

Main Topics

- *Military and police take on drug gangs in Michoacan*
- *Commander named to head both federal police agencies, pointing to creation of a single force*
- *Téllez plays down likelihood of a third TV network*
- *PAN introduces constitutional amendments for runoff elections*
- *Finance Commission unanimously approves the 2007 revenue law*

Key Dates

- 12/31/06:** *Deadline for Budget approval*
- 02/24/07:** *PRI internal election*
- 05/20/07:** *Yucatan gubernatorial election*
- 07/08/07:** *Baja California gubernatorial election*

On Monday, President Felipe Calderón and his security cabinet announced the launch of a major operation against drug traffickers in Michoacan. "We are looking to take back the spaces that organized crime has seized," Government Minister Francisco Ramírez said. Approximately 7,000 soldiers, marines, and federal police swept into the state, seeking gang leaders and eradicating drug plantations. Lazaro Cardenas, the PRD governor of the state, welcomed the operation. The government announced the capture of several high profile traffickers during the week. (El Universal, 12/11-15)

The next day, a cousin of First Lady Margarita Zavala was found murdered in the trunk of his car outside Mexico City. Evidence indicates robbery was not a motive, though Los Pinos tried to play down possible connections with the Michoacan crackdown. (Excelsior, 12/12)

The Attorney General and Minister of Public Security jointly announced the appointment of General Ardelio Vargas Fosada to head both the Federal Preventive Police (PFP) and the Federal Investigation Agency (AFI). Gen. Vargas was chief of staff of the PFP at the end of the Fox administration, and headed the operation to restore order in Oaxaca in November. He was the chief of investigations for the national security agency (CISEN) from 2000-2005, when current Attorney General Medina Mora headed the agency. The government will propose legislation to combine the agencies in a single federal police force, which was one of Calderón's campaign promises. The combined force could eventually have 40,000 operatives: 27,000 from the PFP and 8,000 from the AFI, plus the organized crime unit in the Ministry of Justice, the immigration and customs police, and the tax police. Separately, some 10,000 soldiers and marines were transferred temporarily from the military to strengthen the PFP. (Jornada 12/16-17)

Communications Secretary Luis Téllez said the government was not planning to auction off airwaves to create a third national television network in the first 100 days of the administration. Instead, he said that the government was evaluating establishing new local TV concessions: "We are analyzing the frequencies that could be used in various cities and how they should be used, both in radio and TV." Telemundo, a subsidiary of GE, in partnership with businessmen Isaac Saba, presented a petition last year to the Communications Ministry and telecommunications regulator Cofetel to auction open television frequencies at the national level, drawing fierce attacks from incumbent broadcasters Televisa and TV Azteca. (El Universal, 12/15)

PAN Senators introduced constitutional amendments to establish runoff elections for President and for state governors. The second round would take place when the top vote getter had less than 45% of the vote or the difference between first and second place was less than 5%. (Universal 12/14)

The Finance Commission of the lower house unanimously passed the 2007 revenue law with only minor adjustments; the full Chamber is expected to take up the bill on Monday. The commission negotiated with the Finance Ministry "to raise" Ps. 30 billion by changing economic assumptions, which will open the door to replace partially some of the spending cuts proposed by the executive.

Revenue Package

The total revenue package approved by the Finance Commission totaled Ps. 2,264 billion, or US\$202 billion. The most controversial portion was the increase in the excise taxes on cigarettes—which will increase from the current 110% to 140% in 2007 and 160% by 2009—and a 5% tax on soft drinks and beer. The income tax rate will fall by one point to 28%. Oil revenues account for 36% of the revised revenue estimates. Tax revenues bring in about 43% of the total, and other sources, primarily the non-oil state owned companies, account for the rest.

