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October 29, 2000

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Can Mexico's New Leader Really Work Wonders?

By TIM WEINER with GRAHAM GORI

MEXICO CITY -- As a new president prepares to take power in Mexico, the biggest economic news is what's not happening.

The peso is not plummeting, investors are not panicking, and people are not suddenly paying more for their tortillas or televisions. Given recent history, this is a small miracle: every presidential transition in the last two decades has been scarred by an economic crisis. Instead of fears, there are great hopes, all raised by the next president, Vicente Fox Quesada.

"The revolution of the 21st century has begun," Mr. Fox, who takes office on Dec. 1, proclaimed last week. His advisers have compared his election on July 2, which ended seven decades of political domination by a single party, to the fall of the Berlin Wall. Ever since, during the long transition, he has been promising to tear down the corrupt and inefficient legacies of the past, and to erect modern and rational practices in their place. That has not been easy in Germany — and may be harder in Mexico.

Mr. Fox now must institutionalize the stability he has inherited. He has pledged sweeping tax and fiscal



The Associated Press

Vicente Fox Quesada, a rancher and former executive who is set to take office as Mexico's president in December, has pledged sweeping tax and fiscal reforms.



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reforms, annual economic growth rates of up to 7 percent, millions of new jobs, a stable economic architecture for foreign capital, private investment in the state-run oil industry and competition in telecommunications. He also promises budget austerity, increased social spending, the rise of the rule of law and an end to ingrained political corruption. To do all this might take 60 years, rather than the six-year term that Mr. Fox has won. It will require constitutional changes, the cooperation of a divided Congress, and lots of luck.

But many of Mexico's most prominent and powerful business figures are cheering for him. "What I have heard is very encouraging," said Alejandro Elizondo Barragán, president and chief executive of Hylsamex, one of the country's largest steel manufacturers. "This country needs to grow, and Mr. Fox is very aware of that."

Mr. Fox, a former Coca-Cola executive who entered politics as a congressman and later became a governor, knows that he was elected to change the way Mexico works. If he made good on half of his promises, Mexico would be transformed.

"The most fundamental challenge for Fox will be dealing with the enormously profound expectations Mexicans have of him after winning the election," said Luis Rubio, the director of Cidac, an economic and political research organization in Mexico City. "Now he will have to deliver."

Millions of Mexicans, and many foreign investors, are hoping that he will.

Mexico is still very much a developing nation. Reliable electric power and potable water are sometimes hard to find. In the capital, one of the world's most populous and polluted cities, the elite live behind barricades, protected from the impoverished by armed guards. Middle-class Mexicans have less buying power than they did 20 years ago, and some of the biggest banks are shaky from a legacy of bad loans. Many small businesses are threatened by imports, credit is difficult

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Luis J. Jimenez for The New York Times
Millions of Mexicans get by on a few dollars a day. Antonio Herrera, (top), 12, peddled cigarettes on the streets in Mexico City. Mexico's economy is booming, inflation is dropping, and new BMW roadsters, (above), priced at nearly \$80,000, are moving briskly at a Mexico City dealership.

to obtain, and millions of people scrape by on less than \$2 a day.

The departing president, Ernesto Zedillo, never addressed the huge structural problems of the state-run energy industries, which are inefficient and suppress competition, or of the justice system, which cannot control crime — a serious worry for foreign companies considering operations here even if they are optimistic about Mr. Fox.

"He's going to have his hands full," said Peter E. Weber, vice president of Latin American operations for the FMC Corporation, a Chicago-based industrial and chemical company that does extensive business in Mexico. "Fox will have to address the crime situation, which has an impact on attracting foreign investment. There's an awful lot of work to be done in the microeconomy, the ability of industry and agriculture to compete on a global scale, improving the quality of education."



The Associated Press
President-elect Vicente Fox Quesada spoke to the press Thursday.

YET Mr. Zedillo has enabled Mr. Fox to come to power in a Mexico that looks — on paper — economically stronger than ever.

Real growth rates have averaged 5 percent for the last four years. Driven by the North American Free Trade Agreement, Mexican exports to the United States have grown from about \$60 billion in 1995 to more than \$100 billion in 1999. Richard W. Fisher, the deputy United States trade representative, estimated that two-way trade between Mexico and the United States is running at the equivalent of more than half a million dollars a minute. At its current growth rate, it will exceed the trade between the United States and the European Union by 2004.

