DILEMMAS OF POLITICAL CHANGE IN MEXICO

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Business and Politics in Mexico

Matilde Luna

Mexico's changing economic and political environment during the 1990s opened new avenues of political action to the business sector. The country’s market-oriented policies and increased integration into the world economy, the 1994-1995 financial crisis, and the demonstrated international competitiveness of some Mexican firms all had important impacts upon the economic and political differentiation of Mexican business, its leadership, and the structures through which its interests are represented.

In the political arena, the shift toward increasingly meaningful party politics diversified the constellation of political actors and the range of strategies available to the private sector. Regime liberalization also modified the main institutional context for business political action. In 1996, for example, reforms to the Law on Chambers of Industry and of Commerce removed the requirement that all businesses belong to such associations. The original law, enacted in 1936, was one of the pillars of the country’s system of interest representation. It had underpinned multiple agreements among government, labor, and business, and, more recently, the economic pacts that served as the basis for liberalizing the Mexican economy after the mid-1980s.

Entrepreneurs and their associations played an important role in promoting these developments. They espoused market-oriented policies, politics based upon parties, and greater social participation. In particular, their proposals sought to counteract the enormous weight of the executive branch in policy making. The business sector challenged presidentialism throughout the 1980s and 1990s, demanding a democratic political system and becoming increasingly active in party politics. The archetypal case was business leader Manuel J. Clouthier, presidential candidate of the National Action Party (PAN) in 1988.

This chapter examines the changes that have occurred in the Mexican business sector’s political involvement, in its position within the political system, and in its forms of organization. It also explores the dilemmas that business faces in the transformed context of an internationalized economy, democratization, and intense competition among political parties. Business associations – the private sector’s foremost institutional political representatives – are the main focus of discussion. Their role is examined in two spheres of public space, politics and policy making.

The principal lines of analysis involve identifying changes in economic governance and in the private sector’s political action strategies. Of particular interest is the emergence of forms of business organization alternative to the corporatist traditions that formerly characterized the postrevolutionary regime, as well as the appearance of new forms of bargaining and distinctive political agreements. The multiple changes associated with Mexico’s more complex and competitive economic and political environment are challenging the traditional forms of social order consolidated through corporatist and clientelist social coordination mechanisms, in which there was little difference between politics and policy. In order to evaluate these changing tendencies, this chapter assesses various forms of economic governance – corporatism, associations, networks, and, to a lesser degree, community – as well as different types of private-sector collective action strategies.

Corporatism is based upon hierarchical structures and obligatory membership in bureaucratic and asymmetrical organizations. These social organizations, which are strongly dependent upon the government, are national in scope and hold a monopoly over representation. Such characteristics make these organizations an appropriate participant in agreements dealing with aspects of macroeconomic policy. Tripartite agreements – in which the principal actors are the government, business associations, and top-down, centralized labor confederations – are a natural extension of corporatism and a preferred way of formulating national policies. They are based upon formally equal representation of the participating social actors, which generally act at a distance from their affiliates.

Association governance is based upon private organizations in which membership is voluntary. However, even though members choose to join them, affiliation with these organizations is still somewhat obligatory in the sense that they have (or seek) government recognition. Associations function in a more competitive or pluralistic institutional context and usually (unlike corporatist groupings) offer incentives to attract their members.

2 This conceptualization is based upon Offe 1975. Offe proposes a set of decision-making models, each with its own possibilities and limitations. Non-distinction between politics and policies corresponds to the consensus model, which tends toward a perverse politicization of the policy sphere. Offe distinguishes this model from such others as the legal-rational model and the directed-rationality model.

3 This definition of different forms of governance is based upon Hollingsworth and Boyer 1997, Schmitter 1997, and Luna 1997. Luna 1997 proposes an analytic model to study changes in strategies for formulating science and technology policies, distinguishing among strategies based upon organizational and normative principles: the state, the market, the community, and networks.
Networks are built upon informal, voluntary relationships of multilateral exchange. Personal relationships, trust, cooperation, and flexible structures feature in these forms of governance. Because of their flexibility, networks are appropriate in complex economic and social environments, although (unlike corporatist organizations) they tend to generate uncertainty over the rules and outcomes of interaction.

Community, in turn, is found in circumscribed or closed social spaces. It is based upon an informal membership that evolves slowly over time. Exchange is based upon trust and social solidarity, and compliance stems from moral and social norms.

There are several major collective action strategies available to the business sector: action aimed at the public policy sphere, particularly economic policy; partisan action involving a close relationship between business associations and political parties; and normative action aimed at modifying the organizational principles and values that govern social and political life.

Organizations' institutional dynamism depends upon three main types of factors: external elements, internal factors, and those related to the institutional traditions that constrain and give meaning to the implementation of different practices. External factors include, for example, market pressures to achieve greater competitiveness and changes in the institutional context, which in the case of the Mexican business sector also involve a more competitive political environment. Among the most important internal elements are changes in the balance of forces among different political factions, in forms of leadership, and in modalities of action.

