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## **New Leaders Appointed for Mexico's Central Bank, Finance Ministry, PEMEX**

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Mexico experienced a considerable shift in its economic landscape ahead of President Enrique Peña Nieto's last year in office, with changes in the leadership of the central bank (Banco de México, BANXICO), the finance ministry (Secretaría de Hacienda y Crédito Público, SHCP), and the state-run oil company PEMEX. Within a span of a week, the Peña Nieto government appointed Alejandro Díaz de León as the new chief governor of the central bank, José Antonio González Anaya as the new finance secretary, and Carlos Treviño as PEMEX director. The governing Partido Revolucionario Institucional (PRI) also confirmed that the outgoing finance secretary, José Antonio Meade Kuribreña, would be the party's presidential candidate in the 2018 election.

### *Carstens leaves central bank*

The changes at the central bank were set in motion with the departure of chief governor Agustín Carstens. Carstens announced in December 2016 that he was leaving his post in July to assume a high-level position with the Bank for International Settlements (BIS), but he delayed his exit from the central bank by several months to allow for a smoother transition. The BIS, based in Basel, Switzerland, is often described as the "central bank for central banks" because of its role of fostering international monetary and financial cooperation.

Carstens' decision to leave BANXICO initially had a depressing effect on Mexico's financial markets, coming as it did just weeks after Donald Trump was elected president of the US, promising a series of protectionist measures that could hurt the Mexican economy. BANXICO's policies under Carstens' leadership had helped stabilize the Mexican economy against external threats ([SourceMex, Dec. 7, 2016](#)), which included Trump's push to renegotiate the North American Free Trade Agreement (NAFTA). The US, Mexico, and Canada have begun discussions to reform NAFTA, but the three countries remain wide apart, raising the prospect that the US might scrap its membership in the accord ([SourceMex, Aug. 23, 2017](#), [Sept. 6, 2017](#), [Oct. 18, 2017](#)). The Mexican financial markets, however, recovered strongly by mid-year ([SourceMex, Aug. 2, 2017](#)).

In the days and weeks leading to Carstens' departure, there was much speculation but also uncertainty, on who would replace him at BANXICO. In addition to Díaz de León, other candidates mentioned were Meade Kuribreña, deputy BANXICO governor Manuel Ramos Francia, deputy finance secretary Miguel Messmacher, then-PEMEX director González Anaya, and former Mexican President Ernesto Zedillo (1994-2000).

Analysts expressed confidence in the ability of all the candidates to continue BANXICO's mission to promote growth and control inflation. "All the potential candidates would pass the basic test," Richard Hall, an emerging markets analyst at T. Rowe Price in Baltimore, said in an interview with Reuters. "They are all orthodox economists."

On Nov. 28, Peña Nieto named Díaz de León to replace Carstens, a move that drew wide praise. "He's a very reputable technocrat with a long career trajectory at the central bank," Alberto Ramos,

Latin America chief economist for Goldman Sachs Group Inc., said in an interview with Bloomberg news service.

Similar comments came from editorialists. "Alejandro has an impeccable academic and professional trajectory," columnist Jesús Garza wrote in the daily business newspaper *El Financiero*, noting that Díaz de León had played a central role in helping improve Mexico's credit markets.

Many observers also pointed out that Díaz de León would have the same principal task as Carstens, which is to respond to possible upheaval caused by external factors. "One of the challenges that Díaz de León will face will be the volatility of the foreign exchange market resulting from next year's elections [in Mexico and the US], along with the possibility that NAFTA might be ended," said Rubén Domínguez, chief economist for the economic consulting company Valores GACS.

In an interview shortly before his departure, Carstens noted that BANXICO had adjusted policies over the last few months to address possible economic shocks. "We are still not free from potential additional shocks," he said in an interview with Reuters. "We cannot assume that the disinflationary path will necessarily go as expected," he added.

Another possible challenge would be a clash of economic philosophy with a potential center-left presidency led by Andrés Manuel López Obrador, who is leading the polls. In an effort to appeal to the business sector and centrist independents, López Obrador released a business plan in late November in which he appeared to back away from earlier pledges to reverse the economic reforms enacted during the Peña Nieto administration, including the opening of the energy sector to private investment. Instead, López Obrador has vowed to fight financial crime as well as tighten money laundering, banking, and tax regulations.

"Banks and financial institutions aren't victims, but rather those principally responsible for, and benefiting from, the total lack of control in money laundering," said a 415-page proposal released by López Obrador, who is representing the Movimiento Regeneración Nacional (Morena) in the election.

López Obrador, commonly known by the initials of his name, AMLO, has also promised to respect the autonomy of the central bank. However, analysts are uncertain on what fiscal policies a center-left government would adopt, and whether they would be in conflict with BANXICO's monetary policies.

"It wouldn't be beyond the realm of possibility that the government and the central bank would clash," columnist Enrique Quintana wrote in *El Financiero*. "However, the task of defending the autonomy of the central bank would not fall entirely on Díaz de León but on the entire institution and on all of civil society."

