



AMLO Transition Report

Issue No. 1



In This Issue

Welcome!

News Summary

Monarch Analysis

Biographies

Andrés Manuel López Obrador

Tatiana Clouthier

Alfonso "Poncho" Romo Garza

César Yáñez

Click Here to Subscribe

Welcome!

Welcome to the inaugural edition of the *AMLO Transition Report*. Over the next five months Monarch Global Strategies will be keeping close tabs on the transition in Mexico from the Peña Nieto administration to the López Obrador administration. We will provide our readers with a synopsis of key events and announcements during this period as well as our analysis of what it all means for investors, businesses, public servants, and others with an interest in Mexico, its economy, or U.S.-Mexico relations. While we will follow the news wherever it leads us, our plan is to highlight a specific topic in each of our *AMLO Transition Report* newsletters with a policy discussion, biographies of the key players, and insights available nowhere else.

For this first issue, we begin with a short summary of news from the first few weeks of the transition followed by a review of Andrés Manuel López Obrador's (AMLO) landslide victory in the July 1 election – just how big was it and what does it mean for AMLO's ability to govern. Finally, we present biographies for the president-elect and three of his closest advisors, Tatiana Clouthier, Alfonso Romo, and César Yáñez. **Our main takeaway for this edition: we expect the AMLO administration to be characterized by a profound centralization of authority in the hands of a president who is willing to use it.**

News Summary

In the weeks since Andrés Manuel López Obrador's historic election victory on July 1, the president-elect has held a series of meetings that suggest Mexico will enjoy political and economic stability during the country's five-month-long transition. Two days after the election, [AMLO had a cordial meeting with President Enrique Peña Nieto](#), which bodes very well for a smooth transition in only the third time modern Mexico has experienced a presidential transition from one party to another. On July 4, AMLO held [the first of several collaborative meetings](#) with key representatives of the Mexican private sector laying the groundwork for cooperative relations among actors who often were at odds in the past and on whose cooperation investment and growth depend. And on July 13, [AMLO met with a high-level U.S. delegation](#), the first time that such a delegation has met with a Mexican president-elect so soon after election day.

This 'meet and greet' session covered all the key issues in the bilateral relationship and was, by all accounts, warm and constructive. Mexico's Foreign Minister-designate, Marcelo Ebrard, even spoke with some optimism about the future of U.S.-Mexico relations. Still, all the major points of contention between the two neighbors remain. López Obrador took advantage of this opportunity to [send a letter to President Trump proposing new solutions to bilateral problems](#) including trade, development, security, and migration. The AMLO team said the contents of the letter will be made public after the U.S. administration has had an opportunity to respond.

The Mexican delegation to the meeting with American officials included [AMLO's newly designated ambassador to the United States](#), Martha Bárcena, a career foreign service officer who will be Mexico's first female ambassador to the United States. AMLO also [supported an experienced political hand, Ricardo Monreal](#), to lead MORENA in the Senate, which suggests that Rocío Nahle, the other contender for this position, will instead become Mexico's next energy minister. [In a recent radio interview](#), Nahle softened somewhat her stridently nationalist rhetoric arguing that in energy policy Mexico needs to look forward, not backward. AMLO also announced [his agenda of twelve priority reforms for the Fall legislative session](#), taking firm control of the legislature months before he actually takes the oath of office as president.

As a final note, the currency market has joined the AMLO love-fest. On July 13, the peso concluded [four weeks of consecutive advances](#) closing the session below 19 pesos per U.S. dollar for the first time since May 1.

Monarch Analysis

The core takeaway from López Obrador's landslide electoral victory on July 1 is that his six-year administration, beginning on December 1, will be characterized by a profound centralization of authority in the hands of the president. His administration's promised emphasis on austerity appears likely to further accentuate this Presidentialism (*presidencialismo*) in Mexican democracy.

