

Building a Partnership with Mexico



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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. The same is true for Mexico.
- An estimated **35 million U.S. citizens are of Mexican heritage.**
- Share a **1990-mile border** (3,201 km) & adjoining environment.
- In recent years, government-to-government collaboration has been unprecedented.

Managing a Massive Relationship

US-Mexico Trade



Exports

\$ 262 billion



Imports

\$ 317 billion



2016 Trade in goods and services:

\$ 579 billion

US trades over 1 million per minute with Mexico.

Currency in USD. Source: USTR, 2016.

US-Mexico Trade

Mexico is the US’:

- 2nd largest export market
- 3rd largest trading partner
- 3rd largest **Ag** export market: \$18 billion in 2016
- 1st or 2nd export market for 29 U.S. States
- 1st export market for **U.S. Southern Border States**



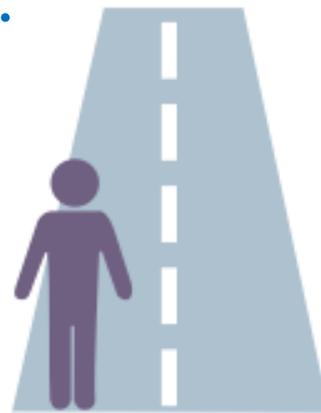
U.S.-Mexico Border States

- The U.S.-Mexico Border States' GDP would constitute the *4th economy in the world* and would represent over *25%* of both countries total GDP.



US-Mexico Border Crossings

- Each day there are over **1 million** border crossings.
- Each day, over **490 thousand** (47% of the total) take place through Ports of Entry in **Texas**.



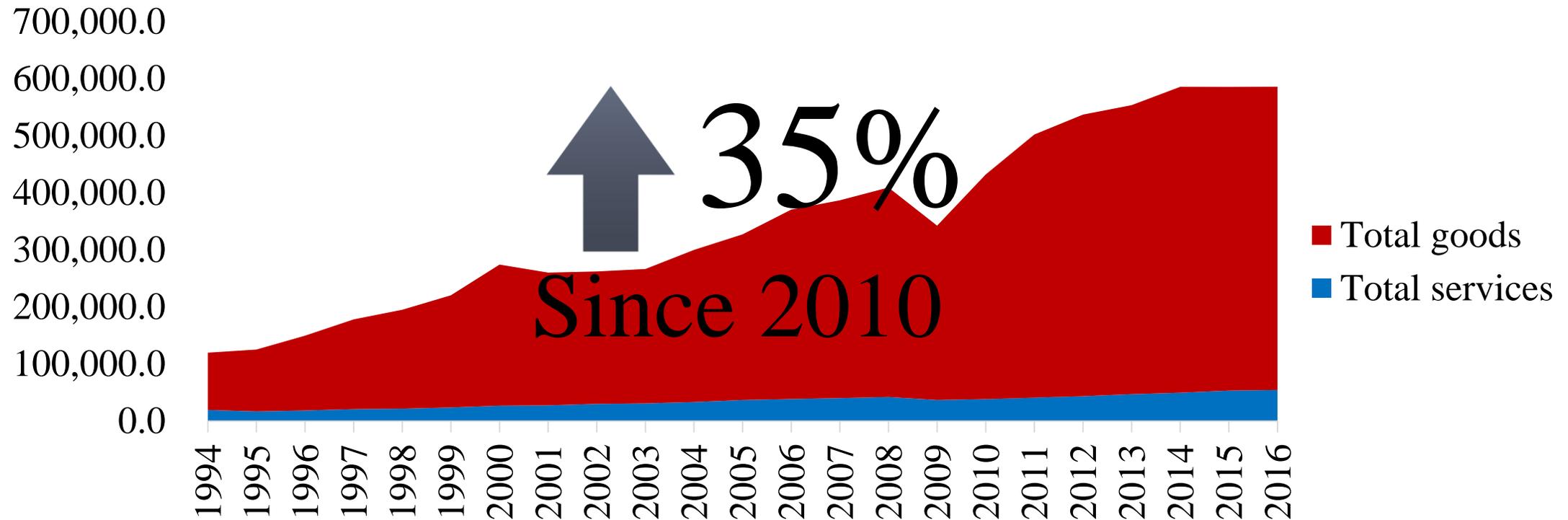
US-Mexico Visitors

- In 2016, the number of overnight visitors from **U.S. to Mexico** was **25 million**.
- The number of overnight visitors from **Mexico to the U.S.** was **18 million**.
- Together they spent over **\$34 billion**.
- **7.7 million** Mexicans visit Texas and spend **\$4.5 billion** every year.



