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Business organizations have voiced energetic opposition to President Ernesto Zedillo's drastic economic measures, which were announced in early March as part of a broad austerity package to confront the economic crisis brought on by the devaluation of the peso in December. The measures centered on an increase in the value-added tax (impuesto al valor agregado, IVA), higher prices for gasoline and electricity, restrictions on salary increases, and a sharp reduction in government spending (see SourceMex, 03/15/95).

Immediately after the plan was announced by Finance Secretary Guillermo Ortiz on March 9, leaders from such influential business organizations as the Confederacion Patronal de la Republica Mexicana (Coparmex), the Camara Nacional de la Industria de Transformacion (Canacintra), and the Consejo Coordinador Empresarial (CEE) went on the offensive to oppose the plan. The strategy included a series of press conferences to point out the plan's shortcomings, plus heavy lobbying of Mexican legislators to stir up congressional opposition to the economic measures.

The business leaders argued that Zedillo was taking a short-sighted approach, not only because the plan proposed to raise taxes and energy costs, but also because complementary incentives to stimulate the economy are sorely lacking in the plan. "The government should not only refrain from raising the IVA, but actually reduce this tax in order to stimulate the economy," Canacintra officer Rodrigo de Goicochea said during one of the press conferences. In addition to protests by the larger business organizations, groups that represent small- and medium-sized business owners and agricultural producers have made their voices heard in Mexico City. A huge rally, for example, was held on March 20, in which several thousand indebted business people surrounded the headquarters of the Interior Secretariat (Secretaria de Gobernacion) to protest soaring interest rates.

Many of the protestors vowed to withhold payments on their debts until the government and banks present a plan to restructure the Mexican credit system. Indeed, the protests from the various sectors of business became a strong part of the lengthy debates during the ratification vote for the Zedillo plan in the Chamber of Deputies and the Senate. However, in the end, legislators overwhelmingly ratified Zedillo's plan, since the governing Institutional Revolutionary Party (PRI) constitutes a large majority in both legislative chambers (see other article in this issue of SourceMex). Many business leaders, after failing to convince legislators to oppose the economic emergency measures, met with representatives of the Zedillo administration to present a series of complementary proposals to deal with Mexico's economic crisis.

Canacintra president Victor Terrones told El Financiero daily business newspaper that the 160 proposals presented to the administration include a six-month moratorium on payment of fines and other government fees; rescheduling of a timetable of contributions to the social security system;

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new regulations that would require banks to increase access to loans; and a debt restructuring plan to assist small- and medium-sized businesses. As far as long-term proposals, the business executives asked Zedillo to reorient the government's development banks to provide greater assistance to the lesser-developed areas of the economy. They also asked for the government to develop new links between the educational and productive system, which in the long run would create a better trained and better prepared workforce.

The Mexican economic crisis has forced many Mexican businesses to take other steps to deal with the impact of the devaluation, such as imposing their own moratorium on loan payments. For example, Carlos Madrazo, an officer with Coparmex in Tabasco state, told La Jornada daily business newspaper that businesses of all sizes in southeastern Mexico have opted to become delinquent in their payments to banks, since restructuring loans becomes very expensive at the prevailing high interest rates. Additionally, Madrazo said that many companies are withholding tax payments to the government in order to remain liquid enough to pay worker salaries. The debt crisis has had a dramatic impact on the larger companies as well. In mid-March, Aeromexico failed to meet the deadline for a debt payment of US$25 million. The company is reportedly holding discussions with banks to restructure its payment schedule.

According to some financial sources, the company has asked to refinance another US$12 million in debt securities due to mature before May. The airline has requested that the maturation period for these securities be changed to June without a change in interest rate, which is currently at about 8.5% to 8.75%. In the case that creditors deny Aeromexico's restructuring request, the company has the option of filing for bankruptcy protection. Large corporations such as Aeromexico have access to loans from foreign banks, which is not an option for the smaller and medium-sized companies in Mexico.

Some of the larger companies are expected to increase their reliance on the foreign loans, given the high interest rates charged by Mexican banks. For example, Grupo Alfa's subsidiary Sigma Alimentos in late February concluded a financing agreement with a consortium of five European banks. The loans, totaling US$57 million, will be made available through the International Financing Corporation, which was created by the five banks as a mechanism to provide financing to companies in non- industrialized countries. The five banks are Robobank Nederland, ABN-AMRO, Comerica Bank, Societe Generale, and Banque et Caisse de l'Epargne de l'Etat. Sigma Alimentos is the largest distributor of processed meats in Mexico. Similarly, Jalisco-based Grupo Sidek has been able to reach agreements with both foreign and domestic banks to restructure its debt obligations. Sidek caused shock waves in international markets in mid-February after announcing plans to suspend payments on US$19.5 million in debt to domestic and international banks (see SourceMex, 02/22/95).

The Sidek situation was short-lived, however, since two days later company executives announced that the conglomerate has suspended the decision to withhold payments on its loans after reaching a separate restructuring agreement with banks. In mid-March, Sidek officials said the agreement reached with domestic banks includes a restructuring of payments on US$200 million in debt over a 10-year period. (Sources: Journal of Commerce, 02/27/95; La Jornada, 02/28/95, 03/10/95, 03/12/95; Notimex, 03/16/95; Agence France-Presse, 03/16/95,03/19/95; El Financiero, United Press International, 03/19/95; Associated Press, 03/16/95, 03/20/95)

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