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## **Opposition-Led Congress Seeks Greater Input on Economic Policy**

by LADB Staff

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In mid-August, the legislative leaders of the four opposition parties represented in the Chamber of Deputies announced they would form a coalition to seek broader debate on the country's economic policy. The effort to form a coalition was led by Porfirio Munoz Ledo of the Partido de la Revolucion Democratica (PRD) and Carlos Medina Plascencia of the Partido Accion Nacional (PAN). The PAN and the PRD won 247 of the total 500 seats in the Chamber of Deputies during the midterm congressional election in early July (see SourceMex, 07/09/97). Two other parties the Partido Verde Ecologista Mexicano (PVEM) and the Partido del Trabajo (PT) won another 14 seats, giving the four opposition parties 261 seats, compared with only 239 for the governing Partido Revolucionario Institucional (PRI).

### ***Four-party coalition to coordinate strategy***

As a result of the mid-August meeting in Mexico City, representatives of the four parties said they would try to reach a consensus on key economic issues, particularly regarding changes to Mexico's tax structure. The coalition could exert significant influence on the composition of the federal budget, which requires approval by the Chamber of Deputies. In fact, the opposition parties have already agreed to push for an independent, professional office of budget and management, rather than blindly voting on a budget package prepared by the executive branch.

PAN deputy-elect Santiago Creel said the four parties will form a special coordinating committee, composed of the leaders of all parties in the Chamber of Deputies, to present their points of view in the legislature. Creel said the committee will include the newly elected leader of the PRI delegation, Arturo Nunez, but the chairperson of the committee will be chosen from one of the four opposition parties.

In an interview with Radio Red, PVEM legislative leader Jorge Emilio Gonzalez Martinez said leaders of each of the four parties agreed to consult with the other partners of the coalition before making any deals with the PRI. Participants at the meeting also agreed that all committees in the Chamber of Deputies should have proportional representation from the five parties in the lower house.

### ***PRD, PAN, PT, PVEM seek input on state-of-the-union address***

Creel said the first joint action by the parties would be to demand a change in the format of the annual state-of-the-union address to allow the opposition parties to offer their own perspectives. The president has traditionally used the state-of-the-union address to list accomplishments for the past year and goals for the coming year. Zedillo is scheduled to present the address to Mexican legislators on Sept. 1.

According to Creel, representatives at the meeting agreed to a plan through which Zedillo's address would be followed by comments from each of the four parties, followed by a brief statement by the president of the Chamber of Deputies. The leaders of the opposition parties said they will insist that Zedillo be present during the responses to his address. As a goodwill gesture, Creel said, the four parties agreed not to interrupt the president's speech with cat-calls and whistles, as has been the case in recent state-of-the-union addresses. For his part, PRI leader Arturo Nunez questioned whether there was sufficient time to fully debate the proposal. Nunez said he would be willing to discuss a change in the format only after Zedillo's Sept. 1 speech. He pointed out that Congress's internal laws do not allow for interpretation or alteration of the president's speech. "Once he delivers his address, the president is going to leave the building," said Nunez. "In this, there will be no negotiation."

Nunez also warned that the lack of input from the PRI in the coalition's decision regarding the format for the address could result in a climate of "ungovernability" within the new and diverse Chamber of Deputies. Oscar Gonzalez Rodriguez, a PRI deputy-elect, urged the coalition not to adopt a "democracy of exclusion" and to set aside any thoughts of "revenge" against past policies adopted by a PRI-led majority. Instead, Gonzalez urged the opposition parties to offer their proposals for full debate within the Chamber of Deputies.

In any case, the coalition will likely be very fragile. The four parties are expected to reach the greatest consensus on legislative initiatives to investigate corruption by PRI-led governments. For example, the new Congress is expected to give special priority to reopening the investigation into allegations of massive corruption in the state-run food subsidy program (CONASUPO) under the management of Raul Salinas de Gortari. Salinas de Gortari, the brother of former president Carlos Salinas de Gortari, is alleged to have used CONASUPO for criminal activities, including laundering drug profits through US bank accounts and contracts (see SourceMex, 05/21/97).