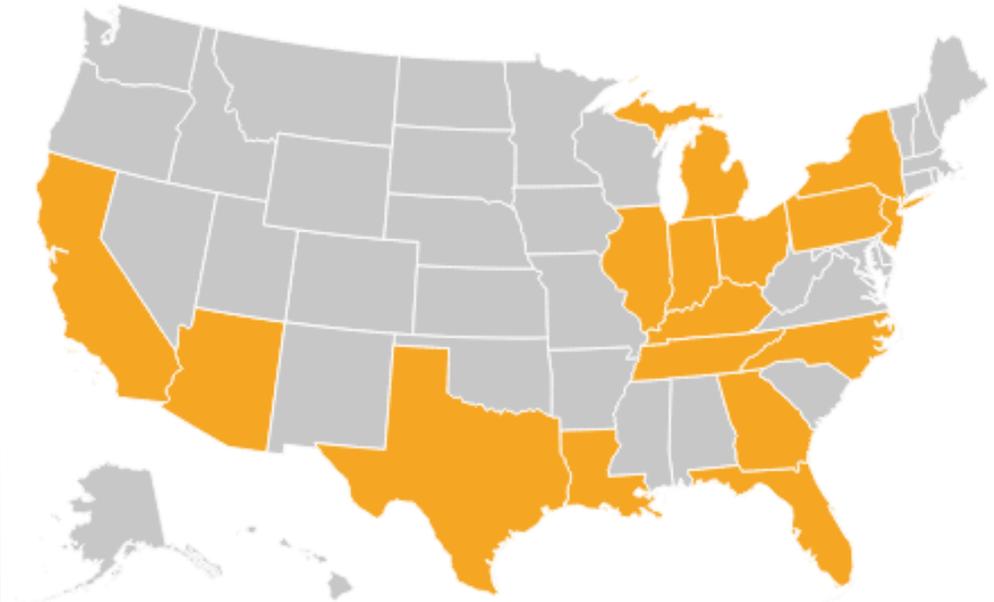
U.S. Trade with Mexico has multiplied by 6 since 1993

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



Rank Order: Top US States' Trade with Mexico 2015

State	Volume \$USD (Billions)	State	Volume \$USD (Billions)
Texas	178	Georgia	9.7
California	71.9	Pennsylvania	8.4
Michigan	55	Florida	8.3
Illinois	22.2	Kentucky	8.3
Arizona	16.8	North Carolina	7.7
Ohio	14.7	New Jersey	7.4
Tennessee	12	Louisiana	7.3
Indiana	10.1	New York	6.8



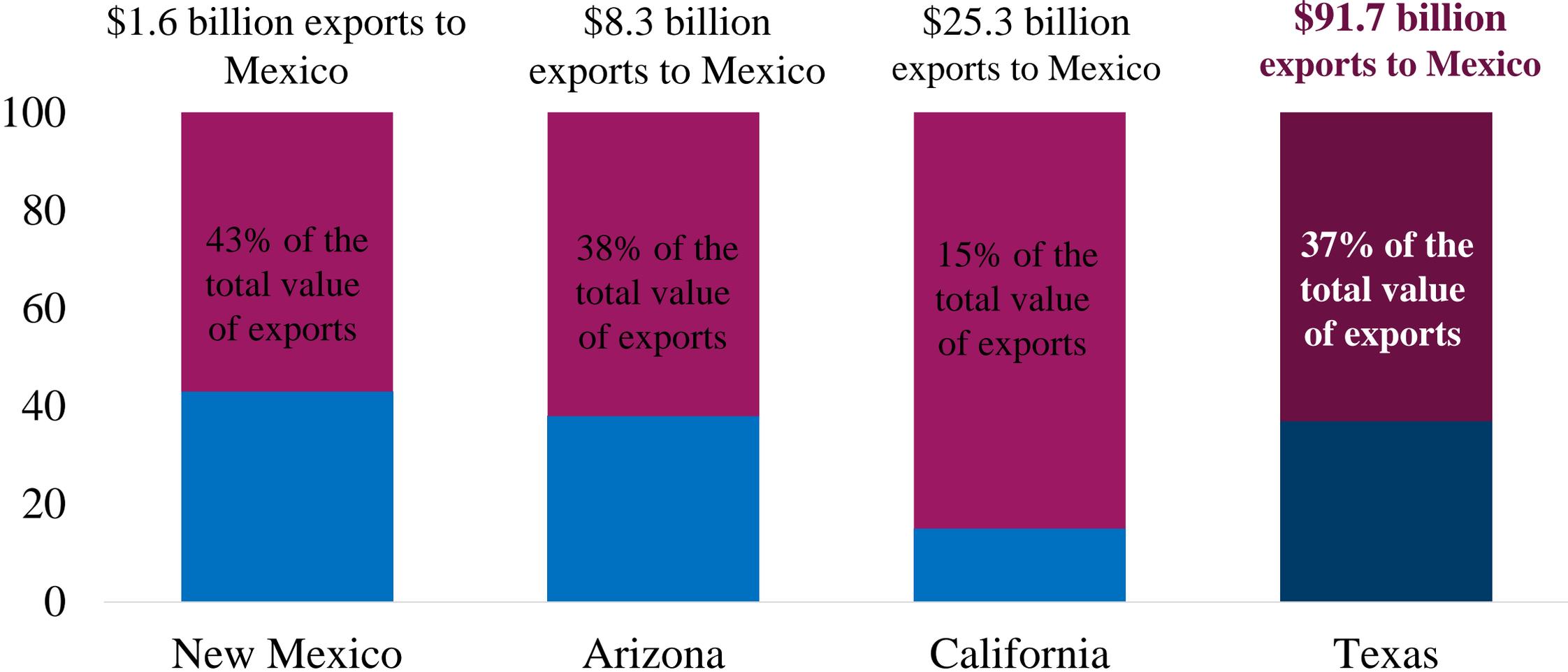
Texas-Mexico Trade

- Total trade = **\$178 Billion**
(more than US trade with its #5 partner:
Germany = \$164B)
- **\$487.6 million a day**
- **\$20.3 million an hour**
- **\$338.6 thousand a minute**



