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Calderon Names Another Close Collaborator To Head Key Cabinet Post

by LADB Staff
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As part of an effort to jump-start the Mexican economy, President Felipe Calderon reassigned Economy Secretary Eduardo Sojo to the government's statistics agency Instituto Nacional de Estadistica, Geografia e Informatica (INEGI) and replaced him with Gerardo Ruiz Mateos, who had been his chief of staff.

Calderon said the Cabinet change will help his administration cope with a "complex economic situation" caused by a slowdown in the US and increased global food and energy prices. Ruiz, who helped manage Calderon's presidential campaign, is the president's second close collaborator to be appointed to a key position since he took office in December 2006.

In January of this year, the president appointed Juan Camilo Mourino to head the Secretaria de Gobernacion (SEGOB), replacing Francisco Ramirez Acuna, who was strongly criticized for employing heavy-handed tactics (see SourceMex, 2008-01-23).

As with the Mourino appointment, Ruiz will be replacing a Cabinet secretary who was perceived as not performing well. Sojo presided over the Secretaria de Economia (SE) at a time of strong economic uncertainty, particularly a surge in the price of food and other basic commodities (see SourceMex, 2007-01-10, 2007-11-07, and 2008-06-25).

Calderon said Sojo was the right person to head INEGI, the agency in charge of releasing data on inflation, unemployment, and other key economic figures once tracked by Mexico's central bank (Banco de Mexico). "It's indispensable that this agency be in good hands, in the hands of a capable, honest person with a profound dedication to service to the country," Calderon said of Sojo.

The appointment of another close collaborator to a key Cabinet post is expected to raise eyebrows among the opposition parties, which strongly disapproved of Mourino's nomination as interior secretary. Ruiz's qualifications to head the SE are sure to come under scrutiny, since he has had little experience in trade and industry. The new secretary, an industrial engineer by profession, once headed a rural-development foundation (Fundacion Mexicana para el Desarrollo Rural).

"Calderon is increasingly trying to orchestrate policy from Los Pinos [presidential palace]," said George Grayson, a Mexico specialist at the College of William and Mary in Virginia. "Sojo was not perceived as doing a good job." "[Ruiz] knows what he needs to do: deregulate the economy and free up the country's productive forces to promote growth," said Calderon, in announcing the changes.
The new economy secretary told reporters that one of his priorities would be to ensure that Mexico remains one of the world's most attractive destinations for foreign investment. In Mexico, the SE is in charge of trade and domestic industry rather than macroeconomic affairs, which are left to the Secretaria de Hacienda y Credito Publico (SHCP) and the Banco de Mexico (central bank). Calderon has expressed strong support for Finance Secretary Agustin Carstens despite Mexico's sluggish economic performance.

**Inflation, decline in remittances hammer Mexican economy**

In announcing the Cabinet changes, Calderon acknowledged concerns about rising inflation in Mexico, which some predict could reach 6% this year, the highest level since 2001. "The phenomenon of increasing international prices is starting to moderate," Calderon said, citing world prices for wheat, corn, and oil as examples. "I'm convinced that, with the measures we've adopted and will keep adopting, Mexico will have a solid economic recovery next year."

The Mexican economy has also been hammered by a 10% appreciation of the peso and a sharp drop in remittances from expatriates residing in the US. This trend is blamed in part on a US economic downturn, which has reduced the number of jobs available in construction and other sectors that employ immigrants from Mexico and other countries. The construction industry accounts for roughly 20% of jobs for Mexican expatriates in the US, said the Banco de Mexico.

In the first half of this year, remittances fell 2.2% to US$11.6 billion, the first decline for the six-month period since the government began tracking the data in 1995. States like Michoacan, which have large numbers of expatriates in the US, are especially feeling the pinch. Michoacan reported that remittances declined by US$66 million from a year ago during the January-June period.

"The weakening of the US labor market is affecting Mexican workers," said federal Deputy Edmundo Ramirez Martinez, a member of the opposition Partido Revolucionario Institucional (PRI). "This factor, along with the growing anti-immigrant and anti-Mexican sentiment in the US, is contributing to the decline in remittances."

Ramirez is the principal author of a PRI report in the Chamber of Deputies, which predicts that remittances will begin to drop sharply in 2010. This forecast is based on economic projections by the US government and private forecasters. Remittances are expected to remain flat or drop slightly in the next two years. In a recent forecast, the Banco de Mexico said the amount of money sent back by expatriates could fall as much as 3% in 2008. Last year, remittances increased by only 1% percent in 2007 to US$24 billion (see SourceMex, 2008-02-06), compared with a record 39% growth in 2003 (see SourceMex, 2004-01-14).

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