



Mexico's leftist presidential candidate worries NAFTA fans

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July 1 has long been seen as the unofficial deadline for renegotiating the North American Free Trade Agreement. That's the day that Trade Promotion Authority, a law that gives the White House considerable leverage in getting trade deals through Congress, is set to expire. It is also the day that Mexico holds its presidential election.

The leading candidate in that race is leftist former Mexico City Mayor Andres Manuel Lopez Obrador, a critic of President Trump and free trade. His positions have sparked fears that his election could lead to a collapse in the NAFTA talks if they're not complete by July 1 and President Trump following through on threats to pull the U.S. out of the 1993 deal.

That scenario ignores a key fact: Obrador is under serious pressure at home to preserve NAFTA. The trade deal is widely popular in Mexico, and Obrador, now in his third bid for the presidency, has been at pains in recent months to show that he won't upset the status quo. He has moderated his rhetoric, reached out to international investors and named several economists with trade-friendly reputations as potential advisers.

"On NAFTA, there is a wide consensus in Mexico at this point that it is good for Mexico and that, even more basically, it is necessary for the country's economy," said Chris Wilson, deputy director of the Wilson Center's Mexico Institute. "Not only does his campaign need to convince voters they are not a danger to Mexico, they need to convince investors they don't need to run away from Mexico should he win."

That isn't reassuring NAFTA's fans, though. Many fear that Obrador's recent moves aren't sincere and that he would use a possible spat with Trump as a pretext to pulling out of the deal. Obrador declared in March that Mexico "will not be the pinata of any foreign government."

"He's in the [Hugo] Chavez/[Nicholas] Maduro mold," said a top official with a major U.S. trade association who requested anonymity, referring to the late Venezuelan president and his

successor, both populist socialists. “Right now, the three NAFTA countries are not there in making an agreement. It’s hard to see how we get any closer with Lopez Obrador as a negotiator.”

Critics point to signs such as Obrador’s call last year for the Mexican government to postpone any NAFTA negotiations until after this year’s presidential election. “Any unfair trade deal can be revised by the Mexican government,” he warned.

He has moderated his tone more recently, saying he would honor a deal negotiated by the outgoing administration. He also named economists with reputations as multilateralists as his economic team, should he get elected. Jesus Seade, a former deputy director general of World Trade Organization, for example, would head Mexico’s NAFTA negotiating team if the talks are not finished by the election, Obrador has said.

“We recognize the importance that Mexico needs to take advantage of a global economy and foreign investors are fundamental,” Graciela Márquez, a Harvard-educated economist tapped by Obrador to serve as economic minister, told the Dallas Morning News this month.

Obrador is keenly aware that if foreign investment to Mexico dries up as a consequence of a NAFTA blow-up, he could face a serious backlash at home, Wilson argues. “It would be telling everyone that had concerns he would not be a steady hand on the tiller of the Mexican economy that they were right,” Wilson said.

A further wrinkle is that Obrador and Trump aren’t that far apart on trade policy. Obrador’s criticisms of NAFTA are similar to the White House’s: He says the deal has benefited his country’s elites at the expense of its workers, forcing their wages down to preserve the country’s trade advantages.

“He will add another layer of uncertainty to the negotiations. He doesn’t want to be perceived as being pushed around by Trump, but he has said he agrees with the Trump administration when it comes to raising salaries of Mexican workers as part of NAFTA,” said Juan Carlos Hidalgo, Latin American policy analyst with the free-market Cato Institute. “It’s ironic because the Trump administration is trying to include that in the talks precisely to undermine Mexico’s competitiveness in labor costs.”

An agreement between the White House and a prospective Obrador administration could be just as worrying to business and trade groups as a breakdown in the talks. Even those who have supported re-negotiating NAFTA haven’t wanted wholesale changes to the deal, especially ones that could upend the existing North American supply chain.

Preserving Mexico’s labor advantage partly explains why its current government has been relatively accommodating to the White House’s demands. The Mexicans are under their own time pressure to get the deal done before Obrador or someone else takes office. Trump administration officials have said throughout the talks that Canada has been the bigger obstacle and even floated the idea of splitting NAFTA into two bilateral deals.

The new Mexican president doesn't take office until Dec. 1, but a deal completed by a lame-duck administration would face a much more difficult time in its Congress. A new Mexican administration, however, wouldn't be under the same pressure, giving the White House less leverage in the talks.

"Obrador will be more interested in the publicity of standing up to Trump regardless of the outcome. I can see a scenario where he wouldn't be too concerned with the U.S. withdrawing from NAFTA," Hidalgo said.