Landslide Victory Puts Constitutional Majority Within AMLO's Reach

Beyond the 53% of the vote won by AMLO on July 1 and the 31-point margin between his vote total and that of the second-place candidate, AMLO's alliance won huge

majorities in both houses of Congress – 307 out of 500 Federal Deputies and 68 out of 128 Senators. This overwhelming majority should make passing legislation quite easy due to (1) the likelihood that AMLO’s legislative alliance will remain unified during the early phase of his Presidency and (2) the fact that the opposition is profoundly weak.

Five factors are keeping the AMLO coalition together, for now at least: the size of AMLO’s landslide, the power of his personality within his National Regeneration Party (MORENA), the lack of legislative experience (and some cases legislative qualifications) for the majority of MORENA legislators, the ideological harmony between the Labor Party (PT) and MORENA/AMLO, and the dissolution of the socially conservative Social Encounter Party (PES) (because it won less than three percent of the votes cast). Further, among the opposition, the ruling Institutional Revolutionary Party (PRI), the center-right National Action Party (PAN), and the center-left Democratic Revolutionary Party (PRD) all suffered massive defeats. This not only reduced their legislative footprint, but it also deepened internal divisions and battles for each party’s leadership. Their small size and deep divisions will inevitably undercut their capacity to present a strong legislative opposition in the coming months.

Not only does AMLO derive strength from his majority, but he is also willing to use it aggressively. He has already offered a proposed 12-point legislative agenda for his government, well ahead of September 1 when the new legislature will take office and begin its work. This makes it clear that AMLO, not the Congress, will be crafting and proposing legislation.

AMLO’s strong majority in the legislature makes him well-positioned to build a constitutional majority that would enable him to change the constitution at will, as Mexican presidents under the PRI did for generations. He lacks just 27 votes in the Chamber of Deputies and 18 in the Senate to build the two-thirds majority needed to change the Mexican constitution. Getting these additional votes should not be very hard, as the benefits of being part of the majority will exert a strong gravitational pull on opposition legislators. This is true now more than in the past because legislators are eligible to run for re-election for the first time in modern Mexican history, and thus will be interested in “bringing home the bacon.” (Having said this, we understand there to be discussion in the AMLO camp of postponing constitutional reforms until the second half of his administration. This will be a key area to watch during the transition.)

The majority's gravitational pull will be particularly strong for the 47 deputies and 14 senators elected from one of three parties (other than the Social Encounter Party which is already allied with AMLO) that won seats in the legislature but lost their registration following the election. They will now be looking for a new institutional home and joining MORENA will be enticing. The pull of the majority will also affect a significant segment of the PRD and the PRI legislative factions who sympathize with many of AMLO's proposed constitutional reforms, such as incorporating into the constitution the right to a university education.

Mexico requires the majority of state legislatures (at least 17 of 32) to approve any constitutional reform authorized by Congress, and AMLO's landslide carried over to the state level as well with his alliance winning control of 19 state legislatures. **We are thus convinced that early in his administration AMLO will be able to build the majorities needed to change the constitution, although we expect he will use this power sparingly in the early going to avoid inciting fear and active opposition among the 47% of Mexicans who voted against him.**

Expect Tight Control Over States and Governors

Although only five governors represent MORENA, AMLO is also well positioned to control Mexico's governors. Many will face a state legislature and key cities controlled by a MORENA party that answers directly to AMLO. And every governor has lost allies in the federal legislature that used to protect his or her interests in the crafting of the federal budget, of which 15% was transferred directly to state governments in 2018. Governors that were accustomed to autonomy over state affairs and to significant influence in Mexico City have lost both.

More important, but generally overlooked, is the consolidation of federal delegates in the states. Previously, there were multiple delegates (usually designated by governors with federal acceptance) who acted as representatives for different federal agencies and oversaw the expenditure of federal funds, but who typically exerted little real influence over state government budgets. Now there will be one superdelegate for each state – appointed by the president – concentrating much more authority in the hands of each delegate. Plus, the individuals AMLO selects for these positions are likely future candidates for governor rather than the minor politicians who often filled this role in the

past. The obvious objective is to have a single, powerful representative of the federal government who is motivated to loyally represent the interests of the president and thereby lay the ground work for a gubernatorial run. Indeed, the majority of the individuals appointed to these posts were MORENA's candidates for governor in a previous election, including Delfina Gómez in the State of Mexico. Some have already referred to these superdelegates as viceroys, whose responsibility will be to ensure that governors advance the policy aims of the AMLO government. Unsurprisingly given their weakened position, in their first meeting with AMLO, all of the governors present (30 of 32), including some forceful opponents of AMLO, expressed their support for the president-elect.

