

the capital flow into Mexico in 1993 was about \$15 billion, more than 68 percent of it from the United States. This capital inflow helped mask the Mexican economy's weaknesses. Moreover, it will not last; investors are bound to get nervous and start exiting the stock market, a trend that will be accelerated by the high interest rates on bonds.

The North American Free Trade Agreement was the final piece of Salinastroika. After George Bush lost his re-election bid, the Mexican government had to spend most of its remaining political capital to convince Mexicans of NAFTA's merits. Government and business propaganda raised unwarranted expectations among the Mexican people for short-term economic growth. When this growth fails to materialize, both Salinas's party and his policies could face serious political problems.

**A**nother obstacle to continued economic reform is the widespread feeling that Salinastroika has not been accompanied by a Mexican glasnost. Because Salinas was afraid of how radical political reform would affect the 1994 elections, he has proceeded timidly. Even so, voters probably will dictate the outcome of the presidential campaign, which has not always been the case in the past. To help elect the PRI's new presidential candidate, Ernesto Zedillo Ponce de Leon, Salinas should implement the following economic policies:

- Dismantle the remaining price controls, eliminating the Stabilization Pact and freeing wages.

- Eliminate the minimum-wage system.
- Adopt a 15-percent flat tax on income and reduce the value-added tax to 5 percent.
- Repeal the 2-percent tax on assets.
- Simplify basic administration procedures such as tax returns.
- Restore realism to the stock market by stopping government purchases of shares through Nacional Financiera (a government development bank) when prices market are falling.
- Ask the Bank of Mexico to abstain from further interventions to keep the peso in a controlled fluctuation range and cease the manipulation of short- and long-term interest rates.

By adopting these measures, Salinas can free Zedillo from the task of defending the "neoliberal" economic program, which the left has discredited by tying it to false promises about NAFTA. This will allow Zedillo to focus on badly needed legal reform, responding to the electorate's desire for justice and democracy. A new constitution would be a good start. The Mexican Constitution, which dates from 1917, has 146 extremely long articles. After 77 years of bureaucratic legal activism and hundreds of modifications, it is a mess. Writing a new constitution—a short and simple one, similar to the U.S. Constitution—is the first step toward establishing the rule of law in Mexico, the basic prerequisite for the security that one-party rule has failed to provide. *R*

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## THE NEW MEXICO

THE REACTION TO THE REVOLT AND ASSASSINATION BODES WELL FOR THE FUTURE.

BY RAOUL LOWERY CONTRERAS

**T**he world had been primed by Mexico's ruling elite to expect a modern Mexico on the day the North American Free Trade Agreement went into effect. Instead, television news was filled with images of armed Indians shooting up Mexican towns, just like in the old days. Hundreds of Indians wearing red bandanas to conceal their identities occupied various towns in the southern Mexican state of Chiapas. Armed with everything from wooden sticks to AK-47 assault rifles and rocket-propelled grenades, they grabbed the world's attention. They called themselves the Zapatista National Liberation Army, after Emiliano Zapata, a hero of the 1910 revolution.

Soon after the Chiapas uprising, the PRI's presidential candidate was assassinated on a crowded Tijuana street, adding to the

impression of violent turmoil. Either incident might have spelled the death of "New" Mexico, the rise of the Old.

Yet the reaction to the revolt and the assassination in fact showed how dramatically Mexico has changed in recent years. The country is finding that joining the international economy implies not only open trade but also a more open political system and a greater respect for human rights.

**T**he rebel grievance grew mainly out of conditions that are summed up by figures from the Mexican Ministry of Social Development: There are 3.2 million people in the state of Chiapas, of whom 866,834 are Indians, speaking 10 different languages in addition to Spanish. Two million Chiapans have less than an eighth-grade education; 30 percent are illiterate. One-

third of Chiapans live without electricity or running water, in housing with dirt floors. Two-and-a-half million earn less than \$7.00 a day.

Salinas's National Solidarity Program, a huge public-works and anti-poverty program intended to re-establish the PRI's political supremacy in rural Mexico, has spent \$727.5 million on 8,869 projects in Chiapas during the last four years, the largest amount spent in any single state. Nonetheless, the Zapatista National Liberation Army found plenty of support among the Indians and low-income mestizos of Chiapas and neighboring states. It was not enough to spark a general revolution, but enough to splash Mexico on the front pages of every major newspaper in the world.