In June alone, Mr. Fisher said, "we sold them \$700 million worth of semiconductors, 28,000 cars and trucks, \$48 million worth of surgical equipment, 250,000 tons of soybeans and 200,000 golf balls." Mexico's leading exports include machinery, oil, clothes, fresh vegetables, glass and electronics parts.

Moody's Investors' Service raised Mexico's foreign debt rating to investment grade in March. That same month, Mexico signed a free-trade agreement with the European Union. Foreign investment is expected to exceed \$12 billion this year after averaging about \$11 billion annually since 1995. Inflation is decreasing — and is predicted to fall below 10 percent this year. Wall Street appears to love Mexico's central bankers, especially Guillermo Ortiz, the central bank president, whose term lasts three more years.

All of these are indicators of Mr. Zedillo's achievements. They give international investors reasons to believe, given continuing fiscal austerity and a stable currency, that the nation may become stronger without severe growing pains.

If it does, the credit will go in roughly equal measures to the two men trading places at Los Pinos, the presidential mansion.

President Zedillo, an economist trained in the United States, took office in 1994, inheriting and in some cases aggravating a series of financial shocks that staggered Mexico, including a banking crisis that may wind up costing citizens \$100 billion. But he is in many ways keeping his pledge two years ago "to hand over the presidency in healthy economic conditions, protected from the crises that have ruined the country over the past 20 years."

Some of the success has to do with the trade and economic policies that Mr. Zedillo instituted during his first three years in office. Some has to do with what he was handed: namely, Nafta. Mexican government figures show that export growth generated by the free trade agreement accounted for nearly half of the 3.3 million jobs created in Mexico in the last five years.

BUT nothing that Mr. Zedillo has done for Mexico economically may be more important than the way that he is giving up power. He became the first president of Mexico to create the conditions for truly free elections and a democratic transition of power.

For decades, the economy, like every other institution in Mexico, was manipulated by the ruling Institutional Revolutionary Party. Every six years, each president played tricks to help his hand-picked successor win — artificially strengthening the peso, increasing the money supply, lowering interest rates, handing out a nationwide wage increase shortly before election day.

The party kept power, but the economy kept crashing, undermined by the previous administration's acts of self-interest. Mr. Zedillo, mindful of that history, strove to make the economy more institutional than individual.

He never took on some sacred cows — like state-run oil and state-sanctioned barriers to competition — and thus never fully transformed Mexico's centralized economy into that of a modern market-driven nation. But when he gave independence to Mr. Ortiz and the central bank in 1997, Mr. Ortiz turned the central bank into a stabilizing power.

"The central bank's independence, as an institutional counterbalance to the presidency, was also a deliberate erosion of the power of the presidency," said Gray Newman, the head of the Latin American economics group at Morgan Stanley Dean Witter in New York.

The price of a stable economy was the loss of power. On election day four months ago, the country was stable enough to change without an economic or political crisis. And if Mr. Fox has his way, it will keep changing, drastically.

"Mexico's old six-year curse appears to be broken," Mr. Newman said. "But there is now a curse of abundance. Rapidly growing economy, flush with cash — sounds like you couldn't ask for more. That is why it is so risky for Mr. Fox right now."

The risk is that Mr. Fox, having promised change, will fail — foiled by the Congress, where the old ruling party still holds a plurality, and by the high expectations he has raised.

Mr. Fox, 58, cuts a rougher figure than his courtly predecessor. A Reaganesque rancher, wearing cowboy boots engraved with his name, he has little formal background in economics. By instinct and training from his days as president of Coca-Cola of Mexico, he sold himself to Mexico like a soft drink. He is a

delegator, with deep faith in corporate management techniques. He is a man given to great, sometimes transitory enthusiasm, and his transition to power has been marked by a few possibly pie-in-the-sky fiscal policy pronouncements.

He has promised that the economy will grow by up to 7 percent a year—although he is now hedging on that bet. (G.D.P. grew at an annual rate of 7.6 percent in the second quarter, fueled in part by windfall revenue from Mexican oil exports, but Merrill Lynch's and J. P. Morgan's economists are predicting Mexico's growth rate will slow to 4 percent in 2001.)

He has also pledged to create 1.35 million jobs a year, spend millions to fight illiteracy, poverty and disease, and to institute the first coherent tax-collection system that Mexico has ever known.

But during the long transition, Mr. Fox — who has yet to name a cabinet — has also failed to say precisely how he will accomplish all this.

MR. FOX has some other lofty ideas.

One is his vision of the United States, Mexico and Canada united in a common market, their borders mere lines on the map, a generation from now. Another is breaking down corrupt structures in banking, finance, real estate and political circles.

