



GRUPO
ESTRATEGIA
POLITICA

Asuntos Públicos y
Consultoría Política

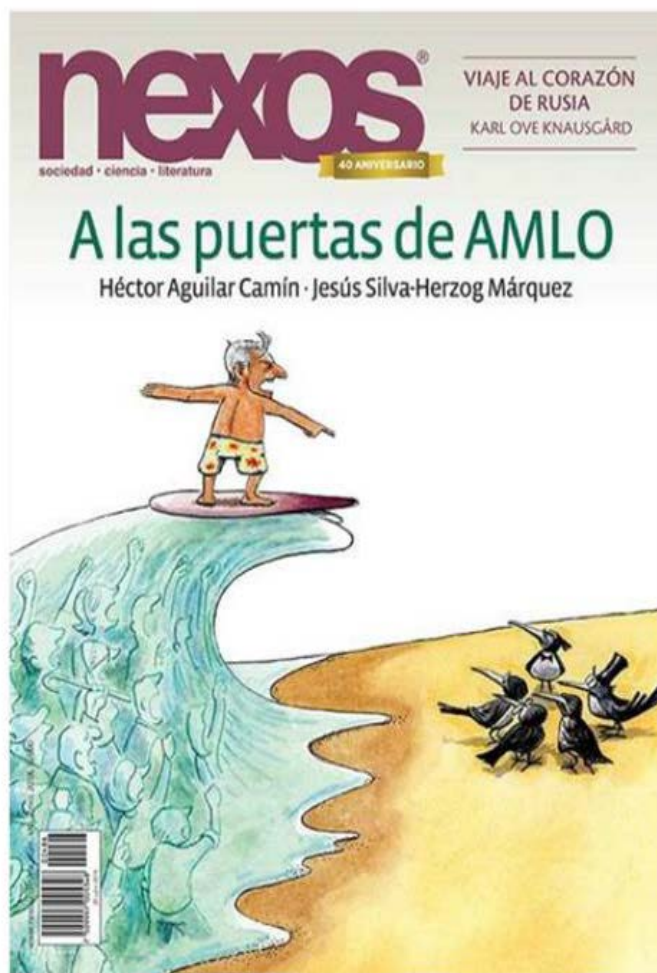


PUBLIC AFFAIRS OVERVIEW IN MEXICO

March, 2020

POLITICAL, ECONOMIC AND GLOBAL CONTEXT

Political Context



Political Context

Parties and political representation



**Andrés Manuel
López Obrador**

Juntos Haremos Historia



30,113,483

Source: INE

- ✓ Highest turnout for a party in in the last 30 years
- ✓ Left wing president - highly focused in social programs

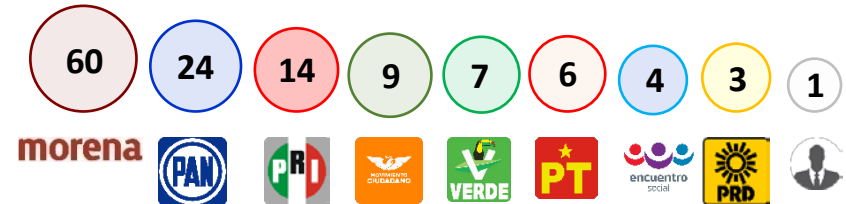
CURRENT POLITICAL MAP GOVERNORS



House of Representatives (500)



Senate (128)

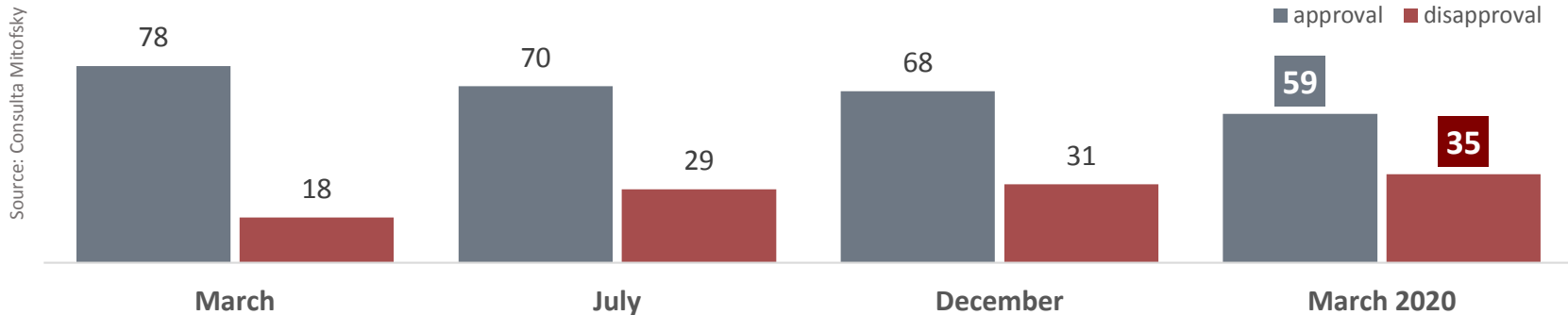


- ✓ Control of the ruling party in Congress allows President's agenda to move forward
- ✓ Weak opposition

