

## Opinion – The future of Mexico-US relations Post-Trump

Written by Marcela Franzoni

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MARCELA FRANZONI, NOV 28 2020

The victory of Joe Biden in the 2020 US presidential election outlines several challenges for Mexico-United States relations. Biden intends to rebuild U.S. relations with its allies, rejoin the Paris climate agreement, promote economic security and restore American credibility abroad. Even if those promises do not specifically target Mexico, it is clear that Biden's broader agenda will demand a higher negotiation capacity in different issues and levels of the Mexican government. Relations with a Biden administration will also be a personal challenge as the current Mexican President, Andrés Manuel López Obrador (also known as AMLO) from Movimiento Regeneración Nacional, developed a subordinated but collaborative relationship with the Trump administration. Indeed, López Obrador's visit to Washington on July 8, 2019, was criticized as a supporting gesture to Trump's candidacy as he did not also meet the Democratic presidential candidate, Joe R. Biden Jr. Additionally, López Obrador's administration broke Mexican diplomatic tradition by refusing to recognize the results of the U.S. presidential elections until all legal issues are settled. His comparison between U.S. 2020 elections and Mexican 2006 elections may also open the floor for misunderstandings, due to the fact that Mexican elections in that year were accused of fraud (Cárdenas 2007).

The position of López Obrador has generated criticism both in Mexico and in the U.S., such as journalists and public figures. It can represent a delay in starting negotiations with the new U.S. administration, foreshadowing implicit costs for Mexico-U.S. relations. During Biden's administration, Mexican government will face delicate issues in its diplomatic agenda with the U.S., like the USMCA origin rules for the automobile industry and new labor regulations. Considering that U.S. comprises 80% of Mexican exports, their economic relations dictates the future of Mexican economy after the covid-19 pandemic. All these challenges demand a greater degree of communication and cooperation between both countries.

The U.S. electoral campaign in 2016 created multiple instabilities within the Mexican political landscape. Donald Trump promised to build a wall across the border and make Mexico pay for it. He also set out a tougher migration policy, and renegotiated the North America Free Trade Agreement (NAFTA) in order to relocate American companies back to the United States. Even if the former Mexican president Enrique Peña Nieto (from Partido Revolucionario Institucional) was under pressure to respond to all these threats, the uncertainty in relations with Mexico's main trade partner clearly contributed to lowering his approval rating and to facilitate the victory of López Obrador in 2018.

Renegotiating NAFTA and forcing Mexico to increase military control over its Southern border to stop Central American immigration were some of the foreign policy achievements of Trump's administration. Secondly, despite the profound asymmetry between both countries, Trump faced domestic opposition when he threatened to leave NAFTA, especially from businesses and border states. To control migration and avoid the imposition of tariffs, Mexico and U.S signed the Migration Protection Protocol, known as Programa Permanecer en México on January 2019. Under the MPP, asylum seeking migrants of non-Mexican nationality had to wait in Mexico for their proceedings to validate before entering the United States. The Mexican government had committed to offer humanitarian assistance, including health care, legal assistance and job opportunities. The cooperation with Mexico was combined with tough U.S. Immigration protocols, such as denial of naturalization. According to the Pew Research Institute, arrests of migrants at the U.S.-Mexico border reached its highest point in 12 years.

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It was expected that the collaboration of Mexico in migration would help López Obrador's administration to raise funds for his Comprehensive Development Plan, negotiated with El Salvador, Guatemala and Honduras through the Economic Commission for Latin America and the Caribbean. However, Lopez Obrador's compromise with the U.S. on immigration hampered the possibility for a multilateral leadership in Latin America. Historically, Mexican governments preferred to negotiate their strategic foreign policy issues bilaterally with American governments, since their interests are traditionally closer to Mexican domestic politics.

Regarding trade issues, U.S., Canada and Mexico signed the United States-Mexico-Canada Agreement (USMCA) that substituted NAFTA on 2 July 2020. USMCA repositioned Mexico in the global U.S. strategy to contain China. In order to decrease the imports from foreign countries, the new agreement strengthened regional value chains. Also, the agreement sought to enforce Mexican labor standards, which are included in the 1917 Mexican constitution, but were never fully implemented. It is also expected that the USMCA would help the North American economies regrow after the covid-19 pandemic. Due to the significant Mexican dependence on the U.S. economy and the flamboyant personality of Donald Trump, López Obrador had little space to negotiate other issues with his northern neighbor. The agenda was circumscribed to traditional issues, especially migration and trade, which will likely soon change under the incoming Biden administration.

The economy will be of crucial importance in Mexico-U.S. relations under a Biden administration. The new USMCA regional value content for the automobile industry – from 62.5% to 75% of essential parts – aims to substitute incomes from other countries for those produced by the three members in North America. However, the amount of goods that will be substituted depends on a high level cooperation and institutionalization. The measures *per se* may still not be enough to decrease China's participation in regional imports. The substitution of imports in North America also depends on the future of U.S.-China relations. Biden promised to confront Chinese abusive and unfair practices in world trade and human rights violations. In this scenario, Mexico may have a unique opportunity to increase its participation in U.S. imports since it is a competitor of China in the segment of intermediate goods like electronics and auto parts. It is also worth noticing that Mexico had a trade deficit with China of approximately US \$75 billion in 2019.

Another challenge to be faced by the Biden administration will be the USMCA enforcement on Mexican working standards, a historical demand from the Democratic Party. According to the USMCA, new Labor Value Content (LVC) for the automobile industry, 40% of vehicles' added value must be manufactured by workers who receive at least US\$ 16 per hour. Considering that the Mexican national average wage is approximately US \$2 per hour, the LVC puts pressure on Mexico to change its industrial policy. Even though López Obrador has been advocating for an increase in minimum wage since 2018, it is still insufficient to contrast labor outsourcing and the current national poverty level. There is also the risk of companies concentrating their high wage production in Canada and in the United States. Considering that 60% of the vehicle production does not need to follow the new regulations, Mexico's image could be reinforced as the one of an intermediate manufacturer with low paid jobs if the national government does not adopt a more consistent industrial policy. It means investing in quality education, combating regional inequality, stimulating local production and promoting research and development.

It is likely that the Mexico-U.S. agenda will be expanded – adding environment, democracy and human rights issues. This new emphasis may increase US attention on Mexican domestic politics. Some matters are still unclear, such as the future of Mérida Initiative or the US collaboration on Plan de Desarrollo Integral. On migration, Biden promised to end the Migration Protection Protocol and to restore U.S. asylum laws, possibly changing the Mexican position in controlling Central American migration fomented by the Trump's administration. In order to face this agenda, the Mexican government must get along with the U.S. federal government, but also with local administrations. In this sense, the faster López Obrador starts negotiations with the new US administration the better the chances for improving bilateral confidence. This is a crucial opportunity for Mexico to improve national labor regulations and promote social development.

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