



WHAT AMLO BODES FOR MEXICO



WHAT ARE AMLO'S MOST SALIENT PROMISES AND HOW IS HE FULFILLING THEM?

1. Combat corruption

Nine out of 10 Mexicans [believe](#) corruption is common among government officials. The country ranks 138 out of 180 in the 2018 [Corruption Perception Index](#) and loses an amount equivalent to 2 percent of its GDP—around \$1.8 billion—every year due to corruption.

President Andrés Manuel López Obrador (AMLO) promised to combat corruption using two approaches. First, reduce bureaucracy and unnecessary expenses, revise contracts and concessions to private firms, and ban those accused of corruption from holding public posts. Second, dismantle drug-trafficking and criminal networks via a special investigative commission, grant amnesty to those who committed crimes under extortion or threats, and amend the Constitution to allow prosecution of acting officials accused of corruption.

Some austerity measures are already moving forward, such as the [elimination](#) of lifelong pensions to former presidents to the tune of \$2.2 million per year, the [auctioning](#) off of government-owned cars that has raised around \$3.3 million, and the [sale](#) of the presidential aircraft. Although AMLO is not using the plane, this year's national budget still [includes](#) \$21 million for its past purchase, as well as annual maintenance costs. AMLO [also cancelled](#) the construction of a new international airport in Mexico City, a move that worried investors.

The AMLO administration [is tussling](#) with criminal groups known as *huachicoleros* who have stolen millions of dollars' worth of oil and have ruled rural and lawless areas for decades. Citing over \$3.4 billion in losses in 2018 to the state-run firm Pemex, AMLO blocked oil pipelines to prevent theft, delivering oil by truck instead, triggering gas shortages and widespread social unrest.

Mexican senator Clemente Castañeda [argues](#) that AMLO does not have a coherent anti-corruption program, noting that the president even cut funding to the National Anticorruption System in the 2019 federal budget.

2. Boost social programs

During his campaign, AMLO promised to enact price controls on basic goods, increase the minimum wage, expand social programs for vulnerable populations, and create or boost subsidies for gasoline and agricultural-products.

This agenda is up and running, given its popular appeal. In January, AMLO raised the minimum wage by 16 percent and [kickstarted](#) three cash-transfer programs in two Mexican cities—Guerrero and Edomex—that target millions of youths, the elderly, and people with disabilities. He also [launched](#) a tax-incentive program at border areas that halves the aggregated-value tax to 8 percent and slashes the income tax from 30 to 20 percent.

3. Contain the deficit and taxes, decentralize

AMLO vowed to push a no-debt-increase policy, keep the inflation rate low, and not raise taxes. To afford his generous agenda, he plans to broaden the tax base, cut government expenditures, and improve financial management.

However, he has had to resort to international capital markets for more funds. In January, the AMLO administration issued [10-year bonds](#) worth \$2 billion, and 320 institutional investors rushed to buy them up.

Raymundo Tenorio, an economics university professor, [argued](#) that investors had not seen the first financial reports of the AMLO administration and therefore could not price in the risks. Credit-rating downgrades—as the one to [Pemex in February](#)—will affect Mexican bonds.

4. Education reform

Teacher unions vehemently opposed the 2013 education-reform law spearheaded by former president Enrique Peña Nieto. For the first time in Mexico, elementary and high school teachers were required to pass an exam to keep their jobs.

AMLO believes this legislation limits school coverage in poor regions and promotes privatization. To counter it, he is [empowering](#) unions to roll back key articles.

He also promised [to expand](#) free public education at all levels. A new federal program will give [2.6 million](#) college scholarships and partner with firms to offer on-the-job training. On February 6, the government [announced](#) that it would need \$315 million more than planned.

5. Transform energy and agriculture

AMLO promised to transform the agricultural industry to the benefit of peasants through easy credit and price controls. In a similar vein, energy policy will focus on the state-run firms to prioritize renewable sources. The specifics, however, remain unknown.

Farmers are already [complaining](#) over a size cap imposed on farms that restricts government support and that officials have not sat down with producers to reach a deal. Looking to cut energy prices across the nation, AMLO [announced](#) in February that he would focus on gas sources rather than the more expensive wind or solar ones.

IS THE MEXICAN ECONOMY HEADING TOWARD A CRISIS? WHAT IS THE SHAPE OF THE STATE'S FINANCES?

Mexico's national debt grew [400 percent](#) between 2007 and 2017, and it [continues](#) its upward trajectory toward \$1 trillion. According to the IMF, the nation's deficit will be around [2.5 percent of GDP](#) in 2019 and 2020.

