

Dateline Mexico by Carlos Cota Meza

Uncertainty and more austerity

The government talks about "transition" and "consolidating achievements" in 1993: austerity, bankruptcies, unemployment . . .

Uncertainty prevails in Mexico as 1993 begins. The private sector generally fears that 1993 will be a very difficult year economically. For its part, the federal government says 1993 will be another year of "transition," just as they also characterized 1989.

The National Chamber of Transformation Industries (Canacindra) maintains that the priority for 1993 ought to be job creation and solving the cumulative social deficit from the last decade's recession, but that since the government's stated priority is to "consolidate what has been achieved" and to have single-digit inflation, "what will end up being sacrificed is economic growth."

For the Confederation of Chambers of Commerce (Concanaco), the Department of Economic Studies of Banamex, and the Center for Economic Studies of the Private Sector (CEESP), this year will be very difficult for all economic and social sectors. The reduction of inflation to a single digit, they maintain, will be onerous because it means that credit will become scarce. According to Banamex experts, bank financing to the private sector will begin to visibly decline: They forecast that from January to December 1993, it will grow by only 12%, compared to 28% for the same period last year.

The CEESP reports that there are insufficient private resources to substitute for the cuts in public spending, that investment by public companies and agencies will decrease by 5.1%, and that other budgeted public investment will drop by 9.2%. As far as the CEESP is concerned, the most acute

economic problem is the vacuum generated by the state's retreat from being a major economic actor, which is worsening the unemployment problem.

What is called "the international environment" is also considered adverse. Tentatively, the government this year hopes to obtain foreign investment totaling about \$6 billion, but due to the scarcity of resources worldwide, the likelihood of this is questionable. On top of this explosive situation, one must add the North American Free Trade Agreement, whose fate is still unresolved, and into which are being introduced "supplementary accords" by the incoming Clinton administration.

As far as the private sector is concerned, the potential devaluation of the peso is not a result of the creation of the new peso (three zeros were stricken from the currency a few weeks back), but rather in the gigantic and obvious problems created by the projected 1992 trade deficit of more than \$26 billion.

According to a study by Nacional Financiera, the principal credit agency of the government, some 35,000 small and medium-sized businesses are in danger of disappearing. Treasury Secretary Pedro Aspe says that the businesses that have problems are "those which have not converted nor modernized . . . but continue thinking that subsidies will save them, and which have not changed their levels of productivity."

The disputes over economic policy are going on at the highest level. At the beginning of this year, in a

meeting with union leaders of the Labor Congress, President Salinas said he understood "when you protest. . . . Well, why not? We're coming out of a crisis, and a crisis means a drop in the standard of living. But we are already in the process of recovery."

Faced with the President's insistence that employment has been reduced, and salaries are recovering, the leader of the Mexican Workers Confederation (CTM), Fidel Velázquez, said: "I am not the one to call the President a liar. It is the facts which differ from what he said." Velázquez added that salaries have fallen way behind. While in 1981, they represented 22% of the total cost of production, now they only represent 4% of the total. "Where do you see an improvement?" he asked. "Unemployment is notorious; otherwise, why are there so many street vendors?"

The Labor Congress maintains that, of the workers affiliated with the Mexican Social Security Institute, 92% receive between one and two times the minimum wage (between 14.27 and 25 new pesos), while the basic market-basket costs 48 new pesos. According to its own figures, unemployment is 37% of the economically active population.

On Jan. 6, Aspe said that the statements that unemployment in Mexico is growing, and salaries and investment are shrinking, are "genial myths that are rumored as if they were true."

That same day, President Salinas told 1,000 farm delegates, "I have listened to your demands and I have given instructions to the agriculture department to make me a proposal for direct support, to be given directly to the Mexican peasant producers."

Nevertheless, no one seems willing to bet even one new peso on the government propaganda that claims: "We are able to look to the future with greater confidence."