

Turf Wars in Mexico: Battles between Congress and the Executive

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The election of Vicente Fox Quesada in 2000 ended the 71-year monopoly of executive power by the PRI (*Partido Revolucionario Institucional*). Unlike other countries in the region which made a transition to democratic rule from military dictatorship, Mexico's transition was incremental and electoral. It did not involve a reconsideration of the entire constitutional framework inherited from the authoritarian era (e.g., holding a constituent assembly, as in Brazil and Peru). Although the PAN (*Partido Acción Nacional*) won the presidency behind the candidacy of Fox, the former governor of the state of Guanajuato, it was not as successful in the legislative arena. The PAN remained a minority in the Chamber of Deputies (lower house) with 207 of 500 seats in the 2000 election.¹ The PRI won 208 seats and the leftist PRD (*Partido de la Revolución Democrática*) and its pre-election allies, which included the Labor Party (*Partido del Trabajo*, or PT) won 65 seats.² In the 2000 Senate election, the PAN won 46 seats,³ while the PRI obtained 60 and the PRD and its various allies won 17 (See Appendix 1 for an explanation on the electoral systems).

Constitutionally, the Mexican president was never very powerful. However, due to the control he had over his party and the existence of a comfortable majority, there were no effective checks against presidential authority. Hence, the Mexican system was able to be characterized as both electoral (even reasonably democratic) and authoritarian (even “the perfect dictatorship”⁴) at the same time. Although there were historical divisions among *Priistas* (as members of the PRI are called), the president's control over the careers of co-

¹ Fox and the PAN had a pre-election coalition with the green party (PVEM), which won an additional 17 seats. However, this party later broke with the PAN and shifted its support to the PRI.

² Of these, 53 were PRD and 7 PT. Two other small leftist parties won 5.

³ Through its pre-election coalition with the PAN, the PVEM won an additional 5.

⁴ As Peruvian novelist Mario Vargas Llosa once called Mexico's political system.

partisan legislators, who were constitutionally prohibited from seeking reelection, allowed the president, as PRI leader, to manage conflict within the party and ensure disciplined support for his legislative proposals.

The end of unified government in 1997 (when the PRI lost its lower house majority in the midterm elections) is the start of the ongoing re-organization of the political system. The multiparty scenario since 1997 has posed a new challenge: making policy under divided government in a federal state. Although certain aspects of the electoral system, the non-reelection of members of congress, and a centralized system of public finance for party campaigns all enhance the role of central party leadership, state governors have improved their access to federal policy-making influence since the breakdown of the PRI's hegemony.

Three years later, no results yet?

The PAN is a center-right party which had served as one of the few continuous opposition parties in Mexico since the 1940s. Its presidential candidate was elected in 2000 on the promise of ensuring the growth of the private sector, improving Mexico's economic indicators, and working closely with the US to strengthen the market economy. However, due to the lack of a majority in Congress, some of Fox's reforms proved difficult to pass or implement. Due to some policy affinities with a reformist wing of the PRI led by Elba Esther Gordillo, the head of the Mexican teachers' union⁵, Fox was able to form a legislative coalition for the first three years, passing some of the policies proposed in his campaign.

In addition to legislating by coalition, President Fox took advantage of "loopholes" in legislation established during the era of one-party rule, giving him some informal powers that were not explicitly granted by the Constitution.⁶ For example, after gaining approval of the budget, the president would do selective budget cuts throughout the fiscal year without prior approval by Congress. Thus, he was able sometimes to avoid negotiations and implement amendments to the budget without being forced to reimburse the amount established in the

⁵ Unionized labor, especially public-sector employees, had been a key organized constituency within the PRI since the party's founding in the period after the Mexican Revolution.

⁶ There are examples of this behavior since 1997 when Mexico had its first experience of divided government while the PRI still held the presidency.

annual budget approved by the Chamber of Deputies. This was changed in 2004 in a constitutional amendment enacted by Congress.⁷

The passage of the federal budget in 2004 offers a window through which to view the new dynamics of Mexico's evolving multiparty presidential federal democracy. The budget debate that year generated considerable controversy between the president and Congress—something unprecedented in modern Mexican history. It also served as an opportunity for state governors from parties other than the PAN to assert themselves, and it ultimately resulted in the intervention of the Supreme Court. The entire battle took place within the context of the emerging electoral campaign for Fox's successor. Presidents, like members of Congress and all state governors and legislators, are ineligible for reelection.⁸ Thus, with the 2003 midterm Deputies election behind them, and ongoing cycles of state elections throughout the remainder of Fox's term, all three major parties were jockeying for position in the 2006 presidential election. Each of the parties perceived itself to have a good chance of winning the presidency in 2006, and thus had an interest in taking positions on issues that its leaders thought would have electoral benefit.⁹

