

Working with Mexico and Across North America



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Important Ties with Mexico



- **U.S.-Mexico ties touch more U.S. lives daily** than any other country via trade, border connections, tourism, family ties, and illicit flows. An **“Inter-Mestic” Relationship**.
- Some **37 million Mexican-Americans**: 11% of the U.S. population.
- **1990-mile border** (3,201 km) with security, economic, family & environmental interests.
- **2010-16**: government **collaboration** unprecedented; **tensions and cooperation 2017-21**.
- **2020**: U.S., Mexico, and Canada **trade accord launched** (USMCA); trade rising since.
- **2021-23**: **Rebuilding cooperation** on migration, border, crime, trade, enhancing competitiveness. **But big challenges on these issues too!**

Serious Challenges and Opportunities to Address

U.S. drug demand, Fentanyl deaths,
Mexican traffickers, US guns

Manage migration: Mexico
Central Am. & elsewhere

Security Cooperation: Need better
results from Bicentennial
Framework

Expand Outreach & Stakeholder
Dialogues

Boost commerce, jobs;
build resilient supply chains

Build a 21st century border to
handle trade, crime, migrants

Implement USMCA, solve
disputes, 2026 review

Boost North American
Collaboration
& Competitiveness Backsliding

Mexico #1 Trade Partner in 2023, Canada #2

Mexico is the U.S.'s:

- Largest trade partner: \$298.8 billion in 2023
- Surpassed China as largest supplier in 2023
- 1st agricultural trading partner (14.5% US exports 2022)
- 1st or 2nd export market for 28 states, 1st market southern Border States

In 2021 & 2022: Mexico was 2nd largest US trade partner.

In 2023: Mexico 15.7% of trade; Canada 15.2%; China 11.3%.

2023: US deficit with Mexico also highest ever: \$152.4 billion; growing '24.

Canada largest US export market; Mexico #2.

2024: US deficit with Mexico at \$125.5 billion as of September

For Mexico: US trade accounts for 83% of Mexican exports & 39% of GDP.

U.S.-Mexico Goods plus Services Trade: over \$1.5 million a minute



Exports
\$322.2 Billion



Imports
\$475.6 Billion

2023 Trade in goods



**\$798.8
Billion**

Services trade est. \$50 b.

means

\$1.5 million dollars per
minute in goods & services

Border Crossings back to pre-COVID levels

Each day over

1 million

border crossings



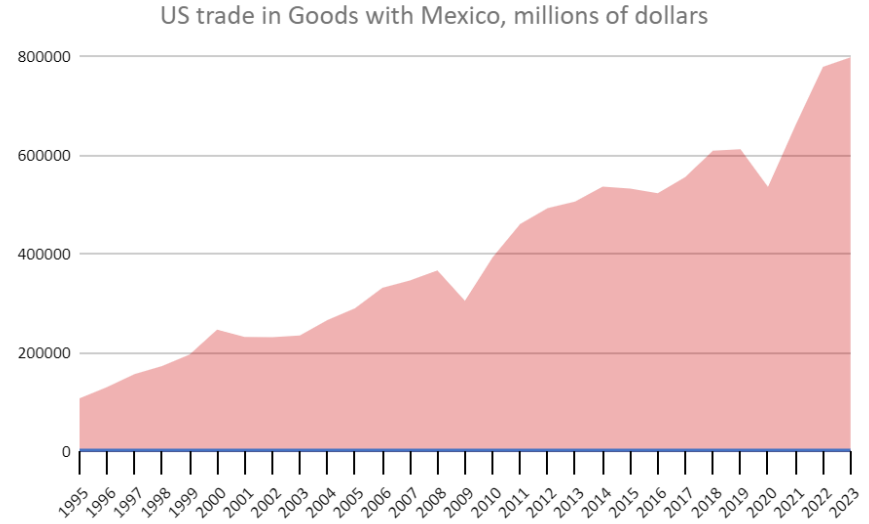
US-Mexico trade multiplied by over 6 times since 1995

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

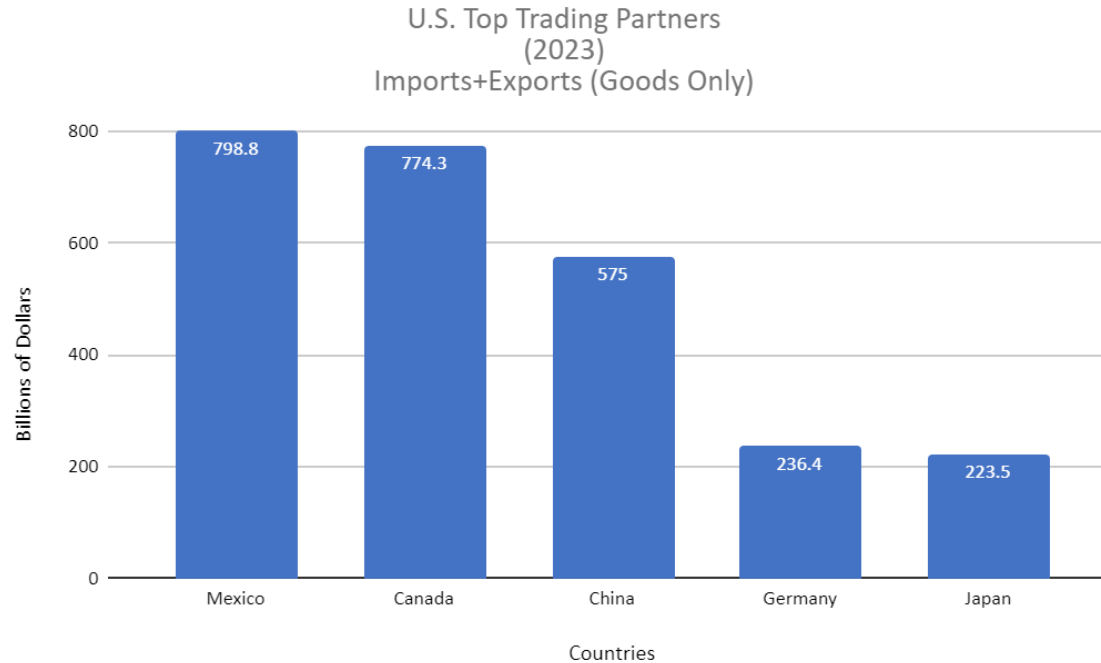


Over 98%

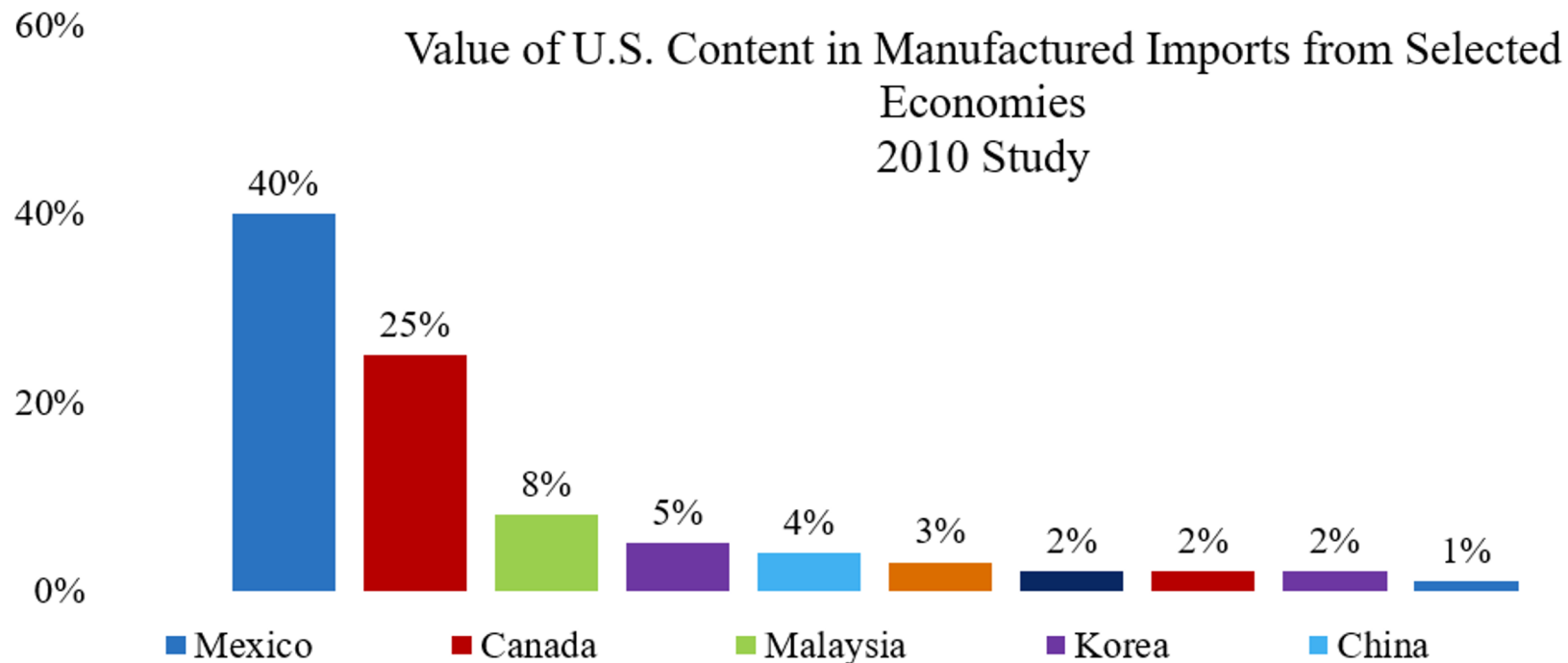
From 2010 to 2023



2023: Mexico top trade partner & so far in '24

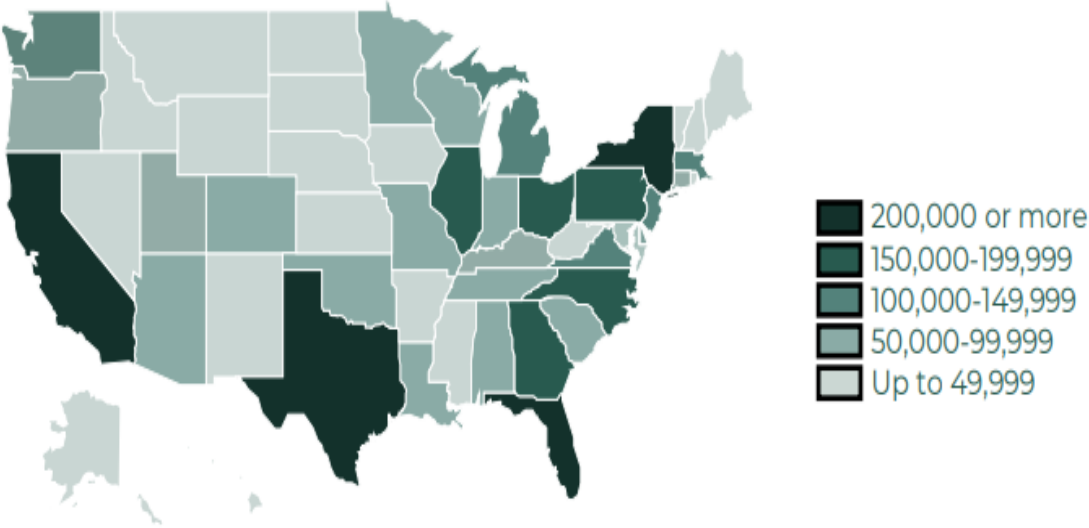


More U.S. Content in Imports from Mexico and Canada



Mexico trade and investment supports over 5 million U.S. jobs

Jobs per state



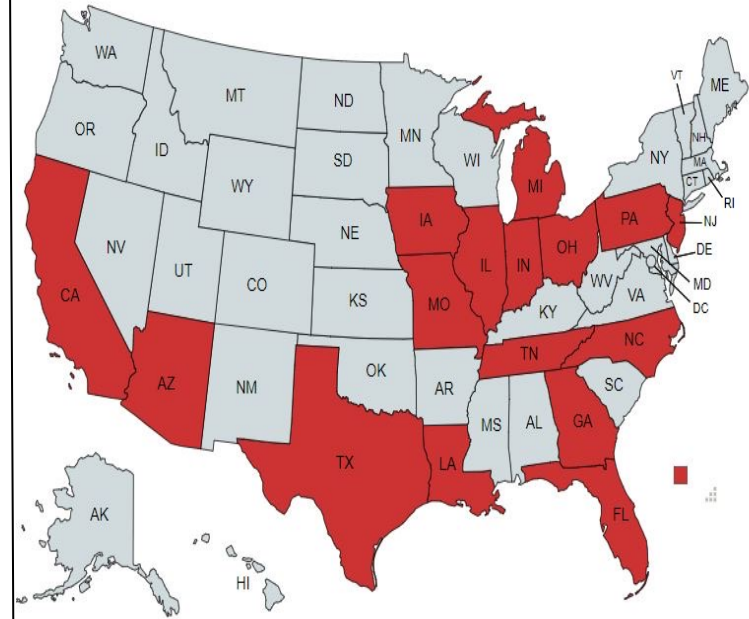
Some 5 million US jobs depend on trade and investment ties with Mexico (2022), compared to an estimated 700,000 jobs in 1993.

Estimates suggest more Mexican jobs are supported by this trade.

Source: Mexican Embassy, 2023

Rank Order: Top U.S. States' Exports To Mexico 2023

State	Volume \$USD (Billions)	State	Volume \$USD (Billions)
Texas	129.5	Oregon	6.5
California	33.2	Tennessee	6.1
Michigan	14.5	Pennsylvania	5.4
Illinois	12.9	North Carolina	5.4
Ohio	8.2	Georgia	4.8
Arizona	8.0	Wisconsin	4.3
Indiana	7.5	Florida	4.2
Louisiana	6.9	Missouri	3.8







U.S.-Mexico Border States

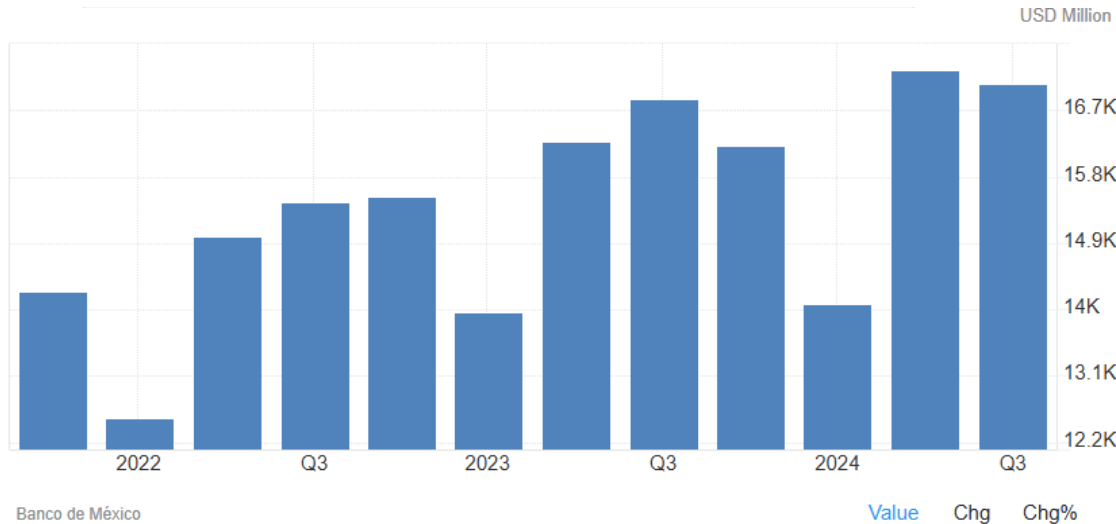
- In 2021, the U.S.-Mexico Border States' GDP reached **\$6.2 trillion**
- GDP from both sides of the border would constitute the **3rd or 4th largest economy in the world.**



Largest economies in the world (2022)

	United States: \$22.9 trillion
	China: \$17.7 trillion
	Japan: \$4.9 trillion
	Germany: \$4.2 trillion
	EU total: \$17.1 trillion

Another Plus for Mexico: US Remittances - Money sent to family and friends in Mexico.