In order to analyze these different issues, the remainder of the chapter is divided into five main sections. The first provides background, reviewing the business sector's traditional position within the Mexican political system and describing business's main representational structures. The second part considers the paramount political tensions of the late 1980s and early 1990s. The third section assesses business's political conduct over the course of the 1990s in terms of its various collective action strategies, the rearticulation of political currents, and the content of public debates. The fourth part discusses a series of phenomena during the 1990s related to the private sector's organization and reorganization on the basis of different models of economic governance. The fifth and concluding section explores the role of business in Mexico's transformed economic and political order.

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4 This analytic proposal is based upon Luna and Tirado 1992, which presents a conceptual framework to examine business organizations' structure and actions, and Tirado and Luna 1995, which analyzes the Private Sector Coordinating Council (CCE) through the early 1990s on the basis of this and other distinctions.
Figure 10.1: Membership in Mexico's Private Sector Coordinating Council

<table>
<thead>
<tr>
<th>Principal constituent organizations</th>
<th>ABM</th>
<th>CMMN</th>
<th>AMIB</th>
<th>AMIS</th>
<th>CONACEM</th>
<th>CNA</th>
<th>CONCANCAC</th>
<th>COPARMEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational base</td>
<td></td>
<td></td>
<td>27</td>
<td></td>
<td></td>
<td>36</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>Approximate number of affiliates</td>
<td>30</td>
<td>17</td>
<td>25</td>
<td>19</td>
<td>125,000</td>
<td>210,000</td>
<td>500,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Percentage of CCE affiliates</td>
<td>0.003</td>
<td>0.005</td>
<td>0.004</td>
<td>0.003</td>
<td>0.006</td>
<td>0.038</td>
<td>0.027</td>
<td>0.045</td>
</tr>
<tr>
<td>Sectors represented</td>
<td>Finance</td>
<td>Mixed</td>
<td>Finance</td>
<td>Insurance</td>
<td>Industry</td>
<td>Agriculture</td>
<td>Commerce</td>
<td>(Mixed)</td>
</tr>
</tbody>
</table>


Note: See the List of acronyms for the names of individual organizations.

* Percentage of the CCE's 905,351 indirect affiliates in mid-1990s.

The 1980s were characterized by significant political activism on the part of Mexican business (Tirado and Luna 1995). This activism was one consequence of the 1982 bank nationalization, which shattered the established nexus for economic policy development (especially the link between private companies and government agencies in the financial sector) and demonstrated the executive branch's potential to act unilaterally. In the lengthy confrontation that ensued between the state and the national private sector, the traditionally radical business current — led by the COPARMEX, but including the Confederation of National Chambers of Commerce (CONCANACO) and the National Agricultural and Livestock Council (CNA) — dominated public debate.

The private sector's political activism during the 1980s was inspired both by economic and political liberalism and by social-Christian doctrines. It was directed at promoting a new economic, political, and social model that would assign a leading role to business and protect the private sector against further unilateral decision making by the government. Business leaders from the liberal-conservative current (including the COPARMEX, CONCANACO, and CNA) advocated a "social market economy," a democratic political system that fostered party politics (in practice, a PRI-National Action Party system); and social participation through "subsidary associations." Based upon the COPARMEX's ideological affinity with the center-right PAN, the current's leaders supported political participation by business in this party.

In the late 1980s, several events changed the shape of state-private sector conflict in important ways. Among them were the opening of the Mexican economy, especially Mexico's adherence to the General Agreement on Tariffs and Trade (GATT) in 1986; the signing of economic pacts among government, labor, and business to control inflation and accelerate economic liberalization (in particular, the privatization of the commercial banking sector), beginning in late 1987; and the political advance of the center-left National Democratic Front (FND), which mobilized unexpectedly strong opposition to the PRI in the 1988 presidential election.

One key development during this period was the weakening of the liberal-conservative business current in public perceptions and the strengthening of "elitist" organizations, known as such for their members' economic weight. The CMHN, ABM, AMIB, and AMIS constituted the axis of a liberal-pragmatic current within the private sector. This change in the balance of private sector forces became apparent when the central focus of private-sector activism shifted from partisan political action to more routine economic and administrative policy-making activities designed to consolidate new economic policy guidelines concerning...
liberalization, a downsizing of the federal government's regulatory functions, and, above all, privatization. It was also visible in the increasingly strong ties between the government and those business organizations comprising the liberal-pragmatic current.

One major consequence of the elitist or pragmatic-liberal current's growing influence was leadership change in the CCE during the late 1980s and early 1990s, actions orchestrated by prominent CMHN members Claudio X. González, Agustín Legorreta, and Rolando Vega. It was during these years that the CCE became the chief signatory to the controversial 1987 Economic Solidarity Pact and champion of trade liberalization, privatization, and foreign investment (Luna and Tirado 1993). Together with the government, the CCE implemented novel mechanisms for tripartite collaboration among business, government, and labor, along with not-so-novel mechanisms of top-down control over its members. In doing so, it relied upon the broad membership base of the National Confederation of Chambers of Industry (CONCAMIN), CONCANACO, and CNA, organizations that stipulated affiliation for all businesses in their respective sectors.