After some initial fighting in which more than 100 people were killed, the rebels fled into the Lacandon Forest. The Mexican Army stopped its pursuit, observing a ceasefire ordered by President Carlos Salinas. Leftists accused the Army of murdering Indians and mistreating rebel sympathizers. It remains to be seen if any of these charges are true, and if they are, whether they reflect official policy as opposed to isolated abuses.

Rather than ordering an old-style crackdown, Salinas directed the Army to pull back and sent in a negotiating team headed by former Mexico City Mayor Manuel Camacho. The negotiations went well, and Camacho's political capital soared. Mexicans started looking at Camacho as a possible independent presidential candidate and at the PRI candidate, Luis Donaldo Colosio, as an also-ran. Insulted by Camacho's presidential flirtation, the hard-line PRI "dinosaurs" put pressure on anyone who might be inclined to support him. Finally, Camacho called a press conference and announced that he would not run.

The next day, in one of bustling Tijuana's poorer *colonias* (neighborhoods), Colosio gave what observers say was his best campaign speech, then stepped into a crowd of thousands to press the flesh. Pushing his way through the teeming mass of Mexicans, Mario Aburto Martinez, 23, raised his Brazilian-made .38-caliber revolver to the right side of Colosio's head and pulled the trigger, pulverizing Colosio's brain. Colosio died while surgeons worked feverishly to save the life of Mexico's president-



**PRESIDENT CLINTON AND  
HIS NAFTA ALLIES HELD  
THEIR BREATH, WONDERING  
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THE FIRST SIGNS THAT IT  
WOULD NOT COULD BE SEEN  
ON THE SPOT. THE ASSASSIN  
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IN THE OLD MEXICO, HE  
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to-be. American trauma centers and officials anxiously awaited word in San Diego, 20 miles away, ready to help. The San Diego mayor even dispatched a LifeFlight helicopter to Tijuana to bring Colosio to San Diego. It wasn't needed.

President Clinton and his Republican NAFTA allies held their breath, wondering whether Mexico would fall apart. The first signs that it would not could be seen on the spot of the Colosio assassination. Mario Aburto Martinez was arrested and hustled off to a police station. In the old Mexico, he would have been killed by a fusillade of .45-caliber bullets from Colosio's bodyguards. In the new Mexico, he was arrested, charged, and questioned in the presence of a human rights ombudsman (from the opposition party, PAN).

In the old Mexico, troops would have smothered Tijuana with curfews and martial law. The most used border crossing in the world, between Tijuana and San Diego, would have been closed. But nothing of the kind happened. Mexicans, though mourning, went about their business the day after the assassination. Lines of Mexican-owned cars waited patiently at the border to enter the United States on business. Thousands of Americans walked the streets of Tijuana, looking and shopping. It was a normal day in San Diego/Tijuana, the largest international metropolitan area in the world.

In Mexico City, the stock market (the Bolsa) was shut down by the government after all-night meetings and phone calls to all the world's financial markets. Government officials in Mexico and the United States revived a secret agreement developed prior to the NAFTA vote in the House of Representatives last November. The United States had agreed to provide a \$6-billion line of credit for Mexico to use in propping up its currency, the peso, in the event of a negative NAFTA vote. Such a vote would have created financial havoc in Mexico. Since NAFTA passed, the line of credit was never used. It was held on stand-by during the Chiapas uprising to prevent a peso crash but wasn't needed. In fact, the Bolsa jumped 5 percent when Camacho announced he would not run for president.

Upon confirmation of Colosio's death, Finance Minister Pedro Aspe, another of Mexico's Ivy League-trained technocrats, called his advisers together for an all-night meeting to decide how to handle the emergency. The United States weighed in

with the previous agreement to provide a line of credit. Financial markets throughout the world agreed to help. The Bolsa was closed for a day. The U.S. market plunged. Everyone wondered what would happen on the relatively new Mexican market when it opened the next morning. It dropped less than 1 percent.

