

Main Topics

- *Calderón opens door for dialogue with Ebrard*
- *Violence returns to Oaxaca*
- *Zhenli Ye Gon: “No names, no pictures, no videos”*
- *Private sector weighs in on fiscal reform*
- *AMLO takes another hit – from within the party*
- *Calderón unveils national infrastructure plan*

Key Dates

- 08/05/07:** Baja California gubernatorial election
- 08/16-19/07:** PRD national congress
- 09/02/07:** Aguascalientes and Oaxaca state congress elections
- 11/11/07:** Michoacán gubernatorial election
- 03/08:** PAN and PRD elect new party presidents

President **Calderón** tried to open a **dialogue with Mexico City Mayor** Marcelo Ebrard, in order to work together to solve key city problems such as water infrastructure. “It is not my purpose to blame a government that just started and has no responsibility for the things that were not done in the past,” said the President. These statements came after months of mutual accusations between municipal and federal officials regarding water infrastructure failures. The President also announced an investment of Ps. 36 billion for water projects in the city, but said that the federal, state, and city governments must “invest and work together to ensure success.” Ebrard, who recently met with Calderón, responded by saying that the work done under his administration “speaks for itself,” and that he doesn’t have “to smoke the peace pipe with anyone.” (Universal 7/18)

New violence flared in Oaxaca, on the eve of the traditional Guelaguetza festival (July 23 and 30), with clashes between the APPO and local police forces. At least 47 marchers were arrested, and state and federal police vowed to prevent a disruption or cancellation of the festival. Comparing the police response to last year’s, columnist Sergio Sarmiento noted, “The **Oaxaca government** sent a very different signal....This time it is **willing to use public force against the APPO.**” Governor Ulises Ruiz also made a call for an “open and public negotiation” with civil society to resolve differences, by offering to create a “Table for Dialogue for Oaxaca.” (Reforma 7/18)

The press conference given by **fugitive businessman Zhenli Ye Gon’s lawyers** in Washington **failed to deliver** any of the **promised proofs of illegal campaign contributions** in last year’s elections. As Milenio headlined: “No names, no pictures, no videos.” Questions remain as to why the U.S. has not complied with the Mexican government’s request to apprehend Ye Gon, and why the physical evidence in the form of **US\$205 million in currency** seized from Ye Gon’s house has apparently been delivered by the Mexican government to U.S. banks and **removed from Mexico.** (Milenio 7/19, Reforma 7/19, Reporte Indigo 7/20).

One of the leading business groups, the **Business Coordinating Council (CCE)**, **proposed a number of changes** to the corporate flat tax (CETU) which is the centerpiece of the government’s **fiscal reform proposal**: a rate of 12%, rather than 19%; a phase out of the income tax, so that CETU becomes the only corporate tax; deductibility of mandatory worker benefits; and measures to ensure that foreign companies would be able to credit the CETU against home country taxes and avoid double taxation. A spokesman for the CCE acknowledged, “There is a room for negotiation.” (Universal, Reforma, 17/7)

The **PRD internal election** of delegates for its party congress in August appeared to be **another blow to López Obrador.** Of 712 delegates directly elected, 452 are members of the Nueva Izquierda faction led by Jesús Ortega that has distanced itself from the former presidential candidate. On the other hand, AMLO’s proxy, Alejandro Encinas, carried Mexico City and will have a substantial bloc at the congress. Columnist Jorge Chabat noted that the vote indicated “a significant loss of power for AMLO and his group within the party.” Turnout was low, with only 500,000 party members voting. (Universal 7/19, Reforma 7/20, 7/23).

National Infrastructure Plan

President Calderón and Communications and Transportation Minister Tellez unveiled a detailed plan for developing Mexico’s infrastructure over the next six years: transportation, communication, water, and energy. The President said the **goal is to increase investment in infrastructure** (both public and private) from an average of 3.2% of GDP in the last sexenio **to 4% of GDP**, using part of the resources made possible by the fiscal reform. Without the fiscal reform, Calderón said infrastructure investment would actually decline.

Excluding the energy sector, the infrastructure plan foresees investments of Ps. 951 billion over the 2007-12 period, with 42% of resources coming from the public sector, and 58% from the private sector. (www.infraestructura.gob.mx)

Infrastructure Investment, 2007 –12
(Ps. million)

