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## **Studies Cite Explosive Growth in Informal Economy in Mexico City**

by LADB Staff

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A study by the Universidad Nacional Autonoma de Mexico (UNAM) indicates the number of street vendors in the capital more than doubled between 1988 and 1995, and some estimates show the number surpassing 1.5 million by the end of 1998. "This figure says little by itself," said columnist Pedro Tello Villagran of the Mexico City daily business newspaper El Economista. "The data's real significance is that we now have three times more street vendors than we had a decade ago." Tello said the increase in street vendors, known as ambulantes, contrasts with the 30% rise in the economically active population (EAP) during the same period. The EAP is the most common measure for the growth in the formal economy.

### ***Growth in street commerce twice as high as formal economy***

Moises Castillo Garcia, director of UNAM's Mexico City project, said the informal economy has been growing at 13.6% per year, more than double the 7.4% growth rate for the formal economy. At the current rate, said Castillo, as many as 2.5 million street vendors will be operating in Mexico City by 2000. The UNAM study said the rapid growth in the informal economy reflects the lack of employment opportunities in the formal economy.

A recent report from the Inter-American Development Bank (IDB) said 60 of 100 new jobs created in Mexico have been in the informal economy. The growth in street vendors has created major problems for municipal and federal governments, including a loss of tax revenues, a lack of quality control over the products sold, and the sale of illegal and stolen merchandise. "In 1995, tax evasion in the informal economy was about 18.1 billion pesos (US\$2.11 billion)," said El Economista columnist Tello. "This is close to the budget reduction announced by the government in January." Tello said the losses to federal and local treasuries could climb to 29 billion pesos (US\$3.38 billion) annually unless tax collection mechanisms are developed for the informal economy.

The growth in the informal economy has also created social problems such as an increase in child labor and other forms of exploitation. In addition, the trend has caused friction among groups of street vendors. In Mexico City, the battle for sidewalk space has raised tensions between those affiliated with organizations and independent vendors. One common battleground is the historical district near the Zocalo, even though authorities banned street sales there in 1993.

### ***Mayor Cardenas announces steps to regulate street commerce***

The explosive growth in the informal economy was one of the first problems Mexico City Mayor Cuauhtemoc Cardenas was forced to address after taking office in December 1997. In his inaugural address, Cardenas pledged to regulate the informal market. "There will be order, peace, and collaboration in the streets of our capital," he said. In mid-February, the Cardenas administration proposed a controversial plan to restructure the city's largely unregulated informal economy as well as address some of the social need of street vendors.

The plan would require street vendors to solicit a three-month permit for a specific area. In exchange for a permit, vendors would stay away from unauthorized areas, keep their areas clean, and refrain from using electricity from nearby buildings. The government plan also proposed working with ambulante organizations to create support services for vendors, particularly single mothers, the elderly, and members of indigenous communities. "The government's not going to provide day-care centers, but it will support efforts to create them," said Mexico City labor undersecretary Saul Escobar Toledo.

Street-vendor organizations immediately rejected the Cardenas plan, complaining that it was developed without consulting vendors. In response, Cardenas agreed to scrap the original plan and include street-vendor organizations, business leaders, and neighborhood groups in a committee to develop an alternate plan. "Based on their conclusions, we will reformulate our proposal," said Cardenas. "Any new measures will be based on agreements reached among the participating groups and, hopefully, a consensus can be reached."

Any plan to restructure street commerce would have to be approved by the Asamblea Legislativa del Distrito Federal (ALDF), which is dominated by the PRD. Some street-vendor organizations, such as the Alianza Metropolitana de Organizaciones Populares (AMOP), have taken a more defiant stance, pledging not to submit to any restructuring plan and to refrain from paying any taxes. AMOP, which has close ties to the governing Partido Revolucionario Institucional (PRI), has organized several demonstrations against the Cardenas government.

The Cardenas administration is also facing strong pressure from the Camara Nacional de Comercio (CANACO), which represents established merchants. In mid-February, CANACO criticized Cardenas's original plan as "inadequate" to solve the problem in the long term. However, CANACO president Jose Antonio Fernandez Gonzalez said CANACO would participate in discussions on an alternate plan.

Some members of the center-right Partido Accion Nacional (PAN) have also criticized Cardenas's proposals as inadequate. "We think the restructuring plan is a temporary solution and not one that addresses the problems in depth," said PAN ALDF member Arne Sydney Aus den Ruthen Haag. Aus den Ruthen Haag urged the Cardenas administration to develop proposals to boost employment in the formal economy and to offer measures to address government corruption. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Mar. 17, reported at 8.56 pesos per US\$1.00] (Sources: Novedades, 01/27/98, 02/09/98, 02/23/98, 02/27/98; The News, 01/13/98, 01/15/98, 01/27/98, 02/17/98; 02/18/98, 02/27/98, 03/04/98; La Jornada, 01/12/98, 02/18/98, 02/27/98, 03/04/98; Notimex, 01/18/98, 02/02/98, 02/04/98, 02/17-19/98, 02/19/98, 03/04/98; Excelsior, 01/20/98, 02/06/98; 02/18/98, 03/04/98; El Economista, 01/12/98, 02/09/98, 03/04/98, 03/16/98)

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