The financial emergency was over, but the PRI was still without a candidate, since there is no vice-presidential position or candidate in the Mexican system. The problem was back in Salinas's lap. As rumors of assassination conspiracies swirled throughout Mexico and in its newly free press, he had to act. He had two options: He could personally select a replacement candidate, or he could call a PRI convention to name a candidate, which would take time and allow conspiracy theories to spread and disrupt the country.

Salinas acted quickly and decisively. Within 120 hours of the assassination, he named the PRI's new candidate, Ernesto Zedillo, a 42-year-old Yale-trained economist who has never held public office. As Salinas's budget director, Zedillo enthusiastically carried out the president's free-market reforms. As secretary of education, he junked propagandistic anti-American textbooks and took on the politically powerful national teachers' union. He broke the union's power by decentralizing education, giving more authority to states and localities, and bringing parents into the loop. When he left this post to become Colosio's campaign manager, his efforts had increased Mexico's literacy rate to 90 percent.

**P**RI stalwarts objected to Zedillo. They wanted a seasoned politician, PRI President Fernando Ortiz Arana, whom they could count on to snuff out the Indian rebellion and to stop the massive shift to a free market and free politics. These dinosaurs object to an American-educated and trained technocracy running Mexico. They also did not like the fact that Zedillo was raised on the American border in Mexicali, the capital of Baja California. As a former altar boy, he is anathema to the deeply anti-clerical tradition of the PRI hierarchy. And ultra-nationalist Mexicans object to Zedillo because of reports that he crosses the border to shop at the Calxico, California, K-Mart during his frequent visits to Mexicali.



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PRECEDED FREE ELECTIONS.**

But as the PRI candidate, Zedillo is expected to win the presidency in the August 20 election, a three-way contest with leftist Cuauhtemoc Cardenas and the right-of-center PAN nominee, Diego Fernandez de Cevallos. Recently enacted election reforms and the presence of international observers may ensure a free election for the first time since the 1920s. Zedillo will probably win even if the election is clean, a prospect Americans should welcome.

Zedillo will support NAFTA with all the resources at his disposal. That will mean spending billions of dollars along the border to improve infrastructure and the environment. Many of those dollars will be paid to American companies operating in Mexico for the first time. Mexico will continue to sell off government-owned businesses under Zedillo, who directed the sale of more than 600 such enterprises as budget director.

Zedillo's Mexico will continue the peaceful accommodation with the Chiapas Indian rebels, because the world is watching. Zedillo wrote his doctoral dissertation on Mexico's external debt, so he knows exactly who controls investments in Mexico and how they view Mexican politics. He knows that foreign investors want a stable, peaceful Mexico.

Mexico will continue its march toward political freedom under Zedillo for several reasons. The first steps toward political reform were taken by Salinas while Zedillo served in his

administration. Zedillo and his American-trained associates know full well that with economic freedom comes political freedom. Zedillo has watched Eastern Europe fall apart economically and watched Communists win elections there because these people won their political freedom without a free-market base. He can compare Eastern Europe to Chile, where the free market preceded free elections.

Mexico will be well served by a Zedillo presidency, and so will the United States. For the next six years, Mexico will be led by a man who grew up on the border, who must have sneaked into the United States more than once as a kid, who shops at K-Mart despite a Ph.D. from Yale, and who knows how to recite the Latin Mass. These qualifications bode well for the future.

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# Mind Alteration

Drug-policy scholar Ethan Nadelmann on turning people against drug prohibition

Interviewed by Jacob Sullum

*In 1988 the conventional*  
wisdom about U.S. drug policy could be summed up in two dogmatic phrases: “zero tolerance” and “Just Say No.” Republicans and Democrats were competing to see who could be tougher on drugs. Doubts about the wisdom of prohibition—let alone proposals for legalization—were beyond the pale of acceptable discussion.

That climate started to change in the spring, after two respectable people publicly criticized the war on drugs and said it was time to examine alternatives. One of them was Baltimore Mayor Kurt Schmoke, who told a group of mayors and police chiefs in April that the drug war was a failure and said drug use should be decriminalized. The other was a young Princeton professor named Ethan Nadelmann, who attacked prohibition and made the case for

