



Monarch News

Special Election Alert

How Will Claudia Sheinbaum's Landslide Victory Impact Governance in Mexico

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Sheinbaum Wins Overwhelming Victory

Claudia Sheinbaum of the governing Morena party won the presidential race on June 2 in a landslide, winning more votes than Andrés Manuel López Obrador (AMLO) did six years ago. Sheinbaum outperformed even the most optimistic polling, carrying her three-party coalition to an overwhelming legislative majority. Mexico's first female leader will inherit a powerful presidency with full control of the federal government and without – for the first time in 30 years – any effective checks and balances on the president.

Key Questions Following the Election

With the authority to unilaterally continue the implementation of the Fourth Transformation suite of policies initiated by AMLO, the central question hanging over Mexico's future is how this will shape a Sheinbaum government. Three questions stand out.

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1) Will AMLO and Sheinbaum be able to build a two-thirds Senate majority, which would ease their path to making changes to the Mexican Constitution? While it is very possible Morena and its allies will earn an outright super-majority in the Senate (they already have the Chamber of Deputies secured) when all races are called, the party appears well positioned to piece together a qualified majority in any case by negotiating with the Citizens' Movement (MC) party and encouraging legislators associated with the Institutional Revolutionary Party (PRI) to change their affiliation. The evidently pro-Morena position of MC during the electoral process and the tendency of PRI politicians to think about their political survival first and ideology second indicate that this is a likely outcome.

2) Given that AMLO made this election a plebiscite on his presidency and its Fourth Transformation suite of policies, what is he apt to do with this reaffirmation of his popularity in the four months remaining in his presidency? It seems unlikely he will be like past Mexican presidents who surrendered much of their authority to the president-elect during the transition. Instead, AMLO is poised to take advantage of the huge legislative majority he will enjoy in the month between September 1 when the new Congress is sworn in and October 1 when Sheinbaum takes on the Presidential Sash. The question is how much of AMLO's "Plan C" list of 20 reforms he announced last February will he push through the legislature in September? These included three reforms that would further concentrate political authority in the presidency: (a) an electoral reform that would reduce opposition representation in the legislature and require the leaders of the National Electoral Commission (INE) to be elected by popular vote; (b) a judicial reform that would require that all judges be elected as well; and (c) the elimination of all autonomous institutions of the state (with several important exceptions including the Bank of Mexico and the INE).

3) Will Sheinbaum soften the hard ideological edges of the Fourth Transformation? Though she campaigned as the person to continue what AMLO had started in Mexico, it seems plausible that Sheinbaum will govern with less of an ideological bent for two reasons. First, as head of government for Mexico City, she generally took a technocratic, results-oriented approach to governing. Second, leaks from the government and the campaign have suggested that AMLO believes a more pragmatic approach is needed now to embed his Fourth Transformation policies in Mexico for the long term.



On the other hand, Sheinbaum shares with AMLO the belief that institutional democracy is much less significant than ensuring that socio-economic well-being is democratized. She has spent a lifetime devoted to left-wing causes as the daughter of leftists, as a student activist, and as a devoted supporter of AMLO and his policy program. She will also have to manage a Morena party that is divided internally, united largely by its devotion to AMLO, and whose left wing is sure to feel empowered by the election results. And she will have to deal with a former president who, despite his protestations to the contrary, is likely to use his personal control over Morena from time-to-time to limit her freedom of action.

What We Will Be Watching During the Presidential Transition

The likely extent of technocratic pragmatism in a Sheinbaum administration should be telegraphed during the transition by several developments we will be watching closely.

1) Both Sheinbaum and AMLO took a conciliatory line in their post-election comments. Sheinbaum promised to promote “peace and harmony” with those who voted against her, to preserve freedom of speech, the press, and religion. Will this conciliatory attitude impact her approach to governance?

