

Building Partnership with Mexico



E. Anthony Wayne
Career Ambassador (ret.)

Public Policy Fellow, Wilson Center

waynea@gmail.com



[@EAnthonyWayne](https://twitter.com/EAnthonyWayne)

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Building a Partnership with Mexico



- **U.S.-Mexico ties touch more U.S. lives daily** than any other country via trade, border connections, tourism, and family ties as well as illicit flows. Even more true for Mexico.
- An estimated **35 million U.S. citizens are of Mexican heritage.**
- The shared **1990-mile border** (3,201 km) creates overlapping security, economic, community and environmental interests.
- In recent years, government-to-government collaboration has been unprecedented, including on public security.

US-Mexico Trade



Exports

\$276 Billion



Imports

\$340 Billion



2017 Trade in goods and services:

\$ 616 Billion

US trades over **1 million** per minute with Mexico.



US-Mexico Trade

Mexico is:

- 2nd largest export market
- 3rd largest trading partner
- 3rd largest **Ag** export market: \$19 billion in 2017
- 1st or 2nd export market for 28 U.S. States
- 1st export market for U.S. Southern Border States

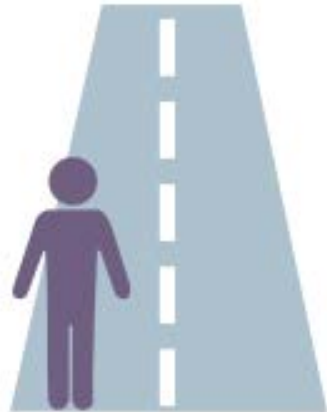


US-Mexico Border Crossings

Each day there are over

1 million

border crossings





Areas of U.S.-Mexico Bilateral Work



- Trade Facilitation
- Economic competitiveness
- Energy
- Border management and migration
- Public security and justice collaboration
- Fighting drug trafficking & organized crime
- Counter-terrorism
- Central America, the region, international
- Consular Issues for US and Mexican citizens
- Health issues
- Education, Innovation
- Environment
- Human rights

Trilateral Work: Canada, Mexico and the U.S.



- Finalizing USMCA
- Energy & Environment Cooperation
- Regional and global priorities
- Trilateral Trusted Traveler Program
- Countering Illicit Drugs



Serious Challenges to Address

U.S. drug demand and cross-border criminal networks

Migration (Caravans) & border Management

Finalizing USMCA

Surging Criminal Violence in Mexico

Strengthening Mexican law enforcement institutions and bilateral cooperation

Negative public perceptions

Potential Terrorism

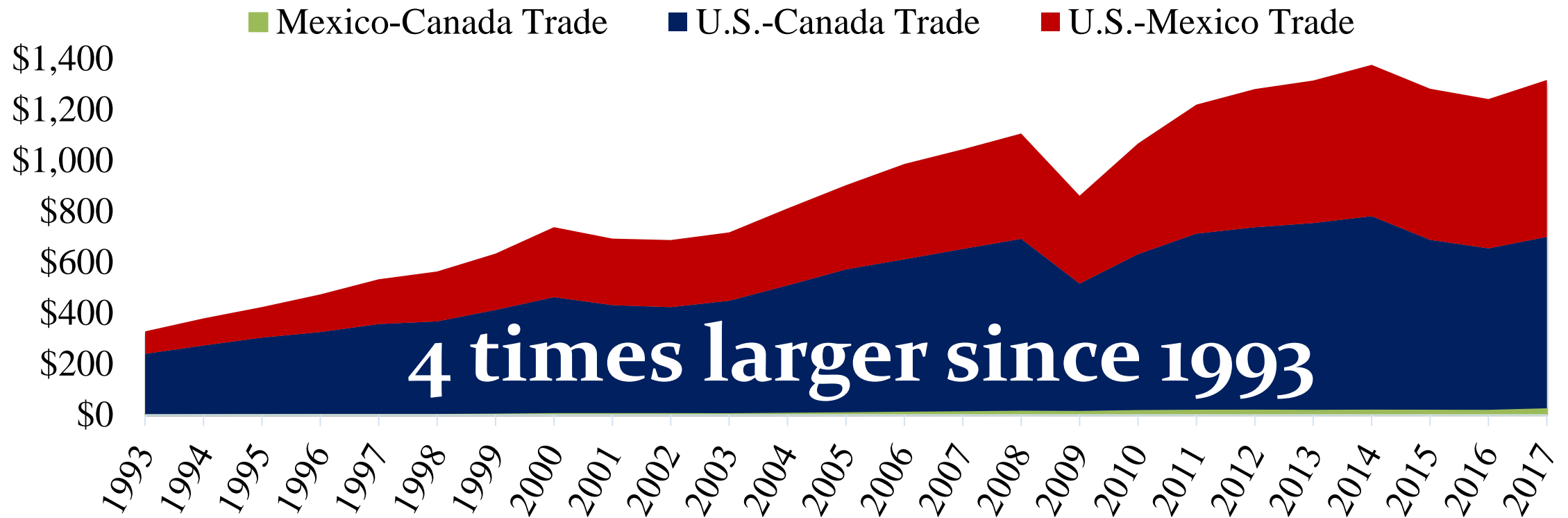
Countering Corruption

Central American migrants

Reducing poverty in Mexico



North American Trade in Goods and Services



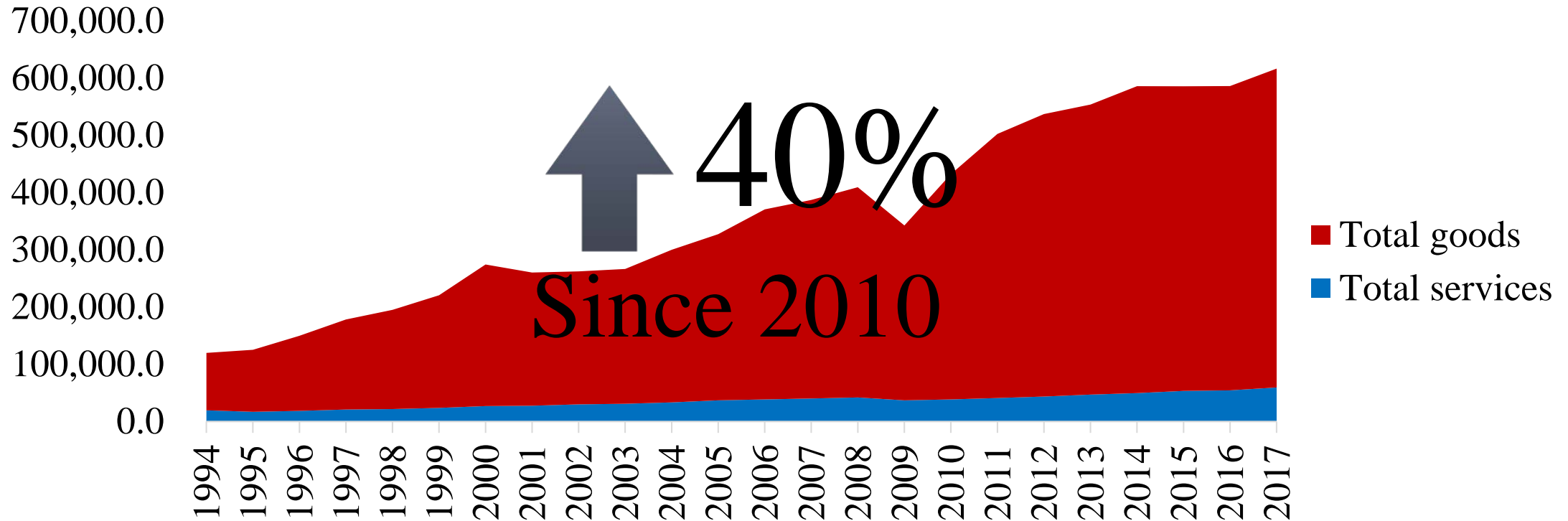


North American Trade

- Canada, Mexico and the US trade **\$1.3 trillion a year**,
- **\$3.6 billion a day**, reflecting shared production networks.
- More than US trade with all the **European Union** and **1.9 times** more than with **China**.
- **Up to 14 million US jobs** supported by trade with neighbors.
- **50 percent** of NAFTA trade is **intermediate goods**.

