

Main Topics

- *Pemex accident triggers war of words between Fox and Beltrones*
- *Government struggles to explain 'Merida Initiative'*
- *Finance Ministry acts to preserve special tax treatment for maquiladoras*

The accident that killed at least 21 workers on one of Pemex's platforms in the Gulf of Mexico triggered a war of words between PRI Senate leader Manlio Fabio Beltrones and **former President Fox**. Beltrones said that there is evidence that the company that provided the life boats that sank during the evacuation was linked to the sons of former first lady Marta Sahagún. From the U.S., Fox denied the allegations, and the Fox Center issued a press release that accused Beltrones of drug trafficking. Beltrones responded with his own press release saying, "The testimony regarding [Fox's] enrichment is clear and comes from a variety of sources....These allegations merit a deep and detailed investigation.... We are not making any judgments beforehand, but it's impossible not to react to the evidence....We cannot let calumnies stop the work of Congress in investigating the signs of corruption." Separately, Congress formally installed the five person commission that will investigate the former President's finances. (Reforma 10/26, Universal 10/26)

U.S. and Mexican officials struggled to provide clarity regarding the joint security cooperation agreement dubbed the '**Merida Initiative**' that was separately announced by officials in each capital on October 22nd. Called to testify before the Senate, Foreign Minister Patricia Espinosa emphasized that the program will involve training, equipment, and technology transfer, not financial support. She also emphasized that there would be no U.S. troops (or military contractors) in Mexico. Asked in the Senate for the text of the agreement, she characterized it as a "political commitment" by both countries to work together and denied that there was a written agreement or treaty. In a radio interview, Ambassador to the United States Arturo Sarukhán said that Mexico itself will be committing US\$7 billion over three years for equipment, rehabilitation, drug prevention education, and to stop drug transit operations. Sarukhán said that some spending had already been included in the 2007 budget, with future amounts subject to congressional approval. Los Pinos later clarified that the amounts represented ongoing Mexican spending on public safety and sovereignty, and that there would not be any separate budget line item for the Merida Initiative. Foreign Minister Espinosa is slated to testify again before the Chamber of Deputies on October 31 about the agreement. (Proceso 10/23, www.sre.gob.mx, La Jornada 10/25, Universal 10/25,10/28)

Key Dates

11/11/07: Michoacán gubernatorial and local elections; Tamaulipas, Tlaxcala and Puebla local elections

11/15/07: Budget approval deadline

12/8-9/07: PAN elects new party leadership

03/08: PRD elects party president

Speaking to the convention of **maquiladora** industrialists, Undersecretary of Finance Fernando Sánchez Ugarte said the government will issue a decree in the coming weeks to preserve the maquila sector's special tax treatment once the new IETU corporate tax goes into effect on January 1. The Finance Ministry says it will allow the maquiladoras to use the same tax base that they use for calculating the income tax for the purposes of the IETU. "If [the maquiladoras] were paying at a rate of 14% under the old system, now we will have to pay the IETU tax on the same base that we were paying at a rate of 16.5% in the first year. This differential won't impact the industry in order to cause companies to leave," said José de Jesús Calleros, head of the maquiladora organization. (Reforma 10/27)

Opinion Polls

A telephone survey by Ulises Beltrán y Asociados shows that the allegations of scandal have hit **former President Fox's reputation**. The share of those giving the ex-President a "good" rating for honesty fell to 45%, from historical levels in the 60% range (www.bgc.com.mx).

How do you evaluate Vicente Fox in terms of honesty?