2) How influential will AMLO be in the transition and during the Sheinbaum presidency? His influence over Morena gives him significant power to make policy demands, and his love of politics suggests he will use this authority. He has said, however, that he will retire from politics and seems to truly want Sheinbaum to be an effective president, suggesting he will pull his punches. Which AMLO becomes dominant will be evidenced by his behavior in the coming months.

3) How will Sheinbaum construct her cabinet. It will almost inevitably balance more moderate personalities charged with solving problems with the more ideological core of Morena whose support is essential if Sheinbaum is to keep the movement unified behind her presidency. What matters most, therefore, is how this balance is constructed and specifically who will run ministries key to resolving policy problems that currently weaken the nearshoring dynamic in Mexico, including those of Energy, Treasury, Economy, Security, and Foreign Affairs.



Mexican Economy and U.S. Relations May Guide Toward Pragmatism

Sheinbaum's technocratic pragmatism will be strengthened by the challenging economic situation she will inherit. Mexico has an eye-popping fiscal deficit of 5.2% of GDP coupled with decelerating growth. She must reduce the deficit without cutting spending on the country's expensive social programs, to which she is devoted. This requires raising revenues but given her promise not to raise taxes and in the absence of significant increases in oil income, this will necessitate stimulating economic growth. Candidate Sheinbaum has repeatedly pointed to the promotion of nearshoring, and associated with it increased clean energy generation, as the solution to this challenge. While it is unlikely that she will significantly modify the current 54/46 percent market share split between government and privately generated electricity, she is apt to make limited but important changes. This is likely to include a more welcoming environment for private investment in clean electricity, potentially including regional electricity auctions and encouragement of public-private partnerships to upgrade the transmission network.

Sheinbaum's approach to the United States will be equally pragmatic. We expect her to continue Mexico's current collaboration on migration and fentanyl trafficking, albeit with a strong concern for protecting Mexican sovereignty. This could lead to continued low-level conflict on a handful of issues, potentially including energy sovereignty, but it should increase opportunities for U.S. investment and nearshoring in Mexico, including building binational semiconductor and electric vehicle supply chains.

Final Thoughts

Mexico has just wrapped its most historic election cycle ever resulting in continuity in the executive branch but with a much stronger legislative majority for the ruling Morena party. When AMLO won the presidency six years ago, we asked if he would lead in a pragmatic manner as he did as mayor or Mexico City or as a nationalist to match his rhetoric. The verdict came quickly largely confirming the latter approach in his *sexenio* as president. Today we ask the same questions of his successor, Claudia Sheinbaum, and while the jury is still out, we expect to start getting answers during the transition between now and October 1. Monarch will be monitoring closely to determine what it means for the people of Mexico, U.S.-Mexico relations, and most important for this audience, the investment climate under a Sheinbaum administration. Stay tuned!

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Michael C. Camuñez

President & CEO
mcamunez@monarch-global.com
Los Angeles

James R. Jones

Chairman
jjones@monarch-global.com
Washington, D.C.

Luis Ricardo Rodríguez

Managing Partner
lrodriguez@monarch-global.com
Monterrey

Geoffrey G. Jones

CFO & SVP Development
gjones@monarch-global.com
Washington, D.C.

Pamela K. Starr

Senior Advisor
pstarr@monarch-global.com
Los Angeles

Pedro Niembro

Senior Director
pniembro@monarch-global.com
Mexico City

Juan Casillas

Senior Advisor
jcasillas@monarch-global.com
Mexico City

Gerardo de la Peña

Senior Advisor
gdelapena@monarch-global.com
Mexico City

Begoña Sánchez

Director
bsanchez@monarch-global.com
Monterrey

Patricio M. Martínez

Associate
pmartinez@monarch-global.com
Monterrey

Gabriel Cavazos

Senior Advisor
gcavazos@monarch-global.com
Monterrey / Mexico City

Washington, D.C. | Los Angeles | Mexico City | Monterrey | Guadalajara

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