Within Mexico's new policy framework of privatized state firms and policies designed to encourage international competitiveness, big economic groups began to emerge and consolidate their position. They included both traditional economic groups and business consortiums that developed during the economic reform period (especially nontraditional exporting firms that established strategic alliances with foreign capital, many of which became midsize multinational firms). Studies of the changing structure of the private sector between 1987 and 1992 have found that Mexican private businesses significantly increased their importance as a proportion of all large businesses operating in the country and in terms of their contribution to total economic activity (Garrido 1998, 1999). A considerable number of these large industrial conglomerates dominated their respective sectors, and several of these clusters were closely associated with financial institutions.

There was, however, growing uneasiness within the private sector about the concentration of decision-making power in the CCE and the close identification of the pragmatic-liberal and liberal-conservative currents with, respectively, the PRI and the PAN. The pragmatic-liberal current (encompassing particularly the CMHN, ABM, and AMIB) had directly benefited from the privatization of state-owned companies, export promotion policies, and the government's protection of the financial sector in the negotiations over the North American Free Trade Agreement (NAFTA). Particularly noteworthy was the unprecedented participation of CMHN members Claudio X. González and Gilberto Borja in, respectively, the administrations of Presidents Carlos Salinas de Gortari (1988–1994) and Ernesto Zedillo (1994–2000). Moreover, in 1993 CMHN members and other financial-sector leaders made large contributions to Zedillo's presidential campaign in response to a request from Salinas and the president of the PRI (Proceso, March 8, 1993, p. 6).

Entrepreneurs' political involvement with the PAN was even more notable. During the 1980s and 1990s a group of prominent panistas arose from the private sector. Most were owners of small and midsize businesses, and some were former local COPARMEX and CONCANACO leaders. These businessmen competed for elected offices, winning gubernatorial races in Guanajuato, Jalisco, and several northern Mexican states.

Business associations' demands for democratization slackened somewhat when the FDN emerged and ran Cuauhtémoc Cárdenas as its presidential candidate in 1988, mainly because many elements in the private sector viewed Cárdenas as a threat. Nevertheless, business leaders continued to run as the candidates of various parties, changing the traditional rules of the political system but without clearly establishing new norms of political behavior for entrepreneurs as citizens, as a sector, or as politicians.

Business's Political Conduct in the 1990s

The private sector's political activities during the 1990s were marked by internal conflicts, despite a brief period of unity during the NAFTA negotiations. These conflicts arose because of the realignment of political currents within the private sector and the predominance of business associations in the policy sphere.

Internal Conflicts

Toward the end of the 1980s, the overall unity that had characterized the private sector during the corporatist era began to weaken. Moreover, by the early 1990s conflicts no longer centered upon business relations with government; instead, confrontations were increasingly among entrepreneurs (Luna and Tirado 1993). For instance, following the signing of the Pact for Stability, Competitiveness, and Employment (PECE) in October 1992, some business associations challenged their representatives' authority to negotiate an agreement of this nature on behalf of the private sector. Some entrepreneurs also objected to specific items contained in the PECE, such as price controls. The dissident associations branded CCE leaders as "pro-government" and demanded that the Council function simply to coordinate its member organizations and not try to speak for the entire business sector. Similar tensions surfaced in rivalries over the CCE presidency, over the extent of the Council's overall authority and responsibilities, and over the appropriateness of obligatory membership in industrial and business chambers and confederations.

The main contenders in the conflict over the CCE presidency for the 1989–1990 period were, on one side, the liberal-conservative current led by the COPARMEX and the CONCANACO and backed by the CNA and, on the other side, the big economic groups represented by the CMHN and financial-sector associations.
Because none of the Council presidency candidates reached the vote threshold prescribed in the by-laws, an interim president was elected (from the CMHN) for a six-month period and later confirmed for an additional year. At the same time, the relevant by-laws were reformed so that in future elections each organization, in order of seniority, would present a slate of candidates. This reform gave the CONCANACO (created in 1917 and hence the oldest organization in the CCE) the opportunity to present the first slate, which produced the CCE president for the 1991–1992 period. This development eased the marginalization of small and midsize industrial and commercial firms and those outside the Mexico City metropolitan area, which were organized in associations like the CONCANACO, the COPARMEX, the CONCAMIN, and the National Chamber of Manufacturers (CANACINTRA).

As noted above, disputes surrounding the CCE presidency exposed disagreements within the business community over the Council’s level of authority, the policies it advocated, and the degree to which it was representative of the sector as a whole. There was an especially vigorous debate over obligatory membership in business chambers. The merchants grouped in the CONCANACO defended mandatory membership, arguing that their organization was a legitimate representative and that the elimination of this membership requirement would atomize merchant interests. However, the greatest controversy surrounded the relative importance of macroeconomic and microeconomic priorities in Mexico’s development strategy, particularly the role that the government should play.