He expresses high regard for the Grameen bank, the Bangladeshi institution that pioneered credits for the poor, and he promises to help Mexico's farmers and shopkeepers with loans. As the governor of the state of Guanajuato in 1995, Mr. Fox himself started such a bank, granting credits of \$50 and up.

He wants to enforce tax collection from the rich, something that Mexico does poorly. Tax revenue is equal to only 11 percent of Mexico's G.D.P., compared with 30 percent in the United States. The low level of tax collection means that the government can do far less to help the 30 million or more Mexicans living below the poverty level.

Mr. Fox also says he will seek to tax many of the poor — millions of people who are off the grid of the formal economy, like street vendors. He aims to increase value-added tax collections on retail sales by 17 percent next year. That includes a deeply unpopular proposal to impose the tax on food and medicine — the single largest component of new revenue that Mr. Fox proposes, and the most politically sensitive. He would ease the pain for millions of families making less than \$12 a day by providing direct subsidies.

One key to Mr. Fox's success will be whether he can open Mexico's electrical and petrochemical sectors to foreign investment and change the nature of Petróleos de México, known as Pemex, the state-run oil and natural gas company, to allow more competition. Such a shift would diminish Mexico's financial reliance on Pemex, which provides about a third of the government's annual revenue.

Some members of Mr. Fox's circle — including people vying to become cabinet ministers — have suggested that Pemex have more autonomy and that the entire energy sector, including the ragged electric-power grid, be opened to private investment. Mexico is the last large nation in the Western hemisphere without private-sector power.

The departing administration's top energy officials say Mexico would have to amend its constitution to allow private investment in electricity. And restructuring Pemex would be a radical change for Mexico, which nationalized the oil industry in the 1930's.

UT if Mr. Fox wants to meet his economic goals, he may have to change the way energy is produced and sold in Mexico. Demand is outpacing the supplies provided by state-run monopolies. To meet demand, \$5 billion a year in new investments in electricity and \$2 billion a year in natural gas may be needed for the next decade.

"Everything starts with the need for economic growth, and to get it you need to make the energy sector more productive, and to do that you have to open it up to foreign investment," said Daniel Yergin, chairman of Cambridge Energy Research Associates, a petroleum consulting firm in Cambridge, Mass. "You've got to get the gas and power from somewhere."

Mr. Fox has said he will push Congress in the coming year to open up the electricity and natural-gas markets. Not everyone is confident that it can be accomplished so soon.

"We are very eager for the new administration, to see the new rules of the game," said Jean Noel Mesnard of Gaz de France in Mexico. "Providing natural gas for Mexico is going to be a big question in the coming years, and opening it up to private operators would be a good solution."

The lack of affordable energy already is threatening some businesses, like iron and steel manufacturers, which laid off hundreds of workers in September after natural-gas prices shot up.

"The root of the problem is that we have a monopoly here," said Mr. Elizondo, the Hylsamex chief executive, who is also chairman of Mexico's iron and steel industry council. "There's only one supplier of natural gas, and that's Pemex. The most important thing is to do away with the monopoly, open up the industry to private investment, local and foreign, and allow market forces to freely do their work."

Mr. Fisher, the deputy United States trade representative, said he is convinced that Mr. Fox "believes that competition is good and monopolies are bad."

"He understands, as a business guy, that to take Mexico to the next stage of growth, he's going to have to put in place structures that enhance competition and encourage foreign investment," Mr. Fisher said.

AKING rich and powerful Mexicans pay their taxes and obey the law would also help. Mexico did not invent impunity, but after 70 years of often corrupt one-party rule, it has made an art of it. A contract signed with a powerful person in Mexico may not be a legally enforceable document, one member of Mexico's business elite observed.

Changing that culture is another of Mr. Fox's pledges, and it may also be hard to fulfill. "But if they're going to take the final steps to institute the rule of law and provide investors with an encouraging, not an uncomfortable, environment, it will have to be done," Mr. Fisher said.

Rogelio Ramirez de la O., one of Mexico's best-respected economic analysts, says Mr. Fox has to change the way Mexico runs, down to the roots, if he is to succeed in the economic realm.

"With the banking and energy sectors, he has to be able to change the way they operate," he said. "That implies reducing the size of state companies like Pemex and making them more efficient. That implies changing the government, not just

the company. It implies fiscal reform, judicial reform, regulation and competition."

