

# Building a new consensus

## A PROFILE OF FELIPE CALDERÓN HINOJOSA

PRESIDENT OF THE UNITED MEXICAN STATES

When the leader of the right-of-centre and pro-business National Action Party (PAN), Felipe Calderón Hinojosa, won Mexico's presidential elections last July by the narrowest of majorities, the financial markets reacted favourably. But so long as his rival candidate, the populist Andrés Manuel López Obrador, challenged the electoral result, and his PRD supporters protested by camping out in Mexico City's central square, the Zócalo, a degree of uncertainty remained. That has dispersed since Felipe Calderón was confirmed in office last December, and in its place have arisen a whole raft of questions about where this energetic, 44 year-old president will take Mexico over the next six years.

Not that there is anything radical in Calderón's background, or indeed in his campaign utterances, that should trouble investors. For Felipe Calderón comes from a solidly conservative

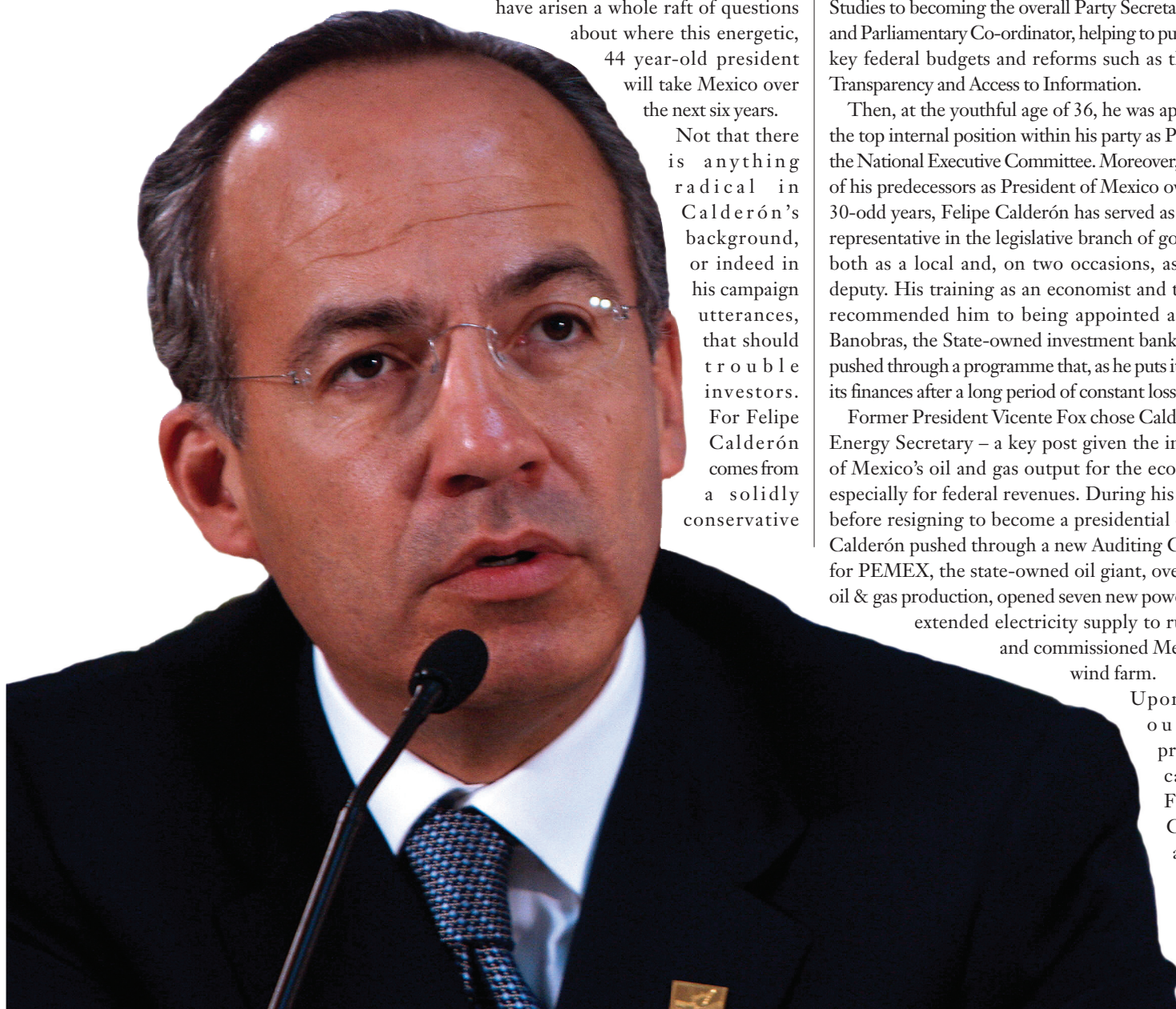
political family, his father having been an active member of the PAN, and he himself starting out as an activist, as he himself recalls, "when I was a kid distributing propaganda and painting walls." His wife, Margarita Zavala, is a former PAN activist and federal deputy. Clearly, politics is in his blood.

He continued his political activities while he qualified as a lawyer at the Escuela Libre de Derecho, took a master's degree in economics at the Instituto Tecnológico Autónomo de México (ITAM), and then another master's in public administration at Harvard. Within the PAN he moved from being Youth Party Secretary and Secretary of Studies to becoming the overall Party Secretary General and Parliamentary Co-ordinator, helping to push through key federal budgets and reforms such as the Law of Transparency and Access to Information.

