

López Obrador's landslide victory leaves Mexican lawyers unfazed

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Andrés Manuel López Obrador was branded a populist left-winger by his opponents, but senior partners in Mexico's legal community expect his presidency will bring modest change and even fresh opportunity.



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López Obrador was elected Mexican president on Sunday with 53% of the vote and will assume office in December. No presidential candidate has won such a large share of the popular vote since the end of one-party rule by the PRI in 2000. His coalition also won majorities in both Mexico's lower and upper chambers, ensuring legislative control, but not the two-thirds majority needed for constitutional reform.

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A veteran of Mexico's political arena, López Obrador ran an effective campaign, promising to stamp out corruption and reduce inequality. But his detractors labelled him a left-wing populist, big on rhetoric and short on policy detail. Among other things, they remain concerned about how he will fund his campaign pledges, which include doubling pensions for the elderly while maintaining fiscal rectitude. López Obrador says this can be achieved by recouping money lost to corruption, but Von Wobeser y Sierra SC corporate and M&A partner Luis Burgueño says some of his clients are not so sure. For example, Mexican pension funds and their associated investors are worried they may foot the bill if the money does not materialise. "We probably aren't talking about pension funds being nationalised, but the government might require them to invest in government bonds like they did in the past," says Burgueño of his clients' fears. The alternative would see López Obrador back-track on his promises and increase tax or government debt.

Some oil and gas clients have raised concerns. López Obrador promised to pause future government oil and gas concessions during his campaign and review existing contracts. This doesn't mean Mexico's experiment with energy privatisation will end, but does suggest a resurgent Pemex, says David Enríquez, a well-respected energy partner at Goodrich, Riquelme Asociados. Enríquez says López Obrador's manifesto still allows cash-strapped Pemex to agree farm-out agreements and joint ventures out of economic necessity. Whether this is bad or not depends on how it's implemented through changes to Mexico's hydrocarbons law. "If that empowerment is in the context of Pemex behaving as an economic agent in line with antitrust law, it should be very welcome," he says. However, any reform that allows Pemex free reign to charge companies uncompetitive prices for using its transport infrastructure would be a serious setback.

While concerns like these persist, few senior lawyers expected anything radical from López Obrador. "López Obrador is neither a Nordic social democratic nor a Hugo Chávez," says Enríquez, who predicts governance akin to recent leftist administrations in Chile and Uruguay. Mexico's limited budget makes a true welfare state a distant dream, while a diversified economy dependent on foreign trade means Venezuela's commodity-driven economic nationalism is impossible.

Burgueño strikes a similar tone. "We have another congressional election in two or three years, but the new president can't risk losing support in congress if he wants governability over the next six," he says. "The most likely scenario is budget reorientation that addresses the needs of poorer people while realising you need business on your side."

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Some clients may even benefit from López Obrador's victory. NAFTA renegotiations are one area which may improve. "Trump has a particular negotiation strategy that involves taking advantage of his opponent and Peña Nieto made a few mistakes," says Hogan Lovells (Mexico) corporate and M&A partner Juan Francisco Torres Landa. Alluding to the outgoing president's widely criticised performance. Torres Landa expects López Obrador to fare better during negotiations by making a clear break from the past.

Burgueño is also cautiously optimistic about NAFTA renegotiations. He tips his hat to López Obrador's choice of former WTO economist Jesus Seade as lead negotiator, but cautions against any alterations to the rest of Mexico's negotiation team. "The Mexican team is one of the best in the world, having negotiated 10 free trade agreements over the last 20 or 30 years and I'd be very concerned if they don't keep most of that talent," he says.

López Obrador's main campaign pledge to root out corruption may also be a boon for Mexico's emerging white-collar crime and compliance space. Brian Minutti, a senior partner at project finance-dominant [Chávez Vargas Abogados, SC](#), believes the new president now has little choice but to deliver on this promise. Anti-corruption legislation passed by the outgoing Peña Nieto administration may be his main tool. "The framework is ready and it's already in force, the only thing missing is for him to appoint a national prosecutor, which was suspended because of the elections," Minutti says. "The effect will be big, not only for the public sector, but also the private sector," he adds, predicting white-collar crime and compliance will become a staple in most transactional work.

Corruption is a serious problem in Mexico. Transparency International ranks Mexico 135 out of 180 countries for having the highest level of perceived corruption. In Latin America, it is only outdone by Nicaragua and Venezuela. Despite this poor showing, no corruption scandals like the vast kickback schemes uncovered in much of South America have emerged in the region's second-largest economy, suggesting a major discovery is well overdue.

Beyond economic and social considerations, López Obrador may have already achieved his biggest victory for anyone doing business in Mexico. Everyone interviewed by Latin Lawyer agreed that his election was proof positive that Mexico's democratic institutions are stronger than ever. "It means our democracy works and our system is mature enough to accept a major change in the governing party," says Torres Landa. "We should be very proud about that."

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