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## **Plan to Eliminate Four Ministries Meets Opposition in Congress**

*by LADB Staff*

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A proposal in the Chamber of Deputies to eliminate four cabinet ministries has met with some opposition and a certain degree of skepticism. The plan to eliminate the Tourism Secretariat (Sectur), the Agrarian Reform Secretariat (SRA), the Comptroller's Office (Secogef), and the Energy Secretariat (SE), was offered by some members of the Chamber's finance committee as a complementary plan to President Ernesto Zedillo's economic emergency measures announced in early March, which include a 10% reduction in government spending. Under the proposal, the secretariats would either be replaced by commissions, or their duties would be assumed by other cabinet ministries.

The Zedillo administration has not offered a formal response to the proposal, but Sectur officials have issued statements strongly opposing the move. In fact, shortly after the proposal was announced in the Chamber of Deputies, Tourism Secretary Silvia Hernandez called an emergency meeting with her deputy secretaries and other Sectur officials to discuss the situation. After the meeting, Sectur officials discussed the matter with reporters. While Hernandez herself did not make any statements, other Sectur officials questioned the viability of replacing Sectur with a tourism commission.

One official noted that Sectur was created to oversee the expansion of tourism infrastructure and promotion efforts at a time when Mexico was beginning to benefit from increasing revenues from foreign tourism. "How is it possible that we want to replace this successful ministry with a simple promotional council," the Sectur official asked. For their part, tourism industry officials are puzzled by the plan to eliminate Sectur, given the Zedillo administration's designation of tourism as a "strategic industry" in February. At that time, Zedillo had said tourism was one of the sectors that would help the Mexican economy recover from the effects of the devaluation of the peso (see SourceMex, 02/08/95).

In a press conference in Mexico City in mid-March, Eduardo Barroso Alarcon, vice president of the Asociacion Mexicana de Marinas Turisticas, urged Mexican legislators to view Sectur's annual budget of 430 million nuevo pesos (US\$63.3 million) as an "investment" in the Mexican economy, not only through the creation of jobs but through the increase in tax revenues for the government. According to Barroso, some industry groups have projected earnings of US\$50 billion for the Mexican tourism sector in the six-year period ending in the year 2000. Barroso acknowledged the urgency in reducing government spending to respond to Mexico's economic crisis. However, he urged legislators to use more creativity in seeking spending reductions, rather than outright elimination of Sectur. He proposed that the government consider privatizing emergency road service and other tourism-related programs currently managed by the government.

Many opponents also charge that the elimination of the four secretariats could worsen an already difficult unemployment situation caused by Mexico's economic crisis and the devaluation of the peso (see other article in this issue of SourceMex). According to a number of private and government estimates, all or most of the 18,000 to 19,000 employees at the four secretariats could lose their jobs, depending on the final decisions. Roughly one-half of the workers that would be affected are employed by the SRA.

Political and financial analyst Sergio Sarmiento, in a column published in the daily business newspaper Reforma on March 27, suggested the Zedillo administration would be committing a "serious error" by expecting that elimination of the four secretariats would yield immediate benefits to the country's public finances. Sarmiento said he does not dispute the potential for long-term savings through the elimination of the secretariats, which would reduce bureaucracy and cut the government's payroll. Sarmiento wondered whether the government could afford the major increases in spending required in the short term, which would be incurred through huge outlays for unemployment compensation and dismantling of some infrastructure. The syndicated columnist suggests that the government, rather than "chopping off" entire public agencies, should base reductions on a thorough review of all agencies to determine the best places for reduction based on cost-benefit analysis.

In a piece published on March 17, political columnist Francisco Cabrera of the daily newspaper El Universal supported the proposal to eliminate the four secretariats. Cabrera suggested that the elimination of Secogef could be an important symbolic step for the Zedillo administration, since that secretariat has been inefficient in efforts to combat public corruption. Cabrera also noted that Sectur and the SRA functioned very well as simple departments under former president Luis Echeverria (1970-1976).

For his part, political columnist Rodrigo Cabrera of the daily newspaper Uno Mas Uno predicted that the legislators and the Zedillo administration, after considering all options, will probably only eliminate the SRA and the SE and reduce the size of Sectur and Secogef. According to Cabrera, the disappearance of the SRA would not be a totally bad development, since the secretariat has been riddled with corruption and has not fulfilled its mission of "promoting justice in agriculture" through equitable land distribution policies.

"The SRA has been a cathedral of deceit and political manipulation," Cabrera said. Among the various proposals under consideration is one for the newly restructured Agriculture Secretariat to assume some of the duties of the SRA. The Agriculture Secretariat, formerly known as Secretaria de Agricultura y Recursos Hidraulicos (SARH), is now the Secretaria de Agricultura, Ganado y Desarrollo Rural (SAGDR). The proposal to eliminate the SRA has been met with only mild opposition, mostly from the Confederacion Nacional Campesina (CNC). CNC secretary general Beatriz Paredes Rangel expressed concern that the elimination of the SRA could mean a reduction in the programs that support residents of ejidos (collective farms). On the other hand, Paredes said the CNC would support a comprehensive restructuring of the secretariat, as long as members of the Chamber of Deputies who represent agrarian organizations have a strong input in this process.

As for the SE, the most likely scenario is that the functions of the secretariat would be assumed by a National Energy Commission. The greatest concern raised about the elimination of the SE, is that the move could be a first step in the privatization of the state-run oil company PEMEX and the federal electricity commission (Comision Federal de Electricidad, CFE). The sale of PEMEX and the CFE is highly unlikely, since this would be a violation of the Mexican Constitution. In fact, the Zedillo administration has issued repeated statements denying that the two agencies will be placed on the auction block. On the other hand, many Mexicans are mistrustful of the Zedillo administration, given the recent agreement with US President Bill Clinton's administration to use Mexican oil export revenues as collateral for a US loan guarantee of US\$20 billion. Additionally, the Mexican government is under intense international pressure to expedite the sale of government properties as a means to reduce government spending. In this context, some US economists have suggested that the sale of PEMEX to the private sector could be one way for Mexico to quickly approach solvency.

On a related matter, in late March the Environment, Natural Resources, and Fisheries Secretariat announced plans to turn over management of the country's 44 national parks to the private sector. Gabriel Quadri, who heads the National Environmental Institute (INE), a division of the secretariat, said the Zedillo administration made this decision because the federal government lacks the funds for construction and infrastructure improvements. According to Quadri, the federal government will turn over control of the parks to state governments, which will then be in charge of hiring private companies to manage the parks. Environment, Natural Resources, and Fisheries Secretary Julia Carabias said the plan did not represent a full privatization, since the government will ultimately remain in control of the facilities. (Sources: El Universal, La Jornada, 03/17/95, 03/19/95; El Financiero International, 03/20/95; Notimex, 03/23/95; Agence France-Presse, 03/16/95, 03/27/95; Reforma, 03/27/95; Uno Mas Uno, 03/22/95, 03/23/95, 03/28/95)

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