Then, at the youthful age of 36, he was appointed to the top internal position within his party as President of the National Executive Committee. Moreover, unlike any of his predecessors as President of Mexico over the last 30-odd years, Felipe Calderón has served as an elected representative in the legislative branch of government, both as a local and, on two occasions, as a federal deputy. His training as an economist and technocrat recommended him to being appointed as CEO of Banobras, the State-owned investment bank, where he pushed through a programme that, as he puts it, "adjusted its finances after a long period of constant losses."

Former President Vicente Fox chose Calderón as his Energy Secretary – a key post given the importance of Mexico's oil and gas output for the economy and especially for federal revenues. During his brief stint before resigning to become a presidential candidate, Calderón pushed through a new Auditing Committee for PEMEX, the state-owned oil giant, oversaw peak oil & gas production, opened seven new power stations, extended electricity supply to rural areas, and commissioned Mexico's first wind farm.

Upon setting out as a presidential candidate, Felipe Calderón appealed to



conservatively-minded core voters as a free marketeer, a technocrat, and as a 'doer' who achieved results. His position as a devout Roman Catholic, in opposition to abortion, euthanasia, contraception and gay marriage, appealed to conservative 'family values'. Yet he started his campaign as the clear underdog, trailing the more populist and outspoken López Obrador in the polls right up to Election Day. In what became an increasingly bitter and personalised campaign Calderón soon proved that he was a fighter, shrugging off his opponents' allegations of corruption and cronyism and stressing that, to the contrary he had "clean hands". One of the most telling pieces of negative campaigning by the PAN was the claim that López Obrador was "a danger to Mexico" at least partly because of his links with leftist leaders in Latin America including the Venezuelan president Hugo Chávez – a claim that Calderón himself was forbidden from repeating by the IFE, Mexico's election board.

The new president has made clear what is his vision for Mexico's future. "I want Mexico to be a winner in a world that is competing for investment and jobs", he told *The Washington Post*, "to keep Mexico on the path of modernisation and economic growth".

His prescription for doing so – adherence to free market disciplines and maintaining macro-economic stability – might appear little different from those of his predecessor, Vicente Fox. Combined with Mexico's becoming an increasingly integral part of NAFTA, the North American Free Trade Area, these policies have resulted in historically low inflation, vastly improved credit ratings, and inward investment.

Yet, the impacts of globalisation and, more specifically, the convergence of Mexico's economy with that of the United States, have not been entirely beneficial. Growth rates of around 3.5 per cent over the last decade have lagged behind those of emerging Asian economies. Many Mexican industries are finding it harder to compete against low cost producers. President Calderón is aware of these challenges. "We need to improve the competitiveness of enterprises", he declared, "in order to improve the performance of the economy and to get higher growth rates."

In the aftermath of such a narrow election victory, stimulating economic growth and job creation rather than simply maintaining stability have moved to the top of Calderón's priorities. This even applies to foreign policy, and particularly outstanding issues with the United States over illegal immigration and drug trafficking. Calderón is opposed to President Bush's plans to build a new security wall along the border, arguing that "the only way to reduce immigration is to create jobs in Mexico", while one of his first initiatives on taking office was to launch an offensive against drug-related organised crime in his home state of Michoacán, and in Tijuana and Guerrero. Whether

these high-profile campaigns involving the armed forces will bring any lasting improvement remains to be seen. Until the drugs barons and other criminal overlords are arrested and brought to justice, most Mexicans will remain unconvinced. "This war will take longer than the president's six year term", comments Jesús Sánchez, the political editor of *El Financiero*, "and while there are plans to improve the federal police, that is a long-term project".

One way in which President Calderón could make a positive impact on Mexico's competitiveness would be to push through reforms of the public sector – for long seen as a drag on economic growth and efficiency. Here a pressing need is to increase non-oil government revenues, which at just 11 per cent of GDP remain insufficient to meet expected needs and leave the financing of any future public sector initiatives, such as improving healthcare and education, dangerously dependent on the international price of oil. But raising taxes on basic foodstuffs or medicines proved hugely unpopular under President Fox; so his successor has shifted consumption taxes to soft drinks, tobacco and alcohol. Closing loopholes used for tax evasion is also long overdue, but this is a long-term project which would require pushing new legislation through Congress.

President Calderón's experience of deal-making both within his own party and in the legislature may well prove a key asset in securing new legislation. His approach is altogether more pragmatic than that of his predecessor, Vicente Fox, who proposed much new legislation but generally failed to get it through Congress. In contrast, Calderón has proposed a coalition government, appointed technocrats from other parties as ministers, and declared that he is willing "to make agreements with opposition parties in order to get a majority...and be able to push an agenda of reforms through Congress."

Previously, it has been difficult for the executive branch to achieve major reforms apart from when Mexico suffered one of its periodic crises, the last being in 1994. Given the huge impact that a serious downturn in the US would have on both Mexico's economy and oil revenues, such a scenario cannot be ruled out. However, assuming that is not the case, President Calderón's more pragmatic and non-partisan approach to internal politics is more likely to produce wholesale change. Since his inauguration he has already moved to occupy the centre ground. And despite the narrowness of his electoral victory, the prestige and authority of the presidency remain intact. This he should be able to use sensitively in order to achieve enduring change for the better, both in terms of addressing potentially disruptive social inequalities and encouraging economic growth. **F**

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