

Like Trump in US, Mexico rolls dice with populist president

BY JERRY HAAR AND JOHN PRICE, OPINION CONTRIBUTORS — 07/02/18 11:30 AM EDT
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Mexico resides in a major earthquake zone, and Sunday they experienced a really big one — though this time the shock was political, not geological.

On his third try for the presidency, Andrés López Obrador (AMLO) defeated his opponents and is well-positioned to set Mexico on a course that will be anything but “business as usual.”

Just who is AMLO, the man who will take the helm of the world’s 11-largest country in terms of purchasing power parity?

He is a populist with nationalist and statist tendencies who nevertheless understands that the social and economic transformation he envisions for Mexico cannot be achieved without the support of the private sector, foreign as well as domestic.

So, why and how did AMLO win the presidency over candidates from parties that governed Mexico from 1929 to the present? As in the case with the Trump victory in the U.S., it was discontent with the political establishment.

A Mexican public fed up with corruption scandals, gang violence, drugs, poverty and inequality (a rich north and a poor south) decided “enough is enough” and rolled the dice, betting on AMLO.

Admittedly, current Mexican president Enrique Peña Nieto started out with high popularity and did accomplish much in the early years of his administration with energy, telecom, fiscal and educational reform.

However, these achievements were overshadowed by the corruption scandals surrounding the president and his wife, along with the Mexican political establishment, in general.

Mexico’s anti-establishment, anti-corruption and nationalist discourse has been exacerbated in no small way by U.S. immigration and trade policies.

Accusing Mexico of sending “murderers and rapists” to the U.S. (one of President Trump’s earliest diatribes) has been a surefire way to unite Mexicans of all political persuasions against the U.S. and against Peña Nieto, who invited the campaigning Trump to Mexico.

In a 400-page policy platform shared with the press, Lopez Obrador laid out a vision of fiscal responsibility, infrastructure investment, public-private partnerships and social programs for the poorest sectors of society.

AMLO’s platform mirrors the priorities of his mayorship of Mexico City. His intent is to manage the national debt, hold to the tax reform enacted under the PRI party, ensure the current levels of inflation and foreign exchange, maintain an independent central bank and promote efficiency in government operations and a tight control of budgets.

Some specifics also include scholarships and apprenticeships for young people, free access to telecom services and doubling pensions for the elderly, cutting top bureaucrats’ salaries. Turning to economic concerns, Mexico’s GDP is expected to grow steadily at a rate above 2 percent for 2018 and 2019.

Mexico usually suffers an economic slowdown in the first year of a president’s six-year term, but strong economic growth in the U.S. may offset a slow down in Mexican domestic expansion.

AMLO would like to reserve deepwater drilling in the Gulf of Mexico for Mexican firms and spend \$6 billion on constructing two refineries for processing crude for the domestic market. However, procurement favoritism defies the dozens of trade agreements signed by Mexico.

Building a razor-thin margin refinery project in the age of electric cars will be difficult to get financed by private lenders, and Pemex, the Mexican state-owned petroleum company, can’t afford to fund them with its tattered balance sheet.

On the positive side, AMLO has said he has no plans to nullify any of the \$153 billion in existing oil contracts unless they were awarded illegally. Troubling are AMLO’s plans to boost social, education and pension spending to levels that are bound to generate inflation and increase the fiscal deficit.

Competitiveness is critical to the growth and development of Mexico’s economy. However, in the latest [Global Competitiveness Report](#), Mexico scored poorly at No. 51. What’s more, López Obrador plans to undo many of the educational reforms enacted under Peña Nieto that will further erode competitiveness.

Understandably, the private sector is nervous. Mexico’s benchmark stock index dropped 7.6 percent in May, the biggest one-month decline since February 2009.

However, a recent [Nomura survey of 109 market investors](#) found that over half of investors would jump at the chance after an AMLO victory to buy undervalued assets. While only 18-20 percent would sell.

As Peña Nieto discovered, winning an election is one thing; governing is quite another. As with most newly elected leaders, there will be an initial period of speculation, one filled with both hope and concern.

AMLO does not assume office for a full five months after his election, so it may be a year from now until we understand what he can achieve.

Does AMLO have the capacity to govern Mexico? As mayor of Mexico City (2000-2005), he was popular and dedicated, launching an old-age pension program, subsidizing subway fares, constructing an elevated highway to alleviate traffic and working with the city’s business elites on urban renewal of the downtown area.

But the presidency includes daunting issues such as organized crime, emigration, corruption, trade and a reactionary U.S. leadership. A lot is expected of AMLO from his disenfranchised supporters, probably too much for any president to achieve.

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TAGS DONALD TRUMP MEXICO POLITICS OF MEXICO ANDRÉS MANUEL LÓPEZ OBRADOR INSTITUTIONAL REVOLUTIONARY PARTY PETROLEUM INDUSTRY IN MEXICO ENRIQUE PEÑA NIETO DESAFUERO OF MANUEL LÓPEZ OBRADOR PEMEX