

# Mexico's leading presidential candidates genuflect before bankers

Don Knowland  
13 March 2018

On Friday, in what some commentators likened to a catwalk, the three major presidential candidates in Mexico's 2018 election addressed the Association of Mexican Banks (AMB) convention in Acapulco, kowtowing to banking chieftains. The bankers expressed approval of the three in inverse order to their popularity in national polling.

Plainly the preferred candidate of Mexican finance, José Antonio Meade of the "Everyone for Mexico" coalition headed by the ruling Institutional Revolutionary Party (PRI), who trails in the polls at 20 percent, received the most applause.

Meade served as treasury/finance secretary under both the current president Enrique Peña Nieto as well as that of the previous president Felipe Calderón of the right-wing Party of National Action (PAN). Meade stressed his efforts over 20 years to work with the banks and "liberalize" the financial sector. Meade is in fact a neoliberal technocrat who in his governmental service has largely promoted macroeconomic "stability" and deregulation.

Second up and receiving the second most applause was Ricardo Anaya of the PAN, which has entered into an electoral coalition with the formerly center-left Party of the Democratic Revolution (PRD) along with the latter's allied party, the Citizen's Movement. Anaya stands at around 27 percent in the most recent polls.

Anaya claimed his coalition reflected "progressive, moderate and liberal" strands, as opposed to the "populist threat" of Andrés Manuel López Obrador (AMLO) and his Morena (Movement of National Regeneration) electoral coalition. Anaya assured the bankers he would not implement any significant changes to Mexico's fiscal structure.

Stressing his "youth," Anaya (contrasting his age of

39 with that of the 49-year old Meade and the 64-year old AMLO), promoted a more "modern" economy. This would involve a turn from manufacturing to a hi-tech "knowledge" economy, and development of clean energy over oil production.

Third to address the assembled bankers was López Obrador, who received the least applause from Mexico's banking heads, but leads current polls with around 38 percent. Like Meade and Anaya, AMLO also paid obeisance to Mexico's financial oligarchy.

López Obrador emphasized that his focus would be almost entirely on ending what he calls the country's "greatest problem"—corruption—rather than changes to the economy.

He went out of his way to insist that under his administration the autonomy of the Bank of Mexico will be "completely" respected. In fact, the country requires a "strong bank," he said. The banks should be "confident" that "we are not going to affect the banking sector at all," he added.

AMLO stressed that the "property regime" in force likewise would not be altered. "We are not going to confiscate assets nor are we going to carry out expropriations or nationalizations," he said. These assurances followed statements by his leading economic advisers over the last few weeks that AMLO strongly favors a "market economy."

The reforms AMLO said he would undertake in fact would be quite limited—increasing payments to elderly pensioners and the disabled, generating 400,000 new jobs, and minor spending on infrastructure, such as planting millions of trees. AMLO signaled that these reforms would not threaten stability—they would not be carried out until the middle of his government's term, rather than from its inception.

Nor would these limited reforms be permitted to

undermine fiscal stability. No taxes would be raised, and no additional public debt would be incurred to pay for them. Instead, funding would come from the ten percent of government spending AMLO estimates is lost to corruption.

AMLO remained mute when it came to his once vociferous attacks on Peña Nieto's energy reforms, which reopened the oil and power industries to major involvement by foreign energy giants. He reiterated the recent assurances of his financial advisers that while energy contracts with investors would be reviewed, the overall program would not be unwound, which he had consistently threatened to do in the past.

AMLO also said little if anything about the pending renegotiation of NAFTA, the trade pact with the US and Canada that he has repeatedly attacked in the past as unfair to certain layers of Mexican business and small farmers.

AMLO's assurances to Mexico's bankers last week follow his meetings over the last few months with executives of major international banks such Citigroup Inc. and JPMorgan Chase & Co.

Executives attending the AMB's convention signaled that they are ready to work with whoever wins July's presidential election, including López Obrador.

AMB president Marcos Martínez said that the "bank's commitment is with Mexico, regardless of who governs and what their proposals are." "I am not worried about the arrival of a left or right-wing party," added Ernesto Torres Cantú, general director of Grupo Financiero Citibanamex. Carlos Rojo, vice president of ABM and general director of Grupo Financiero Interacciones SA, the bank controlled by Mexican billionaire Carlos Hank Rhon, insisted that the arrival of a new government is not a sign of "alert or concern," as long as it maintained a free market, just as AMLO has promised to do.

Such sentiments follow on others expressed by bankers over the past year. In March, 2017, the former president of the ABM and director of Mexico's BBVA Bancomer, Luis Robles Miaja, also insisted that López Obrador did not represent a risk for the country or its bankers. In June of last year, Spanish bank giant Santander said AMLO would be no worse than Brazilian president Luiz Inacio Lula da Silva, that is, no threat to investors and banks.

Thus, while bankers would prefer Meade or Anaya to

López Obrador, they do not see him as any significant threat. They also hope to calm markets in advance in the event the latter wins, as appears likely at this time.

Nevertheless, a win by AMLO could send the Mexican peso, which already has seen marked volatility under Peña Nieto, plunging, and investors heading for the exits. Foreign investors may well see his presidency as creating more uncertainty as to energy reform, and undermining the chances for the survival of NAFTA, which has become a key prop of the Mexican economy.

And while AMLO's left populism, which he is busy watering down, is a fraud, there is concern amongst ruling strata that his victory could arouse expectations on the part of the Mexican masses to a point he could not contain.

These concerns track absurd propaganda from US officials such as Secretary of State Rex Tillerson that a López Obrador government could prove to be a "threat" along the lines of that of the other major oil-producing country in Latin America, Venezuela.



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