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FEATURED Q&A

Would López Obrador Be Bad for Business in Mexico?

Some business leaders have expressed concern that Mexican presidential race front-runner Andrés Manuel López Obrador could be unfriendly to businesses if elected in July. // File Photo: López Obrador Campaign.

Q Leftist presidential candidate Andrés Manuel López Obrador, the front-runner ahead of Mexico's July 1 election, met earlier this month with leaders of some of the country's biggest companies to discuss trade, job creation and corruption. López Obrador's campaign has generated anxiety among some in the business community, both at home and abroad, over concerns that his policies could be unfriendly to the private sector. The meeting was the latest step in a steady push among López Obrador's economic advisors to assure investors that they would not take dramatic steps away from current central bank independence and orthodox monetary policy. If elected, what sort of changes would López Obrador and his team most likely make to Mexico's economic policy? How would his administration engage with the private sector? Will Mexico's business climate change dramatically for domestic and foreign companies, and what industries or sectors could turn out to be the biggest winners and losers?

A James Jones, member of the Advisor board, chairman of Monarch Global Strategies and former U.S. ambassador to Mexico: "López Obrador is not anti-business per se. He is wary about the close and in his view corrupt relationships in the past between powerful businesses and the old PRI political regimes, which he opposed during his developing political career. But AMLO is a pragmatist. He recognizes that in order for him to be able to help his constituency, the poor and disadvantaged, he must grow the economy. He knows that economic growth doesn't come from government. It comes

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TODAY'S NEWS

POLITICAL

U.S., Mexico, Canada Win Bid to Host World Cup

The three countries won a joint bid to host the World Cup in 2026. The tournament will mark the first time that three countries have served as joint hosts. The vote was taken in Moscow on the eve of this year's World Cup.

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IN FOCUS

Costa Rica's Alvarado Vows to Shrink Deficit

In an interview with the Latin America Advisor, Costa Rican President Carlos Alvarado said tax reform and spending cuts will close the budget gap.

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ECONOMIC

Brazil's Temer Signs Decree to Overhaul Mining Code

Brazilian President Michel Temer signed an overhaul of the country's mining code, following lawmakers' failure to approve similar changes least year.

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Temer // File Photo: Brazilian Government.

POLITICAL NEWS

U.S., Mexico, Canada Win Joint Bid to Host 2026 World Cup

The United States, Mexico and Canada today won a joint bid to host the 2026 FIFA World Cup. The joint bid to host the soccer tournament was selected in a vote of 200 members of the FIFA Congress. The vote was held in Russia, the host of this year's World Cup, which begins Thursday. The joint bid received 134 votes, while 65 votes went to Morocco's bid to host the tournament. Iran voted for neither of the two bids, FIFA said in a statement. "Thank you so, so very much for this incredible honor," Carlos Cordeiro, the president of the U.S. Soccer Federation said after the vote, NPR reported. "Thank you for entrusting us with this privilege." The 2026 tournament will mark the first time that three countries have jointly hosted the World Cup. South Korea and Japan jointly hosted the World Cup in 2002. Under the bid selected today, the United States is to host 60 matches, while Canada and Mexico are to host 10 each. The United States last hosted the World Cup in 1994, and Mexico first hosted it in 1970. Canada has never hosted the World Cup. Today's vote will make Mexico, which also hosted the tournament in 1986, the first country to host the World Cup three times. None of the candidate countries took part in the vote, nor did the U.S. territories that have soccer federations—Puerto Rico and the U.S. Virgin Islands. Following years of scandals about the World Cup selection process, FIFA sought to portray the vote as open and transparent. That included a listing on its website of how each country had voted.

ECONOMIC NEWS

Argentine Labor Federation Plans One-Day Strike

Argentina's largest labor federation on Tuesday declared plans to stage a one-day general strike on June 25 to protest against President Mauricio Macri's economic policies, Reuters reported. Hugo Moyano, the powerful leader of the CGT umbrella group, told reporters that "not even a wheelbarrow will be moved." Truckers had been threatening to block Argentina's main arteries this week. In a statement, the CGT criticized the $50 billion funding deal Macri's administration signed last week with the International Monetary Fund, arguing its conditions would put an additional burden on workers. "We are going through an economic recession with greater inequality, and we have people that suffer from the adjustment policies that are