Some parties had a tougher time than others in this jockeying for position. Although the PRI was the party with the largest number of seats in Congress and more state governorships than any other party (see Appendix 3), it was clearly divided. The PRI was a big winner in the 2003 midterm elections, improving from 208 to 224 seats, while the PAN fell from 207 to 151. The PRD was also a big gainer, going from only 53 to 97 seats.¹⁰

Despite its normally well deserved reputation for extremely high party discipline, the PRI displayed sharp internal disputes in congress in late 2003 and 2004. Factionalism within the PRI was bearable under one-party rule when the president was able to act as mediator and

⁷ See César E. Hernández Ochoa, "La supremacía de la Corte," *Reforma*, 31 Julio 2005.

⁸ Members of congress may run again after sitting out at least one term, though few do. The president is constitutionally limited to just one six-year term.

⁹ Gubernatorial contests are staggered throughout the electoral calendar. For instance, in July 2004 there were elections in Chihuahua (then held by the PRI), Durango (PRI) and Zacatecas (PRD). In August there were elections in Aguascalientes (PAN), Oaxaca (PRI), and Chiapas (where the then-incumbent governor had been elected by a pact among the PRD and PAN, plus the smaller PT and PVEM). Tamaulipas (PRI) came in October and Puebla (PRI), Sinaloa (PRI), and Tlaxcala (PRD-PT) in November (*Latin American weekly Report*, Feb. 24, 2004). Governors typically serve for six-year terms, and their state legislators for three. Neither governors nor state legislators may be reelected.

¹⁰ The PT (still an ally of the PRD) won 6 seats and the PVEM (now in a pre-election bloc with the PRI) won 17. Only the lower house is at stake in midterm elections. Deputies serve three-year terms, while Senators' terms are six years.

prevent most disagreements from becoming public, but in an era of multipartism and without the control of the presidency, factionalism became much more difficult to manage. As expected, the split of the PRI became a critical problem for the party, especially for Roberto Madrazo, leader of the more traditional wing.

One of the main issues in Fox's agenda throughout his presidency was fiscal reform (see Fox's inaugural discourse, in Appendix 2). Fox had attempted to enact fiscal reform on two occasions, both of which failed. In December 2003, Fox decided to include reforms to the Value Added Tax (VAT) into the debate over the 2004 budget. Fox proposed extending the VAT to cover medicines, food and newspapers.¹¹ This reform had been opposed vehemently by Madrazo's faction of the PRI and by the PRD. Due to the indirect nature of the VAT, they argued that raising the tax was regressive and adversely affected the poor.

Gordillo's faction of the PRI made a deal with Fox to support the reform on the Chamber floor. Madrazo responded by leading a campaign within the PRI National Committee to force out Gordillo from her position of PRI leader in the Chamber of Deputies, thereby also impeding her scheduled succession as PRI chief in 2006. The week before, a vote of no-confidence in her leadership was supported by 117 of the 222 deputies in the PRI caucus. Gordillo and the 105 Priistas who did not support the vote of no-confidence threatened to leave the party and establish an alliance with the government which would give Fox a big enough majority to pass his legislative proposals. Nonetheless, when the time to vote came around, 71 deputies voted with Gordillo, while the remaining 141 deputies voted against the bill. This was a rare open breach in the PRI on an important vote.¹²

Fox attempted to remain neutral in the PRI's internal fight, but Gordillo's exit from the house leadership complicated things and further lowered his prospects for enacting reforms. Although the 2004 budget was approved in first debate by the finance committee, in

¹¹ "Food for argument: the rights and wrongs of taxes", in *the Economist*, Nov. 20th, 2003. "The proposed tax changes are contained in the draft budget for 2004. The main one would cut the rate of VAT from 15% to 10%, but levy it on everything, including food, medicines, books and newspapers, that is currently either zero-rated or exempt. Nobody disputes that the government needs to raise more money. Tax revenues total just 12% of GDP (the government milks a further 4% of GDP from the state oil monopoly). This is low by Latin American standards, let alone those of rich countries, where the average is 37%. Schools, roads and health care suffer."

