

## A Blow Against AMLO Bodes Ill for Mexico

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The abrupt resignation of Mexico's finance minister, and his reasons for doing so, are deeply damaging. Investors are right to be rattled.

Politics & Policy



AMLO's administration has finally done exactly what the markets and credit-rating companies feared it would.

Photographer: Susana Gonzalez/Bloomberg

After seven months of laboriously convincing the international markets that he can be trusted with the presidency of Mexico, Andres Manuel Lopez Obrador risks seeing all his work undone by tweet. The sudden resignation of Carlos Urzua as his finance minister, and the resignation letter he posted on Twitter are deeply damaging. In combination, they are almost exactly what investors were worried could happen when they sold off Mexican assets ahead of AMLO's inauguration last December.

This is partly because of the importance of the finance minister in Mexican politics. The Finance Ministry, known as Hacienda, has a strong tradition of independence and continuity, which has remained intact over the last two decades as Mexico has gingerly embarked on democracy. It has a deep bench of economists with excellent U.S.-trained academic credentials, who usually alternate between the treasury and the central bank. Since Mexico's last major devaluation crisis in 1994, Hacienda has maintained rigid fiscal orthodoxy. While it hasn't managed to widen the tax base in a way that politicians of all sides have hoped, the ministry has strengthened its reputation with foreign investors. Thanks to Hacienda, Mexico's credit has been rated investment grade since 2002, and the country is regarded as so safe that it can even launch bonds that won't be repaid for a century.

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