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from a competitive private economy. I've known him for 25 years. I've argued with him over different policies. While he may have pre-conceived notions, he will listen and sometimes be persuaded by different facts and opinions. He has come to support NAFTA and other trade outreaches because he sees these improve economic opportunities for Mexicans. He clearly wants to restore Mexico's energy production, especially in alternative energy such as solar power. He recognizes that in energy as well as other economic areas foreign investment is needed and will be welcomed. There is every indication that he will continue to respect the independence of the central bank although that will have to be closely monitored. I fully expect him to be conservative in fiscal policy, thus sending to the world a message of balanced fiscal and monetary policies. Developing a warm and trusting relationship between AMLO and the business community will take time. But it is possible to achieve largely if both sides park their harsh rhetoric and recognize that both are needed if Mexico is to achieve its potential."

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NEWS BRIEFS

Rising Homicide Rate Damaging Brazil's Economy: Report

A rising homicide rate in Brazil is damaging the country's economy and leading to soaring costs for public security, according to a new study, the Associated Press reported. In addition to the toll murders have taken on victims, family members and communities, homicides have cost Brazil more than $119 billion in potential productive capacity, according to the report, which was released Monday and prepared by the government with contributions from the Igarape think tank in Rio de Janeiro.

Argentine Legislators to Vote Today on Legalizing Abortion

Legislators in Argentina are scheduled to vote today on a bill legalizing abortion, Agence France-Presse reported. If passed, the measure would make Argentina the most populous country in South America to allow women to terminate pregnancies. Of the lower house's 257 deputies, 109 are expected to vote in favor of the bill, 117 against, with the remaining 29 lawmakers undecided. The bill faces an uphill battle in the more conservative Senate.

Chilean Officials, Banks Seeking Advice Following Cybertheft

Finance Minister Felipe Larraín said Tuesday that Chile's government and banks will seek advice on cybersecurity practices from an unnamed international organization after hackers robbed at least $10 million from the country's second-largest commercial bank, Reuters reported. "We will review best practices in cybersecurity to prevent and respond to these attacks," Larraín said in a statement. Banco de Chile disclosed that hackers on May 24 used malware to distract the bank's security staff before shifting most of the funds to Hong Kong.

now going to worsen as the president plunges us into the arms of the IMF," said Hugo Yasky of the Argentine Workers' Centre, or CTA, Telesur reported. The CGT is also demanding from the government a 27 percent salary hike in the face of rising inflation. On Tuesday, Argentina's central bank decided to hold interest rates at a hawkish 40 percent and increased inflation expectations for this year to 27.1 percent from 22 percent, with "significant increases" in expectations for 2019, according to a Goldman Sachs report.

BUSINESS NEWS

Brazil's Temer Signs Decree for Overhaul of Mining Code

Brazilian President Michel Temer on Tuesday signed a decree overhauling the country's half-century-old mining code, effectively bypassing Congress after it failed to approve similar changes last year, Agência Brasil reported. The new rules include a stipulation that municipalities that do not have mines but are affected by the transport or presence of industrial facilities related to mining in their territories will receive compensation via a percentage share of royalties. The new code also makes it possible for mining licenses to be used as guarantee for loans, generating credit lines and drawing investment to the sector. In addition, mining areas that have been abandoned or were reclaimed by the government will be offered to the market after a screening process. "Updating the provisions in the mining code strengthens the legal security necessary to attract investment, while bringing about significant improvements in the public management of these funds," said Mineração Serra Verde CEO Luciano Borges, who attended the decree's signing ceremony. According to the government, the update was based on international standards and best practices. With global prices for metals and minerals rising, Brazil's mining sector accounted for 4 percent of the country's gross domestic product last year, according to government data.

IN FOCUS

Costa Rica's Alvarado Vows to Shrink Deficit With Spending Cuts, Tax Reform

By Gene Kuleta

WASHINGTON—Costa Rican President Carlos Alvarado said Tuesday that he is committed to the approval of spending cuts and tax reforms this year in order to shrink the country's fiscal deficit.

"We are going to get it under control," Alvarado told the Latin America Advisor in an interview. "We are really committed to this."

Alvarado // Photo: Irene Estefanía González, Inter-American Dialogue.

Alvarado made the comments before a public event at the Inter-American Dialogue during a visit to Washington, his first foreign trip since his inauguration on May 8.