U.S. Trade with Mexico has multiplied by 6 since 1993

- The U.S. sells **more** to Mexico than to all the **BRICS** countries together



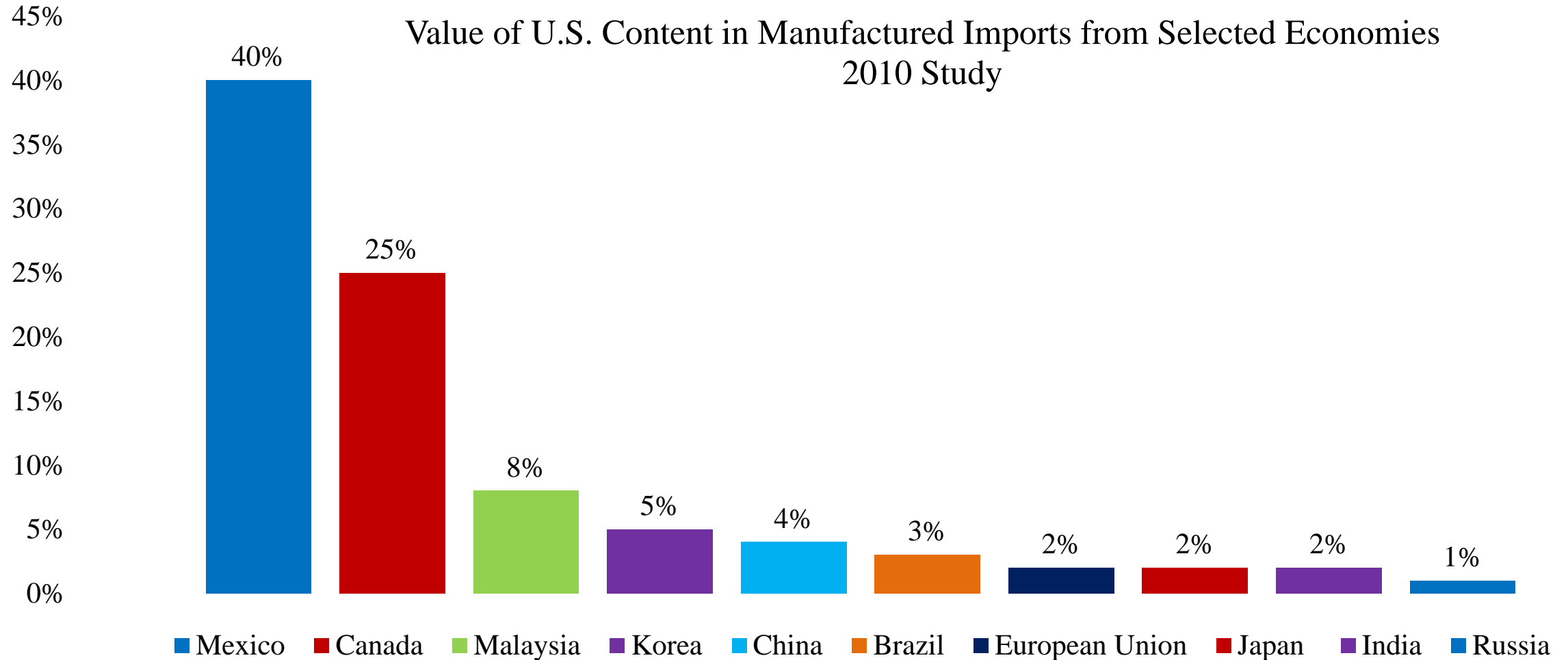


Rank Order: Top US States' Trade with Mexico 2017

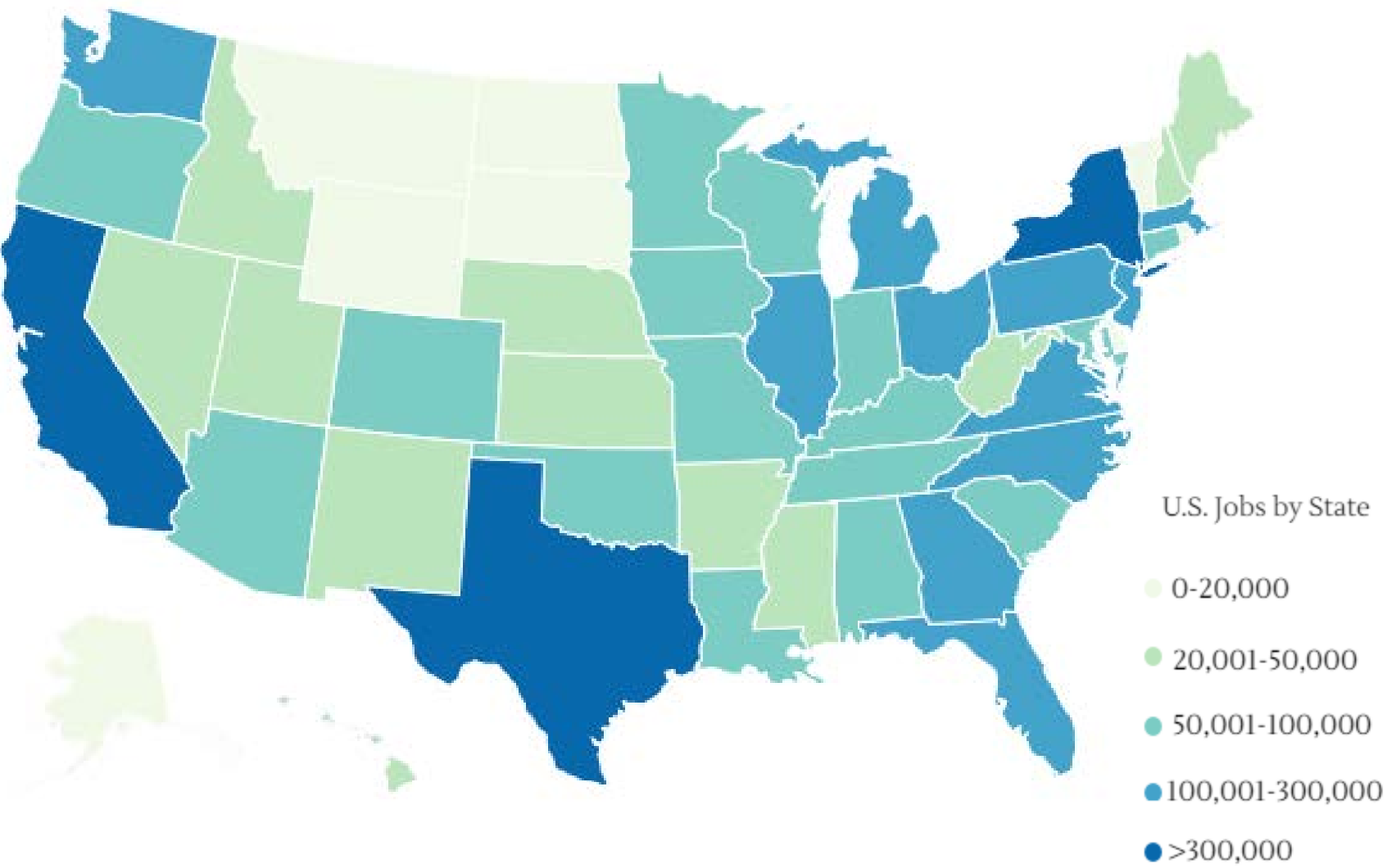
State	Volume \$USD (Billions)	State	Volume \$USD (Billions)
Texas	187	Indiana	9.8
California	73.1	Florida	9.7
Michigan	65.5	Pennsylvania	9.5
Illinois	22	Louisiana	8.6
Arizona	15.5	North Carolina	8.3
Ohio	14.7	Kentucky	7.7
Tennessee	11.7	New Jersey	7.4
Georgia	10.4	New York	6.4



More U.S. Content in Imports from Mexico and Canada



Mexico trade supports some 5 million jobs



Some 5 million U.S. jobs depend on commercial ties with Mexico (2015), compared to 700,000 in 1993.

290,000 jobs in Florida and \$2.7 billion of exports in 2015.

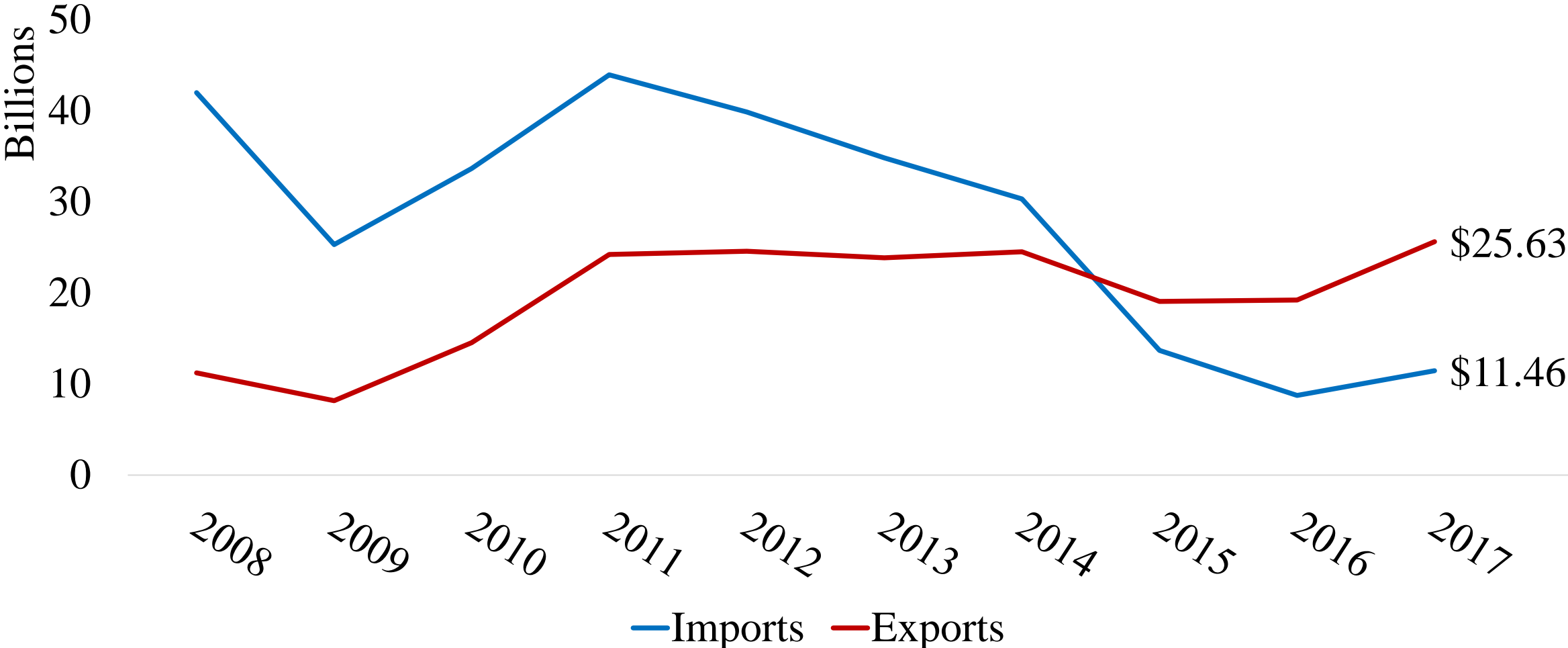
Source: The Wilson Center, 2016; Clinton Administration Statement on the NAFTA, 1993.



