

# The Role of Businessmen In the Transition

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Mexico's modern business community has displayed different forms of behavior with regard to participation in national political and economic life. History shows that on diverse occasions, whether openly or discretely, businessmen have changed their attitudes, positions and agreements vis-à-vis federal administrations. These changes are clearer when they coincide with transition periods. From 1940 until today, we can distin-

guish two clear moments and their respective changes. The first occurred when the 1982 foreign debt crisis heralded the exhaustion of the protectionist economic model, oriented to the domestic market. That transition was fundamentally economic.

The second change took place during what can be classified as an eminently political transition that came about not because of the weakening of the new economic strategy implemented after the 1982 crisis, but as an effect of the exhaustion of the corporatist, clientelist political system centered on

the symbiosis of the government and its official party. This transition began with Mexico's 1994 financial crisis, which was expressed in a political crisis. That was when conditions began to ripen for the real possibility of breaking up that historic, pernicious symbiosis between the Institutional Revolutionary Party (PRI) and the government, a possibility that had its most significant precedent in the election of a governor from a different political party in Baja California (1989), breaking the monolithic power the PRI had had until then.

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Moving from an apparently passive attitude to open protagonism, the business sector is meeting the current transition with the concrete proposals that emanated from the Business Coordinating Council (CCE), the “elite of the elites,” in 1998. The CCE’s appointed task is to coordinate the activities of all Mexican business organizations, to speak publicly for the sector, as well as to constitute a bridge between the business community and government. Its 1998 proposals were reiterated by other business associations in late 2000 once Mexico’s new president, businessman Vi-

This implied that businessmen recognized the government’s role in guiding the economy in exchange for its establishing the bases for the development of their companies through strict protectionism. At the same time, this attitude presupposed practical abstentionism by businessmen in all matters political. They were not even formally included as one of the “sectors” of the official party (as were the peasants, workers and community organizations), thus excluding them from public office or participating in elections. They could, however, negotiate with the government

administration, even if in word only, President López Portillo emphasized the importance of businessmen in the nation’s life and decision making.

The 1982 foreign debt crisis and the “statization” (state appropriation and control) of the commercial banking system marked the end of that model of accumulation. That state take-over was the culmination of the clashes between the most important sectors of the business community and the government. The crisis brought with it an absolute loss of confidence by society and, in particular, businessmen—private investment dropped and capital flight was rampant—which in turn brought profound transformations.

That year marked substantive changes both in the economy and in political life which began with the Miguel de la Madrid administration, continued under Carlos Salinas and Ernesto Zedillo. Between the last two, two assassinations of prominent members of the official party took place: that of Luis Donaldo Colosio, at the time PRI presidential candidate slated to succeed Carlos Salinas, and that of José Francisco Ruiz Massieu, then PRI general secretary.

Both the economy and the way of understanding and managing it underwent changes. That is when what some have called the “modernization” of the country began; this has implied a new role for the state and the reorientation of economic policy, forced both by the 1982 crisis and by international pressure after the moratorium declared on foreign debt payments. That reorientation is perceived in the opening of Mexico’s economy to foreign goods and capital, an extreme form of liberalization that during the López Portillo administration was severely questioned and attacked.

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cente Fox, a member of the National Action Party (PAN), had taken office.

#### THE TRANSFORMATION OF MEXICO’S ECONOMIC MODEL

After 1940, Mexico’s economic growth was based on the model known here as “a mixed economy,” which implied that there was both a capitalist model of accumulation and an agreement between businessmen and government on state regulation of the economy, subordinating the market and its logic of competition and efficiency. The model was based on the artificial creation of a strongly concentrated market, protected from foreign participation and competition, and an import-substitution policy to industrialize the country.

and, from their very particular position of strength, have an impact on decision making both through formal and informal mechanisms. This meant that control of a large part of the economy passed in practice into the hands of a block of certain factions of the political bureaucracy, large multinational corporations, the elite private bankers and the large industrial and commercial companies who sold to the domestic market.<sup>1</sup>

By the 1970s, this model began to show signs of strain, both economically and politically. This could be seen in the clashes between Luis Echeverría’s and José López Portillo’s administrations and the country’s most important business groups, which after that opted to participate more openly. Nevertheless, on different occasions during his admin-

Mexico's economy went very quickly from a strongly protected, closed economy to one of the world's most open and liberalized, thus inaugurating a new stage and model of accumulation known as neoliberalism. To a great extent this was the result of pressure from our creditors and the international regulating institutions and of our new leaders' identification with the new vision of the economy and economic policy. In general, this vision coincided with that of businessmen in that it aspired to lead to more efficiency and sustained and balanced growth. Nevertheless, the results of this change have not lived up to those hopes or official promises.