¹² In research on this vote, Joy Langston ("Principals in Mexico's Congress," unpublished, July, 2005) finds that the PRI deputies elected on the party list were much more likely to support Madrazo than Gordillo. Deputies elected from single-member districts, however, tended to vote for Fox's bill if their governor was a PRI ally of Gordillo, but against it if their governor was a PRI ally of Madrazo. (In the case of PRI deputies from districts within states without a PRI governor, those whose districts were competitive tended to vote against Fox's proposal.)

the Chamber there were 251 votes against (495 total voting, 4 abstentions).¹³ As expected, the two PRI factions split their vote with Madrazo's faction having the decisive vote, making it clear who would be in better position to negotiate the budget and fiscal reform for 2004. This triggered Gordillo's resignation from the leadership of the PRI in the lower house.¹⁴

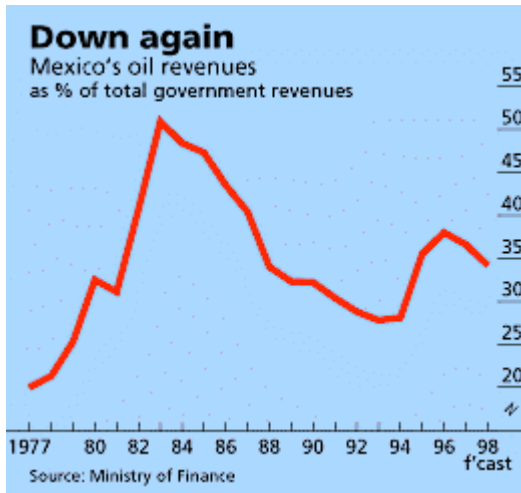
In February, Madrazo again made a statement in which he ruled out fiscal reform in the budgetary debate and suggested the need for tax reform to be discussed in the National Finance Convention (*Convención Nacional Hacendaria*), or CNH in July. The CNH brings together national and local politicians, business, and the trade unions. National Conventions hark back to the Revolution and have fallen into disuse, but the government, disappointed at the failure in Congress, hoped the CNH would help build pressure on Congress eventually to enact the fiscal reforms.

The reform proposal touches on one of the most difficult subjects in federal politics: the distribution of resources between the states and the federal government. Governors, organized in an umbrella body—*Conferencia Nacional de Gobernadores*—lobbied for more transfers from the central government. Currently 90% of the resources spent by the states are national transfers. Although Fox sympathized with the idea that states should be strengthened, he disagreed with the idea of doing so by sacrificing the power of central government. Thus, Fox and his finance minister proposed that states increase their own fiscal receipts. This is something governors would prefer to avoid; they consider this an unnecessary burden. The need to raise more of their own revenue can be avoided if, in the budget, higher oil prices are projected. A budget with higher estimated oil prices in the coming year implies greater central-government revenues, and thus more resources for the states under the existing transfer scheme. The PRI advocated a higher estimated price per barrel of oil, increasing its value from \$20 to \$22.¹⁵ At the time, tax receipts accounted for approximately 12% of GDP, while oil revenues accounted for 35% of all government revenue. As the graph below shows, Mexican oil revenues have been quite volatile in the past, and thus one of the objectives of Fox's fiscal reforms was to make Mexican revenues less subject to market variations in this one key export product.

¹³ The budget only needs to be approved by the Chamber of Deputies and not by the Senate.

¹⁴ Only 77 other legislators followed her lead in voting for the budgetary law.

¹⁵ The prices estimated per barrel are projections the government makes, which basically depend on the current prices (behavior of the market and main traders), oil stock, and the projections on how much oil is expected to be exported. Oil revenues currently account for 35% of the government's revenues.



Source: The Economist

Also at the *Convención*, various private parties, including the Center of Economic Studies for the Private Sector, expressed concerns regarding the lack of incentives for the private companies to grow and to re-invest in their sector. This is important due to the dependence of the economy's growth on oil revenues. Even if the GDP growth rate was acceptable (3.5% approximately), it was mostly explained by the rise in oil prices.

