

IV. International

U.S. Threatens To Blow Up Mexico's Energy Reform, López Obrador Threatens To Leave the USMCA

by Hugo López Ochoa

July 30—The United States and Canada have officially begun a round of consultations with Mexico, to determine whether they will file suit against Mexico for violating the “equality of conditions and opportunities for investors” clause under the United States-Mexico-Canada Agreement (USMCA), signed by Presidents Donald Trump and Andrés Manuel López Obrador (AMLO) in November 2018 and finalized in 2020. Should America and Canada decide to go ahead with a suit against Mexico and win it—as financial and political ghouls in the employ of Wall Street and the City of London are already gleefully anticipating they will—Mexico would have to pay fines of up to \$30 million and be subject to a tariffs war with the other two. This is the assessment of neoliberal Ildefonso Guajardo, who participated in the USMCA negotiations.

Were this to occur as Wall Street and London financiers hope, Mexico would be plunged into a cycle of accelerated death and physical-economic disintegration, already underway in the United States and Europe, for the sole purpose of forcing AMLO to suspend the energy and electricity laws introduced in 2021. These laws established a preference for electricity produced by state-run fossil-fuel based thermoelectric plants, as well as geothermal and hydroelectric energy, to be incorporated into the national electricity grid owned by the state-run Federal Electricity Commission (CFE). Geothermal and hydro produce 30% of the country's electricity, well above that produced by solar and wind



Laws introduced in 2021 under the presidency of Andrés Manuel López Obrador establish a preference for electricity produced by state-owned, state-operated fossil-fuel, geothermal, and hydroelectric power facilities.

plants, the majority of which are foreign-owned.

Foremost among those foreign companies is the Spanish firm Iberdrola, one of whose major stockholders, according to well-informed sources, is the giant asset manager BlackRock, Inc. BlackRock was also involved in contracts granted by former President Enrique Peña Nieto's energy reform, for foreign investment in deep-water and hyper-deep-water oil in the Gulf of Mexico. Another foreign company, Talos Energy, claims jurisdiction over part, or half, of a giant oil deposit discovered by the Mexican state oil firm PEMEX in shallow waters over which PEMEX has jurisdiction. That Zama deposit is estimated to contain 950 million barrels of oil.

As AMLO has frequently charged, the Peña Nieto

government knew of Zama’s existence, but covered it up so private interests could take it over once oil exploitation were privatized under the terms of the energy reform Peña Nieto imposed at the beginning of his government. The former president went so far as to declare that there were no new oil deposits in Mexico, in a famous speech that ended with the phrase, “the hen that lays the golden eggs is gone.”

‘I’m So Scared!’

In his morning press conferences (“*mañaneras*”), López Obrador has denounced this offensive against his energy reform as intended to force him to backtrack and annul those laws. But, from the time the U.S.-Canadian joint action became public on July 19, he has repeatedly said, “there is no violation of the USMCA.” That’s because he took the precaution of insisting to Donald Trump that one [chapter](#), the famous “Chapter 8,” be added to the text of the USMCA treaty, clearly establishing that oil on Mexican land and in its waters is the “inalienable” property of the nation, and that Mexico has the right to legislate in this regard, independent of its participation in the USMCA.

A national and international media campaign is now underway against AMLO with the message that he’s going to have to pay for all of his “improprieties” toward U.S. President Joe Biden: AMLO’s delay in recognizing Biden following the November 2020 presidential elections; his devastating attack on the Organization of American States (OAS), calling it Washington’s instrument against Ibero-America’s nationalist governments; his refusal to attend the June 6-10 Summit of the Americas in



White House/Tia Dufour

AMLO secured an agreement with President Donald Trump that oil on Mexican land and in its waters is the “inalienable” property of Mexico, to be developed independent of USMCA terms.

Los Angeles to protest the exclusion of Cuba, Nicaragua and Venezuela; as well as his refusal to impose sanctions on Russia because of its military operation in Ukraine. In response to this offensive, during his July 20 *mañanera*, López Obrador asked his staff to play the famous [song](#), “I’m So Scared, See How I’m Shaking,” by composer Chico Che. This unleashed a hysterical response from Washington and the media that answer to it, such as the Mexico-based English-language *Mexico News Daily*, known as the voice of the U.S. Embassy. On July 22, the daily [blared](#), in an 8-column headline: “Mexico is urged to take the commercial dispute seriously; the potential impact ‘is no laughing matter’,” with a subhead warning, “if this isn’t resolved soon, Mexican exporters could pay the price with very high tariffs.” The article ends with a quote from Kenneth Smith Ramos, a neoliberal expert in free trade agreements, who insisted that Mexico and the United States won’t reach an agree-



Gobierno de México

Andrés Manuel López Obrador witnesses the Dec. 10, 2019 signing of the Amending Protocol (T-MEC) to the 2018 Free Trade Agreement between the United States, Mexico, and Canada.

ment for 75 days, and that “we’re watching a potential train wreck between the U.S., Mexico and Canada.”

Does AMLO Have a Plan B?

One might ask why López Obrador appears to be so relaxed about this situation. It’s not that he doesn’t take seriously the threat of a legal suit filed by America and Canada and its potentially mortal consequences. In fact, at his July 22 *mañana*, during which he reiterated that “there’s no problem at all,” he said:

We’re going to make clear that there is no violation of the treaty and clarify that we can have trade relations, but that we define our policies in Mexico and they are related to our Constitution and our laws. For example, on the matter of energy, we’re not going to negotiate the Nation’s and the Mexican people’s control over oil. This is very clear: The oil belongs to Mexicans.