The new model's postulates—among which are the recognition of companies as the driving force behind the country's development—led to the establishment of a new relationship of the business community to the government, to the degree that businessmen and their representatives were brought into the decision-making process. This was the case of businessman Claudio X. González, at that time—and now once again—president of the CCE, brought into the government as a special advisor for international affairs to President Salinas.

In December 1994, when Ernesto Zedillo had just taken office, he had to deal with the effects of a restrictive economic policy and an over-valued peso. He was forced to devalue the Mexican peso, unleashing a severe economic crisis that very month. The economic model continued to be the same, with the same restrictive policies, and with priority on management and control of macro-economic indicators.

The results are well known: Mexican exports grew immensely, as did

imports (in the year 2000 we had a more than U.S.\$8 billion foreign trade deficit); the peso was seriously over-valued (some analysts put it at about 35 percent); productive chains were broken, except those linked to exports which, despite everything, reduced their participation as suppliers; and the informal economy and poverty both grew substantially (academic specialists who disagree with official figures estimate that 60 percent of the population—around 60 million Mexicans—is poor).

Nevertheless, businessmen think that this is the product of inefficient

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public administrations derived from the corrupt, authoritarian, corporatist, clientelist political system in power for more than 70 years. The results of last July's elections expressed a rejection of a political system that was at the root of corruption and inefficiency permeating society and everything it touched, a political system that could no longer stay afloat and went into crisis.

Businessmen began to perceive the new transition when President Zedillo opened up spaces for what is still an incipient political reform and a move toward a broader democratization process that allowed for greater pluralism in the political alternatives offered the public. Nevertheless, these changes happened fundamentally because of the determination and pressure from soci-

ety itself, the political parties and civic, union and community organizations, including an important role played by the business community.

In 1998, the CCE wrote a document that laid out the position of the business community—especially its elite—vis-à-vis the transition in Mexico.<sup>2</sup> This document has also been the basis for some of the CCE's affiliates to develop more concrete proposals about what they think should be done to change the country.

In its preamble, the document states, "The institutions that make up the

Business Coordinating Council, aware of our responsibility in this crucial transitional stage of our history, and committed to the common good of the nation, propose to all our affiliates—as well as to the principle actors in this process and to Mexican society in general—that we all actively commit ourselves to achieving a free Mexico, characterized by the existence of the rule of law, institutions and ethical principles and values, that will lead us by peaceful means to a full representative and participatory democracy with a socially responsible market economy." When the business community says that Mexico is going through a transition, the document explains, it means that Mexicans have decided "to abandon uncritical, conformist attitudes and assumed a new vocation of demanding,

participating, solidarity and co-responsibility.” They also underline that it is not only possible that the business community participate in the design of a new system; it is its “moral duty.” And they back up their idea with 24 fundamental theses.

This idea of active business participation can be seen in the following statement: “Mexican business, together with other sectors, took upon ourselves the task of accelerating the democratic transition that Mexico had been going through for several years, confident in our conviction that the consolidation of democracy in our country would gen-

5. Modernization of the institutional framework for labor relations, making it agile, flexible, with greater legal security for both workers and management.
6. Effective action to invest more in human capital (education and training).
7. Sufficient, efficient and rapid investment in physical capital (infrastructure).
8. Modernization and opening up of the energy sector.
9. Reform of the financial system to make credit available for companies, particularly smaller firms.

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erate the appropriate political conditions for structural change in the economy that would spur a high, sustained growth.”<sup>3</sup>

Out of this has come the “Businessmen’s Ten Commandments,” also known as the “business agenda,” which concretely explains the business community’s position —as represented by the CCE— on the transition:

1. First and foremost, respect for the rule of law in all spheres of national life.
2. Consolidation of macro-economic stability.
3. Modernization of fiscal policy.
4. Promotion of a rational, inexpensive regulatory framework for economic activity.