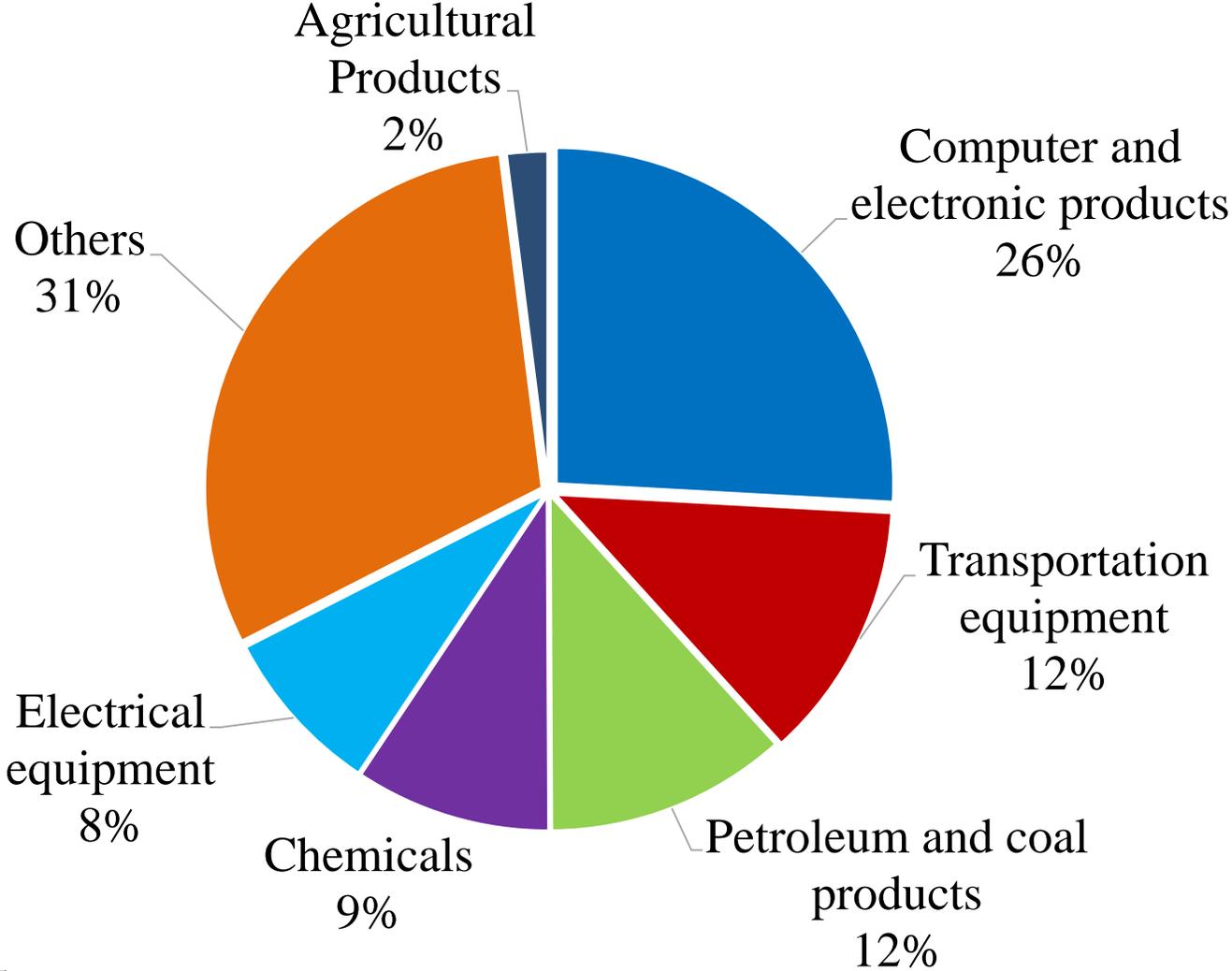
US Border States Exports to Mexico

Texas is the top exporting U.S. state to Mexico