- Mexico's Central Bank estimates that **95% of the remittances** to Mexico come **from the United States**.
- In 2023, remittances set a record of **US \$63 billion**.
- Only India received more remittances in 2022.
- 7-10% may be crime related says a Reuters report.

Border Management: Licit and Illicit Flows

Moving toward Co-Management of the Border



U.S.-Mexico Visitors Returning to Pre-Pandemic levels

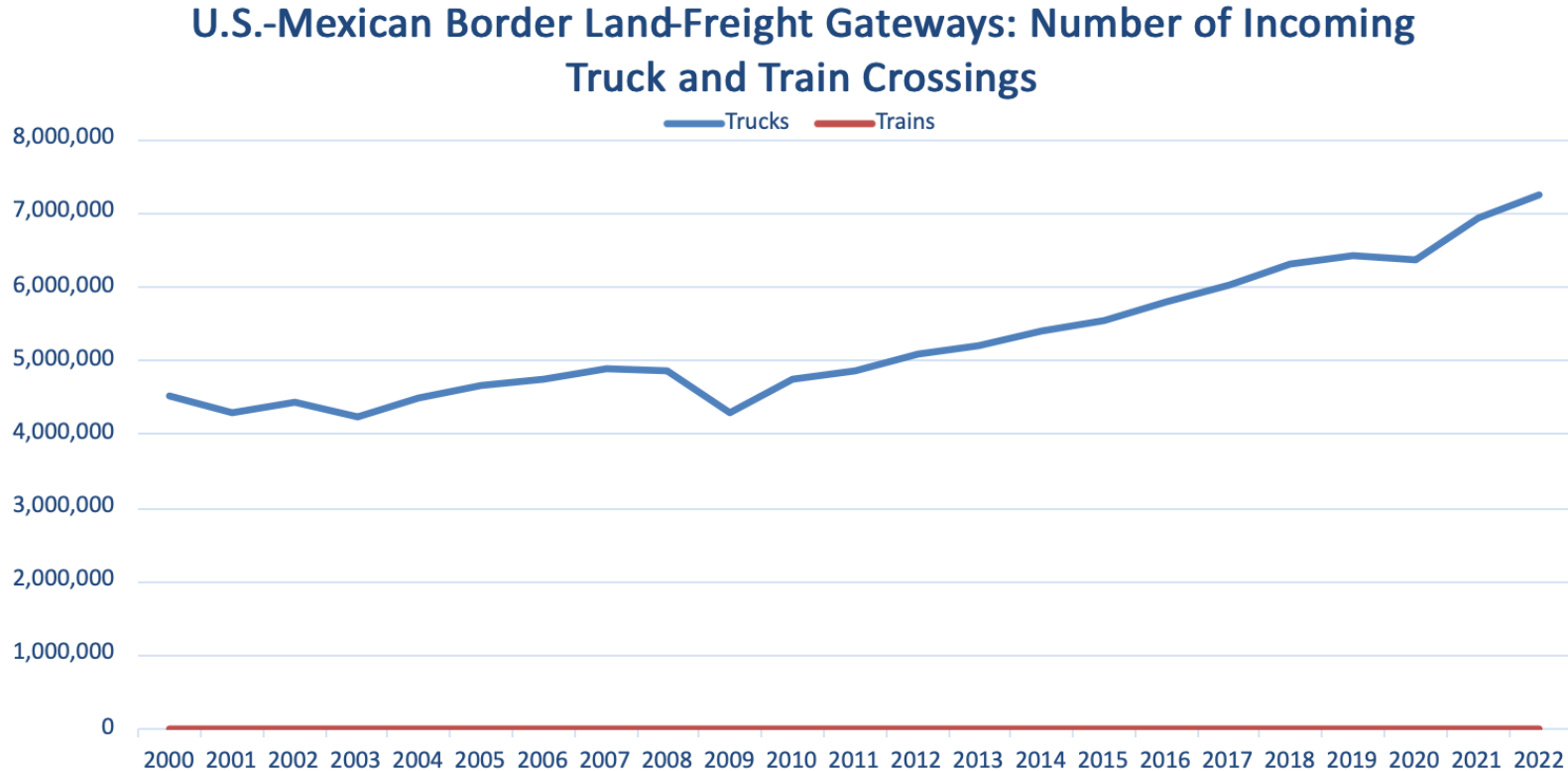
In 2023, **Mexico** earned \$31,1 billion from **25 million** overnight US visitors: up **11.3%** from 2022.

12.5 million overnight Mexican visitors to US, up **19%** in 2022.

Mexico ranked 6th in the world with **38 million** overnight visitors.

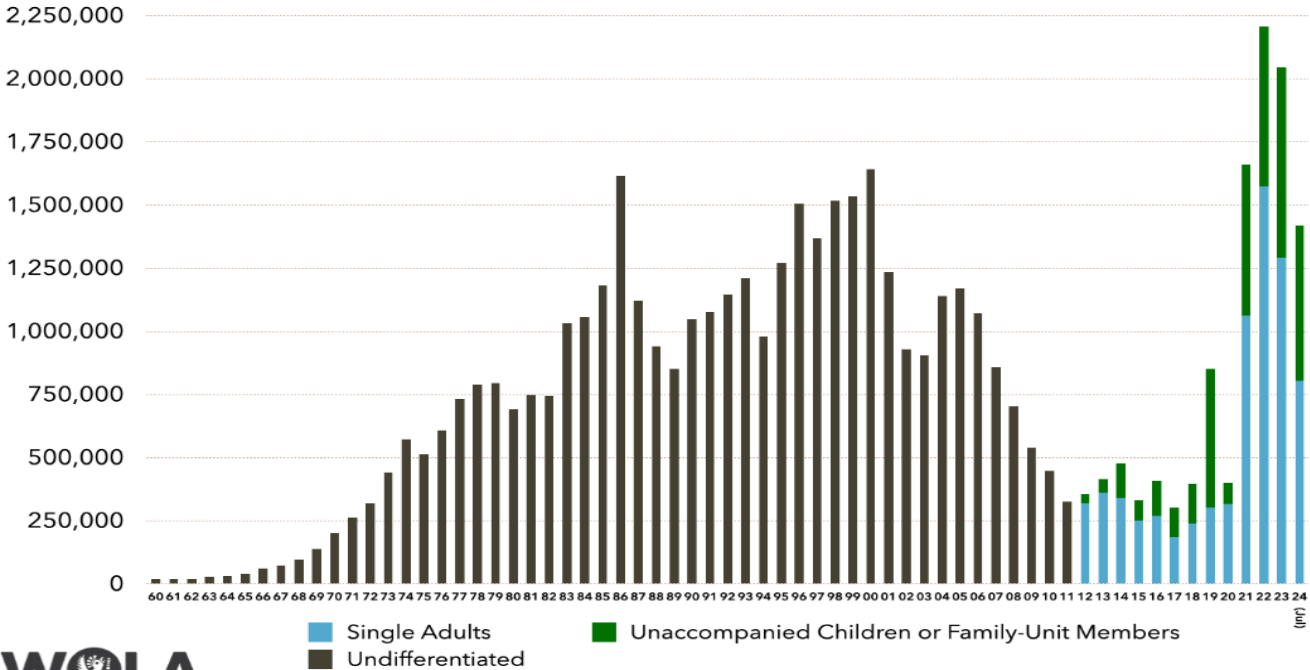


Trucks Crossing the U.S.-Mexico Border



60 years Southwest Border Migrant Encounters

U.S.-Mexico Border Patrol Migrant Encounters



Source: U.S. Border Patrol <https://bit.ly/3s1kvRg> <https://bit.ly/3LMNYWJ> <https://bit.ly/3JKk8R7> <https://bit.ly/3j3tP2I>

Mexican Migrant Flows Net-Zero Until COVID

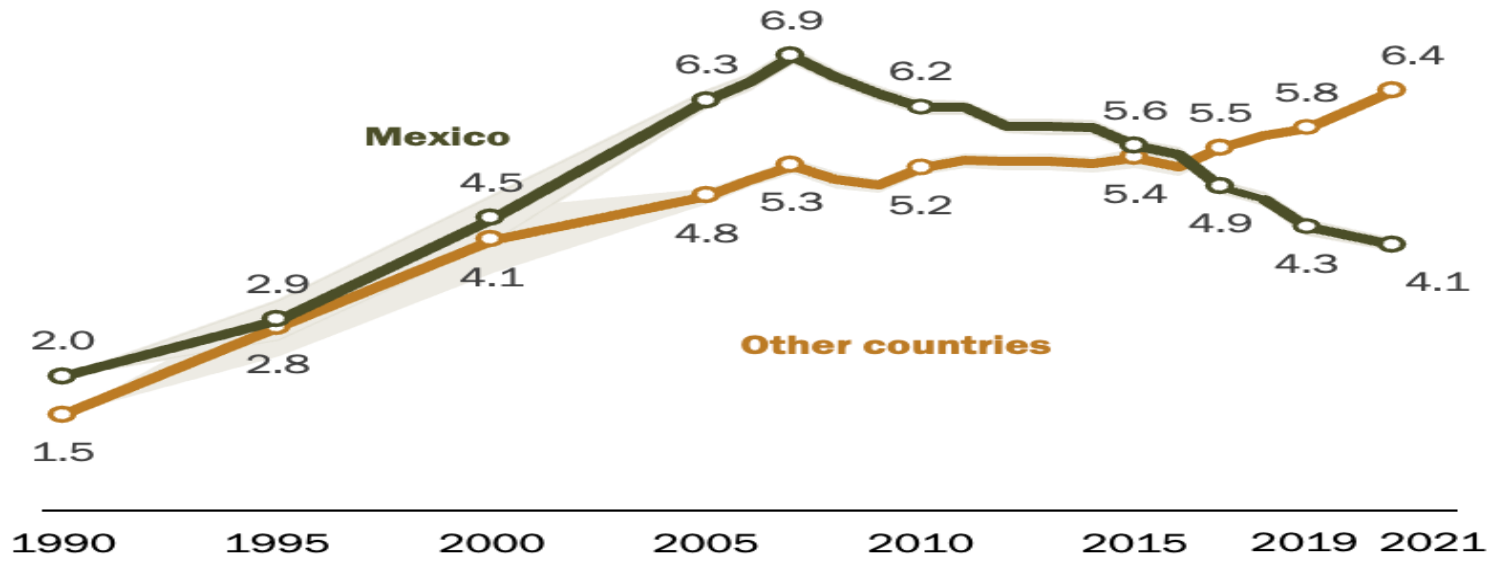
- **Undocumented Mexican immigrants in the U.S. began to decline around 2007.**
- **Net migration from Mexico to the U.S. dropped.**
- **FY2011:** Mexicans still made up **86%** of **apprehensions** but then declined until COVID.
- **FY 2020:** Mexican numbers were rising, **63%** of the apprehensions, **totaling 400,651.**
- **FY2022:** 33% of encounters were Mexicans **but up to 808,000 (more migrants from elsewhere).**
- **FY 2023:** **717,000 Mexicans or 29% of total.**
- Most were single adults and returned immediately; families were up, however; likely not returned.
- **Why?** Mexicans seeking jobs; some fleeing violence; families seeing opportunity to enter.



Source: U.S. CBP 2019, Congressional Research Service 2019.

48% Unauthorized Immigrants are Mexican; 10.7 mil Mexican-born in US; 1 mil more than 2010.

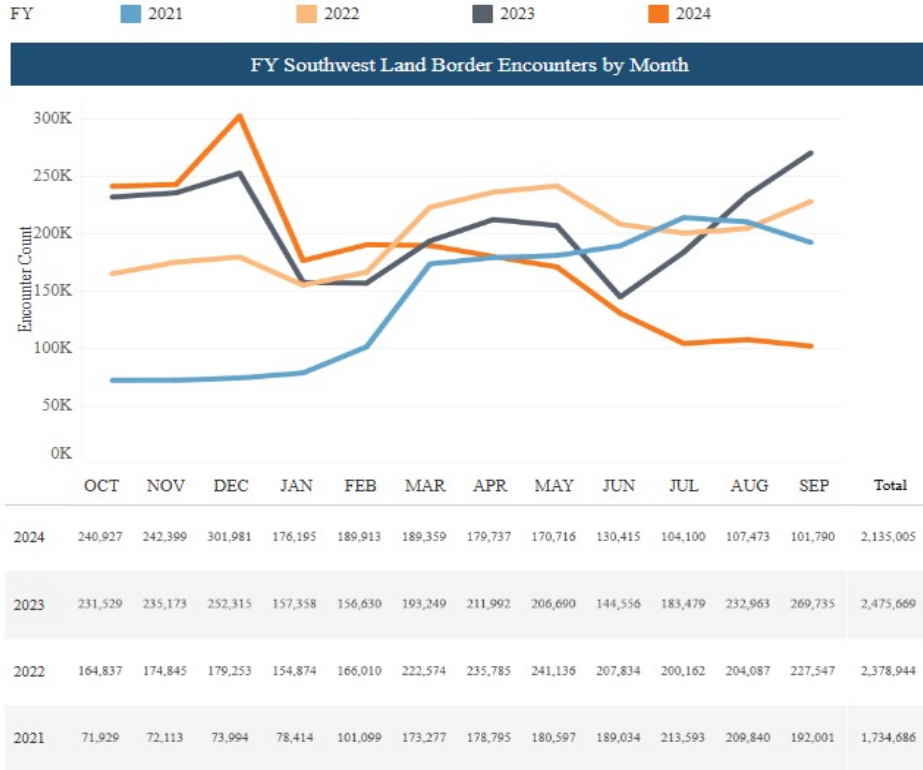
Unauthorized immigrant population in the United States by country of birth, in millions



Note: Shading shows range of estimated 90% confidence interval.
Source: Pew Research Center estimates based on augmented U.S. Census Bureau data.

