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Mexico's National Elections: Zedillo Wins Honestly, Continuity of Free-Market Policies is Assured

John Sweeney
Policy Analyst

The August 21 Mexican national elections were a major victory for democracy. Voter turnout was huge and, according to international election monitors who observed them, the elections were the cleanest and most transparent in decades. Ernesto Zedillo, the Institutional Revolutionary Party (PRI) presidential candidate, won 48.77 percent of the total vote, Diego Fernandez de Cevallos of the conservative National Action Party (PAN) obtained 25.94 percent, and Cuauhtemoc Cardenas of the left-wing Democratic Revolutionary Party (PRD) was a distant third with 16.60 percent. Six smaller parties and spoiled ballots accounted for the remainder of the presidential vote.¹

While some electoral irregularities occurred, international observers confirmed that the elections were honest. To be sure, some polling stations opened late and in some places there were not enough ballots.² The PRD's Cardenas charged fraud, claiming that the PRI had stolen eight million votes.³ But the international observers who were invited by Mexico's government to monitor the elections generally concluded that the irregularities would not have affected the outcome. Richard N. Holwill, former U.S. Ambassador to Ecuador and former Deputy Assistant Secretary of State for Inter-American Affairs, was one of the outside observers. He concluded that the charge of PRI fraud "was not credible. In fact, my colleagues and I witnessed PRD vote fraud as poll-workers in some rural areas directed *campesinos* to vote for Cardenas and the PRD."⁴

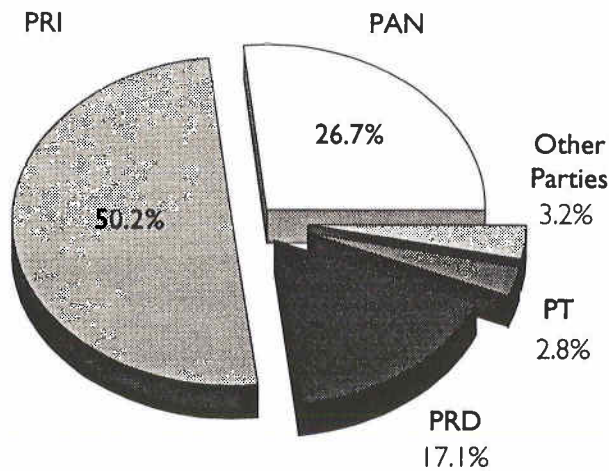
The PRI, the world's longest-ruling political party still in power, also won 300 directly elected seats to the Chamber of Deputies or lower house of Congress, and all 64 directly elected seats in the newly expanded Senate. Under Mexico's proportional representation rules, the PAN will have 24 seats in the Senate and 18 in the Chamber of Deputies, while the PRD will have eight seats in the

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- 1 Government of Mexico, Federal Electoral Institute, "Final Results of the August 21 Elections," August 29, 1994.
 - 2 Peter Bate, "Election Marks Mexico Turning Point, US Analysts Say," Reuter, August 23, 1994.
 - 3 Many analysts believe that Cardenas won the 1988 elections, but was cheated when the computerized ballot counting system controlled by PRI officials suffered a mysterious breakdown.
 - 4 Richard N. Holwill, "Mexico Wins International Respect in August 21 Elections," Holwill & Company, August 31, 1994.

The Mexican Presidential Election: Vote by Party

Share of Valid Votes



Share of All Votes

Party	Valid Votes	Percent of All Votes
PRI	17,336,325	48.77%
PAN	9,222,899	25.94%
PRD	5,901,557	16.60%
PT	975,356	2.74%
PVEM	330,381	0.93%
PFCRN	301,524	0.85%
PARM	195,086	0.55%
PPS	168,603	0.47%
PDM	99,216	0.28%
Unregistered Candidates	18,554	0.05%
Null Votes	1,000,782	2.82%
Valid Votes	34,549,501	97.16%
All Votes	35,550,283	100.0%

Source: Federal Electoral Institute of Mexico.

Senate and five in the lower house. Another 200 seats in the Chamber of Deputies will be formally allocated in October, with observers estimating that the PRI will end up with at least 300 of the 500 seats in the lower house, or only slightly less than its current 323. The PAN is expected to raise its presence in the lower house from 88 seats to about 119, and the PRD is expected to have about 71 seats, up from its current total of 40.⁵

The biggest winners in these elections were the Mexican people, President Carlos Salinas de Gortari, and the PAN. Mexico's Federal Electoral Institute reported that 77.73 percent of the country's registered voters participated in the elections, and international observers posted throughout the country reported that many voters appeared to be motivated by a desire to show the world that Mexico is a true democracy. Many voters also appeared to split their vote by voting for Zedillo on the presidential ballot, while dividing their votes for senator and deputy among other parties.⁶ Clearly, although the PRI is not held in high regard by many Mexicans, the Mexican people appear determined to achieve political and electoral reforms through peaceful democratic processes rather than through violence.