Political Context



Approval tracking poll



AMLO's approval rating **VS** government results

- » Approval persists
- » Moral discourse and social empathy
- » Defines political and media agenda
- » Social benefits without intermediaries
- » Social movement (gender-based violence)
- » Approval rating weakens
- » Economic Growth
- » Insecurity
- » Media Overexposure

Political Context

Principles:

Participatory democracy



State Self-Sustainability

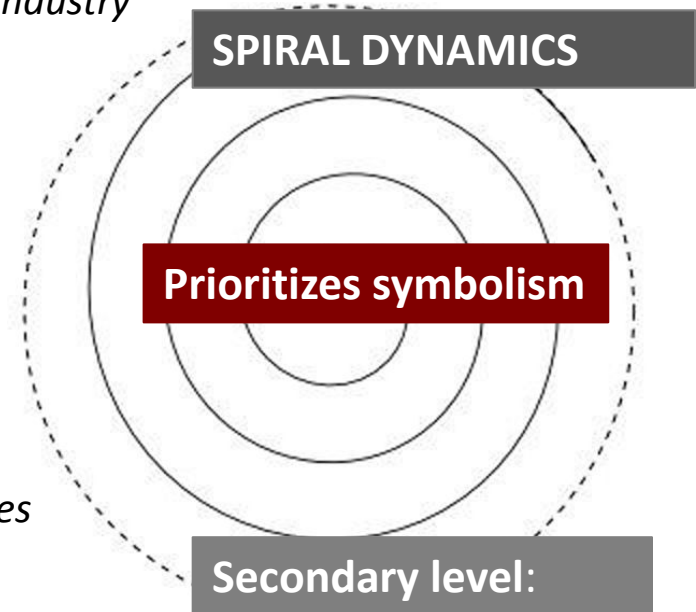
- *Strengthening the domestic market and national industry*

New way to rule:

- *Social*
- *Austerity*
- *Polarization (Vs. "Anti-people")*
- *Limelight*
- *Communication model*
- *Moral Identity*
- *Hinders autonomous agencies (CRE, CNH, CNDH)*



"Public officials must serve, not serve themselves"



⇒ Order, rules and transparency

⇒ Business competitiveness

Political Context



Contradictory messages

Attract investment VS. restrictive measures



Private and Public
Committee for energy

VS



Oil bids (rounds)
cancelled



Recover domestic
market

VS



Import of medicines



Private investment
for "Mayan Train"

VS



New Mexico City
airport cancelled



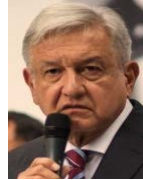
Compliance with
Constitution

VS



Institutional discredit

Political Context



AMLO's boundaries

Where he exercises pressure
and polarization

- ⇒ Corruption
- ⇒ Economy
- ⇒ Security
- ⇒ Infrastructure
- ⇒ Social welfare
- ⇒ Health
- ⇒ Education
- ⇒ Government Branches
- ⇒ Previous governments

Opportunity to position agenda

Where he sets his boundaries

the 4T anchors

- **Relations with the US**
- **International treaties**
- **Federal Budget**
- **Mexico's Central Bank**
- **Exchange rate**

Seeks no controversy/polarization

Economic Context

Economic goals are becoming unreachable

Fall in oil revenues



Mexican oil
falls 31.7%
USD\$24.43 per barrel

Alternatives: Reduce spending / Increase debt / Tax Reform / investment plans with private sector



Possible PEMEX credit rating downgrade



2019 GDP -0.1%

Inflation rate:
3.7% (Feb)



2020 GDP cuts far from 4%
(1.2% - 0.5%)



Volatility: Mexican Stock Exchange loses 30.34 billion dollars.

Mexico at risk of recession

Moody's



Exchange rate

21.11
Mar 2020

Global Challenges

Global Challenges

- COVID-19
- Stagnant world economy as trade tension increases (oil price war)
- Escalation of ideological trends by the far-right/left wing politics
- New social movements (environmental, regional, feminism wave)
- Tariff threats



2020 Elections



México



USA



Costa
Rica



Peru



Bolivia



Chile



Paraguay



Brazil



Uruguay

PUBLIC AFFAIRS IN MEXICO

Public Affairs in Mexico

20202 Federal Regulatory Trends



Environment

- ➡ Circular Economy
- ➡ Solid Waste / single use plastics
- ➡ General Water Law
- ➡ Native Maize Protection



Labor

- ➡ Labor Reform implementation
- ➡ Outsourcing
- ➡ Workers' rights / Labor unions
- ➡ Gender equality



Commerce

- ➡ Consumers' rights
- ➡ Advertising
- ➡ Food warning labels
- ➡ Advertising calls (Call Centers)
- ➡ Intellectual Property
- ➡ Credit Institutions Law (bank fees)
- ➡ Freight vehicles