PEW RESEARCH CENTER

U.S.-Mexico border encounters FY 2021-2024(FYTD)

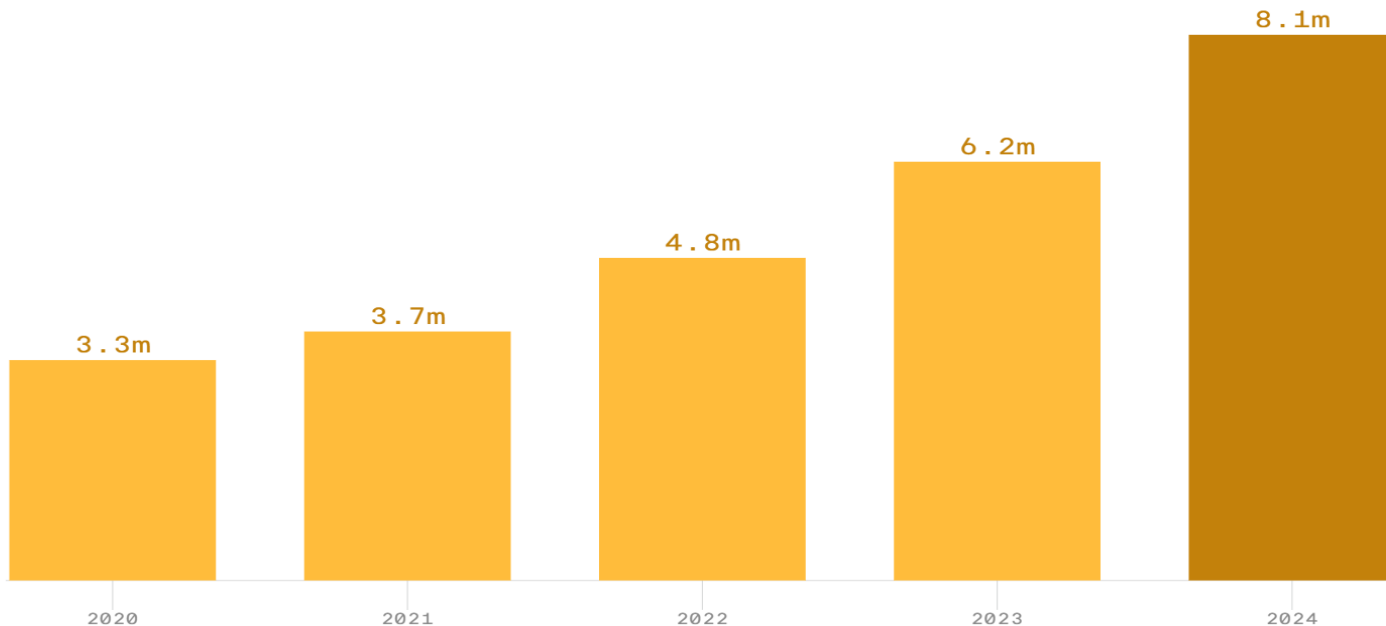


- FY 2020, 458,088 apprehensions (COVID 19)
- **FY 2021, 1,734,686 apprehensions.**
- **FY 2022 & 23, record "encounters": 2,378,900 in FY 22 & 2,475,000 in FY 23.**
- Numbers down in FY 24 since new exec order.
- June 2024: # of encounters as low as Mar21
- **More families, more adults, more Mexicans; many more from elsewhere (a record 51%).**
- **Under Biden, over 6 million apprehended; some 4 million expelled; and 2.3 million released;**
- **Est. 8 million migrants in US with temporary status who entered during Biden Administration**

Asylum Seekers Pending Deportation

Non-detained asylum seekers and immigrants facing removal

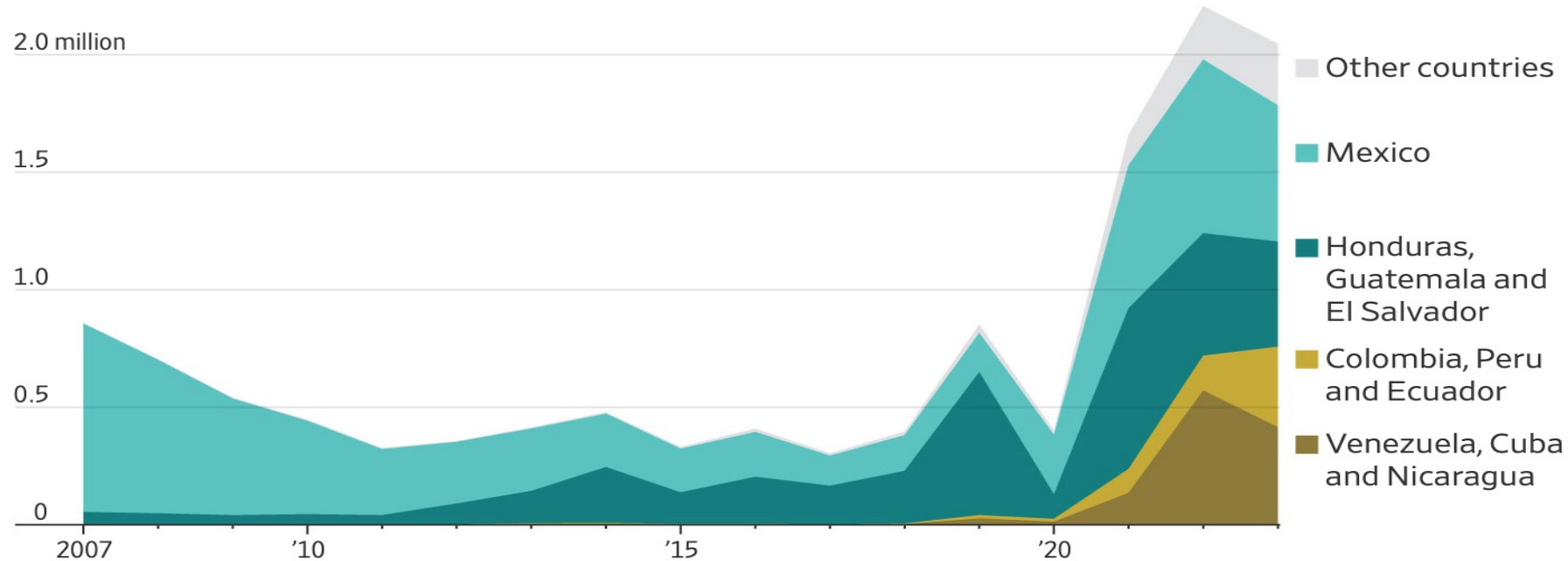
Fiscal years 2020 through 2023, internal projection for fiscal year 2024



Data: Immigration and Customs Enforcement, obtained internal documents; Chart: Axios Visuals

Illegal border encounters by country of origin, annual though FY 2023

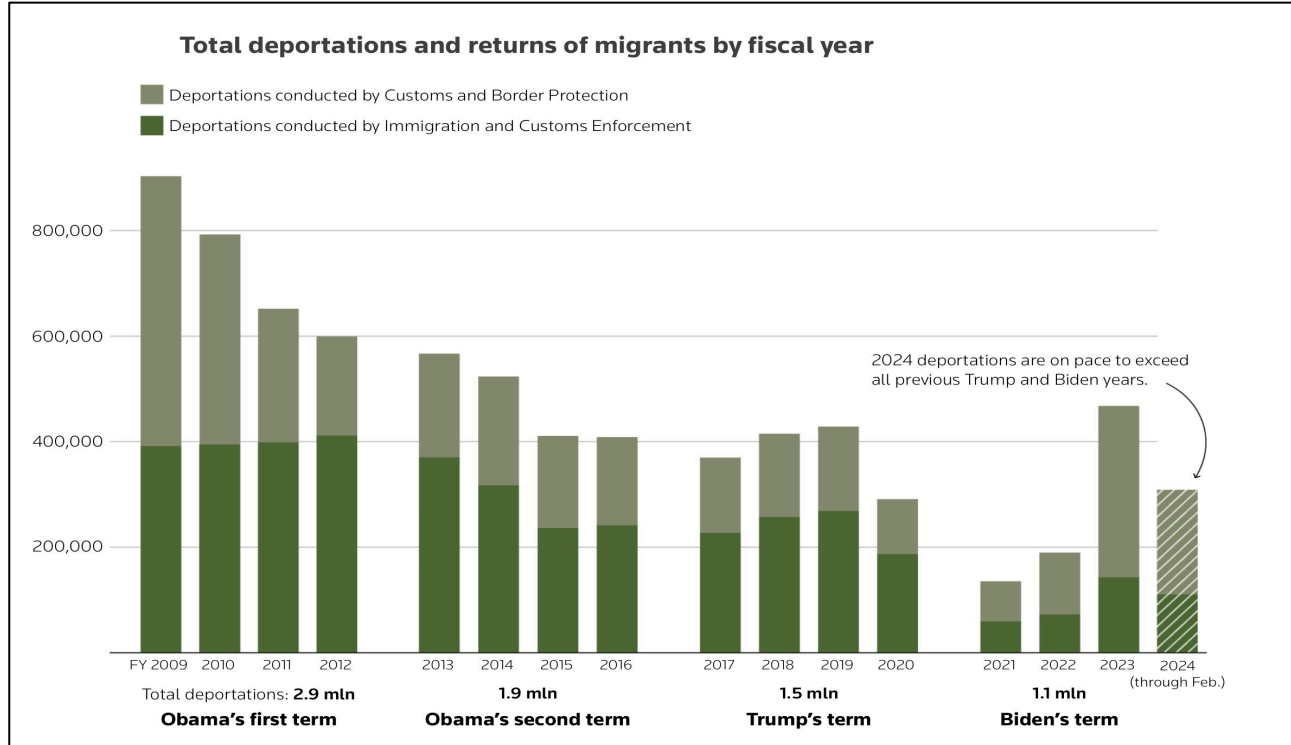
Illegal border encounters by country of origin, annual



Note: Data are for fiscal years and only include encounters along the southern land border.

Source: U.S. Customs and Border Protection

Deportations by Fiscal Year: 2009 - 2024



Source: [Reuters](#)

In FY23, numbers apprehended at the U.S.-Mexico border surpassed Trump's highest year and is on pace to rise higher in FY 24.

Using Title 42 during COVID, authorities could send migrants to Mexico rapidly.

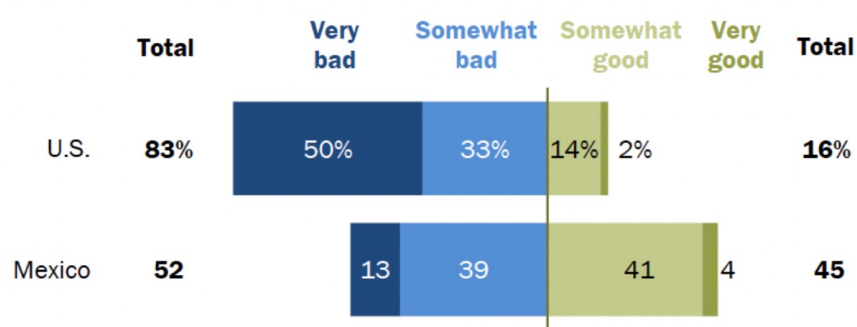
That practice ended in May 2023. Migrant numbers increased, despite increased US deportations.

In June 2024, a Biden Executive Order imposed new restrictions. Since deportations are up & encounters down.

Mexican and American Perceptions of the Border

Americans are more critical than Mexicans of the way U.S. government is handling migrants at the border

% who say the **U.S. government** is doing a ___ job dealing with the large number of people seeking asylum at the U.S. border with Mexico



Note: Those who did not answer are not shown.

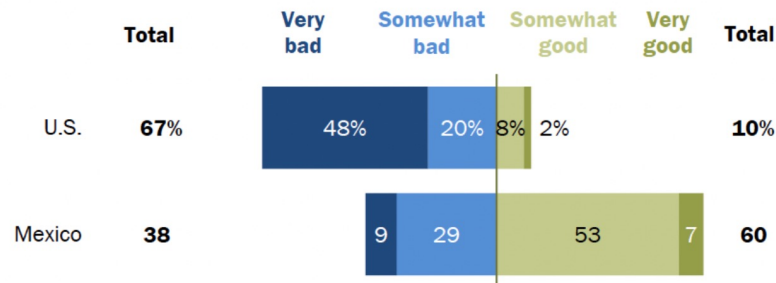
Source: Survey of Mexican adults conducted Feb. 23-April 27, 2024, and survey of U.S. adults conducted April 1-7, 2024.

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Source: [Pew Research Center](https://www.pewresearch.org)

Two-thirds of Americans, but far fewer Mexicans, say Mexican government is doing a bad job at the border

% who say the **Mexican government** is doing a ___ job dealing with the large number of people seeking asylum at the U.S. border with Mexico



Note: Those who did not answer are not shown. In the U.S., "Not sure" was also a response option; 22% said this.

Source: Survey of Mexican adults conducted Feb. 23-April 27, 2024, and survey of U.S. adults conducted April 1-7, 2024.

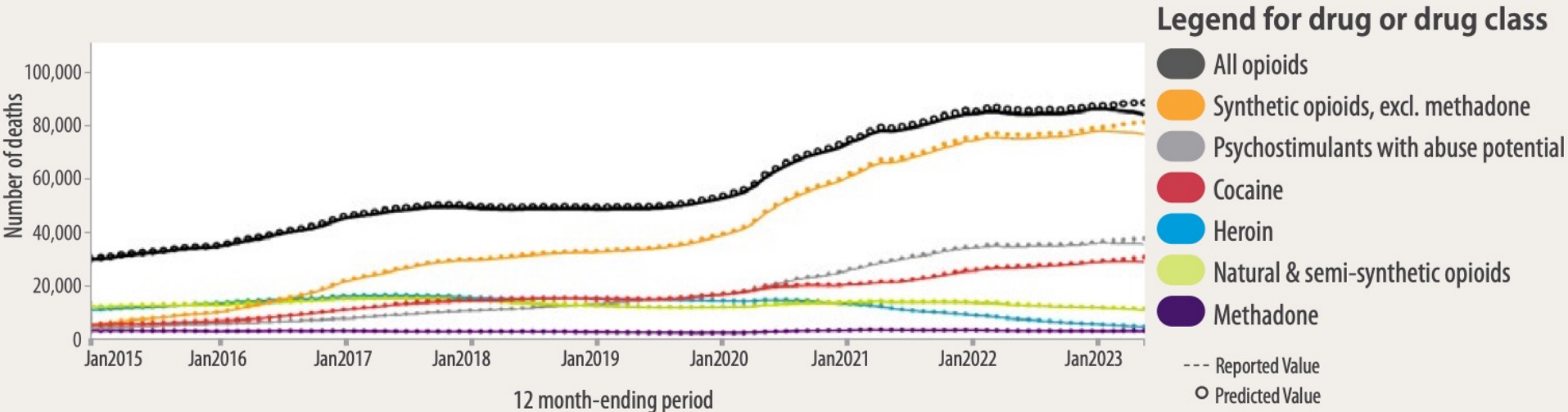
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Crime: Better Collaboration & Results?

