

## TRUMP CLOUDS OVER MEXICO

### *Impact of a Trump administration on the energy reform*

IN THE DAYS LEADING UP TO the U.S. elections on November 8, 2016, the print and electronic media gave Hillary Clinton a chance of winning the presidency that was as high as 84% during the final days of the campaign. The upset victory of Trump, who received in the Electoral College 290 votes to Clinton’s 232, was of a magnitude not seen since the tumultuous election of Andrew Jackson in 1828.

The immediate, and predicted, reaction was worldwide perplexity and consternation, expressed in the markets by a swing of 900 points in the New York Stock Exchange. Emerging markets suffered losses. The Mexican peso fell 15% against the U.S. dollar.

Mexicans at home and in the United States felt the loss in personal terms: betrayal, sadness, heartbreak, numbness, disbelief. Mexico has had a love-hate relationship with the United States since the Texas Insurrection of 1835, but it has been mostly love, evidence of which is that 10% of its population has immigrated, legally and otherwise, to the United States.

At the Baker Institute at a seminar held on November 1, a senior official from the Finance Ministry was asked this basic question: *What is Mexico’s Plan B in case of a Trump victory?*

Citing the risk to public finances, President Enrique Peña could gain support for immediate, politically incorrect measures that would strengthen Mexico’s advantage in advance of the presidential inauguration on January 20, 2017. To borrow from Trump, the goal should be to make Mexico great again.

In this report, we identify areas in which the implementation of Mexico’s energy reform could be affected by policies that the future Trump administration might adopt. We also itemize areas [ *Make Mexico great again* ] where Mexico’s energy regime is far from great, and this checklist could serve as a starting point for consideration of preemptive innovation in policy and legislation.

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## Report titles on NAFTA

United States Election Results Impact Survey by Industry Exchange LLC, organizers of the 2nd Mexico Infrastructure Projects Forum

1. Will trade policies from the newly elected president of the United States negatively affect the Mexican economy or will the government take a more conservative approach to the discussion?

- Negatively affect
- Conservative Approach
- Other

2. Will Mexico's Energy Reform be negatively impacted by new trade policies enacted from the newly elected president of the United States?



- Yes
- No
- Maybe

3. Will US & Mexico trade continue to grow from 2017-2021?

- yes and at a faster pace
- Yes but at a slower pace
- No
- trade growth will not grow nor decline
- Other (please specify)

4. Which industry in Mexico will be most likely negatively affected by the US Government policies during 2017-2021?

- Agriculture
- Manufacturing
- Tourism
- Energy
- Infrastructure

Year	Topic	File #	Pages	Chart
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### 2015

Nov 13, 15	<b>Annual Meeting of the US-Mexico Bar Association</b>	794	8	1
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With energy as the general theme of the conference, members of the US.-Mexico Bar Association (<http://usmexicobar.org>) held their annual meeting in Houston November 4-6. The keynote speaker was Carlos Morales, the former 10-year head of Pemex E&P. Discussions touched on controversial topics such as administrative rescission, arbitration and contract stabilization. Some topics were missing from the program, such as national content and the legal significance of the neologisms of the 2014 energy reform, as in "productive state enterprise" and "Coordinated Regulator in Energy."

