

MEXICO: What to watch following AMLO's election landslide

- [As forecast](#), Andres Manuel Lopez Obrador (AMLO) won the 1 July presidential election by a landslide.
- The National Regeneration Movement (Morena) party is on course to secure a legislative majority.
- The five-month long transition should provide further clues as to AMLO's policy priorities, many of which remain vague and open to question.

The vote count is still going on, but such is the size of AMLO's lead that his rivals quickly conceded on 1 July. With 93.5% of votes counted by the evening (local time) of 2 July, Lopez Obrador was on 52.9%, Ricardo Anaya had 22.4%, Jose Antonio Meade was on 16.4%, and Jaime 'El Bronco' Rodriguez was on 5.1%. Additionally, AMLO's National Regeneration Movement (Morena) won – [in line with our forecast](#) – five state governorships (including the capital) out of nine up for grabs; four of them were won by a landslide. Congressional results are less advanced, but Morena majorities in both chambers are likely.

There have been some encouraging signs in the immediate aftermath of the vote. First, the size of AMLO's win means there will be no wrangling over the outcome; there will be none of the damaging uncertainty and tensions that followed the 2006 election. Second, the tone of AMLO's victory speech was conciliatory, and the president-elect made some important gestures, including a promise to respect Central Bank (Banxico) autonomy and maintain fiscal discipline, while ruling out asset confiscations. The key question remains whether AMLO's pragmatic turn will prove enduring, particularly if his supporters grow frustrated with the pace of change given how high expectations have risen, and how AMLO himself has promised nothing less than an epochal transformation.

The transition is relatively long, with the new president scheduled to take office on 1 December. The next five months should provide important clues as to AMLO's policy priorities and – given how vague much of the Morena manifesto was – the incoming administration's political direction of travel. Key issues to monitor are as follows:

Corruption: AMLO's priority will be tackling corruption. However, much of Lopez Obrador's strategy appears to rest on his own personal example for frugality that he expects public employees to follow; that looks like wishful thinking. The Morena leader has also made some questionable political alliances that could come back to haunt him in government.

Security: AMLO has essentially said he will micro-manage security, as he did when he was Mexico City mayor. Not only will this be complex and time-consuming, but it will open the new president up to personal criticism if/when security conditions fail to improve. An amnesty for low-level criminals is also controversial. An institutional re-organization of the security apparatus – a re-creation of the Public Security Secretariat and the reform of the CISEN intelligence agency are both on the to-do list – will take time to have any impact.

NAFTA and the US: AMLO wants the North American Free Trade Agreement (NAFTA) talks to proceed; his pick to lead the negotiations has talked up the possibility of an agreement within the next two months, which is highly optimistic given US domestic political considerations and outstanding differences over rules of origin for the auto sector. Curiously, on the issue of minimum wages in Mexico, there is more common ground between AMLO and the US administration than there is with the Enrique Pena Nieto administration. How Lopez Obrador would react to the US insisting on maximalist goals in the NAFTA renegotiation is a key point of uncertainty.

Nicholas Watson

Senior Vice President
+44 20 7186 8875
nicholas.watson@teneointel.com

© 2018 Teneo Holdings. All rights reserved. This material was produced by Teneo Intelligence for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo Intelligence.

Energy: in the wake of his victory, Lopez Obrador reiterated his plan to audit all contracts signed under the energy opening. These will be corruption audits, but AMLO also referred to contract ‘anomalies’ affecting the ‘national interest’; what this means is unclear, but it is revealing of AMLO’s nationalist bent. This is also visible in the proposal to strengthen state oil company Pemex and build up refining capacity to reduce finished fuel imports from the US. Earlier criticism of ‘needless farm-outs’ by the influential Morena energy spokesperson Rocio Nahle is also a sign that an AMLO government expects Pemex to be at the heart of energy policy.

Economy: the main question is whether AMLO really can increase social spending simply by cutting wasteful expenditures and reducing a bloated and inefficient state bureaucracy, and without raising taxes or issuing new debt. The president-elect has said public investment and social programs will be halted if savings elsewhere prove insufficient. Meanwhile, there are still doubts as to whether AMLO’s pick for finance minister, the [relatively low-profile Carlos Urzua](#), has the mettle for the job, particularly in the light of continuing EM turbulence; though Mexico’s debt levels are manageable, USD-denominated debt has increased significantly in recent years.

Politics: Lopez Obrador has clearly mellowed since the 2012 campaign, but there are still question marks over his temperament. Whether a politician of such unshakeable convictions who came of age politically in the state-centric model of the 1970s under the top-down Institutional Revolutionary Party (PRI) is the right fit for Mexico over the next six years is unclear. How an administration dominated by one individual functions, delivers on its campaign promises, and handles inevitable voter disenchantment, will also be important areas to monitor.

[Client Portal >>](#)

Nicholas Watson
Senior Vice President
+44 20 7186 8875
nicholas.watson@teneointel.com

© 2018 Teneo Holdings. All rights reserved. This material was produced by Teneo Intelligence for use solely by the recipient. This communication is intended as general background research and is not intended to constitute advice on any particular commercial investment or trade matter or issue and should not be relied upon for such purposes. The views expressed here represent opinions as of this date and are subject to change without notice. The information has been obtained from sources believed to be reliable but no guarantees can be given as to its accuracy, completeness or reliability. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic or otherwise, without the prior consent of Teneo Intelligence.