AMLO has promised to keep the debt under control, but his penchant for expensive projects—for example, a \$8 billion train to archeological sites—and his commitment to not raise taxes make this unlikely.

What are the grades for Mexico's sovereign debt?

Public debt:

S&P: BBB+ (outlook negative)
 Moody's: A3 (outlook stable)
 Fitch: BBB+ (outlook negative)

Pemex:

Fitch: BBB- ([downgraded](#) in February).

According to these [rating agencies](#), the probability that Mexico does not meet her debt liabilities is lower than 5 percent. However, a Moody's analysis [points out](#) that Mexico's debt maturities for the end of this year total \$10 billion. Refinancing them in 2020 would be a challenge given her low credit ratings. Further, agencies will keep an eye on the administration's statistics, policies, and budget decisions, particularly related to inflation, oil prices, and the exchange rate.

WHAT WILL AMLO DO TO TACKLE VIOLENCE IN MEXICO?

In February, AMLO [introduced](#) the National Security Strategy bill to Congress, which has [eight key components](#):

1. **Transform the police:** A new body, the National Guard—[led by the armed forces and AMLO himself](#)—will oversee the government's security strategy. Training and salaries will be harmonized across police units.
2. **Engage with criminals:** After identifying families and communities that make a living from illegal activities, the government will offer them a new source of revenue, yet to be determined.
3. **Promote citizen participation:** Government-backed events and neighborhood associations will recover public spaces to combat the perception of insecurity and pervasive daily criminality.
4. **Targeted budget allocation:** To improve law enforcement and police response, expenditure on security will prioritize infrastructure, modernization, and training.
5. **Combat *huachicoleros*:** Already in functioning, this plan aims to improve intelligence gathering to avoid oil theft and understand the operation of criminal groups.
6. **Fight money laundering:** The Finance ministry's Financial Intelligence Unit will have greater authority to track funds and investigate inconsistencies. A new Financial Guard agency will work under the Attorney General's office.
7. **Expedite asset forfeiture:** To tackle the proceeds of crime, legislation reforms will accelerate asset forfeiture. The resulting funds will go toward assistance programs for victims and strengthening the National Security Strategy.
8. **Tackle highway robbery:** Security forces will be permanently posted to key highways, where arms and drugs detectors, cameras, and other monitoring systems will be installed.
9. **Gun control:** Several agencies will work together to prevent illegal arms trafficking, control gun licenses, and periodically review strategies.

Alejandro Hope, a security analyst, argues that AMLO's overall plan to combat crime will reinforce militarization. "The core of the proposal is to make the participation of the armed forces permanent in the public-security tasks," Hope [told](#) the BBC.

His plan to combat organized crime [focuses](#) of civilian and military efforts, while limiting the role of the police. Human-rights activists have warned that this could come at the cost of [civil liberties](#).

WHY ARE MEXICANS WORRIED ABOUT CONCENTRATION OF POWER?

Besides the danger of rising militarization, another major concern is the [undermining](#) of democratic checks and balances. AMLO [seeks](#) to overhaul the judiciary with new evaluation and promotion mechanism, reduced salaries, gender quotas, and delegating appointments to the Senate. Further, he has stacked the courts with party loyalists such as [Yasmín Esquivel](#), the wife of AMLO's favorite contractor.

AMLO has also [called](#) for a national referendum on whether former presidents accused of corruption should be prosecuted. Civil society groups, such as Mexicans Against Corruption, have argued that this referendum is a populist strategy to take power away from the judiciary.

IS THERE AN END IN SIGHT FOR MEXICO'S WAR ON DRUGS?

During a press conference on January 30, AMLO [stated](#) that Mexico's war on drugs was over and that his administration would seek "peace" instead. He is [open](#) to legalizing recreational marijuana and issuing [pardons](#) to some drug offenders.

AMLO's stance on the drug war [complicates](#) Mexico's bilateral agenda with the United States and could be an obstacle to the new NAFTA deal. Larry Rubin, a businessman who represents the US Republican Party in Mexico, has [asked](#) AMLO to adopt a tougher approach to drug trafficking. The US government provides substantial aid to tackle drug-related crimes, Rubin said, which depends on Mexico's collaboration.

FURTHER READING

"[Mexican Peso Ready to Tumble](#)," *Epoch Times*, by Fergus Hodgson.

"[Why Obrador Will Make Mexico More Corrupt](#)," *Epoch Times*, by Fergus Hodgson.

"[The Mexican Economy versus AMLO](#)," *Gold Newsletter Podcast* with Gloria Álvarez.

Author: Paz Gómez

Editor: Daniel Duarte