

THE FIRST
**100 DAYS
OF AMLO'S
PRESIDENCY**





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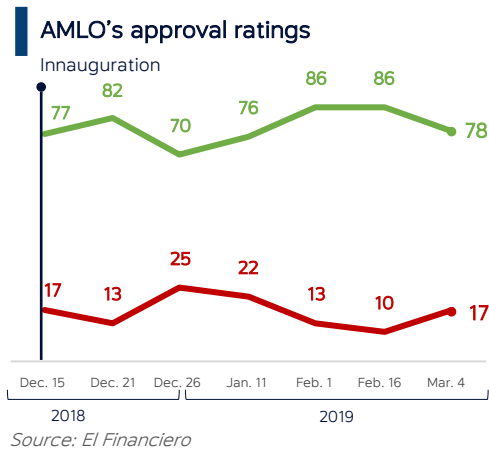
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1. WHY IS AMLO SO POPULAR?

The President's approval rating ranges from 67% to 85%, showing either a stable or an upward trend. This is unusual for a President during the first 100 days of his administration.¹ Vicente Fox, Felipe Calderón and Enrique Peña Nieto saw their respective approval ratings decrease during the first three months of their administration.

There are five factors which account for AMLO's high approval rating: i) the closeness with people that characterizes his governing style; ii) people's high expectations after being fed up with previous administrations; iii) the "quick action" style characterizing the government (although it involves limited planning and shows implementation problems); iv) a communication strategy using everyday familiar language; and v) the constant idea of a fight between good and evil (where evil is represented by neoliberalism and good is represented by AMLO's Fourth Transformation).



Regarding the first factor, the President has made politically-profitable decisions, such as eliminating pensions for former presidents, opening the Los Pinos presidential residence to the public, ending the use of the presidential plane, etc. He has also striven to address Mexican citizens face-to-face. Moreover, his 24/7 work schedule is seen as showing a strong commitment to his constituents.

As for the second factor, the new administration has raised huge expectations for improvement among the population. In spite of discouraging economic data, polls show that Mexicans feel safer and believe the economy will improve. Hopes seem to be more powerful than figures.

In addition, the President has tried to fulfill several campaign promises as quickly as possible and taken controversial decisions that have raised his popularity, for instance, the fight against fuel theft. Such decisions project an image of a President who takes action and seeks to fulfill his commitments while fighting corruption. With respect to the communication strategy, the President offers a daily morning conference, which portrays him as a President who speaks face-to-face with the public and is up to date on the country's situation. These conferences allow the President to keep control of the national agenda and defend his decisions while refraining from relying on intermediaries.

Finally, since the campaign period López Obrador has continued relying on a simplistic discourse of "good" versus "evil", "liberals" versus "conservatives" and "flawless" versus "corrupt" politicians. This discourse has continued to resonate in a disgruntled society that is unhappy with the benefits held by "the upper class" and the corruption from previous administrations.

¹Information by Consulta Mitofsky.

Who are AMLO's supporters?

Contrary to what AMLO's critics frequently claim, the President's base of support does not come from low-income youth living in southern Mexico, but rather from middle- and upper-class women from central and northern Mexico. This is a population group that had traditionally had low sympathy for AMLO and may explain to a large extent why his popularity has increased.¹

What can we expect in coming years?

Although the economy shows clear signs of deceleration and public security continues to deteriorate, the launch of flagship social programs may improve positive social sentiment with respect to the President.

Historic data show that the approval rating of Carlos Salinas (1988-1994) and Ernesto Zedillo (1994-2000) saw a significant increase at the beginning and culmination of their tenure. For their part, Vicente Fox (2000-2006) and Felipe Calderón (2006-2012) were able to maintain relatively constant approval ratings (still within a context of slow economic growth). Enrique Peña Nieto (2012-2018), on the other hand, experienced a dramatic fall in approval ratings the third year into his administration. Finally, it is worth highlighting that AMLO saw an increase in his approval rating between 2000 and 2003 (reaching levels exceeding 80% halfway into his tenure) as Head of Government of the now extinct Federal District, which allowed him to easily win the Mexico City mid-term elections. López Obrador's popularity was consolidated over the two following years, reaching 84% in April 2005 and closing at 76% in July 2005.

The President's approval rating will likely remain high for a long period of time and may even maintain such strength up to the mid-term elections (2021), when Morena could obtain a landslide victory. This would reinforce the centralization of power in Mexico. Three factors might interrupt this trend: 1) corruption scandals by members of Morena or members of the President's circle; 2) continued insecurity crisis with no signs of improvement; and 3) an economic crisis.

¹Information by Consulta Mitofsky. Poll published in February 2019.

2. FIVE DILEMMAS OF THE PRESIDENT'S COMMUNICATION STRATEGY

President López Obrador has unveiled a new political communication model that sometimes shows a propagandistic touch. We have identified five dilemmas in this model:

MONOLOGUES VS. ACCOUNTABILITY

Morning conferences are a political act where the President renders a rhetorical justification for his government's decisions. The media takes on a passive role and considers as valid the claims made by the President, providing wide coverage of the same without harshly questioning or evaluating their veracity. This does not help effective accountability, although it has proven highly beneficial for the President.