That is what the middle-class, educated people who helped put Mr. Fox in power voted for. In the election, the freest and fairest in Mexico's history, one of Mr. Fox's strongest assets was who he was not: not a member of the political ruling class, not weighed down by its often sordid past. He is already a historic figure: the man who drove the world's longest-ruling party from power after seven decades.

Amid great change, the country feels stable, and its economy looks strong for the moment. But Mexico is a land of earthquakes, and if Mr. Fox cannot keep his promises when he is in power, the ground may well shake before he leaves office in 2006.

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ISSUE IN DEPTH

Mexico's Presidential Election

Mexico's Ousted Party Tries to Regroup After Stunning Defeat

By SAM DILLON

(July 13, 2000) After 10 days of infighting, the elder statesmen of the recently defeated governing party have agreed on a formula aimed at maintaining internal discipline.

- [A U.S. 'Product' Certain to Sell in Mexico: Lobbying](#) (July 13, 2000)

MOVING FORWARD

Mexican Victor Courts Former Rivals

By SAM DILLON

(August 6, 2000) Vicente Fox has turned the traditional post election rituals upside down, using the weeks since his victory in July 2 balloting to visit his vanquished rivals, one by one, to apologize for his slashing attacks on them during the campaign.

- [Despite Mexico's Vote for Fox, Old Power Still Runs Congress](#) (July 11, 2000)
- [Voters Spoke. Now the Victor Must Act.](#) (July 9, 2000)
- [Familiar Foe for Mexico's New Leader: Corruption](#) (July 6, 2000)
- [Victor in Mexico Plans Overhaul of Law Enforcement](#) (July 5, 2000)
- [Mexico's Defeated Leadership Squabbles Over the Next Step](#) (July 5, 2000)

THE VOTE

Mexico, Voting In New Leader, Begins Political Sea Change

By SAM DILLON

(July 4, 2000) Swept to power by younger, better-educated voters fed up with corruption and one-party rule, President-elect Vicente Fox Quesada



FOX

- [Mexico's Third Way](#) (July 2, 2000)
- [Presidential Challenger in Mexico Pitches Tent in Two Camps](#) (June 11, 2000)
- [Mexico's Opposition Candidate Rebounds](#) (May 28, 2000)
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- [Mexico's Right Nominates Pragmatic Candidate for](#)

began the transition from a republic headed for decades by autocratic presidents to one in which political power suddenly seemed up for grabs.

- [News Analysis: A Crowning Defeat: Mexico as the Victor](#) (July 4, 2000)
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- [Change in Leadership Opportunity for Greater U.S.-Mexican Cooperation](#) (July 4, 2000)

Challenger in Mexico Wins; Governing Party Concedes

By JULIA PRESTON

(July 3, 2000) Vicente Fox Quesada, the rough-spoken rancher and businessman who galvanized a maverick grass-roots presidential campaign, scored a momentous victory in Mexico's presidential election, ousting the political party that has ruled for 71 years.

- [An Anxious Vigil in Mexico's Political Trenches](#) (July 3, 2000)
- [Mexicans From the U.S. Line Up to Vote in Tijuana](#) (July 3, 2000)
- [Vote in Mexico Will Be Fateful](#) (July 2, 2000)
- [Mexicans Get Chance to Define Democracy](#) (July 2, 2000)

THE CAMPAIGN

Women Become the Darlings of the Candidates in Mexico

By GINGER THOMPSON

(June 30, 2000) The macho, conservative world of Mexican politics has finally begun to show off its more feminine side as political parties battle as never before to win the votes of women.

- [Mexican Election Takes Nasty Turn Near the End](#) (June 29, 2000)
- [Mexico Leftist Spurns Offer of an Opposition Alliance](#) (June 26, 2000)
- [3-Way Talks for Mexican Candidates End in Walkout on TV](#) (May 25, 2000)
- [Mexico's Candidates Hold First Presidential Debate](#) (April 26, 2000)

[President](#) (Sept. 13, 1999)

- [Fox: From Moving Mexico's Cola to Shaking Its Politics](#) (May 9, 1999)
- [Mexico's Opposition Party Looks for Glue](#) (March 8, 1999)
- [Valladolid Journal: Early Bird Begins Mexico's 2000 Presidential Race](#) (May 11, 1998)
- [Miracle in Mexico: A Clean Election](#) (May 22, 1995)



LABASTIDA

- [Choice of Mexico's Elite Wins Huge Victory in Ruling Party's Primary](#) (Nov. 8, 1999)
- [Stability Is Focus of Leading Presidential Candidate in Mexico](#) (Nov. 1, 1999)



CARDENAS

THE RACE

Leading Candidates as Close on Issues as in Polls

By JULIA PRESTON

(July 1, 2000) The race for the Mexican presidency has been a show such as Mexico has never seen. The leading candidates have slugged it out on television. But it is hard to find much difference on the major issues between the leading candidates. The candidates reflected a consensus among Mexican voters.