Another important issue discussed in the *Convención*, closely related to the balance between the state and federal level, had to do with the possibility of making contracts between foreign firms and state governments. Existing legislation explicitly allowed the Mexican central government to co-invest with foreign firms in the exploration and development of new oil fields. President Fox had authorized some contracts between states and foreign firms, considering this to be the only way for states to build their own fiscal resources and petroleum capacity. Without this possibility, the wait might be too long.¹⁶

As the negotiations over fiscal reform continued, gubernatorial elections were held with very high stakes for the presidential candidates. As new governors were elected, the prospects of candidates and parties became clearer, both to the party machines and to the electorate. Because state elections are staggered, neither presidential nor congressional elections produce ties between the federal and state levels. These separate election dates

¹⁶ In fact, Priistas in Congress filed accusations against the federal government arguing as unconstitutional the authorization given to some states for sub-contracting the exploration.

ultimately allow governors to be independent from the federal executive and claim that they are elected on their own efforts at the state level, rather than as a byproduct of national “coattails.”¹⁷

In 2004, there were gubernatorial elections in several important states, including a closely fought battle in Oaxaca in August (won by a Madrazo ally amid cries of fraud by the joint PAN–PRD opposition candidate¹⁸) and Veracruz in September (won narrowly by the PRI). The PRI also won races in several other states in 2004, including Chihuahua in the PAN’s usual northern stronghold, while the PAN narrowly won the small central state of Tlaxcala. Then, in July, 2005, the PRI won perhaps the biggest prize other than mayoralty of the federal capital or the presidency itself: the governorship of the State of México, which surrounds (but does not include) the federal capital and is the nation’s most populous.¹⁹

Madrazo, himself a former governor of the southeastern state of Tabasco, had been widely seen as the front-runner for the PRI’s 2006 presidential nomination—and ultimately he indeed was the PRI nominee. The PAN produced its nominee via a series of regional primary elections in the fall of 2005: Felipe Calderón Hinojosa, formerly Fox’s Energy Minister.²⁰ Meanwhile, the PRD candidate had been clear for some time: Manuel López Obrador, Mayor of México City, who led most polls since shortly after his own election in 2003—even before he had indicated any public intention of seeking the presidency.²¹

In August, the president was required to submit the General Policy Guidelines for the budget bill for 2005. Growth prospects were 2 percentage points lower than the estimate for 2004. He also reiterated the need for an austere budget due to the pressure on public finances and heavy spending commitments together with the difficulty of passing the fiscal reform. The forecasts for 2005 for oil prices were high due to international market conditions. Thus, prospects for passing the tax reform, especially in a pre-electoral year were very low.

¹⁷ Alberto Diaz-Cayeros, “Mexican Federalism and the Institutionalization of the Politics of the Governors,” unpublished paper, Stanford University.

¹⁸ The PAN–PRD candidate was himself a former official of the PRI.

¹⁹ Its outgoing PRI governor, Arturo Montiel, was considered a rival for Madrazo for the 2006 presidential nomination, until he withdrew in the early fall, 2005, over allegations of scandal.

²⁰ Earlier in the campaign for the PAN nomination, the presumed front-runners were Fox’s wife, Marta Sahagun, and later, his Interior Minister, Santiago Creel. See “The PAN’s problem,” *Mexico and NAFTA Report*, June 15, 2004.

²¹ López Obrador popularity at the head of the PRD ticket in Mexico City, combined with the proportional allocation of a fifth of the Deputies seats based on the national vote shares of parties, is what largely accounts for the big increase in PRD congressional representation in 2003.

On September 14, all 32 Mexican state governors met with the president to lobby for a larger piece of the country's oil revenues. Although the 2004 budget increased the transfers from the federal to the state governments, the central government still has to authorize who gets what. Governors proposed a formula by which transfers would become automatic. The *Mexico and NAFTA Report* described the situation:

Both the government and the states want the issue resolved bilaterally, rather than go to court. Natividad Gonzalez, a Priista from Nuevo León, said that as the issue is highly political, nobody wants the courts involved. Under the current arrangements, half of any oil windfall should be allocated to the states for infrastructure spending. This year the windfall is considerable: the budget for 2004 set an export price of US\$20 a barrel. In fact, the price so far this year has averaged well over US\$30 a barrel. This means that the windfall from exports alone is running at around US\$17m a day (or US\$6bn a year). The budget for 2005 reckons that the total oil-windfall for 2004 will be around US\$9.5bn. In the first half of the year it was US\$4.67bn. What the federal government has done, in fact, is to split the windfall with Pemex, which has been using the money for its investment budget. Under pressure from congress, the finance ministry has allocated US\$435m to the states and authorized the transfer of a further US\$276m.