Last month, the Organization for Economic Cooperation and Development warned about Costa Rica's public debt and its fiscal deficit, which amounted to 6.2 percent of gross domestic product last year. "Restoring sustainable public finances has become more urgent," the OECD said in a report. "As public debt grows, so does the risk that the government becomes unable to meet its financing needs through debt issuances, which would force damaging cuts to the welfare system and threaten macroeconomic stability."

Alvarado said Tuesday that tax increases are "part of the possibilities" in order to shrink the country's deficit. "Each member of society should contribute according to their capacity," he said. Among the proposals up for debate in Costa Rica's Legislative Assembly is a measure to change the country's sales tax to a value-added tax.

Alvarado's Citizens' Action Party does not have a majority in the National Assembly, and some opposition legislators have said their support for tax hikes is conditional on the passage of government austerity measures, Agence France-Presse reported. The country's finance minister, Rocío Aguilar, on May 30 presented lawmakers with a series of spending cuts that includes a freeze on public hiring, salary freezes for high-ranking public officials and cuts to the government's budget for areas including travel and public events.

"It's going to be a process," Alvarado said Tuesday. He added that the changes will be "positive for our economy and for our fiscal stability."

In addition to speaking at the Inter-American Dialogue, Alvarado also spoke at the Organization of American States and met with its secretary general, Luis Almagro. Alvarado also met with officials at the Inter-American Development Bank, including its president, Luis Alberto Moreno, to discuss topics including decarbonization, security and public finances. In addition, Alvarado visited Capitol Hill, where he discussed U.S.-Costa Rica relations with Senators Bob Menendez (D-N.J.), Bob Corker (R-Tenn.) and Ben Cardin (D-Md.).

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A **Amy Glover, CEO for Mexico at Speyside Corporate Relations:** "During the campaign, Andrés Manuel López Obrador has made frequently contradictory statements with regard to the private sector and his economic plans. For example, he has in the past voiced general disagreement with the energy reform and the new Mexico City airport, but has also said about both that he would simply review the contracts awarded to date. He has used the term 'the mafia of power' very loosely to imply that business people are also part of the problem that the country has with corruption. That said, AMLO is a career politician who understands that if he wants to be successful, he cannot pursue an open fight with business. While the more populist rhetoric gains him points with a frustrated general public, López Obrador understands that he will need to court the private sector if he wants to ensure the economic growth that will allow him to move forward with a more ambitious social investment plan. Perhaps the most worrisome thing about AMLO's philosophy—if it can be called that—is that he does believe that the state should play an important role in spurring economic growth, the implications of which are hazy. Whether that means more direct state intervention or more social investment (for example, infrastructure, health and education) remains unclear. And of course, uncertainty implies risk. Regardless, fears that a López Obrador government will be radically different or damaging to private-sector interests have been overblown. If he does win the election, he and his team need to be educated on the complexities of international economic issues and, to date, those close to him have been willing to listen. AMLO supports a modernized NAFTA and has simply requested that someone from his team be included in the discussions during the lengthy transition period from July to Dec. 1. Mexico faces a complex domestic and international context over the coming months, but the silver lining remains that the size of its market and its youthful middle class make it too important for business to ignore, politics be damned."

A **Amanda Mattingly, senior director at The Arkin Group in New York:** "The anxiety in the business community in Mexico and abroad is warranted. If elected, López Obrador will introduce a level of uncertainty into the Mexican economy, business climate, financial markets and NAFTA negotiations that will no doubt lead to slower economic growth, a cooling of foreign investment, higher inflation and a weaker peso. It is possible that López Obrador and his economic team will establish more orthodox monetary, fiscal and trade policies once the election is past and the realities of governing settle in after he takes office in December. But if López Obrador wins by a significant margin—right now, he enjoys a 17-point advantage over his closest rival, Ricardo Anaya—he could claim a mandate to implement dramatic changes in the management of the Mexican economy. In this scenario, López Obrador could take a more interventionist role, which could mean the return of state-owned entities in strategic sectors, government subsidies for Mexican farmers, and a roll back of market-friendly reforms, namely in the energy sector which current President Peña Nieto opened up in 2014. Despite efforts by advisors to allay concerns in the business community, López Obrador has built his political career and current campaign on promises to fight the 'mafia of power,' meaning not just the political establishment but also the business community and wealthy elite who he believes have disproportionately benefited from economic liberalization in the NAFTA era. It seems likely he would make good on these promises, and that would change the business climate for domestic and foreign companies alike."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at **gkuleta@thedialogue.org**.

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