Driver: Drug Overdose Deaths at 107,000 in full year 2023

Synthetic Opioids: 75,000 deaths; Many saved by rapid treatment

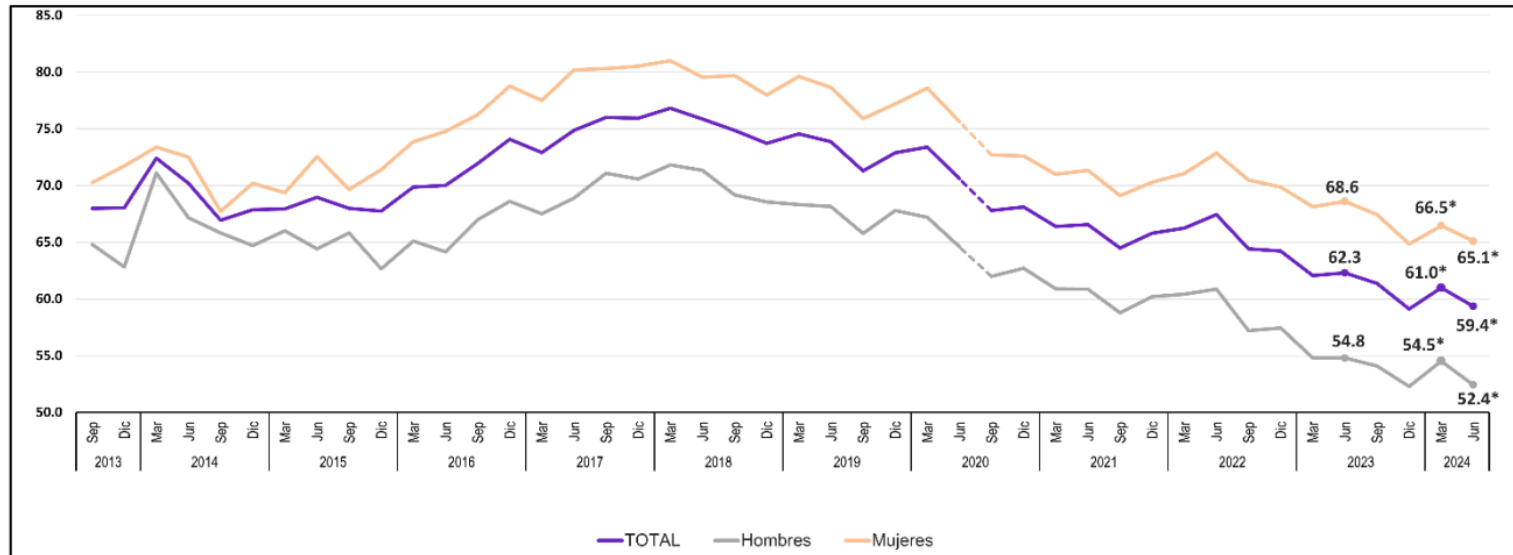
12 month-ending provisional number of drug overdose deaths by drug or drug class⁵



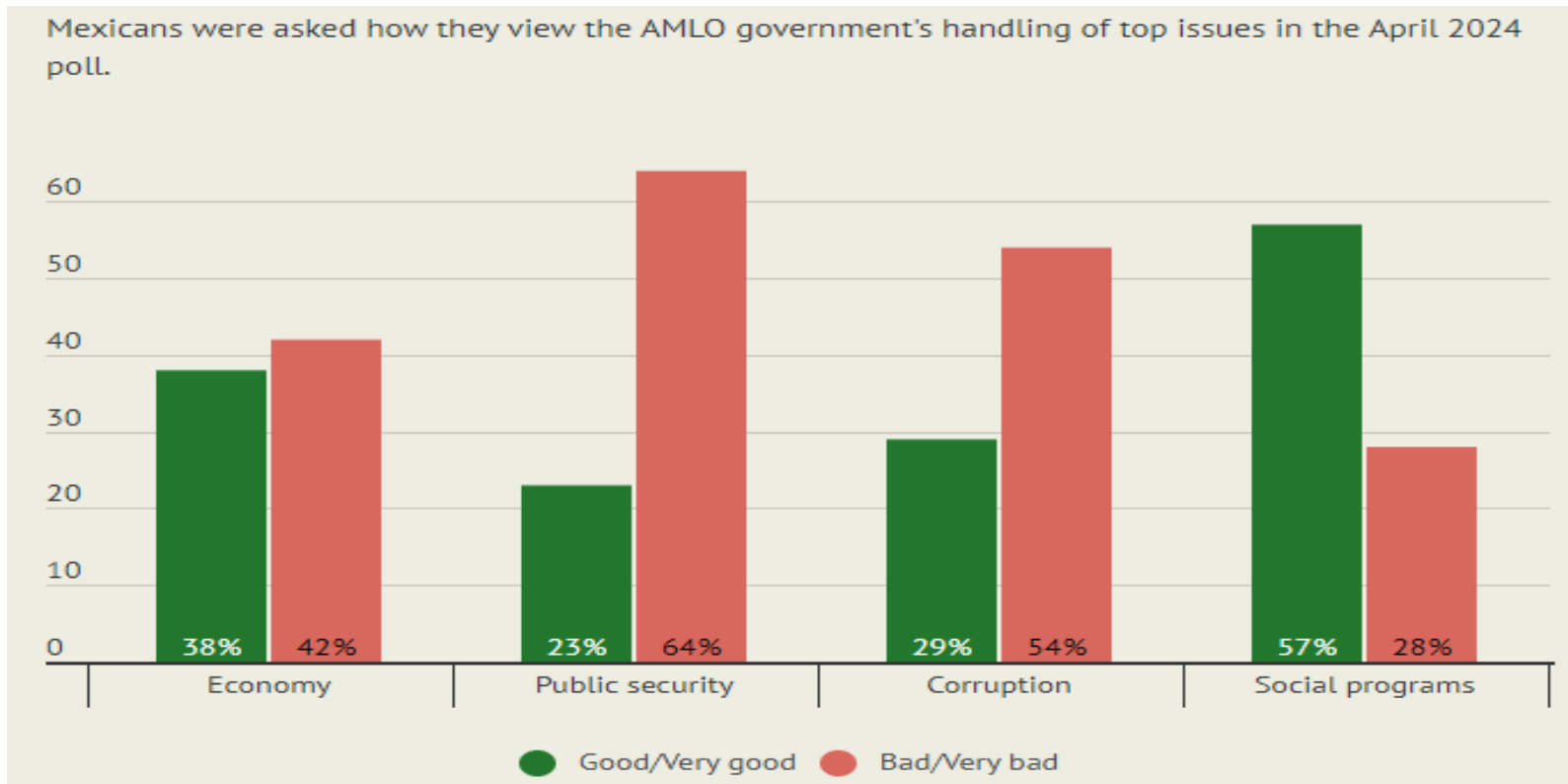
Perception of Public Insecurity Improving but 59% feel insecure in their cities

SOCIAL PERCEPTION OF PUBLIC INSECURITY AT THE NATIONAL LEVEL (PERCENTAGE)

PERCEPCIÓN SOCIAL SOBRE INSEGURIDAD PÚBLICA A NIVEL NACIONAL
septiembre de 2013 a junio de 2024
(porcentaje)

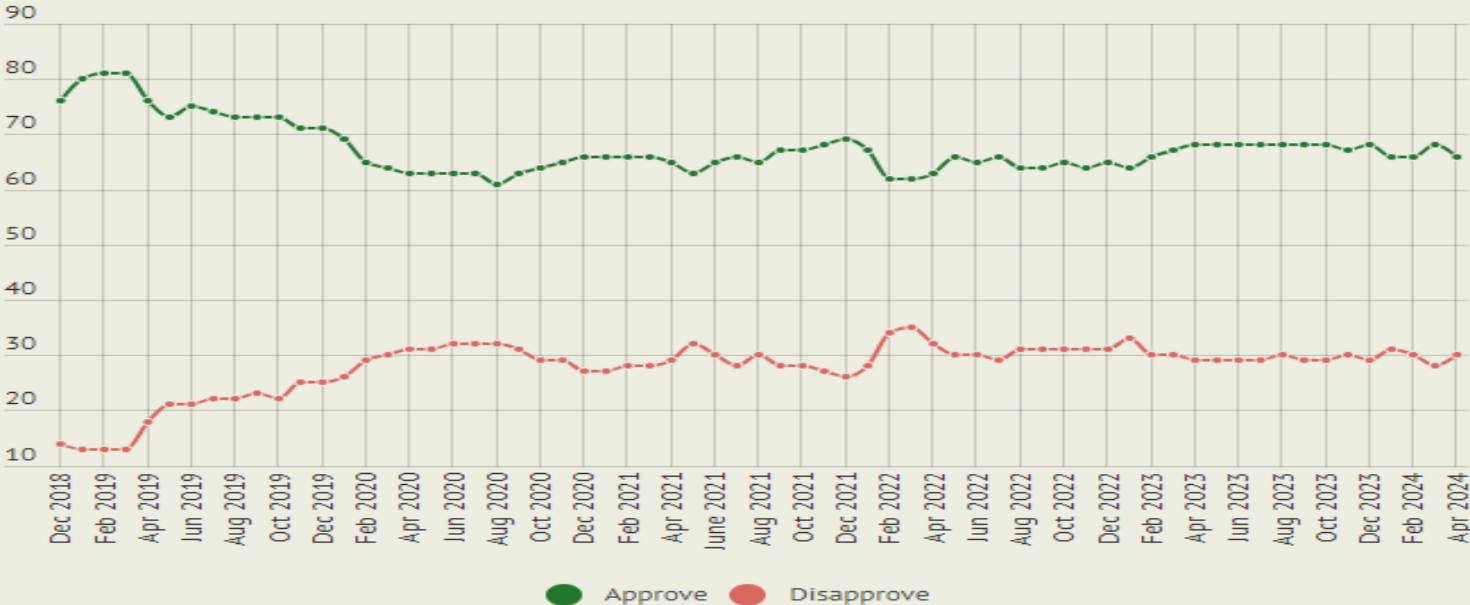


Perception: AMLO's Handling of Issues: Underwater on Security, Economy and Corruption



5/2024 poll: AMLO's 2024 approval has overall been maintained in the range of 66 percent.

This firm's "poll of polls" tracks AMLO's approval by aggregating results from major Mexican pollsters over time. All figures as of May 3, 2024 [Review methodology](#).

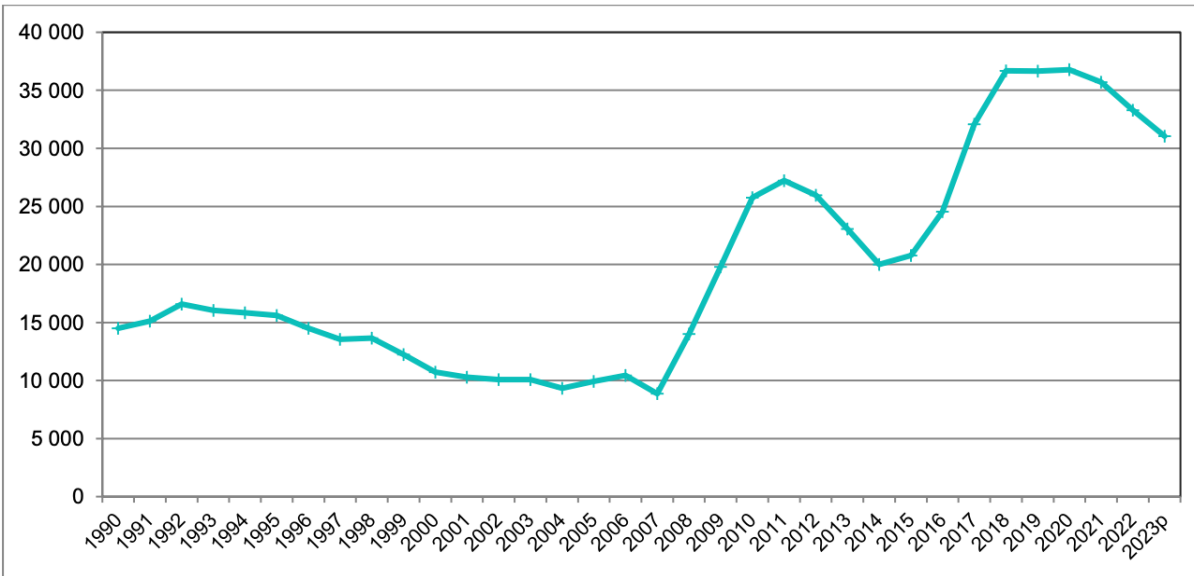


April 2024:
AMLO had an approval of 66%

Homicides and Femicides: Still at Crisis Levels

[INEGI: Jan-Dec 2023](#)

Gráfica 1
NÚMERO DE HOMICIDIOS A NIVEL NACIONAL
serie anual 1990-2023^{p/}
(total)



2020 Record 36,773

2023 declined to 31,062

A record 170,000 plus homicides in AMLO's administration.