Thus, governors sought to secure transfers from the petroleum windfall. Most of these transfers have specific policy destinations, like education and health, while many others allow state governments to freely invest in the policy of their choice.²²

The battle of the budget: 2004–05

The fall sessions of Congress were inaugurated in September 2004 and with them the discussion of the federal appropriations bill (the spending portion of the budget). According to the Constitution, the budget must pass by November 15 each year.²³ Both the committee and floor stages proved to be very difficult for the executive. The PRI – PRD coalition in the Chamber of Deputies Budget Committee made major alterations to the content of the government's proposal, re-allocating some expenses (93.6 billion pesos) and

²² There is little research currently available on state-level policy-making, but what there is suggests that state legislatures impose very weak limits on governors' discretion. Thus transfers without "strings" from the federal government can be used almost any way the governor wants.

²³ Constitutional reform passed and published in the *Official Diary of the Federation* (Diario Oficial de la Federación) on July 30th, 2004.

increasing others. Some analysts calculated that these numbers account for 25% of the budgetary allocations.²⁴ From a budget of 1.7 trillion pesos introduced by the executive, it became a budget of 1.8 trillion pesos. From a deficit of 11.1 billion pesos proposed by the executive, it went to one of 17.5 billion. The president's allies complained at various points in the process, but nonetheless the budget was approved on November 18, 2004.²⁵

After general debate, the Chamber of Deputies approved the budget by a vote of 323 votes in favor, 137 against, and one abstention. The PAN voted against the Budget Committee report, marking the first time that the president's party has voted against the budget.²⁶ The PAN deputies withdrew from the Chamber in protest after also losing a series of follow-up votes on specific amendments to the budget. After passing further amendments, the Chamber sent the bill to the executive.²⁷

The executive and the PAN were livid at Congress's action. Congress shifted money away from the budgets for the military and national police, while increasing appropriations for health and education. Among the largest reassignment of funds was a record level of spending on agriculture, far above what the executive had requested for this segment of the budget.²⁸

Upon receiving the budget from Congress, Fox and his team considered their options. One option was for the President to exercise a veto, which would mean he would decline to promulgate it and would instead return it to Congress with "observations," that is, points of officially articulated disagreements by the executive with what Congress had passed. A second option would be to challenge the budget on constitutional grounds before the Supreme Court of Justice. Preferring not to seek a confrontation, Fox stated that he was going to return the text to the Chamber of Deputies, under the authority granted him in Article 72(b) of the Constitution. He gave assurances that he was prepared to "yield considerable ground" to resume negotiations with the legislative groups, in order to

²⁴ César E. Hernández Ochoa, *La supremacía de la Corte*, Reforma, 31 Julio 2005

²⁵ Jeffrey Weldon, "The Fall 2004 Term of the Mexican Congress," unpublished working paper.

²⁶ Weldon, op. cit.

²⁷ Under the Mexican constitution, the Senate does not have a say in the approval of the budget.

²⁸ "Budget problems knock down confidence," *Latin American Economy and Business*, November, 2004.

improve spending prospects for 2005. "We are ready to work in that direction," he said, insisting, "The worst thing would be to derail the budget."²⁹

Fox ultimately decided that he had no choice but to "go public" with his disagreements. The executive returned the budget to Congress with 66 observations. This event was the start of a big battle between the executive and the legislature over the constitutional powers of the president over the budget. Although Fox was careful never to use the word, what Fox had done was, effectively, was to issue a "veto" while attempting to continue negotiations with Congress. There has long been a widely held view in the Mexican legal community that there is no right of executive veto over the budget, because Article 74, paragraph 4, of the Mexican federal constitution appears to give the lower chamber of Congress exclusive right to determine the budget. Most jurists held the opinion that this provision on the budget overrode the provision of a veto, in Article 72, on most other acts of Congress, which must pass both chambers before being sent to the president. The stakes were very high for Fox, for he was gambling that the president does indeed have a right to veto the budget. The risk was that if he tried to veto the budget and the Supreme Court ruled against him, he would be liable for possible impeachment for having violated the Constitution.³⁰ Short of a constitutional challenge, the other risk for Fox was that he would lose the battle in the Chamber of Deputies, anyway, given that the PRI and PRD held more than the two thirds of the chamber seats needed to override a veto, provided they remained united against the president.

In his veto message, Fox gave four specific sets of observations as to why he was not promulgating the budget passed by the Chamber. Some concerned technical corrections (where sloppy drafting had misplaced decimal points, for example), but most were on constitutional questions challenging the authority of Congress. Fox alleged that the Chamber of Deputies did not have the authority to reassign expenditures to as great a degree as it had done. As Weldon notes:

The Constitution had been amended the previous year to specifically permit the Chamber of Deputies to do what it has always done—amend the budget. However, the

²⁹ "Mexico's Fox announces willingness to negotiate budget with Congress," *BBC Monitoring Latin America*, November 21, 2004.