Legislators from the opposition parties and from the PRI are also expected to push for a more thorough investigation into the assassinations of presidential candidate Luis Donald Colosio and PRI secretary-general Jose Francisco Ruiz Massieu.

### *Proposal to lower value-added tax seen as high priority*

On the economic front, the four parties are expected to agree on a proposal to reduce the value-added tax (impuesto al valor agregado, IVA) to 10%, which was the prevailing rate before the devaluation of the peso in late 1994. According to PT legislative leader Alejandro Gonzalez Yanez, discussions of the IVA and the federal budget are among the highest priorities for the opposition coalition.

For its part, the Zedillo administration appears to be anticipating legislation that will likely be introduced in an opposition-led Congress, particularly regarding the reduction in the IVA. In the weeks following the election, Finance Secretary Guillermo Ortiz Martinez and other deputy secretaries have expressed support for some sort of tax reform. At the same time, they have also warned that budget reductions resulting from lower IVA collections could halt Mexico's recent economic recovery while having a negative impact on the amount of federal money allocated to state and local governments.

According to Ortiz, the Zedillo administration will welcome debate on its economic policies, but he pointed out that there are not strong reasons to make any significant changes to the economic platform. Ortiz said the increase in the IVA following the devaluation of the peso helped bring stability to the Mexican economy, which in turn resulted in increased foreign investment, a reduction in inflation, and job growth. For his part, deputy finance secretary Tomas Ruiz warned that any legislation that significantly alters the Zedillo administration's economic policies, including a major reduction in the IVA, could face a presidential veto.

Ruiz noted that a reduction in the IVA could force the government to take other actions detrimental to the economy, such as an increase in gasoline prices. Meanwhile, the potential impact of reduced federal allocations for state and local governments has concerned mayors and governors, even those affiliated with the PAN. In early August, the finance directors of Mexico's 31 states and the Federal District came out in opposition to the proposal to reduce the IVA.

More importantly, one of the most vocal opponents of a reduction in the IVA is Guanajuato Gov. Vicente Fox Quesada, who is considered a likely PAN candidate in the presidential election in the year 2000. The Zedillo administration has also warned that a reduction in the IVA might hamper the government's ability to fund and expand anti-poverty programs. Such warnings strike a sensitive cord, given that, during the past midterm campaign, many PRD candidates pledged to push for expansion of anti-poverty programs. "We must vary our economic course to bring down the high incidence of poverty," PRD secretary general Jesus Ortega said during the recent campaign.

To reinforce his administration's commitment to fighting poverty, President Zedillo took the opportunity during August to announce the allocation of 1.2 billion pesos (US\$155.8 million) for a program to promote education, health, and food subsidies in nine of Mexico's poorest states this year. Zedillo said his administration's new initiative, which will be named the Programa de Educacion, Salud y Alimentacion (PROGRESA), will provide direct relief this year to 400,000 families who live in extreme poverty. In announcing the initiative during a tour of Hidalgo state, Zedillo described the program as the "first true government plan to fundamentally attack the causes of poverty," and he called the project's objectives "ambitious but realistic."

For his part, the PRD's Munoz Ledo immediately criticized the program as another ploy by the PRI to win support in the countryside. He said the new PROGRESA program has some parallels to other PRI initiatives such as the Programa Nacional de Solidaridad (PRONASOL), which was widely viewed as a way to disseminate pro-government electoral propaganda. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 13, reported at 7.77 pesos per US\$1.00] (Sources: El Nacional, 08/01/97; Associated Press, 08/06/97, 08/12/97; Reuter, 08/06/97, 08/08/97, 08/12/97; El Economista, 08/01/97, 08/07/97, 08/08/97, 08/13/97; Novedades, 08/01/97, 08/05/97, 08/06- 08/97, 08/12/97, 08/13/97; La Jornada, 08/01/97, 08/06-08/97, 08/12/97, 08/13/97; The News, 08/01/97, 08/07/97, 08/08/97, 08/12/97, 08/13/97; El Universal, 08/05-08/97, 08/12/97, 08/13/97; Excelsior, 08/07/97, 08/08/97, 08/12/97, 08/13/97)

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