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FEATURED Q&A

How Well Is López Obrador Managing Mexico's Economy?



Mexican President Andrés Manuel López Obrador marks one year in office next month. During his term, the country's economy has barely remained out of recession. // File Photo: Mexican Government.

Q Mexican President Andres Manuel López Obrador campaigned on a promise to break his country out of an economic rut that his predecessors long struggled to overcome, pledging to lift growth to 4 percent. However, over his first year in office, Mexico's economy has barely stayed out of recession, much less grow. Why has the government's growth strategy so far failed to produce results? With his party in control of Congress, will the president's economic plan pick up steam next year? Will López Obrador, whose popularity remains remarkably high at more than 60 percent, pay a political cost for failure to deliver on economic promises? What will 2020 bring for Mexico's GDP growth, inflation rates and the peso?

A Amy Glover, CEO for Mexico at Speyside Corporate Relations: "Mexico's economy will experience growth below 1 percent this year, something that can be explained by both external and internal factors. Clouds on the global economic horizon stemming from the U.S.-China trade conflict and Brexit certainly don't help. But it is also undeniable that the government of Andrés Manuel López Obrador has set private sector nerves on edge and that regardless of what you think of his policy intentions, the efficacy of the government has left much to be desired since he took office. We have seen a level of government paralysis that hopefully will improve next year as the bureaucracy learns and adjusts. On the upside, there is still a significant amount of interest in the Mexican market. Mexico has much to gain in terms of economic efficiency by adopting new technologies, and the fintech and

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TODAY'S NEWS

POLITICAL

Áñez Declares Herself Bolivia's Interim President

Jeanine Áñez, a member of Bolivia's opposition Democratic Union party, declared herself the country's interim president.

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ECONOMIC

Chilean Peso Drops to Record Low Amid Protests

Chile's peso fell to a historic low against the U.S. dollar as protests continued for a 26th day. The country's finance minister warned of "grave consequences" for the country's economy.

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POLITICAL

Holmes Trujillo Named Colombia's Defense Minister

Colombia's president tapped Foreign Minister Carlos Holmes Trujillo to head the Defense Ministry to replace Guillermo Botero, who resigned last week. Former Senator and Ambassador to the United Nations Claudia Blum will replace Trujillo as foreign minister.

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Holmes Trujillo // File Photo: Colombian Government.

POLITICAL NEWS

Áñez Declares Herself Interim President of Bolivia

Jeanine Áñez, the deputy head of Bolivia's Senate and a member of the opposition Democratic Union party, on Tuesday declared herself the country's interim president. Her move followed longtime President Evo Morales' resignation amid violent protests and his departure to Mexico, which granted him asylum. Morales' vice president and the leaders of both chambers of Bolivia's Legislative Assembly also stepped down, paving the way for Áñez to assume the presidency. "This is a constitutional succession originated in the vacancy of the presidency of the state before the definitive absence of president and vice president," said Áñez, adding that she would "take all measures to pacify the country," the Financial Times reported. Áñez added that she would call for new elections. Áñez declared herself president despite the lack of a quorum in the Legislative Assembly.

Lawmakers from Morales' MAS party boycotted the session, and the legislative body failed to have enough legislators in attendance to approve Morales' resignation. In Mexico, Morales remained defiant. "We remain united in the defense of democracy, the rule of law, life and country," he said Tuesday. The Organization of



Áñez // File Photo: @JeanineAnez via Twitter.

American States has urged Bolivia "to ensure the functioning of institutions and to name new electoral authorities to guarantee a new electoral process." The OAS and the European Union have said there were widespread irregularities in the Oct. 20 presidential election in which Morales was ultimately named the winner, edging out challenger Carlos Mesa by just enough votes to win in the first round.

NEWS BRIEFS

Ecuadorian Oil Minister Pérez Steps Down After Planned Fuel Price Hike

Ecuadorian Oil Minister Carlos Pérez announced his resignation on Tuesday, saying it was a personal decision to spend more time with his family, *El Comercio* reported. "Today, I am leaving after having spent two and a half years in this post," Pérez, who also oversees the energy and mining sectors, said in a news conference, Reuters reported. It was not immediately clear who would replace him. His resignation comes weeks after violent protests in Ecuador over a planned fuel price hike that President Lenín Moreno later scrapped.