³⁰ "Congress steps up the challenge," *Latinnews Daily*, November 23, 2004.

president claimed that the executive continues to have exclusive authority to introduce the budget, and too many modifications would nullify that authority.³¹

Fox's message said, in part, that the congressional action "eliminates all possibility of discretionary action or decision by the executive" and prevents the executive from attending to emergencies. It is not, Fox said, "a matter of provoking confrontation, or of bothering anyone or irritating anyone: it is a matter of exercising the powers vested in us and defending what we consider is a rightful prerogative of the executive."³²

Another set of observations was based on the executive alleging that Congress had encroached on the authority of the executive to determine specific public works projects. The budget approved by the Chamber of Deputies contained 121 projects with reassigned expenditures in health care, totaling 3.9 billion pesos. Fox's observations specifically referenced some calculations performed by the executive that showed that 53.4 percent of the projects were in states governed by the PRI, another 40 percent were in PRD states, and only 6.6 percent were in PAN-governed states.³³

President Fox acted on December 20, publishing the budget, but then suing the Chamber of Deputies before the Supreme Court by means of a "constitutional controversy."³⁴ Fox asked the Court to freeze the expenditures that he had objected to in his observations, and he alleged that he indeed did have a veto.³⁵ The suit also noted that, despite the prevailing legal opinion regarding the veto, there was actually precedent for vetoes on budgets without controversy. In fact, between 1917 and 1933, before the era of PRI hegemony, there had been 45 budget vetoes.³⁶

On December 21, the Supreme Court granted an injunction, freezing most of the expenditures that Congress had authorized but the President had challenged. On May 17,

³¹ Weldon, *op. cit.*

³² "Mexico: Congress wins round in conflict of powers," December 21, 2004.

³³ Weldon, *op. cit.*

³⁴ He had to publish the budget to have standing before the Court, because there had to be an action (i.e. the passing of the amended budget by Congress) before the Court would be able to say that the constitution had been violated.

³⁵ Specifically, Weldon (*op. cit.*) states the following about Fox's legal case: "Clause J of article 72 states that the president cannot veto resolutions passed by Congress *or by one of its chambers* when they act as electoral bodies or as juries, or when the Chamber of Deputies removes immunity from an official. By implication, this means that, aside from these specific exceptions, the president can veto any legislation approved by one or both chambers," which would include the budget.

³⁶ See Eric Magar and Jeffrey A. Weldon, "The Paradox of the Veto in Mexico, 1917-2001," presented at the 60th Annual Meeting of the Midwest Political Science Association, Chicago, 2002.

2005, the Supreme Court delivered a major victory to Fox, when it ruled that there was indeed an executive right to veto the budget. The Court called upon the Permanent Committee of the Chamber of Deputies to convene the full Chamber and resolve the observations, either by confirming Fox's veto or by overriding it with a two-thirds vote and thereby insisting on their original version. The Court did not rule on the question of how much of the budget the Chamber could reassign, because until such time as there was a veto override, these amendments were not in force, and hence this controversy was not ripe for adjudication (details of the Supreme Court ruling are in the appendix).

The Chamber of Deputies responded by scheduling a vote to override the veto on June 28, 2005, during a special session. But the faction of the PRI that supported Elba Esther Gordillo joined with the PAN to block it. To avoid embarrassment, and to avoid setting a precedent on a veto that they did not even believe in, the PRI and PRD leadership withdrew the override resolution from the agenda. Finally, on October 11, after negotiations between all the political parties and the Ministry of Finance (*Hacienda*), the Chamber of Deputies decided to accept the veto (without actually admitting they were doing so), and to reassign the frozen funds.

Appendix 1: How are legislators elected?

For the Chamber of Deputies (lower house), Mexico has a mixed member majoritarian (MMM) electoral system. The Chamber of Deputies is composed of 500 members. These are newly elected every three years. Immediate re-election is not permitted, although deputies may run again after one term has passed (few do so). Voters have one vote that serves simultaneously for a single-seat district (SSD) candidate and for the list of the party or alliance that has nominated the district candidate.

Three hundred deputies are elected in SSDs. The other 200 are assigned through a PR system based on party lists in five multimember constituencies (40 seats in each). The PR threshold is 2% of the nationwide vote. Although there are five regional PR districts, the 200 PR seats are allocated based on the total national vote. That is, the regional districts affect which candidates take the PR seats, but not the overall balance between the parties in these 200 seats.