OPPONENTS VS. CITIZENS

The President relies on his discourse to symbolically punish opponents and critics. By referring to individuals who oppose him using derogatory terms (e.g. the "mob," the "out-of-touch elite", "petty people", "neo-fascists", "conservatives") and accusing them of being corrupt without providing proof, AMLO diminishes the legitimacy of opponents and stigmatizes critics.

PROPAGANDA VS. COMMUNICATION

Government communication is intended to inform, provide accountability, generate certainty and achieve consensus. In turn, propaganda is aimed at raising loyalty towards a person or political party using conflict and contrast by appealing to people's emotions, manipulating symbols and causing polarization. When the government communicates, it seeks approval; however, when the government uses propaganda, it seeks control.

POST-TRUTH VS. FACTS

Post-truth entails the deliberate distortion of reality by manipulating emotions and beliefs. When debating relevant public policy decisions (e.g. canceling the airport project, launching the Mayan Railway and the new refinery project, eliminating certain social programs), the President and his spokesmen have focused their discourse on narratives, opinions and political convictions while ignoring —and sometimes discrediting— the data, figures and research provided by subject matter experts.

INTENTIONS VS. RESULTS

One hundred days into the new administration, the two main concerns by the public (the economy and security) have shown limited favorable changes. Even so, the President has managed to be evaluated based on his good intentions rather than on the results of his actions. He could eventually become immune from fact-based criticisms.

3. AMLO'S PERSONAL GOVERNING STYLE

AMLO has a clear “voluntarist” political style (meaning that his will alone is seen as the key factor for policy success) which drives him to implement the projects he considers to represent a top priority or which are part of his campaign promises, even when such projects lack the technical or financial justification required. He rarely acknowledges his mistakes or recants when making inaccurate claims.

Also, AMLO applies a centralizing managerial style that seeks execution without delay. This has led him to make hasty decisions and –occasionally– announce actions not knowing who will put them into practice and without deliberation between experts and collaborators. For instance, his centralist style has led him to propose that the federal government manage health sector funds that are currently managed by state governments, without considering that such action would require a constitutional amendment.

The President's active managerial style, which contrasts with the strategic planning seen in technocratic milieus, is also suspicious of autonomous bodies and independent regulatory agencies, seeing them as an obstacle to the execution of projects and social programs. Many claim that AMLO has a desire to concentrate power and get rid of his opponents. However, perhaps it is his desire for action and results that leads him to constantly discredit criticism and deliberation.

AMLO's moralistic attitude does not go unnoticed. His transformative political vision is also aimed at bringing morality to public life and eradicating politicians' bad habits. As a Christian, he believes in people's innate goodness, linking it directly with their needs and suffering. There is a belief that individuals kill and commit crimes as a result of their difficult situation or mistakes. In this respect, there is a touch of moral paternalism in the way the President addresses society.

AMLO sees public policy through a strong ideological lens, especially with respect to issues on which he has focused throughout his political career, such as energy and education, as well as farming and infrastructure issues. With regard to these fields, he is reluctant to listen to expert advisors and defines guiding directives in collaboration with more ideologically-biased colleagues.

Regarding certain issues beyond his purview of knowledge, there is greater room for maneuver for either bureaucratic or technical advisors to influence decision-making. This includes, for example, commercial, financial and diplomatic topics where the more moderate members of the cabinet, in general, have greater chances to influence decisions.

AMLO has proven to be a leader who is aware of the need to maintain financial balance. There are clear signs he is responsive to market reactions and to the suggestions given by Secretary of Finance Carlos Urzúa and his team to mitigate any type of market turbulence. We have yet to see whether such influence will remain over time should this objective come in conflict with the achievement of the pivotal elements in the President's agenda.

4. THE NEW POLITICAL CONTEXT: OPPORTUNITIES

Mexico has a number of relevant pillars providing economic stability. The country maintains a rather benign demographic structure; it has an autonomous Central Bank and inflation remains under control; it has a diversified economy with a dynamic manufacturing sector; public finance does not rely as heavily on oil as it did in the past; and it has a robust banking system with high capitalization levels and a low bad-debt ratio. Finally, although a number of warning signs remain in sight, the US economy continues undergoing an expansion phase.

Moreover, the government has supported the President's economic case by submitting to Congress the fiscally-balanced budget which AMLO committed since the Presidential campaign, raising the credibility of his financial team. It is also clear that this team now has greater influence in Congress and has been able to prevent the passage of bills that sent signals that were contrary to the business climate required by the country to grow at a rate of 4%. Finally, although a number of designations made by the President in autonomous agencies have been criticized, this is not the case in the Bank of Mexico, where the two new deputy governors have the professional credentials required for said position.

