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FEATURED Q&A

What Would an AMLO Presidency Mean for Mexico?



Andrés Manuel López Obrador is leading polls ahead of Mexico's July 1 presidential election.
// File Photo: López Obrador Campaign.

Q Leftist Mexican presidential hopeful Andrés Manuel López Obrador remains the front-runner ahead of the country's July presidential election, according to recent polls. A survey published in early February by polling firm Parametria showed López Obrador, widely known as AMLO, with 34 percent support, 11 percentage points against his closest rival, Ricardo Anaya of the National Action Party, or PAN. If López Obrador becomes Mexico's next president, what types of economic policies can be expected of his government? What actions would he likely take on energy sector liberalization and on NAFTA, if there is still no deal by then on the trade accord's renegotiation? How would his administration change Mexico's business climate, and how would international markets respond to his election?

A Tapen Sinha, professor of risk management at the Instituto Tecnológico Autónomo de México and professor at the University of Nottingham Business School: "AMLO was a candidate in the 2006 presidential election and again in 2012. In 2006, he lost to Felipe Calderón by less than 250,000 votes. This time, in all polls, he is leading by double digits. In the past, his candidacy was hurt by various scandals that seemed to have engulfed the left leaning PRD party—his party. This time around, he started his own party, MORENA (with a nod to the revered Virgen de Guadalupe). That was a winning move in a deeply Catholic country where he was previously seen as a representative of the godless communists. He has softened his public discourse. In the past, he raved against ending Pemex's monopoly in the oil business, signaled that he would cancel the new airport in Mexico

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TODAY'S NEWS

POLITICAL

Venezuelan Opposition to Boycott Election

The country's main opposition alliance announced it would not participate in the April presidential election, saying it is rigged in favor of President Nicolás Maduro and his party. Maduro responded by saying he would seek to add legislative, state and municipal races to the ballot.

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ECONOMIC

Tens of Thousands Protest Argentine President's Austerity Policies

Truckers and supporters of the country's CGT labor union filled the streets in Buenos Aires.

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BUSINESS

Televisa Eyeing Spin-off of Some Divisions

The Mexican media giant is considering whether to spin off some divisions amid slumping profits, co-CEO Alfonso de Angoitia told analysts on a conference call.

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De Angoitia // File Photo: Televisa.

POLITICAL NEWS

Venezuelan Opposition to Boycott Election

Venezuela's opposition alliance said Wednesday that it would boycott the country's planned presidential election in April, saying the vote is rigged in favor of President Nicolás Maduro and his socialist party, The New York Times reported. With the opposition fractured and its top leaders detained, barred from running for office or driven into exile, Venezuela's pro-government Constituent Assembly last month scheduled the country's next presidential

An opposition boycott of the elections would leave Maduro's party in control of virtually all of the country's elected offices.

election for April, a decision that the country's electoral commission later confirmed. The decisions also came without any agreement from government and opposition negotiators engaged in talks to determine how to conduct the election freely and fairly. In a statement, the Democratic Unity Roundtable coalition said the election was "premature" and did not have the "proper conditions," adding that it amounted to "a show by the government to give an impression of legitimacy that it does not have in the midst of Venezuelans' agony and suffering." Following the announcement, Maduro vowed to hold the election on April 22 and also said he would ask the Constituent Assembly also to call general elections on that date for the election of members of the currently opposition-controlled National Assembly, as well as for municipal and state officials. "A great parliamentary mega-election in the country, I am proposing it officially to the National

Constituent Assembly for its consideration and let's go for some powerful, powerful elections for a democratic renewal of the country," said Maduro, BBC News reported. Maduro said he wanted to have the elections now so as to "leave four years clear [of elections] at least." If the opposition indeed boycotts the elections, Maduro and his party would control virtually all of the country's elected offices. The opposition's announcement that it would boycott the elections left Javier Bertucci, a little-known evangelical pastor, as the only confirmed presidential candidate other than Maduro, The New York Times reported. Maduro's move to hold legislative, state and municipal elections on the same date amounts to "a total renovation of the institutions, knowing that there is no possibility of the opposition obtaining any relevant position," Luis Vicente León of Venezuelan polling firm Datanálisis, told the newspaper.

