



DISPATCHES

Calderón's Challenge

Fredo Arias-King

MEXICO CITY—Recently, former Irish prime minister John Bruton came to Mexico to speak of his country's rags-to-riches story. In between the lines of his stories about tax, trade, lean government, and education policies lay a subtler message: countries that want to make the leap out of the third world must stop playing the victim. Regrettably, Mexico still seems a way away from heeding Bruton's message, and may continue playing its favorite pastime. The recent re-election of the Right-Liberal National Action Party (PAN) to the presidency, however, gives hope of at least partially breaking the country's long history of inept leadership.

With nations as with individuals, incessantly alleging past abuse (real or imagined) is a way of provoking real victimization. In Mexico's case, this sense of victimization results in defensive nationalism, which means resource protectionism, corporatism and cronyism, resulting in what Sovietologists call "state capture" (oligarchs neutralizing legislators, judges, media and regulators with their cash). The results are poverty and bad governance, as well as a continuation of Mexico's notorious culture of dishonesty. The elites then blame Washington, even as they reap the benefits.

Vicente Fox was supposed to change all that after his surprise victory in 2000. But he essentially became part of the old system. Instead of breaking monopolies, challenging the growing spread of illiberalism in the Western Hemisphere or reducing bureaucracy, Fox found it more expedient to make the centerpiece of his presidency the demand (not request) that Washington legalize millions of present and future migrants, with the implicit undertone



FREDO ARIAS-KING is a businessman and founding editor of the Washington-based *Demokratizatsiya: The Journal of Post-Soviet Democratization*. He served as an advisor to the Vicente Fox and Felipe Calderón presidential campaigns.

that Mexico is entitled to such concessions from its abusive northern neighbor. While appointing former communist agitators to the foreign ministry and loyalists of nefarious former president Luis Echeverría to head the domestic security agencies, Fox openly wondered why the country had not changed for the better, instead pinning all his hopes on a deal with Washington that did not materialize.

The new president-elect, Felipe Calderón, has the option of either continuing with Fox's ambivalence or of acting more in accordance with what the backbone of his party, Mexico's entrepreneurial and middle classes, expects. Although he's largely an enigma (it's his first elected office), the latter scenario is perhaps the more likely—if Calderón manages to escape some Mexican cultural pathologies that sabotage even sincere efforts at reform.

His first order of business, if he is up to the challenge, will be to encourage the breakup of the Institutional Revolutionary Party (PRI). In the short run, such a move will give Calderón's PAN a majority in both houses of Congress, and facilitate the passage of some key reforms currently languishing there. But most importantly, the elimination of the PRI will establish a two-party system and force the country's remaining political force, the Party of the Democratic Revolution (PRD), to move to the center, perhaps even becoming a liberal party.

The second task facing Calderón is energy reform. Mexico could probably double its oil output and halve gasoline prices if it loosened state controls on oil, permitting private investment there as well as in energy production (only North Korea shares this prohibition). To break the stalled debate, instead of the taboo "privatization," Calderón could speak of genuine "nationalization"—such as providing half the shares of the national oil monopoly to the Mexican citizenry, with them eventually ending up in the stock market and in the hands of new (non-government) management.

A third task—and one which the new president-elect openly advocates—is replacing the entire entangled and disastrous tax system with a flat tax. Such a move has done wonders for its pioneer, Estonia, under the dynamic prime minister Mart Laar, as well as for a slew of countries that followed (Slovakia, Russia, Lithuania, etc.).

Today, the high price of oil, lower debt payments and the upswing in the American economy likely mean that Mexico is on the verge of another cycle of high economic growth, after essentially zero real growth during Fox's six years. But this is not necessarily good news. Mexico's elites do not reform unless they absolutely have to—usually after a crisis, either economic or political. And Mexico is unlikely to face either in the coming years. All this may reduce the government's sense of urgency to pass needed reforms, as well as prompting millions of unemployed to look northward.

Though another Bruton—or another Laar—is probably too much to expect, Calderón could provide that combination of good intentions, good management and legitimacy that Mexico has rarely, if ever, seen before. Just as easily, however, Mexico's new president could turn out to be another Vicente Fox, and his term another cycle of self-victimization.

