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KEYS TO UNDERSTANDING MEXICO: CHALLENGES FOR THE RULING PRI

INTRODUCTION

Mexico faces mounting crises. Its economy is in shambles, and its \$113 billion debt is the largest in Latin America. Even worse is its political crisis. At stake is the legitimacy of a political system forged in a violent power struggle that has continued since 1910 among Mexico's controlling elite known as the "Revolutionary Family" or the Partido Revolucionario Institucional (PRI). The basis of PRI legitimacy, its claim to rule for all Mexicans, is being challenged by such important sectors of the country as the middle class, the independent Left, grass-roots organizations, prominent intellectuals, university students, and Catholic clergy of both the Left and the Right. They apparently have concluded that the system no longer works for them and fails to adapt to the material needs and democratic aspirations of a Mexican society much changed since the PRI consolidated control in the early post-Revolutionary period.

Huge U.S. Stake. The United States has a huge stake in Mexico's future stability and economic prosperity. Mexico is its third largest trading partner after Canada and Japan; Mexico supplies the U.S. with 15 percent of its imported petroleum and 5 percent of its petroleum consumption. U.S. banks hold over a third of Mexico's outstanding \$80 billion commercial debt, and U.S. business investments account for over one-third of the \$17 billion in foreign direct investment in Mexico. Economic and political collapse in Mexico would send disruptive waves across the entire U.S. economy.

In 1986, Mexico's growth rate fell 3.5 percent, while inflation topped 100 percent. Mexico's foreign debt has increased by \$30 billion, and its capacity to pay has deteriorated. At the same time, the beleaguered government has had to face a democratic revolt in the economically important northern states. Repressing this revolt, although accomplished

This is the first in a series of Heritage studies on Mexico. Future papers will examine other Mexican political parties as well as the nation's economic and foreign policies.

easily and without significant violence, has hurt the PRI's political credibility in Mexico and abroad and has deepened rather than resolved Mexico's acute political crisis.

Isolated Government. Adding to its problems, Mexico's current president, Miguel de la Madrid, is perceived throughout Mexico, as well as by his own party, as weak and ineffectual. This strikes at the heart of a system whose powers are heavily weighted in the presidency. The inability of its most powerful official to cope adequately has aggravated the PRI's efforts to restore confidence in the system. De la Madrid's personal weakness, moreover, has sparked well-publicized internal challenges to his power that threaten the system's unity and contribute to public perceptions that the PRI is decaying.

The popular foundations of the system have also been weakened by the failure of the ruling elites in Mexico City to integrate local political leaders into the government. Instead, the governments of Luis Echeverria, Lopez Portillo, and Miguel de la Madrid, Mexico's presidents since 1968, have relied on upper middle-class technocrats, often educated abroad, whose loyalty is to the President rather than the system. The ruling government has become increasingly isolated from sustaining popular bases. This has undermined the political strength of the system.

Reformulating U.S. Policy. With the presidential succession and elections scheduled for July 1988, the challenge for the PRI is to restore confidence in a system that no longer seems to work. It must overcome the many economic difficulties, reduce the foreign debt burden, revitalize the productive sectors, and mollify or eradicate with a minimum of violence the political opposition. Washington must watch closely what happens with the PRI. U.S. policy toward Mexico, which needs dramatic reformulation, will be shaped to a great extent by how well the PRI addresses its current dilemma and whether it can restore public confidence in the political system.