- [Polls Show Virtual Tie in Race](#) (June 24, 2000)
- [Endorsements Buoy Spirits of Opposition in Mexico](#) (May 17, 2000)
- [For First Time, Mexican Election Is a Real Race](#) (May 16, 2000)
- [In Mexico's Election, the Race Is Real](#) (March 12, 2000)
- [Ruling Party Gets a Lift in Mexico as Foes Disagree](#) (Sept. 29, 1999)
- [News Analysis: P.R.I. in Mexico Shows It Can Win](#) (July 6, 1999)

THE FIGHT AGAINST FRAUD

In Mexican Campaign, Money Still Buys Votes

By SAM DILLON

(June 19, 2000) Much has changed in Mexico to make the 2000 campaign for the presidency the fairest and most competitive in the country's history. What has not changed is what opposition leaders say are the governing party's long-entrenched practices of vote-buying, coercion and doling out pork.

- [Clean Vote Vowed in Mexico, but Fraud Dies Hard](#) (June 28, 2000)
- [Mexican President Denounces Predictions of Election Fraud](#) (June 20, 2000)
- [As Zedillo Meets Clinton, U.S. Praises Vote Process](#) (June 10, 2000)
- [Old Ways Die Hard in Mexican Election Despite the Pledges](#) (May 9, 2000)
- [In 'New' Mexican Politics, Some Old Tricks](#) (Nov. 3, 1999)
- [In Mexico, Votes Can Be Bought, Study Shows](#) (July 31, 1999)

THE ECONOMY

The Six-Year Curse Threatens, but This Time Mexico Is Bullish

By JULIA PRESTON

- [Mexico's Influential Long Shot](#) (June 17, 2000)
- [The Happy Warrior](#) (May 22, 1997)
- [Leftist Poses a Challenge to Top Party in Mexico](#) (June 22, 1997)

FACTS

- AREA: 758,242 sq miles
- POPULATION: 97.4 million
- ELIGIBLE VOTERS: 58.7 million
- POPULATION GROWTH: 1.4 percent a year
- LITERACY RATE: 89.4 percent
- RELIGION: 90 percent Roman Catholic
- GDP: 5.285 trillion pesos (\$570 billion)
- GDP PER CAPITA: \$5,800

(June 25, 2000) Mexicans say a spell comes over the economy at the end of every presidential term to make people go broke. But economists are surprisingly united that for once the economy is strong enough to keep any disturbance caused by the handover of power from becoming disaster.

Mexico's Dot-Com Generation Is Voting for Change

By SAM DILLON

(June 2, 2000) The presidential campaign has opened a vast demographic divide between the old and new Mexicos. The traditional Mexico of aging peasants, hardscrabble farms and corn subsidies supports Labastida. The new Mexico, where millions of young college graduates are modernizing an economy, backs Fox.

THE ISSUES

Mexican Election Spotlights Ailing School System

By SAM DILLON

(April 20, 2000) In previous presidential elections, governing party candidates referred to the schools mainly in self-congratulatory speeches extolling the heroic educational achievements of the PRI. But this year's race has aroused a genuine debate over education.



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July 5, 2000

Victor in Mexico Plans Overhaul of Law Enforcement

By GINGER THOMPSON

MEXICO CITY, July 4 -- The president-elect of Mexico, Vicente Fox Quesada, announced plans today to rebuild the country's federal law enforcement system, moving it toward an American model of justice as a way to wipe out corruption that has crippled his nation for decades.

Mr. Fox also said he would travel to the United States soon to meet with President Clinton and both major presidential candidates to press his proposal to open the United States-Mexico border to a less-restricted flow of immigrants.

The president-elect also explained some of the measures his new government would take to deal with a range of Mexico's most persistent and complex troubles, including the fight against poverty, efforts to stem the flow of drugs through Mexico and the unresolved conflict in Chiapas.

A two-hour news conference by Mr. Fox, whose election on Sunday ended a 71-year rule of the Institutional Revolutionary Party, turned into a wide-ranging foreign policy address. But his most detailed proposals centered on his fight against corruption, a problem he considers a top priority.

