

**R**ECENTLY, just outside the mountain village of El Rodeo, Carlos Salinas de Gortari inaugurated a new dam, flooding a small, stony valley and providing running water, irrigation and electricity to the area for the first time. The women and children of El Rodeo heard the president of Mexico dedicate the project, but there were few young men. "They went to the United States to find work," explained a villager.

Now they are starting to return. With irrigation, bean cultivation is expected to rise sixfold. The area is attracting private investment, including textile plants. "We are creating a magnet to get people to stay in Mexico," said Salinas. It is

Led by a Harvard graduate, our southern neighbor seems poised for an economic take-off

## Mexico's New Revolution

By J. MICHAEL WALLER

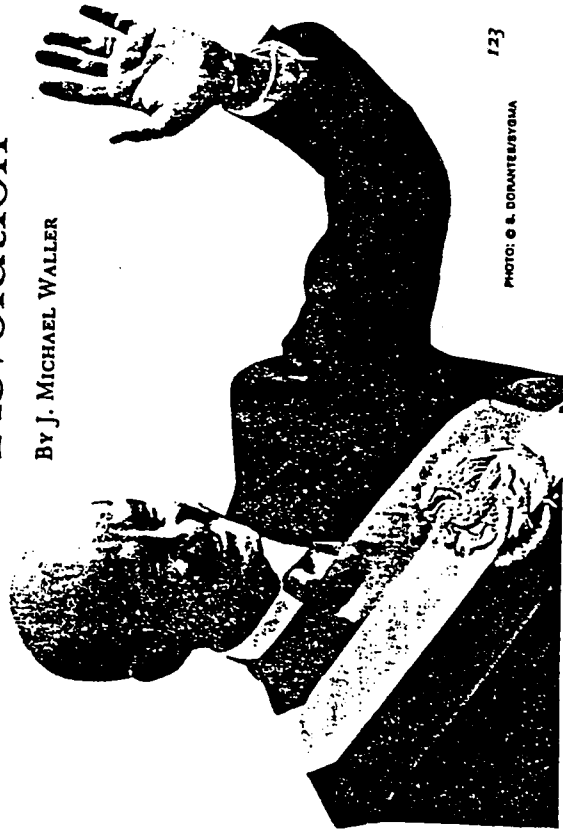


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### READER'S DIGEST

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raised from the sale of state-owned business, it will take two years.

There is a revolution under way in Mexico. It is peaceful. And its leader is an unassuming, soft-spoken Harvard graduate. By opening its markets to greater competition and reducing government interference in the economy, Mexico's president is trying to pull his nation of 81 million from the quicksands of economic decay and institutionalized corruption.

When Salinas became president in 1988, inflation hovered at an annual rate of over 50 percent and unemployment was soaring. The country staggered under a foreign debt of \$81 billion, the second largest in the Third World after Brazil. Cronyism and machine politics bloated a giant state and party bureaucracy that stifled economic growth and made corruption a way of life. Millions of people had fled the country in search of opportunity.

Salinas won a narrow victory amid allegations of widespread election fraud and took office without mandate. But he stunned the nation when, barely a month into his term, he confronted one of Mexico's most powerful fixtures, Joaquín Hernández Galicia, "La Quina," the notorious boss of the oil workers' union. La Quina, who had run the union as his personal fiefdom for two decades, was

charged with weapons violations and murder. Refusing to surrender, he holed up in his fortified headquarters. Salinas sent in federal troops. La Quina and his henchmen gave up only after a shootout in which the soldiers fired a bazooka through a front gate. He awaits trial in a Mexico City jail.

Salinas turned the police on tax cheats and corrupt revenue auditors. When a government audit revealed unreported gifts of land to the former secretary of agriculture, lavishly ensconced in Rome as Mexico's representative to the U.N. Food and Agriculture Organization, he was forced out of office.

It was clear to Salinas that massive foreign investment was necessary to move the country forward, but given the record of recent administrations, investor confidence abroad was absent. Radical changes were needed.

Salinas swiftly began privatizing state-owned companies, renegotiating the foreign debt and seeking a new, constructive relationship with the country's largest trading partner, the United States. He deregulated the trucking industry and slashed tax rates on income, corporations and imports. A system—which for half a century had been insulated from the outside world, stagnant with subsidies, protectionism and shoddy products—was now being opened. Government revenues shot up as the long-moribund economy was jump-started.

