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Zedillo Asks Congress to Address Economic, Political Reforms in Special Session

by LADB Staff

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President Ernesto Zedillo's administration wants Congress to schedule a special session in the next several weeks to resolve important economic and political issues. Even if the president succeeds, legislators in the special session will not debate the president's request for new legislation governing the failed bank-rescue fund (Fondo Nacional de Proteccion al Ahorro, FOBAPROA).

In a meeting with Zedillo and top Cabinet officials in late May, legislative leaders from the five political parties represented in the Chamber of Deputies agreed to consider the president's proposal to schedule a special session to debate many economic proposals submitted by the administration in April. These proposals would include measures to strengthen autonomy for the Banco de Mexico (central bank) and the Comision Nacional Bancaria y de Valores (CNBV) and to allow foreign banks to acquire a greater share of Mexico's largest financial institutions (see SourceMex, 04/15/98).

Legislators from the governing Partido Revolucionario Institucional (PRI) pushed for the special session, but delegations of the center-right Partido de la Revolucion Democratica and the conservative Partido Accion Nacional (PAN) declined to commit to such a session.

Deputies Dolores Padierna of the PRD and Fauzdi Hamdan of the PAN questioned whether legislators would have sufficient time to prepare for the flurry of complex issues that could be brought up in the special session.

Padierna and Hamdan, deputy coordinators for their respective parties in the Chamber of Deputies, said the financial reforms and other matters such as indigenous rights are too complex to force "hurried decisions" in a special session. Instead, Padierna proposed creating working groups to study the issues and draft proposals before the beginning of the next regular session in September.

The administration, however, continued to insist that legislators schedule a special session. In the end, leaders of the PRD, PAN, Partido del Trabajo (PT), and Partido Verde Ecologista Mexicano (PVEM) agreed to consult their membership to determine whether a special session should be held in the latter part of August.

Session would not include reforms to bank-rescue fund

PRI legislators initially planned to support Zedillo's request that a special session also include debate on the administration's proposal to convert 552 billion pesos (US\$62.2 billion) in FOBAPROA liabilities into public debt. But this was squashed by the coalition of four opposition parties in the Chamber of Deputies, which said it would not consider any legislation dealing with FOBAPROA until an independent audit of the bank-rescue fund is completed.

The comprehensive audit is expected to take four to five months, meaning legislators will not debate FOBAPROA legislation until sometime in November. "What is clear is that we won't rubber-stamp anything," said legislative leader Porfirio Munoz Ledo of the PRD. In early June, a committee comprising members of the five political parties agreed to hire an international consultant to coordinate a FOBAPROA audit. In a closed-door session, the committee invited 10 US and Canadian banking experts to apply for the position. The list includes former Canadian Central Bank governor John Crow, Massachusetts Institute of Technology (MIT) specialist Martin Feldstein, and eight US and Canadian private consultants. "All these individuals have provided consulting services in major financial and banking crises," said PRI Deputy Jorge Estefan Chidicac.

The Chamber of Deputies has requested the audit to investigate charges that executives of some of the rescued banks benefitted from FOBAPROA funds. Critics also argue that FOBAPROA bailed out the banks for more than their bad loans were worth. The 552 billion pesos (US\$62.2 billion) acquired in bad debt from troubled financial institutions is almost three times the assets seized from companies that defaulted on debt payments. These assets include real estate, aircraft, a hotel chain, and a clothing company.

The Chamber of Deputies, responsible for most budget decisions, has organized most of the discussions regarding FOBAPROA. But the issue has also been a major topic in the Senate, where some members of Zedillo's party have questioned whether FOBAPROA was even legal. "We think the legality of FOBAPROA has to be carefully analyzed, and we are requesting information on this matter," said PRI Sen. Rodolfo Becerril.

As a result of the FOBAPROA scandal, both the Senate and the Chamber of Deputies are expected to eventually consider legislation to increase penalties for white-collar crime. "We have to clean up the laws so that banking authorities can detect whether a banking official is committing multimillion-dollar fraud," said PAN Deputy Jorge Vergara. Still, the PRI and the opposition parties in both chambers of Congress appear ready to grant the administration's request to convert the 552 billion pesos (US\$62.2 billion) in FOBAPROA liabilities into public debt once the audit is completed. "The objective is not to pay off the debts more quickly, but to make them tradable," said Finance Secretary Jose Angel Gurria Trevino.

Some division exists within the PRD regarding how much to involve the public in drafting legislation governing FOBAPROA. PRD president Andres Manuel Lopez Obrador has called for a national plebiscite to present all the proposals, including the Zedillo administration's plan, to the citizens. But Deputy Demetrio Sodi de la Tijera said Lopez Obrador presented the proposal without first consulting members of his party in the Chamber of Deputies. "I am not sure that a plebiscite is the best solution," said Sodi de la Tijera, who is deputy coordinator of the PRD delegation in the Chamber of Deputies. Both the PAN and the PRI oppose Lopez Obrador's proposal for a national plebiscite. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on June 10, reported at 8.87 pesos per US\$1.00] (Sources: Proceso, 05/24/98, 05/31/98; El Nacional, 06/01/98, 06/02/98; Novedades, 05/27-29/98, 06/01-05/98, 06/08/98; El Financiero Internacional, 06/01/98, 06/08/98; Notimex, 06/03/98, 06/08/98; The News, 05/28/98, 06/03/98, 06/04/98, 06/08/98, 06/09/98; Reuter, 05/27/98, 06/02/98, 06/03/98, 06/10/98; El Economista, 05/27-29/98, 06/01-05/98,

06/08/98, 06/10/98; El Universal, 05/27-29/98, 06/01-05/98, 06/10/98; La Jornada, 05/27-29/98,
06/02-05/98, 06/08/98, 06/10/98; Excelsior, 05/27/98, 05/29/98, 06/02- 05/98, 06/08-10/98)

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