To accomplish the overhaul, he is likely to use executive powers that allow him to create a federal police agency and to shift law enforcement responsibilities from one agency to another.

Toward that end, he said, he will create a Ministry of Security and Justice, similar to the Federal Bureau of Investigation, that will be responsible for all the federal police.



The Associated Press

President-elect Vicente Fox Quesada at a news conference with the international press on Tuesday. He said he would travel to the United States soon to meet with President Clinton and both major presidential candidates.

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Mr. Fox's plans would also significantly reduce the powers of the Interior Ministry, which currently manages a recently created federal police force.

And the attorney general's office would be similarly weakened, not only by the removal of its control over federal law enforcement, but also by Mr. Fox's plans to create a new agency of federal prosecutors to manage investigations.

Because his ideas have widespread support, Mr. Fox's transformation of the system is also expected to be well received in the Mexican Congress even though it will no longer be dominated by any single political party as a result of the election on Sunday.

In his wide-ranging comments, Mr. Fox brought up his goal of having greater cooperation between the United States, Mexico and Canada. He suggested the creation of a North American common market that would allow a freer flow of merchandise and workers, with strict standards for the protection of the environment, law enforcement and workers' rights.

"It appears to me that both of us have lost sight of the goal," Mr. Fox said, referring to the United States and Mexico. "The United States' goal has been to put up walls, police and soldiers to fight immigration. That can't work."

"Mexico's goal," he added, "has been to open an escape valve, allowing 350,000 young people to cross the border each year and washing its hands of any responsibility."

"If we are serious," Mr. Fox concluded, "the least we can do is sit down and say, 'This is the problem' and the goal is to close the development gap."

In his answers to reporters' questions, Mr. Fox also offered specific proposals for improving United States-Mexican relations, including extending the benefits of the North American Free Trade Agreement more evenly to small businesses on both sides of the border and turning the drug certification program from a unilateral to a multilateral process involving all countries affected by trafficking.

Mr. Fox said that in the next two months he would use five international head-hunting concerns to help him select the members of his cabinet so that leading up to his inauguration on Dec. they can work side by side with the ministers they will replace. A team of aides to Mr. Fox have also been assigned to work with the current leaders of the Finance Ministry on setting next year's budget.

In trying to transform the law enforcement system, Mr. Fox's plans could be upset by a backlash from below, where bureaucrats and officers enjoy strong Civil Service protections.

President Ernesto Zedillo reorganized and renamed the nation's drug police at least twice, and each time traffickers quickly infiltrated the forces and bought off leading officials.

And he created a new federal police force to fight a mounting wave of federal crimes, including kidnapping. But so far the new police have done little to make Mexicans, especially those in larger cities, feel any safer.

Jorge Chabat, an analyst of Mexican law enforcement, praised Mr. Fox's plan to take the federal police out of the hands of politicians, who used the agents for their own agendas. He said he felt some pessimism over whether the new system would be resistant to the corrupting forces of drug traffickers. But, he said, "someone has to try to fight them."

"The truth is whatever the government tries, it will face a problem with the corruption of traffickers."

In emphasizing his commitment to fighting corruption, Mr. Fox turned the spotlight not only on the past, but also on his administration and its future. He announced that he would create a "Commission of Transparency," made up of Mexican citizens whose job would be to investigate high-profile scandals of past administrations as well as to serve as a watchdog over his own government.

But he was careful to make clear that he would not conduct wholesale investigations of government conduct before taking office.

"We do not want to waste our government looking only at the past and conducting witch hunts that could be misinterpreted," Mr. Fox said in the news conference at the presidential residence, Los Pinos. The transparency commission, he added, would be his government's way to "set its sights forward, to construct a harmonious government and also to make an accounting of the past."

In a signal of assurance to the Mexican military, Mr. Fox said he would not consider appointing a civilian as chief of the Ministry of Defense. "I see no reason to break a tradition that has brought stability to the country," he said.

On other domestic issues, Mr. Fox said he wanted to visit Chiapas as soon as possible and reopen peace talks with the Zapatista rebels. He said he was willing to consider withdrawing the military from rural areas of conflict in the state, one of the rebels' main demands.

Fighting poverty was another area that Mr. Fox called a priority and he said that he would not approve budgets or program proposals from members of his cabinet unless they could demonstrate in concrete terms how these would help the poor.

"This would be our way to pay attention to the groups that have been totally excluded from the development of our country," he said. "It is one of the strong principals that we are going to introduce in the decision-making process of the new government."

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