

# WASHINGTON **Examiner**

## **Mexico's new president is a wild card in the battle over Trump's new NAFTA**

Sean Higgins

September 3, 2018

If there was one person who wanted President Trump's U.S.-Mexico bilateral trade to progress to the U.S. Congress with Canada's approval on Friday, it was incoming Mexican President Andres Manuel Lopez Obrador.

That's because as long as that North American Free Trade Agreement-altering deal happened that way, Lopez Obrador, "AMLO," as he is commonly known, could claim not to be part of the deal.

The talks stalled, however, after Canada balked Friday at signing off and Trump sending the deal to Congress without them. That puts AMLO in the difficult position of deciding whether he will try to carry the deal forward when takes office. It is unclear what he will do.

"He doesn't want to deal with this in his presidency," said Carlos Hidalgo, Latin American policy expert for the free-market Cato Institute. Hidalgo added: "Both his people and the [current President Enrique Pena] Nieto government were on the same page in this regard: Get a deal done and passed before [AMLO's] people get into power."

AMLO is a leftist and NAFTA critic, but has tried to downplay his opposition to that trade deal. NAFTA is broadly popular in Mexico, many seeing it as key to the country's recent prosperity.

Friday was considered a deadline for the deal because under Trade Promotion Authority, the law covering submitting trade deals to Congress, Trump must give lawmakers 90 days' notice. Friday was 90 days before AMLO officially takes office on Dec. 1, so a deal submitted by then would be under Mexico's current president, Pena Nieto.

The lack of support from Canada could cause Trump's deal to stall in Congress, many lawmakers having argued that Canada must be on board to prevent disrupting NAFTA. Should the deal stall in Congress, AMLO must decide whether he wants to officially back the deal himself.

He will face considerable pressure at home to salvage something from the deal, argued Gary Hufbauer, senior fellow at the Peterson Institute for International Economics.

"My guess is that AMLO, once he takes office, will be under a lot of pressure from business firms in Mexico to tweak this or that provision until he can say it is his baby," Hufbauer said.

It's not as though AMLO is necessarily opposed to the deal Trump negotiated with Pena Nieto. He had representatives at the talks that lead to it, so he had input in it. And one of its key

provisions, requiring at least 40 percent of a car's components to be manufactured by workers earning at \$16 an hour or its equivalent, is an issue AMLO has endorsed.

But publicly backing the deal is not something that is good politics for AMLO at home, so he'd rather have Pena Nieto take the lion's share of the credit — and be able to distance himself from the deal later on, if necessary.

The main provision of the U.S.-Mexican agreement alters the so-called "rules of origin" raising up to 75 percent, up from 62.5 percent, the amount of North American-made parts needed for a car or truck to be duty-free under NAFTA. It also required that at least 40 percent of all auto content be made by workers earning at least \$16 an hour or its equivalent. Both changes would force auto manufacturers to move more production back into the U.S.

The key issue for Canada was a section in the deal that scrapped NAFTA's Chapter 19, which involves settling disputes over levies and anti-dumping rules. Maintaining the provision was a key concern for Canada. The section has been of much less interest to Mexico.