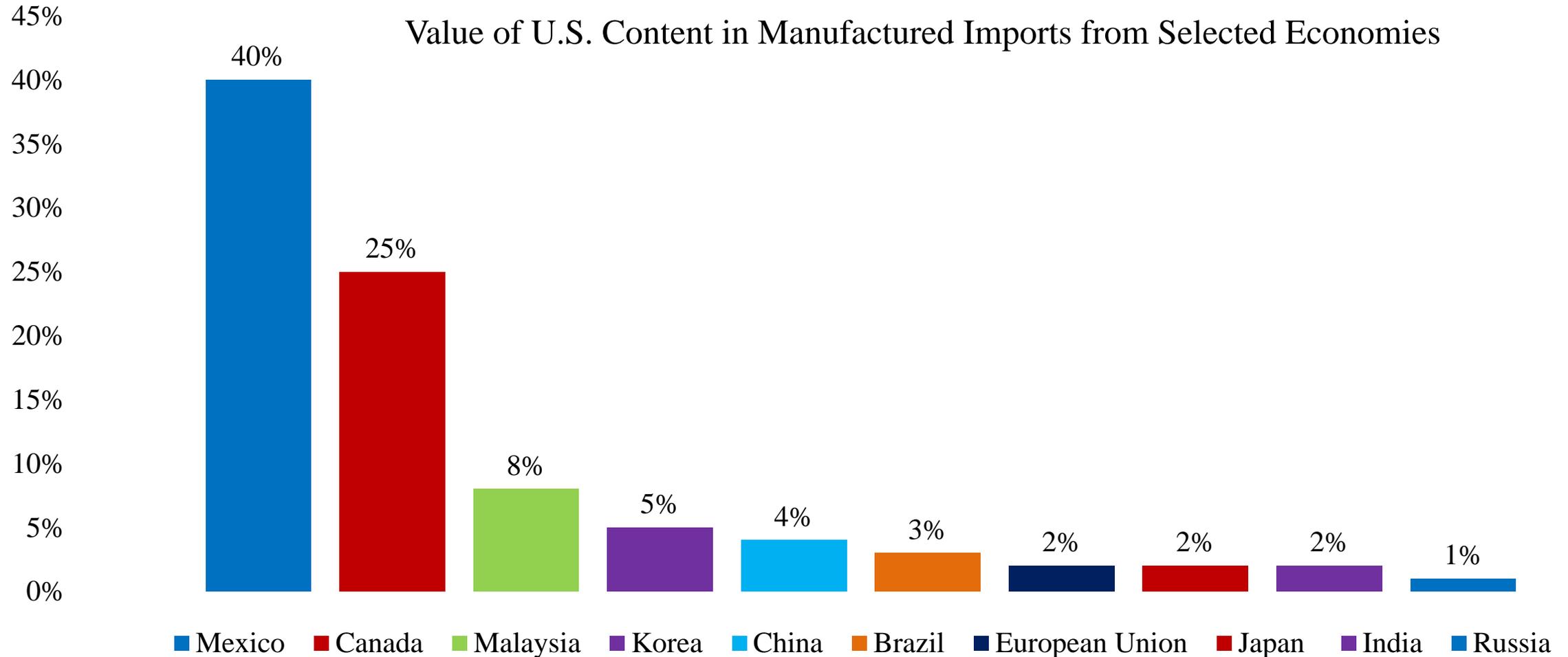
Source: US Census, 2016.

Exports from Texas to Mexico by Industry (% of total trade)