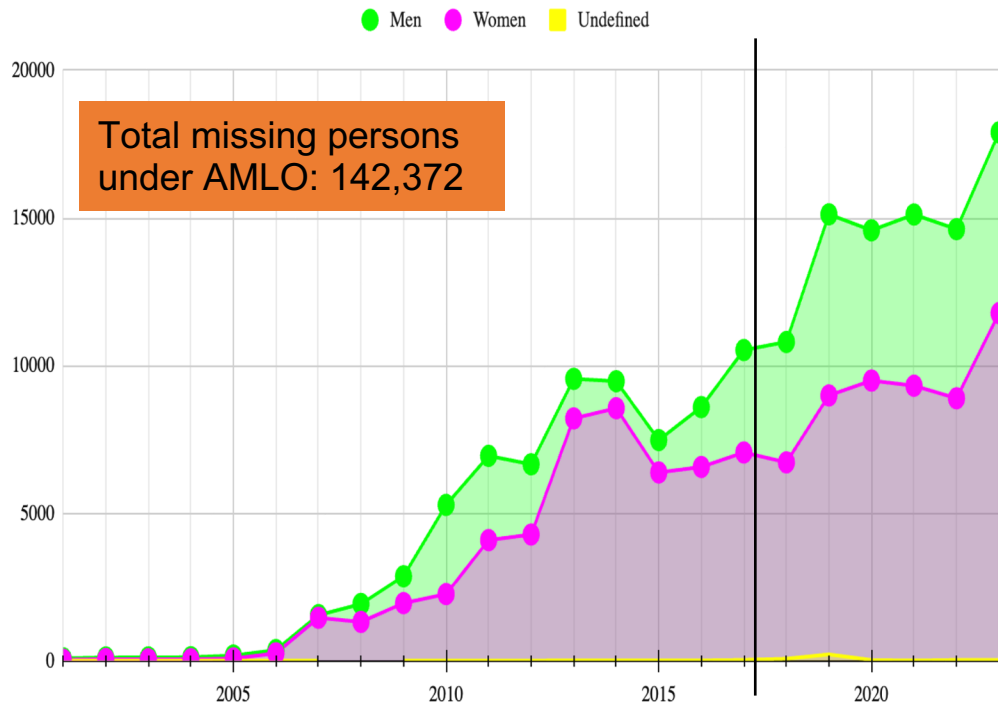
Plus, many unaccounted and missing.
Organized crime rate way up
Security & justice spending decreased

Violence cost 19.8% GDP in 2023, \$245 billion

\$19-30 billion drug profits
US main source of crime guns

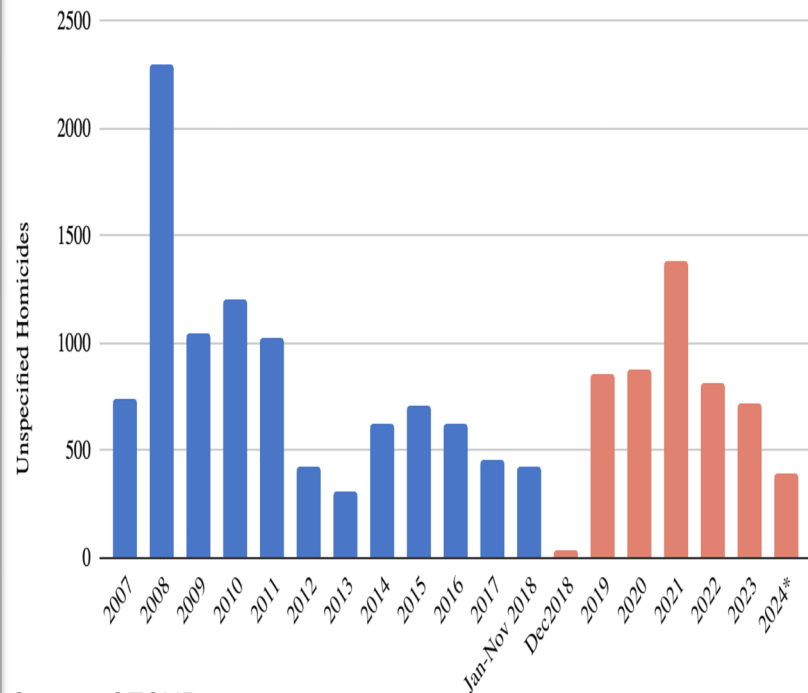
Missing and Unspecified Homicides

National Missing People per Year



Source: Comisión Nacional de Búsqueda

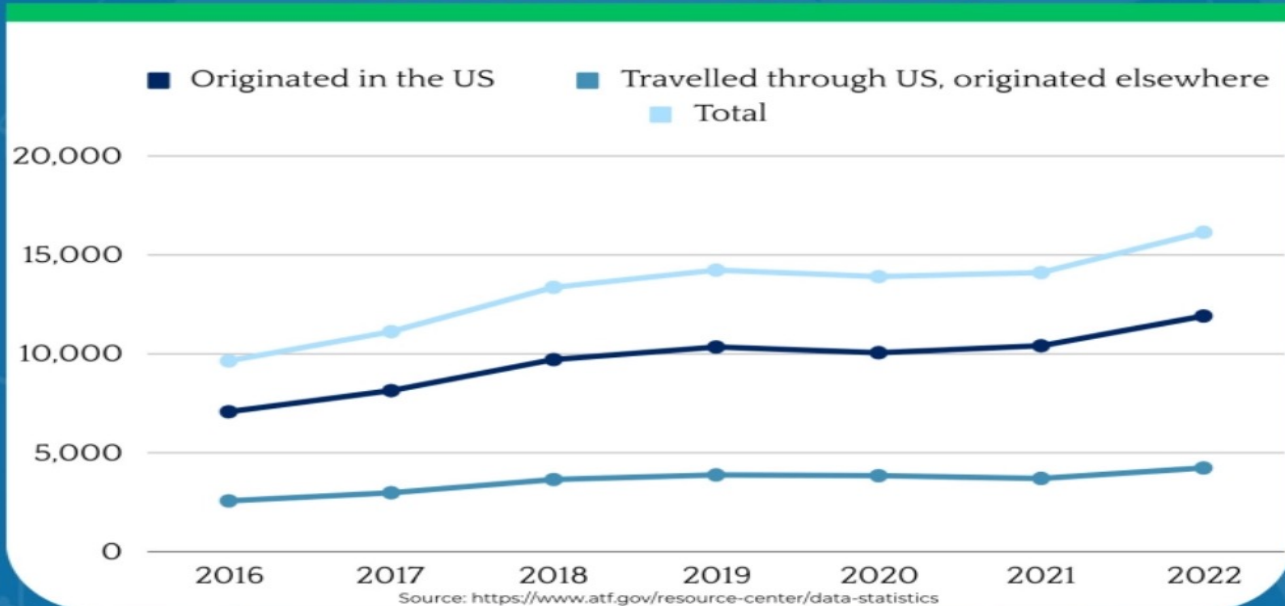
National Unspecified Homicides per Year



Source: SESNP [2000-2014](#) and [2015-2024](#)

2016-22, 68% of traced guns had a US connection.
Rifles increased by 105%.

SOURCED FIREARMS TRAFFICKED FROM THE UNITED STATES TO MEXICO (2016-2022)



KNOWN FIREARMS MANUFACTURED IN THE UNITED STATES

Between 2016 and 2022, 50% of all firearms found in Mexico for which a source could be identified were initially manufactured in the United States (136,627 weapons).



KNOWN FIREARMS TRAVELLING THROUGH THE UNITED STATES

Between 2016-2022, 18% of all firearms found in Mexico for which a source could be identified came from the United States but were originally manufactured elsewhere (136,627 weapons).



Source: <https://www.atf.gov/resource-center/data-statistics>

Mérida Initiative: 2007-2021

U.S.-Mexico Merida Program Goals Established 2007

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**.

Over **\$3.5 billion** appropriated **since 2008**.

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

Mexico has spent over **10** times more, but heroin, **fentanyl** and **meth trafficking** still massive, **violence** still high impunity, and **well over 90%** impunity on most crimes.

US funds: **\$155 mil** in FY 2019, **\$158 mil** in FY 20, **\$159 mil** in FY 21, **\$127 mil** in FY 22 request; FY 23 & FY24 requests: **\$114 & 111 million**.
Total US aid 2001-23: \$19.4 billion

Law Enforcement & Security Cooperation: 2007-24

Mérida Initiative & Agency-to-Agency Cooperation (2007-21)

Defense Dialogues & Cooperation

Security Coordination Group (est. 2014)

High-Level Security Group (est. 2019)

Cabinet-Level Security Dialogue and
Bicentennial Framework (2021 on)

Expert Suggestions for Cooperation (2018-2024)

An alignment of key security objectives.

1. Create a **bilateral coordination group** to reconcile the priorities of both nations (**done**).
2. Build **cooperation** with the **National Guard** and at **sub-national levels** (**in process**).
3. **Training** to improve Mexican law enforcement and **criminal justice system** (**in process**); launch **joint investigative work**, including on **illicit finance** (**more needed**).
4. Establish/re-activate/strengthen **international liaison units including at border** to help with investigations, information-sharing, etc.; deepen prosecutor cooperation (**more needed**).
5. Create a joint U.S-Mexico **task force on countering fentanyl trafficking** (**more needed**).
6. Exchange best practices on drug abuse prevention & **harm reduction** strategies (**started**).
7. Enhance cooperation to **strengthen local policing and justice** in Mexico (**some underway**).
8. Enhance cooperation on **migrant smuggling & Central America networks** (**in process**).
9. **Separate cannabis regulation** from security cooperation (**so far yes**).

2017-2021 Growing Challenges on Illicit Drugs

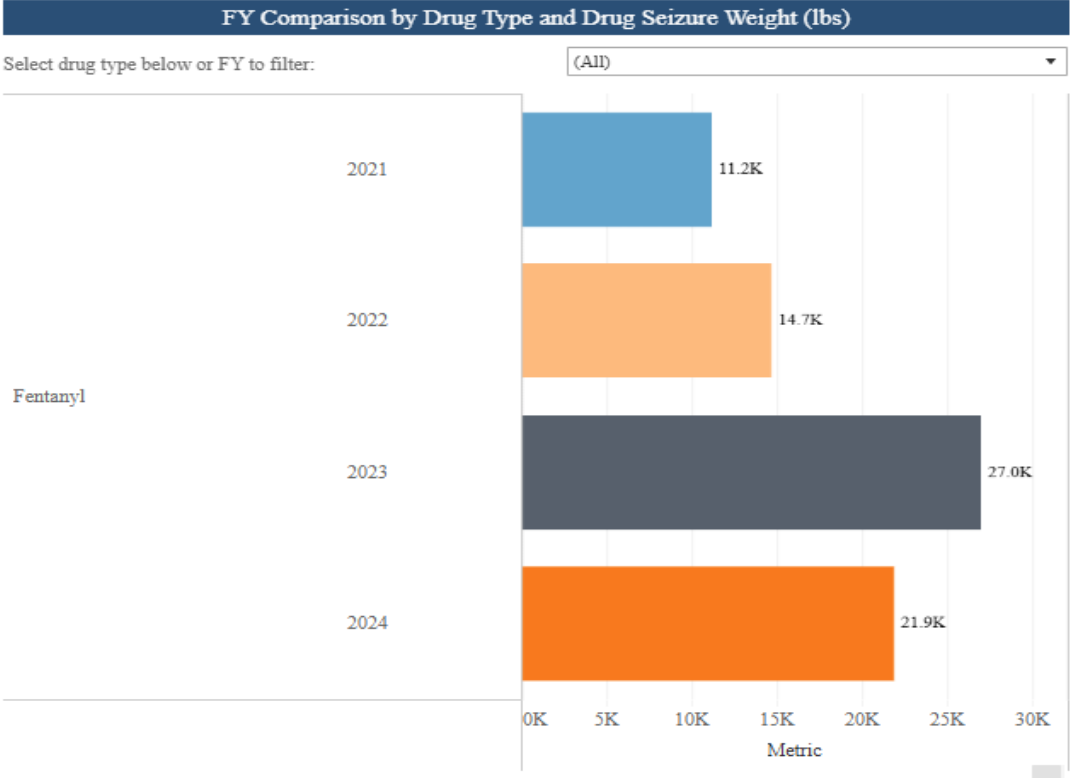
- **2017** agreement to comprehensive strategy on supply and demand for illicit drugs. **Attack entire criminal business network** from means of production, cross-border distribution networks to profit flows and weapons procurement. **Tools:** physical barriers, technology, patrolling, eradication, enhanced cooperation, anti-addiction programs. **Never Implemented.**
- In **2018**, AMLO ordered a review, but did **not** agreed to update strategy until **October 2021**
- **U.S. concern** grew. December **2019** U.S. citizen **families massacred**; US **threat** to designate cartels as Foreign Terrorist Organizations sparked progress, but **opioids and meth continue** massive flow northward, drug organizations flourish, US drug overdose deaths surge.
- **Former Defense Secretary's arrest in late 2020** generated Mexican law **sharply restricting anti-crime cooperation.**
- **VP Harris June 2021** visit sparks launch in **October** of a new **High Level Security Dialogue & Bicentennial Framework**. Cooperation problems persist but **stronger efforts 2022-24.**

New Start: Bicentennial Framework for Security ...

- US and Mexican cabinet members agreed to replace Merida with a new “**Bicentennial Framework for Security, Public Health and Safe Communities**” in October 2021.
- **Agreed to forge a more detailed action agenda by the end of 2021 and then a 3-year action plan.**
 - Protect people: public health, supporting safe communities, reducing high-impact crimes.
 - Transborder crime: target arms trafficking, illicit supply chains, human trafficking & smuggling.
 - Pursuing criminal networks: disrupting financiers & strengthening security/justice sectors to prosecute; address cyber threats, cooperate on extraditions.
- **26 joint objectives** announced January 2022. No clear action plan, metrics or evaluation process.
- **March 2023 Phase 2: focus Fentanyl, Arms Trafficking, Migrant smuggling , Illicit funds, TCOs.** US initiated wave of sanctions, indictments, China focus, international cooperation; Mexico also increased efforts.
- **NEEDED: more trust, more criminals to justice, reduce cross-border crime flows.**

Fentanyl Seizures SW Border up 241% FY 2021-23

So far in FY 24 below FY 23 levels



Fiscal Year	Total (Pounds)
2021	11.2K
2022	14.7K
2023	27.0K
2024 (to Sep)	21.9K

Fentanyl Seizures Soaring: up 1,304% FY18-23; Rose 84% FY22 to FY23; Still high 2024.

FY 2021 2022 2023 2024

FY Drug Seizure Weight (lbs) by Month



Fentanyl Seizures

2023 FY: 27,000 lbs

2024 FYTD: 21,900 lbs

	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	Total
2024	1.8K	2.2K	1.3K	2.0K	1.2K	1.4K	1.4K	2.3K	1.4K	2.8K	1.7K	2.2K	21.9K
2023	1.9K	2.9K	2.4K	1.4K	2.3K	2.9K	3.2K	2.7K	2.2K	1.8K	1.8K	1.5K	27.0K
2022	1.1K	1.1K	549	862	680	1.1K	1.3K	1.1K	700	2.2K	2.3K	1.9K	14.7K
2021	1.2K	804	1.2K	945	797	652	886	950	1.1K	837	1.1K	737	11.2K

Persistent Challenges: need trust and results



- “Chronic irritants” to security cooperation continue. Frustration grows. Foreign Terrorist Designation or Military Strikes won't solve the problems.
 1. Corruption & mistrust persist (better vetting).
 2. Weak Mex. enforcement & justice systems.
 3. Human rights violations continue.
 4. Weapons trafficking southward.
 5. Illicit money flows to Mexico.
 6. Need top-level political commitment; whole of government strategies.

