

Main Topics

- *Fiscal reform package unveiled*
- *Ministry of Public safety purifies Federal Police and AFI*
- *August special session of Congress likely*
- *Hank disqualified as PRI candidate for governor of Baja California*
- *Supreme Court to rule on actions of Governors of Puebla and Oaxaca*
- *Ex-governor of Quintana Roo seized pending US extradition*
- *President nominates Deputy Governor of Banco de Mexico*

Key Dates

07/01/07: *Chihuahua, Durango and Zacatecas state congress and local elections*

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

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

11/11/07: *Michoacán gubernatorial election*

03/08: *PAN elects new party president*

Finance Minister Agustín Carstens unveiled the government's **fiscal reform proposal**, which centers on an alternative **minimum corporate flat tax of 19%**. (See fact sheet for details). The measures are designed to increase federal tax revenues by 2.8% of GDP, or almost 30%. The proposal avoids imposing the value added taxes on food and medicines, while appealing to critics of the existing system with steps to make spending more transparent, to give states a greater role in taxation, to limit the scope of existing tax benefits, and to increase tax compliance.

The **Minister for Public Safety**, Genaro García Luna, **replaced 284 police officials**, including all 34 regional coordinators of the Federal Preventive Police (PFP). In addition, the 32 state-level heads of the Federal Investigation Agency (AFI) were replaced. The new officials have undergone special training and security vetting procedures, in what was described as a **process of 'purification.'** The replaced officials have not been accused of wrongdoing, and will undergo retraining. (Universal 6/25, Reforma 6/25)

PRI Senator Manlio Fabio Beltrones, the President of the Senate, said he was **open to calling a special session of Congress** after the Baja California election **in August to vote on the fiscal reform**. The PRI has conditioned its support on additional measures to strengthen PEMEX's finances and agreements to use the additional tax resources for social development and infrastructure, not current spending. Some PRI congressmen expressed concern that the legal actions against Governors Ruiz and Marín, and gubernatorial candidate Jorge Hank would make it more difficult for the PRI to support the reform. (Reforma 6/22)

The Baja California state **Electoral Tribunal annulled the gubernatorial candidacy** of PRI-ista **Jorge Hank Rhon**. Hank is mayor of Tijuana, and the state constitution forbids elected officials from jumping directly to a new elected post (the so-called 'anti-grasshopper' law). The PRI issued a statement saying, "Jorge Hank Rhon will continue his campaign with more enthusiasm and with the support of the PRI and [its] allies." Hank said he will appeal the decision to the Federal Electoral Tribunal, saying, "I am still the candidate; ...there is no law above the Mexican Constitution". (Milenio 6/21)

The **Supreme Court will rule** on the arrest by **Puebla Governor Mario Marín** of reporter **Lydia Cacho** for her investigation of a pederasty ring involving Marín's cronies. The preliminary decision finds that the arrest of Ms. Cacho was illegal and that she was tortured while in custody. Some 2,000 artists and intellectuals have begun an international campaign demanding 'political justice' in the case and end to the practice of political protection for criminals. (Reforma 6/21, El Pais 6/25)

The Court also began an **investigation into rights violations** during the confrontation between **Oaxaca Governor Ulises Ruiz** and Section 22 of **the Teachers Union** and **APPO**. The court will investigate acts and omissions of federal, state, and local officials, as well as private individuals from May 2006 to January 2007. (Reforma 6/19, Proceso 6/21)

AFI agents **arrested ex-Governor Mario Villanueva** immediately after a judge ordered his release from prison, **after a new U.S. extradition request** to face 16 drug trafficking charges. Villanueva, the PRI-ista Governor of Quintana Roo from 1993-99, was convicted in 2001 of money laundering, but avoided drug convictions at the time. A federal judge refused to rule on the validity of his arrest, leaving him in custody. (El Universal 6/21, Reforma 6/22)

President Calderón **nominated** Roberto del Cueto to be **Deputy Governor of Banco de Mexico**. Del Cueto, currently the head of the National Banking and Securities Commission, was once before the number 2 at the Bank, prior to its Salinas-era reorganization. (Reforma 6/20)