During the first 100 days of the administration, the President has been able to promote an ambitious agenda for change as a result of his high degree of legitimacy. However, at the same time this period has underlined that the President imperiously needs private investment to succeed. In this respect, the economic slowdown in the economy could well become a good incentive for the government to gradually engage in greater pragmatism, especially regarding its stance on certain sectors. There are a number of (emerging) signs indicating a path in this direction.

Although entailing a different type of risks, the speed at which policies and projects are implemented shows a government that is taking action and is in a rush to offer results. In principle, this shows a preference for quantity over quality. Moreover, the President seems to show greater preference for three sectors (energy, healthcare and mining); however, the President's attention to the remaining sectors is limited or non-existent. Thus, the risks and opportunities differ depending on the sector.

5. COULD PEMEX BE THE GOVERNMENT'S ACHILLES' HEEL ?

Andrés Manuel López Obrador inherited a fragile situation in Mexico's most important state-owned company. The company is affected by a marked fall in oil production and petrochemical, a significant reduction in 1P reserves, greater oil imports, a high level of debt, a vulnerable distribution and logistics network, the decay in the company's human capital, transparency problems and corruption. The challenge entailed in strengthening the company is, therefore, a paramount task while the margin of error is more limited than ever.

The actions and decisions implemented by the new administration, however, have resulted in an increase in company risks. The cancellation of bidding rounds, the return to traditional contracting models, the insistence to build a new refinery, the designation of inexperienced officials to lead the sector, the loss of human capital resulting from the extreme austerity measures, the disdain for the company's corporate government and for the regulator, among others, all show the same guiding line: The prevalence of political over technical considerations.

Rating companies are keeping an eye in this style of leadership and have begun to issue warning signs. Fitch did this by applying a double reduction to the company's rating, while S&P lowered its perspective and Moody's issued a statement warning it will evaluate the company's credit standing by the middle of the year.

The problem faced by the new administration is that, should Pemex fail, either due to the downgrade of its credit rating (up to the point where investment grade is lost) and/or due to company production continuing to show a marked downward trend, and/or because the refinery project may become unfeasible once construction starts, the effect on Mexico's economy will be negative, bringing inevitable political consequences to President López Obrador.

Two alternative routes are available regarding Pemex: 1) A pragmatic option acknowledging that the company will not be able to fulfill the high production demands expected by the administration —which is crucial to maintaining the growing social spending incurred by the government— while choosing to revert certain decisions, such as canceling oil bidding rounds and the building of the new refinery; or 2) an option where the ideological vision continues to prevail and current guidelines are maintained regardless of the consequences.

6. ARE POLITICS INFLUENCING ECONOMIC PERFORMANCE?

The economic and finance related indicators pertaining to the first 100 days of the new administration are ambiguous. Positive indicators include the consumer confidence index, which has achieved maximum historical levels; inflation, which has continued to show a downward trend; the exchange rate, with the peso remaining stable against the US dollar; the creation of jobs in the formal sector, which continues showing an upward trend compared to the beginning of other years; and the public investment growth seen in January.

However, the list of negative indicators starts to gain ground. Oil production at Pemex continues to decrease, having a negative impact on public revenues. Moreover, the fall in oil production, added to the decrease in the international price of oil, has had a negative impact on budget revenue, which fell by 7.5% in real terms compared to January 2018 and was 24 billion pesos lower than planned. At the same time, the main three rating companies have warned they might reduce Mexico's rating in the near future as a result of the doubts surrounding the new administration's energy policy and, particularly, as a result of the Pemex Business Plan.

Gross fixed investment, industrial production, automotive production and retail sales have all shown deterioration. All of this translates into the significant reduction of economic growth perspectives for 2019. The downward adjustment made to GDP growth estimations for 2019 is now widespread among top financial agencies and the Bank of Mexico recently applied a 6% reduction to quarter-on-quarter forecasts (an adjustment rarely seen before).

One hundred days into the new administration, two questions remain: Are the decisions made by the new administration causing a negative impact on economic activity? What will the new administration do if deceleration becomes more acute over the following months? Regarding the first question, although there is no suitable tool to answer the question, everything points to the fact that certain events, such as canceling the Mexico City airport project, the idleness shown when blockades were set up in Michoacán roads, the fuel shortage experienced in central Mexico, the canceling of oil and electric power bidding rounds, the uncertainty surrounding the Pemex Business Plan, etc. are having a negative impact on investors' confidence towards the long term.

Although President López Obrador's approval rating has continued to increase since his inauguration, a negative performance in the economy over the following months might affect public perceptions regarding the real capabilities of the administration and have a negative impact on his approval rating.

7. DEMOCRATIC HEGEMONY OR CONCENTRATION OF POWER

López Obrador’s overwhelming victory in 2018 sets the basis for a democratic hegemony that may result in the deterioration of democratic checks-and-balances and the concentration of power within the Office of the President.

