



## AMLO announces investment – but is it enough?

by Andrew Thompson

**Canning House** Associate Fellow

### What happened?

At one of his regular daily press conferences on 30 November Mexican president Andrés Manuel López Obrador (AMLO) announced joint infrastructure projects with the private sector totalling MXN 228bn (US\$11.3bn).

### The details

At first glance the announcement is very positive for both sides. A total of 29 public-private partnership projects are involved, in sectors like energy, transportation, water, and sanitation. They include a major US\$2.3bn liquid natural gas (LNG) export terminal in Baja California to be built by US giant Sempra Energy. The private sector will fund 50% or more of the cost of the projects over the next three years. Taken together the projects represent 2.5% of GDP. They come in addition to an earlier batch of 39 projects announced in October, worth US\$13.8bn. AMLO hailed the announcement as “an alliance for investment, for development, for job creation.” But critics question whether this will be enough to counter shrinking private investment, which has contracted in eight of the last ten quarters.

The reality is that the relationship between AMLO, a left-wing populist president, and the Mexican private sector remains strained. The two have been called “frenemies”. AMLO accuses business leaders of corruption and crony capitalism under previous governments and of

### Caída de un dígito

En julio los especialistas consultados por el Banco de México aún anticipaban una caída de dos dígitos, en 10.02%; hoy el panorama es menos pesimista.

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Estimates of 2020 GDP according to Banco de México’s survey of economists. Source: El Economista

favouring neo-liberal economic policies. Business leaders in turn accuse AMLO of changing the rules of the game, unilaterally renegotiating contracts, discriminating against renewable energy providers, and promoting resource nationalism in fossil fuels. The president is supporting a new law that bans subcontracting of labour, a change opposed by the business sector. Companies are also worried about the resignation of Alfonso Romo, the president's chief of staff, widely seen as a key intermediary between the government and business leaders. Although AMLO has said that Romo "will continue to be my main liaison to the private sector" many fear his influence, and their voice will be reduced.

Some analysts believe the announcements show that AMLO is beginning to prepare for the advent of a Joe Biden presidency in the US. Jesús Garza of the Tec de Monterrey business school suggests AMLO may begin to tone down his hostility to renewables. With the Mexican economy due to contract by 9% this year (according to the IMF) and signs there will be at best a weak recovery in 2021, AMLO does need private sector investment.

## The details

The Mexican economic downturn may be prolonged because the president remains a fiscal conservative and has avoided increasing counter-cyclical spending. Garza says the relationship between the president and the private sector will remain a tug of war; adding "the government does not understand that the private sector is the key to economic growth".

### About the Author

## Andrew Thompson

La Rambla Research Ltd.

As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC's Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



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