ECONOMIC NEWS

Argentina's Trade Deficit Widens in January

Argentina's government on Wednesday posted a \$986 million trade deficit for the first month of 2018. Exports reached \$4.75 billion in January, but imports surged to \$5.74 billion, according to state statistics agency INDEC. The trade deficit increased 10.7 percent over the same month last year. The trade gap was larger than expected and suggests the current account deficit could rise above \$30 billion, which is approximately 5 percent of the country's gross domestic product. "This would be the highest deficit since the 1990s," Goldman Sachs analyst Alberto Ramos said in a research note. Buoyed by stronger prices for soy and other products, the economy grew "close to 2.8 percent" last year, Guido Sandleris, head of the advisory body to Argentina's Treasury Ministry, told Japanese investors on Monday, Reuters reported. Sandleris said the government expects the economy to grow 3.5 percent this year. INDEC is scheduled to release its

NEWS BRIEFS

Tens of Thousands Protest Macri's Austerity Measures in Buenos Aires

Tens of thousands of truckers and supporters of Argentina's powerful CGT labor union turned out Wednesday in Buenos Aires to protest President Mauricio Macri's austerity measures, La Nación reported. Organizers called for higher salary increases and an end to layoffs. A key difference between this week's march and similar protests in the previous administration of Cristina Fernández de Kirchner has been the strong participation of leftist groups and social movements, the newspaper reported.

Colombian Military Boosts Security After Looting of Supermarkets

Colombia's military on Wednesday stepped up security after mobs over the past 48 hours smashed windows and looted goods at 16 supermarkets that the government has accused of being fronts for hiding assets of former FARC rebels, Reuters reported. Prosecutors on Monday declared they would confiscate 60 supermarkets and other assets valued at \$228 million that the FARC did not declare when it signed its peace accord with the government in 2016. The Supercundi stores are located in Tolima, Quindío and Cundinamarca, as well as in the south of Bogotá, El Tiempo reported.

Work on Overhauling Citgo Refinery in Aruba Slows Due to Sanctions

Houston-based oil company Citgo said Wednesday that work to overhaul its refinery in Aruba has slowed due to a lack of financing as a result of U.S. sanctions on Venezuela, Reuters reported. The 235,000-barrel-per-day refinery has been leased since 2016 by Citgo, which is owned by Venezuelan state oil company PDVSA, under a 25-year agreement with Aruba's government.

final figures for 2017 economic growth in four weeks. However, Ramos cautioned that despite a real business cycle recovery, government spending adjustments are needed in light of the trade data. "The significant deterioration of the current account ... is a source of growing concern and makes it even more imperative to deepen the fiscal adjustment," Ramos said.

BUSINESS NEWS

Televisa Considering Spin-off of Some Divisions: Co-CEO

The head of Mexican media giant Televisa said on Wednesday that the company is considering whether to spin off some divisions amid slumping profits, which fell by more than 12 percent last quarter, Reuters reported. "We are considering all types of scenarios," said co-Chief Executive Alfonso de Angoitia in a conference call with analysts. Last week, Televisa said that it had agreed to sell its 19 percent stake in Spanish media group Imagina for approximately \$350 million. Imagina markets rights to sporting events including the Spanish soccer league and produces television content and films. The stake is part of the 53.5 percent of Imagina being acquired by Chinese private-equity firm Orient Hontai Capital, The Wall Street Journal reported. On the regulatory front, Angoitia said that in the wake of a recent Supreme Court decision, Mexico's telecommunications regulator may revisit its decision that Televisa has "substantial power" in the market for pay television, a stance requiring Televisa to take steps to boost competition. "We believe that one of the probable outcomes will be that the [Federal Telecommunications Institute] will now determine that we do not have substantial market power," said Angoitia, noting the company had not been officially notified of the court's decision. Along with fellow co-chief executive Bernardo Gomez, Angoitia in January was promoted to succeed longtime CEO Emilio Azcárraga, who remains chairman.

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City and the individual pension system introduced in 1997, and cancel NAFTA, among other things. However, his rhetoric is considerably subdued this year. AMLO's picks for his economic team include Carlos Urzua, who has a Ph.D. in economics from the University of Wisconsin and Graciela Márquez, who has a Ph.D. in economic history from Harvard. AMLO's announced cabinet has equal numbers of men and women. It would be hard to reverse the end of Pemex's monopoly, as he will simply not have enough votes in Congress. However, he could potentially nullify NAFTA by simply playing hardball (a la President Trump). So far, the markets do not seem to believe that he would do any of this. To wit, the Mexican peso has strengthened against the U.S. dollar. The stock market is not convinced about his intentions to inflict any damage on the Mexican economy. However, if he does try to fulfill his populist promises, he would either have to run large budget deficits or confiscate the assets of the pension funds (as happened in Argentina). They are all possibilities. But until he actually wins and then moves in that direction, the market seems to be optimistic."