The Public Debate

Mexico entered the 1990s with an open economy and relative macroeconomic stability. However, industrialization had stagnated, and some business groups began looking to microeconomic reform to help firms achieve real competitiveness in the framework of a more open economy (Luna 1995). Government and business agreed in general that microeconomic reform was a priority if the country was to advance to a new stage of development, but there were profound differences over who should promote the reforms and how. Public officials and some business groups (including the Mexican Bankers’ Association and the CMHN) declared that microeconomic reform was mainly the responsibility of private firms. In contrast, organizations such as the COPARMEX, the CONCANACO, and the CANACINTRA warned that microeconomic efficiency depended not only upon each firm’s internal organization, but also upon a competitive and efficient economic environment and an effective and well-articulated industrial policy.

The main targets of criticism were Mexico’s recently privatized commercial banks and the Ministry of Finance and Public Credit (SHCP), which were said to be responsible for the constant shortage of capital and the absence of fiscal incentives to expand production. The Ministry of Commerce and Industrial Development (SECOFI) also received criticism for not developing an industrial modernization plan.

This debate, precipitated by the 1994 presidential election and fanned by the effects of the post-1994 banking crisis, transferred the CCE’s peculiar internal asymmetry into the political arena and produced a realignment of political currents within the private sector. These currents now became differentiated based upon the following dichotomies: producers versus financiers, large versus small firms, and location in the Mexico City metropolitan area versus other regions of the country. The new divisions replaced ideological and political affinities between business associations and political parties as the main axes of political differentiation within the private sector.

It was upon this basis that discussions emerged over the role that government, business associations, and the private sector as a whole should play in economic development, and that policy proposals were developed regarding how to create the requisite conditions for improving firms’ economic performance.

The Realignment of Political Currents

Two major political currents dominated the CCE during the 1990s: (1) the pragmatic-liberal current comprised of financial groups and large exporting firms, represented especially by the CMHN, the ABM, the AMIB, and (2) a critical-liberal current composed of business organizations with a broad base among small firms (the AMIS, CANACINTRA, CONCANACO, COPARMEX, and CNA). Their differences arose over the relative downgrading of the domestic market’s importance under Mexico’s new economic strategy and firms’ differential capacity to adapt to trade opening and the government’s deregulation processes. More specifically, the factors leading to the emergence of the critical-liberal current included the plight of small firms and industries focused on the domestic market and different business groups’ discontent over the centralism characteristic of the main national business organizations.

The critical-liberal current was distinctive for both its composition and its proposals. It united organizations with historically different political positions, ranging from the COPARMEX (with its radical anti-government positions and ties to the Roman Catholic Church) to the CANACINTRA (with its tradition strong ties to government). The new current also embraced organizations that had previously not participated in public debate, including the Mexican Association of Insurance Institutions, which had formerly been aligned with the financial sector.

Under COPARMEX leadership and with input from the CANACINTRA, the critical-liberal current capitalized on many businesses’ unhappiness with Mexico’s economic policy orientation and with large economic groups’ control of CCE leadership. As a group, the current’s members supported a series of private-sector proposals for the 1994–2000 presidential period that featured demands for a new industrial policy.

8 The new critical-liberal current was very much in evidence during the 1994 presidential succession (Luna and Tirado 1999a).
The pragmatic-liberal current (the CMHN, ABM, and AMIB) was, however, much better established because of its longer history and its members' economic importance. The current's position was strengthened during the NAFTA negotiations by the creation of the Foreign Trade Business Organizations' Coordinating Network (COECE). The COECE, which assumed national political importance during the early 1990s, bolstered the pragmatic-liberal current's position by combining the basic CCE structure with a set of organizations oriented toward foreign trade, a group that formerly had been outside the CCE's system of representation but that became strategically important under trade opening.

The CONCAMIN maintained a position midway between these two currents. Although its decisions often tipped the balance in favor of the pragmatic-liberal current (as was the case, for example, with the CCE succession in 1990), its positions remained closer to those of the critical-liberal current, as will be seen below.

Both currents continued to recognize the value of competition as a fundamental element of economic dynamics. However, they differed regarding the government's economic role and the best means to achieve competitiveness in world markets. The pragmatic-liberal current emphasized macroeconomic conditions and the international market, while the critical-liberal tendency placed greater attention upon microeconomic policies and the domestic market. The former assumed a causal relationship between trade liberalization and increasing firm competitiveness driven by market pressures; the latter argued that government should play an important role in leveling the playing field and thereby creating expanded opportunities for business competition.

In particular, the critical-liberal current highlighted the lack of sufficient financial resources and fiscal stimuli for production, thus placing the traditional opposition between financial capital and industrial capital on the public agenda. In addition, it emphasized the need for a national industrial policy that would take into account not only the specific conditions of different industrial branches, but also the situation of production units in terms of size, technological capability, and regional disequilibria.