Mexican Political Parties

PRI	Institutional Revolutionary Party
PAN	National Action Party
PRD	Democratic Revolutionary Party
PT	Labor Party
PVEM	Green Ecologist Mexican Party
PFCRN	Cardenista Front of National Reconstruction Party
PARM	Party of the Authentic Mexican Revolution
PPS	Popular Socialist Party
PDM	Mexican Democratic Party

⁵ Kieran Murray, "Mexico Ruling Party will Dominate Congress," Associated Press, August 29, 1994.

⁶ Consortium for Research on Mexico (Profmex) Statement on Zedillo's Electoral Victory in the 1994 Mexican Presidential Elections, August 22, 1994.

Outgoing President Salinas was a winner because the electoral reforms he forced upon the PRI were a major factor in the honesty of the August 21 elections. Salinas had been criticized for delaying needed electoral reforms while he concentrated on the modernization of Mexico's economy. Nonetheless, the reforms were in place before the elections, laying the necessary groundwork for

State	Senators		Deputies Number Elected
	First-Place Finisher	Second-Place Finisher	
Aguascalientes	PRI 46.62%	PAN 34.15%	PRI 2
Baja California	PRI 48.27%	PAN 36.36%	PRJ 6
Baja California Sur	PRI 57.19%	PAN 31.54%	PRI 2
Campeche	PRI 55.04%	PRD 22.2%	PRI 2
Coahuila	PRI 48.77%	PAN 28.81%	PRI 7
Colima	PRI 52.43%	PAN 25.36%	PRI 2
Chiapas	PRI 45.87%	PRD 31.52%	PRI 8, PRD 1
Chihuahua	PRI 87.66%	PAN 29.43%	PRI 10
Distrito	PRI 41.95%	PAN 26.02%	PRI 37, PAN 3
Durango	PRI 47.11%	PAN 23.15%	PRI 6
Guanajuato	PRI 53.39%	PAN 29.44%	PRI 12, PAN 1
Guerrero	PRI 48.42%	PRD 33.55%	PRI 10
Hidalgo	PRI 58.82%	PAN 16.80%	PRI 6
Jalisco	PRI 44.14%	PAN 41.12%	PRI 11, PAN 9
Mexico	PRI 44.63%	PAN 26.06%	PRI 33, PAN 1
Michoacan	PRI 43.80%	PRD 34.93%	PRI 11, PRD 2
Morelos	PRI 49.67%	PAN 19.32%	PRI 4
Nayarit	PRI 57.49%	PRD 14.95%	PRI 3
Nuevo Leon	PRI 47.92%	PAN 32.54%	PRI 9, PAN 2
Oaxaca	PRI 50.31%	PRD 26.49%	PRI 9, PRD 1
Puebla	PRI 50.29%	PAN 25.79%	PRI 14
Queretaro	PRI 60.63%	PAN 27.65%	PRI 3
Quintana Roo	PRI 54.04%	PAN 28.59%	PRI 2
San Luis Potosi	PRI 58.32%	PAN 23.99%	PRI 7
Sinaloa	PRI 51.41%	PAN 31.11%	PRI 9
Sonora	PRI 47.76%	PAN 32.62%	PRI 6, PAN 1
Tabasco	PRI 56.25%	PRD 31.82%	PRI 5
Tamaulipas	PRI 48.00%	PAN 20.00%	PRI 9
Tlaxcala	PRI 52.29%	PAN 22.22%	PRI 2
Veracruz	PRI 51.70%	PRD 22.92%	PRI 22, PRD 1
Yucatan	PRI 52.71%	PAN 40.20%	PRI 3, PAN 1
Zacatecas	PRI 59.63%	PAN 21.27%	PRI 5

Source: Federal Electoral Institute of Mexico.

his successor to broaden the process of political reform during his six-year term. Moreover, Zedillo's victory was interpreted internationally as confirmation that the free-market policies of the Salinas administration will be continued by the next government. Although the three principal candidates had pledged the continuity of Salinas's policies, Zedillo's win was seen by investors as the best of the possible outcomes.

PAN candidate Fernandez de Cevallos trailed Zedillo by 22.83 percent, but the party's respectable second-place showing indicates that Mexico is in transition to a multiparty system, and that Zedillo—despite the PRI's control of the Senate—will govern with a Congress that could become a check and balance on the executive power.

Zedillo appears determined to press forward with the country's political reform as quickly as possible. A week after the elections, he pledged to seek a dialogue with the political opposition, strengthen the rule of law in Mexico, and distance the PRI from the government. Zedillo told party officials that he would seek a "genuine division of power" between the executive, legislative, and judicial branches of government.