10. Consolidation of democracy “based on a clear, transparent, uneventful handing over of the administration that would establish the basis for our country’s long-term development.”

With regard to the year 2001, current CCE President Claudio X. González has pointed to the most urgent matters, the issues “that will affect future generations and in which the phantoms of populism and demagoguery threaten to make themselves felt”: fiscal reform; the application of the rule of law; nationwide security for all Mexicans; reforms of the energy sector and the legal framework and reforms to institutionally and operationally strengthen the country’s key social security agencies.<sup>4</sup>

It should be mentioned that the Mexican Management Confederation (Coparmex), considered Mexico’s business syndicate and one of the main components of the CCE, has already published its *Propuestas de la Coparmex 2000-2001* (Coparmex Proposals, 2000-2001), which takes up the CCE’s fundamental theses in more concrete formulations.

Today, with a new president of Mexico from a party that had traditionally been in the opposition, a worn-out political system is being buried and the transition becomes political. It is the end of the dominant-party system, and businessmen are demanding to participate in the design of a new system based on their proposals. Today more than ever before, the climate is favorable to them, not only because the president himself is a businessman, but also because, as he said during his February speech at the Davos, Switzerland world forum, he has characterized his administration as derived from an entrepreneurial state.

## CONCLUSIONS

Mexican society is paying close attention to the transition. The business sector has its own discourse, in which it demands clarity and transparency as preconditions for change. Although when this article was written, President Fox’s administration had not yet completed its first 90 days in office, business circles (including some independent milieus like certain associations with voluntary membership, whose postures are usually more critical and autonomous of the central chambers of commerce and industry)<sup>5</sup> are reserving judgement about the construction

of new policy and the instruments that the new administration will use.

Until now there has only been a call to participate in the design of the National Development Plan. The invitation, however, has not been accompanied by any formal consultation mechanisms for social participation, but rather to urge people to take part as individuals. As yet, no fiscal or financial reforms—one of the business sector's main demands—have been presented. The few announcements made about these issues have kept businessmen expectant, with certain fears that fundamentalist orthodoxy could “take over” this administration of change and transition. ■■■

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#### NOTES

<sup>1</sup> Celso Garrido and Cristina Puga, “Transformaciones del empresariado mexicano en la

década de los ochenta,” Cristina Puga and Ricardo Tirado, comps., *Los empresarios mexicanos, ayer y hoy* (Mexico City: Editorial El Caballito-UNAM-UAM-Consejo Mexicano de Ciencias Sociales, A.C., 1992), pp. 132-133.

<sup>2</sup> Consejo Coordinador Empresarial, *La transición mexicana y nuestra propuesta para un desarrollo sostenible en el largo plazo* (Mexico City: CCE, 1998).

<sup>3</sup> Claudio X. González (president of the CCE) (inaugural speech, Eleventh National Congress of Industrialists, Mexico City, 12 July 2000), p. 3.

<sup>4</sup> Claudio X. González (speech during the Perspectives 2001 Seminar, Mexico City, 1 February 2001), pp. 3-6.

<sup>5</sup> One example is the opinion of Fernando Correa Mota, president of the National Association of Importers and Exporters (ANIERM), expressed at the inauguration of the ANIERM's 57th annual symposium “Mexico's Foreign

Trade: Strategies and Proposals for Facing the Competitiveness of the Twenty-First Century.” Correa said, “The lack of coherence of government policies stems from its divorce from national production and the subordination of its strategies to models that work in different contexts from our own. In that sense, the insertion in the world market is dealt with by denying the real situation in the country and illogically copying the paradigms that other cultures base themselves on.” He added, “That is why a new economic strategy has become necessary, a strategy that maintains a sensible equilibrium between the market and the state, between free trade and prudent trade protection, between public and private interests, between productivity and employment, between productive efficiency and social welfare. Building an alternative development strategy is a very complex task since its success will depend not only on its conceptual solidity, but also on the implementation of a profound political reform that will establish the basis for a democratic system. In my interpretation, that was the meaning of the change for which we Mexicans voted last July 2.” (Speech at the ANIERM annual symposium, Mexico City, 20 February 2001), pp. 2-3.