NEW ADMINISTRATIVE STRUCTURES

- “Superdelegates” (federal representatives in states) allow the President to directly manage federal public funds in each state and, at the same time, are seen as the obvious candidates to participate in the gubernatorial race of their respective states. To a lesser or greater degree, superdelegates fight over political power with the governor.
- Tearing down federal bureaucracy and designating officials akin to Morena: Each change in administration brings along a natural renovation of bureaucratic structures within the federal government; however, recent austerity measures, the disappearance of complete bureaucratic structures, the merging of government agencies and the dismissal of thousands of public officials (some of whom were civil servants) have by far exceeded those that occurred during any other previous change in government.
- Reduction of wages to officials from the Federal Judicial Branch: The discussion on reducing wages has put national judges, magistrates and justices under the spotlight, making them subject to public scorn and pressure.
- Reduction of budgets to autonomous agencies, which claim that such reduction prevents them from efficiently conducting their operations. Practically all autonomous agencies have initiated legal proceedings to contest such reductions.

DESIGNATIONS

- Supreme Court Justices: The designation of individuals having a close relationship with President López Obrador to occupy positions within the Court, as occurred during the Peña Nieto administration (with justice Medina Mora), gives the impression of an erosion of independence.
- President of the Federal Electoral Court (TEPJF): Although the designation of the new president and the “resignation” by the previous one represents an internal matter, a perception remains that internal conflicts are the result, at least in part, of an attempt by a number of magistrates to empathize with the new administration and prevent their replacement by the government or even the abolition of the federal electoral court.
- Head of the Office of the Prosecutor General (FGR): Although he has a long track record and reputed professional and academic experience, the designation of Alejandro Gertz Manero as the first prosecutor general once again stirred criticism, similar to that made to former President Peña Nieto with regard to the designation of an “acquaintance prosecutor” (fiscal carnal).
- Head of the office of the special prosecutor for electoral crimes: Upon endowing the FGR with autonomy, Gertz was in charge of selecting special prosecutors. The designation as special prosecutor of José Agustín Ortiz Pinchetti, who is very closely acquainted with López Obrador, raises doubts regarding Gertz’s autonomy.

- New members of the Energy Regulatory Commission (CRE): The sudden resignation of three commissioners before expiration of their term opened the possibility for President López Obrador to submit the respective shortlists of replacements. Most candidates nominated are either politicians or individuals having close ties with Morena and do not have the technical profile required.
- Resignation of the chairman commissioner of the National Hydrocarbons Commission (CNH): The early exit of Juan Carlos Zepeda, CNH leader (now serving as external advisor to the Secretariat of Energy), and the resignation of other commissioners will permit the President to renew this entity by appointing individuals whose ideological vision on the energy sector more closely resembles his.

LEGISLATIVE POWERS

- Along with its political allies, Morena has a qualified majority in the Chamber of Deputies and a majority in the Senate (74 senators) when adding senators from the PES, the PT and the Green Party (it needs 11 additional senators to achieve a qualified majority). Likewise, Morena is the strongest force in 19 of 32 state congresses, which guarantees the votes required to effect constitutional amendments.
- Except for the Senate, which may represent the only real political counterweight on the Executive Branch, state congresses will act as a political instrument for the president. Also, due to the profile of state members of Congress and the extensive popularity of the President, state legislatures will hardly act as a political counterweight.

AUTONOMOUS AGENCIES

- The creation of autonomous agencies was intended to depoliticize and give a professional status to certain activities or public policies which, by virtue of their nature, can be seized, manipulated or biased for economic or political reasons or simply due to incompetence. For President López Obrador autonomous agencies are obstacles that hinder and delay the actions he could conduct by means of executive decrees. In addition, both the President and his supporters believe that most autonomous bodies are expensive to maintain and are seized by economic or political interests.
- Pressure has been placed on these bodies by the federal government in two ways: 1) finger-pointing, accusations and public shaming; and 2) widespread reductions to budgets and wages. Criticism has concentrated on the National Institute for Education Evaluation (INEE), the National Institute for Access to Public Information (INAI), the Energy Regulatory Commission (CRE) and the Federal Antitrust Commission (COFECE). The National Electoral Institute has also been criticized.
- During his administration, the President will be able to submit 36 appointment nominations to integrate autonomous and regulatory agencies and thus reorient their vision and performance (the designation of members joining the board of directors at INEGI, COFECE and IFT are regulated by means of the selection process defined in Article 28 of the Constitution, which requires that a rigorous screening process be applied based on merit). However, this number will increase as a result of the resignations that have occurred recently in a number of regulatory agencies.

