

The Political Agenda in Opening Mexico's Economy: Salinas Versus the Caciques

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Although observers of Mexico are well aware at the national level of the attack by President **Carlos Salinas de Gortari** on public and private monopolic and oligopolic interests that have hindered Mexican economic development, few have fathomed the following:

(1) the attack being waged against vested economic interests goes below the national surface to the state and local levels;

(2) the outcome of this sub-national battle will determine the country's ability to achieve full political democracy;

(3) demands to open the economy come not only from Salinas at the top, as conventional wisdom has it, but from the bottom of society where many Mexicans see economic opening as a way to break the political-economic monopolies that limit pent-up opportunities.

At the local level, the caciques, or local bosses, retain their traditional domination of politics because they control important aspects of the economy. As Salinas attempts to modernize Mexico, the problem of attaining democracy is elusive because caciques remain as the economic power in the 125,000 of urban and rural places into which Mexico is organized.

Local-level *caciques*, the leaders who have traditionally exercised, control as the broker of power between national/state leaders and the people, determine or influence the distribution of such things as land, agricultural credit, government employment, access to subsidized housing and food, the granting of licenses and permissions, and even the allocation of space in public markets. Caciques are the middlemen who, in return for permitting economic activities, demand a percentage of the gross, regardless of net profits, if they do not buy products outright at an artificially low price. Typically, the cacique's family also controls transportation, runs the biggest and perhaps only store and the bars, and maintains close relations with the priest and doctor (if the town is lucky enough to have them). Caciques may start out as *coyotes* (extra-official facilitators) who "move" paperwork in the government bureaucracy or find ways to avoid legal enforcement of the law. A successful cacique may start out as a coyote and if he comes to hold the key functions over a broad area such as a state, he may become a national cacique.

At the national level, the cacique may be a powerful investor who through privileged access to subsidized government credit and special government concessions has become the arbiter of a sector of the economy or of a region. Or, for example, he may represent an interest group, such as unionized teachers, regardless of geographic region. (One of the few women who has reached this level, **Elba Esther Gordillo**, is presently head of the national teachers' union.)

At the national level, caciquismo has been challenged by the Salinas programs. Some public- and private-sector caciques have been seriously hurt by the fact that Salinas has not

only abolished protection for noncompetitive and inefficient industry (thus requiring the government to sell, merge, or close nationalized or partially nationalized firms) but he has also deregulated transportation (trucking, air freight, and air charter) and has ended governmental granting of most special licenses, permissions, and import permits. Moreover, Salinas has ended government monopoly of telephones through privatization of TELMEX and the opening of cellular opportunities to bypass the fixed-line system, which is years away from full modernization. He has privatized the building of toll roads. He is selling the nationalized banks to create real competition and regional diversity; and he has ended the government monopoly of mining and fishing. Apparently he has tried to open television and radio transmission to competing interests.

With the breaking of such restrictions, which allowed a few national-level caciques to control access to opportunity in highly visible areas, the possibility that the cacique can engage in "sweet-heart deals" and "kickbacks" has diminished to some extent, as has the need for society at large to pay bribes to them as public/private agents dispensing privilege.

Although the battle against caciques has been joined at the national level, it has hardly begun at the sub-national level where the economic caciques in the private and public sectors have retained much power and, like the "dinosaurs" who continue to hold power in national labor unions, they resist political change that might challenge their economic hegemony. As **Alejandro Junco**, publisher of *El Norte* points out, the private sector generally remains under monopolistic or duopolistic control, noting for example that it costs more to ship the 200 miles from Monterrey to Tampico than it does the 4,000 miles from Tampico to Amsterdam (The Case for an *Internal* Mexican Free-Trade Agreement," *Wall Street Journal*, March 22, 1991).

Junco argues quite rightly that the Napoleonic Code guides Mexico's legal system to foster monopoly and prevent the development of competition. Further, the Mexican monopoly law of 1934, which still remains in effect, specifically encourages price fixing and government intervention in the economy on the grounds that the government cannot leave the market to the free play of individuals. The 1934 law exempts a company from being accused of monopoly practices if the government is part owner; and it considers any non-governmentally owned company unpatriotic to import "disloyal" products. Junco goes on to note that one Mexican media group in Monterey operates "two local television stations, 18 AM and FM radio stations, two daily newspapers, the cable system ,22 cinemas, and it controls 80% of the market for video rentals."