Energy and the Environment

- Increased U.S. investment in Mexico's energy sector following 2012 reform (oil, gas, infrastructure, renewables).
- Greater U.S. natural gas and gasoline sales; energy security.
- New dialogues between regulators and governments.
- U.S. and Mexico work to protect border environment.
- AMLO bringing changes, e.g. bigger role for PEMEX, reduce crude exports of crude oil & gasoline imports, freeze on new exploration offers, curtail independent regulators.

U.S. Energy Trade Surplus with Mexico



Source: US Census Bureau, 2017

Moving toward Co-Management of the Border



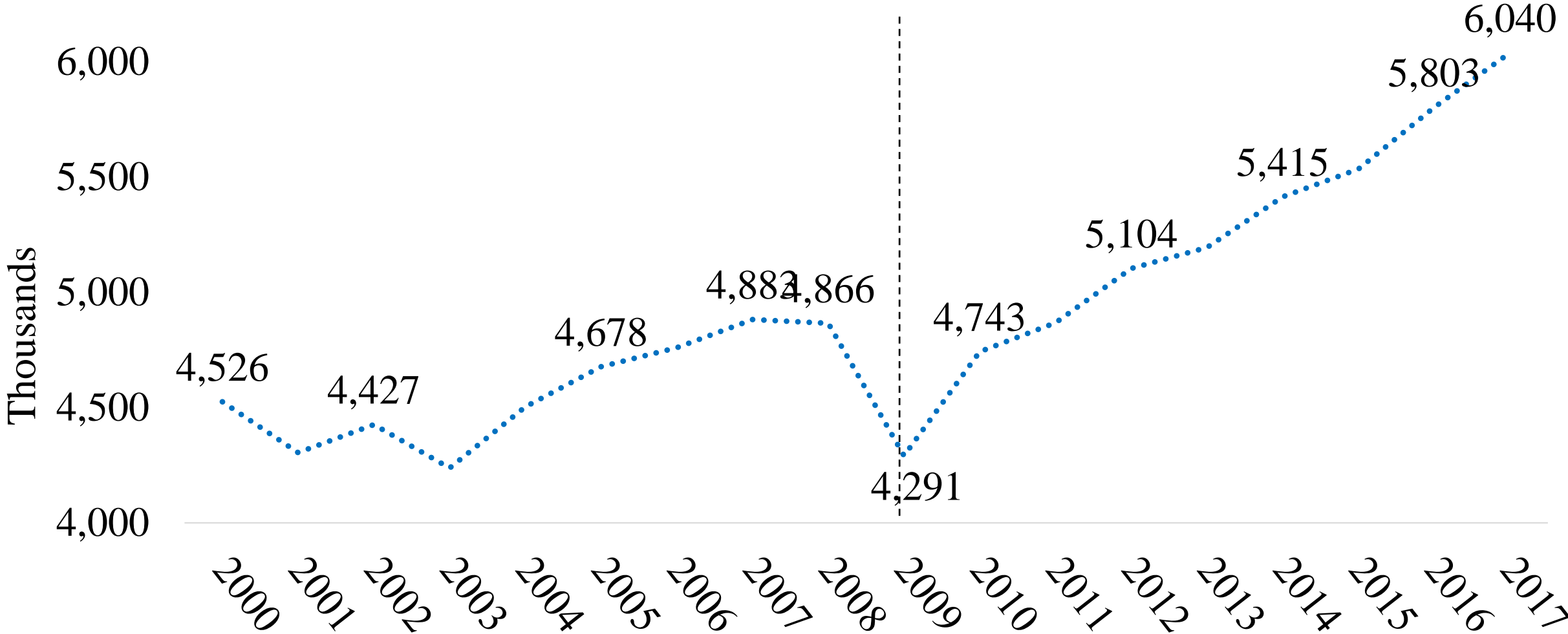


2008-2016 from blame to “shared responsibilities”

- Making the border more open to legitimate travel and commerce.
- Working to align customs regulatory frameworks; increase joint use of customs facilities on the border; improve infrastructure.
- New mechanisms to communicate, coordinate and more effectively counter illicit trade and travel: drugs, guns, money and people.
- Steps to increase security and reduce cross-border violence.
- New programs to share information on potential border crossers.
- Working to create a Trilateral Trusted Traveler Program.
- Cooperation slowed in 2018.



Jobs at stake: Trucks Crossing the US-Mexico Border



Source: Bureau of Transportation Statistics, 2017



Migrant Flows

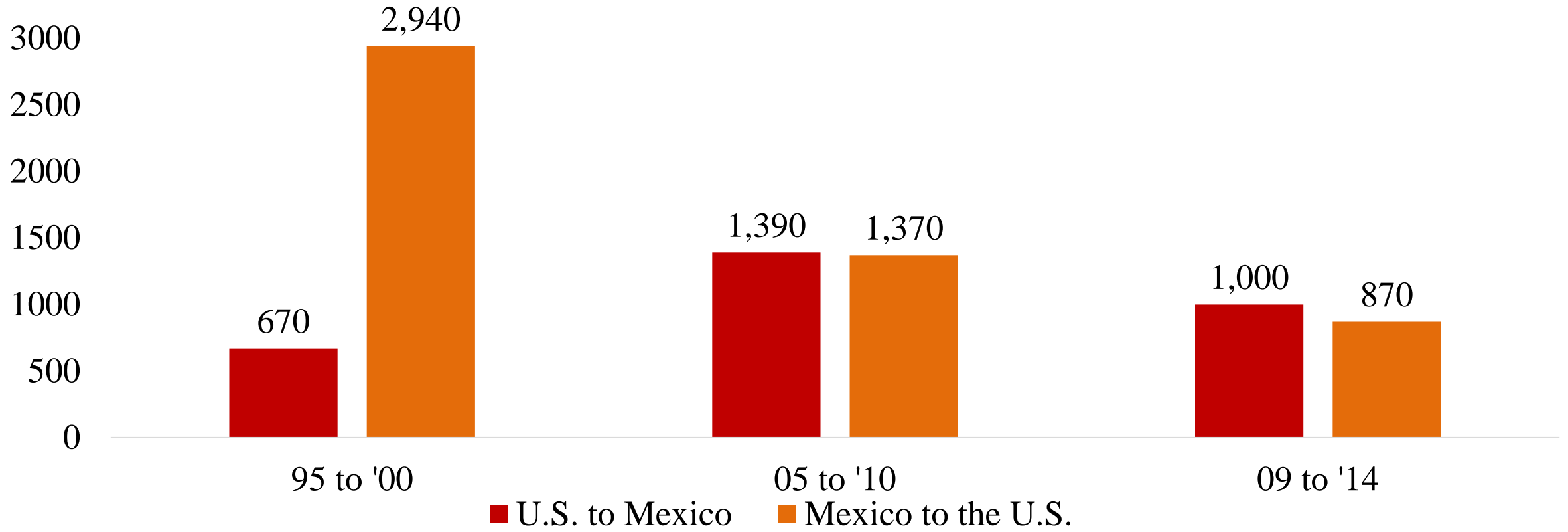
- Mexican immigrants flows to the U.S. at the **lowest levels** since the 1990s.
- The number of Mexican immigrants in the U.S. **has been dropping** since 2007.
- In FY 2017, apprehensions of Mexican unauthorized immigrants declined **31.22%** from FY 2015.





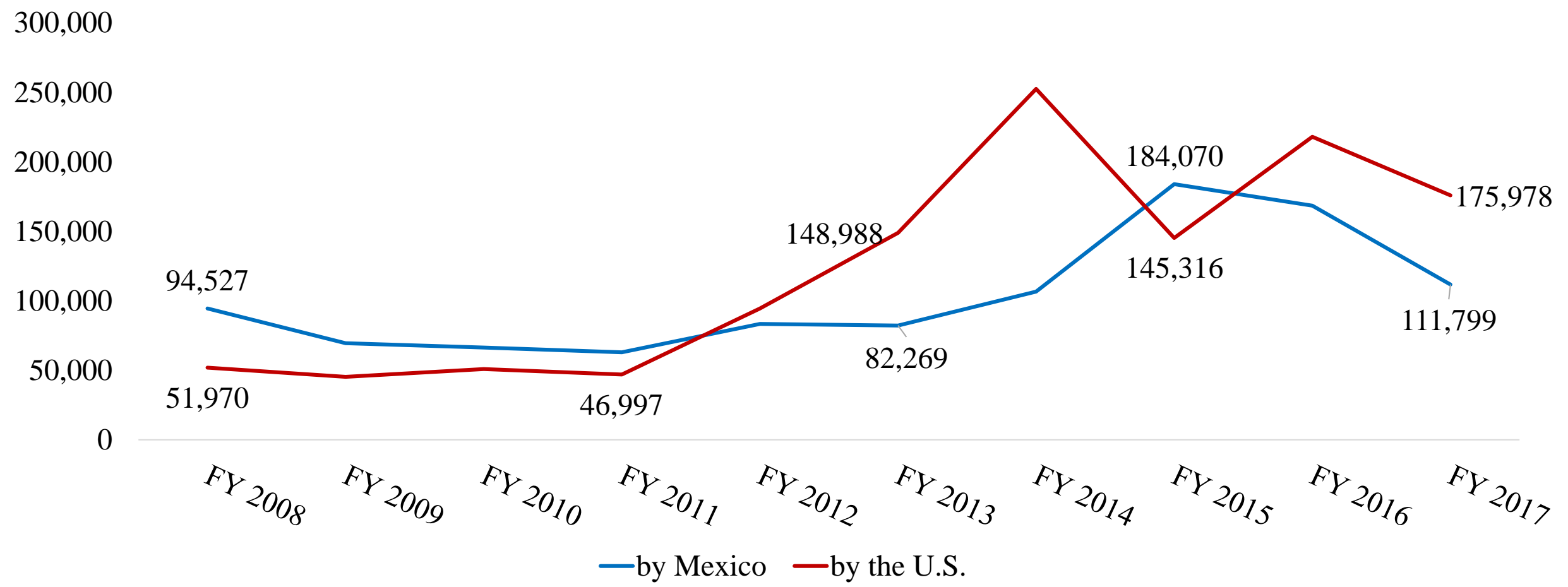
Net Migration from Mexico

- In 2016, there were **1.3 million fewer** unauthorized Mexican immigrants in the U.S. than in 2007