Designations made in autonomous and regulatory bodies during AMLO's administration

2018	2019	2020	2021	2022	2023	2024
CRE (1) INEGI (2)	COFECE (1) IFT (1) INEE (2) CNH (2) Banxico (1) CRE (1)	IFT (1) COFECE (1) INAI (2) INEE (1) Banxico (1) CNH (1)	INEGI (1) IFT (1) CRE (1) COFECE (2)	CNH (1) INEGI (1) Banxico (1) INAI (1) IFT (1) COFECE (1)	CRE (1) CNH (1) INAI (1)	CRE (1) INEGI (1)

Source: Prepared by the author using information from publicly available documents. Cutoff date: December 2018

Although the designation of INE electoral counsellors lies under the sole authority of the Chamber of Deputies, the President may exert a strong influence by means of his party which, along with its allies, has the qualified majority required to make such designations without the need to negotiate with opposition parties. 2020 will see the replacement of three counsellors.

8. SECURITY: WHAT CAN WE EXPECT?

At the beginning of February, the Secretary of Public Security submitted to the Senate the new administration's National Peace and Security Plan. This document summarizes eight of López Obrador's promises, including the abolishment of corruption, the defense of human rights and the ethical rehabilitation of society. The document, however, lacks the traditional components of a strategic plan, since it fails to define specific courses of action, evaluation mechanisms, individuals in charge of its execution or specific financing tools.

The pivotal item in the Plan is the creation of the National Guard, which was approved by the Federal Congress on February 28 and has already been approved by 26 state congresses. The National Guard will face a number of feats that could reduce its effectiveness. First off, there is no certainty as to whether military staff are willing to report to a civil leader. Although President López Obrador has mentioned he does not rule out the possibility of appointing a military officer to lead the Guard, this might cause coordination problems and even disagreement between the army and the Secretariat of Security. Furthermore, Guard members will only be deployed to the states requesting their presence. Thus, there is no clarity with regard to whether a technical (rather than a political) criterion will be applied to select the areas where the Guard will intervene—to prove effective, the Guard should be deployed to the violent hot-spots, which are concentrated in various states. Moreover, we cannot rule out that the deployment of the Guard to a specific region will not simply result in violence being relocated to nearby or vulnerable areas.

Achieving the successful merging of bodies with different training, capabilities and cultures entails an additional challenge. The negative comments made by President López Obrador when speaking about the Federal Police might be counter-productive. Along the same line lies the creation of a double compensation and benefits system for federal police officers and soldiers, which will tend to stir internal conflicts that might reduce the Guard's efficiency. Finally, AMLO announced the recruitment of 50,000 new members over the next two years. This entails a huge feat in both logistic and budgetary terms. When the past administration made an attempt to recruit 40,000 members for the Gendarmerie, only 5,000 applicants passed the confidence screening. Therefore, a major risk is that not enough applicants will fit the bill or that the confidence screening will be (dangerously) relaxed so as to recruit the highest possible number of members.

The government has not defined clear goals that permit measuring the effectiveness of the Guard, nor has it given clear information on whether additional public funds will be allocated to security (initially, it has been mentioned this will not occur). AMLO has spoken vaguely about peace-building, without defining how it will be achieved nor how long it will take. Furthermore, no strategic or tactical change has been announced. It rather seems that the army and the National Guard will continue performing the same functions as they have during past administrations. In light of this, no reduction in crime rates is expected to occur in the short term.

Crime rates may stabilize or even start to decline midway into the administration. However, this will depend on multiple factors, including the achievement of appropriate and efficient coordination between security bodies, the allocation of sufficient funds to train new Guard members and endowing such members with the authority required, and implementing focused prevention strategies. Nonetheless, there seems to be no focus on the structural causes of violence and, therefore, the strategy does not represent a long-term solution. More than anything, the strategy reduces the importance of the pressing need to strengthen state and municipal police forces, empower civil institutions and execute effective prevention and social rehabilitation programs.

9. INFRASTRUCTURE PROJECTS BY THE NEW ADMINISTRATION: RELATED RISKS

During the first 100 days of this administration, it has become evident that President López Obrador is determined to bring into reality the four flagship infrastructure projects he promised during his campaign: The Mayan Railway, the Dos Bocas refinery, the Trans-Isthmian railway and the Santa Lucía Airport. The administrative and budgetary proceedings required to execute these projects began since the first day of the new administration. However, the development of these four projects faces various economic, social and environmental challenges (to name some) which may exert significant delays, unexpected increases in costs, social disapproval and even their eventual cancellation. Three examples are provided below:

- a) **Santa Lucía:** AMLO promised the Santa Lucía Airport would start operating within three years. The feasibility of this objective, however, has been questioned. On the one hand, the project entailing the simultaneous operation of three airports (Santa Lucía, Mexico City and Toluca) has been questioned by specialized international agencies (IATA and MITRE), which increases the risk of failing to obtain the pertinent certification once works have been completed. On the other hand, construction times are quite limited for a project of this magnitude. Moreover, in the beginning the Secretariat of Homeland Defense (Sedena) will be in charge of building the new airport (having no previous experience in doing so). Although it has been estimated that works will cost 70 billion pesos, of which 15 billion were assigned this year to conduct the pertinent studies and start construction, such costs fail to consider the cost associated with canceling the Texcoco airport project. Hence, such tight public finances entail an additional risk for the project. Finally, a number of social stakeholders opposing construction of the Santa Lucía airport have been identified. These stakeholders argue that the project will compromise water sustainability in the region and will bring additional negative consequences.