From my own visits during the last 18 months to locales in Chiapas, Chihuahua, Colima, Federal District, Jalisco, Morelos, Oaxaca, Puebla, Sinaloa, Tabasco, and Yucatán, I can report having found frustration and outrage at the caciquismo which restricts economic opportunity. Among numerous cases of complaints from producers, the following stand out:

--Oaxaca: "We palm hat-makers from the Sierra Mixteca cannot gain access to the markets here in Oaxaca City let alone reasonable transport prices for our goods; we must gain access to U.S. markets. How can we do this?"-this from Indians who barely speak Spanish.

--Huixtla, Chiapas: "Since the July 1989 collapse of the International Coffee Agreement (which limited our exports to the USA but which at least provided a means to

market coffee at relatively high prices), we small coffee producers have gone from bad to worse. Not only have we lacked opportune credit, but 100,000 hectares of coffee land are plagued with disease (infestación de roya y broca), We must gain direct access to the U.S. market in order to solve our financial and technical problems and to end the monopoly practices of the middleman here who have hurt our region gravely- 300,000 families are in virtual bankruptcy; the achievement of fair transportation costs here, direct information about U.S. prices, and unrestricted access to U.S. markets would resolve many of our problems."

--Tijuana: "I am tired of producing men's suits to smuggle into California, five-at-a-time, hanging openly as if I am a businessman crossing for a meeting. Why do we have to smuggle the goods we produce across the border for sale there? Why can't we export honestly? Why are caciques nervous about free trade? Perhaps they realize that it will help us and harm them?"

--Villahermosa: "The nationalized banking monopoly has been a disaster" For we small businessmen, banks have had little, if any, short-term bank credit, let alone any reasonable service. (The banks seem to have taken most of our deposits to pay the national debt.) We must now wait for denationalization and the possibility that operating credit will once again be available to the private sector."

Consumers also are frustrated by caciquismo, as I heard in the following sample cases:

--Ciudad Juárez: "Two families (and one more than the other) control the high-cost butane gas distribution industry here and have blocked the extension of low-cost natural gas being piped into our homes. PEMEX has refused to even tell our city government how long the butane gas concessions last for those two families, let alone tell us the conditions of the concessions. Perhaps true free trade could defeat those powerful caciques."

--Mazatlán: "The 'milk'- we get here at the supermarket is basically foul tasting powdered water. Why can't the milk monopolists give us real milk like I was able to drink when I worked in the USA?"

--Puebla: "Even though the city grew tremendously, PEMEX franchised no new gas stations for years, then when we finally did get six, the governor as strongest cacique took three for himself. Citizens boycotted the stations concessioned to the governor, so now he claims that the profits will go to 'charity'-at least until he leaves political office."

--Puerto Escondido: "This PEMEX 'service station' (if this shabby operation can be called one) has been out of gas for three days, leaving travelers like us stranded. Not only is there none of the new hi-test gas, there is no gas of any kind (even the watered down kind they like to give us) and this is the only 'real' station between Pochutla and Pinotepa Nacional-a distance of 130 miles. The senators and high politicians who hold PEMEX franchises have blocked the franchising of new stations. Thus, the driver's rule here is, 'fill up the tank when you can, there may not be a chance again for hundreds of miles.'"

Indeed, throughout my travels I heard deep concern about the monopoly of power by government and a few private investors who have failed to develop "Mexico for the Mexicans":

--Mérida: "Mexico's infrastructure is in near state of collapse. To modernize the telephone system for digitalization needed, e.g., to meet new demand for basic service and

to send volume computer and FAX messages, US\$20 billion are needed, US\$ 3 billion right now. But the other investment priorities are tremendous: US\$150 billion for water/ sewage; US\$100 for roads; US\$70 billion for railroads; US\$80 billion for PEMEX US\$35 billion for electricity. For example, Mexico City is near a complete short-circuiting that will shut down power in 'brown-outs.' Without foreign capital to help infrastructural investment here in Mexico, how can such need for funds be met?"

--Colima: "Is it true what I have read that Exxon produces more petroleum daily (3 million barrels) with 30,000 workers than PEMEX produces (2.4 million barrels with 190,000 workers? If that is so, then PEMEX's 'featherbedding' and inefficiency mean that our industry is eight times less efficient than Exxon. Then we people of Mexico have been defrauded by corrupt PEMEX union leaders who are exploiting us, all in the name of 'nationalism.'"