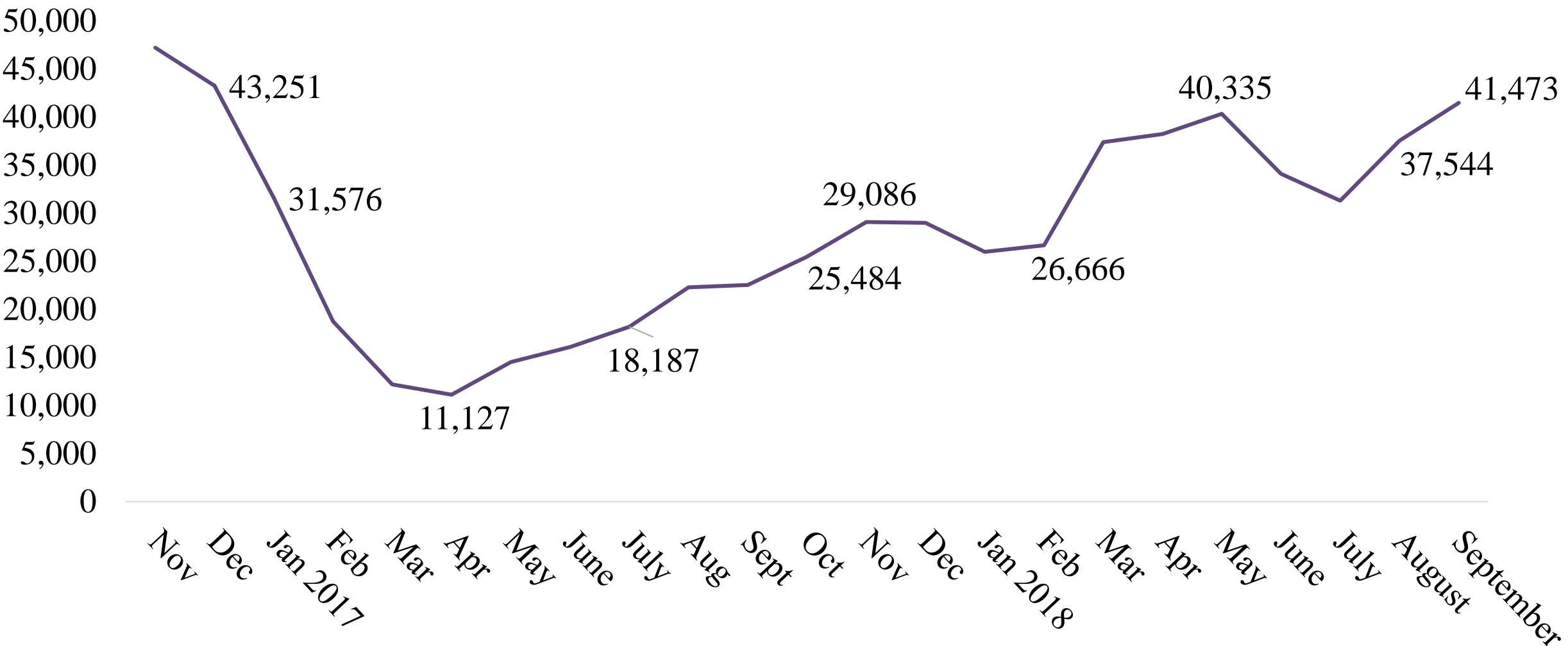
U.S. Southern Border Apprehensions from countries other than Mexico & Mexican Apprehensions from Latin America & the Caribbean



Source: U.S. Border Patrol Monthly Apprehensions (2008-2017)
Unidad de Política Migratoria (2008-2017)



Southwest Border Apprehensions: Central Americans



Source: U.S. Border Patrol Monthly Apprehensions (FY 2017 - FY 2018)



Addressing Central American Migration: more needed

The US and Mexico enhanced cooperation in response to 2014 surge of child and family migrants, **including work at Mexico's southern border against smuggling of people & drugs.**

In June 2017, the US and Mexico hosted a **Conference on Prosperity and Security in Central America.** Commitments include:

- U.S. FY 2018 budget request for **\$460 million** for the Northern Triangle (NT); Mexico \$53 million.
- Create a **migration observatory** to study and share information on regional migration flows.
- **Improved cooperation** to combat **transnational criminal organizations.**

A second conference in Washington, October 11-12, 2018, **but Mexico's Senate condemned U.S. border migration policies** in June and called for the government to **end security and immigration cooperation.**

Need to forge agreed multi-pronged regional approach with new Mexican government.

US-Mexico Law Enforcement/Security Cooperation

Mérida Initiative Programs &
Agency-to-Agency Cooperation

Defense Dialogues & Cooperation

Security Coordination Group

US-Mexico Mérida Initiative: Evolving

1. Disrupting the operational capacity of **organized crime**.
2. Institutionalizing reforms to sustain the **rule of law** and respect for **human rights** in Mexico.
3. Creating a “**21st Century Border**”.
4. Building strong and resilient **communities**.

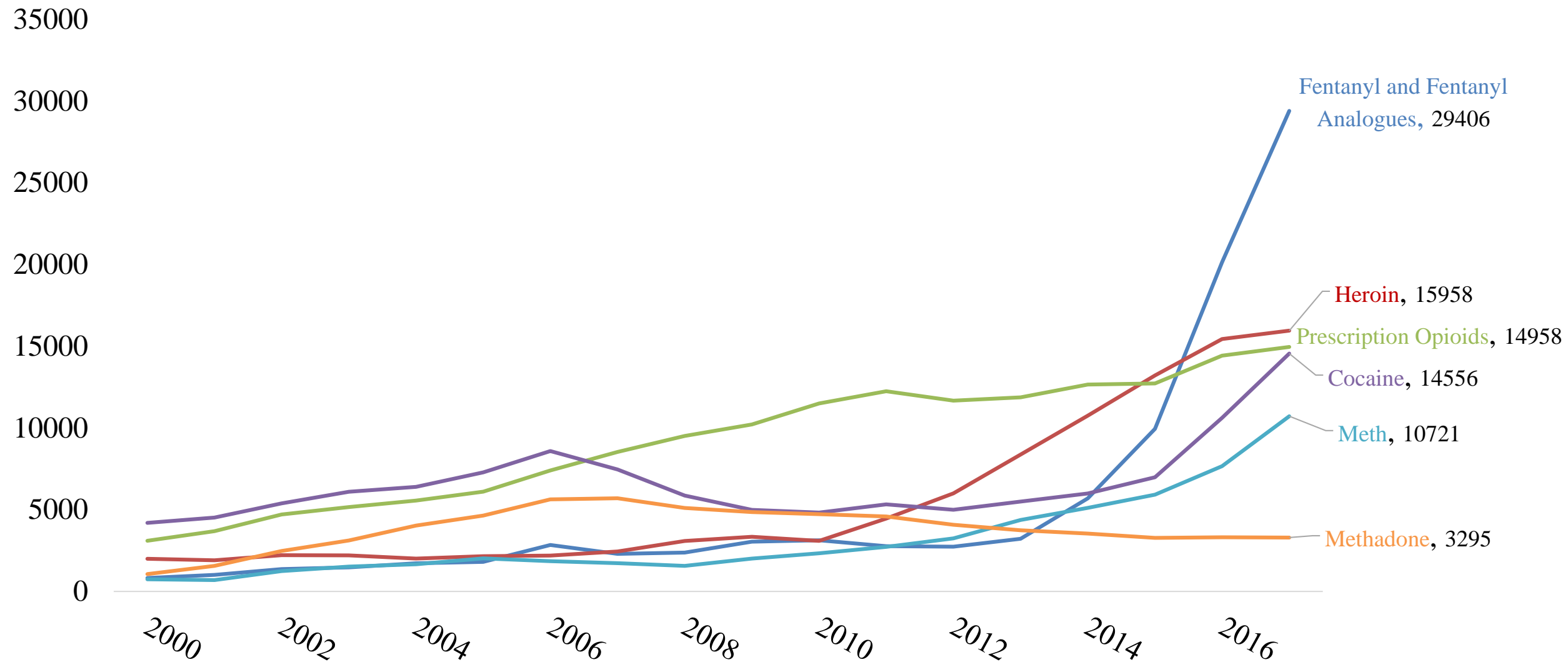
\$2.9 billion appropriated by the US since 2008.

\$1.6 billion already spent on training and equipment via over 100 programs to bolster Mexican capacity.

Mexico has spent over **10** times more.