A **Pamela Starr, senior advisor at Monarch Global Strategies:** "AMLO's five-to-11-point lead in five major polls may not be wide enough to ensure his victory on July 1, but it is wide enough that markets should begin to take notice. And yet, markets still have not begun to price in this possibility. Indeed, the vast majority of Mexican businessmen continue to operate on the assumption that he will lose, even as they fear his victory. Should AMLO's lead hold up, capital flight and an associated fall in the peso/dollar exchange rate could be significant in the weeks surrounding election day. But an AMLO government would not necessarily be bad for business. AMLO is not a wild-eyed populist. This was demonstrated by his tenure as Mexico City's mayor. Also, his

shadow finance minister is a moderate, and his economic policy platform would have qualified as conservative in Mexico 40 years ago. He has promised to increase the state's role in the economy, but with the aim of strengthening the Mexican private sector within a capitalist context while also fighting

“ An AMLO government would not necessarily be bad for business.”

— Pamela Starr

poverty and inequality. In the energy sector, he knows he cannot reverse the reform, as much as he might like to. This will generate a lot of noise in the form of a referendum and audits, but the real policy change is likely to refocus the reform away from exploration and production auctions in favor of efforts to revive Pemex's fortunes. On NAFTA, AMLO accepts it as established fact recognizing its importance to the Mexican economy. He is unlikely to intentionally threaten it."

A **Ruben Olmos, president of Global Nexus in Washington:** "Andres Manuel López Obrador has been more cautious this time around when it comes to talking about his economic plan. In recent weeks, he has signaled respect for some key aspects of Mexico's economic policy, emphasizing the need to end endemic corruption, which has hampered sustained economic growth. He has highlighted the importance of integrating small- and medium-sized enterprises into existing supply chains and boosting domestic market and production. Regarding energy, AMLO ponders the need to become more self-sufficient by refining more gasoline,

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rather than importing it. He has mentioned the need to build two new refineries, after readjusting the budget of state-owned oil company Pemex. His team has suggested that these refineries could be built through public-private partnerships. He has been very clear that his administration would review the already awarded oil contracts, which would be maintained if no wrongdoing is found. On NAFTA, AMLO has repeatedly expressed that the current renegotiation talks should be suspended until a new government is elected in July. He believes that if the agreement ends up collapsing, it would not be a disaster for Mexico, emphasizing that the country should look for alternate trade and investment opportunities in other markets in Asia and Europe. It is surprising that AMLO says he would maintain close ties to the United States, saying that his government would seek to relaunch the bilateral relationship and focus more on economic prosperity and less on security. While he has maintained a clear lead in the polls for more than a year now, it is too early to call the race."

Amanda Mattingly, senior director at The Arkin Group in New York: "If successful in July, AMLO's election as president would likely spook financial markets in the short term, resulting in a period of capital flight from Mexico, a cooling of foreign investment and a further slump in growth. To some extent, this is already happening, given that AMLO has been leading in the polls for several months and NAFTA negotiations have been hanging in the balance for over a year. AMLO's views may have tempered since he first ran for president in 2006, and there are indications he would seek to maintain macroeconomic stability in

Mexico, but it is likely he would take a more interventionist role in the Mexican economy. With respect to the energy sector, AMLO is running on a platform critical of the current

With respect to NAFTA, Mexico has much more to lose than the United States or Canada if negotiations fail."

— Amanda Mattingly

administration's alleged corruption and ineptitude, and thus, it is likely he would try to roll back some of the reforms enacted under President Peña Nieto. This could include anything from a review of oil contracts to a referendum on the role of private investment in the energy sector. It is also likely that AMLO would seek to strengthen and extend the reach of Pemex. With respect to NAFTA, Mexico has much more to lose than the United States or Canada if negotiations fail—80 percent of its exports go to the United States currently—and it seems implausible that Mexico would walk away from a deal, even if it means more concessions. But if AMLO is elected as the man to stand up to President Trump, he could decide to walk away from a deal deemed unfair to Mexico and, with free-trade agreements with a number of other countries in Latin America, Asia and Europe, shift trade elsewhere. At this point, this is the less likely outcome."

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org



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