How Will AMLO Govern? Austerity as Means to Consolidate Power

AMLO plans to use his centralized authority to, among other things, redirect budgetary expenditures away from current spending and toward human and capital investment. The key tool for freeing up funds for social investment spending will be austerity. AMLO has announced that he will cut his salary in half, and that of every official in the high reaches of the federal bureaucracy. He will also slash benefits for federal legislators and bureaucrats, eliminating or significantly limiting everything from drivers and bodyguards to personal secretaries, consultants, private doctors, foreign travel, retirement savings, etc. This raises a serious question – will enough talented and experienced people be willing to take or remain in government jobs if they no longer guarantee an upper-middle class lifestyle?

Of equal importance, potentially, is the government's ability to use the austerity campaign to strengthen the hand of the president. AMLO has already pointed to austerity as one of the reasons for the planned elimination of the communications departments previously housed in each of Mexico's federal ministries. Now there will be one communication department for the whole of the federal government. While this obviously will be a more efficient use of communications resources, it will also ensure that there is only one unified, centralized, and controlled voice speaking for the administration – AMLO's.

Austerity can also be used to keep opposition politicians in line. The evident popularity of AMLO's austerity campaign means the federal government will be able to publicly shame select politicians for their luxurious lifestyles, undermining their legitimacy, political strength, and, potentially, their political survival (especially for mayors and legislators who

can now be re-elected). This will further augment AMLO's influence over the federal legislature and state governments.

In a political system that already concentrates significant power in the hands of the presidency, AMLO's control of the federal legislature and huge influence over state governments will further centralize power in the hands of a president-elect who, when mayor of Mexico City from 2000-2005, demonstrated a clear preference for a highly centralized manner of exercising authority. *Presidentialism* will thus be a defining characteristic of Mexican politics for the next six years.

Biographies

For this inaugural issue of the *AMLO Transition Report*, we are featuring biographies for AMLO himself and three of his closest advisers, Tatiana Clouthier, Alfonso "Poncho" Romo, and César Yáñez, who each spent more time on the campaign trail with AMLO than anyone else.

Andrés Manuel López Obrador



Position: President

Date of Birth: November 13, 1953

Andres Manuel López Obrador (AMLO) is a career politician who will be 65 when he takes office on December 1, making him Mexico's oldest president in over 100 years. He is the child of a middle-class shop owner who grew up in the poor state of Tabasco and was educated in Mexico's National University in Mexico City.

AMLO has been married since 2006 to Beatriz Gutiérrez Müller, whom some say is his biggest asset, and together they have an 11-year-old son, Jesús Ernesto. They met in 2004, when Gutiérrez Müller began working for AMLO in his communications office, where she quickly became one of his most trusted advisors. AMLO has three sons, José Ramón, Andrés Manuel, and Gonzalo Alfonso, by his first wife, Rocío Beltrán Medina, who passed away in 2003, and all three older sons were very involved in the presidential campaign.

While we do not anticipate any of his sons to hold an official position in the new administration, AMLO values their advice on several topics, especially that of Andrés Manuel, or Andy as he is known. The 31-year-old political science major hand-picked each of the candidates from MORENA who ran to lead the 16 municipalities of Mexico City, and he is a trusted political operator, although he has been criticized as arrogant by some in party's base. José Ramón, the eldest at 36, was in charge of political operations and voting integrity for MORENA in the State of Mexico, the PRI's traditional stronghold, while Gonzalo Alfonso, 25, was trusted with the same in Tlaxcala, a far less populous state in central Mexico.