The allocation of SSD and PR seats is not fully parallel, in that the seats a party may win in the PR tier are partly conditioned by its success in the SSD tier:

1. No party or electoral coalition is permitted more than 300 seats, regardless of the percentage of the vote it has obtained.
2. No party or electoral coalition can obtain a total share of seats (of the entire 500) that exceeds *by more than eight percentage points* its share of votes. For example, if a party gets 40% of the total vote, it may not have more than 48% of all the seats (240 out of the 500). It would not be guaranteed 48% of the seats, because the total would depend on the SSDs it had won; it is simply prohibited from having more than this percentage.³⁷

For the Senate, the current rules provide three senators elected from each of Mexico's 31 states and the Distrito Federal (the capital territory), and 32 additional senators elected on closed party lists, based on the nationwide share of the senatorial vote. The voter casts a single vote for a party slate. In each state, the party with the plurality of votes elects two senators, while the second party elects the candidate it has ranked first on its list. These votes are aggregated to determine the national allocation of the remaining senators. The senate term is six years, concurrent with that of the president, and there is no immediate reelection.

³⁷ This provision was operative for the first time in 1997, and it prevented the PRI from retaining its majority.

Appendix 2: Inaugural speech of President Fox

President Fox inaugural speech

I am taking office as head of the Executive Branch under new circumstances. The sovereign decision of those who voted on July 2nd was unprecedented. The presence of Heads of State and Government and the High-Level Diplomatic Delegations who are here with us today is a sign of confidence that enhances our prospects for change. I would also like to express my gratitude for the presence of outstanding representatives of the world's political, economic and cultural life.

This democratic change—which entered its decisive phase on July 2nd—is the result of a long-held aspiration of society. It took shape during several decades through the sacrifice and efforts of many exceptional Mexican men and women who fought on various fronts to make what we now have possible.

In this new era of democratic practice, the President proposes and the Congress disposes. Today more than ever before, governing means dialogue; the nation's strength can no longer come from a single point of view, a single party or a single philosophy. Today more than ever before, understanding, agreement and convergence among the various political, economic and social participants, among the various legitimate interests and diverse ideological visions, are necessary.

I am making the commitment to promote seven key reforms that I gathered during my presidential campaign and that represent the Mexican people's mandate for change.

- 1) Consolidate the democratic progress.*
- 2) Fight against poverty, looking for social equality.*
- 3) An educational reform that will assure the development of better human capital and that no young person in our country—no matter how poor he or she may be—fails to complete his or her education due to a lack of resources.*
- 4) Guarantee economic growth with stability, so that our young people will never again have to leave their homes and immigrate to another country.*
- 5) Decentralise Federal powers and resources, in order to give the states, municipalities and communities greater vitality.*
- 6) Assure transparency and accountability in the work of governing, in order to eliminate corruption and deception.*
- 7) Combat our lack of safety and does away with impunity, so that every family may sleep peacefully. We will give no quarter to crime. We will not rest until we live in safety, without fear or anxiety, until we enjoy life without assaults and ill treatment.*

We must find new ways to conduct relations between the Federal Executive Branch and the state governments. In order to redefine its conditions, today I call for a great Federal alliance to design a coherent plan under which each of the spheres—federal, state and municipal—can efficiently and transparently carry out the tasks entrusted to it.

Mexico will no longer be held up as a bad example in matters of human rights. We will protect human rights as never before, respecting them as never before and seeking a culture that repudiates any violation and punishes the guilty. (see article on page 5)

Although the main macroeconomic variables are stable, we have not yet fulfilled the long-held desire to moderate extreme wealth and extreme poverty. The government's accumulated responsibility is enormous in social matters. The least bit of common sense tells us how false the thesis is that claims we must curb people's living standards for the sake of economy's health.

I emphatically maintain that social justice is part of an efficient economy, not its adversary. It is time we recognised that everything cannot be solved by the State, nor can everything be solved by the market. I believe that the vote for democracy is inseparable from the vote for social equity.

Quality education, employment and regional development are the levers to remove, once and for all, the signs of poverty, which are inequity, injustice, discrimination and exclusion.

We owe a debt to the indigenous communities, which we must settle: the original peoples of these lands continue to suffer an intolerable situation of injustice and inequality. I am committed to a new relation between the indigenous peoples and the Mexican State.

