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Chamber of Deputies Misses Budget Deadline for Second Consecutive Year

by LADB Staff

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For the second consecutive year, the Chamber of Deputies failed to approve the full federal budget by the Dec. 15 deadline mandated by the Mexican Constitution. That deadline coincided with the end of the fall session, forcing the lower house to schedule a special session for Dec. 21-22. As was the case last year, the lower house was divided on spending priorities.

Last year, the legislators were forced to call a special session because of a disagreement on how much money should be spent to rescue the ailing banking sector (see SourceMex, 1998-12-16). This year's debate on spending priorities saw members of the governing Partido Revolucionario Institucional (PRI) pushing a slightly modified version of President Ernesto Zedillo's proposal. The two major opposition parties were seeking substantial increases in spending for education and public housing.

The major opposition parties, the conservative Partido Accion Nacional (PAN) and the center-left Partido de la Revolucion Democratica (PRD), also objected to the PRI budget on the grounds that proposed spending had been concentrated in certain areas that would favor the governing party in the months leading up to the 2000 presidential election. Zedillo's budget proposal, sent to Congress in mid-November, contained some increases in social spending, but also set strict guidelines to ensure that Mexico's budget deficit remained at 1% of GDP.

In promoting Zedillo's budget, administration officials emphasized the need to keep the public deficit in check to avoid an economic crisis such as the one that followed the 1994 presidential election (see SourceMex, 1999-11-17).

Opposition seeks boost in housing, education

The PRD-PAN measure proposed to increase expenditures on social programs by about 17 billion pesos (US\$1.83 billion) beyond those proposed by Zedillo. Legislative leaders agreed to pare some expenditures such as those for the Servicio Postal Mexicano (SEPOMEX) and the state-run Luz y Fuerza del Centro (LFC) to accommodate some increases sought by the PAN-PRD coalition.

But PRI legislators would only accept an increase of about 9.3 billion pesos (US\$1 billion) for education and public housing to keep the budget deficit close to Zedillo's target of 1% of GDP. The inability of legislators to agree on expenditures for 2000 is in stark contrast to an earlier vote on the revenues portion of the budget. The bill dealing with revenues was approved by an overwhelming vote of 391-80, after legislators agreed on various key issues before the Dec. 15 deadline, including a provision allowing the Mexico City government to incur debt of 6 billion pesos (US\$645 million) during 2000.

The key to the agreement, which boosted projected revenues by about 7.5 billion pesos (US\$806 million), was the recent trend in the oil market. Legislators, with the administration's blessing, increased the projected average oil-export price for Mexico to US\$16 per barrel, compared with the US\$15.50 per barrel first proposed by Zedillo in the budget sent to Congress in November. "All indications are that oil prices will continue to recover next year and that actions to control international inventories at reasonable levels will prevail," said the text of the revenue bill passed by the Chamber of Deputies. But the inability to reach consensus on a single version of the expenditures portion of the budget forced the Chamber of Deputies to take the historic step of scheduling separate votes for the differing versions of the budget during the first day of the special session on Dec. 21.

Support of minor parties crucial this year

The debate over expenditures turned into a battle between the PRI and the PRD-PAN coalition to gain the support of independent legislators and members of the two minor parties, the Partido del Trabajo (PT) and the Partido Verde Ecologista Mexicano (PVEM). While the PRD-PAN coalition was committed to its version of the budget, the PT opted to publicly support the PRI version.

Meanwhile, the PVEM delegation initially said it would leave its options open, but eventually supported the PRD-PAN bill. In the end, the PRI received only mixed support from the PT on the first day of the special session. The PRD-PAN version of the budget was defeated 248-245 after seven members of the PT voted with the PRI against the measure. But some PT members changed their minds during two separate votes on the PRI version of the budget. In the first vote, legislators deadlocked 246-246. In the second vote, intended to break the deadlock, the PRI budget was defeated 248-247. The total differed from the first to the second vote because some legislators who abstained in the first vote participated in the second round.

The defeat of the PRD-PAN and PRI versions of the budget forced legislators to return their versions to committee to consider modifications. The lower house was scheduled to take up the spending bills again Dec. 22, with a possibility that another special session would have to be called after Christmas. The Mexican Constitution allows a two-week grace period if the Chamber of Deputies misses the mandated Dec. 15 deadline to pass a budget, but it does not stipulate what happens if the budget is not approved before the beginning of the year.

The PT's decision to cooperate with the PRI, meanwhile, angered the PRD and threatened the cohesion of the Alianza para Mexico. This coalition, which includes the PRD, PT, and three minor parties, has nominated former Mexico City mayor Cuauhtemoc Cardenas of the PRD as its candidate in the 2000 presidential election.

PRD leaders questioned whether the alliance was still viable if the PT failed to support political strategies of the other members. "We cannot continue an electoral alliance with the PT if the party insists on supporting the PRI budget," an angry PRD Deputy Jesus Zambrano told reporters. But PT leaders downplayed their support for the PRI budget and expressed their desire to remain in the Alianza para Mexico. "The PT has no reason to be ashamed," said party leader Alberto Anaya. "We are the one opposition party in Congress that has most frequently voted against the government's initiatives." A PT departure from the Alianza para Mexico, however, would leave the PRD allied

only with the Convergencia Democratica, Partido de Alianza Social (PAS), and Partido de Sociedad Nacionalista (PSN), all of which have tiny constituencies and little political power. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Dec. 22, reported at 9.30 pesos per US\$1.00] (Sources: The Dallas Morning News, 12/17/99; Proceso, 12/19/99; Associated Press, 12/21/99; Reuters, 12/15/99, 12/21/99, 12/22/99; Reforma, 12/16/99, 12/20/99, 12/21/99, 12/22/99; The News, 12/16/99, 12/21/99, 12/22/99; El Universal, 12/15-17/99, 12/21/99, 12/22/99; El Economista, Excelsior, La Jornada, Novedades, 12/16/99, 12/17/99, 12/20- 22/99)

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