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Retailers, Labor Criticize Government's Decision To Eliminate Price Controls

by LADB Staff

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A decision by President Carlos Salinas de Gortari's administration to eliminate price controls for most basic foodstuffs and petroleum products has sparked mild protests from labor unions and small business owners.

Labor leaders fear the elimination of controls will result in an increase in the cost of living for workers, while small retailers are worried they may not be able to compete against large businesses if forced to increase prices. Fidel Velazquez, leader of the powerful Mexican Workers Confederation (Confederacion de Trabajadores de Mexico, CTM), is leading the labor opposition to the government's new price control policy.

Velazquez, who has traditionally endorsed the governing party's economic policies, accused President Salinas of violating terms of the latest anti-inflation Economic Productivity and Growth Pact (PECE), which is negotiated each year by representatives of the government, labor, and business. The 1994 PECE set a ceiling for base salary increases at 5%, plus an additional 2% in incentives based on increases in productivity.

Referring to the PECE, Velazquez declared that, "From now on, there will be no settlement with any company unless it is for 15%, instead of the 5% prescribed by the Labor Secretariat." The CTM leader told reporters the decision to seek wage increases above the ceiling contained in the PECE affects all unions affiliated with the Workers Congress (Congreso del Trabajo, CT), a coalition of labor organizations which includes the CTM.

Meanwhile, the elimination of price controls also attracted some protests from retailers, especially among owners of small businesses. For example, Merced Aguilar Trejo, secretary general for the National Confederation of Small Business Owners (Confederacion Nacional de Comerciantes en Pequeno, CNCP), also accused President Salinas of violating the terms of the PECE. Aguilar who is a member of the federal Chamber of Deputies and of the governing Institutional Revolutionary Party (PRI) warned that a sudden jump in prices for basic goods could become a campaign issue in the Aug. 21 elections, with strong negative repercussions for the ruling party.

Other business leaders have urged the Salinas administration to strengthen consumer protection measures. On April 6, Salvador Lopez Negrete, president of the Mexico City chapter of the National Chamber of Commerce (Camara Nacional de Comercio, Canaco), requested that the Consumer Protection Office (Procuraduria Federal de Proteccion al Consumidor, Profeco) be given more powers in order to rigorously prosecute those who take advantage of the new price scheme.

For its part, the Salinas administration has already taken some moves aimed at softening the political impact of price control elimination. For example, on April 4, President Salinas told representatives of agricultural groups that the government, in conjunction with the end to price controls, has decided to sell beans and corn at reduced prices to low-income rural residents. Under a program that will begin in May, beans and corn will be available in Diconsa stores (the distribution arm of the national foodstuffs company CONASUPO) at prices 15% to 19% below those on the market. Also in early April, the Trade Secretariat (Secretaria de Comercio y Fomento Industrial, SECOFI) promised members of the National Bread Industry Chamber (Camara Nacional de la Industria Panificadora) that the government will take all necessary steps to maintain the present price of 15 centavos (about US\$0.4 cents) for the popular bread rolls known as "bolillos."

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