Previous administrations may have negotiated on this matter, but when we were going to negotiate this treaty—and I have explained this here—we established a condition that oil would not be discussed. We removed the chapter on oil from the treaty, because the previous government and others had compromised our oil in other international agreements. For example, an agreement on control of oil had already previously been signed with Canada.

That’s why, when we began negotiating this treaty at the end of 2018, the U.S. argued that since Mexico had already agreed to the possibility of other countries controlling Mexican oil, why should the U.S. be excluded? I remember that this was one of their arguments, because previous sellout governments had already agreed that control of Mexican oil could be negotiated in international treaties. So, we said, No! We won’t accept any such treaty. This caused a crisis and talks were suspended.

AMLO hadn’t previously made known these facts, and revealing them now is a warning to Biden not to

open this Pandora’s box. Biden knows very well that if he turns the screws any further on this Mexican President, AMLO is quite capable of kicking over the chessboard and abandoning the USMCA altogether. There is, after all, the option of joining the new monetary and financial system that is still taking shape, but moving forward with the Eurasian powers led by Russia, China and India, and which also includes the BRICS.

While it’s true that AMLO himself has denied that joining the BRICS is an option, the reality is that there are strategic alternatives to the USMCA. Russian interests are paying close attention to these developments, as indicated in a July 28 [article](#) in RT, headlined, “Round One: U.S. prepared to blow up Mexico’s energy policy.”

There are also those inside Mexico who recognize



CC/Presidencia de la República Mexicana

The Tula crude oil refinery in Hidalgo, owned and operated by Pemex, Mexico’s state oil company. “On the matter of energy, we’re not going to negotiate the Nation’s and the Mexican people’s control over oil. The oil belongs to Mexicans.”—AMLO.

the significance of the current fight. For example, Publio Romero, host of the “Agárrate México!” news show, an affiliate of the pro-AMLO Chapucero Network, said this on July 21, after reporting on AMLO’s remarks that he had refused to sign the USMCA unless what is now known as Chapter 8 were incorporated:

In the past few hours, it’s been mooted in various media that ... while the President isn’t inclined to shut down or walk away from the free trade agreement, he could join a new trade agreement ... the BRICS.

In the midst of the crisis in Europe and the United States ... many governments that had agreements with the United States ... have de-

cided to join the BRICS, ... Argentina, Iran, Saudi Arabia, Turkey and Nigeria among them.

Romero also posed the [question](#) of what AMLO will do if Washington really turns the screws on Mexico oil:

Do you know what [the BRICS] countries want right now? Allies! Allies that are not only prepared to support that group, but will try above all to ensure that those countries distance themselves from the U.S. Why? So they can de-dollarize their economies. There's been a lot of criticism of the dollar. In fact, during the pandemic, half of all the dollars in circulation were printed. The dollar has no backing.... Which are the countries that really are hit the hardest? The ones that depend on the dollar.

But, in this author's opinion, the point is not that Mexico and Ibero-America should break with the United States and the dollar. Rather, Mexico and Ibero-America should commit to joining the BRICS and adopt a strategy for replacing the current bankrupt system.

Independence Day, 'D Day'?

In response to a question during his July 22 *mañanera* about the strategy he intends to pursue, President López Obrador replied,

I'll take the opportunity to comment on this matter on September 16, our Independence Day.

That is, he'll give his public reply to President Joe Biden before the Mexican people. Sept. 15 is the official celebration of the *Grito* (Declaration) of Independence made by Father of the Nation Miguel Hidalgo y Costilla, and the following day there is a large military parade. While it's not known what AMLO will say, what is certain is that his announcement has already set off alarm bells in Washington.

The Mexican President added that "we're going to convene our people on the night of *El Grito* at the Zocalo," that is, right in front of the National Palace. Recall that *El Grito* is a speech in which the President not only says, "Long live the patriots who gave us our country," followed by a list of Independence heroes, but in which he also adds a phrase characteristic of his government. Former Presidents Luis Echeverría and José López Portillo liked to add "Long Live the New

International Economic Order." What will AMLO add?

That's an unknown, but in the above remarks, he [elaborated](#):

On the following day we'll have the commemorative military parade and there we'll define our position on this matter. But we're not going to give in, because this is a matter of principles which has to do with our sovereignty.

One week later, on July 29, López Obrador very directly threatened to leave the USMCA if Mexico's sovereignty, as established in Chapter 8, weren't respected. After recounting the events of 2018 when the USMCA was being negotiated, he [noted](#):

The proximity of the world's biggest market, and thus the importance of the treaty, is undoubtedly very important, [but] even if it is the most important market in the world, if having access to that market implies giving up our sovereignty, we won't accept it; we aren't going to give up our Independence to any foreign government.

Clearly this matter isn't going to be settled on Sept. 16. Mexico has 75 days to respond to the consultations of America and Canada, after which there are other stages to go through that could lead to a final round in 2023. In the meantime, there are two events that could bolster Mexico in such a way that President Biden would be the one who would have to back down.

First, are the October presidential elections in Brazil in which, as of now, Ignácio Lula da Silva appears most likely to win. His election would greatly strengthen nationalist sectors both in Argentina and in Mexico, creating a "troika" capable of exercising important leadership in the rest of Ibero-America.

Then, there are the November midterm elections in the United States, in which the Democrats could lose control of the Congress. Add to this the surprise element of independent LaRouche candidate Diane Sare for Senate from New York, which is gaining prominence and could bring a sorely needed voice of sanity to the U.S. Congress.

Sare has, as the *Leitmotiv* of her campaign, Schiller Institute founder Helga Zepp-LaRouche's proposal to establish an international Ad Hoc Committee to establish a New Bretton Woods, a new international economic order for all nations.