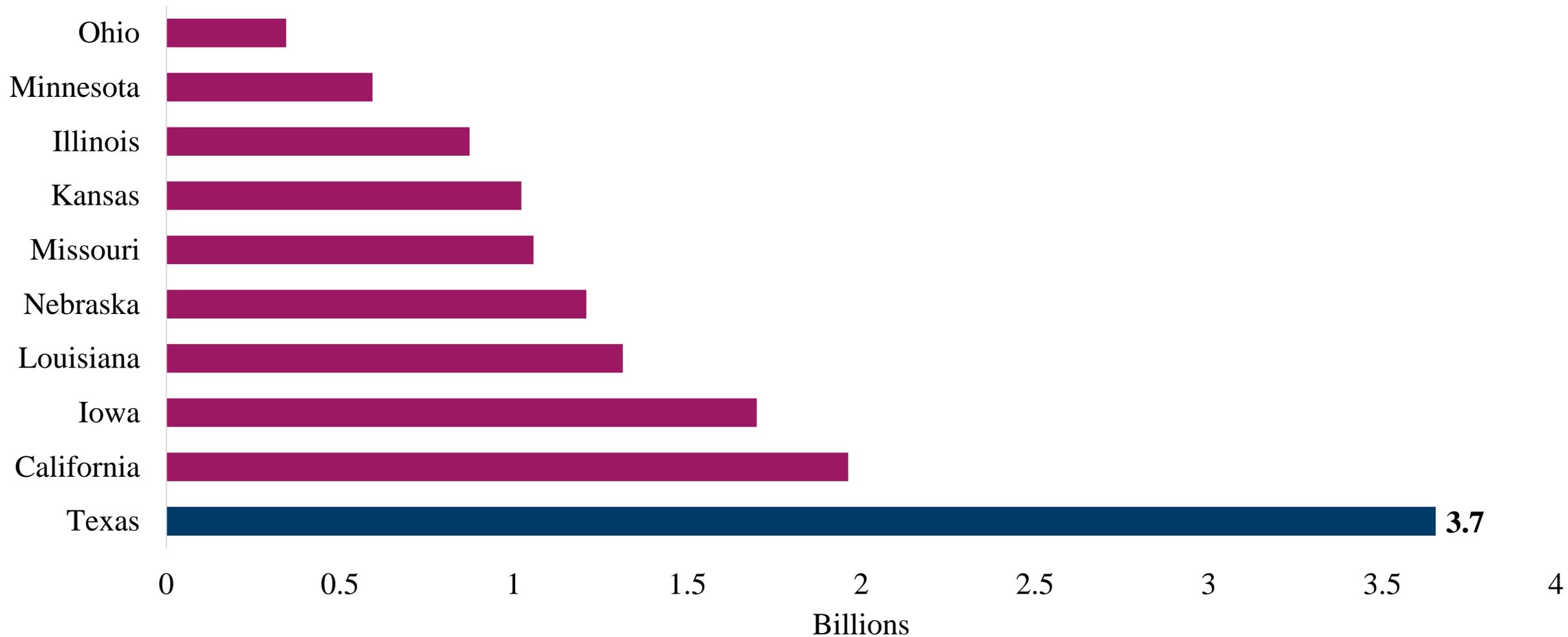


Source: The Wilson Center, 2015.

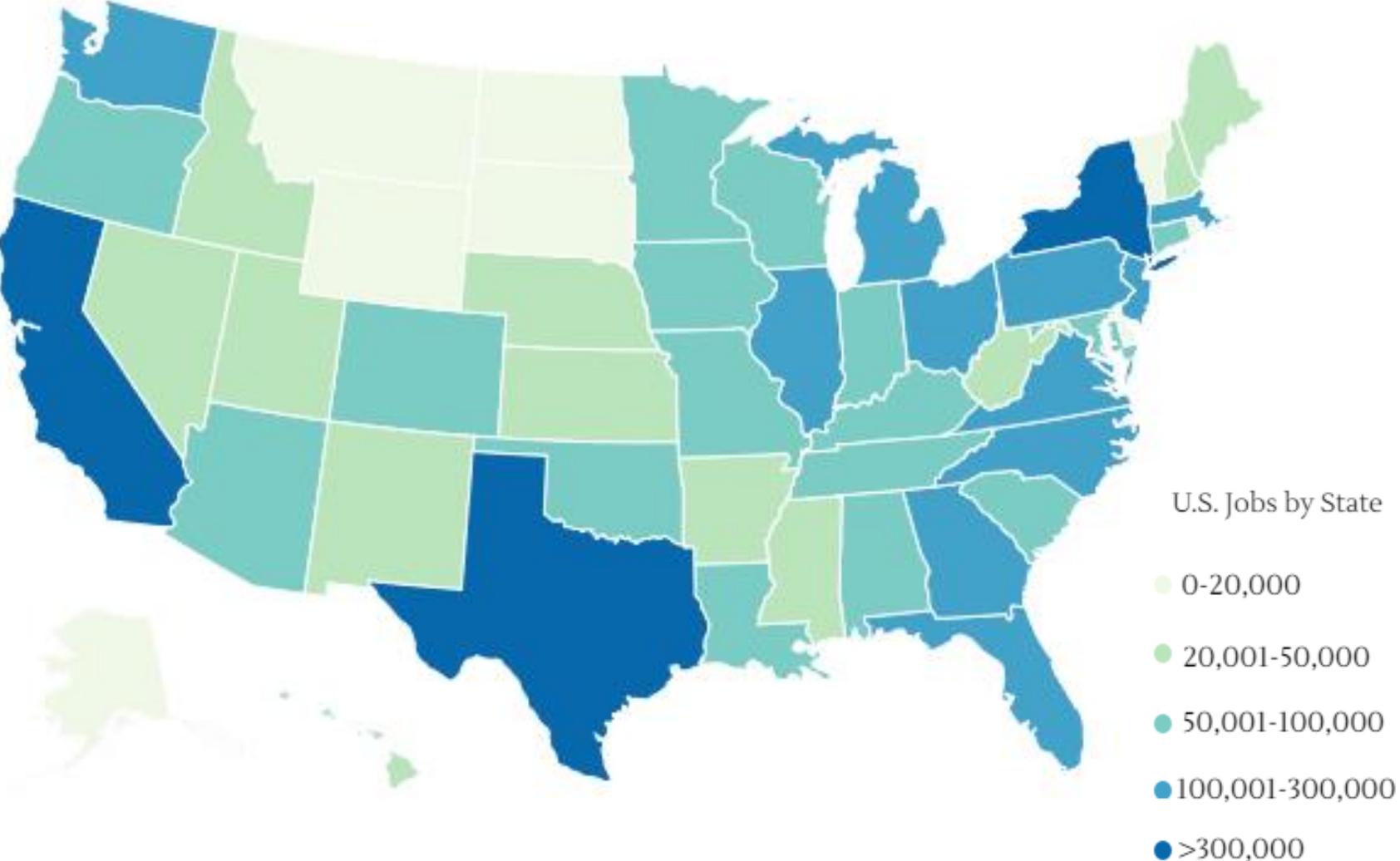
More U.S. Content in Imports from Mexico than Others