Brazil's Senate Approves Deal to Safeguard U.S. Space Technology

Brazil's Senate on Tuesday approved the ratification of a deal signed earlier this year to safeguard U.S. space and defense technology, paving the way for U.S. firms to use Brazil's Alcântara base in the northeastern state of Maranhão to launch satellites, Reuters reported. However, Brazil will not have access to U.S. technologies in missiles, rockets, artifacts and satellites, as the Brazilian government requested in the past. With the agreement, Brazil hopes to get a portion of the \$300 billion-a-year space launch business, Reuters reported.

Brazil's Caixa Reports 66.7% Increase in Net Income for Q3

Brazilian state run bank Caixa Econômica Federal on Tuesday reported a 66.7 percent rise in net income for the third quarter, as compared to the same period last year. In a statement, the bank said it had 8 billion reais in profit (\$1.92 billion) for the quarter. Recurring net income for the three-month period amounted to 4.2 billion reais.

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shared economy spaces are flourishing. The government has announced plans to increase investment in infrastructure but the details are pending; to date, government spending has been austere, so perhaps this will add some needed fuel to the economy. Mexico remains fairly attractive as compared to its Latin American counterparts, and high interest rates have buttressed the peso. As the IMF has warned, however, significant foreign investment in Mexican paper also presents risks, as financial markets could easily become disaffected. President López Obrador remains popular, as disgust with the rampant graft of previous administrations left deep resentments. That said, an economic downturn will certainly begin to chip away at this affection. What is likely to hurt him even more in the short run is the worrisome security situation, and as greater swaths of the country are affected

by violence and disorder, popular disgruntlement is likely to rise."

A **Kimberly A. Nolan García, assistant professor at FLACSO México and Tamara Kay, associate professor of global affairs and sociology at the University of Notre Dame:**

"When Mexican president Andrés Manuel López Obrador (AMLO) began his six-year term, he promised that GDP would grow by an average of 4 percent per year during his 'sexenio.' As he approaches the end of his first year in office, the Mexican economy is steadily deteriorating with growth at close to zero percent, and job creation and consumption slowing. The government's growth strategy has so far failed to produce results in large part because the Mexican economy is highly dependent on external factors due to a productive system tied to exports (largely

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Holmes Trujillo Named Colombia's Defense Minister

Colombian Foreign Minister Carlos Holmes Trujillo will take over the Defense Ministry, President Iván Duque said on Tuesday, *El Tiempo* reported. He will replace Guillermo Botero, who resigned last week after coming under fire for not disclosing the deaths of eight minors in a military operation against dissidents of the former Revolutionary Armed Forces of Colombia, or FARC, guerrilla group in late August, the Associated Press reported. It is unclear whether the armed forces knew that minors were present, or whether that information reached Botero or even Duque, if known. "We are pleased that Carlos Holmes Trujillo will take on this new task," Duque said in a televised statement on Tuesday, Reuters reported. "He will be in charge, of course, of confronting organized armed groups in all national territory." The president added that Holmes Trujillo's experience as mayor of the city of Cali "puts him close to the reality of citizen security." As defense minister, Holmes Trujillo will focus on combating drug traffickers, destroying illicit cultivations of coca and increasing drug seizures, the president said. Claudia Blum, a former senator and ambassador to the United Nations, will replace Holmes Trujillo as foreign minister. She has "ample experience in political and international affairs," Duque said on Twitter.

ECONOMIC NEWS

Chilean Peso Drops to Record Low as Protests Continue

Protests against social inequality raged on in Chile for a 26th day, with massive demonstrations and a national strike that virtually paralyzed the country on Tuesday, as the national currency's value dropped to a record low, the Associated Press reported. Thousands

THE DIALOGUE CONTINUES

How Much Can Russia Keep Cuba's Economy Afloat?

Q **Dozens of shops selling items in U.S. dollars reopened in Cuba in October as the cash-strapped government struggles with a liquidity crisis of tradable currency needed to purchase imports and pay debts. Meantime, President Miguel Díaz-Canel traveled to Russia to meet with his counterpart, Vladimir Putin, as well as with other Russian officials, to discuss expanding cooperation and boosting economic ties. How bad is the economic situation in Cuba? What other tools does the government have in order to deal with the liquidity crisis and a worsening economy, both in the short and long terms? In what ways can Russia help Cuba with its financial predicament?**

A **Jorge Sanguinety, chairman and senior advisor at DevTech Systems:** "Cuba's economic situation is seriously bad.