Urgency: U.S. Overdose Deaths 2000-2017



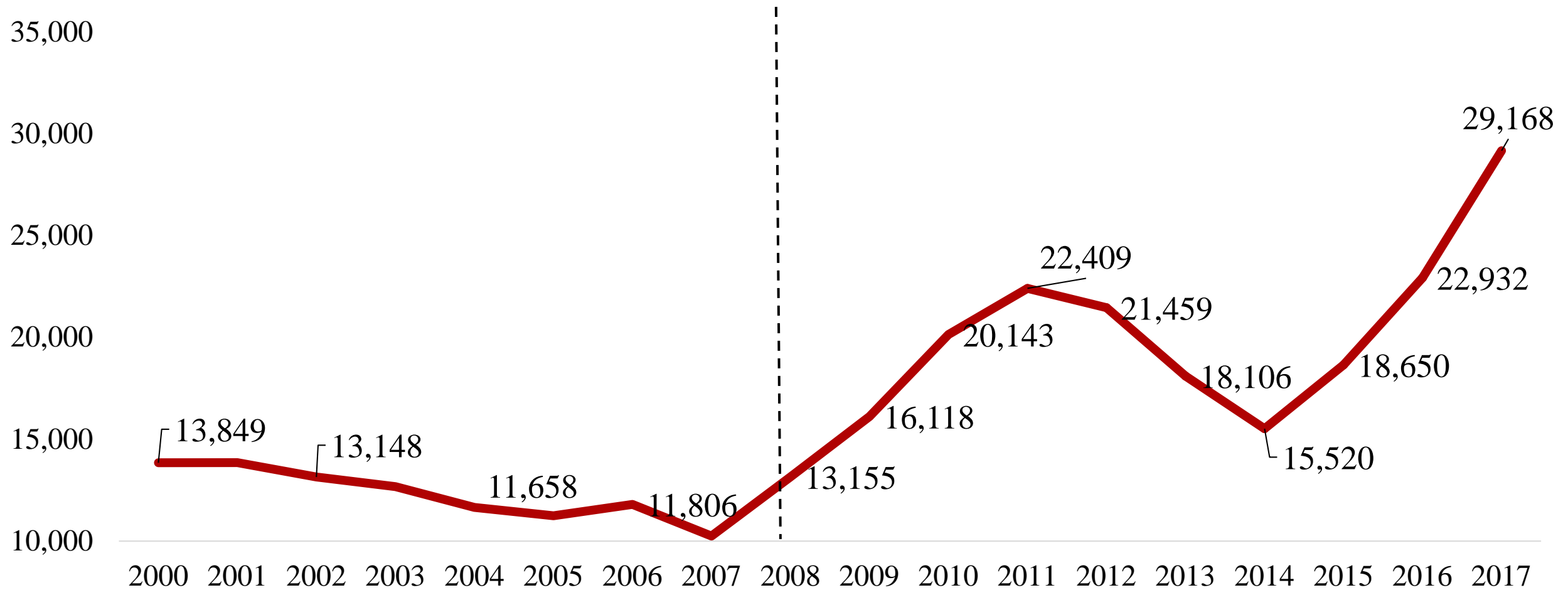
Source: CDC Wonder Database; CDC Provisional Counts of Drug Overdose Deaths as of 8/6/2017

2017 US-Mexico Agreements on Illicit Drugs

- **Partner** against criminal organizations: “**Unprecedented**” cooperation.
- **Address the demand** for illicit drugs among US citizens.
- **Necessary tools**: physical barriers, technology, patrolling, eradication, enhanced law enforcement cooperation, anti-addiction programs.
- Go after **all elements in the chain**: means of production, cross-border distribution networks, flows of profits, weapons procurement.
- AMLO ordered **a review of Mexican policies & cooperation with the U.S.**; introduced a new multi-pronged anti-crime strategy.

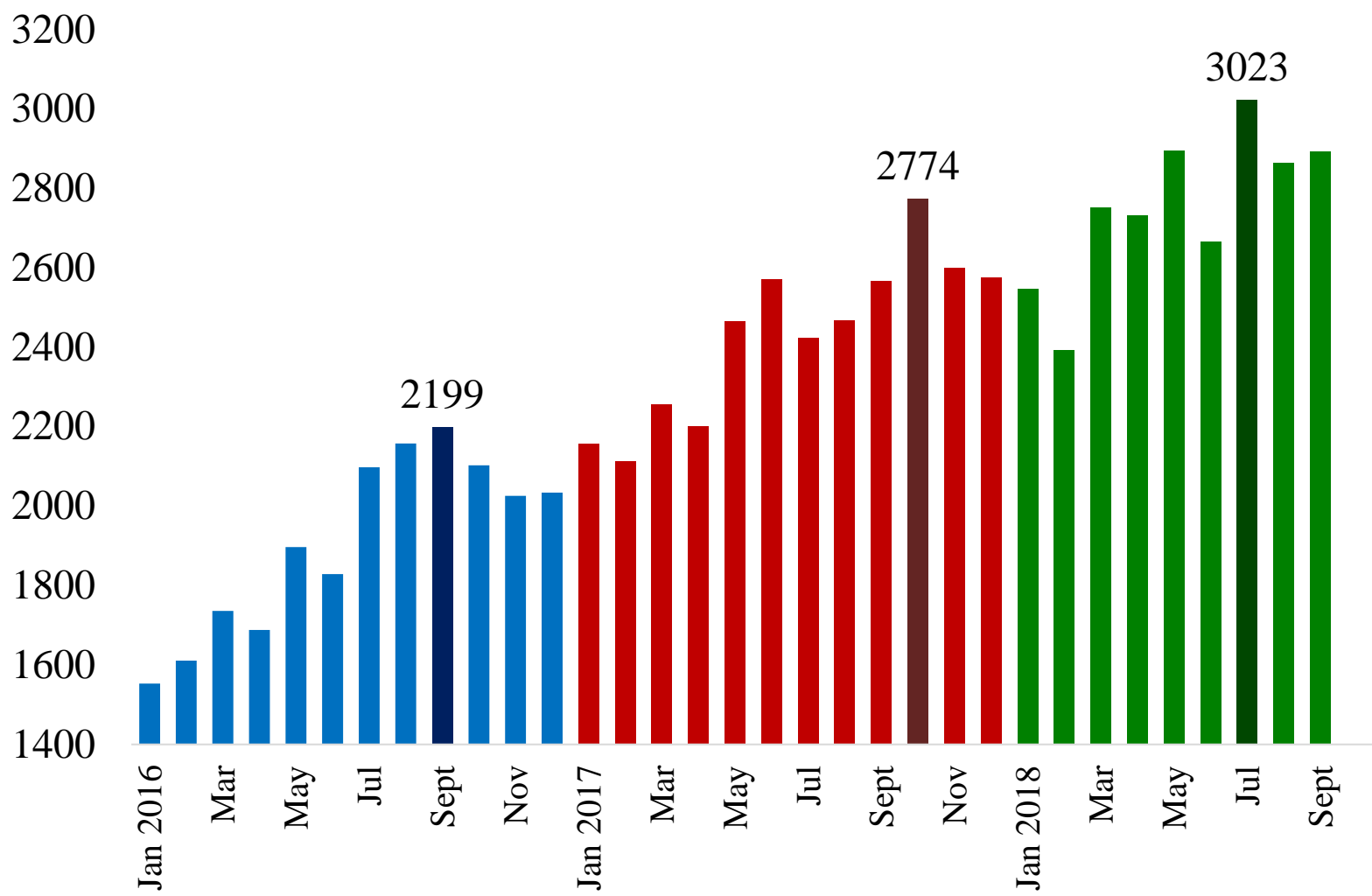


Urgency: Homicides in Mexico set record in 2017





Mexico's Homicides: Criminal Insurgencies?



29,168 killings in 2017; the most violent year since 1997.

July 2018: most violent month since 1997. Violence up in 2018.

Law enforcement and judicial process overwhelmed.

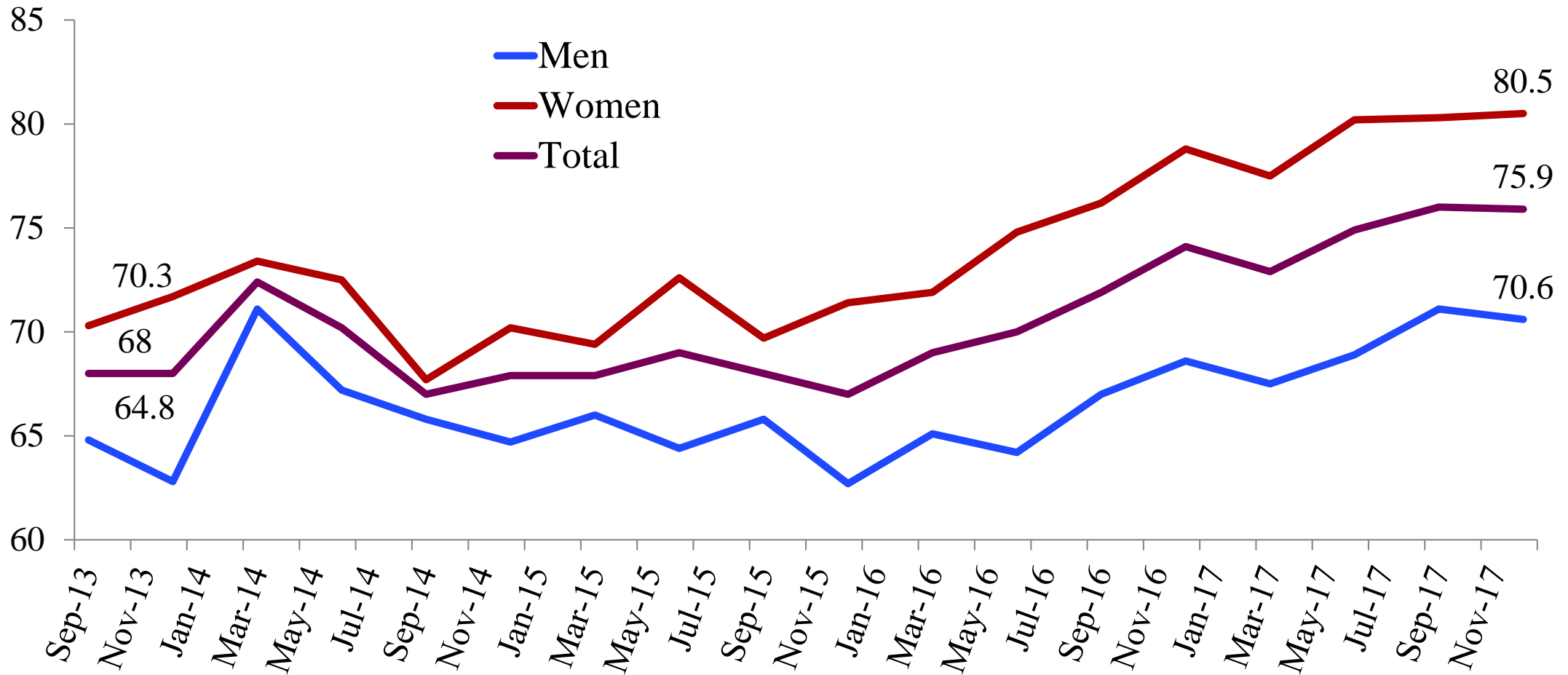
Cartels fighting, but types of crime expanded & affects more states.

