

Mexico: Ready to launch, AMLO

The Honorable

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It's been over a month since President-elect Andrés Manuel López Obrador swept the election to become Mexico's next leader. With 53 percent of the votes, López Obrador won every Mexican state except Guanajuato, and received a higher percentage of the overall vote than any of the past four presidents. The electoral mandate wasn't only at the federal level, but also showed up in state and local elections. Overall, López Obrador's Morena party won four of the available eight governorships and more than 250 mayoral elections across the country, including Mexico City; La Paz, Baja California Sur; Morelia, Michoacán; and Hermosillo, Sonora. The electoral results signal a dramatic political shift for Mexico, and the impact will soon become increasingly visible.

The new president-elect has nominated a range of established political players and new faces to his transition team. To lead the incoming administration's foreign policy, López Obrador has announced his nomination of the well-regarded and extraordinarily capable former mayor of Mexico City Marcelo Ebrard, who will be heading up the country's relationships globally, and with the United States. Other transition team designees include, Alfonso Romo, a Monterrey businessman for Chief of Staff; Olga Sanchez Cordero, a former judge on the Supreme Court, who was nominated as the next head of the Ministry of the Interior; Carlos Manuel Urzua, who earned his PhD in economics at the University of Wisconsin - Madison, tapped as minister of Finance and Public Credit; Esteban Moctezuma, an ex-minister of the Interior, who has been announced as the incoming Secretary of Education; and Jorge Alcocer Varela, an internal medicine doctor, who was nominated to take charge of the country's health system.

The U.S.-Mexico relationship has already featured prominently during the transition period. Shortly after López Obrador's electoral win, U.S. President Trump called to congratulate the new leader and the two exchanged letters, expressing their hopes that the two countries could come together on trade, migration, economic development, and security. The NAFTA talks also kicked off again on July 26 and included Jesus Seade—López Obrador's NAFTA negotiator—alongside the current Mexican administration's negotiators. The new administration's embrace of the talks has sparked renewed optimism for a quick finish, with some negotiators even pointing to completion by the end of August.

This renewed momentum has pushed negotiations forward over the past few days and the U.S. and Mexican technical teams have been hard at work on the remaining 10 chapters (out of a total of 30 chapters). Yet some of the most contentious topics, including the sunset clause and the automotive industry's rules of origin, still remain on the table and will continue to provide headaches as the three negotiating teams work toward consensus. Even if the three countries' teams can produce a finished

agreement, it won't be the end of the process. A new NAFTA would still have to be ratified by the U.S. Congress, which will bring its own challenges.

Another big issue for the incoming administration is Mexico's energy sector. During the presidential campaign, López Obrador and his team generated uncertainty among investors with their mixed messages on the future of the country's 2013 energy reform. Since winning the election, the transition team has stated that they will respect Mexico's laws and any previous energy contracts (assuming no abnormalities are detected). However, in order to review these contracts, the administration has suspended any new oil and gas tenders until February 14.

Meanwhile, López Obrador's team has presented their plan for the energy sector and Pemex. The proposal pledges a MX\$304 billion (approximately \$US16.5 billion), to boost oil and gas exploration, modernize six refineries for increasing domestic capacity, and construct two new refineries in Tabasco and Campeche. The stated goal is to increase oil production from its current 1.9 million barrels a day to 2.5 million barrels within two years. To lead these changes, López Obrador nominated Rocío Nahle Garcia as the Minister of Energy, Octavio Romero Oropeza as the head of Pemex, and Manuel Bartlett to lead the state-owned electricity company, CFE. Both Romero Oropeza and Bartlett's nominations have spurred more uncertainty among investors, given both nominees' limited experience in the sector and their previous comments against the 2013 energy sector reform.

In the coming month, be on the lookout for steps forward with the NAFTA renegotiation, changes in the energy sector, and more concrete policy plans from the president elect. As always, I look forward to hearing your thoughts as these topics evolve and hope that you will connect with me on Twitter, Facebook, and LinkedIn. For more on how I can be helpful to you here in Mexico, [click here](#).

Sincerely,

Antonio Garza