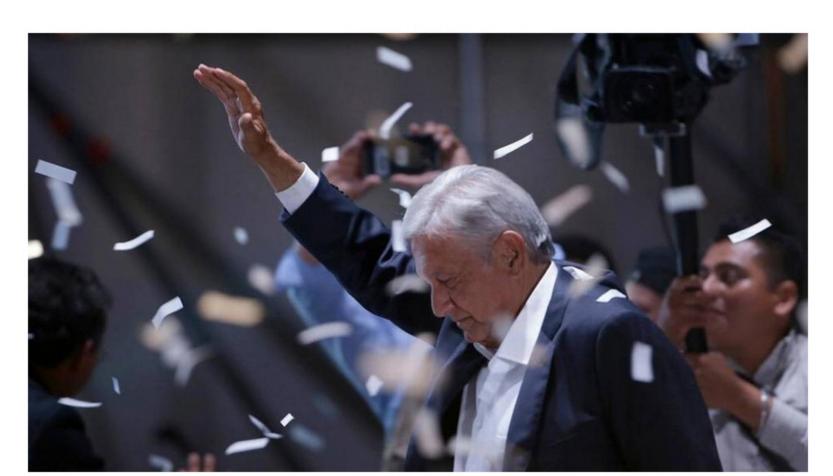New Mexican President Andres Manuel Lopez Obrador waves to supporters as he arrives to Mexico City's main square on Sunday. AP

The truth is Mexico's new president will be neither socialist nor savior

BY JOHN PRICE AND JERRY HAAR

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Mexico's newly elected president, Andrés Manuel López Obrador, is the personification of how Churchill described Russia--a riddle, wrapped in a mystery, inside an enigma. How will AMLO / *Peje* (his nicknames) govern? Even Mexican political analysts seem mystified.

Mexico has lived a century of political stability, dominated by one party, the PRI, and opposition from two established parties: the conservative PAN and leftist PRD. The election of López Obrador is remarkable because his Morena party is new and anti-establishment in nature. AMLO himself is a maverick, whose popularity has grown despite abandoning his own party affiliation three times en route to the presidency. Such irreverence is as frightening to Mexico's elite as it is exciting to the disenfranchised who thrust him to power.

Fed up with corruption, frustrated by the violence of organized crime, and humiliated by the rhetoric of its *gringo* neighbor, Mexico is ready to experiment with a leftist president. But can López Obrador deliver the changes voters expect of him? The simple answer is "no". AMLO will neither destroy the prowess of Mexico's private sector nor rescue the country from its greatest ails--corruption, insecurity and inequality.

To many, AMLO is an old-school leftist whose ideas were formed in the 1970s oil- rich heyday of the PRI. However, his big government instincts will be constrained by the market economy, by fledgling institutions and by the Mexican voter. Mexicans want justice and security, not socialism. In a global socialism survey conducted by IPSOS in 28 countries earlier this year, Mexicans consistently chose individual rights, competition and capitalism over social justice and collectivism-- and they did so well above the global average. Mexicans voted for AMLO to spite the political establishment, not demonize capitalism. In Mexico, disdain for the pro-business PRI or President Trump is not synonymous with a hatred of capitalism or even American enterprise.

When López Obrador narrowly lost the 2006 presidential election, the swing vote belonged to the middle-class *Walmart voter* who rejected AMLO after he was effectively painted as the next Hugo Chávez. On the campaign trail in 2018, *Peje* changed tactics. To break through the 25% ceiling of his ardent supporters, he moderated his economic message while doubling down on promises to fight corruption and stand up to Donald Trump. AMLO has sought to assuage voter fears by naming a team of technocrats and business leaders in his future cabinet, and has promised: "no expropriations, no nationalizations". Furthermore, AMLO pledged to accept the NAFTA that he inherits as president and keep in place Peña Nieto's energy reforms. As mayor of Mexico City from 2000 to 2006, AMLO formed a successful alliance with Carlos Slim, the nation's capitalist icon, to rejuvenate the city's dilapidated historic center. He embraced the private sector while also expanding infrastructure and financing a progressive welfare program.

AMLO inherits a national budget that still relies on Pemex oil receipts for a third of its revenue. US fracking and Saudi-led OPEC acquiescence will keep oil prices low in the near-term, depriving AMLO of any tax bonanza.

In stark contrast to Hugo Chavez's oil backed bolivar currency, Mexico has no choice but to float the peso, which trades each day at volumes of US$90bn. F/X traders can and will punish the peso at the first sight of reckless policy-making. Both the Central Bank and Supreme Court have evolved into autonomous institutions that serve as useful brakes on presidential power.

Too much concern is paid to the specter of a socialist AMLO. What should really worry investors is his naivete when it comes to tackling Mexico's Achilles heel: a weak rule of law. AMLO's proposal to offer amnesty to criminal leaders in exchange for peace is neither politically nor logistically feasible. After 12 years of a narco-decapitation strategy by the Calderón and Peña Nieto administrations, there are literally hundreds of splintered criminal groups reigning chaos in Mexico. Worse still, AMLO has no strategy in place to strengthen federal prosecutorial infrastructure, the most essential weapon for fighting corruption and crime.

Unveiling the enigma of AMLO will take some time, and longer still to judge his tenure as the 58th Mexican President. We predict that Mexico's sizeable wealth will not be plundered by Morena policies. But disappointment is likely to be felt when voters realize that they elected a president ill-equipped to combat the very issues upon which he successfully campaigned: corruption & security.

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