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PRD, PAN Continue to Oppose President Ernesto Zedillo's Bank-Rescue Plan

by LADB Staff

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Opposition parties continue to resist strongly President Ernesto Zedillo's proposal to convert liabilities of the financially troubled Fondo Bancario de Proteccion al Ahorro (FOBAPROA) into public debt. Zedillo proposed the rescue plan for FOBAPROA as part of a package of bank-reform proposals offered to Congress in April of this year.

Zedillo requested that legislators allow the Mexican Treasury to assume the 552 billion pesos (US \$56.32 billion) in FOBAPROA liabilities (see SourceMex, 04/15/98). But the conservative Partido Accion Nacional (PAN) and the center-left Partido de la Revolucion Democratica (PRD) have adamantly refused. The two opposition parties have used the FOBAPROA controversy to their political advantage, portraying the bailout program as a taxpayer-funded rescue of corrupt bankers and wealthy business owners.

In a series of formal and informal plans offered in July and August, the PAN and the PRD proposed that the beneficiaries of the FOBAPROA share the cost of rescuing the program. In one initiative, the PRD demanded that the Secretaria de Hacienda y Credito Publico (SHCP) release the names of bankers and other business owners who benefitted directly or indirectly from the program.

But the SHCP declined, saying this would violate Articles 117 and 118 of the Mexican Constitution, which guarantee banking confidentiality. The Zedillo administration said the names would be made available to the US company William Michael Mackey, hired by the legislature to audit FOBAPROA. The US auditor was one of two companies that applied for the job to conduct a thorough review of the bank-rescue fund (see SourceMex, 07/22/98).

PRD lists wealthy Mexicans who benefitted from program

But the PRD did not accept the SHCP's explanation for refusing to release names of FOBAPROA beneficiaries, and suggested that to do so would not violate confidentiality laws. At a press conference in early August, PRD president Andres Manuel Lopez Obrador presented a list of 310 persons who benefitted from the program, including four Mexican businessmen listed in Forbes magazine's annual ranking of billionaires. The list also included a leading newspaper publisher and two members of the finance committee of the governing Partido Revolucionario Institucional (PRI). "We are conducting a painstaking investigation to determine how these loans were made and why people who could afford to pay off loans were bailed out," Lopez Obrador said.

FOBAPROA officials immediately dismissed the PRD list as inaccurate. "The list published by the PRD does not coincide with information in our data base," an agency statement said. "It is false that FOBAPROA has benefitted or rescued large companies or debtors." The PRD had also scheduled a nonbinding referendum for Aug. 30 to ask voters whether they approve of the Zedillo administration's FOBAPROA proposal.

Both the PRD and the PAN have accused the PRI of using the FOBAPROA program to finance the campaigns of governing-party candidates, particularly Zedillo's 1994 presidential campaign. The PRD has threatened to release a second list of beneficiaries, which it says would include relevant information on FOBAPROA-related expenditures for the 1994 presidential campaign.

But a spokesperson for Zedillo denied that the campaign received any direct or indirect support from FOBAPROA beneficiaries. The spokesperson noted that all expenditures were closely monitored by the Instituto Federal Electoral (IFE). PAN plan forces beneficiaries to assume share of rescue

Meanwhile, the PAN proposed in late August that the government recover 40% of the FOBAPROA liabilities from the banks and other major debtors who benefitted from the program. Party president Felipe Calderon Hinojosa and legislative leaders Carlos Medina Plascencia and Gabriel Jimenez Remus said the PAN proposal would reduce debts for 440,000 small-scale debtors who owe less than 50,000 pesos (US\$5,102). The proposal also calls for the creation of a new bank-deposit fund that would answer directly to the legislative branch, not to the executive.

Zedillo's original proposal to convert all FOBAPROA liabilities to public debt has even met some opposition within the PRI. In late August, PRI legislators and party president Mariano Palacios Alcocer presented a plan that would convert only 70% of the liabilities to public debt. Bankers would be forced to assume the other 30%. Political analysts said the proposal was an attempt by the PRI to regain the initiative in the heated FOBAPROA debate. The FOBAPROA bailout is expected to be a major topic of discussion when the Chamber of Deputies and Senate begin their legislative sessions Sept. 1.

The PRD and the PAN coincide in their opposition to converting all FOBAPROA liabilities into public debt but differ on small points. Party leaders Calderon of the PAN and Lopez Obrador of the PRD were expected to meet the last week of August to draft a plan spelling out points of agreement. Lopez Obrador said the PRD wants to develop a consensus with the PAN, the Partido Verde Ecologista Mexicano (PVEM), and the Partido del Trabajo (PT) so the four parties can present a broad "opposition platform" on the FOBAPROA question when the legislative session begins. But the PRD leader has rejected any collaboration with the PRI as long as the party insists on making only minor changes to Zedillo's original proposal.

PAN leaders have said they are looking for a solution that includes input from all parties, including the PRI. PAN Deputy German Martinez Caceres said there are "many points of agreement" between the PAN proposal and the plan offered by PRI legislators. "We now must incorporate elements of the PRD proposal," said Martinez. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 26, reported at 9.80 pesos per US\$1.00] (Sources: Financial Times, 08/06/98; The Dallas Morning News, 08/11/98; El Nacional, 08/06/98, 08/14/98; Spanish news Service EFE, 08/14/98; The Miami Herald, 08/15/98; The New York Times, 08/16/98; Associated Press, 08/13/98, 08/18/98, 08/23/98; Proceso, 08/23/98; El Financiero International, 08/10/98, 08/24/98; The News, 08/12-14/98, 08/17/98, 08/19/98, 08/24/98; La Jornada, 08/11/98, 08/18-21/98, 08/24/98, 08/25/98; Novedades, 08/12-14/98, 08/17-21/98, 08/24/98, 08/25/98; El Economista, 08/11-14/98,

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Universal, 08/12-14/98, 08/17-21/98, 08/24-26/98; Reuters, 08/12/98, 08/13/98, 08/16/98, 08/17/98,
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