The new government's immediate priorities, however, will be economic. Mexico's recession appears to be over. Following the Finance Ministry's August 16 report that the economy grew 3.8 percent during the second quarter, private analysts are forecasting that Mexico's gross domestic product will grow 2.5 percent in 1994 and 4.2 percent in 1995, with inflation declining this year to 6.5 percent and interest rates to between 11 percent and 12 percent.⁸ With the recovery already un-

7 "Presidential Winner Zedillo Pledges Dialogue, Openness," Reuter, August 29, 1994.

8 Comments by Mexican Business Council President Luis Carcoba Garcia, Reuter, August 26, 1994.

derway, it should not be difficult to create jobs. More important, now that the elections are over, the post-NAFTA surge in direct foreign investment is expected to return. Investor confidence, shaken by the assassination of PRI candidate Luis Donaldo Colosio on March 23, will likely return as Zedillo takes office.

The improved investment outlook is good news for Zedillo as he confronts the problem of Mexico's current account deficit, which some observers estimate could be as high as \$25 billion to \$28 billion this year.⁹ Mexico is largely dependent on foreign capital to finance its current account deficit—requiring about \$2.3 billion a month this year alone. Before the elections, some observers worried that the potential PRI electoral fraud and subsequent public condemnations by international monitors could have a negative impact on investor confidence, cutting off capital flows into Mexico and forcing the government to dip into the country's international reserves. But Zedillo's convincing win—and the validation of his victory by international observers—has eased pressure on the peso.¹⁰

Mexico is now poised for strong economic growth, but PRI officials, brokerage firms, and many investors are saying that lingering concerns about the peso's stability can be defused in the near term only by renewing Mexico's anti-inflation economic pact in October or November. The annual agreement between government, business, and labor, known as the Pact for Stability, Competitiveness, and Jobs (PECE), was begun in 1987 by President Miguel de la Madrid. Its supporters contend the pact has been a key factor in Mexico's successful effort to bring down inflation. Some Mexican business leaders argue that renewal of the pact is needed to boost investor confidence.

In the longer term, Zedillo must deepen Mexico's economic reform and modernization by breaking up monopolies, privatizing the oil industry, and reforming the country's judicial system and commercial laws. Moreover, the new Mexican president should carry out the political reforms he has pledged. On August 21, the Mexican people voted for democratic reform and economic prosperity. Zedillo's mandate is to fulfill those expectations.

Mexican Federal District Legislators

Federal District	Winning Party	Percentage of Vote
I	PRI	35.68%
II	PRI	40.43%
III	PRI	44.83%
IV	PRI	44.38%
V	PRI	44.03%
VI	PRI	40.86%
VII	PRI	40.59%
VIII	PRI	44.53%
IX	PRI	39.28%
X	PRI	39.33%
XI	PRI	41.64%
XII	PRI	41.59%
XIII	PRI	40.19%
XIV	PRI	37.88%
XV	PRI	39.32%
XVI	PRI	38.95%
XVII	PRI	39.33%
XVIII	PRI	41.38%
XIX	PRI	40.07%
XX	PRI	39.89%
XXI	PRI	39.09%
XXII	PRI	36.02%
XXIII	PRI	43.86%
XXIV	PRI	35.68%
XXV	PRI	39.57%
XXVI	PRI	41.27%
XXVII	PRI	43.96%
XXVIII	PRI	38.19%
XXIX	PRI	39.79%
XXX	PRI	42.75%
XXXI	PRI	40.01%
XXXII	PRI	42.11%
XXXIII	PRI	39.40%
XXXIV	PRI	48.79%
XXXV	PRI	48.94%
XXXVI	PAN	38.14%
XXXVII	PRI	38.48%
XXXVIII	PRI	40.73%
XXXIX	PAN	33.20%
XL	PRI	40.57%

Source: Federal Electoral Institute of Mexico.

9 Christine Tierney, "Mexico's New Leader Must Create Jobs—Economists," Reuter, August 26, 1994.

10 Banamex, Mexico's largest commercial bank, said in a recent study that there is "no evidence" that the peso is overvalued despite a recent decline in the currency's value, sharp increases in the trade and current account deficits, and falling foreign exchange reserves. But the same study also admits there are "indications" that a devaluation may be needed "sometime in the near future." One of the most widely accepted measures, the so-called Bic Mac Index, indicates that the peso may be overvalued by as much as 26.9 percent against the dollar. The index compares the price difference in the two countries of a Big Mac hamburger, which sells for \$2.99 (package meal) in the United States, and the equivalent of \$3.79 in Mexico.