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## Report titles on NAFTA

Year	Topic	File #	Pages	Chart
<b>2014</b>				
Apr 14, 14	<b>NAFTA @ 20 at the Baker Institute: The Trade Pact's Significance Is Debated</b>	1000029	11	0
	<p>The conference held on April 7 brought back together officials from the 1980s and early 1990s who were instrumental in the negotiation of the U.S.-Canada FTA as well as NAFTA. Today, there is no consensus as to the significance of NAFTA. Carla Hills cited the growth of trade statistics; Jaime Serra noted that the economic cycles of the 3 countries move together. The World Bank believes that the China Effect is more important than NAFTA in explaining the growth of the Mexican Economy. We ask about the value of trade statistics and about the 10% import duty on gas in 1994.</p>			
<b>2013</b>				
Dec 18, 13	<b>NAFTA AT 20: Personal reminiscences and speculations</b>	1000016	3	0
	<p>NAFTA is a story of mixed success, of pluses and minuses. There is a temptation to depict the successes of NAFTA in terms of trade statistics. It turns out, however, that U.S. and Mexican trade statistics do not take into account intra-firm commerce. In 1991, Mexico changed its national chart of accounts to include what, previously, had been "border transactions"; making trade statistics of little help in trying to gauge the success of NAFTA. The negotiators failed to achieve an oil reform, and Pemex jinxed foreign investment in the gas market by means of a tariff on imports.</p>			
Mar 08, 13	<b>US-Mexico Transboundary Hydrocarbon Agreement (Part IV)</b>	100157	11	5
	<p>This report identifies some of the technical issues and agreements that need to take place between the licensees in a JV of the kind that would be formed to exploit a cross-border reservoir in the framework of the US-Mexico Hydrocarbon Agreement of 2012 (TBA). Because of the political sensitivity of the topic, attention is given to the selection of the operator of the venture. The TBA is likely to be more important to Mexico for its heuristic value than for its facilitating oil production in Perdido. The TBA is an exercise in imagining an equity-based JV of the kind Pemex needs outside Perdido as well.</p>			
<b>2012</b>				
Dec 11, 12	<b>NAFTA @ 20: Regional competitor or springboard to TPP?</b>	100151	7	1
	<p>The 20th anniversary of the signing of the North American Free Trade Agreement (NAFTA) took place during an intense period of expectation regarding the policy intentions of the incoming government of President Enrique Peña Nieto. The NAFTA story, as narrated in several conferences, was about its success. Some speakers, such as Mexican Amb. Arturo Sarukhán, said that the experience of NAFTA would contribute to the formation of a Trans-Pacific Partnership. The present report comments on the glass half empty. Table 1 itemizes disappointments with the results of NAFTA.</p>			



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Year	Topic	File #	Pages	Chart
<b>2004</b>				
Jul 27, 04	<b>NAFTA: a mixed success at 10--abrogated at 15?</b> This report reviews the first ten years of NAFTA, and asks if the agreement in its present form will reach a 15th anniversary. As measured, regional trade expansion has been substantial, but wages are flat or declining. Some controversies, like trucking, energy and softwood lumber, defy resolution. Mexican industry is generally opposed to any further opening of the economy. Is regional convergence of the kind seen in Europe an option? If so, the premises and terms of NAFTA will need to be replaced by a broader vision.	668	9	3
May 25, 04	<b>The risk of virtual expropriation: Metalclad and Marathon Oil</b> This report examines the risk to investors in infrastructure projects in Mexico from indirect or regulatory expropriation. The cases heard in the first ten years of NAFTA leave serious doubts about the remedies available under its Chapter 11. This report examines two virtual expropriations: that of Metalclad Corp. in 1997 and that of Marathon Oil in 2004. Two questions are asked: What went wrong? and What are the lessons?	673	9	5
<b>2002</b>				
Dec 18, 02	<b>NAFTA and North America Energy: Mexico's relative gains, 1980-2010</b> Since 1980 Mexico, Canada and the U.S. have expanded energy supplies and markets, but at different rates. This report evaluates the advances of Mexico and Canada during the historical period of 1980-2000 using the U.S. as a benchmark. A forecast for the period 2000-2010 illustrates expectations for the three countries.	618	8	5
Dec 04, 02	<b>NAFTA and North America Energy</b> On Mid-2002, the North America Energy Working Group published their first study "The Energy Picture". This report provides a description of the NAEGW group and presents the main conclusions of their energy study in the framework of NAFTA. The energy supply and demand by country for 1980, 1990, 2000 and a forecast for 2010 are presented.	609	5	15



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