Along these lines, the critical-liberal current called for solid government financial support for an industrial policy, along with infrastructure modernization, deregulation at the state and municipal levels, promotion of business partnerships, and, especially, appropriate enforcement of legislation regarding economic competition and a broadening of collaborative arrangements between government and business associations so as to involve all businesses in policy design (Luna 1999). The CONCAMINseconded these proposals, noting that a new national industrial policy should eliminate distortions carried over from Mexico's protectionist period, reduce the concentration of production and eliminate oligopolistic interests, address small and midsize firms' organizational lags, and halt "excessive" regulation of economic activity.

For most of the 1990s, the CCE leadership was controlled by heads of associations affiliated with or sympathetic to the critical-liberal current. Mainly as a result of the changes made to the CCE's electoral procedures in the early 1990s—but also reflecting the breadth of support organized around the critical-liberal perspective—the CCE presidency was held successively by the leaders of the CONCANACO (Nicolás Madhaur), the CONCAMIN (Germán Cárcavo), the COPARMEX (Héctor Larios), and the CNA (Eduardo Bours). As a consequence, the discourse of the critical-liberal current and that of the CCE remained relatively in tune with one another. The CCE, however, often emphasized the conjunctural character of a new industrial policy and the need to support firms relatively less able to compete in a radically altered economic context.

Unstable Unity

The NAFTA negotiations in the early 1990s provided an ephemeral but significant moment of unity among business interests and between business and government. This unity was largely attributable to the nature of the negotiations themselves, which pushed business groups to cooperate in order to seek advantages for the private sector as a whole. However, unity was also encouraged through new mechanisms of communication and collaboration by certain political conditions.

The most important political conditions were:

- The desire to achieve common objectives, including stable access to external markets, a just balance in dispute resolution arrangements, complementarity of the Mexican economy with its trading partners, and the exclusion of petroleum from the negotiations;
- Validation of COECE member organizations' independent positions through a confidentiality agreement that granted the COECE the exclusive right to announce to the public the advances made in the negotiations with Canada and the United States;
- Changes in the CCE's by-laws that encouraged the Council, when faced with the urgency of presenting a united business front, to promote a relative opening in its affairs that better accommodated the interests of small businesses;
- The prospect that business interests not taken specifically into account in the NAFTA negotiations would be protected via such governmental initiatives as programs to modernize midsize, small, and "micro" firms;
- The representational situation of small firms, whose heterogeneity and organizational instability and the strong individualism of their owners (Puga 1994) posed obstacles to the creation of a small-business organization capable of functioning as a counterweight to "elitist" organizations and large economic groups.

One element that undermined private-sector unity in the 1990s was government protection of the financial sector. Despite demands by Mexico's industrialists that the government open the financial sector to foreign competition, the purchasers of recently privatized banks repeatedly maintained that the financial system should be phased into the NAFTA framework gradually. This disagreement within the
private sector had its parallel within the government, with the SECOFI endorsing, a faster opening while the SHCP and banking officials remained much more conservative with regard to how fast and how much to liberalize the financial sector. The COECE’s president strongly criticized the commercial banks for failing to provide sufficient support for Mexico’s productive apparatus and for lagging in terms of the extent and speed of their liberalization.

Business and Party Politics
The various business currents’ affinities with different political parties, which had been so clear in 1988, became blurred over the course of the 1990s. In a context of greater political competition, business organizations’ political preferences and alignments became more diversified. Organizations with significant financial resources expanded and professionalized their relationship with parties. For example, the CCE created a liaison commission in order to influence the debates and decisions of the federal Congress. Some business leaders even switched their partisan allegiance, regardless of the ideological affinities between their associations and particular political parties.

The most politically active entrepreneurs during the 1990s were those affiliated with the PAN, which captured a number of governorships over the course of the decade. Entrepreneurs also achieved a greater presence in the federal Congress, running as candidates for the PAN, PRD, and PRI. In 1999, thirty PAN businessmen, five from the PRD, and one from the PRI were members of the federal Chamber of Deputies (Ortiz 2000). In addition, two members of the exclusive CMHN (Miguel Alemán and Alberto Santos de Hoyos, both of the PRI) became federal senators, representing the states of Veracruz and Nuevo León, respectively.

One notable aspect of these processes has been the PRD’s efforts to attract entrepreneurs and business organizations. Toward this end, in 1998 the PRD created an undersecretariat for business affairs within its National Executive Committee. It also established a set of state-level organizations called “Business Roundtables,” through which business organizations that are independent of national business chambers have joined the PRD. In 1999, the PRD had business roundtables in the Federal District and in the states of Chiapas, México, Morelos, Puebla, and Sinaloa.

The Rise of New Organizational Forms
When considering business and politics in Mexico in the broad sense, the 1990s were clearly a period of considerable dynamism in the forms of business organization. The altered economic and political environment increasingly revealed the limitations of corporatist arrangements as tensions among business interests mounted, fracturing the unity of the business class that typically characterizes corporatist regimes. In contrast to the relative stasis of the past, competition became a central value in Mexico’s new economic paradigm. Because of intensifying market pressures, firms were challenged to identify innovative ways of interacting with government agencies, social actors, and other companies in order to obtain the information, financial, and even knowledge resources necessary to expand their competitive capacities. The internationalization of the economy, for its part, substituted supranational spaces for the national negotiating spaces that were the arena of corporatist agreements and large hierarchical organizations. At the same time, economic globalization underscored the importance of local forms of economic governance, insofar as they can help firms confront the drastic changes arising from a more internationalized market (Hirst and Thompson 1996).

