

AMLO can't bend the Mexican economy to his will

BY DUNCAN WOOD

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Andres Manuel Lopez Obrador (AMLO) appears imperious and unassailable as he passes the 100-day mark of his presidency.

His approval rating with the Mexican public is between 78-86 percent, his Morena party controls both chambers of Congress as well as a majority of the state-level legislatures, and he controls the Mexican news cycle through his daily press conferences that take place every morning at the National Palace.

AMLO is experiencing a prolonged honeymoon with the Mexican public and is clearly enjoying every minute of it.

His connection with the people is not just a one-way phenomenon. When AMLO speaks at a rally or when he mingles with voters at an event, he is visibly energized by the experience. AMLO feeds off the energy of his adoring supporters, and he has also adopted a simple yet hugely effective link between his popularity and policy.

Embracing the concept of direct democracy and celebrating what he calls the “wisdom” of the people, AMLO has already employed the “consulta publica” or plebiscite, to great effect.

By consulting the electorate directly, AMLO both legitimizes his policy choices and strengthens his own popularity. Mexicans apparently appreciate the novelty of being asked their opinion by a president; no leader has ever done so before.

With his majorities in the Mexican congress, AMLO faces a relatively unobstructed path for his legislative initiatives. The only thing that prevents him from changing the Mexican constitution at will is the Mexican Senate. Despite his majority there, he is still a handful of votes short of a super majority, and opposition party senators have committed to use their veto power over constitutional change to good effect.

Yet AMLO was able to negotiate effectively with the opposition parties to secure passage of a constitutional reform creating a National Guard to be employed in the fight against organized crime, albeit with a major modification.

In addition to this landmark legislation, AMLO has launched a campaign against fuel theft, has cut the salaries of federal government employees, cut his own salary by half and has opened the presidential residence to the public.

He has announced the sale of the presidential jet, a number of signature infrastructure projects including a rail link across the Yucatan Peninsula and a new refinery in the state of Tabasco, along with the cancellation of former presidents'

pensions. Most of his (admittedly populist) initiatives have been wildly popular with the public.

With only 100 days of his six-year administration under his belt, then, AMLO appears set to be able to govern on his own terms. But his near-complete control over the political system and his overwhelming popularity with the people mask a more complicated outlook for his government.

Already, AMLO has rattled international and national investors with his cancellation of the largest infrastructure project in Mexican history, the new airport for Mexico City. He has spooked the international energy community by suspending bidding rounds for oil reserves, joint ventures with national oil company Pemex and auctions for electricity generating capacity.

He has railed against neoliberalism, which he appears to equate with corruption and the failure to diminish poverty and inequality in Mexico. The Mexican private sector has been shocked by his refusal to recognize its importance and AMLO's preference for popular consent over expert experience.

The concerns of national investors have been reflected in a decline of 6.4 percent in fixed investment in December. Having predicted 4 percent GDP growth in 2019, AMLO now has to accept that economic reality will not bend to his will as easily as the political system.

Growth estimates have been revised downward several times, with the Mexican Institute of Financial Executives now predicting only 1.5 percent growth for 2019.

Even the Banco de Mexico, the nation's central bank, reduced its 2019 forecast to between 1.1-2.1 percent from a prior prediction of 1.7-2.7-percent, citing the investment slowdown, gasoline shortages, rail blockades and strikes.

While the peso has in fact strengthened versus the dollar since the election, international investor sentiment has soured. There is no hint of capital flight yet, but the credit ratings agencies have expressed their deep concern over developments in Pemex and overall economic management.

[Fitch and Moody's have both lowered Pemex's credit rating](#), and Standard and Poor's recently held the Mexican government's investment grade status at BBB+ [but lowered its outlook to negative from stable](#).

[AMLO and his party have not reacted well to such pessimism from the investment community](#). The president and members of his cabinet have claimed that the agencies have failed to understand the true direction, while ruling party members in the Congress have suggested legislation barring the agencies from Mexico if they are not "objective." Although the party leadership quickly distanced itself from the initiative, the damage has already been done.

This is not the only time that we have seen the president's gut instinct to push back against those who disagree with him. During the election campaign and transition period in 2018, he had public disputes with leading intellectuals and columnists as well as with leading business figures.

Recently, [AMLO has picked a fight with the head of one of the most important energy regulatory agencies](#) and has regularly criticized one of the Mexico's most important, and proudly independent newspapers, Reforma, [calling it "stuffy," "conservative" and "a bearer of neoliberalism."](#)

This attack on the free press has raised eyebrows in Mexico, particularly as it has brought comparisons with [President Trump's](#) attacks on U.S. and international news outlets.

Despite these bumps in the road, AMLO retains the loyalty of his most passionate supporters as well as the approval of the vast majority of the electorate. How he navigates the challenges, however, will determine his future success.

Does he have the capacity to hear the somewhat negative market reaction and change his economic course? Is he able to graciously accept criticism from civil society and media and engage in discourse that is inclusive and conciliatory?

For many Mexico observers, these questions have become the most important litmus test of AMLO's early presidency.

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