisis is mostly a crisis for the poor and the extremely poor. According to the Social Development Secretariat (Sedesol), 2.5 million poor are at risk of falling from poverty to extreme poverty, which is defined by the United Nations as an inability to earn enough to meet one's nutritional needs.

Under Zedillo, nearly one-fifth of the population is going to bed hungry every night. Zedillo's crisis is a nutritional crisis for many Mexicans. The price of tortillas has risen three times this year, for an accumulated 50% increase. The government's national nutrition institute (Instituto Nacional de Nutricion) reports 41% of all births in public hospitals are low weight, due to poor maternal nutrition. The crisis is also one of health care. Mexico has registered more cholera cases in 1995

than in any other year since reporting began. A regional epidemic of dengue fever is wracking poor southern Mexican villages. Zedillo's crisis has impacted education as well. According to one organization that advocates for the rights of families, 150,000 students have had to transfer from private to public schools, straining facilities and exhausting school lunch programs.

Zedillo's crisis is also an emotional crisis. According to statistics from Mexico City authorities, a record 40 people have flung themselves before subway trains in the capital this year. Meantime, El Barzon claims that 400 of its members, including its leader in Coahuila state, have committed suicide since the crisis began, due to financial troubles.

Indeed, Miguel Garcia, a psychologist who runs a Mexico City suicide hot line, established after the devastating 1985 earthquake, says that La Crisis has taken a more severe toll than the earthquake. "For many, an economic crisis quickly becomes an emotional one," Garcia said. Zedillo's crisis has been worsened by natural disasters. As the peso skidded last January, the Popocateptl volcano belched black smoke outside of Mexico City, causing thousands to flee in panic.

Mexico has also sustained severe damage from two hurricanes in 1995, one of which knocked out 90% of off-shore oil production in October. In addition, the country has had to cope with a series of frightening earthquakes, including a temblor on Oct. 10 that measured 7.2 on the Richter scale, and which leveled hotels and other tourist-related infrastructure in some areas of Mexico's Pacific Coast.

Unlike the debt crisis of 1982, Mexicans have not quietly accepted the sacrifices imposed upon them. Rebellion and social protest are thriving. Indeed, Mexico City authorities recorded an average of eight marches a day in 1995. Demonstrators daily block boulevards, banks, and even the Mexican Stock Exchange (BMV), curtailing activity on the trading floor. When recruiters failed to appear for a job fair this September, 20,000 professionals battled riot police, using their briefcases as weapons.

While the capital seethes with discontent, the EZLN and the Mexican army continue at a standstill in the Lacandon Jungle, and military intelligence reports the presence of new armed groups in Guerrero state, where 17 farmers were massacred by police last June. Rumors that the military was negotiating Zedillo's departure from office rocked Mexican financial markets on Nov. 3. The political side of La Crisis has greatly diminished the standing of the PRI and exacerbated tensions within the ruling party, so graphically illustrated by the still-unresolved assassinations of presidential candidate Luis Donaldo Colosio and Zedillo's designated legislative leader, Jose Francisco Ruiz Massieu.

Large victories by the PAN over the PRI in three gubernatorial races this year have also been marked by absenteeism of more than 50%, reflecting the electorate's frustration with the party system. "People don't think that voting can bring social change," said Marco Rascon, a congressional deputy for the center-left Democratic Revolution Party (PRD). At the same time, political killings are escalating, according to Amnesty International, which has recorded 40 extrajudicial killings in Mexico this year. The PRD lists 61 of its members murdered in the first nine months of Zedillo's administration, which will surpass the annual average for Salinas's six-year term.

Non-political killing is also on the upsurge. According to the daily English-language newspaper The News, during 1995 the Mexican capital surpassed New York City in an index that calculates murders per day in various cities. Above all, Zedillo's crisis is a crisis of confidence. Although Zedillo has sought to shift blame to his predecessor for Mexico's messy state, vilification of Salinas has

wounded the presidency itself, an institution which Zedillo has not forcefully defended. The Nov. 3 coup hysteria, based on speculation reported in the bottom section of an AP-Dow Jones morning market report, is a vivid demonstration of how shaky confidence is in Zedillo's leadership.

According to columnist Emilio Zabadua of *La Jornada*, one of Zedillo's greatest credibility problems lies in the fact that he continues to claim that Mexico's economic crisis is over, when evidence points to the contrary. "(These claims) are the main reason for the lack of confidence and confusion," said Zabadua. Indeed, belief in Zedillo's promised "recovery" is met with increasing cynicism.

When Finance Secretary Guillermo Ortiz went before the Chamber of Deputies on Nov. 15 and predicted 3% growth and 20% inflation in 1996, he was met with jeers. Some of the demonstrations of disbelief came from members of Zedillo's own PRI. According to a recent Gallup Poll, Zedillo finished his first year in office with the lowest acceptance rate ever recorded for a novice president of Mexico.

Anti-Zedillo sentiment has even reached north of the border. An article in the Nov. 27 issue of the US magazine *Business Week*, entitled "A Leader Who Does Not Lead," called upon the Mexican president to consider stepping aside. For some, such as the PAN, Zedillo's crisis has created unprecedented opportunities in municipal and gubernatorial elections. Indeed, Guanajuato's PAN Governor, Vicente Fox, describes the crisis faced by Zedillo and the PRI as a "pinata" for his party.

The PAN unseated the PRI from a gubernatorial post in Jalisco in 1995 and managed to retain the gubernatorial posts in Baja California and Guanajuato states. In addition, the PAN won a number of municipal races in several large cities in Mexico, including Guadalajara and Puebla. The crisis has also proven a boon for some in the US and Mexico, including investors in Mexican mutual funds, foreign travelers, and consumers who can afford to take advantage of the growing number of bargains offered by supermarket chains and department stores. Another major beneficiary of the recent economic situation in Mexico is *La Crisis* editor Carlos Ramirez, who notes sales of his bulletin have continued to grow steadily since he started publication earlier in the year.

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