

US Elections - Mexico

U.S. Elections are key for the Latin America region as two radically opposed styles will determine whether relations between these countries and the U.S. will be strengthened or cooled. The outcome of the U.S. presidential elections will undoubtedly play a critical role and potentially could reshape trade relations in the region.

The Harris administration will make the strengthening of trade relations a priority, which might help to reduce dependence on China and pave the way for increased investment in technology and manufacturing in the region.

In contrast, if Trump is elected, he is likely to use trade relations as a tool to pressure Latin America governments into ideological alignment.

The race is tight based on the latest polls, given the uncertainty, we can expect that anyone who is elected as president will not have a solid majority in any house.

We are going to analyze the impact on Mexico who is the most important trading partner of the United States; it is hard to envision a scenario where they do not consume raw materials, such as fruits, vegetables, and grains, among others.

It is worth mentioning that the Americans image of Mexico has gone down systematically since Lopez Obrador took power in 2018, in terms of security, drugs, violence, migration and trade. The relationship between Mexico and the U.S. has worsened.

One could say that Donald Trump winning is worse for Mexico because of his promise of massive deportation, increased tariffs, and because of tougher border controls.

If Kamala Harris wins, that will also be a challenge for Mexico in terms of security, migration and trade. Harris has been clear that she will take a tough stance with the country, not necessarily the same as Trump, but still not very friendly.

We will explore each of the candidates' positions regarding security, migration and trade.

Migration

Trump

- Massive deportations
- Building actions to drastically reshape asylum, border, and deportation policy

Harris

- Pushing for a reform in the Border
- Reform to provide a legal path to citizenship for Mexicans in the U.S.

Trade

Trump

- Tariffs
- He will push to eliminate the United States-Mexico-Canada Agreement (USMCA) because of the tariffs.

Harris

- As a senator she voted against USMCA
- She will push labor rights and wages which will make Mexico less competitive
- She would like to bring work back to the U.S.

It is hard to say which candidate would be more beneficial to Mexico and the Region. Democrats who were always characterized to have more a friendly policy towards LATAM have reverted lately.

We believe that a Harris victory would offer a more favorable scenario both economically and politically for U.S. – Latin America relations.

Trump`s unilateral approach and dismissal of a globalized order would obstruct political dialogue and economic cooperation, making it difficult to maintain existing trade relations and create new opportunities.

We are going to monitor how the markets react and pay close attention to the U.S. elections. We continue to believe our investment strategy, as reflected in our investment approach and process, allows the Fund to seek opportunities found in the Region.

Security

- Both candidates are going to be more demanding of results against organized crime in Mexico.
- Trump has made a campaign promise to seal the border, stop the invasion, and implement the largest deportation effort in U.S. history.
- Harris wants to hire one thousand more border agents, and she will continue pushing for the toughest border security bill in decades.

This opinion article was written by: Mauricio Alvarez, Portfolio Manager of OTG Latin America Fund.

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