- b) **Mayan Railway:** The project's area of influence covers approximately 48 municipalities in five states (Campeche, Chiapas, Quintana Roo, Yucatán and Tabasco), of which 34 are considered as indigenous municipalities (over 40% of their population belongs to an indigenous group) pertaining to 11 different ethnic groups. More than 50% of the inhabitants from the area of influence live in poverty. The high presence of indigenous peoples forces the Mexican government to conduct free and informed prior consultations in order to meet the requirements established in the international conventions to which Mexico is a party, such as Convention 169 of the International Labor Organization (ILO). Likewise, 14 civil organizations from the Yucatán Peninsula opposing the project have been identified. These bodies claim not sufficient information is available and argue that the project will cause a negative environmental impact.

The National Tourism Promotion Fund (Fonatur) claims no impact will be brought upon natural protected areas. However, the construction of a railway station has been planned in the municipality of Calakmul, Yucatán, providing access to an archaeological site. The municipality is also home to the Calakmul biosphere reserve, which covers a surface of nearly 723,000 hectares. The municipality of Tulum, Quintana Roo, where another railway station is intended to be built, is home to a national park covering a surface of more than 644 hectares. There are other similar cases. Hence the need to conduct environmental impact assessments in addition to technical studies for the railway route to effectively prevent an irreversible negative impact in the above mentioned high-value regions. This is all compounded by the highly significant doubts that persist with regard to the financial feasibility of the project, the investors who may potentially be interested in the project and the subsidy amount to be offered by the government to make the project appealing.

- c) **Dos Bocas refinery:** The Federal Government plans to build the refinery within three years in a plot of land in the municipality of Paraíso, Tabasco. The project is intended to achieve an estimated refining capacity of 340,000 barrels per day. Projected costs range from 8 to 14 billion dollars. As of February, no environmental impact assessment request had been submitted for the project. In January, a report attributed to the Mexican Oil Institute (IMP) was issued, claiming that the project is “unfeasible in both technical and financial terms.” Although the report was later refuted by the government, it contributed to raising a perception that the project might not be profitable (a situation that rating companies have described as a relevant credit risk for Pemex). Furthermore, as a result of an environmental report filed by a non-governmental organization which claimed non-compliance with the environmental impact procedure and with the change in use of soil forest approval, the Security, Energy and Environment Agency (ASEA) imposed a fine in January for nearly 14 million pesos upon the private company that cleared off the vegetation. This is compounded by the questions that have emerged regarding whether the land has the appropriate dimensions and specifications for a project of this magnitude.

From a political point of view, large infrastructure projects are normally used by governments to put forward specific political agendas (e.g. showing the government takes action, offering major economic benefits, seeking electoral support in regions where the project is implemented, etc.). However, when projects of this magnitude are incorrectly executed, they may become huge white elephants with financial costs that exceed what had originally been allocated and that are prone to corruption.

10. WHAT SHOULD WE EXPECT FROM AMLO'S SOCIAL PROGRAMS?

Six social programs represent the underlying core of AMLO's social policy: Youth Building the Future, Welfare Pension for Older Adults, Welfare Pension for Individuals with Permanent Disabilities, Welfare Production, Welfare Micro-Credits, and Sowing Life. The 2019 Federal Expenditure Budget (PEF) allocated a total of 180 billion pesos to these programs. They are expected to reach approximately 16 million individuals by means of direct fund distribution.

Key social programs announced by the federal government

PROGRAM	BUDGET	BENEFICIARIES
<i>Youths Building the Future</i>	44.3 billion pesos	2.6 million young individuals
Welfare pension for seniors	100 billion pesos	8.59 individuals
Welfare pension for individuals with permanent disabilities	8.5 billion pesos	1 million individuals
Welfare production	6 billion pesos	2 million producers
Welfare micro-credits	6 billion pesos	1 million individuals
<i>Sowing life</i>	15 billion pesos	220,000 producers
Total	179.8 billion pesos	16 million beneficiaries

Source: Prepared by the author using data from the 2019 Federal Expenditure Budget (PEF).