Though it appears as a liquidity crisis, it is in fact a structural crisis, resulting from a slow decay of the island's productive capacities in practically all sectors of the economy. This is a result of almost six decades of neglect of the economy by Fidel Castro, who

incredibly dedicated most of his attention and the country's resources to fight the United States' influence and interest anywhere he saw an opportunity around the world. Castro's obsession with the United States made him chronically dependent on massive subsidies from the Soviet Union until 1991 when the socialist block collapsed. In 2008 his brother, Raúl, inherited what can be seriously described as a crippled economy, with no quick fixes available, except more foreign aid, something that Venezuelans were willing to provide, now decreasingly, but not the Russians under Putin. The main tool the Cuban government has to deal with the crisis is to liberalize the economy by allowing Cuban citizens to invest in the export sector. Nevertheless, the government's stubborn insistence to save socialism is the main obstacle to badly needed economic reforms."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Monday's issue of the Advisor.

of demonstrators marched peacefully in the capital city of Santiago, waving flags of Chile and the Mapuche indigenous group. In the capital, groups of hooded protesters also clashed

**Thousands of protesters
marched through
Santiago on Tuesday.**

with police, who responded with water cannons and tear gas. A church in the Lastarria tourist district was ransacked and then set on fire on Tuesday night, and there were reports of looting at restaurants and shops, the AP reported.

The national strike had widespread participation across Chile, with classes canceled and some government offices limiting their services. Large demonstrations also occurred in the coastal city of Valparaíso, in Concepción in the south, in Antofagasta in the north and in Punta Arenas, in the Patagonia region. Chilean Finance Minister Ignacio Briones on Tuesday warned of the "grave consequences" for Chile's economy after the peso fell 4 percent to a historic low against the U.S. dollar, saying the weakening of the local currency was a "sign of worry" that the ministry was watching carefully, Reuters reported. [Editor's note: See the Advisor's latest [video](#) on protests in Chile and elsewhere in the region.]

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to the U.S. market, and in large part to North American regional production) and external capital flows in the form of foreign direct investment. AMLO has little control over economic variables that matter a lot, including the slowdown in U.S. trade and decreased FDI due to uncertainty around the ratification of the USMCA. AMLO's efforts to promote internal demand with new wage policies and labor reform for authentic collective bargaining should be applauded but, overall,

“**The Mexican economy is steadily deteriorating with growth at close to zero percent...**”

— Kimberly A. Nolan García & Tamara Kay

his domestic policies have not helped. Key among them is an austerity plan that is drastically cutting health and education spending at all levels and redirecting money from programs that actually work such as PROGRESO to cash transfer programs due to an ideologically driven insistence on 'doing more with less.' These austerity measures risk significant political blowback because all but the wealthiest Mexicans will be affected by degraded health and education systems. And, shockingly, AMLO ignores the global consensus that austerity causes more harm than good economically, and the reality that it wreaks political havoc; Chile provides the most recent warning. The straw that may break the camel's back for AMLO, however, is not his failed economic policy, but rather his failed security policies. The increasing violence in Mexico, particularly the government's inability to effectively reduce it, will likely begin to erode Mexicans' faith in the administration, undermining their patience for AMLO's austerity experiments.”

A David Ross, global fund manager at La Financière de l'Echiquier in Paris: “The promise of 4 percent GDP growth was always a dream, not an attainable reality. With AMLO and Trump providing policy uncertainty at every turn with NAFTA renegotiations, USMCA in limbo, periodic tariff threats, canceled airport projects, undoing energy reform and problems at Pemex, along with a global auto market recession, it is not surprising to see that industrial output has contracted for four consecutive quarters on falling fixed investment, and consumer spending is now slowing as evidenced by recent disappointing results from large retailers Liverpool and Walmex. Just keeping the currency stable and the economy stagnant has been an accomplishment. The good news is that this appears to be the bottom. The central bank has already started easing from relatively high interest rate levels and, with inflation well contained at the target 3 percent level, it has plenty of room to aggressively keep cutting by an additional 100-150 basis points. With expected increased public spending and infrastructure plans, the economy should gain significant momentum during 2020 after a sluggish start. My expectations are that the Mexican economy will end 2020 at a 2 percent run rate with inflation remaining on target and the peso stable to slightly stronger as growth picks up. This administration's patience and general adherence to economic orthodoxy has been far greater than initially feared by the international investor community, and they are on the verge of being rewarded with the type of economy that will create the opportunities for the change and more inclusive growth that AMLO desires.”

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

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