Leading U.S. States Exporting Agricultural Products to Mexico



Mexico Trade supports 5 million U.S. jobs



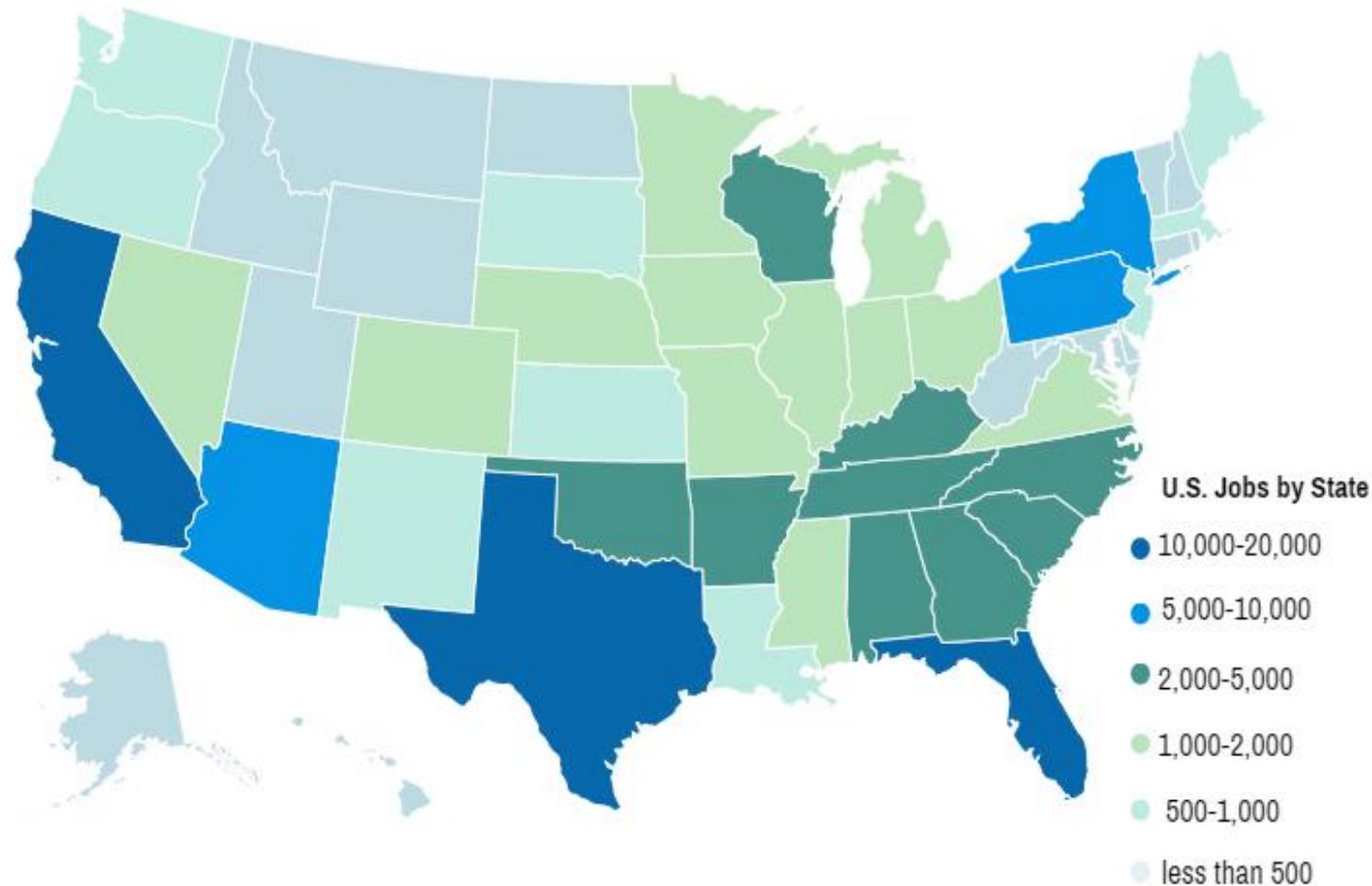
5 million US jobs depend on trade with Mexico, compared to an estimated 700,000 jobs in 1993.

Over 1 million U.S. Border State jobs (382,000 Texas jobs) depend on trade with Mexico.

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

U.S. Jobs Created by Mexican Investment

- Mexican investment supports **123,000 US jobs** (**20,000 jobs in Texas**).



