

Why the Mexican Election Outcome Matters

By: Larry B. Pascal¹

The Bush Administration may be facing a daunting number of foreign policy challenges around the globe. However, from this vantage point, the recent presidential election in Mexico in which right-of-center PAN candidate Felipe Calderón narrowly defeated the left-of-center and populist opponent Andrés Manuel López Obrador (known as AMLO by his initials) can only be viewed as a beacon of hope in the dim constellation of largely leftist, anti-U.S. governments rising to the south. This is a positive development for Latin America, where there have been recent dramatic swings to the extreme left in the region (notably Venezuela and Bolivia).

More leaders from Latin America now hold anti-US foreign policy views and regularly assail the market friendly neo-liberal policies of the 1980s and 1990s. Although these free market reforms have not solved all of Latin America's economic problems (and in particular the marked differences between the rich and poor, which are among the most stark in the world), it is hard to envision Latin America growing more prosperous by expropriating private property, returning to inefficient state owned companies, and renegeing on government contracts with foreign investors. Moreover, other trading partners, such as China, are emerging to rival the US in the region.

AMLO, the former governor of Mexico City and PRD candidate, was the favorite from the outset and led throughout most of the campaign. However, he slipped in the stretch, plagued by a poor performance in a presidential debate (he skipped the first one and performed poorly in the second) and Calderón was able to convince enough voters that AMLO represented an economic step back and a threat to Mexican democracy, linking him in television ads to Venezuelan President Hugo Chávez. Calderón was also helped by a strengthening Mexican economy, bolstered by oil prices and rising exports to the US, Mexico's main trading partner, and a number of PRI supporters splitting their votes away from PRI candidate Roberto Madrazo. The other major candidate, Roberto Madrazo of the PRI, finished a distant third, suggesting that the PRI has still not recovered from losing "Los Pinos," the Mexican White House, in the prior presidential election to Vicente Fox of the PAN. Ironically, the PRI may still hold the key to the success of the incoming president, as the Mexican Congress remains divided among the three main parties with the PAN holding the largest number of seats. By offering to put together a government of national unity with cabinet members from other parties, Calderón may be taking the first steps to overcome the gridlock of divided government that President Fox faced.

The margin of victory was razor-thin, with Calderón prevailing by 244,000 votes, out of over 41 million votes cast. In response, AMLO has promised mass protest in the streets (he successfully defeated efforts by the Fox Government to disqualify him for the election on corruption grounds using similar means) and has launched a legal challenge to the vote count, calling for a recount of all ballots and even nullification of the election. AMLO's efforts this time appear to be a long shot, as most international observers have commended the Federal Election Institute (IFE) for its handling of the election and Mexican election law may offer him little recourse under the circumstances. The Mexican Federal Electoral Tribunal (TRIFE) will review the legal challenge and make the formal decision.

¹ Larry B. Pascal is a partner and head of the Latin American Practice Group at Haynes and Boone, LLP (Dallas), an international law firm with offices in Texas, New York, Washington DC, Mexico City, and Moscow. His practice focuses on advising US companies with their investments in Latin America. He also serves as an adjunct professor at the SMU Dedman School of Law, where he teaches a course on NAFTA and Latin American Law, and served as the Chair of the International Law Section of the State Bar of Texas from 2003-2004. The opinions expressed in this article are his own.

Assuming the election results are upheld by the courts, Calderón's election is important for several reasons.

First, Calderón will stay the course with respect to Mexico's sound economic policy of his recent predecessors - an independent Central Bank, responsible government spending, free trade, and in general maintaining an environment conducive to foreign investment. Mexico now enjoys an investment grade debt rating, strong currency reserves, and reduced sovereign debt due to these efforts. A devaluation of the Mexican peso seems unlikely under Calderón (for years prior to Vicente Fox incoming Mexican presidents upon taking office had to face an economic crisis in the form of a dramatic devaluation of the peso). Much remains to be done on this front in the areas of tax, labor, and energy reform (areas President Fox was unable to reform due to political gridlock). In the next "sexenio" (six year term), Mexico will have to make advances in these areas in order to make up lost ground on China, India, and other peer countries. Under AMLO, these vital reforms had little chance of passage.

Calderón is also better for Mexico's developing, but still vulnerable democracy. In this area, Mexico has made important strides – an end to over 60 years of one-party rule by the PRI, the arrival of multi-party democracy, a more vigorous press corps, an independent centralized election institute and central bank, etc. However, Mexico still must overcome historical challenges of public corruption, a weak and under-funded judicial system, and strong-armed leaders ("caudillos") who promise simplistic solutions to complex problems. Calderón is the son of the founder of the PAN, the opposition party, and keenly appreciates the importance of the rule of law and democracy.

This is not to suggest that the next six years will be smooth sailing for the US and Mexico. To the contrary, many troublesome issues remain – border environmental and security issues, drugs, immigration, among others. However, any White House would prefer to work with the US-educated Calderón than with the more inward-looking and nationalistic AMLO.

Despite high oil prices, there is discussion among Mexican elites about the need for energy reform (oil and gas and the power sector). If the new administration can accomplish this, Texas and US businesses could be in a position to participate. Even without such controversial reforms, a Calderón win is a good omen for one of Texas' largest international trade partners.

Throughout the campaign, Calderón's aides would observe that their candidate offers stability, not drama. We may see plenty of both as a new government emerges in Mexico City in December.

July 18, 2006