Crime cost up to 17.6% GDP.

U.S. travel warnings for resorts.

Source: Secretaria Ejecutiva de Seguridad Nacional, 2017; Reuters, 2017; El Pais, 2017.

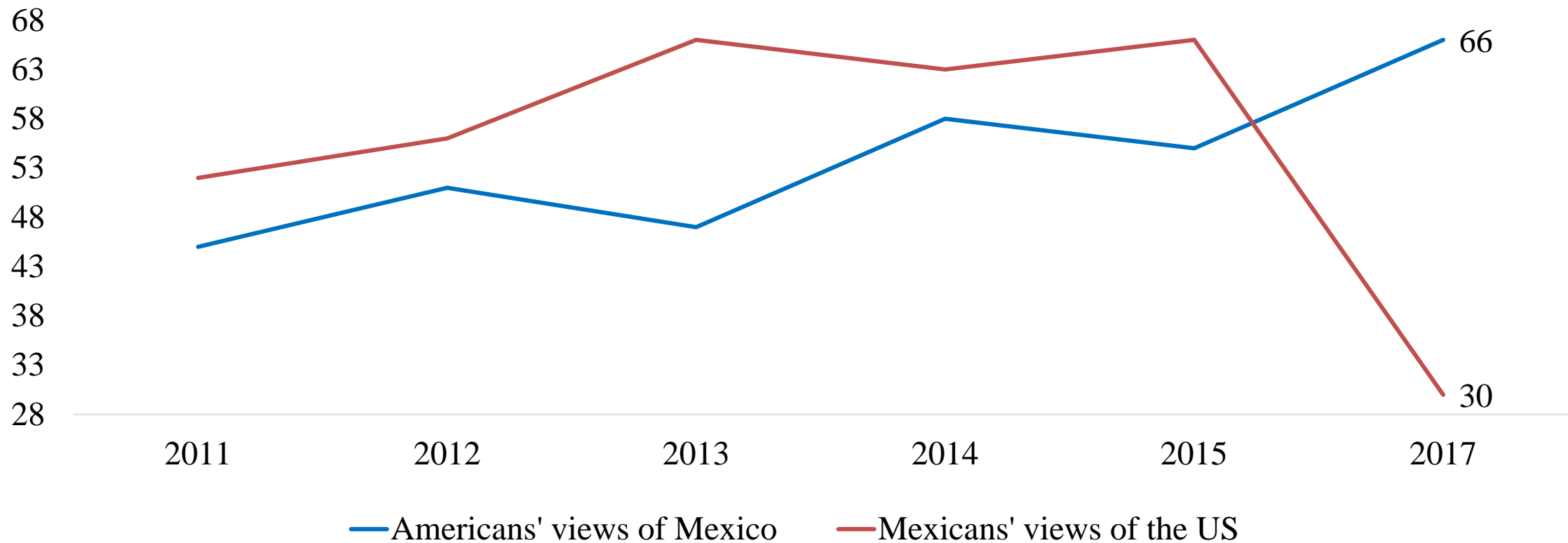
Percent of Mexico's population that feels unsafe





Americans' and Mexicans' Perceptions of each other (per cent favorable)

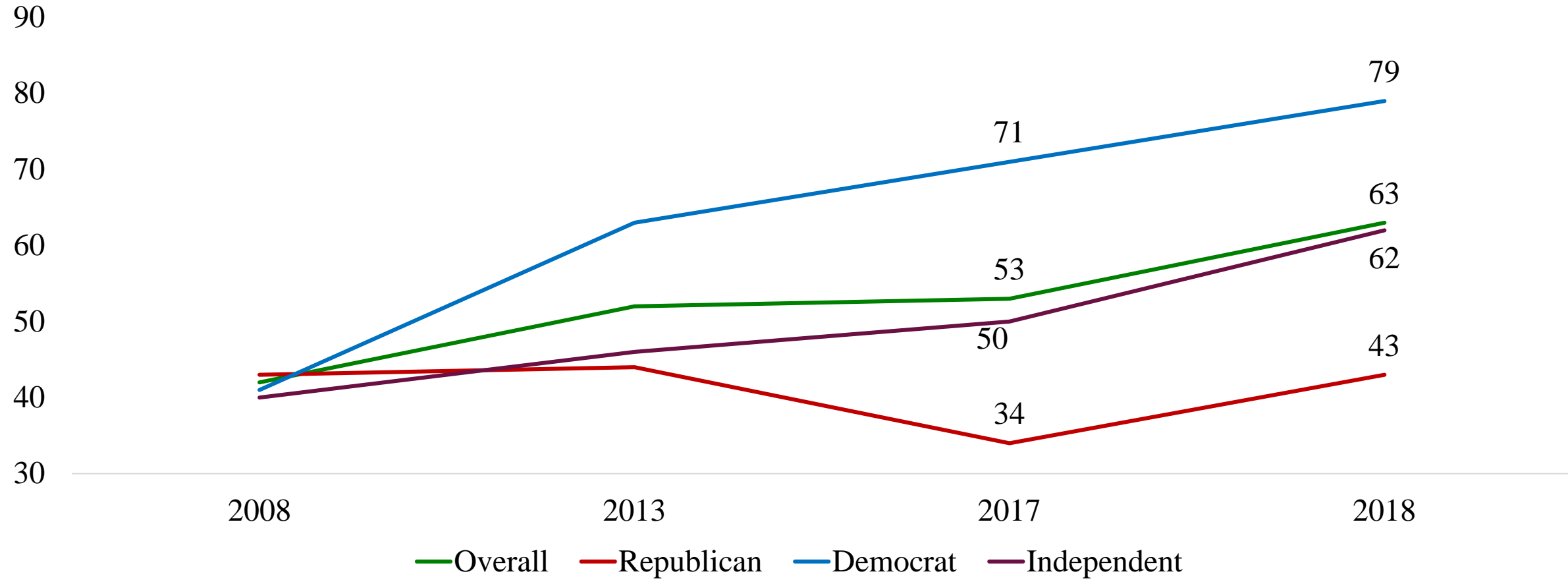
- In 2017 polling, **66% of Americans** had **positive views of Mexico**; while only **30% of Mexicans** had **positive views of the US**.





US Opinion: NAFTA is Good for the US Economy?

Overall, Is NAFTA Good for the US Economy? (% Good)



Source: The Chicago Council on Global Affairs August 2017.

What's at Stake in NAFTA and the new USMCA?

\$ 1.3 trillion of North American Trade

Nearly 14 million U.S. jobs & millions more in Mexico and Canada

\$452 billion U.S. investment in NAFTA partners & their \$388 billion in the U.S.

46,000 U.S. trucking jobs supported by cross-border trade; \$137 billion in annual vehicle and parts exports to neighbors and the world.

\$43 billion worth of food and ag goods exported to Mexico and Canada

\$88 billion in U.S. services exports & \$31.5 billion services trade surplus



Main elements of the USMCA (T-MEC)

- **New Rules of Origin for Vehicles**
 - 75% of the value of a vehicle to be produced in the region (up from 62.5%).
 - 40%-45% percent of auto content produced by workers earning over \$16 per hour.
- **Less Dispute Settlement**
 - Keeps NAFTA's dispute-settlement provision (Chapter 19) for private companies; keeps state to state (Ch. 20).
 - Limits investor dispute (ISDR) to key sectors and in scope for U.S.-Mexico, eliminates them for U.S.-Canada.
- **Stronger on Intellectual Property Protection, Labor, & Environment**
 - Expanded IPR Protections and internet coverage toward U.S. objectives.
 - Achieved or exceeded most of modernization goals sought in TPP, including labor rights provisions.
- **Sunset Clause:**
 - 16-year lifetime for the agreement, with a review every six years and possible 16 year renewal.
- **Dairy**
 - expanded U.S. dairy exports to Canada; reduce Canadian dumping of dairy products.



Next Steps: United States

- President Trump and other leaders signed on November 30.
- The U.S. International Trade Commission (ITC) must complete a study of the agreement's economic impact in early 2019.
- Congress will have to pass legislation to implement the USMCA.
- President provides Congress with the final legal text and implementation plan. After Congress receives the final bill, it has 90 days in session to approve it.
- Democrats approach unclear; Trump threatens to pull out of NAFTA.

Questions new Rules of Origin, Labor rights in Mexico

1. Will **measuring wage rates and content in the supply chain** be workable? How costly and accurate will it be? Who will enforce it?
2. How much will the new rules **raise the prices of North American vehicles**?
3. Will **manufactures move production** out of North America?
4. Will some manufacturers **forgo the NAFTA benefit and pay a tariff instead**?
5. Will the **U.S. auto industry** be less competitive?
6. Will the new rules **create or destroy jobs**?
7. Are **new protections regarding labor rights in Mexico** strong enough and enforceable? Key for many Democrats.