Border Management Licit and Illicit Flows

Moving toward Co-Management of the Border

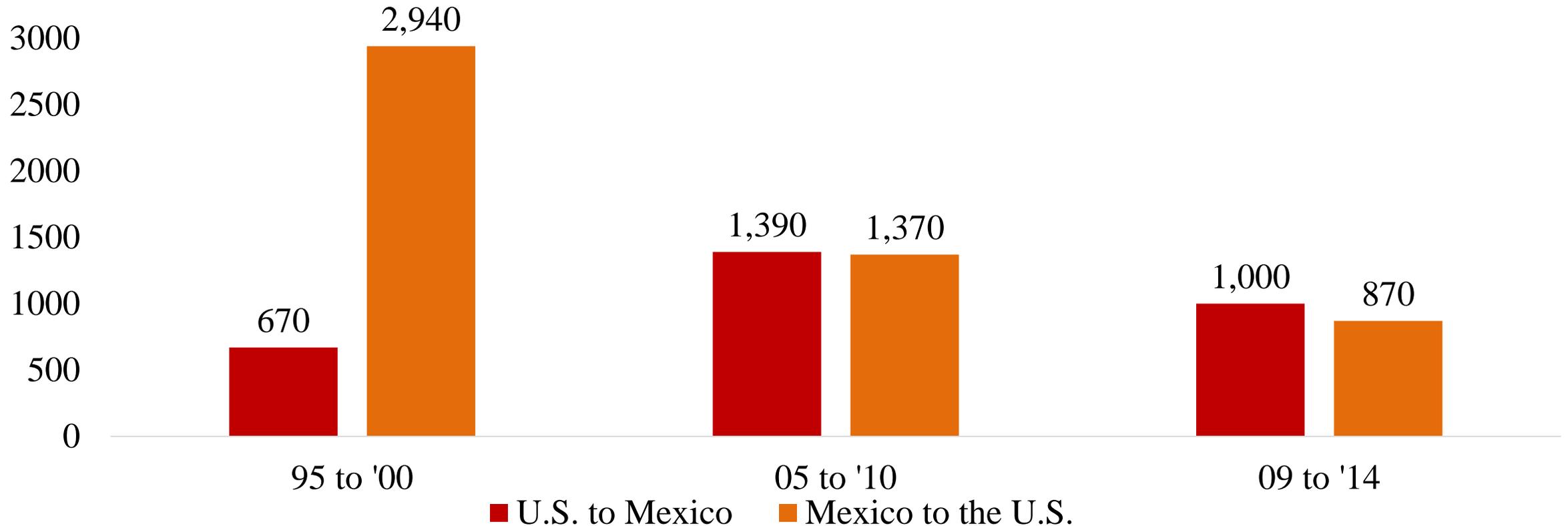


Moving from blame to “shared responsibilities”

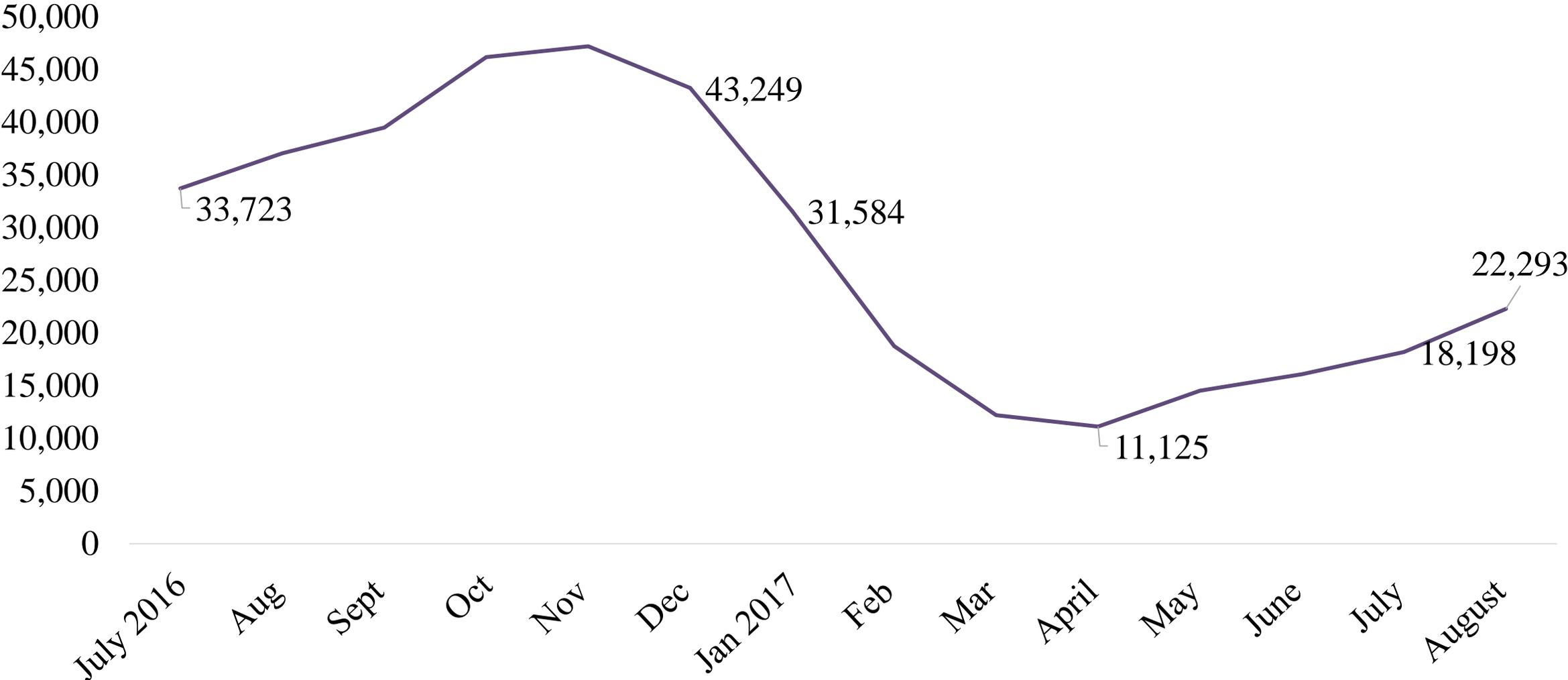
- Making the border more open to **legitimate travel and commerce**.
- **Working to align** customs regulatory frameworks; moving toward a North American single customs platform.
- **New mechanisms to communicate, coordinate and more effectively counter** illicit trade and travel: **drugs, guns, money and people**.
- Steps to increase security and **reduce cross-border violence**.
- New programs to **share information on potential border crossers**, including via shared border radio-frequency identification system.
- Working to create a **Trilateral Trusted Traveler Program**.

