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Mexican President Salinas De Gortari: Notes On First State Of Nation Address

John Neagle

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On Nov. 1, in his first state of the nation address before a joint session of the Senate and the Chamber of Deputies, President Carlos Salinas de Gortari said that Mexico's long recession has ended, and the economy has resumed growth. He said inflation has declined, negotiations are nearly complete to reduce the foreign debt, exports are up and economic growth is expected to reach 2.5 to 3% by year-end. Next, the president expressed a note of caution: "We are resuming growth at a faster rate than expected and even at a faster pace than is desirable...We cannot force the rate of recovery because the lack of investment in infrastructure during the years of the crisis would now lead to bottlenecks and inflationary pressures." Economic growth during the first half of 1989 was up 2.4% compared to the first six months of 1988. Next, said Salinas, the public deficit was reduced by 60% in real terms relative to the first half of 1988. Income tax revenues increased almost 23% in real terms over the first half of 1988. Salinas said the debt reduction accord with foreign commercial banks "is sufficient because it opens up a breathing space in which we can renew growth." The president emphasized that optimism and certainty had been restored to the Mexican economy. As evidence, he estimated that nearly $3 billion in flight capital had returned to Mexico this year, "commitments for foreign investment projects totaling around $2 billion have been made since May." He added that since the debt agreement was announced, domestic interest rates dropped 20%, translating to savings of 5% of GDP in government payments on its domestic debt. Foreign reserves totaled $7.3 billion as of Oct. 31, said Salinas. According to Salinas, the government is currently more efficient due to reduction in controls over the economy and the sale of dozens of state companies and monopolies. However, said the president, state control is irreversible for some "strategic enterprises," including Petroleos Mexicanos, nuclear energy, electricity, railroads, postal service, satellite communications and basic food commodities. The president said he put high priority on law enforcement and combating corruption, "to show that no individual or group can be above the law...Impunity generates corruption and arrogance and goes against the interests of society." One of Mexico's most serious problems, said Salinas, is inadequate food production. Imports of basic foodstuffs this year and in 1990 are expected to reach 9.5 million tons. Salinas pointed out that agricultural production in some sectors is stagnant, and subsidies to growers and consumers as a proportion of the federal budget continue to be substantial. The president asserted that land redistribution is no longer a potential solution toward increasing agricultural output, nor to meeting the needs of un- and underemployed citizens. He described as liars those who argue that millions of hectares could be redistributed and brought into more effective production. The victims of such misconceptions, he added, are the nearly 2 million Mexicans who have requested land parcels, and over 4 million agricultural migrant workers. The president was interrupted more than a dozen times by cheers and boos. Opposition members stood and jeered when he addressed election reform. In a rebuttal period preceding the speech, opposition deputies criticized Salinas for selling state companies, encouraging foreign investment and negotiating a debt agreement with the banks. Sen. Porfirio Munoz Ledo, a leader of the center-left Revolutionary Democratic Party blasted the government for deciding to "liquidate the public economy." Deputy Pedro Etienne said,
"The government ended the bank renegotiation far below the demands of the majority of Mexicans and far from what had been achieved in other renegotiations. The economic debt has diminished, but the political debt to the government of the United States has grown dangerously." Abel Vinicio Tovar, a leader of the National Action Party, said he could not forget that the government frustrated the desires of "hundreds of thousands of voters" in western Michoacan state. The ruling Institutional Revolutionary Party denies accusations that it captured seats in the July 2 state assembly elections in Michoacan. (Basic data from Notimex, AP, 11/01/89; New York Times, 11/02/89)

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