Salinas, the son of a former cabi-

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net minister, was raised as part of Mexico's elite ruling Institutional Revolutionary Party (PRI). He enrolled at the National School of Economics while competing as a member of Mexico's international equestrian team; at the 1971 Pan-American Games, Salinas won a silver medal.

He earned a Master's degree in public administration at Harvard in 1973 and returned to Mexico City to teach at the PRI Training Institute and to lead an economic studies department at the Finance Ministry.

Moving in and out of government between stints at Harvard, where he received a Master's in political economy and government in 1976 and a Ph.D. in the same area in 1978, Salinas worked his way up the bureaucracy.

Those who served with Salinas remember him as a team player who immersed himself in economic reform and ignored the spotlight. The presidency was not a long-term goal. As he puts it, "I always tried to climb the next step in the ladder. If I was head of a department, I wanted to be in the secretariat. If I was in the secretariat, I wanted to be secretary. Only when I was secretary did I want to be president."

Little in Salinas's professional or political training indicated a pre-disposition toward the free market or antipathy to government control of the economy. But his experience in the United States made its mark.

Salinas could observe from a distance how Mexico, despite new-found oil wealth, remained far behind much of the rest of the world.

Before Salinas's generation, few influential Mexican officials had been educated outside their country. As a result, policies remained insular, indeed xenophobic. Today, more American-educated officials than ever lead the government. Several, including the secretaries of treasury, budget and commerce, joined the cabinet while in their 30s. These young technocrats view Mexico as much in global as in national terms. They are acutely aware of the failure of "economic stabilization" programs in Brazil and Argentina, where government controls drove reeling economies further into the morass.

The cornerstone among Salinas's economic reforms is his *Solidaridad* ("Solidarity") program, through which state enterprises are sold, with the proceeds invested in public works.

"Privatizing public-sector enterprises is vital to gain the resources necessary to respond to social demands," Salinas explained over coffee in his spacious office at Los Pinos, the Mexican equivalent of the White House. "So I sold the airlines, and that brought electricity to one of the biggest slums around Mexico City, Chalco, to more than a quarter of a million people."

Not everybody is satisfied with Salinas's reforms. Laws still limit foreign ownership, and the govern-

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ment maintains its monopoly on oil production, which Salinas intends to preserve while promising greater efficiency. Graft continues to pervade the Mexican government. Political opponents of all stripes denounce *Solidaridad* as a cash cow for the PRI, arguing that it gives the party a distinct advantage.

Village-owned collective farms or *ejidos*—leftovers from the land reform after the 1910 revolution—are unable to produce effectively because of small, inefficient plots and little investment. Yet in northern Mexico flourishing private farms make that region the top exporter of fresh produce to the United States. Salinas acknowledges the collective farms' inefficiency, but for political reasons—there is strong emotional attachment to the *ejidos* in the rural areas that are a PRI power base—he has yet to advocate their privatization.

As part of his cost-cutting measures, Salinas has slashed federal subsidies for food. This act alone provided fodder to the growing leftist political opposition, underlining the importance of hastened modernization.

Salinas insists that he is as committed to democratic reform as he is to economic renewal, but reports of fraud in local elections in the states of Mexico and Hidalgo last November have raised questions about the seriousness of that commitment. Says Cuauhtemoc Cárdenas, a former PRI governor and son of Mexico's most popular president, "it has damaged the possibility for democratic change." Opposition leader Luis H. Alvarez of the conservative National Action Party (PAN) believes that Salinas will open Mexico democratically but only if society pressures him. "There is no authoritarian system in the world that voluntarily, freely and spontaneously has established the formulas for it to be removed from power," says Alvarez. "The PRI is no exception."

Mexico's crisis is far from over. Its problems are so severe that social upheaval may yet occur. Still, optimism emanates from the Mexican leadership. With the free-trade agreement now being discussed with the United States, Mexico seems on the threshold of an economic take-off.



### Call Baiting

MY NEIGHBORS, the Dills family, were being interrupted repeatedly at supper time by a woman phoning to sell them a burial plot. "We're not interested," Mr. Dills would say before slamming down the receiver.

At last, the Dills' supper was disturbed one time too many—Mrs. Dills sprang up to answer. After listening to the spiel, she said, "We're not interested. You see, we're not going to be buried. We're going to be pickled."

—Contributed by Kathryn H. Hart

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