--Zacatepec, Morelos: "In Mexico the term 'potable water' is mistakenly used for 'piped water.' Government programs have reinforced this serious mistake, which lulls people into thinking that the water does not have to be boiled, thus contributing to a grave public health problem."

Beyond such concerns as above, Agrarian Sociologist **E. Miguel Szélsely** of UNAMs Instituto de Investigaciones Sociales wrote to me and others on February 27, 1991, as follows:

"In the spirit of what we discussed at the Oaxaca meeting [with the Council on Foundations Study Tow to Mexico in January], let me tell you about the type of marketing problems we are trying to overcome on both sides of the border. On the Mexican side, the National Union of Fruit and Vegetable Producers keeps a tight control on official permits for transport/export in a way that frequently does not correspond to its legal prerogatives. [On the U.S. side], there are many reports about the way in which American border officers, FDS inspectors, etc., collude in illegal actions in order to deter any attempt to go around the brokers' network....

"Our attempts to overcome this kind of problem run through the paths of negotiating with established power groups, rather than confronting them or attempting to go around them by the establishment of alternative circuits of commercialization (which has so often proved in practice to be futile.) But a 'negotatory' approach can only be attempted when one has 'something' to negotiate with. information, as well as dependable contacts in every part of the commercialization process are key resources for this purpose.

"A harvest of some 4-5 thousand tons of melon will be ready to be picked in a few weeks, in grounds bordering the Laguna de Chacahua. [We need to develop] contacts who could serve as expert advisers/supporters for our current efforts to help producers to successfully complete their export operations.... [The American 'broker' has all too often exploited producers here] by constituting himself as the sales agent for the commercialization on the American side of the border, [but] it is much too common to find that [our producers] are left with the crumbs of an otherwise profitable operation, when not simply outwardly robbed; there are cases when the 'broker' disappears from sight, once having picked up a large portion of the harvest, without paying one penny for the product.

"There is not one single case that I have heard of in which the peasant organization has succeeded in recovering even a small part of what they should have received."

The answer to these problems, says Székely, involves not only U.S. contacts/supporters but in supplying Mexican producers with daily information about volatile U.S. prices and markets. The object is to help Mexican producers negotiate out of strength to compete in the open and competitive international markets, thus avoiding the monopolized Mexican market.

The international market, then, is clearly seen not only by Salinas but also by persons at various social levels as offering the most viable and speedy means to defeat the caciques who exploit so many Mexicans. The fact that I heard this same message from an isolated Indian group that looks to the free market outside Mexico to resolve its domestic plight tells me that perhaps we observers of the Mexican scene are not keeping up with the changes the country is undergoing.

In my view, what Salinas has had the perspicacity to realize is that if he takes on Mexico's caciques one by one, he will never win the battle to open either the economy or the political system. In his travels throughout Mexico, he has listened to the people and heard-as I have heard-their anger at the system of monopoly and oligopoly which dominates local and regional life. Salinas has heard that without massive local economic change, full political democracy is not possible.

If we view the pressure in Mexico for the opening of the economy as coming from new interests who want new opportunity throughout the republic, it is clear the old interests represented by caciques will resist. They have resisted successfully in most of the political arena, where the government party (PRI) continues to dominate elections.

Ironically, then, political democracy will not be victorious in local and regional Mexico without imposition from the center to require that electoral losses be recognized, as in the state of Baja California. The PRI in Baja claimed victory in the 1989 gubernatorial race, but the PBI in Mexico City gave the victory to **Ernesto Ruffo Appel** of Mexico's opposition PAN party, much to the rage of state and many national Priistas" Lest readers think that the process of economic and political opening will be either easy or completely successful, let us recall views of observers and/or critics of the Salinas program about investment, views which constitute a series of concerns.

About investment:

--Complaints quoted from throughout Mexico may be exaggerated. For example, who can really know, even in the government, the extent of Mexico's infrastructural investment needs? Some of the figures quoted here may be too high, others too low.