THE POLITICAL CRISIS

The PRI or the "System" has worked traditionally through a process of internal consensus building, cooptation of external opponents, and, when necessary, repression of potentially threatening rivals. Prior to the late 1960s, the PRI's politics were essentially pragmatic in their nonideological emphasis on economic growth through a mix of state and private sector effort. Indeed, from the mid-1940s to the mid-1960s, Mexico enjoyed a period of rapid economic growth. This economic development created new problems, among them a large urban poor class, as many Mexicans left the rural areas in search of opportunities in the rapidly industrializing cities. Significantly, the economic changes also produced a large and diverse middle class, which was demanding a greater voice in the nation's development. These demands, however, conflicted with an aging system that was losing its ability to adapt and becoming increasingly authoritarian in its effort to maintain control. Robert Newell and Luis Rubio noted: "This impeded public expression and freedom of the press for a population that was rapidly acquiring not only a high standard of living but also the education and the values commonly found in more developed societies."¹

Broken Consensus. Student riots in 1968 and the harsh reaction to them by the government of President Gustavo Diaz Ordaz marked a turning point in the political fortunes of the PRI. They revealed a Mexico much changed since the 1920s--more modern and more complex--they brought to the surface simmering tensions and

1. Robert Newell and Luis Rubio, Mexican Dilemma. The Political Origins of Economic Crisis (Boulder and London: Westview Press, 1984), p. 110.

established the middle class as a major political pressure group, but one decidedly excluded from the system. By responding to the demands of the students with unusually violent and harsh repression, the PRI exposed the weakness of its control over society and damaged its political image. Internal divisions began to form within the government and broke the political and economic consensus that had held the PRI together since its final consolidation of power that emerged from the Revolution of 1910.

The Mexican Revolution of 1910

Following the overthrow of the Porfirio Diaz dictatorship in 1910, Mexico suffered a protracted and bloody power struggle that finally ended in 1926. Numerous groups took part, from peasants in the south under the leadership of Emilio Zapata to a host of political and military factions who were all competing for power and control. Eventually the liberal faction under Venustiano Carranza won out long enough to see a Constitution drafted in 1917 and the foundations laid for a new Mexican state.

Carranza's own weakness and the opposition to his liberal faction ensured the continuance of the power struggles and unstable governments. Eventually a liberal elite gained control under Plutarco Elias Calles, who consolidated the new "hegemonic state" in 1929 by creating the National Revolutionary Party, a precursor of the PRI. Calles sought legitimacy for his government through alliances with peasant groups and labor. They were given land, rights, and a role in the new party in return for their crucial support.

Lazaro Cardenas (1934-1940)

Lazaro Cardenas succeeded Calles in 1934 and completed the process of consolidating the institutional rule of the party and gave the Revolution, now identified with the state, a socialist ideological content. By broadly interpreting the radically liberal Constitution of 1917, Cardenas was able to justify the expanded role of the state into all aspects of Mexican life.

In the name of social reform, Cardenas enlarged the role of the state over education, created 19 state enterprises, expropriated foreign-owned oil companies, and launched an agrarian reform that distributed confiscated lands to state-run cooperatives known as ejidos. By institutionalizing the new order created by Calles and by expanding the state's powers, Cardenas legitimized the preeminent role of the state in Mexican society and thus ensured the political dominance of the new Institutional Revolutionary Party (now the PRI).

In the intervening years between Cardenas and Echeverria, Mexican presidents modified and tempered Cardenas' socialist policies in favor of a more pragmatic and less ideological approach. This was designed in part to gain the cooperation of the rising middle classes and the economically powerful private sector in order to promote Mexico's rapid economic growth.

Echeverria--The Populist Antidote

Breaking with traditional PRI consensus-building methods, outgoing President Diaz Ordaz in 1969 selected his successor without consulting members of the PRI. His

candidate, Luis Echeverria Alvarez, had been the Minister of Interior and was directly responsible for crushing the 1968 student revolt.

Echeverria was Mexico's first technocrat, an administrator who had not risen in the PRI ranks through political skill but who had been handpicked by the President. Believing that Echeverria's successful repression of the explicitly Marxist students had saved the nation, Diaz Ordaz chose Echeverria to maintain a hard line against the Left in Mexico. After becoming president, however, Echeverria began to court the Left and gave many of the student leaders positions in his government. He continued to seek their support throughout his sexenio, the six-year presidential term.

