

**Main Topics**

- *Consultations begin on fiscal reform*
- *PRD Governors break bread with Calderón*
- *More candidates disqualified in Baja California*
- *PRD loses ground in Zacatecas election; PRI holds Chihuahua and Durango*
- *AMLO: “zero negotiation” on fiscal reform*

Finance Minister Agustín Carstens held **meetings with top business leaders to push the fiscal reform package**, including the corporate flat tax (CETU) which is expected to result in tax increases for most enterprises. Carstens noted that the existing tax system resulted in a loss of about 4% of GDP in corporate tax revenues because of evasion, loopholes, and special tax regimes, which the CETU was designed to address partially. President Calderón said that he was **open to suggestions** that would improve the fiscal package. (Reforma 6/27)

**Five PRD governors** (all except Marcelo Ebrard of Mexico City) **had lunch with President Calderón at Los Pinos** to discuss the fiscal reform, breaking the party’s ban on participating in events that gave legitimacy to the President. Santiago Creel, the PAN Senate leader said that the meeting “could be the first step toward reaching a fiscal reform that might include ideas from the various parties. I am very pleased that there was a dialogue.” (Reforma 6/28)

Reforma business editor Enrique Quintana said that **“the odds are high that the PRI will support the President’s fiscal reform** as long as some changes are accepted.” Quintana believes that the PRD might also be willing to support the reform if a stock market tax and a dividend tax are introduced. “It will not be a day in the park, however,” he wrote. (Reforma, 6/29)

**Key Dates**

**08/05/07:** Baja California gubernatorial election

**09/02/07:** Aguascalientes and Oaxaca state elections

**11/11/07:** Michoacan gubernatorial election

**03/08:** PAN elects new party president

The state election tribunal of Baja California **disqualified the PT-Convergencia candidate for governor**, as well as the PRI candidates to be mayors of Tijuana and Ensenada the week after rejecting Jorge Hank Rhon as PRI candidate for governor. All fell afoul of the “anti-grasshopper” article in the state constitution that forbids sitting officials from moving directly to another elected post. Hank continues to campaign, but as a self-declared ‘private citizen’ while he pursues appeals. The PRI and the PT have until July 5 to change their slates. (Proceso 6/27, Universal 6/28)

The **PRD suffered a defeat** in its bastion of **Zacatecas** in local elections. Observers cite the struggle for power between former Governor Ricardo Monreal and current Governor Amalia García. The PAN won the race for mayor of the state capital Zacatecas and the PT appears to have won Fresnillo, the state’s largest town. The **PRI retained** its dominance in both **Chihuahua and Durango**, with results comparable to the 2004 elections, and recaptured the mayor’s office in Juarez from the PAN. (Universal 7/2)

Andrés Manuel **López Obrador** held a rally in Mexico City’s Zocalo with an estimated 80,000 supporters to mark the anniversary of last year’s election. He called on opposition members of Congress to **reject the fiscal reform**: “Zero negotiation with those who sustain a policy contrary to the people and deliver our national sovereignty to foreigners.” He said the package would increase taxes on workers and the middle class, and did nothing to cut bureaucratic spending. The five PRD governors did not attend. (Reforma 7/1, NYTimes 7/2)

**Election Results**

Preliminary partial results showed the PRI maintaining its dominance in Chihuahua and Durango, with its near majority of the vote translating into the lion’s share of direct elected state congress seats. In Zacatecas, the PRD holds an advantage in 9 of the 18 direct election seats, down from 12 in the 2004 election. (State election websites)

