

Using FDR as Model, Presidential Hopeful Out to Build New Deal for Mexico

WASHINGTON POST
JUNE 23, 2006

QUERETARO, Mexico -- Presidential candidate Andrés Manuel López Obrador, who is often compared with South American leftists, has found a model in an icon from the north: Franklin Delano Roosevelt.

López Obrador's economics team has developed a blueprint for what they call the "Mexican New Deal." Their modern version of Depression-era populism is an ambitious program to create millions of jobs and stem migration by undertaking huge public works projects, including a railroad network, vast housing developments, ports and timber replanting.

"Roosevelt didn't solve all of America's problems, but he gave American society a sense that they were on the right track," Manuel Camacho Solís, one of López Obrador's top advisers, said in an interview. "Andrés Manuel López Obrador can represent something like that for Mexico."

López Obrador's proposals to stimulate Mexico's economy are part of a far-reaching agenda that would alter some of the touchstones of the government. He has advanced symbolic proposals -- such as moving out of the luxurious presidential compound known as Los Pinos and into the National Palace on Mexico City's downtown square. And he has suggested significant structural changes, such as chopping Mexico's six-year presidential term in half by holding a referendum after three years on whether the president should remain in office.

López Obrador, a member of the Democratic Revolutionary Party, has been the focal point of Mexico's upcoming presidential contest for two years. For most of that time, the 52-year-old former Mexico City mayor has been the runaway favorite. But after various shifts in the polls, he is now in a tight race with Felipe Calderón, of Mexican President Vicente Fox's National Action Party.

The massive scope of López Obrador's economic proposals has come to define his candidacy. And while he has drawn legions of admirers captivated by his signature line -- "For the good of all, first the poor," -- he has also inspired a roster of detractors. Enrique Krauze, one of Mexico's most respected historians, dismissed López Obrador's proposals as "wonderful dreams."

"Many of his plans are simply unfeasible," Krauze said.

A López Obrador presidency would begin with a government-subsidized push to build between 600,000 and 1 million homes that would be sold or rented at low prices to the poor, his advisers say. José María Pérez Gay, a former Mexican diplomat who advises the campaign, predicted in an interview that the home-building effort would lessen migration to the United States -- now as many 1 million Mexicans per year -- by 10 to 15 percent.

The home-building projects would be followed by construction of major railroad lines to connect Mexico City with the U.S. border and speed transport of goods to shipping lines in the Pacific and the Yucatan Peninsula. The third step would be a gigantic timber planting operation to stimulate the lumber industry and encourage Mexicans not to leave. "He who plants a tree on his land stays on his land," Pérez Gay said. The workers for these projects would come from government labor stations strategically positioned to intercept migrants before they leave for the United States. The home construction project, in particular, would "kill two birds with one stone" by providing homes and jobs, Pérez Gay said.

"We can only do this if we launch a Roosevelt-style New Deal," he said.

López Obrador's campaign team draws parallels between the Roosevelt-era United States, with its high unemployment and foundering economy, and present-day Mexico, which Pérez Gay says is "swimming in a sea of inequality."

"If it wasn't for Roosevelt there would have been great social unrest in the U.S. We have the same situation here," Camacho said.

The big question concerns where López Obrador would get the money for his building proposals, as well as to back his promises to increase pensions and lower gas and electric bills. López Obrador has assured voters that he won't raise taxes, and that he will pay for his projects by cutting what he calls unnecessary government. He is counting on loans from the United States and Canada. But he also needs support from the private sector, made up of the business community he has spent much of his campaign railing against as beneficiaries of preferential treatment from Fox's government.

"The problem is that, at the end of the day, it's simply a case of fuzzy math," Arturo Sarukhan, a strategist for Calderón, said in an interview. "He calls bankers 'parasites,' tells businessmen they will see their 'unfair advantages' end, then he expects their help."

López Obrador has taken steps to repair his relationship with Mexico's business leaders. He recently told an audience in Queretaro, a picturesque colonial town northeast of Mexico City, that "we're not against business people as they say," referring to allegations made against him by Calderón. "We are against those who traffic in influence and are corrupt."

Still, the prospect of a López Obrador presidency has made some international investors jittery. He has already taken a position sure to anger American lawmakers, saying he would not honor Mexico's commitment under the North American Free Trade Agreement to eliminate tariffs on U.S. corn and beans. In a recent report, the investment firm Barclays Capital noted "market pessimism about Mexico's July presidential election and the possibility of a López Obrador victory," though his track record as mayor of Mexico City from 2000 to 2005 "does not appear worrisome."

While he was mayor, López Obrador -- known as "Amló" in Mexico City street slang, a name derived from his initials -- was a prolific builder. He oversaw the renovation of the city's crumbling downtown historic district and added an expensive second deck to

an interior highway, which critics say has done little to alleviate the monumental traffic problem in one of the world's largest metropolises.

Kathleen Bruhn, author of "Taking on Goliath: Emergence of a New Left Party and the Struggle for Democracy in Mexico," said López Obrador might encounter resistance from a divided legislature. But she said he may still be able to accomplish some of his goals by applying techniques he employed while he was mayor, such as cutting government salaries and saving money by awarding some service contracts to non-union firms.

"Some of [his proposals] he can certainly pull off," Bruhn said. "In Mexico City he pulled off a lot of things people did not expect him to do."

Calderón has attacked López Obrador throughout the campaign for increasing Mexico City's debt to \$3.8 billion by the time he resigned in 2005 to run for president. But Laura Barrientos, an analyst with the credit-rating agency Moody's, said previous mayors had raised the debt more than López Obrador and that his administration did "a decent job of living within their means."

Still, Barrientos said, there is a general uneasiness among investors that a López Obrador presidency would continue "the leftist movement of Venezuela and Bolivia."

"Should López Obrador win," she said, "there may be a lull in investing in Mexico until the market sees what he's doing."

Ever confident, López Obrador is not waiting for the election to woo Wall Street. Not long ago, he sent Camacho on the road for a fancy dinner with investment executives at New York's 21 Club. His mission: persuade America that Mexico can make a New Deal, too.