Echeverria's leanings toward the Left went far beyond the practical coopting of opponents. It revealed his strong bias toward the socialist model of economic development through what the Mexican Left calls "revolutionary nationalism."³ He broke with his predecessors by openly embracing the cause and activities of the international communist movement in the name of Third World solidarity. In so doing, Echeverria deepened the divisions within the PRI and alienated the majority of Mexican society, which is predominantly conservative and anti-communist. As a consequence, the system weakened.

Ideologues' Ascendancy. While leftist tendencies have always been strong inside the PRI, they long had been moderated by practical considerations and the balancing weight of moderates within the party. But since Echeverria did not have to create a supporting power base from among the various groups within the party to strengthen his candidacy, he was free to pursue policies that reflected his personal style and highly ideological view of the world.

Echeverria eventually administered through an elite group of men who shared his ideological view. The traditional system of PRI checks and balances that had been built into the system over time was neutralized. Most significant was Echeverria's restructuring of the Finance Ministry. Long dominated by practical moderates, the Ministry acted as a brake on government spending. Echeverria dismissed the moderates, replacing them with ideologues who supported the drastic increases in state spending that eventually led to economic crisis in 1976.

Breaking the Rules. Echeverria's policies alienated the middle class and the important business sector. Here again, he broke the rules of the PRI game. Although the private sector had never been incorporated into the system, previous governments had recognized it as an important player in Mexico's economic miracle of the 1950s and 1960s. Private sector leaders often were invited to consult with the president and his cabinet over economic programs and policies. The private sector hence was given a voice in Mexico's economic development, and the PRI obtained the crucial cooperation of an important sector outside the system.

Under Echeverria this changed. The private sector was excluded from its traditional, if informal, participation in the system. Politically alienated and squeezed hard by the inflationary spending of the government, the private sector began gravitating to the main opposition party on the Right, the National Action Party or PAN. In the 1972 municipal and congressional elections, the PAN scored its first victory against the PRI at the

2. Coined by Lenin, the term revolutionary nationalism has been applied by Mexican leftist writers to mean an intermediary phase that would lay the groundwork for socialism by attacking the capitalist system (the private sector) as the source of social injustice and the tool of U.S. imperialism.

municipal level, launching an opposition movement that plagues the PRI today and deepens its political problems.

By 1976, Mexico was facing the worst economic predicament since the world recession of the 1930s. Yet rather than address the structural deficiencies that fostered it, Echeverria tried to recharge Mexico's economy by spending more money and relying on foreign banks instead of the productive private sector. Ultimately Echeverria's policies contributed to the erosion of the PRI's political credibility by adding to an already troubled political system a protracted economic crisis.

Lopez Portillo

Echeverria's successor Lopez Portillo Alvarez thus took office in 1976 amidst a growing political and economic crisis. His approach initially was to conciliate opposing factions, reform the party, and seek the cooperation of opponents outside the system. These measures had only limited success; in some cases, they contributed to worse problems later.

To reduce the polarization inside the PRI, Lopez Portillo included in his cabinet members of the different factions. This did not lead to the desired resolution of the differences, however, and schisms even worsened as Lopez Portillo programs leaned to the populist Left.

Portillo's efforts to combat Mexico's economic difficulties through an International Monetary Fund austerity program encountered predictable leftist opposition, particularly as the government turned to the conservative private sector for support. To appease the Left, political parties outside the system were legalized, which were dominated mainly by the Left. While moderating the Left's opposition to the government's austerity program, the reform created new pressures for the PRI. It acknowledged that the PRI was not the sole representative of the people's will. Lopez Portillo's reform, moreover, required the PRI to act as a modern political party instead of a monolithic system of control. This would continue to undermine its legitimacy as the demands increased for real political participation.

Fleeing Capital. Eventually, Lopez Portillo abandoned his bridge-building efforts with the moderates in the party and the private sector and reverted to the populist-leftist policies of his predecessor. By 1978, buoyed by Mexico's new oil wealth, Lopez Portillo pushed an economic program that consisted of greater public spending to achieve higher levels of economic growth. And during 1980 and 1981, government growth averaged 24.4 percent while the economy grew an average of 8.2 percent.

