

**Main Topics**

*Negotiations with PRI advance on fiscal reform package*

*Halliburton and Blackwater to provide training under Plan Mexico*

*PRD Congress fails to heal party split*

*New right wing party planned*

Finance Minister Agustín Carstens met with PRI congressmen on the **fiscal reform package**, and appeared to **accept most of the changes sought by the PRI**. These include modifying the proposed corporate flat tax, or CETU, to allow for deduction of salaries and mandatory benefits, deduction of charitable contributions, exemption of communal and other small farmers, and special rules for the maquiladora sector. Carstens also welcomed the PRI proposal to reduce Pemex taxes by Ps. 80 billion, “We celebrate the initiative presented by the PRI and other groups. ...It is an important complement to the proposal made by the Executive,” he said. He also said that he was willing to include PRI demands to improve the quality of government spending. Separately, President Calderón called on Congress to act decisively on the fiscal reform, reminding them that the budget deadline is September 8, and said that “Mexico has no time to lose.” (Reforma 8/16-17)

Foreign Minister Patricia Espinosa outlined the **Plan Mexico** security plan in an interview. She said the plan will have **three axes of action**: a Mexican commitment to strengthen the fight against drug gangs, backed by U.S. assistance; stronger U.S. efforts on arms trafficking and money laundering; and joint efforts to fight organized crime in the border region. She estimated the total value of **U.S. assistance** being negotiated as between **US\$800 million** and US\$1 billion, principally in the form of equipment, including troop transport helicopters and spy planes. **Training and technical assistance** will be provided through civilian contractors including **Halliburton** and **Blackwater**, and not directly by the U.S. military. Espinosa said that negotiations were continuing, and the program would not be announced at this week’s summit in Quebec. (Universal 8/20)

A **fractious PRD congress** appeared to **reject key proposals of AMLO supporters**, while yielding on many symbolic measures. The Nueva Izquierda wing led by Jesus Ortega turned down the AMLO proposal to open up the election of the new party leadership next year to all citizens, and defeated by a vote of 660-447 a motion “to reject any debate with he who usurps the Presidency of the Republic.” The latter prompted a walkout of key AMLO people. However, at the very conclusion of the congress, all factions agreed to the declaration that the PRD “will not accept the presence in the tribune of the Congress of he who lacks the legitimacy that only a democratic election can give.” (Universal 8/17-20, Jornada 8/20, Reforma 8/20, Excelsior 8/20)

A **new right wing party** called the Solidarity Participation Movement (MPS) or Humanist Party is being created by **breakaway PAN elements** and remnants of the old quasi-fascist Mexican synarchist movement, with the goal of becoming registered in time for the 2009 elections. (Reforma 8/15)

**Key Dates**

**08/20-21/07:** Quebec summit

**09/02/07:** Presidential Informe

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

**11/11/07:** Michoacán gubernatorial election

**03/08:** PAN and PRD elect new party presidents

**Opinion Polls**

An Ipsos-Bimsa survey shows a **slight decline in President Calderón’s approval ratings**, which fell to 64%, as compared to 68% in April. In particular, the share of strong supporters declined, which offset an increase in soft support. (Universal 8/13)