Trade, Investment, and
Competitiveness:
NAFTA to USMCA and Beyond

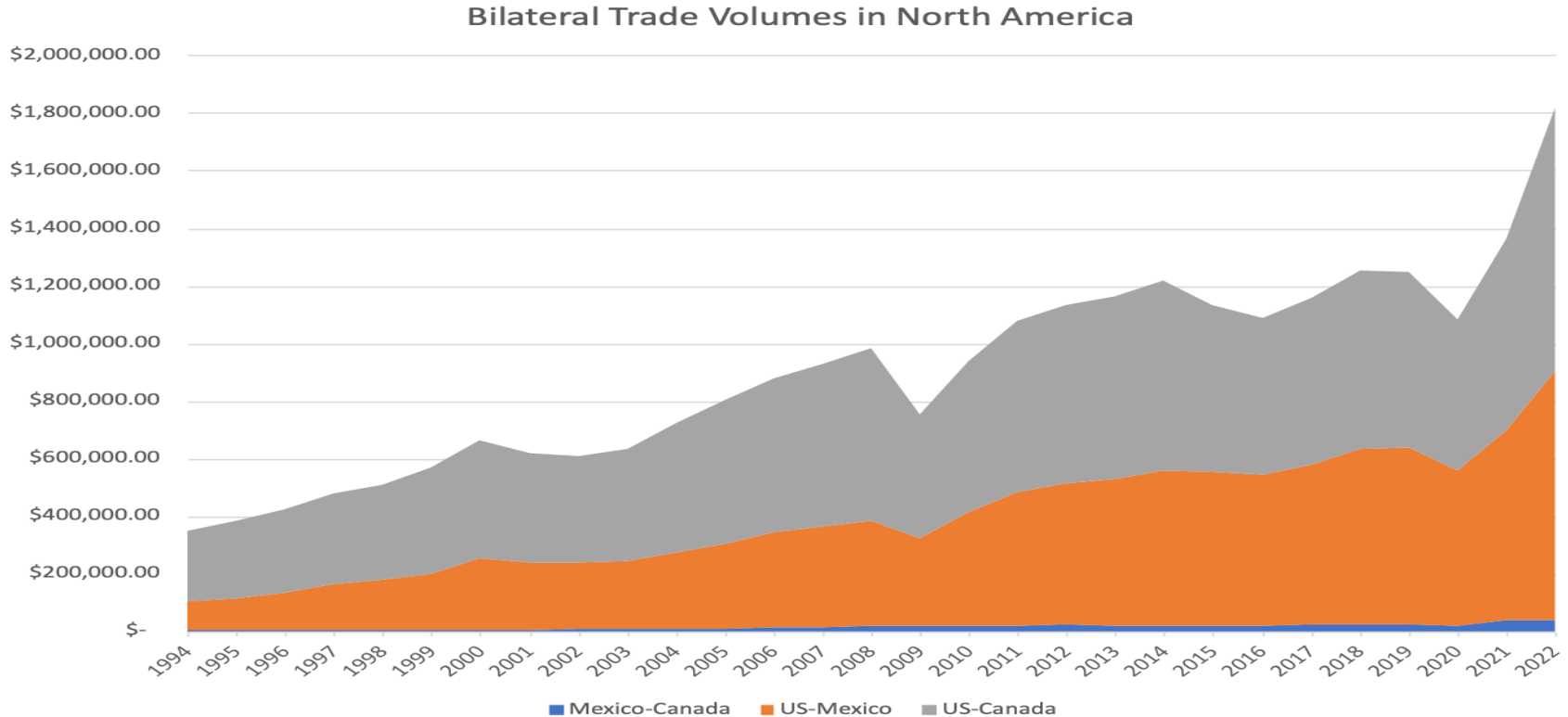


North American Trade

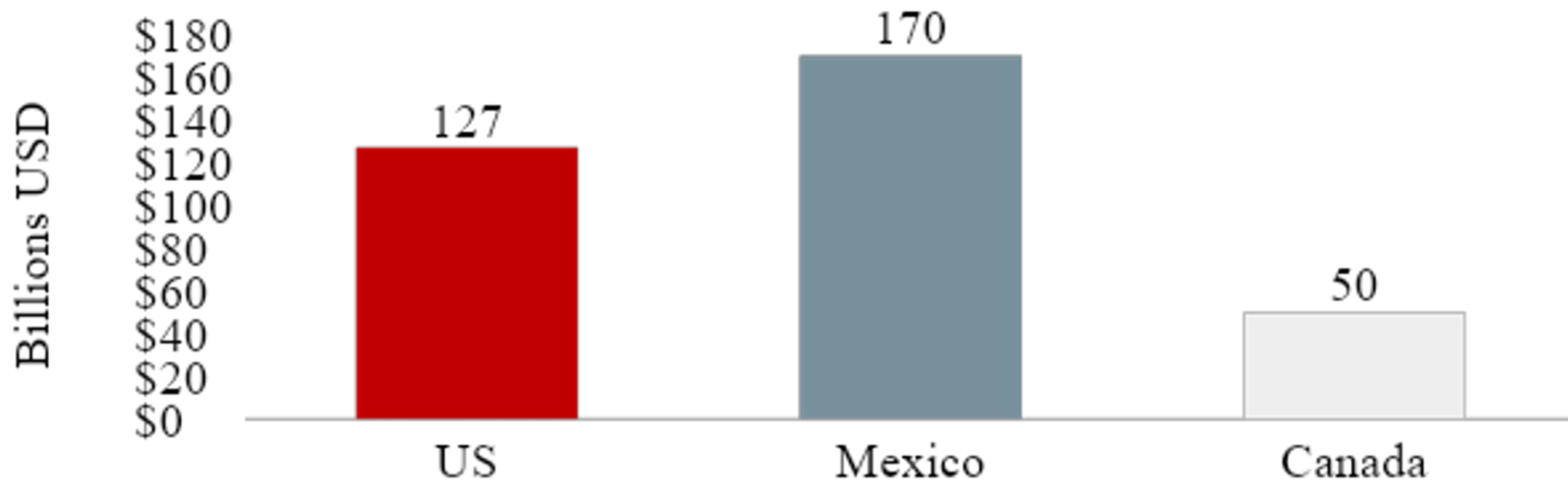
- Canada, Mexico and the U.S. trade **\$1.57 trillion a year**.
- **\$4.3 billion a day**, reflecting **shared production networks**.
- More than US trade with all the **European Union (\$1.22 trillion)** and **2.7 times** more than with **China (\$575 billion)**.
- **Up to 11-12 million U.S. jobs** are supported by trade and investment with both neighbors. **17 million in the region in 2022.**
- **Some 50 percent** of North American trade is **intermediate goods**.
- **Nearshoring and reshoring investment** growing significantly.
- New US laws & programs, & **tariffs on China making a difference.**

North American Goods & Services Trade: Over \$1.6 trillion

Trade grown over 4 times since NAFTA launched



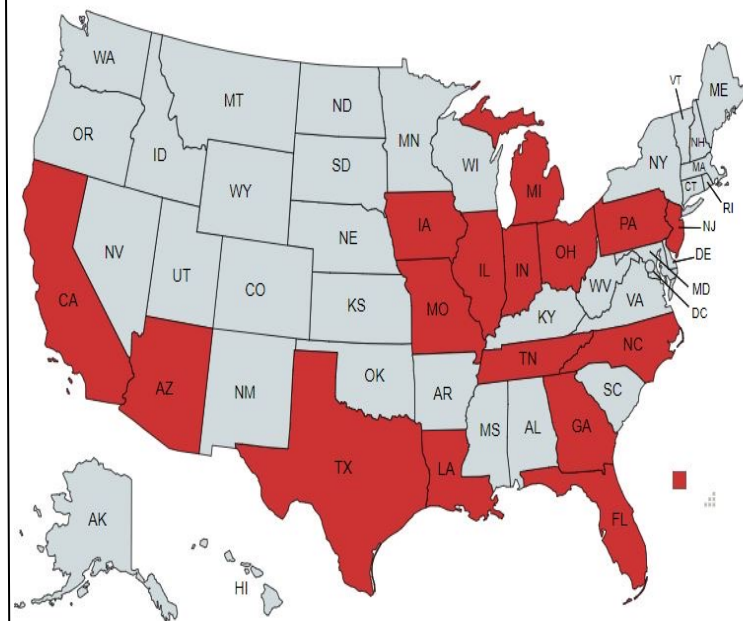
NAFTA Countries were richer each year due to “extra” trade growth (2014 estimate)



The pure economic payoff for the U.S. estimated at \$400 per person

Rank Order: Top U.S. States' Exports To Mexico 2023

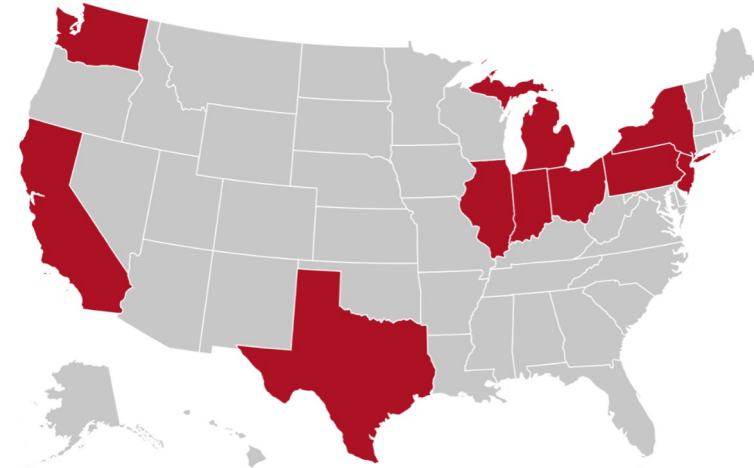
State	Volume \$USD (Billions)	State	Volume \$USD (Billions)
Texas	129.5	Oregon	6.5
California	33.2	Tennessee	6.1
Michigan	14.5	Pennsylvania	5.4
Illinois	12.9	North Carolina	5.4
Ohio	8.2	Georgia	4.8
Arizona	8.0	Wisconsin	4.3
Indiana	7.5	Florida	4.2
Louisiana	6.9	Missouri	3.8



Top U.S. States' Trade with Canada 2023

- Canada ranks as the **United States' top export partner**, accounting for **more than 18%** of the total.
- Canada is the **number one export market for 35 U.S. states**, and the largest foreign supplier of oil, natural gas, and electricity to U.S.

Top 10 Trading States			
State	\$USD (Billions)	State	\$USD (Billions)
1. Texas	35.8	6. California	19.0
2. Michigan	27.4	7. Indiana	14.9
3. Ohio	21.4	8. Washington	9.5
4. Illinois	20.5	9. Kentucky	9.1
5. New York	19.5	10. Tennessee	8.8



Net 12 million U.S. Jobs Related to Trade with Mexico & Canada

Top 10 states below

Trade with Mexico: 4.9 million		
No.	State	Net Number of U.S. Jobs
1	California	+ 572.2
2	Texas	+ 399.5
3	New York	+ 325.5
4	Illinois	+ 198.0
5	Pennsylvania	+ 195.7
6	Ohio	+ 170.9
7	Georgia	+ 158.2
8	North Carolina	+ 150.6
9	New Jersey	+ 141.2
10	Virginia	+ 135.3

Trade with Canada: 7.2 million		
No.	State	Net Number of U.S. Jobs
1	California	+ 898.5
2	Texas	+ 549.4
3	New York	+ 475.9
4	Florida	+ 446.3
5	Illinois	+ 293.7
6	Pennsylvania	+ 282.3
7	Ohio	+ 257.5
8	Georgia	+ 229.2
9	North Carolina	+ 225.8
10	Michigan	+ 209.7

NAFTA to USMCA (T-MEC, CUSMA)



- The **USMCA (United States-Mexico-Canada Agreement)**, or T-MEC in Mexico, replacing the 1993 **NAFTA (North American Free Trade Agreement)**.
- New agreement signed on **November 30, 2018**.
- A revised agreement reached on **December 10, 2019**.
- U.S. Senate approved and President Trump signed USMCA in January 2020.
- USMCA entered into force **July 1, 2020**. **Implementation underway**.



Main elements of the USMCA (T-MEC)



- **Rules of Origin, wages and steel for Vehicles** to be phased in 2020-2023
 - 75% of the value of a vehicle to be produced in the region (up from 62.5%); 70% of steel and aluminum.
 - 40%-45% of auto content produced by workers earning over \$16 per hour.
- **Dispute Settlement**
 - Maintains NAFTA's dispute-settlement provision over unfair trade practice allegations (Chapter 19) and state to state differences of treaty interpretation (Ch. 20), but limits investor dispute (ISDR) options to key sectors of U.S.-Mexico investment; eliminates coverage for U.S.-Canada issues. **New "rapid" dispute settlement for labor enforcement.** Eliminated ability of a government to block a dispute settlement panel.
- **Updated Treatment of Intellectual Property Rights, Digital Trade issues, Labor, Environment...**
 - Achieved or exceeded most of modernization goals sought, including stronger labor rights provisions, IPR protections, includes ecommerce & data issues, anti-corruption, competitiveness, SMEs, among others.
- **Sunset Clause:** 16-year lifetime for the agreement; **review every six years**; possible 16-year renewal.
- **Agriculture:** **Seeks to address** concerns over Canada's dairy policies; biotech & food safety.



Implementing USMCA



Governments agreed on procedures to monitor compliance, set up the dispute settlement systems, new committees to work through problems and build cooperation, and much more.

Post-Pandemic: Agree on **need to build resilient supply chains & smarter, modern borders to support trade**. Takes govt-to-govt and private sector collaboration beyond USMCA alone.

USMCA Concerns:

- **Mexico:** Building **Labor rights**. Violating provisions on **energy investments and regulations**. Not honoring regulatory **commitments on agriculture biotech (corn)**.
- **United States:** Respecting **vehicle rules of origin commitments; lost disputed panel**.
- **Canada:** Honoring **dairy & data commitments**; Canada complaints re **softwood lumber**.
- **China:** concerns about Chinese **investments and goods arriving via Mexico**.

Biggest gain: **reduced uncertainty**. Need good implementation & enforcement, work on **competitiveness; SMEs; digital trade, regulation; China**. Parties will **review results in 2026**.