About the opening of Mexico's economy through a free trade agreement (FTA) with the USA and, Canada and/or the result in Mexico of ending agricultural subsidies, for the rural sector where at least one-third of Mexicans are employed:

--On the one hand FTA would mean an economic collapse of that part of Mexico's rural sector which cannot easily compete with foreign technology, fertilizers, and methods, according to **Felipe Calderón Hinojosa**, PAN's head of national studies (*La Jornada*, April 12, 1991). Thus, Mexico could see massive imports of wheat, sorghum, soybeans, beans, and rice as well as milk and dairy products. Such imports would dislocate at least 15 million Mexican agricultural workers;

--On the other hand, Mexico could gain a huge export market in the USA for cattle, tomatoes, bell peppers, cucumbers, onions, garlic, asparagus, zucchini, melons, orange

juice, mangoes, strawberries, avocados, grapes, and coffee. Coffee would no longer be subject to an international agreement that favors the traditional producers such as Brazil and Colombia;

--Nevertheless, even with an FTA, trade will not be "free" all at once, but be phased in by product over the next five to ten years, and Mexico will still have to face U.S. restrictions which limit imports for 'quality' and health reasons-regard- less of duty;

--In any case, absent an FTA, U.S. investments will continue to flow into Mexico, but without the needed shock of shifting Mexican job opportunities from the traditional growing of lower-value grains into higher-value winter fruits and vegetables and production of high-in- come manufactured goods.

About monopoly:

--Without the government's Popular Subsistence Agency (CONASUPO) which subsidizes purchases and sale of foodstuffs, much of rural Mexico would remain outside the market economy. At least CONASUPO (even with its local coyotes) serves the most isolated and poorest rural areas as a buyer of grains and operator of government stores selling basic supplies. The private trucker and merchant sees no profit in those areas, which rely almost solely on CONASUPO for connection to the nation;

--Middlemen exist in international markets as well as in Mexico and they will seek high profits;

--The PRI's corporatist system is itself seeking, ironically, to challenge caciquismo by establishing a new quasi-state bureaucracy to be known as the Company for the Commercialization of Agricultural, Ranching, and Forest Products. According to the 1991 request by the National Federation of Peasants (CNC) for government funding, this new Company would provide price information and contract assistance for its members as well as negotiate credits and marketing rights;

--The government's National Solidarity program (PRONASOL) is attempting effective regional development (see the related PROFMEX (interview with **Miguel Sandoval**).

About Salinas's role:

--He may be creating new monopolies in the private sector to replace those which once existed in the public sector, e.g. television and copper mining;

--He may be building a private power base of which he will be the center long after he has left the presidency;

-- His agenda may not be to fully democratize the country but rather to monopolize political power in PRI under the guise of opening the economy.

About the historical problem of caciquismo:

--**Samuel Schmidt** (SDSU, UABC, UCLA and UNAM) argues that caciques have existed in Mexico since pre-Conquest times and they have enforced political stability (too often violently) while transmitting demands back and forth from the people to the centers of power and looking out for the welfare of their followers. Writing in *Examen* (August 1990), Schmidt suggests that Salinas's aim of abolishing caciquismo cannot succeed without shocking the political culture that accepts the cacique. The question Schmidt asks is: Can democracy readily replace the cacique system?

-- Much of the violence in rural Mexico can be traced to the rage of the caciques against peasants who seek to change the economic and political equation. As **Aguiles**

Córdova Morán writes (*Uno Más Uno*, January 28, 1990), "the omnipotent power of the caciques..., the absolute control they hold over the population, quite naturally converts them into 'representatives of the community' before the public authorities; It is with the cacique that the candidate for the chamber of deputies meets, it is the home of the cacique to which the governor goes if by a miracle he visits the community, it is the cacique whom the governor consults to resolve municipal problems, and it is the cacique who has the last word on who will occupy the local public posts, including, not infrequently, the representation in the chamber of deputies."

Taking these concerns into account, in my view, it is important to realize that self-censorship by many Mexican commentators and blindness by foreign observers has led them to overlook the anger and frustration of much of Mexico's population about the closed nature of the country's economic system.

What much of the population seeks is the right to openly bid and compete without favoritism and to be able to sell goods at fair prices. New economic powers may well replace the old; but surely there will be more of them and their well-being will not be influenced to the same degree as in the past by political cronyism and local control.

Without such economic change, caciques will continue to dominate the localities of Mexico, and democracy will be still-born.