AMLO began his political career in the late 1970s as a member of the then-ruling Institutional Revolutionary Party (PRI), rising to become the leader of the PRI for the state of Tabasco. In that role, he took one of the actions that have earned him the reputation as a leftist firebrand – he encouraged poor residents to stop paying their electricity bills to protest poor access and high electricity prices.

In 1988, AMLO left the PRI after being denied its candidacy for governor of Tabasco, and instead followed the lead of a large cohort of left-leaning party members to join the newly-formed Party of the Democratic Revolution (PRD) in 1989. He was the party's candidate for governor of Tabasco in 1994 and lost in a highly contested election. Claiming fraud, he organized an occupation of the central plaza of the state capital to prevent the victorious PRI candidate from taking office, and when this failed, he organized a march to Mexico City. There his party received boxes of evidence of illegal campaign spending in the Tabasco gubernatorial election. Nevertheless, the PRI victory was confirmed.

Between 1996 and 1999, AMLO was the president of the PRD, leading the party to some of its greatest electoral victories. During this time, he organized protest camps that blocked access to Pemex oil wells in Tabasco to force the firm to pay compensation to indigenous communities and small farmers whose lands it had polluted.

He parlayed his success as PRD president into the party's candidacy to become the Mayor of Mexico City in 2000. He emerged victorious despite a PRI-led effort to disqualify his candidacy arguing that he had not been a resident of Mexico City for the requisite five years. He is considered to have been a very good mayor. As mayor he implemented a series of social programs, invested in infrastructure, gave the private sector tax breaks to

invest in housing, and worked with Carlos Slim to restore Mexico City's historic downtown. He left office with an 85% approval rating.

He resigned as mayor in 2005 to run as the PRD's candidate in the 2006 presidential election. After a failed attempt by then President Vicente Fox to disqualify him as a presidential candidate, he narrowly lost the election by 0.58% of the votes cast. He claimed fraud and called on his followers to occupy the central Mexico City thoroughfare, Paseo de la Reforma, to pressure the electoral authorities to reverse their decision to award the victory to Felipe Calderón of the conservative National Action Party (PAN). When this failed, AMLO declared himself the "legitimate" president of Mexico and forbade PRD legislators from collaborating with the "illegitimate" government of Felipe Calderón. Although the protest ultimately failed and faded over time, AMLO and his followers never stopped believing that the 2006 loss was due to fraud.

López Obrador was the PRD's presidential candidate again in 2012, and this time was decisively defeated by Enrique Peña Nieto of the PRI. Following this defeat and the decision of the PRD party leadership to negotiate with President Peña Nieto and support key elements of his reform agenda, AMLO abandoned the PRD and formed a new party, the National Regeneration Movement, or MORENA, that would be more loyal to him and his vision for the future of Mexico.

For his third presidential run and with his narrow 2006 loss still clear in his memory, AMLO formed alliances with two small parties, the supporters of which would together account for more votes than his 2006 margin of loss. As it turned out, their support did not make the difference in what became a landslide election victory.

Bottom Line: The López Obrador who will govern Mexico has never aimed to overthrow Mexico's political-economic order but has strived to make it more open and egalitarian. He is a politician who has used the most effective means at his disposal to advance his life-long quest to improve living conditions for the least well-off in Mexican society. When denied a voice in Mexico's political system, he repeatedly opted for protest and civil disobedience. But when in elected office, he used the powers of his political position to achieve his political-economic goals. Given his landslide election and the influence this will give him over the federal Congress and Mexico's statehouses, and given his conciliatory meetings with key Mexican private sector actors, it appears there will be few

checks on this presidential authority (the Supreme Court and the Bank of Mexico being the two most important). This suggests that AMLO will use the institutional levers of presidential power rather than the populist politics of the streets to advance his political agenda as president.

Tatiana Clouthier



Position (Expected): Under Secretary for Citizen Participation, Participatory Democracy and Civil Society (Gobernacion)

Date of Birth: August 12, 1964

Tatiana Clouthier served as AMLO's campaign manager and is recognized for her social media strategy. (She is known as the "Queen of Twitter.") She first met López Obrador while serving as an election observer in Tabasco (1992 – 1993) and then again when she was invited to a dinner with AMLO at the home of a mutual friend during his 2006 campaign.

