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Congress Approves Economic Emergency Plan: Some PRI Members Dissent

by LADB Staff

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During votes on March 17 and 18, members of the Chamber of Deputies and the Senate easily approved President Ernesto Zedillo's package of economic measures. The measures included an increase of five percentage points in value-added tax (impuesto al valor agregado, IVA), steep hikes in electricity and gas rates, strict limits on wage increases, and a sharp reduction in government spending (see SourceMex, 03/15/95). The bill was approved on March 17 by a vote of 290-173 in the Chamber of Deputies after 10 hours of debate, and then ratified by a vote of 87-30 in the Senate on March 18.

The approval had been widely anticipated, since both legislative chambers are dominated by President Ernesto Zedillo's Institutional Revolutionary Party (PRI). As expected, members of the opposition Democratic Revolution Party (PRD) and National Action Party (PAN) overwhelmingly voted against the plan. The one major surprise was strong dissent among a handful of members of the PRI, who broke traditional party discipline to either abstain from voting or vote against the measure. Many other PRI legislators had originally threatened to vote against the plan on the grounds that the measure did little to ease the burden of the economic downturn on the middle class and the poor.

The strong public opposition to the package by members of his own party had led Zedillo to meet with key legislators to explain the "long-term benefits" of the plan. There had been speculation before the meeting that Zedillo, in a compromise to party members, would scale down the increase in the IVA, which under Zedillo's plan was to rise from the present rate of 10% to 15%. In the end only one member of the PRI in the Chamber of Deputies, Alejandro Rojas, voted against the package, while another four PRI deputies abstained from voting. "Many members of the PRI voted in favor of the package in order to ensure party discipline, but I voted with my conscience," said Rojas.

Political columnist Miguel Angel Granados Chapa of the daily newspaper Reforma said several members of the PRI who had originally announced intentions to vote against the measure, especially those affiliated with organized labor, changed their minds at the last minute because of pressure from Zedillo, and from the PRI leader in the Chamber, Maria de los Angeles Moreno.

In the Senate, PRI Senator Layda Sansores San Roman voted against the measure, citing widespread opposition among the Mexican public. Another PRI senator, Alberto Santos De Hoyos, originally announced plans to oppose the measure, but in the end abstained from voting. "If the immense majority opposes this recipe, it was because...the (Zedillo administration) wasn't able to convince the people of its curative effects," said Sansores. Indeed, a public opinion poll conducted by the daily newspaper Reforma and its sister publication El Norte showed that Zedillo's plan was opposed by 92% of respondents in Mexico City and 96% in Monterrey. The respondents also overwhelmingly

said they thought the legislators voted to approve the plan only to protect the integrity of the PRI through "party discipline" and not because they thought this was the best course of action for Mexico.

During the debate on Zedillo's economic plan, members of the Chamber of Deputies offered a proposal to reduce government spending by eliminating four cabinet ministries: the Comptroller's Office, the Energy Secretariat (SE), the Tourism Secretariat (Sectur), and the Agrarian Reform Secretariat (SRE). However, no immediate action was taken on this proposal. "We think that since society is making an effort, the government should also strive to make better use of the resources that society generates with so much sacrifice," said PRI deputy Antonio Sanchez Gochicoa, who heads the budget commission in the Chamber of Deputies.

Meantime, the Zedillo plan, which was originally expected to calm the financial markets, only did so during the 24-hour period after it was announced. On March 10, the day the plan was revealed, the Mexican currency was quoted at 6.30 pesos per US\$1.00, representing a substantial recuperation from the 7.45 per US\$1.00 rate that was in force on March 9. Notwithstanding that initial exchange rate recuperation, however, the Mexican currency has continued to slide gradually throughout the second half of March. By March 21, for example, the currency was back up to 7.20 pesos per US \$1.00. "The only explanation is the lack of confidence by foreign investors in the Mexican economy," said economist Enrique Quintana. According to Quintana, the lack of confidence was also evident in the reluctance of investors to purchase new Treasury certificates (Cetes), despite interest rates above 90%. (Sources: Reuter, 03/16/95; El Financiero, 03/17/95; Associated Press, 03/17/95, 03/18/95, 03/19/95; Agence France-Presse, 03/16/95, 03/18/95, 03/19/95; United Press International, 03/19/95; Reforma, 03/20/95)

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