Transformations in institutional context also diversified the range of political actors that are relevant to Mexican business and produced a more competitive environment. One such change was the elimination in 1996 of obligatory membership in business associations. This reform challenged business associations’ capacity to survive by forcing them to adopt incentives to prevent members from deserting them and to expand their financial resources. Paradoxically, the 1996 revised chambers law itself established one important membership incentive. Although the law states that membership in business and industrial chambers is voluntary, it authorizes chambers to register firms in SECOFI’s Mexican Business Information System (Sistema de Información Empresarial Mexicano) and to charge fees for registering and updating information (Diario Oficial de la Federación, January 2, 1997).

International Networks
As national-level pacts declined as a mechanism for collaboration between government and business (their role practically ended after the 1994–1995 crisis), new forms of multilateral cooperation emerged that were similar to those put in

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9 The COPARMEX’s decision to move or less distance itself from the National Action Party (PAN) allowed an economically and politically heterogeneous group of businessmen and business organizations to converge around a common economic program. This development, in turn, enabled the critical-liberal current to ascend to the leadership of the CCE.

10 One example of this phenomenon was textile producer Ricardo Ruffo Appel in Baja California, Vicente Fox Quesada in Guanajuato, Alberto Cárdenas in Jalisco, and Fernando Canales Clarindo in Nuevo León.

11 Entrepreneurs who won gubernatorial races as PAN candidates included Ernesto Ruffo Appel in Baja California, Vicente Fox Quesada in Guanajuato, Alberto Cárdenas in Jalisco, and Fernando Canales Clarindo in Nuevo León.

12 Groups that have affiliated with the PRD through these roundtables include the National Association of Industrial Manufacturers (Asociación Nacional de Industriales de la Trans-

13 The incentives that associations themselves have created are discussed below.
place under the COECE for the NAFTA negotiations. Independent of its specific results, the COECE - a joint creation of the private sector and government - was widely recognized as a successful experiment in collaboration among entrepreneurs and between business and government."

The starting point for the COECE was the CCE's institutional structure, which was broadened with the addition of business associations linked to foreign trade and modified to ensure input from the bottom up. One important impetus for creating a coordination and communication system for business was the need for a grand alliance that could mitigate Mexico's negotiating disadvantages vis-à-vis its NAFTA neighbors to the north. However, it was also important to retain the CCE's sectoral and regional structure, which was essential for generating information on each industrial sector and branch, organizing cooperation among businesses in different branches on the basis of commodity chains, and involving a broad number of Mexican entrepreneurs in the consultation process.

The interactions with the U.S. and Canadian governments and U.S. and Canadian businesses combined negotiations by sector and negotiations by topic. They addressed such issues as unfair competition, intellectual property rights, and rules of origin. According to several participants in the NAFTA process, personal networks were the key to effective communication, with COECE members acting as consultants to Mexican government agencies, representatives of the national business community, and liaison with their U.S. and Canadian counterparts. Such complex communications and the coordination of both internal and external strategies would have been impossible in the CCE's highly hierarchical institutional system.

Corporatist Retreats, or Mere Coordination of Interests?

In the late 1990s, two new organizations arose in Mexico's strategically important financial and export sectors with the objective of uniting existing associations in these areas and promoting their activities in the international market. These bodies were the Financial Coordinating Council (CCF, established in 1998) and the Mexican Foreign Trade Council (COMCE, created in 1999). Both are empowered to represent the general interests of their respective sectors before governmental authorities and private organizations and to be the "official" spokespersons for their members.

The CCF, under the leadership of the Mexican Bankers' Association, originally linked together ten associations of financial institutions. These included the Mexican Association of Stock Investment Firms and the Association of International Financial Intermediaries, which represents over one hundred institutions.

The COMCE emerged less obtrusively under the leadership of the Mexican Business Council for International Affairs (CEMAD), a nonvoting member of the CCE. Unlike the CCF, which simply links existing organizations, the COMCE requires that its member associations cease to exist as separate bodies. Its affiliates include the National Council on Foreign Trade and the COECE. However, one important association, the National Association of Mexican Importers and Exporters (ANIERM), decided not to participate (El Financiero, April 15, 1999). ANIERM's refusal to join apparently reflected the fact that the COMCE only represents the interests of exporters, while ANIERM's membership includes importing businesses as well.

Association Governance

Some business groups with a national presence in the industrial sector have approximated the goal of association governance by creating semi-private bodies offering services to companies. One example is the Foundation for Innovation and Technology Transfer for Small and Midsize Firms (FUNTEC), created by the CONCAMIN in 1994. Another is the Technology Transfer Unit (Unidad de Transferencia de Tecnología) created by the CANACINTRA in 1993, which offers technological, commercial, and financial services to members. FUNTEC in particular has assumed representative functions before joint public-private bodies that spur technological modernization, helping them promote coordinated activities among large firms, business associations, and research centers (De Gortari and Luna 1997; Cazalet 2000).