She began her career as a teacher and translator and has taught English, Mexican history, and socioeconomics. She has also held numerous positions in municipal and state-level government agencies with a focus on social services, education, and tourism (among others). She was a federal deputy for the right-wing PAN party from 1991 – 1994 and from 2003 – 2005 when she left the party. In 2009, she founded *Evolución Mexicana*, a civic organization dedicated to civic responsibility, promoting government accountability, and democracy.

Clouthier, one of eleven siblings, is the daughter of the late Manuel Clouthier who made a very competitive bid during the 1988 presidential race as the PAN candidate. She received a Master's in Public Administration from the Autonomous University of Nuevo Leon and has also studied at Monterrey Tec and George Washington University. She is married and has two children.

Bottom Line: Clouthier brings a lineage of political involvement from parties in the opposition and robust civil organization experience, with a knack for communications and social media, to AMLO's transition team. Though she had indicated that she did not want a formal position in the AMLO Administration, she has been designated as Under-

Secretary for Human Rights in Gobernacion (the cabinet department that oversees a wide range of domestic issues).

Alfonso “Poncho” Romo Garza



Position (Expected): Chief of Staff

Date of Birth: 1950

Alfonso Romo, commonly known as “Poncho,” is a Monterrey businessman and agro-industrialist and the owner of VECTOR Casa de Bolsa, one of the largest fund management companies in Latin America. He is also the founder of Pulsar International, a holding company for an insurance business and a stock brokerage, among other entities. The group later expanded into biotechnology and seed production. He is a founding investor of Synthetic Genomics, a firm created to develop and commercialize synthesized genomic technologies. Previously, he founded a seed company, Seminis, which was sold to Monsanto in a transaction that put him at odds with other partners, including his in-laws, from the renowned Garza family. Romo has served as a member of numerous corporate and philanthropic boards.

Romo was born in Mexico City and graduated from Monterrey Tec with a degree in agricultural engineering. He is a member of the World Bank’s External Advisory Board for Latin America and was a member of the Mexican national equestrian team at the 1996 and 2000 Summer Olympic Games.

Bottom Line: AMLO’s choice of Romo, a well-known businessman (and member of one of the “ten families” of Monterrey), as his chief of staff speaks volumes about his willingness to reach out to sectors and people not typically associated with left-leaning politicians. We expect Romo to help ensure AMLO’s administration is managed efficiently and contracts in the energy sector and elsewhere are honored, as long as they were awarded appropriately, and we see him playing an important role as a liaison between AMLO and the private sector, both nationally and internationally.

César Yáñez



Position (Expected): Communications Director, Presidencia

Date of Birth: June 2, 1963

A communication science major from the Metropolitan University, César Yáñez is perhaps AMLO's closest friend and ally. He started his political career in Cuauhtémoc Cárdenas' presidential campaign in 1988 though he would not meet his fellow PRD member, López Obrador, until 1997.

After that first meeting they quickly became friends, and Yáñez has accompanied AMLO to every campaign event since. No one has walked more miles or visited more towns with AMLO than Yáñez. Tatiana Clouthier calls him "AMLO's guardian angel", as he even makes sure that the president-elect takes his medicines as scheduled. Yáñez was communications director during AMLO's tenure as mayor of Mexico City, and he was in charge of press, logistics, security, and communications in his three presidential campaigns. Widely recognized as MORENA's second in command, Yáñez is the one AMLO turns to whenever there is a need for damage control. And he will be an all-powerful communications director since all federal government information will be managed by him, unlike the previous practice of ministry-level communication efforts.

Bottom line: There is no one AMLO trusts more, outside of his family, than César Yáñez. He is regarded as honest, although his quiet demeanor is often misunderstood as arrogance. He is an excellent political operator, and his loyalty to AMLO is praised by friends and foes alike.

[Click Here to Subscribe](#)