

Main Topics

- Calderón willing 'to correct' fiscal reform
- Chamber of Deputies lists questions on the new corporate flat tax
- U.S.-Mexico drug deal near
- Zhenli Ye Gon finally arrested in U.S.; extradition sought
- Former PEMEX CEO banned from public service for 10 years and fined

Key Dates

- 08/05/07: Baja California gubernatorial election
- 08/16-19/07: PRD national congress
- 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

During a meeting with business leaders from Monterrey, President Calderón declared: "The approval of the **fiscal reform** that I've proposed to Congress will give a new impulse to [investment projects]. Today **we are working intensely to correct the proposal** and to take into account the important and worthy suggestions of Mexico's productive sector, in order to avoid impacts on investment and jobs." The chairman of the Finance Commission of the Chamber of Deputies, PRIista Jorge Estefan applauded the willingness to negotiate: "The President is a sensible, prudent person, and just because he's from a different party than mine doesn't mean closing the door to negotiation." (Universal 7/26)

The **Chamber of Deputies** Center for the Study of Public Finance released a study that **questioned 15 aspects of the proposed** minimum alternative **corporate flat tax** (CETU) at the heart of the fiscal reform including: the taxation of activities not covered by the income tax law; lack of clarity on the scope of allowed deductions, especially mandatory employer payments for social security and other social programs; lack of deductibility for charitable deductions; lack of a mechanism for crediting against income tax in different time periods; and inability to credit against foreign income tax. (Reforma 7/24)

The Miami *Herald* is reporting that the **U.S. and Mexico are near agreement on a US\$700 million anti-narcotics assistance package**. The scope of the aid agreement, which neither government would confirm, includes technology, training, and equipment including Black Hawk helicopters, and could be announced when Presidents Bush and Calderón meet in Quebec on August 20-21. (Miami Herald 7/28)

Mexican authorities said they **will seek extradition of** fugitive businessman **Zhenli Ye Gon** after U.S. DEA agents arrested him in a Washington DC suburb. The U.S. has given no indication it will honor the extradition request. Ye Gon was ordered held without bail on money-laundering and drug-trafficking charges. Meanwhile the Mexican government said that the US\$205+ million cash seized was considered abandoned property, and would be split three ways between the Judiciary, the Justice Ministry, and Ministry of Health. (AP 7/24, Financial Times 7/25, Reforma 7/26, Universal 7/27)

The **Ministry of the Public Function (SFP) banned former PEMEX head Raúl Muñoz Leos from holding public office for 10 years**, after finding he signed a labor contract with the company union without board or cabinet ministry approval. The controversial 2004 agreement included a Ps. 1.7 billion cash payment to the union. The SFP also held Muñoz Leos liable for half that amount. (The general counsel of PEMEX was held liable for the other half). In a letter to the SFP, Muñoz Leos said the agreement with the oil workers was necessary to "save the company and the country from the grave risk" of a strike. He also noted that the board and his successor as CEO subsequently ratified payments of the union settlement amount. (Proceso 7/26, Universal 7/27)

Opinion Polls

In the run up to the **Baja California** elections (8/5), the **PAN candidate** for governor José Osuna Millán **still leads** the polls, but his margin over his PRI rival Jorge Hank Rhon has been cut to 4 points from almost 7 a month ago, according to a Reforma poll. The survey is based on likely voters, and has a 3.1% statistical margin of error. Other polls show a similar trend, although Milenio has the two candidates tied at 46% each. (Reforma 7/26, Milenio 7/26)