Costs of Steel and Aluminum Tariffs: still in place

Over 400,000 U.S. jobs lost¹

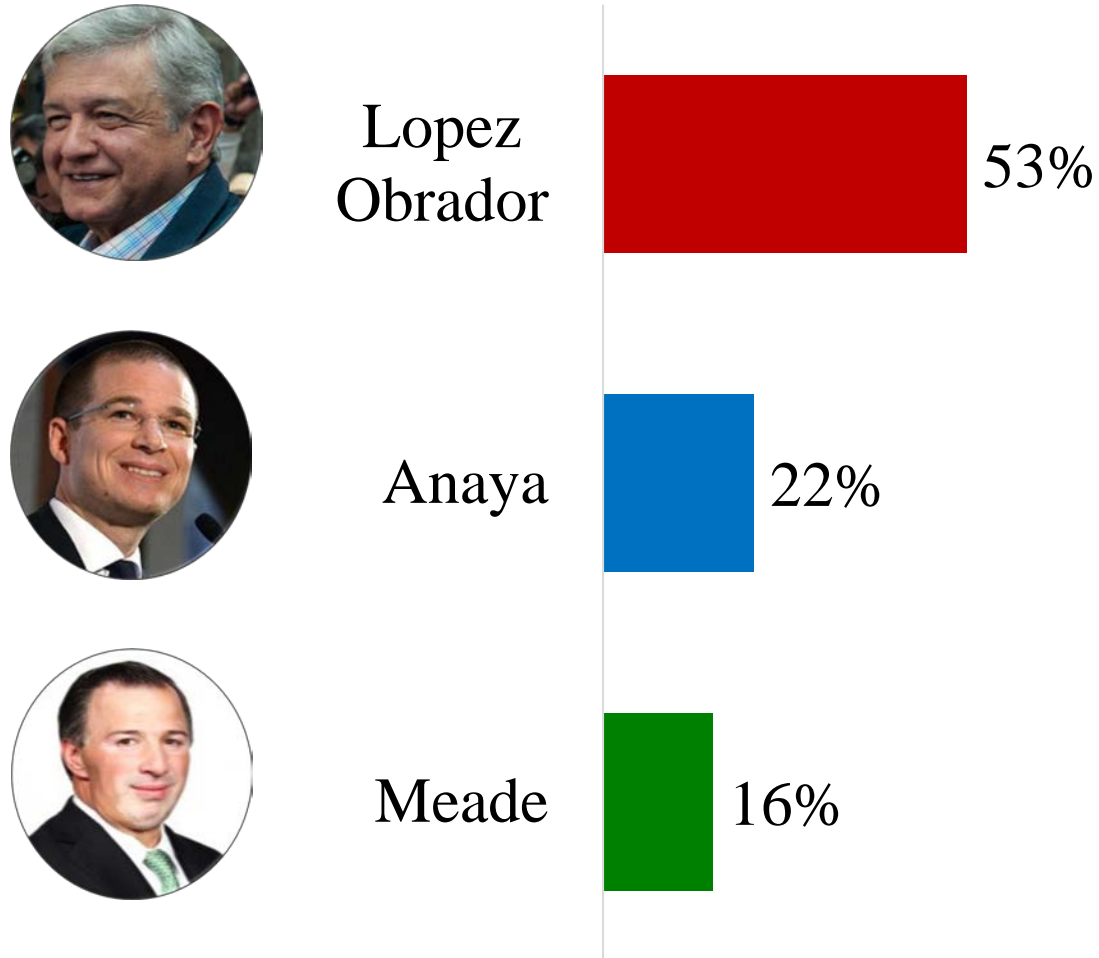
GDP decline of 0.2%
(\$36 billion)¹

16 U.S. jobs lost for every 1 gained¹

Decline of 2% in all imports
and 1% in all exports¹

Costs to U.S. Consumers: \$7.5 billion a year, before retaliation from the European Union, Mexico and Canada²

Presidential Results

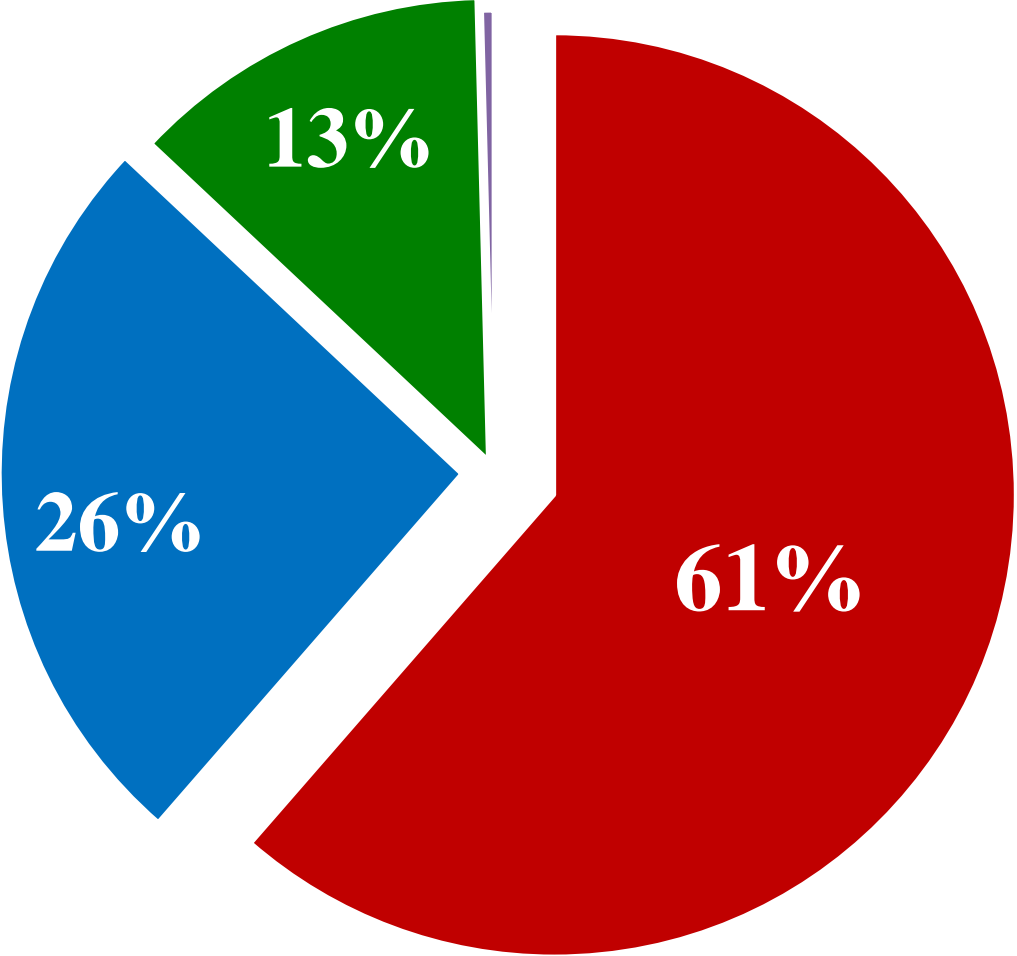


Voter turnout: 63.5%

Over 60% of the Mexican population is **satisfied** with the election's results.

Over 65% of the Mexican population believe the **security, economic and political situation will improve** in the short-term under AMLO's Presidency.

Chamber of Deputies – November 2018



■ Morena
307 seats

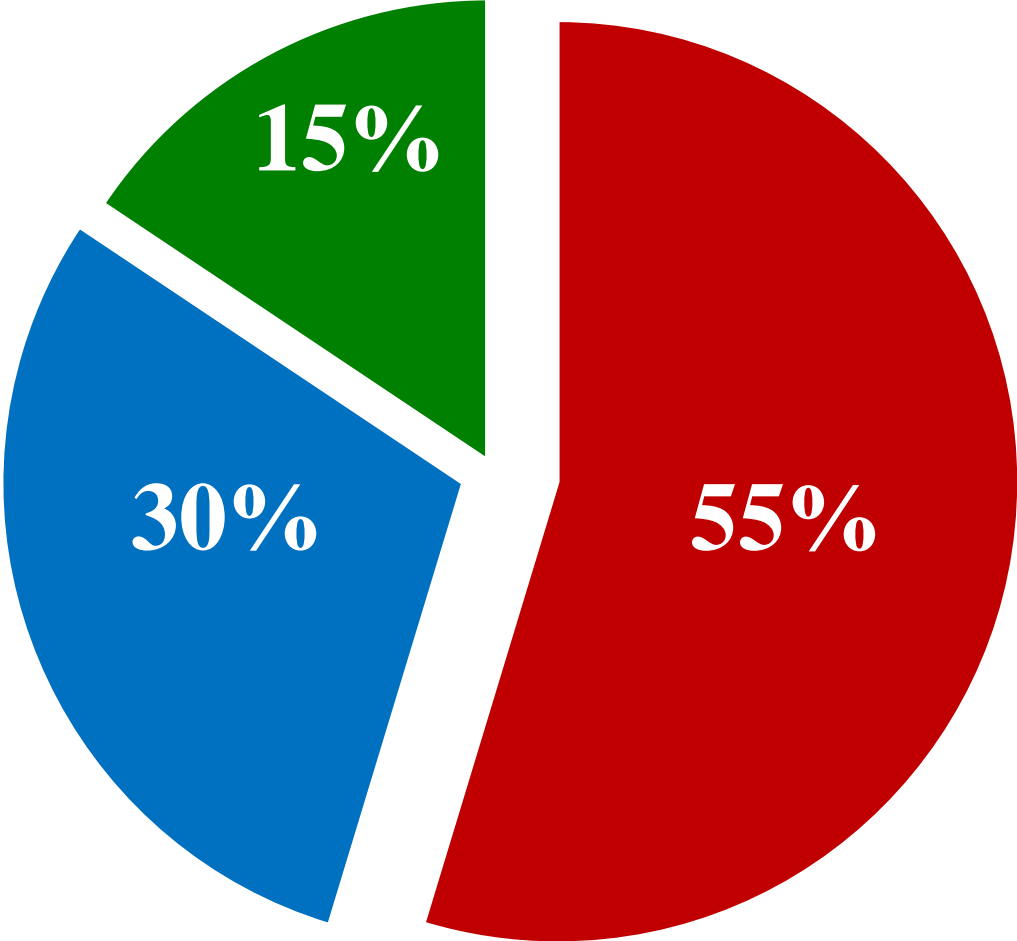
■ PAN
128 seats

■ PRI
63 seats

■ No party
2 seats



Senate – November 2018



■ Morena
70 seats

■ PAN
38 seats

■ PRI
20 seats

morena
La esperanza de México





Issues that influenced Mexicans' votes

Corruption
Violence and Security
Unemployment

Poverty and Low Wages
Public Health
Inflation

AMLO's Policy Proposals



Poverty:

- **Increase minimum wage.**
- **Launch new youth jobs programs.**
- **Subsidize inputs for small farmers.**
- **Provide universal health coverage.**

Corruption and Government Efficiency:

- **Better supervision of public spending; increase penalties for using public money for personal gain.**
- **Cut public-officials salaries, perks and reduce staff.**
- **Name independent Anti-Corruption prosecutor; autonomy of the new “fiscal general.”**
- **Use plebiscites to consult with the people.**

Trade:

- **Finish and implement USMCA.** Focus on expanding trade with others.