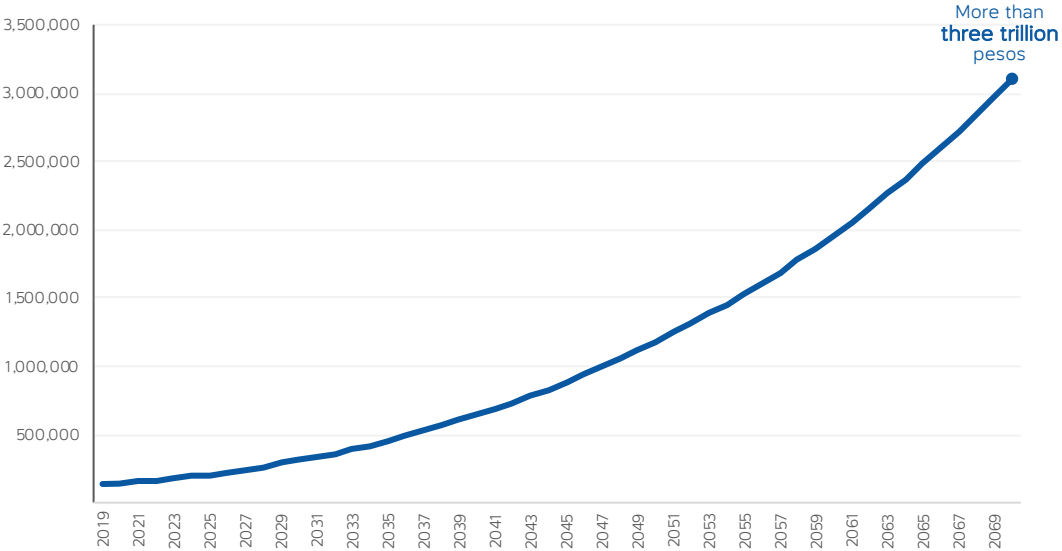
Although each program mentioned aims to address an irrefutable social problem, Integralia has identified a number of common features in these programs that suggest relevant implementation risks: non-transparent registration, lack of operation rules or too broadly defined rules, lack of a cost-benefit analysis and non-transparency as to how funds will be distributed.

On March 4, 2019, the only program with defined operational rules (out of the six) was the Welfare Pension for Older Adults, while the remaining programs only had guidelines for execution. Guidelines, unlike operation rules, lack technical and operational elements and offer limited clarity with respect to evaluation, control and auditing mechanisms

One of the main recommendations issued by the National Council for the Evaluation of Social Development Policy (Coneval) is that programs should have clear execution rules. In addition, these programs' roster of beneficiaries will be prepared by means of a "welfare census" that will be conducted by Morena sympathizers. This entails the risk of using these programs on a clientelism basis to strengthen Morena's electoral base.

Finally, limited information has been given on the medium and long-term growing cost of these programs and the burden they will place upon Mexico's public finances. Based on a forecast prepared at the end of 2018, it was estimated that the present value of the pension programs (older adults and individuals with disabilities) and the Youth Building the Future program (including both the scholarship and training options) would equal 54% of the GDP (2019-2070), showing a growing spending curve over time. The pension for seniors program by itself will cost 38% of the GDP.

Estimated cost of *Welfare Pension for Seniors* program
Millions of nominal pesos



Source: CONSAR, 2018

All of the above suggests the programs may involve a dual logic: Without a doubt, the Federal Government intends to reallocate additional funds to lower income deciles while having the (unclear) expectation that this will help mitigate social marginalization. There is, however, also a clear intention to set up, by means of distributing direct cash allowances to nearly 16 million individuals, huge political clientelism networks that will help consolidate the President's power and popularity in years to come.

11. AMLO'S ONE HUNDRED DAYS IN THE LEGISLATIVE POWER

The first relevant action commissioned by the then President-elect López Obrador in relation to Congress was the appointment of individuals with a similar ideology as coordinators of Morena's groups of legislators (Ricardo Monreal Ávila in the Senate and Mario Delgado Carrillo in the Chamber of Deputies), thus simultaneously allowing his allies to freely designate their respective legislator group leaders.

However, at the beginning, such control did not translate into a systematic and consolidated parliamentary process, which generated a climate of disarray (as shown during the approval of the Law on the Compensation of Public Officials) and lack of coordination between legislative agendas (as was shown by the disorder caused by a few bills that caused losses for several companies in the Mexican Stock Market, such as banks and mining companies).

This lack of coordination was seen both horizontally with the lack of a common agenda between Morena's groups of legislators in the Chamber of Deputies and the Senate, as well as vertically, since there was no coordination between the boards of directors from both chambers and political coordination boards (controlled by Morena) to determine a sound legislative agenda.

Nonetheless, during the second period of sessions, new dynamics have arisen, showing greater coordination, which translates into a more articulated strategy that includes:

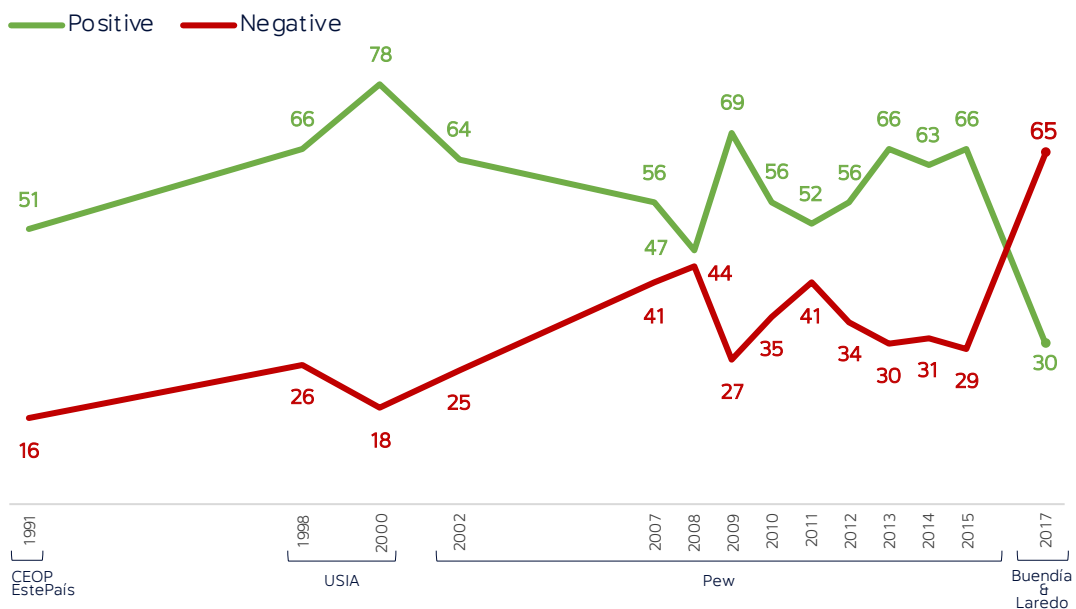
- A better-defined legislative path: influence by the President when pointing out priority issues in his agenda by submitting bills (e.g. the National Guard, abolishing constitutional immunity, making changes to the Law on Retirement Savings Systems (LSAR) or changing legislation to allow 15-year-olds to obtain credits and open bank accounts).
- Improved agility in negotiations: intervention by the President's Legal Counselor and the Secretariat of the Interior (Segob) to promote priority issues.
- Open parliamentary mechanisms: Greater participation of civil society bodies and international community organizations in high impact rulings (such as the one related to the incorporation of nine additional federal offenses).
- Analysis on the economic impact of bills: participation by the SChP in highly relevant projects, such as the Pemex Act, the Law on Banking Commissions, the Law on Mining and the Foreign Investment Act.

Finally, it is worth mentioning the negotiation and consensus building exercise associated with the approval of the National Guard in the Senate. This was good news for deliberation and the inclusion of different points of view. It also offered a breath of fresh air in the midst of worrying signs showing the centralizing exercise of political power by a President that disdains the political checks and balances of a democracy.

12. THE U.S.-MEXICO RELATION AND THE MIGRATION ISSUE

AMLO is the first President in more than 20 years who fails to hold a bilateral meeting with his American counterpart within 100 days of being sworn in. Zedillo, Calderón and Peña each held a meeting with the US president even before being sworn in. Since the beginning of his plans to become president, Mexico was the target of attacks and criticism by Donald Trump. His campaign promises – the most symbolic of which entails his determination to build a wall along the US-Mexico border– focused on a nationalist and anti-immigrant discourse. Thus, Trump’s unexpected victory and the start of his tenure in 2017 were in line with the historic decrease in the number of Mexicans that view the US positively.

Perception of the U.S. in Mexico: 1991-2017



Source: Buendía & Laredo

When running for President of Mexico, López Obrador described Trump’s anti-immigrant policies as “irresponsible and racist.” However, after his victory, AMLO’s statements on the US and president Trump have become less confrontational. This can be seen in one of the most critical issues related to the bilateral relationship: the immigration issue. The number of Mexicans arrested while trying to cross the border illegally has decreased significantly, going from a maximum of 1,633,883 in 2000 to 130,454 in 2017. However, the border “crisis” continues to be constantly brought up in Trump’s speeches. Although the new administration made a commitment to champion and protect the rights of immigrants, reports have emerged on how the López Obrador administration, in practice, has applied a very different strategy.

AMLO's administration allowed the US government to send more than 120 immigrants (of different nationalities) who requested asylum in US territory back to Tijuana while their applications are evaluated. At that point, the Mexican government claimed that this policy had been unilaterally applied by the US. The Mexican government justified its decision to cooperate based on humanitarian grounds. Thus, after campaigning on a refusal to cooperate with Trump's immigration policies, the new administration has taken a pragmatic stance. In light of the inability to influence the US president's opinion on this issue, the López Obrador administration has decided to avoid public confrontation. Until now, the President (who, according to multiple polls conducted nationwide, has a high approval level) has not seen a political cost for failing to confront Trump and agreeing to some of his demands related to the border.

Measuring the success (or failure) of the strategy applied by the new administration with regards to Trump and the US will require more than 100 days. For the time being, the pragmatic approach implemented by the AMLO administration might represent an answer to the complexity entailed in such relationship and might reflect the intention to benefit other sectors, particularly with regard to trade, which is of vital importance within the framework of the USMCA treaty's ratification in both countries. However, the fact that the bilateral relationship occupies a second term in the list of the President's priorities (compared to priority issues nationwide, such as social programs and infrastructure projects) should not be ruled out.

THE FIRST
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