

MEXICO

DAWN OF THE NEW ATOMIC AGE

Business will be pleased so long as he doesn't make life so difficult that he sparks a revolution," said a member of the ruling Partido Revolucionario Institucional (Institutional Revolutionary Party - PRI) after hearing that the next President will be Carlos Salinas de Gortari, architect of the current administration's unpopular austerity policies.

The warning may be extreme, but reflects the sharply differing views of the former budget and planning minister, who promises more of the same when he takes office at the end of next year. He will delight the business community, but upset the poor.

Party president Jorge de la Vega ended months of speculation when he named the budget minister as Mexico's next leader. But many of the tens of thousands of Mexicans bussed in for the announcement responded to Carlos Salinas de Gortari with silence and some booing, reflecting the feelings of those as yet untouched by the promise of economic recovery. Increased growth, improved trade figures and the rise of foreign reserves to a high of US\$15-billion are predicted to turn the economy around.

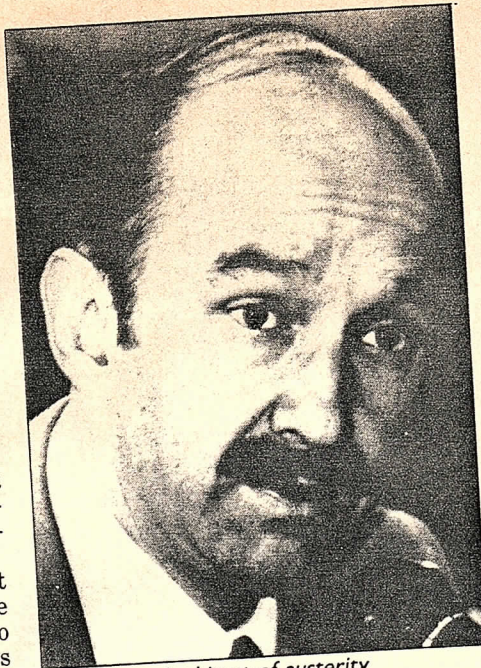
The day after de la Vega's announcement, trading on the stock exchange was suspended when the 42-share index rose by 8 per cent in 90 minutes.

As the mastermind of President de la Madrid's economic recovery programme, Salinas de Gortari won support from the private sector and international financial community for cutting government spending, liberalising foreign trade and privatising or closing hundreds of unprofitable state-run companies. The move away from dependence on petroleum has boosted non-oil exports to more than 50 per cent of foreign earnings.

It was President de la Madrid's wish to see these policies continue that led him to pick Salinas de Gortari as the PRI's presidential candidate - a move which guarantees his election. (Although opposition parties will field election candidates, the PRI has held power since 1929 and shows no signs of relinquishing it.)

Some Mexican Presidents have rejected their predecessors' policies, but Salinas de Gortari engineered the present scheme and would gain nothing from changing it.

The only possible change may be in the pace rather than the type of reform.



● Salinas: Architect of austerity

Salinas de Gortari faces bigger problems than did de la Madrid after the 1982 debt crisis. The economic reform programme has taken a social and political toll, say his critics.

Salinas de Gortari is held responsible for failing to control inflation, now running at more than 130 per cent a year. Wages have failed to keep pace and living standards have been nearly halved in the past five years.

The unions, one of the three pillars of the ruling party, opposed Salinas de Gortari's nomination. Healing the internal party fractures created by the blow to labour leaders is an urgent task.

"The de la Madrid government has extracted a big price from Mexican society, so if Salinas de Gortari is going to continue with the same policy, we can be sure that at the end of the term there will be real troubles," says Lorenzo Mayer, chief political scientist at the Colegio de México.

"We cannot continue with this punishment of Mexican society in order to make the new economic model viable. At some point, Salinas de Gortari will have to make some arrangements to give the average worker some kind of help," Mayer says.

Salinas de Gortari's rise in the PRI has been one of the most rapid in history; that and his short stature have earned him the nickname "Atom Ant". At 40, he will be the youngest president in nearly half a century and the first economist to lead Mexico. He holds two master's degrees and a doctorate, in political economy and government, from Harvard university. He began his university education at the National Autonomous University of Mexico (Unam) 20 years ago, studying economics under then Professor Miguel de la

Madrid. The friendship was a key factor in Salinas de Gortari's entry to the finance and budget ministries and his later rise to budget secretary in 1982.

But the unions and many older politicians have little time for a man never elected to a political office.

Salinas de Gortari's supporters point to his intellectual skills and youth as sufficient assets to overcome resistance. "The Mexican president is very powerful," says Adrian Lajous, a supporter and former head of the Trade Bank. "As for the unions, they have a loyalty to the system. It's only natural that the man who's holding the fort on spending is not going to win much applause. But once he is in charge he will represent the system and the unions will go along with that."

The future President has already offered an olive branch to the unions, promising to "talk and listen". But he seems committed to the policies that the unions oppose. "Now is not the time for changes," he said before his nomination was announced. "The nation will not accept the advances already achieved being sacrificed. I share the conviction that the country is not made anew every six years and the history of Mexico does not start again with each administration."

This may not quell the bankers' fears. In cabinet, Salinas de Gortari has taken a pragmatic but hard line on the US\$105-billion foreign debt, demanding "firm negotiation". He is rumoured to have helped remove former finance minister Jesús Silva Herzog for being too soft on the banks.

Washington, which rarely understands what is happening to its southern neighbour, is treating his nomination cautiously; the rumour is that the US favoured interior minister Manuel Bartlett, an economic hardliner with the political strength to hold the country together.

Salinas de Gortari's lack of charisma and political base worries state department officials, concerned about a backlash against the austerity.

The economic crisis has generated political unrest and demands for real democracy that cannot easily be put down.

The PRI regularly rigs elections, and has defrauded the increasingly popular and conservative Partido de Acción Nacional (National Action Party - PAN) of state governorships and control of cities in the north. The mechanics of Salinas de Gortari's own selection has become the focus of protest. Dissent has grown up around a party group calling itself the Democratic Current, which wants future leaders freely elected, not chosen by the president.

"The process the Democratic Current has started cannot be stopped," Mayer says. "The PRI will have to accept that political modernisation requires pluralism."

Chris McGreal in Mexico City

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