Economic Policy:

- **Focus on developing Mexico's internal market**
- **Infrastructure** (Ex. Yucatan and isthmus railways)
- **Redirect government spending** to social programs; won't raise taxes or increase debt
- **Lower taxes in border cities with the US**

Education:

- **Eliminate key parts of Education Reform.**
- **Launch new youth scholarships, universities.**

AMLO's Policy Proposals

Energy:

- **Review contracts. Postpone new auctions** (for at least 2 years).
- **Strengthen the role of national oil company PEMEX.**
- **Limit gasoline prices** and decrease prices in several years.
- **Build new refineries** to supply gasoline; aim to reduce fuel imports.

Security: Multi-pronged strategy

- Create an independent **Secretariat of Public Security**, with intelligence agency incorporated.
- **Create National Guard** of over 50,000 to do law enforcement **in Defense ministry.**
- **Create** several hundred **geographic security districts.**
- **Law enforcement professionalization; respect human rights; better justice.**
- Social investment: more youth **job and educational opportunities.**
- **Amnesty/forgiveness** for some; support for victims, use redistributive justice approaches.
- **De-criminalize marihuana** and, possibly, **growing opium poppy.**
- **Promote civic culture.**
- Review security **cooperation with the U.S.**



AMLO's Proposals to Trump – July 12 Letter

TRADE



Finish **NAFTA renegotiation.**

Relocate Mexican customs inland from the border.

Establish a free trade zone on the northern border of Mexico: decrease the VAT rate, the income tax rate & energy prices, and increase minimum wage.



SECURITY



Establish **development plans** between the U.S., Mexico, and Central America to finance economic development.
Allocate 25% of investments to **security and border control.**

Each government will control its borders and combat trafficking of drugs and weapons.

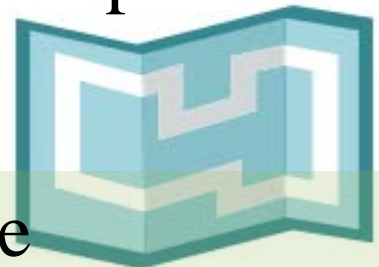
AMLO's Proposals to Trump – July 12 Letter

<p>MIGRATION</p> 	<p>Improve economic opportunities to keep Mexicans in Mexico.</p>	<p>Migration cooperation based on the respect for human rights.</p>	<p>Development plans to mitigate poverty and avoid migration.</p>	
<p>DEVELOPMENT</p> 	<p>Encourage tourism with high-speed train from Cancun to Palenque.</p>	<p>Create an economic and commercial corridor in the Isthmus of Tehuantepec.</p>	<p>Reactivate Mexico's agricultural sector.</p>	<p>Urban development plan in border cities.</p>



AMLO's to use *Consultas*/Plebiscites

- The 10 projects on latest *consulta* were all approved (November 25)
- All received more than 90% approval except Maya Train (89.9%)
(Tabasco Refineries, Isthmus of Tehuantepec, Plant Trees, Pension, Scholarships)
- Only 925,000 people voted, less than 1% of Mexico's population;
Less than previous *consulta* (1,067,000 people voted)
- Another *consulta* on National Guard and whether AMLO should indict past corruption cases scheduled for March 2019
- First *Consulta*: new Mexico City Airport cancelled; markets negative





Migrant Caravan Crisis/Migration

- **Most urgent** area for U.S.-Mexican cooperation.
- Estimated **5,000-7,000 mostly Central American** migrants near or headed to U.S. border; other caravans reported. Trump threatens to close border.
- **Hundreds of migrants stormed the U.S. border** on 11/25; U.S. officials used tear gas to repel them and temporarily closed a border crossing near Tijuana/San Diego.
- **Mexico deported nearly 100** Central American migrants that stormed the border.
- **Migrants waiting** in makeshift shelters to **apply for U.S. asylum**; U.S. officials process only about 100 requests per day. About 5,600 U.S. troops on the border.
- President Trump talks about “criminals;” **closing border would cost billions** to U.S.
- **Mexico deported 11,000** Central Americans since October & offered asylum/jobs.
- Two governments **need to defuse situation & agree longer term solutions.**

AMLO's early months: Signposts

1. Early management of government.
2. Maintaining budget prudence (Budget due Dec. 15).
3. Tackling public security and corruption
4. Working with the private sector
5. Setting energy strategy
6. Managing U.S. relations (migration/border, crime, trade)



U.S.-Mexico Relations: Early Months Set Tone

Trade:

- Complete USMCA ratification; end metal tariffs; begin cooperative implementation.
- Enhance facilitation of trade and travel with focus on border.

Bilateral Security/Migration/Border Cooperation:

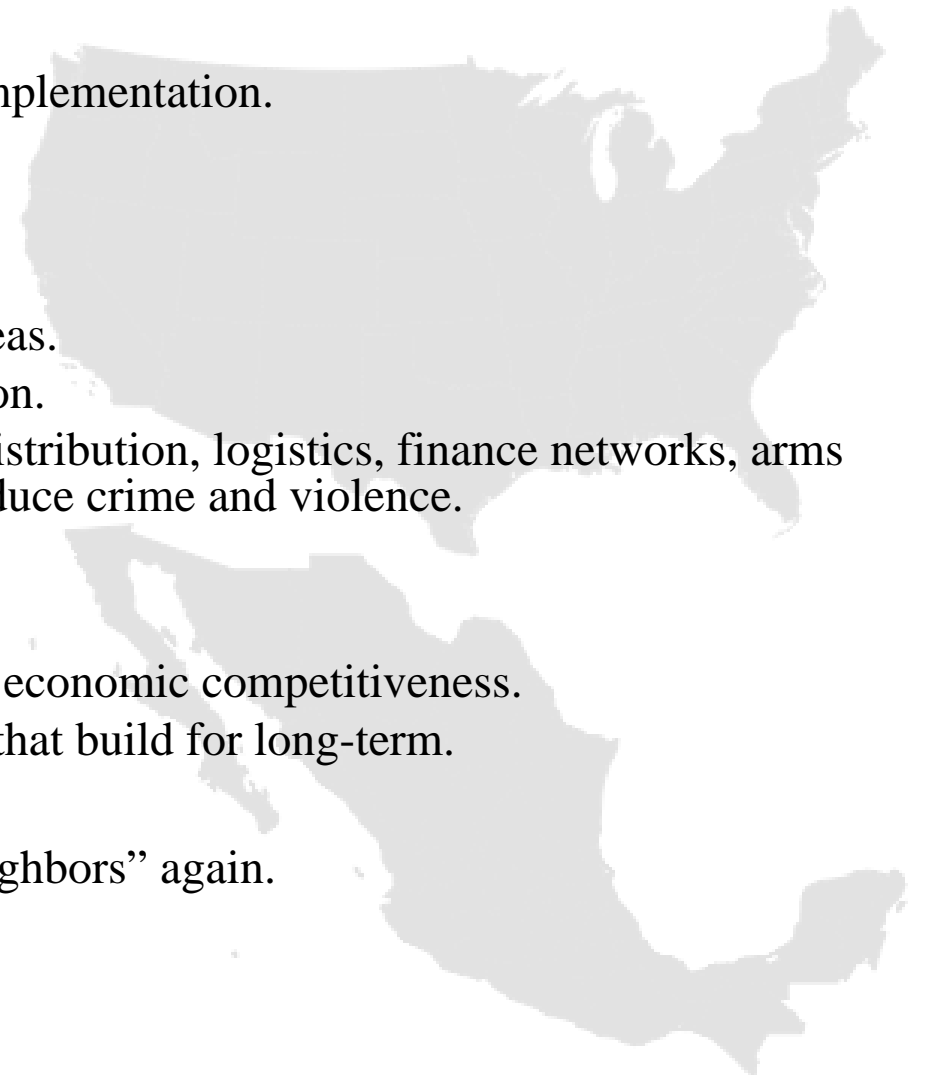
- Avoid further deterioration in cooperation.
- Better manage together migration; integrate AMLO's development ideas.
- Deepen support for Central America to address root causes of migration.
- Review cooperation against organized crime (attacking production, distribution, logistics, finance networks, arms smuggling, and addiction/demand) and support Mexico's efforts to reduce crime and violence.
- Continue close cooperation against terrorism.

Improve Competitiveness:

- Identify and revive a bilateral and North American agenda to enhance economic competitiveness.
- Invest in programs, including workforce development and education, that build for long-term.

Rebuilding Confidence:

- Take steps to rebuild deteriorating trust or risk becoming "Distant Neighbors" again.



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E. Anthony Wayne
Career Ambassador (ret.)
Public Policy Fellow at the Wilson
Center

waynea@gmail.com



[@EAnthonyWayne](https://twitter.com/EAnthonyWayne)

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