Health

- ➡ Cannabis
- ➡ Universal Health System
- ➡ Consolidated purchases (medicines)



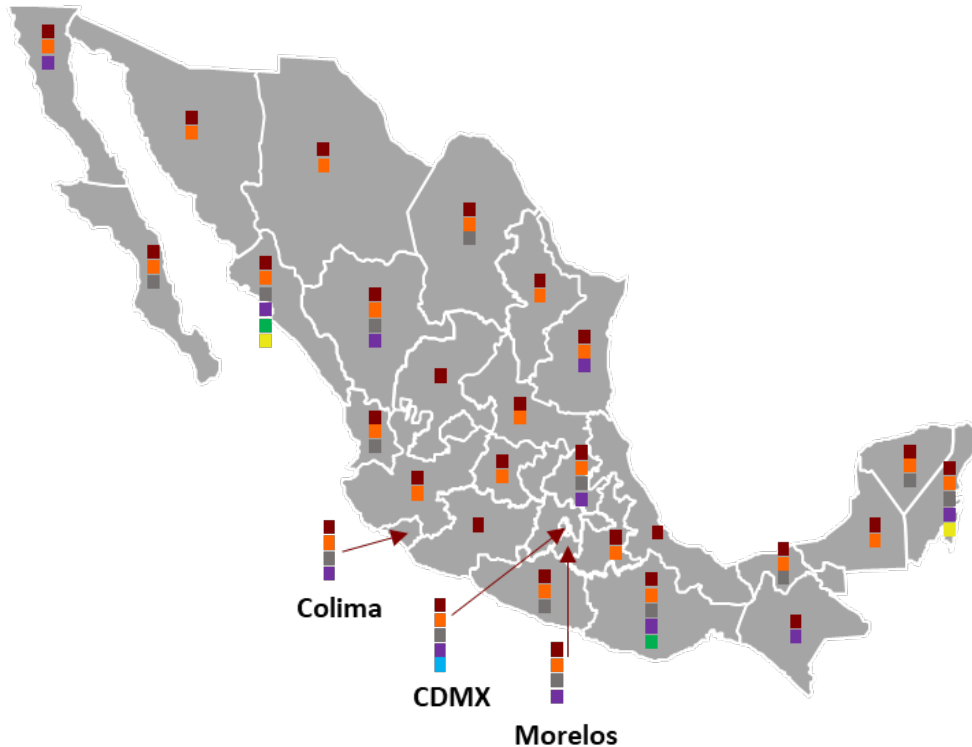
Tax Reform (2021)

- ➡ Environmental taxes
- ➡ High calorie food & soft drinks
- ➡ Alcoholic beverages
- ➡ Tax evasion



Public Affairs in Mexico

20202 State Regulatory Trends



MAP: Example of regulation by type of plastics at the state level

STATE REGULATORY TRENDS

Different approaches - Overregulation

- Single use plastics
- Permissions
- Taxes and duties
- Mobility restrictions
- Alcoholic beverages
- Gambling and casinos
- Lobbying
- Public consultation

Public Affairs in Mexico

Key Stakeholders



Public Affairs in Mexico

How PA strategies have changed?



- » Uncertainty regarding agenda
- » Reduced access for the private sector
- » Centralized decision making
- » Limiting instruments:

- Open Parliament
- Public consultation
- Contract cancellation
- Austerity

What are we doing as an industry?

» Maintain PA principles

- *Identification of key stakeholders*
- *Monitoring*
- *Political Intelligence*
- *Thorough analysis of public policies*
- *Positioning papers*
- *PA strategy*
- *Technical support (back office)*
- *Lobbying*
- *Transparency*



» Focus on PA strategies at the local level

Public Affairs in Mexico

Recommendations



In a new political context for public affairs in Mexico

New ways of communication and negotiation with the political power are needed.

➔ **Bottom-Up Public Affairs strategy used to be a best practice,** now it is an urgent matter.

- **Strengthen responsible long-term relations** with Governors and Local Congresses.
- **Grassroots** - Local strategies & On-site offices.
- **Lobbying transformation:** lawmakers' immediate reelection—will apply in 2021.
- In-depth **stakeholder mapping** is required.
- **Adjust the narrative** based on understanding the government's dynamics and needs.

➔ **Build a united position of PA.**

- A **comprehensive strategy** is required for the private sector.
- **Scenario and context analysis** / reaching agreements.
- **Work with counterweights:** organized civil society; private sector; other allies.
- **Non-market issues** – Impact of lobbying for business.

Public Affairs in Mexico

What's next?



Transparency principles in Public Affairs are maintained.

- **Seek an open dialogue through social responsibility topics** to avoid inequality issues.
- **Institutional communication** and public dialogue.
- **Negotiation:** strategies and styles (win-win), empathy and interpersonal relations.
- **Solid arguments and facts (hard numbers):** social, academia, economic footprint, jobs, among others.

Generate creative campaigns in order to reinforce the image of the Mexican industry and companies.