Carstens' departure and Díaz de León's promotion leave a spot open in the five-member central bank. According to analysts, there is the possibility that the administration could make an unprecedented move and name a woman to the post. One possible candidate is Lorenza Martínez, who has served as director of the Systems of Payments and Corporate Services (Sistemas de Pagos y Servicios Corporativos), a BANXICO unit, since 2013.

### *New Finance secretary pledges to stay the course*

González Anaya, a Harvard-educated economist, becomes the third finance secretary during the Peña Nieto government, leaving his post as PEMEX director to take over the reins of the SHCP. In

comments to reporters, he pledged to continue the economic policies of his two predecessors—Luis Videgaray, who is now the foreign relations secretary, and Meade—including a promise not to seek tax increases.

González Anaya served as deputy secretary at the SHCP, known informally as Hacienda, during the administrations of Vicente Fox (2000-2006) and Felipe Calderón (2006-2012). “I spent more than 10 years at Hacienda, working side by side with many of you,” the new secretary said during his presentation to the finance ministry personnel.

In much the same manner as the central bank, the SHCP’s policies will be linked closely to economic developments in the US, particularly the NAFTA negotiations and the tax-reform proposal under consideration in the US Congress. The tax proposal has an incentive for US companies with investments overseas to repatriate capital.

“If US companies have strong investments in Mexico ... [the new tax law] creates an opportunity for the home office to bring back the money to the US, where tax payments would be lower,” said David Escalante Romero, an expert on taxation for the Mexico City branch of the consulting company KPMG.

González Anaya said the SHCP would respond with its own proposals. “The first move by Mexico, without doubt, would be to create incentives for these investments to stay here,” he said.

Treviño, who was appointed to replace González Anaya as head of PEMEX, becomes the third director of the state-run oil company during the current administration and the eighth since 2000.

“The move shifts responsibility to Treviño to carry out a five-year plan designed by González Anaya to stabilize PEMEX’s finances through asset sales, job cuts, and production partnerships,” said Bloomberg news service.

### *Meade to run for president*

There was a reason for Peña Nieto to appoint Díaz de León to the central bank instead of Meade.

The governing Partido Revolucionario Institucional (PRI) had a different role in mind for the finance secretary: presidential candidate. On Nov. 26, Meade tendered his resignation as head of the SHCP and announced he would represent the PRI in the July 1 presidential election.

Meade, who is not a member of the PRI, was a surprise choice, as other candidates with greater links to the PRI—Interior Secretary Miguel Ángel Osorio Chong, former Education Secretary Aurelio Nuño, and Videgaray—were seen as more likely choices.

Osorio and Videgaray, however, carry significant baggage. Osorio is facing criticism for his failure to reduce violence and address impunity in Mexico ([SourceMex, Jan. 14, 2015](#), [Feb. 18, 2015](#), [May 11, 2016](#)), while Videgaray has been accused of conflicts of interest ([SourceMex, April 29, 2015](#)). Furthermore, Videgaray’s reputation suffered when reports surfaced that he had played a key role in the invitation issued to then-candidate Trump to visit Mexico during the US presidential campaign ([SourceMex, Sept. 7, 2016](#)).

For the PRI, the decision to recruit Meade became easier with a change made to the party’s statutes in August 2017 to allow external candidacies. Meade, who is technically an independent, has served in three Cabinet posts in the Peña Nieto government and held two positions in the Calderón’s administration. Calderón is a member of the center-right Partido Acción Nacional (PAN).

Meade's appeal is his reputation as an honest and corruption-free official, which gives the PRI a fighting chance in the 2018 election, given its reputation as a party composed of corrupt politicians and leaders ([SourceMex, Dec. 3, 2014](#), [April 29, 2015](#), [July 19, 2017](#)).

According to columnist Yuriria Sierra of the daily newspaper *Excélsior*, a phrase she has heard often from would-be PRI voters is, "If Meade is not the candidate, I will vote for AMLO."

"People are fed up, disenchanted, and angry at the politicians and the political parties, and many consider José Antonio Meade as a ray of hope among the spectrum of potential candidates," Sierra wrote. "He is perceived as an efficient public servant who does not have a political agenda and is committed to his work."

Whether Meade's clean image will be sufficient to draw voters to the PRI remains to be seen. Two public opinion polls conducted shortly after the announcement of the new PRI candidate showed Meade still lagging López Obrador by double digits. One poll conducted by the daily newspaper *Reforma* put support for López Obrador at 31%, and a survey taken by Buendía & Laredo on behalf of the daily newspaper *El Universal* also put support for López Obrador at 31% to 32%.

Meade came in third in the Buendía & Laredo poll, with support at 15% to 16%, also behind the yet-to-be named candidate for a coalition (Frente Ciudadano por México, FCM) proposed by the PAN and the center-left Partido de la Revolución Democrática (PRD) earlier this year. The coalition was previously known as the Frente Amplio Democrático ([SourceMex, Aug. 9, 2017](#)). Of the potential FCM candidates, Ricardo Anaya (currently the PAN president), received 23%, and Miguel Ángel Mancera (the Mexico City governor) obtained 22%.

In the *Reforma* poll, Meade obtained 16%, the same as Anaya (running as member of PAN and not the FCM). Mancera's support was 6% as a PRD candidate.

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