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President Felipe Calderon Pushes For Renewed Cooperation With Opposition Parties To Address Economic Crisis, Violence

by LADB Staff

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Citing the need to reduce conflict in order to move the country forward in a time of economic crisis and increased violence, President Felipe Calderon and his governing Partido Accion Nacional (PAN) have entered into dialogue with the two major opposition parties. The president's conciliatory tone was evident in his State of the Nation address delivered Sept. 2, in which he pledged to work with the Congress to eradicate poverty, address violence and corruption, and implement financial reforms.

The opposition Partido Revolucionario Institucional (PRI), while accepting the Calderon's offer to work with him, also made it known that it needs to have significant input on the national agenda. The PRI became the powerbroker in the Congress after overwhelming victories in the in July 5 election (SourceMex, July 08, 2009). Among the items high on the agenda are proposals to eliminate several government ministries and to cut the size of the Congress.

Budget deliberations will determine extent of cooperation

The dynamics of the relationship between Calderon and the PRI-led Congress will be most evident in deliberations on the 2010 budget, which the president must present to Congress in the next few weeks. The president and the three major parties agree that the budget process will be dictated by an uncertain economy during the coming year. Revenues will be limited by the economic downturn, which has greatly reduced tax revenues. Most forecasts expect Mexico's GDP to contract by at least 6% and possibly more. More importantly, oil-export revenues are not as high as they were in mid-2008. A drop in oil prices last year affected the final budget for 2009 (SourceMex, October 15, 2008). Even with tax reforms, Mexico still relies heavily on oil exports to fund the federal treasury (SourceMex, September 19, 2007).

Against this backdrop, the PRI and its coalition partner, the Partido Verde Ecologista Mexicano (PVEM), and the center-left parties the Partido de la Revolucion Democratica (PRD), the Partido Convergencia por la Democracia (PCD), and the Partido del Trabajo (PT) are expected to press Calderon to submit a budget that places a high priority on serving the needs of the growing number of poor people in Mexico. A recent World Bank study indicates that 4.2 million people fell into poverty in Mexico in the past year because of the economic recession (see other article in this issue of SourceMex).

President pledges strong effort to fight poverty

The political reality has not escaped Calderon and the PAN, with the president putting a heavy emphasis on poverty in the third annual informe (State of the Nation address) of his administration. In the address, Calderon proposed a 10-point plan to help Mexico emerge from the current economic crisis, including four anti-poverty measures. "The president made it known that his government is committed to using all the resources of the Mexican state to halt the growth of poverty and mitigate the negative impact of the food and economic crises that have hit the Mexican population," said La Jornada, referring to the item at the top of the agenda. The president also promised universal health-care coverage, labor reforms that would allow more women and youth into the work force, and an overhaul of the education system.

Some critics said the president's proposals were short on specifics. "Despite an emphasis on poverty, there is no specific mention of what changes will take place and the amount of resources that will be allocated to this effort," said Genaro Aguilar, who specializes in poverty-related issues at the Colegio de Mexico (COLMEX). Calderon and PAN legislators also said they would not pursue a controversial value-added tax (impuesto al valor agregado, IVA) on food and medicines in the revenues portion of the budget (Presupuesto de Ingresos) this year. The PAN had been pushing for this tax since 2000 (SourceMex, October 11, 2000, January 17, 2003 and August 25, 2004), but left it out of a tax-reform proposal in 2007 (SourceMex, June 27, 2007).

The PAN's new leadership, led by recently installed party president Cesar Nava and Deputy Josefina Vazquez Mota, floor leader in the lower house, left no doubt about the party's position. "In the current economic situation, we will not ask the people to make any more sacrifices," said Nava, following a meeting with Calderon and the 143 PAN members who will be serving in the lower house in 2009-2012. By abandoning the proposal to impose an IVA on food and medicines, at least for this year, the traditionally pro-business PAN leaves the business sector on its own.

Business organizations like the Consejo Mexicano de Hombres de Negocios (CMHN) are advocating the tax again this year. They insist that expanding the revenues available to the government to devote to various projects is a necessary step to help reactivate the country's economy and attract foreign investment. The CMHN has proposed an initial IVA of about 3% to 4% on food and medicines, which would be increased eventually as circumstances allow.

Congress, president have minor conflict over protocol

There was some conflict between Calderon and the Congress regarding protocol for the annual speech. The president had originally intended to present the speech at the Palacio Nacional on the morning of Sept. 1 before a handpicked audience. Afterward, he planned to send a written copy of the address to the legislators. The PRI-led Congress reminded Calderon that the law requires the president to present the official report to Congress before making the public address, so Calderon was forced to delay the speech until Sept. 2. Still, this small conflict pales in comparison with other instances when the State of the Nation address created significant political friction.

In 2006, the PRD and its partners in a center-left coalition blocked former President Vicente Fox from delivering his address because of disagreements regarding Fox's role in the elections a few months earlier (SourceMex, September 06, 2006). Calderon also had some conflicts with the

opposition in 2007 (SourceMex, September 05, 2007). The 2008 address was marked by massive protests from angry citizens calling the president to task for failing to curb drug-related violence (SourceMex, September 03, 2008).

Drug-related violence was also a theme in this year's address, with Calderon defending his campaign against drug traffickers and pledging to weed out the corruption that has allowed the cartels to flourish. "Perhaps for the first time, we're tearing down networks of political protection and police beholden to organized crime in different parts of the country," Calderon said. "I want to make it clear that there isn't, nor will there be, any consideration, whether partisan or political, that will serve as a refuge for those who betray Mexico and the Mexican people." Legislators consider eliminating executive agencies, cutting size of Congress. The opposition parties are also expected to push Calderon hard on the expenditures budget (Presupuesto de Egresos).

With the president and Congress on the same page regarding increased expenditures for social programs, the Congress plans to pressure the president to cut what it considers a bloated bureaucracy. The Congress has proposed cutting expenditures by eliminating some personal expenses. But legislators say the problem lies not with the legislative branch but with the executive. "The cost of government increased by 60% since 2000," said PRI Deputy David Penchyna. While the push will include proposals to cut unnecessary expenses like travel and personal privileges for government employees, the resulting savings in the executive are not expected to be significant. So some legislators are pursuing more ambitious cuts that include eliminating two ministries the Secretaria de Reforma Agraria (SRA) and the Secretaria de Funcion Publica (SFP) and other agencies such as the Comision Nacional de Agua.

The president is not expected to offer much resistance. "We have to explore all alternatives, even those that are politically complex," said Calderon. Proposals to restructure the legislative branch include an ambitious plan to reduce the number of at-large seats in both houses of Congress. Jose Woldenberg, president of the Instituto Federal Electoral (IFE) in 1997-2003, first proposed this plan. Under a proposal supported by all three major parties, legislators would reduce the number of at-large seats by 100 in the Chamber of Deputies and by 32 in the Senate. This would cut the size of the lower house to 400 representatives and the upper house to 96 senators. "A smaller Congress could bring us closer to agreeing on issues more effectively and more easily," said PRI Sen. Manlio Fabio Beltrones.

The proposal would not result in immediate savings, since it would not go into effect until 2012. Beltrones said reducing the number of seats would not dilute democracy, as critics have suggested. "It isn't the size but the importance of no political party being overrepresented in the chamber," said Beltrones. There was agreement from other parties. "I think 96 senators are more than enough, because all states are equally represented three senators for each state," said PAN Sen. Jose Gonzalez Morfin. "Two from the party that won the election and one for the runner-up; that, to me, is perfect."

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