In Mexico and in Chiapas there will be a new dawn! In Chiapas, actions, not hollow words, will be the backbone of a new federal and presidential policy that leads to peace. I pledged my word to send to this Honourable Congress as a bill, the document prepared by the COCOPA, which summarises the spirit of the San Andrés Accords. This will be the first act of my administration related to this Congress. (In fact, President Fox sent the initiative to Congress on December 5th, 2000).

My administration's Economic Program calls for a genuine commitment to stability and growth. We are not going to play with macroeconomic variables. We are going to act with complete discipline. We will maintain macroeconomic stability, because it represents the order without which what has been earned is lost. But we will work to turn it into tangible and specific benefits in the pockets of every Mexican man and woman.

The Economic Program we propose calls for effective and prudent participation by the government, so as to promote equity between regions, companies and households. The program includes a business development policy for small, very small and medium-scale companies and a policy of economy, with a social rationale for very small companies, for the self-employed.

There are many goals we must meet, beginning with a gradual but sustained increase in workers' living standards. But there are no magic solutions. We need to raise productivity, create wealth and distribute it at the same time.

The Fiscal Reform is not the easy way out for solving the government's revenue problems. It is the correct way. The nation's fiscal resources will be invested in health care, security and education for the coming generation.

As regards energy resources, we will be faithful to our history and we will take strategic forecasts of the future into account. In this process the Federal Electricity Commission will not, I repeat, will not be privatised, nor will any of its assets be sold. We will promote before this Congress the opening to investment, in order to safeguard fiscal resources so we can invest them in hospitals, schools, development of indigenous communities and the fight against poverty.

PEMEX will continue as the exclusive property of the nation. Today I affirm that PEMEX will be transformed into a company managed with criteria of efficiency and subject to criteria in the vanguard worldwide; that PEMEX will be managed honestly. It will also be a company with sensitivity for the regions, states and municipalities in which it operates.

Globalisation is the hallmark of our times, but we must reconcile it with Mexico's interests. In the sphere of foreign policy, we reject any attempt at interference in our internal affairs; we condemn any intention to enforce an extra-territorial criterion in the application of laws of third parties. We are opposed to unilateral views and to any treatment that infringes the highest rule of international law: sovereign equality under international law, sovereign equality among nations.

My administration will not leave our dear migrants, our heroic migrants, on their own, nor our companies in the face of abuses of authority or unfair international trade practices. We will ensure that the talent we have throughout the world, in our Embassies and Consulates, becomes the best ally of their rights and a true lever of our country's economic development.

Protecting Mexicans' natural heritage is an essential part of my government program. We will promote a productive and competitive economy in harmony with the environment. It is only under a scheme of sustainable development that we will open doors for productive investment and economic growth.

Appendix 3: Governors and Parties (as of late 2005)

State	Governor
Aguascalientes	PAN
Baja California (norte)	PAN
Baja California Sue	PRD
Campeche	PRI
Coahuila	PRI
Colima	PRI
Chiapas	Coalition without the PRI
Chihuahua	PRI
Distrito Federal	PRD OJO: No es estado
Durango	PRI
Guanajuato	PAN
Guerrero	PRD
Hidalgo	PRI
Jalisco	PAN
Mexico (Estado de)	PRI
Michiacán	PRD
Morelos	PAN
Nayarit	PAN
Nuevo León	PRI
Oaxaca	PRI
Puebla	PRI
Querétaro	PAN
Quintana Roo	PRI
San Luis Potosí	PAN
Sinaloa	PRI
Sonora	PRI
Tabasco	PRI
Tamaulipas	PRI
Tlaxcala	.
Veracruz	PRI
Yucatán	PAN
Zacatecas	PRD

Source: Alejandra Rios Cázares

Appendix 4. Summary of the Supreme Court Decision

On May 17th, 2005, the Supreme Court rendered its decision regarding the controversy between the Executive and the Chamber of Deputies regarding the power of the President to make observations to the budget bill. This is a summary of the main decision taken.

1. With six votes in favor and five against, the Court declared constitutional the power of the President of the Federation to make observations to the budget approved by the Chamber (which in other words means that he has partial veto).
2. With ten votes in favor, one against, due to the previous decision it is sufficient to declare *null* the acts that were in question.
3. By unanimity, that the Chamber requires a 2/3 majority of the deliberative quorum to overcome the observations made by the President.
4. By unanimity, the Court calls for the Budget permanent committee to be in charge of any of inconsistencies between the approved budget and the observations made by the President.
5. With eight votes in favor and three against the Court decides that given the decision to accept the President's power to make observations, all other inquiries (which assumed that the President did not have the power to make observations) become irrelevant and need no further discussion.