Regional Cooperation

Regional programs operated by national business associations have had relatively little impact in Mexico. Nevertheless, in both industry and in the agricultural and livestock sector, local-level specialized chambers and associations have begun to establish multilateral relationships between their members and state universities and research institutions, as well as with governmental agencies. These networks have appeared more or less spontaneously. They are generally oriented toward gaining access to information and knowledge resources for the benefit of their members, adapting technologies, or standardizing products and processes.

One study of these networks found that specialized associations at the municipal and state levels are the actors most frequently involved in establishing links among academic institutions, local governments, and small firms in traditional industries (Luna and Tirado 1999b). Based upon an analysis of network dynamics, Luna and Tirado determined that these specialized associations may be able to establish cooperative relationships with other actors and fulfill an important monitoring function to ensure that their objectives are fulfilled. Along with their geographical proximity to members, one of the main incentives for collaboration that municipal- and state-level associations can provide is their capacity to share members' specialized knowledge about their production processes and general business needs.

These network relationships generally have been based upon learning through interaction, and participants' specific capabilities usually matter less than their...
capacity for cooperation. Most such networks are local. However, some have had sufficient financial, organizational, informational, and knowledge resources to develop into international networks. In effect, their dynamism has brought them into the global environment.

Although credit unions have little chance to follow such an internationalizing trajectory, they nevertheless demonstrate the crucial role of cooperation in the market era. Between 1989 and 1998, the number of credit unions in Mexico rose from 1,42 to 3,83 (Luna and Puga 1998). Because they are based upon social solidarity and voluntary exchange, these institutions approximate forms of community governance. They are able to provide businesses with financial resources, technical assistance, bulk purchases, and other commercial services through the mutual support of their members—generally small agricultural and industrial producers or merchants.

In summary, one useful way to portray the trends that prevailed among Mexico’s corporatist business organizations in the 1990s is to place these organizations along an axis that runs between two extremes of economic governance. At one pole lies the state, which is connected to national space; at the other pole is the market, which is shaped by international forces. Although shifts during the decade in forms of business governance and in the character of business associations’ relations with the state and the market were neither uniform nor unilinear, they did highlight the fact that there are diverse forms of economic governance, each with its own logic, and that these relationships are still in flux.

**Conclusion: The Private Sector’s Dilemmas in a New Era**

National businesses face a key challenge within Mexico’s increasingly complex economic and political environment—the need to differentiate their strategies for collective action. In order to meet this challenge, they must first recognize the distinction between politics and policies. If the Mexican private sector fails to make this distinction, the result could be the politicization of the policy sphere. This is precisely what happened between 1976 and 1982, when conflicts between government and business created a governability crisis and threatened the stability of both the economy and the political system (Luna 1992). At that time, the problem of representation inherent in corporatism’s top-down controls was temporarily resolved through the creation of the CCE and the largely unregulated entry of entrepreneurs into partisan politics.

There are two reasons why the reappearance of politicization in early twenty-first-century Mexico would likely have much more profound effects than in the 1976–1982 period. First, an internationalized environment makes the Mexican economy much more vulnerable to shocks. Second, the fact that Mexico has not yet completely consolidated a democratic regime based upon multiparty political competition and the rule of law makes its political system very fragile.

In general terms, long-established corporatist arrangements in the private sector face three interrelated challenges: internationalization, which has reduced the relative importance of national bodies in the design of public policies; political democratization, which has undermined the control mechanisms that necessarily form part of a corporatist regime; and increased competition among political parties, which has decentralized the relationship between business and government.

In the field of public policy, some Mexican business organizations have shown an ability to evolve. Although their transformation is still incomplete, they demonstrate that it is possible to draw upon an institutional capital whose dynamism goes beyond mere organizational survival. Such dynamism requires the development of cooperation mechanisms and incentive systems to resolve the dilemma between competition and cooperation. It also requires raising the quality of representation and articulating political fields on different geographic scales. In other words, the future viability of corporatist-type organizations depends upon their capacity to create associations that are more administratively and territorially decentralized, less isolated from their social bases, and more flexible in their structure.

In countries such as Italy and Germany, the resurgence of functional collaboration agreements has been possible because of the presence of decentralized decision-making structures and social organizations’ capacity to capitalize on the opportunities that their particular resources presented. This type of economic governance has succeeded in counteracting networks’ perverse effects, including uncertainty about the rules for (and results of) cooperation (Regini 1998).

Such outcomes do not imply the disappearance of large national organizations, but they do require capacity building in business associations to the point that they can coordinate multiple interests and manage conflicts that appear in the process of developing and implementing policies. Indeed, these associations will only be able to prosper in the future if they mobilize their political resources to coordinate diverse interests. This was the basis upon which the critical-liberal current built its grand alliance in the 1990s, enabling it to establish control over the CCE. However, it is also likely that the pronounced centralization of national business organizations, as well as the dearth of information and lack of deliberation that prevail within many business associations, contributed to this alliance’s limited impact upon the main lines of national economic policy.