Alarmed by a growing government deficit and anticipating the coming crisis, the middle-class and private business sectors began shipping their capital out of Mexico, sharply curtailing their investments at home. By 1982 the oil boom went bust and Mexico was bankrupt. Without consulting even his closest advisors Portillo then nationalized the banks. He did this in part to restore his personal credibility with the Mexican people and rally the Left to his side. Yet he crippled the private sector economically and increased the state's share in the economy to almost 50 percent. Writes Alan Riding, a New York Times Latin American specialist: "By seizing the banks, the government not only politicized the delicate financial sector, but also convinced many businessmen of the state's hunger to control the rest of the economy. Moreover, since top bankers had come to represent all

regions and economic areas of the country, an important channel of communication between the government and the private sector was eliminated."³

Bank nationalization, because it was arbitrary and devastating to the economy, undermined the PRI's unity and polarized its factions further. Most important, it eliminated the essential regenerating feature of the system, the PRI's ability to negotiate a consensus among the competing factions and interest groups both inside and outside the system. This had been the source of its political strength and the basis of the almost credible claim by the PRI that it represented the will of the people.

The Corruption Issue

With greater PRI involvement in the economy under Echeverria and Lopez Portillo, official corruption reached unprecedented heights. Accusations by the Mexican press that President Lopez Portillo left office with almost \$3 billion raised a storm of protest among Mexicans suffering because of the economic crisis. Since then the corruption issue has continued to plague the PRI and has provided the opposition with a major weapon against the government.

THE CURRENT CRISIS

Miguel de la Madrid became Mexico's 23rd President in 1982. Washington has viewed him as a "pragmatic" technocrat opposed to the populism of his predecessors. While this has been true to some extent, as in the case of Mexico's joining the General Agreement on Tariffs and Trade, de la Madrid's policies generally echo the "revolutionary nationalism" of his predecessors. And just as they did, de la Madrid is nearing the end of his sessenio facing an economic and political crisis. He too has failed to address the need for real structural changes in both the economic and the political systems. Under his administration, Mexico's living conditions and political conflicts have worsened. Nor does the future look promising; Mexico's recession is expected to deepen by 1988.

Internal Conflicts

The problems of internal unity and consensus building have been exacerbated by the personal weakness of de la Madrid. Usually by the fifth year of the six-year term Mexican presidents begin to enjoy the full fruits of presidential power. De la Madrid has not. His weakness thus has added to the political worries of the PRI, since much of the system's strength depends on the skill and personal power of its president. His weakness, moreover, has prompted paralyzing factionalism in the party and forced some of the internal struggles into public view. Contributing to the system's weakness is the uncertain nature of its two major pillars of support, labor and the peasantry.

The government-controlled labor confederation, Confederacion de Trabajadores Mexicanos or CTM, under the iron rule of 86-year-old Fidel Velazquez, has played a pivotal role in maintaining civil order during times of economic distress by preventing mass strikes among its 11,000 affiliated unions. Workers' wages have been halved, and union leaders have patiently accepted wage increases far below the inflation rate. In this sense Velazquez personally has held the PRI together, making him more powerful and indispensable than ever. Velazquez also could be adding to Mexico's long-term difficulties. He has maintained pressure on the government of de la Madrid to continue

3. Alan Riding, Distant Neighbors (New York: Alfred A. Knopf, 1985), p. 88.

the socialist-populist policies of Echeverria and Lopez Portillo, and he has opposed any kind of economic liberalization and reform that might help the private sector.

Socialist Line. To make matters worse, Velazquez has not groomed a successor. His death could create a power vacuum in the CTM and trigger some of its factions to split off, since many of them oppose the dominance of what has become its socialist line and are frustrated by the government's economic failures. Crucial labor support for the government's economic policies could break down at that point.