USMCA Boosts Mexico and Canada to Forefront of US Goods Trade in 2023

Country		Exports	Imports	Total Trade Value
Mexico		\$322.74B	\$475.22B	\$797.96B
Canada		\$354.36B	\$418.62B	\$772.97B
China		\$147.78B	\$426.89B	\$574.66B
Germany		\$76.70B	\$159.27B	\$235.97B
Japan		\$75.68B	\$147.24B	\$222.92B
South Korea		\$65.06B	\$116.15B	\$181.21B

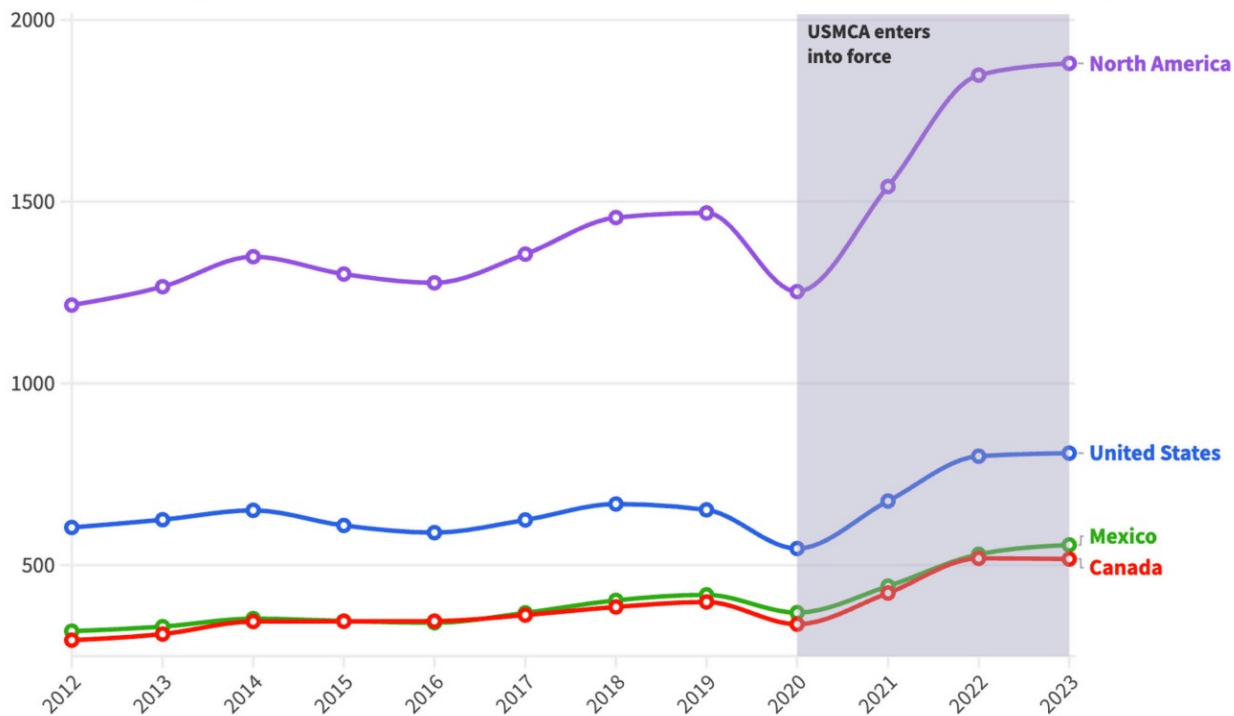
Data source: US Census Bureau

Note: Dollars on a nominal basis, not seasonally adjusted

Author: Xavier Delgado and Diego Marroquín Bítar

North American Intra-Regional Trade Soars 50% Under USMCA

Exports of goods and services to USMCA partners in billions of US dollars, 2012 through 2023*



*Latest available data for Canada services is 2022

Source: Author's own calculations using data from US Census Bureau, Secretaría de Economía, Statistics Canada, US Bureau of Economic Analysis.

Author: Diego Marroquin & Xavier Delgado

New: High Level Economic Dialogue (HLED)

1. **Revived the US-Mexico HLED set up in 2013** to advance strategic economic and commercial priorities for both countries; **Trump Administration abandoned**.
2. In **September 2021**, cabinet ministers launched. **Complementary to USMCA. Four Pillars:**
 - a) “**Building back together**”: encourage **resilient and reliable supply chains**; renew **border modernization** to better manage and promote efficient trade flows.
 - b) “Promoting **sustainable economic and social development in Southern Mexico and Central America**”: identify best mix of programs and tools to get results.
 - c) “Securing tools for future prosperity”: promote collaboration on **cross border information and technology systems**, including cybersecurity policy.
 - d) “**Investing in our people**”: Look at ways to encourage **workforce development** including among disadvantaged populations.

Senior meetings 2023 reported work underway but few clear achievements.

Vitalizing the North American Leaders Summit (NALS): competitiveness, health and ...

Nov 2021 & Jan 2023, the North American Leaders Summit **ambitious agenda (29 items)**:
Next Summit postponed; Needed to review and share results to date.

1. Competitiveness:

- Create ministerial working group to **attract nearshoring and resilient supply chains**;
- Hold trilateral forum with private sector on **semiconductors** (May 22);
- Map semiconductor needs and opportunities;
- Expand **critical mineral** mapping;
- Expand **student mobility**;
- Convene experts on **building workforce skills** in key sectors (over 5 years).

2. Health:

- Strengthen North American plan to respond to **health** crises (NAPAPI).

North American Leaders Summit Agenda, part II: Environment, Democracy, Migration, Security

3. Environment and Climate:

Forge strategy to reduce methane emissions in solid waste and wastewater;
Cooperate to achieve Global Methane pledge; Develop a food loss and waste reduction plan;
Collaborate on bus best practices;
Develop plan to install EV chargers along international borders;
Trilateral cooperation to conserve 30% of world's land and ocean by 2030;
Work to develop a North American clean hydrogen market.

4. Diverse, Inclusive, equitable, democratic societies:

Trilateral exchange on equity & justice, violence against indigenous women, girls & LGBTQI+
Declaration on Equity and Racial Justice.

5. Migration and Security:

Work to achieve safe, orderly, humane migration; cites several specific steps.
North American Drug Dialogue Principles met, held Public Health Summit,
Collaboration against trafficking in arms & drugs and chemical precursor diversion.
Collaborate on Nuclear Security and Safety; sharing cyber security best practices
Resume North American strategy to combat human trafficking.

North American Investment



In 2022, Canada's FDI in the U.S.: **\$809 billion (52% of Canada's investment abroad)**

In 2022 Mexico's FDI in the U.S. reached: **\$97 billion (50% of Mexican investment abroad)**

The U.S. had **\$569 billion** FDI in Canada and Mexico (**9% of US international investment**)



US FDI in Canada
\$438 billion

Mexico's FDI in Canada
\$871 million



Mexico's FDI in the US
\$97 billion

Canada's FDI in the US
\$809 billion



US FDI in Mexico
\$130 billion

Canada's FDI in Mexico
\$26 billion

Elections & AMLO's Policies/Performance

2028 Results: Launches AMLO's "4th Transformation"



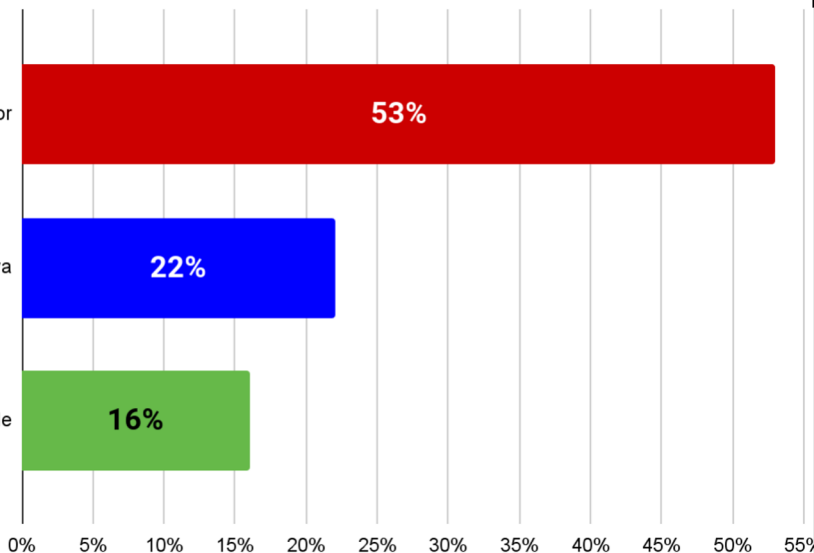
Lopez Obrador



Anaya



Meade



July 2018 voter turnout: 63.5%

AMLO won 53% of vote.
(PAN 22%; PRI 16%)

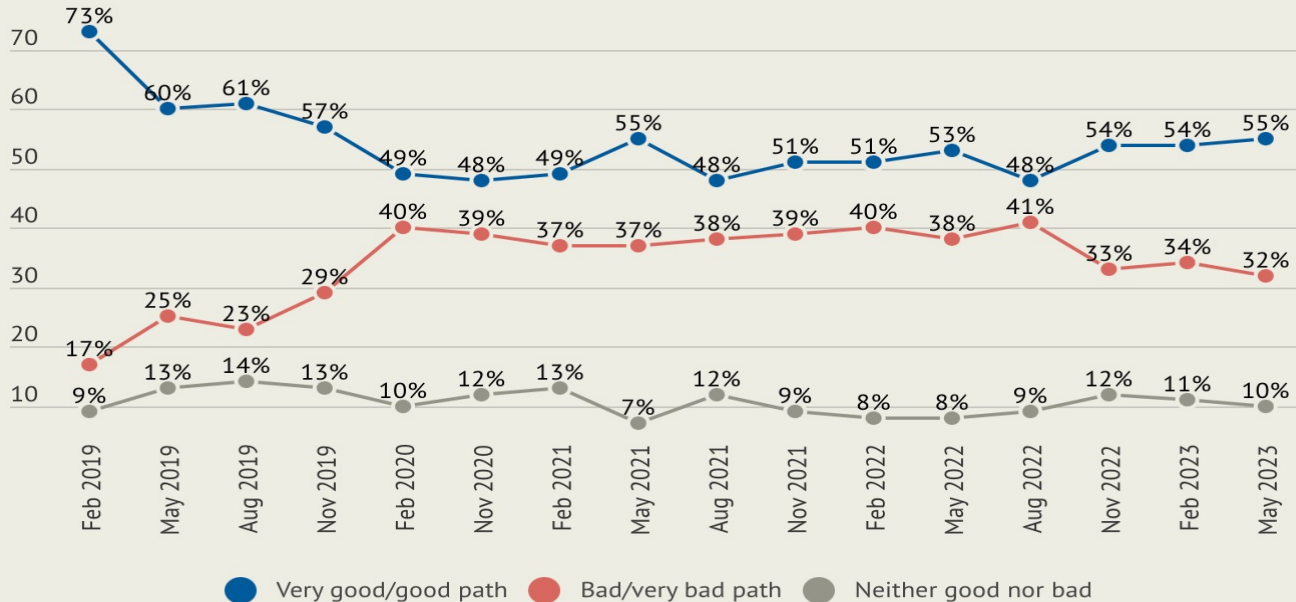
Andres Manuel Lopez Obrador's party, Morena, **won big majorities in Congress.**

AMLO took office December 1.
Most powerful President in decades: few counterweights.

Mexicans Appear Satisfied with Country: More say on a good path than a bad one

PATH OF THE COUNTRY

"In general, do you think the country is on a very good, good, bad, or very bad path?"

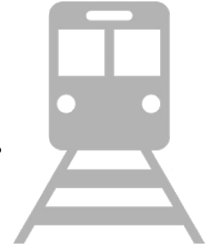


AMLO's Policies: Fourth Transformation



Economic Policy: **Reducing Inequality while growing economy**

- Focus on developing Mexico's internal market; encourage investment.
- Build Infrastructure (e.g. railway, airport, oil refinery); **(some in progress)**.
- Redirect spending to the poor but won't raise taxes or increase debt **(debt up)**.
- Lower taxes along U.S. border **(done)**.
- **Aim to achieve 4% average GDP growth over his six-year term (fell short)**;
- Develop south of country: Maya train, cross isthmus train **(in progress)**.
- Expand Educational opportunities: apprenticeship programs and new universities.



Energy: **Strengthen Energy Independence and Public Sector role**

- Strengthen oil company (PEMEX) & electricity authority (CFE) **(questionable)**.
- Limit gasoline price increases; decrease prices in several years.
- Build new refineries **(one built)**.
- Slow/reverse previous energy reform allowing private sector role **(done)**.



AMLO's Goals and Early Actions



Reduce Poverty:

- Increased **minimum wage**.
- Launched **youth jobs** programs.
- Subsidize inputs for **small farmers**;
- **New Programs to benefit indigenous**.
- Provide **universal health** coverage starting with elderly.



Attack Corruption and Government Inefficiency:

- Better supervision of public spending; increase legal penalties for corruption.
- **Cut officials' salaries. Reduce staff. Slash existing programs.**
- Name independent "Fiscal General"; active Financial Crime Unit.
- Promised to pursue corruption investigations.
- **Use direct means to consult "the people."**



Security Proposals and Goals – few met



Security Proposals:

- **End to the War on drugs - hugs not bullets.**
- **Consider reforms on drug production and use.**
- **Social, education and jobs programs to weaken crime's attraction.**
- **Provide alternatives to drug cultivation and fuel theft.**
- **Generate peace through non-violent methods.**
- **Emphasize human rights.**
- **Strengthen the judicial system.**
- **Expand National Guard across 226 regions.**
- **Public Goals not achieved:**
 - **reduce crime rate by 15%(not achieved).**
 - **reduce homicides and car theft by 50% (not achieved).**
 - **reduce public perception of insecurity from 80% to 39.4% (not achieved).**
 - **boost World Justice Project's Rule of Law score to 0.60 by 2024 (not achieved).**



AMLO after 6 years: Mixed Results

- **Popularity: consistently over 50%. Talented political communicator.**
- **USMCA and US: trade growth essential for Mexico's post-pandemic recovery .**
- **Economy: Contraction 8.2% in 2020; rebounded 5% in 2021; 2022 3%; 2023 3.2%. Proximity of US market is sparking exports. Massive US remittances.**
- **Poverty: By 2023, 5.7 million fewer Mexicans lived below the poverty line than in 2018 (56 million); more \$ directly to poor, but those in extreme poverty increased.**
- **Health Care: 30 million more than in 2018 with no access to health care.**
- **Infrastructure Controversial: Dos Bocas refinery, Tren Maya over budget. Working to complete trans-isthmus railway (Tehuantepec). New Felipe Angeles airport under-used.**

AMLO after 5 years: Results, part II

- **Crime**: Set **record for number of homicides over presidential term**. Homicide rate improving but **criminality 3rd worst in world 2023**.
- **Fentanyl seizures set record 2023**.
- **Impunity high**, 92% crimes no complaint lodged or investigated.
- **Corruption**: **Mexico dropped in Vance Center regional ranking**.
- **Democracy, Polarization**: **Undermining independent regulators & institutions; publicly attacking** electoral authorities (INE), Supreme Court, NGOs, critics and press.
- **Expanding Military roles** to take on many civilian tasks
- Pressing change of election & judicial systems with constitutional reforms.
- **Migrants**: Cooperating with US; **clashes with Republicans on border/crime**.

Human rights, Governance, Democracy Indicators

- **Article 19:** 2022 was the **deadliest year for journalists (15)**; govt **spying & threats**.
- **Mexico Peace Index:** Improved peacefulness results 2021-22, but **2015-23 homicides up 62%**; **firearms crime rate 68% higher**; **2022 org crime highest ever**.
- **Organized Crime Index:** 2023 Mexico **3rd worse of 193 countries**.
- **World Justice Project Rule of Law Index:** 5 yr. Declining; **ranks 116/142 countries**.
- **Vance Center Corruption Index:** Mexico **ranks 9 of 17 in Latin America**. **Down 3 places since 2020**. Transparency International **126 of 180 countries**.
- **Economist Democracy Index:** "hybrid regime," **ranks 90th of 167 countries; down from 66 in 2017**. **Freedom House:** **60/100 freedom score, down from 65/100 in 2017**.