The relationship between business and politics in a more narrow sense has been a leading topic of debate among entrepreneurs ever since the creation of the CCE, an organization that some business leaders considered turning into a political party. The issue gained special saliency in the 1980s when these debates hinged upon whether entrepreneurs should participate in political parties as individuals or as a sector.

This question retained its relevance in the context of greater political competition during the 1990s. One case is particularly noteworthy because of the individual’s connection with the CCE, the elite of Mexican business associations. Eduardo Bours was president of the CCE in 1999 when he urged the private sector to give its financial support to Francisco Labastida’s primary campaign to win the
PRI's presidential nomination. Bours later became Labastida's campaign finance director, a development that sparked spirited exchanges among members of the CMHN and a protest by Juan Sánchez Navarro, a leading private-sector ideologue and promoter of private-sector associations. A similar case involved Silvestre Fernández Barajas, a former president of the CONCAMIN, former PRI federal deputy, and candidate in the PRI's gubernatorial primary in the Federal District in 1999.

Given the traditionally hierarchical structure of interest representation in Mexico, partisan political identification by business associations provokes conflict both among the top organizations and between these national groups and locally based associations whose members' political preferences are increasingly diverse. One should recall in this regard that the PRI's first gubernatorial defeats were at the hands of entrepreneurs running as PAN candidates.

However, because of the rising influence of Mexico's legislative branch and the country's experiences with political alternation in power at the state and federal levels, new representational mechanisms and political practices have emerged to redefine the business-politics relationship. Entrepreneurs increasingly participate in politics as individuals, holding elected office under various political party banners. The CCE has created a liaison commission that aims to influence congressional debates, and the CCE and similar bodies now hold dialogues with candidates from various parties to discuss economic policy proposals.

In sum, distinguishing between economic and political interests within business organizations has meant recreating these organizations' relationship with the political sphere. The result has been that political parties and other social organizations now have a greater influence on the design and direction of public policies in Mexico.

The presidential victory of PAN candidate Vicente Fox Quesada in July 2000 synthesized the new relationship between business and politics that had been fostered during the 1980s and 1990s. Among other things, the first years of the Fox administration made evident the danger of politicization of the policy sphere. Despite Fox's initial statement that his administration "was one of businessmen and for businessmen," relations among the federal executive, the Congress, and business associations such as the CMHN and the CCE (whose president for 2000–2002 was Claudio X. González, a former president of the CMHN, CCE president during 1985–1987, and a close advisor to the Salinas administration) proved difficult. The CCE refused to sign the "national political accord" proposed by President Fox, and there were multiple political conflicts over proposed reforms to fiscal and tax policy, federal labor law, educational policy, and the terms under which foreign investors could participate in the electrical power sector. Moreover, investigations into the financing that entrepreneurs had provided for Fox's presidential campaign made evident the urgent need to distinguish between politics and policies and to regulate the new relationship between entrepreneurs and partisan politics.

References


Mexico’s Armed Forces: Marching to a Democratic Tune?

Roderic Ai Camp

Mexico’s pattern of civil-military relations is unique among Latin American countries, constituting a significant case study in the withdrawal of the armed forces from direct political intervention. As a consequence of the Mexican Revolution of 1910–1920, the Mexican military became the first in the region to emerge from the remnants of popular or guerrilla forces that had destroyed the established armed forces. The only other Latin American countries where this has happened are Cuba after 1959 and Nicaragua after 1979. These popular origins have flavored how the officer corps views itself and, to some degree, how the average citizen views the military.

As a result of the military’s gradual withdrawal from direct participation in political affairs over the course of the 1920s and 1930s, along with the inauguration in 1946 of the first elected civilian president since 1913, Mexico achieved an enviable reputation as the Latin American country with the longest record of military subordination to civil rule. Nevertheless, questions remain about the stability of this relationship and about what conditions might spur Mexico’s armed forces to a more active political role.

The three conditions most likely to alter the well-established pattern of military subordination to civil rule are the spread of societal violence, represented by guerrilla groups; increased militarization of various sectors in response to rising levels of criminal activity, including urban crime and drug trafficking; and the creation of partisan civilian alliances with factions in the armed forces as part of the natural pattern of political pluralization. The fact that there have been significant changes in all three of these areas since the mid-1990s alters to some degree the dynamic that has characterized civil-military relations in Mexico in recent decades.

When President Ernesto Zedillo (1994–2000) took office in December 1994, the Mexican military remained steadfast in its support of constitutional government. The armed forces did so despite the fact that they faced an eleven-month-old rebel movement in Chiapas; had provided inadequate security to the governing party’s initial presidential candidate, Luis Donaldo Colosio, who was assassinated in March 1994; had witnessed increased drug trafficking and drug-related violence, including corruption of the armed forces at the highest levels; and had experienced one of the worst economic crises in Mexican history. Moreover, the military shared