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## **Mexico: Business Leaders Join Labor In Criticizing Government Economic Program**

*by John Neagle*

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In December 1987, the Mexican government introduced its anti-inflation program, known as the Economic Growth and Stability Pact. The program consisted largely of wage-price freezes. From 159.2% in 1987, inflation dropped to 51.2% last year. In the last months of 1988, the rate of inflation had declined considerably. Mexican labor unions have criticized the Pact almost from the start. The private sector was generally supportive until recently. The pact's wage and price freezes are due for renewal in July. Labor unions reject what are described as pro forma minimum wage hikes of 3 and 8% since February 1988. Businesspersons are complaining about price controls and profit squeezes. Last week, Vicente Bortoni, director of the Industrial Chamber Confederation, and a member of the pact's supervisory committee, suggested business would agree to another extension of the pact only if the government begins "to liberate the economy" and free prices. Ignacio Munoz, president of the National Association of Manufacturing Industries, said on Jan. 26 that bank loans for new investment carry interest rates of about 80%, while the banks' own borrowing costs average about 49%. Businesses not only have to contend with high interest rates, Munoz said, but also a 40% increase in electricity rates, an 8% wage hike in January, and a 35% increase in social security contributions. The Business Confederation of the Mexican Republic and the Coordinating Council of Industrial Associations are complaining about a new 2% tax on fixed assets, part of the government's efforts to reduce the fiscal deficit. The Confederation and Council argued that the tax only exacerbates the private sector's difficulties in making new investments. Business owners are also demanding that the government impose import restrictions, based on accounts of their liquidity squeeze. Through August, consumer goods imports increased 133% and capital goods, 57%. Most economists believe Mexico began running a trade deficit in September. Official data for that month have not yet been released. (Basic data from AP, 01/30/89)

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