Support for autocracy in Mexico is a growing concern

- Mexico was the country with the **largest growth in support for autocratic regimes between 2017 and 2023 (Pew Research Center)**.
- Specifically: support for a "system in which a strong leader can make decisions without the interference from parliament or the courts," **went up 23%**.
 - Kenya, the next highest, rose 13%.
 - **58% of Mexicans** were surveyed as believing a military regime in the country is a "good" or "very good" thing.



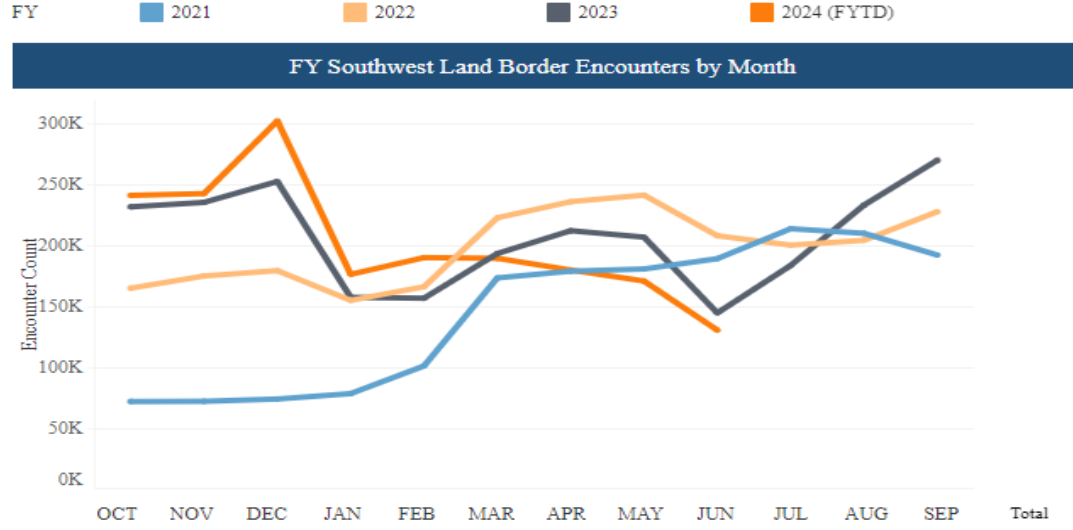
Criticisms of the “Fourth Transformation”



- **Power centered around President**: weakened independent bodies, cabinet.
- **Fiscal Austerity costly**: reduced government effectiveness, weakened civil service.
- **Economic growth poor**: Below promised average 4% per year GDP growth annually.
- **Education & social programs mixed**: buying political support; not improving results.
- **Energy concerns**: PEMEX debt up, production down; losses for CFE; Worry about future supply and missed potential for green energy.
- **Corruption**: Less transparency, worry with military-led work.
- **Public Security**: record homicides for AMLO's "sexenio," reliance on military.
- **Democracy threats**: Weakening independent voices in government, media, and civil society. AMLO outspoken against critics. Trying to weaken checks and balances.



Migrants at SW Border: FY 2022/23/24 record “encounters”; 20 million moving in hemisphere



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	Total
2024 (FYTD)	240,930	242,399	301,982	176,196	189,911	189,359	179,741	170,715	130,419				1,821,652
2023	231,529	235,173	252,315	157,358	156,630	193,249	211,992	206,690	144,556	183,479	232,963	269,735	2,475,669
2022	164,837	174,845	179,253	154,874	166,010	222,574	235,785	241,136	207,834	200,162	204,087	227,547	2,378,944
2021	71,929	72,113	73,994	78,414	101,099	173,277	178,795	180,597	189,034	213,593	209,840	192,001	1,734,686

- Big jump from Venezuela, Nicaragua, Haiti, Cuba, plus out of hemisphere
- US & Mexico using legal pathways & enforcement.
- Sharp US criticism of Biden
- Numbers dipped, then rose. Migrants still coming;
- **Est. 8 million in US by Oct 23 under Biden. Led to tough June 24 E.O.**
- Need: help from Mex & region; US reforms and funds needed but blocked.

Mexico's 2024 Elections

2024 Election Results

Voter Turnout: 60.92% (59 of 98 million registered voters)

Presidential Results:



Claudia Sheinbaum: **59.35%** of the vote



Xóchitl Galvez: **27.90%** of the vote



Jorge Alvarez Maynez: **10.41%** of the vote

Governorships:

- **Morena and allies won 7 out of the 9 governorships**
- CDMX, Morelos, Puebla, Veracruz, Yucatan, Tabasco and Chiapas.
- PRI-PAN-PRD Coalition won Aguascalientes.
- Movimiento Ciudadano won Jalisco.

Governorship Composition



Policy Vision: Priorities



Claudia Sheinbaum

Private Sector	State as the key engine behind development but work with private sector. Promote regional development hubs; infrastructure.
Energy Sector	State-led energy sector with some private participation. Increased openness to efficiency criteria guiding electricity sector and renewables. Energy self-sufficiency and security key priorities. Modernize networks to facilitate energy distribution.
Energy Transition	Pursue energy transition with priority for social development, starting with petroleum derivatives but interest in more renewable projects. Increase energy storage capacity, facilitate rail transportation, and interest in EVs.
Security	Consolidate the National Guard within the Defense Ministry and increase interagency intelligence cooperation with police and investigators. Reform judicial branch and focus on root causes of violence to reduce insecurity.
Governance Style	Strengthen executive branch vis-à-vis judicial and legislative branches to carry reforms and programs.
Democracy and Institutions	Critical of current institutional framework; benefits elites. Seeks electoral, legislative and judicial overhaul, judges chosen via elections; weaken and eliminate number of autonomous institutions, but not central bank.
Social Development	Expand and strengthen existing cash transfer programs. Focus on areas experiencing vulnerability, violence, and inequality with a priority on women
World	Increased engagement with international community, especially North and Central American neighbors, while continuing AMLO's prioritizing domestic affairs.

Constitutional Reforms for Consideration in September 2024

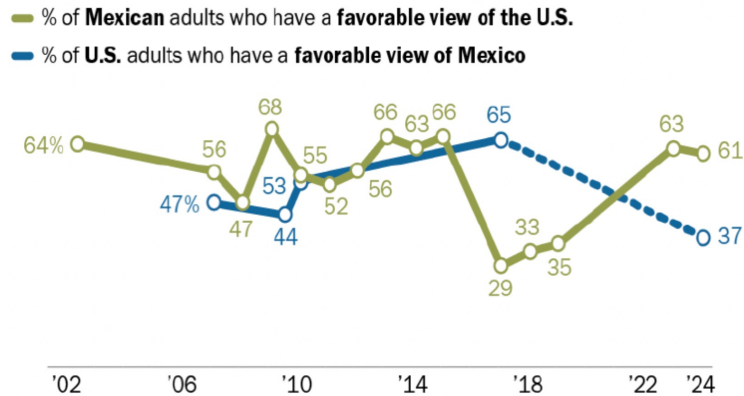
1. Indigenous and Afro-Mexican communities
2. **Electoral reform**
3. **Judicial reform**
4. Welfare social programs (fiscal costs)
5. Support to young population (fiscal costs)
6. Universal healthcare (fiscal costs)
7. Housing (fiscal costs)
8. Animal protection
9. Rights related to food, water and the environment **includes banning GMOs and fracking.**
10. Preventive prison (extending list of crimes that would allow this)
11. Wages (fiscal costs)
12. Pensions (fiscal costs)
13. Railway system (fiscal costs)
14. Strategic Industries of the State (**solidifies control over energy**)
15. National Guard (places under the Military/Defense)
16. **Administrative Reduction (eliminating key autonomous agencies)**
17. Republican austerity and public servants' salaries



Maintaining a Partnership with Mexico?

Mexicans' more positive about the US; Americans more negative about Mexico 2017 vs 2024

Mexicans' views of U.S. have become more positive; Americans' views of Mexico have grown more negative



Note: Since 2020, U.S. surveys have been conducted online; prior surveys were conducted by telephone. Shift in mode is indicated by a dotted line.

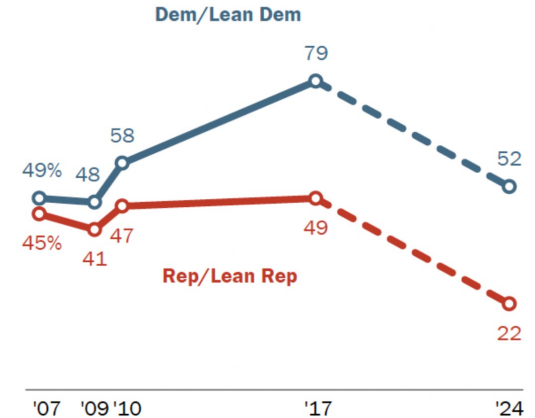
Source: Survey of Mexican adults conducted Feb. 23-April 27, 2024, and survey of U.S. adults conducted April 1-7, 2024.

PEW RESEARCH CENTER

- Most Mexicans (61%) have a favorable view of the U.S., compared with 33% who hold an unfavorable view.
- By contrast, 60% of Americans have an unfavorable view of Mexico, while 37% have a favorable view of their southern neighbor.

In both parties, Americans' views of Mexico have become less positive

% of U.S. adults who have a favorable opinion of Mexico, by party



Note: Since 2020, U.S. surveys have been conducted online; prior surveys were conducted by telephone. Shift in mode is indicated by a dotted line.

Source: Survey of U.S. adults conducted April 1-7, 2024.

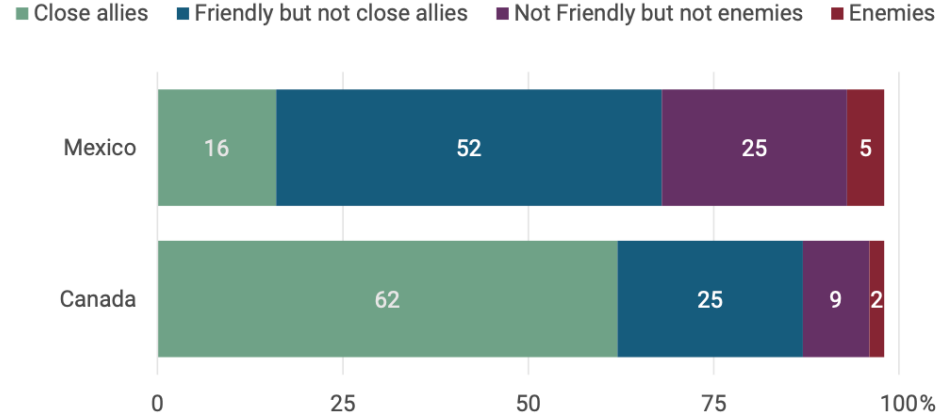
PEW RESEARCH CENTER

Source: [Pew Research Center](https://www.pewresearch.org)

52% see Mexico as friendly but not a close ally 16% vs 62% who see Canada as an ally (2023)

About half say Mexico is friendly but not a close ally of the U.S.

Percent of adults



Questions: How would you describe the relationship between the following countries and the United States? Would you say they are close allies, friendly but not close allies, not friendly but not enemies, or enemies?
Source: Pearson Institute/AP-NORC poll conducted September 21-25, 2023, with 1,191 adults age 18 and older nationwide.

US-Mexico Processes to manage issues: Likely to survive



Constructed Mechanisms/Processes to manage issues.

- **USMCA processes** to prepare review progress in 2026; on dispute settlement over corn/biotech, energy-related policies & ROO. **China's role.**
- **High level Economic Dialogue to improve competitiveness conditions.**
- **High Bicentennial Framework to work on arms trafficking, drug flows, fentanyl smuggling and illicit money flows. Work on China precursors.**
- Agencies to work on **missing persons, human smuggling, border upgrades.**
- **Migration** cooperation (DHS, State) to manage flows and get regional help.
- **North American Leaders Summit** to build three-way cooperation on: competitiveness, supply chains, workforce development, emerging tech, etc.

Managing U.S.-Mexico Relations: agenda plus AMLO's Legacy; Sheinbaum & Trump

COVID 19 : Don't neglect Lessons Learned

- Prepare to better handle future crises on health, trade, supply chains, tourism & migration.

Trade, Investment, Competitiveness:

- **USMCA:** monitoring implementation of rules; collaborate (labor); use dispute settlement.
- **Acid tests: Mexico's energy & GM corn policies, China, trade surplus, AMLO reforms.**
- Make progress in **HLED – economic well-being beyond trade.**
- Implement a NALS actions that **enhance economic competitiveness of North America.**

Border and Migration: crisis levels at US-Mexico Border

- Better manage **migration at the border with a humane and functioning system. Send strong enforcement signals to migrants.** Increase protection in Mexico. Modernize border facilities and processes.
- Sustain work on **root causes** of migration; build **regional cooperation cases far from US-Mexico border; improve and reform** Mexican, US and regional capacities, legal pathways and systems; **crackdown on smugglers.**

Key Work Areas for US-Mexico Relations, part II

Drug and other illicit trafficking

- **Strengthen cooperation against cross-border crime** and its deadly effects (drugs, arms, money, violence) **demonstrated by clear results** on both sides of the border.
- **Reduce Fentanyl flows** at border; **reduce drug production & violence** in Mexico; **Reduce Overdose deaths** in US. **Increase seizures of illicit arms and drugs.**
Increase sanctioning/arresting/convicting traffickers & facilitators.
- **Reverse Mexican legal restrictions on US-Mexico investigative cooperation.**
- **Focus on rebuilding mutual trust through practical steps.**
- Transform security cooperation framework into a **concrete action plan** with specific goals and results and effective, **transparent evaluation process.**
- **Address US demand as well as supply** from Mexico; deal with **Chinese suppliers.**

Rebuild Confidence:

- **Deal with negative rhetoric; Anti-democratic reform proposals.**
- **Cross-border Military Actions likely to generate crises; not promote solutions.**

Going Forward 2024

Mexico: Democracy Weaker & Executive Stronger?

US: Trump tougher trade, migration, border, and security

Mexico: AMLO sought to pass major reforms before he left office Oct 1 to solidify his legacy. Will reforms tie Sheinbaum's hands?

Championing reforms that would weaken Mexico's electoral and legal systems, Supreme Court, autonomous agencies; harm USMCA & investment environment; raise fiscal costs.

Mexico-US: AMLO very critical of US policies. Sheinbaum is left/"progressive" on issues; but has US ties; more pragmatic.

For Trump/Republicans: Border, migrants and drug smuggling are hot buttons. Trump to pursue rhetoric/actions that will alarm/anger Mexicans on deportations, border, tariffs, security vs cartels.

Can we manage this well? Can we change the tone with Sheinbaum?