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PAN, PRD Blame Ex-Finance Secretary Ortiz for 'Illegal' Bank-Rescue Plan

by LADB Staff

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The two major opposition parties are calling for the removal of Guillermo Ortiz Martinez as chief governor of the Banco de Mexico (central bank). Members of the center-left Partido de la Revolucion Democratica (PRD) and the conservative Partido Accion Nacional (PAN) in the Chamber of Deputies introduced separate initiatives in late October calling for Ortiz's removal.

The PRD and the PAN say Ortiz violated Article 122 of the Mexican Constitution when he put together the controversial bank- rescue fund (Fondo Bancario de Proteccion al Ahorro, FOBAPROA) without consulting the legislature. At that time, Ortiz was finance secretary.

"This is not a personal attack on Ortiz," said PAN Deputy Santiago Creel Miranda, chair of the subcommittee on constitutional matters. "But he was the one in charge at the time. Until now accountability has always been a theory in Mexico. For the first time we want someone to be held responsible for violating the Constitution."

Although the PAN and the PRD presented separate initiatives to bring Ortiz to trial, they later combined the proposals into one plan. In any case, the calls for a political trial of Ortiz are largely symbolic because they almost certainly will be blocked in the Senate, which is controlled by the governing Partido Revolucionario Institucional (PRI). While the PAN initiative placed the blame primarily on Ortiz, the PRD measure also called for a political trial of former Banco de Mexico chief governor Miguel Mancera Aguayo and Finance Secretary Jose Angel Gurria Trevino.

The PRI delegation in the Chamber of Deputies said the two opposition parties do not have a sufficiently solid basis to take action against Ortiz. "The request for a political trial against Ortiz is motivated by electoral considerations," said PRI Deputy Fidel Herrera Beltran. Similarly, President Ernesto Zedillo's administration contends the bailout was fully legal because of a statute that allows the executive branch to incur certain kinds of government debt without first obtaining legislative consent.

Gurria and Ortiz, responding to PRD and PAN charges, told reporters that the creation of FOBAPROA did not violate any laws. Without FOBAPROA, they said, the Mexican financial system could have collapsed, which would have worsened the financial crisis that followed the devaluation of the peso in late 1994. FOBAPROA proposal advances in Chamber of Deputies. Meanwhile, deputies from the PAN, PRI, the Partido del Trabajo (PT), and the Partido Verde Ecologista Mexicano (PVEM) have completed the initial draft of a proposal to dispose of the 552 billion pesos (US\$55.47 billion) in bank debts incurred under FOBAPROA.

Under the plan, the government would create a fund to support small-scale debtors, while the banking system would absorb the larger debts. The government would spend 25 billion pesos

(US\$2.5 billion) to rescue an estimated 1.5 million small-scale debtors. The plan is a compromise on the administration's original proposal to convert FOBAPROA liabilities into public debt (see SourceMex, 04/15/98). The plan, which the administration would like approved before Nov. 15, would also create a new federal agency to insure depositor funds (Instituto para el Seguro de Depositos Bancarios, ISDB). The PRD has refused to participate in negotiations, accusing the Zedillo administration and congressional leaders of attempting to pass the cost of the FOBAPROA rescue to taxpayers. "We will not be accomplices in this plan to pass on to the people of Mexico the costs of the most scandalous fraud in the country's history,"

PRD president Andres Manuel Lopez Obrador told journalists. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Nov 4, reported at 9.95 pesos per US \$1.00] (Sources: Proceso, 10/25/98; El Financiero International, 10/12/98, 10/19/98, 10/26/98; Reuters, 10/22/98, 10/27/98; Excelsior, 10/13/98, 10/14/98, 10/20/98, 10/23/98, 10/27/98; La Jornada, El Universal, 10/20/98, 10/22/98, 10/27/98, 10/28/98; The New York Times, 10/28/98; Novedades, 10/21/98, 10/23/98, 10/27/98, 10/28/98, 10/29/98; El Economista, 10/20/98, 10/27/98, 10/29/98, 11/04/98)

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