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U.S - Mexico relationship to be tested during next months

The United States - Mexico relationship will be put under stress in the midst of a presidential transition and election season. Pushing a bilateral agenda within an *intermestic* relationship while keeping a political neutral stance and calming the markets. Is it possible?

From the Founder and CEO

SUASS GROUP

06/12/2024 - Some will say we have been in this path before. But that is not necessarily true, stakes have never been this high. Geopolitical shifts and conflicts keep pressing on the markets. Furthermore, elections in Europe are signaling a turn to the right spectrum of political ideology, while this summer will mark the start of a more robust campaign season in the U.S.

Meanwhile, in Mexico, the first female president has been elected. Although, Claudia Sheinbaum will be taking office as of October 1st, the national election outcome (a sweeping landslide victory from leftist Morena party) has the sense of a **“too big to fail” government** as Morena also gain majority in congress, municipalities and states. Our analysis, indicates that well beyond controversial reforms announced by seating president Andrés Manuel López Obrador, such as the judiciary reform, labor or the proposal to eliminate autonomous entities and some regulatory organs, the boiling days of USD-MXN peso parity are part of a broader perception of the “government-elect”. Ultra high expectations for better or for worse, a *quietish* constructive and positive tone was perceived at the height of Sheinbaum’s campaigning within the business community.

A sense, that the so called “fourth transformations or 4T” regime engagement with the private sector and international entities had passed a sort of learning curve impacted positively the overall narrative of potential political risk from Sheinbaum being elected. The currency fluctuation bomb-dropping effect immediately after the election was product of an unexpected yet hard not to see it coming result of the general election. However, a rapid response and well executed communications strategy from the president-elect Sheinbaum had a double effect. The first one, was a relief from the market and critical voices, after she started showing the first signs of her authority and leadership. Engaging with foreign influential actors and financial stakeholders calmed the markets. The second one, was that of a fundamental question following president López Obrador’s forceful hand down on the table, signaling he is still in charge and reminding he will enjoy for a month a congressional majority to do or undue. That backdown, somewhat natural in a transition process, triggered the long awaited doubt, could Claudia Sheinbaum mark distance from his predecessor? Could she show political will and authority to act on her government’s behalf, planning before a negative scenario from the markets? Our analysis indicates she can. However, navigating a hyper charged political environment -foreign and domestic- will require pragmatism, back channeling and a very fine line of communication in order to appease her predecessor while setting the tone right at the outset of her administration with out sparking a crisis.

Winning the hearts and minds of the people who did not vote for her while keeping the benefit of the doubt from the private sector and thus the markets, will most certainly include navigating the US electoral process. One in which the current president has little to loose. The US - Mexico bilateral relationship has reached a point where the **compartmentalization** of issues surrounding the agenda is vital. Yes, it has been described as wishful thinking for the last two decades. Now it’s a geopolitical commodity, specially for the two most intertwined countries in the face of the earth.

We believe that if president-elect Sheinbaum, maneuvers domestically well the transition, with a well balanced approach to her authority, political will and a “just right” amount of proximity to president López Obrador’s narrative, she will be able to signal the international community about her future government and work the US election around key political and economic stakeholders. That will in turn advise on compartmentalization in a electoral campaign poised to be gloves-off, with issues tuned into remarks or promises surrounding Mexico, requiring two tones at the top. The reactionary from the actual president and the decisive well thought strategic approach from the next president.

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