The peasant sector generally remains loyal to the PRI since it depends on the government to subsidize the unproductive state-controlled cooperatives or ejidos. Despite their preeminent place in Mexican revolutionary mythology, the peasants have benefited least from the system. Resentment has begun to manifest itself in the growth of local action groups and such new coalitions as the Peasant Alliance and the National Coordinating Board of the Ayala Plan. For the first time in PRI history, some peasants are being drawn into opposition movements, including the PAN.

The Factions

Various named and identified are three tendencies inside the PRI. All support the PRI's continued political control over Mexican society, but they disagree on the extent of state power needed to maintain this control.

The most active and ideological tendency, currently represented by former President Luis Echeverria, carries forward the revolutionary-nationalist line first articulated by 1930s President Lazaro Cardenas. Its representatives are referred to as "Echeverristas" or "Cardenistas" or as represented through the labor unions "Lombardistas" after Cardenas' advisor and labor leader Vicente Lombardo Toledano. Some of its well-known members include Porfirio Munoz Ledo and Cuanhtemoc Cardenas. This tendency favors a strong centralized and authoritarian state to direct the political, economic, and social activities of Mexican society. It opposes democratic elections and favors the carro completo or final roll back of the political opposition led by the conservative PAN.

On international positions, the "Echeverristas" identify with Third World radicals, are pro-Soviet, pro-Castro, and pro-Sandinista, and anti-U.S. Invoking anti-imperialism, this faction opposes foreign direct investment in Mexico. Instead, its representatives, when in office, have consistently favored borrowing from foreign banks to finance the growing state sector.

Retreating "Echeverristas." Most recently this group attempted, in the name of "democratic reform," or corriente democratizadora, to advance one of its leading members, Porfirio Munoz Ledo, as a presidential candidate. Calling for a more "open and democratic" selection of the next PRI president, this was widely viewed as a political comeback attempt by Echeverria. It is assumed that he would gain control of the PRI through Munoz Ledo. The "Echeverristas" schemes frightened the other PRI factions, unifying them. The Echeverristas have retreated for the time being.

Isolated "Pragmatists." The second faction within the PRI is the pragmaticos. They tend to be isolated individuals who lack the organizations and ideological glue of the Echeverristas. The pragmaticos favor a more liberalized economic system that harnesses private sector initiative and foreign direct investments to develop Mexico's economy. Until

Echeverria, they were influential in the Finance Ministry, which acted as a restraint on government spending. After Echeverria removed them from the Finance Ministry, their influence waned. Leading pragmaticos are Antonio Ortiz Mena, formerly with the Finance Ministry of Presidents Adolfo Lopez Mateos (1958-1964) and Diaz Ordaz.

Eclectic "Technocrats." Positioned between these two tendencies are the "technocrats." Their ideological and philosophical perspectives tend to be eclectic, drawing from both the socialist and pragmatic factions. Technocrats favor a "mixed economy" under the management or "rectorship" of the state; they favor some economic restructuring such as limited privatization and streamlining of the inefficient parastatal industry; and they want only limited foreign investments. Politically they now support the carro completo blocking the electoral gains of the opposition parties, claiming that in Mexico political legitimacy does not derive from elections. This tendency is best represented by de la Madrid and most of his cabinet.

The Succession

De la Madrid will select his successor by this fall. "Elections" confirming his choice are to follow in July 1988. Although the decision lies ultimately with the President, various hopefuls have begun maneuvering for position in the line up.

Leading at the moment is Alfredo del Mazo, the Secretary of Energy, Mines, and Parastatal Industries. His greatest strength is his close personal relationship with de la Madrid, who has promoted him into the higher circles of the government. Political analysts in Mexico believe del Mazo to be the candidate favored by labor leader Fidel Velazquez.

Following closely behind del Mazo is Minister of Interior Manuel Bartlett. His chances have been strengthened by his successful and nonviolent repression of the opposition in last year's gubernatorial elections. He now faces another test. He must deal with the student strike at the government-controlled "Autonomous" University (UNAM) in Mexico City. His chances of succeeding de la Madrid would be seriously jeopardized if the strike spilled over and ignited widespread and violent anti-government protests.

