

## **Scandals a fresh blow to Mexico Economic Reforms**

Reuters

By Miguel Angel Gutierrez

March 11, 2004

MEXICO CITY, March 11 (Reuters) - Mexican President Vicente Fox's economic reforms were already in trouble but a new round of political squabbling over a string of corruption scandals has pushed them off the radar screen.

Fox, whose mandate runs out in 2006, has been fighting a losing battle in trying to get his fiscal and electricity reforms past a Congress dominated by opposition lawmakers.

Since a rash of financial scandals erupted this month, Mexico's political parties have been in turmoil with accusations flying in all directions -- from the opposition left-wing as far as Fox's National Action Party, or PAN.

Backers of Fox's fiscal and energy proposals say the backbiting has battered hopes of negotiating a reform deal.

"The atmosphere is complicated. (There is) an atmosphere at the moment of political tension, hardly favorable to collaboration," Energy Minister Felipe Calderon said this week.

Economists say the need for reform is mounting as global trade barriers come down and Mexico struggles to compete against China and other Asian exporters.

Mexico's economy, heavily dependent on exports to the United States, has been stagnant for the last three years.

The left-wing Party of the Democratic Revolution, or PRD, and the Green Party have been hardest hit by video recordings of wads of banknotes changing hands. Their response was to accuse Fox's administration of orchestrating the scandals.

In the latest twist, Diego Fernandez de Cevallos, the PAN's leader in the Senate, admitted he knew in advance about a video showing the PRD's leader in the capital's city council taking piles of cash from a businessman.

With gubernatorial elections due in 10 Mexican states this year and party leaders already looking ahead at the July 2006 presidential race just a year away, all sides seem bent on using the scandals to attack their political rivals and trying to save their own chances.

"It's evident the climate is not favorable to sitting down and negotiating. For what remains of Fox's term we do not have the political conditions for the reforms," said Leo Zuckermann of the economic think tank CIDE in Mexico City.

**BLOCKED IN CONGRESS**

Fox, a conservative, has been pushing for fiscal changes to boost Mexico's paltry tax

revenues and says they would help finance housing, education, health and poverty programs.

He also wants electricity sector reforms passed as a precursor to a wider energy reform that could free up fresh investment to unlock Mexico's valuable deep-sea oil reserves.

But he has been blocked in the opposition-dominated Congress, especially by the Institutional Revolutionary Party which Fox ousted after 71 years of rule at elections in 2000.

Over two weeks, Mexican TV stations have aired no fewer than five video recordings of politicians seemingly involved in dubious wheelings and dealings.

They include two close allies of Mexico City's leftist mayor Andres Manuel Lopez Obrador, an early frontrunner for the 2006 presidential election.

Footage of the PRD's leader in the city council stuffing \$45,000 cash into a briefcase forced the resignation on Wednesday of the party's former head Rosario Robles, who had close links with a businessman shown handing over the money.

As news channels played the footage around the clock, Lopez Obrador accused the government of orchestrating the crisis to discredit him and his party.

Lawmakers are preparing to open a new session of Congress next Monday and it is scheduled to run until the end of April -- but structural reform is not on the agenda. Instead, Fox said on Wednesday he would present a judicial reform next week.

Fox's ability to push his reforms is severely limited because the PAN is a minority party in both the lower house Chamber of Deputies and the Senate. The PRI is the largest party in both houses but is also short of a majority.