

RUSH!

3/30/94 Number 377

MEXICO IS BACK: THE AFTERMATH OF THE COLOSIO ASSASSINATION

The March 23 assassination of Luis Donaldo Colosio in Tijuana shocked Mexico and the world. Colosio, who was the Institutional Revolutionary Party's (PRI) presidential candidate, was almost certain to become Mexico's next leader. Many fear that Colosio's death could lead to instability and financial chaos in Mexico. But Mexico's political and economic institutions, strengthened by the reforms of President Carlos Salinas de Gortari, are resilient enough to withstand this turbulent chapter in Mexican history. Mexico's determination to stay on its current course was demonstrated yesterday by the Salinas Administration's announcement that Ernesto Zedillo Ponce de Leon would be the new PRI candidate and that the elections would be held as scheduled on August 21.

In fact, the Colosio murder might well consolidate the country and forge a greater sense of national unity. Salinas has deplored the act of violence and called upon the Mexican people to find constructive and peaceful solutions to the country's political problems. There is a sense of national indignation that acts of violence have reached this extreme—an extreme that has not been witnessed in Mexico since the 1928 murder of General Alvaro Obregon, the country's president-elect. The Colosio assassination, combined with the ongoing rebellion by the Zapatista National Liberation Army (EZLN) in the southern Mexican state of Chiapas, are challenges for the Salinas government, but they will be overcome.

An Attempt to Discredit the Salinas Record. No one knows yet whether Colosio's assassin, 23-year-old Mario Aburto Martinez, acted alone or was part of a conspiracy. But it is likely that the recent political violence in Mexico is an attempt to discredit the Salinas record during his last year in office. In the wake of the uprising in Chiapas in January, the Colosio assassination has created a sense of chaos and uncertainty in Mexico at the very time that Salinas's economic and political reforms are beginning to pay dividends.

There are many who might benefit from such an atmosphere. So-called old guard elements within the PRI that are against the Salinas reforms and radical elements within the leftist Party of the Democratic Revolution (PRD) both would like to undermine the Salinas record. Rumors persist that such Salinas opponents could have been behind one or both of these latest crises.

But despite these rumors, Mexico is fundamentally a stable country. The PRI has governed Mexico for 65 years. More important, though, the Mexican people and government want to become a modern nation and join the global economy. It is for this reason that the government has negotiated the NAFTA and several other regional free trade pacts, privatized state-owned industries, instituted political reforms, cracked down on drug trafficking and corruption, and improved ties with Washington. Reforms such as these have made Mexico one of the economic success stories of the developing world.

Popular Candidate. The 44-year-old Colosio was the ideal man to continue this modernization process and advance Salinas's successful free market and democratic reform programs. He was a talented and popular politician whose popularity was rising as his presidential campaign strengthened. As the former President of the PRI and Secretary for Social Development (SEDESOL), Colosio knew well Mexico's most pressing needs, includ-

ing democratic reforms, human rights, anti-poverty programs, and environmental protection. Colosio's campaign message was that, as president, he would address these very real concerns, while maintaining the economic course of Salinas's free market revolution.

The Salinas Administration took an important step in reassuring the Mexican people and calming fears in the financial markets when the PRI's Executive Directorate announced yesterday that the new PRI candidate would be Zedillo. The 42-year-old Zedillo is seen as a favorite of the pro-reform, Salinas wing of the party, and is now the best available candidate to further the Salinas free market and democratic revolution.

Zedillo served as Colosio's campaign manager and had previously held posts as the Secretary of Budget and Planning, as well as Secretary of Education. He is a pro-Salinas technocrat, who received his Ph.D. in Economics from Yale University and was one of the primary architects of Mexico's free market reform program. Zedillo's nomination, however, was challenged by the old guard of the party who fear that Salinas's reforms have undermined their power bases and the system of patronage.

Mexico's Financial Markets. There are also concerns in the U.S. over how this tragic incident will affect Mexico's financial markets. Salinas closed all banks and the Mexican stock exchange the day after the murder as part of a national day of mourning and to prevent a run on the peso, which has remained steady at 3.35 pesos to the dollar in the days following the assassination. While Mexican stocks dropped by 74.63 points, or 3 percent, on March 28, Mexico funds in U.S. markets were generally stable under the circumstances.

In Washington, the Clinton Administration helped Mexico brace for a possible run on the peso by establishing a temporary \$6 billion line of credit that will allow Mexico to borrow dollars with which it can buy pesos in an effort to support the currency's value. Said Secretary of the Treasury Lloyd Bentsen: "This agreement demonstrates continued strong support for Mexico's economic policies." Added Bentsen: "We continue to have every confidence that Mexico is on the right economic path....The fundamental reforms it has undertaken in recent years have laid a very strong foundation for stable, noninflationary economic growth."

The government's ambitious modernization plans depend greatly on foreign investment and the foreign exchange earned through international trade. With the NAFTA in place, the Salinas Administration was secure that such investments would be coming, but the Chiapas insurgency and the Colosio murder could temporarily slow the flow. Political instability diminishes the confidence that is required to lure foreign investors. But with the choice of Zedillo as the new candidate, confidence in Mexico will likely be restored.

Implications for the U.S. The Clinton Administration has moved rapidly to demonstrate its support for the Salinas Administration and Mexico by extending the line of credit and offering the services of the Federal Bureau of Investigation to assist with the murder case. The U.S. should continue to offer its strong support for the political process in Mexico. Mexico, America's fastest-growing and third-largest trading partner, is an ally and friend.

There is, however, a danger that the recent troubles in Mexico could place the NAFTA implementation process on the back burner precisely at a time when the agreement needs a strong push. Difficult negotiations are underway between the U.S., Mexico, and Canada on such complex issues as foreign investment in Mexico's energy sector, Mexican banking regulations, and the creation of labor and environmental commissions. The Clinton Administration should encourage the Salinas government to move ahead with these and other NAFTA-related negotiations. Instead of retarding the NAFTA process, the assassination can actually galvanize Mexico to speed up its economic integration with the rest of North America.

With the NAFTA firmly in place and the Salinas Administration's clear commitment to democracy and a free market system, relations between the U.S. and Mexico should continue to improve. Mexico's continued stability and economic growth depend very much on a close and cooperative relationship with the U.S. The Clinton Administration, therefore, must reassure Salinas that Mexico can depend on the support of its northern neighbor during this time of crisis and uncertainty.

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