Long Shots. Trailing behind these two candidates is Salinas de Gortari, the Secretary of Federal Programs and Budget. His position was strengthened when Jesus Silva Herzog, long the front-runner in the succession race, resigned last June as Minister of Finance. Because of Salinas' control over the budget allocations, he wields considerable power within the system and uses it to gather supporters. Salinas also hopes to garner regional support from the governors through his allocation of federal funds to their states.

The presidential long shots are Gonzalez Avelar, the Secretary of Education, and Ramon Aquirre, the appointed governor of the Federal District that includes Mexico City. Both are close friends of de la Madrid and could be chosen for their loyalty to the outgoing president. By choosing Avelar or Aquirre, de la Madrid might be hoping to avoid attacks on his record and personal integrity.

The Opposition

Much of the PRI's success as an enduring political system derives from its coopting its competitors by bringing them into the system. If that has failed, then the opposition has

been repressed. Opposition parties and groups have been tolerated to the extent that they legitimize the system's claim to be democratic. Once they begin to threaten the PRI's control, their momentum is stopped. Vote stealing is a common ploy.

The major source of the PRI's problems from outside the system has been the traditionally conservative National Action Party that was organized in 1939. PAN's popular base is the middle class and those in the private sector who have become increasingly alienated by a political system that excludes their participation. On the Left are a myriad of parties. The most influential is the Unified Socialist Party of Mexico or PSUM, a coalition of leftist parties built around the old Communist Party. The opposition also includes some civic action groups, the Catholic Church, independent unions, and leading intellectuals.

CONCLUSION

Since its emergence from the revolution of 1910, the PRI has had to renew continually its claim to rule for all Mexicans. The need to establish its legitimacy over the years pulled the PRI in different, sometimes contradictory directions. This has required the PRI to adapt to changing political, social, and economic conditions, to negotiate with and coopt rivals, and to resort to repression when other means failed.

Today the PRI seems to have lost its famous political resiliency. Its leaders are isolated from those they govern. They are discredited by widespread official corruption, vote tampering, and an apparent inability to pull Mexico out of the worst economic depression in its history. Even the PRI's most convenient escape hatch--blaming its giant northern neighbor--no longer works. Most Mexicans now blame the system for perpetuating economic misery, and many have responded through the ballot box. The PRI has successfully repressed this opposition but at significant cost to its political credibility.

Borrowing Abroad, Spending at Home. To regain popular support and survive its mounting difficulties, the PRI is counting on improved economic conditions in coming years. It hopes to achieve this by borrowing from foreign banks and the international lending institutions and spending more money on public projects and programs. But this will perpetuate the very policies that first led to the crisis in 1983.

It is unlikely, then, that the PRI's economic problems will be resolved in the near future. With a no-growth economy, the political pressures and conflicts will grow. Should the opposition continue to grow in diversity and size, the chance for widespread and violent eruptions would increase. Faced with such disorder, a weakened PRI may be faced with challenges it can no longer deflect and control.

Impact on U.S. The impact of a weakening PRI on U.S. economic and security interests is potentially enormous. U.S. economic interests are adversely affected by Mexico's deteriorating economy, and the burden of maintaining the solvency of the Mexican government will inevitably be felt by American taxpayers. Political and economic instability, moreover, will continue to force large numbers of immigrants to cross into the U.S., straining an already overloaded U.S. capacity to absorb such flows into its social and economic structures.

Finally, at stake in this crisis is the security of the U.S. This security has long been assured by the stability and friendship of its neighbors and could be jeopardized by unexpected political changes arising from Mexico's crises. A collapse of Mexico's political system most likely would create a power vacuum. This would leave Mexico wide open to the possibility of an externally supported takeover by interests directly opposed to the U.S. Ultimately, U.S. security will depend on its ability to help Mexico make the changes needed to ensure long-term political and economic security. This will require a closer evaluation of the PRI's ability to change and survive.

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