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# Mexico: Ghosts of past haunt an ambitious leadership

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Past lessons: former president Carlos Salinas de Gortari

Two years into a six-year term that promised so much, Enrique Peña Nieto, Mexico's president, looks in danger of hitting the buffers. The young leader's resurrection of the Institutional Revolutionary party (PRI), ruler of Mexico throughout most of the 20th century, came with a reform agenda intended to transform the country's underperforming economy.

Mr Peña Nieto has delivered on much of this. He has broken up the telecommunications oligopoly and opened up the oil industry. The latter had been closed to private capital since it was nationalised to reverential acclaim in 1938; opening it is historic, requiring almost theological tact as much as political skill.

Now he is at risk over political issues he largely ignored in his reform prospectus, such as public security and human rights, and the corruption for which the old PRI became a byword.

First, came the internationally shaming horror of the disappearance and apparent murder of 43 students in the southern town of Iguala last September — to which the government was painfully slow in responding. Then there is the matter of Mr Peña Nieto's personal mansion, built and paid for by a contractor favoured not just by this government but the administration he previously headed in the State of Mexico, bordering the capital. His finance minister, Luis Videgaray, it then

transpired, had bought a house from the same contractor.

In an FT interview, Mr Videgaray admitted the government needed to regain public confidence. “We can do 10 energy reforms, but if we do not add trust, we will not seize the full potential of the Mexican economy,” he said.

None of this is necessarily terminal. While the housing deals are opaque and give off a whiff of crony capitalism, they pale before the gargantuan graft of the PRI’s past. But older Mexicans may feel they have seen this movie before.

In 1988, Carlos Salinas de Gortari, a shrewd young technocrat at the head of a government studded with zealous reformers, came to power promising a Camelot-like era of modernisation. Six years later, Mexico’s economy imploded in the Tequila crisis, its institutions were penetrated by powerful narcotics gangs and Mr Salinas’s designated successor, the credible reformist Luis Donaldo Colosio, was assassinated.

Although his cheerleaders chose to ignore it, there had been from the outset reason to doubt how Mr Salinas would fare. He had allied with corrupt, old guard “dinosaurs” of the PRI, who imposed his election by fraud and then availed themselves liberally of what the penal code quaintly called “inexplicable enrichment”.

Sceptics about Mr Peña Nieto, sold by his supporters as Mexico’s JFK, with film-star looks and a soap-opera star wife, find echoes in the past. He is from a new generation, but also a scion of a clan of rich and powerful old guard barons. As one Mexican commentator asked after his election: was this the phoenix rising from the ashes, or a streamlined pterodactyl, the return of the dinosaurs that gave the old PRI its teeth?

The comparison is questionable, with the differences as important as the similarities. The old PRI was the party-as-nation, a pyramid of corporatism that agglomerated most of society in syndicates run from the top and oiled by patronage, the ultimate fount of which was the presidency. There are now real parties in Mexico, where civil society is resilient and better informed.

The PRI machinery is rusted. If Mr Peña Nieto is the old PRI with a telegenic mask, he still has to operate in a different context.

The similarity with the Salinas saga is the neglect of power structures — the idea that economics is a technique insulated from politics. That is more than moot in countries such as Mexico, straitjacketed by vested interests, infested by savagely violent drugs cartels, hobbled by weak institutions and with a rule of law at best unevenly applied.

Mexico has never wanted for brilliant technocrats, trained at ITAM, the university modelled on MIT in the US, and polished by Ivy League doctorates. They can be ingeniously inventive: hedging against the oil price fall now, or, during the 1980s foreign debt crisis, coming up with intricate

schemes for over-indebted private companies that creditors could live with. Mr Peña Nieto has surrounded himself with some first-class brains. But the Salinas government was one of the brainiest administrations ever assembled. Both teams — fatally in the Salinas case — left politics to the barons.

Mexico's Congress, for example, is a baronial fief. The historic ban on re-electing deputies and senators gave the barons an iron grip. Since they only serve one term, they cannot hold the executive to account, nor can their voters reward or punish them. Only their political bosses can do that.

Congress voted to lift the ban on re-election in 2013 — but only from 2018 — and left intact party leaders' powers to draw up lists of candidates. That gives legs for a while yet to the barons, and teeth to the dinosaurs.

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