Net Migration from Mexico

- In 2016, there were **1.3 million less** unauthorized Mexican immigrants in the US than in 2007



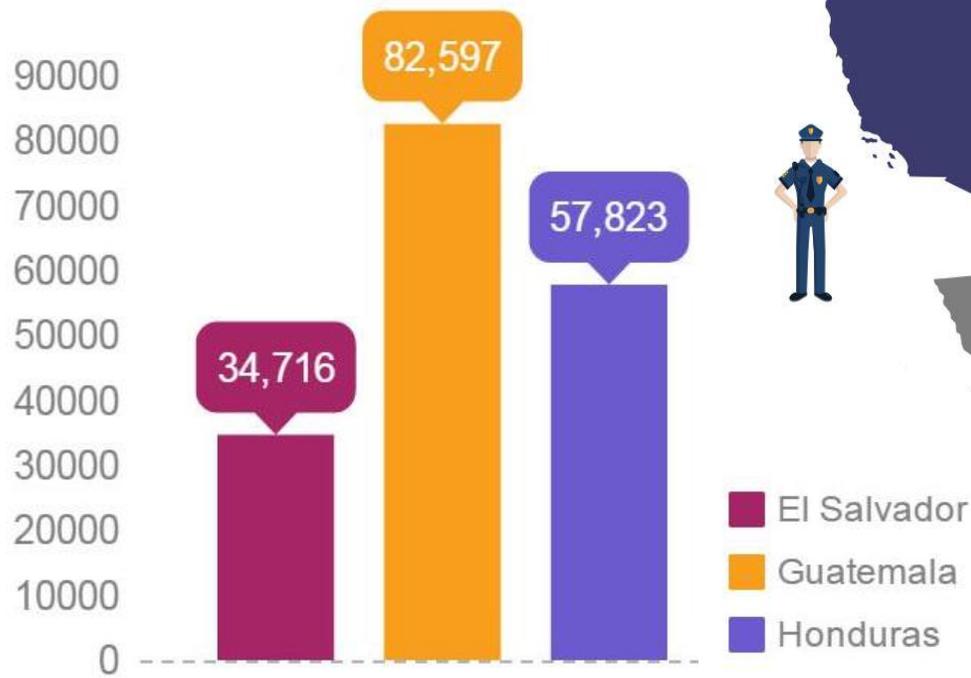
USBP Southwest Border Total Apprehensions



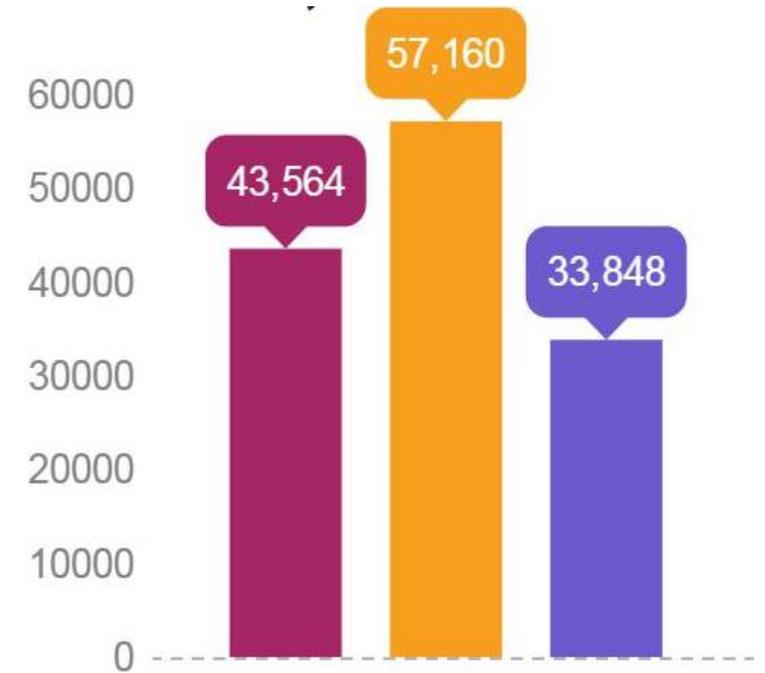
Source: U.S. Border Patrol Monthly Apprehensions (FY 2000 - FY 2016)

Migrant Apprehensions: US-Mexico Cooperation

Deportations by Mexico
175,136



Apprehensions by the U.S.
134,572



Security and Justice Issues

US-Mexico Law Enforcement/Security Cooperation

Mérida Initiative Programs &
Agency-to-Agency Cooperation

Defense Dialogues & Cooperation

Security Coordination Group

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**.

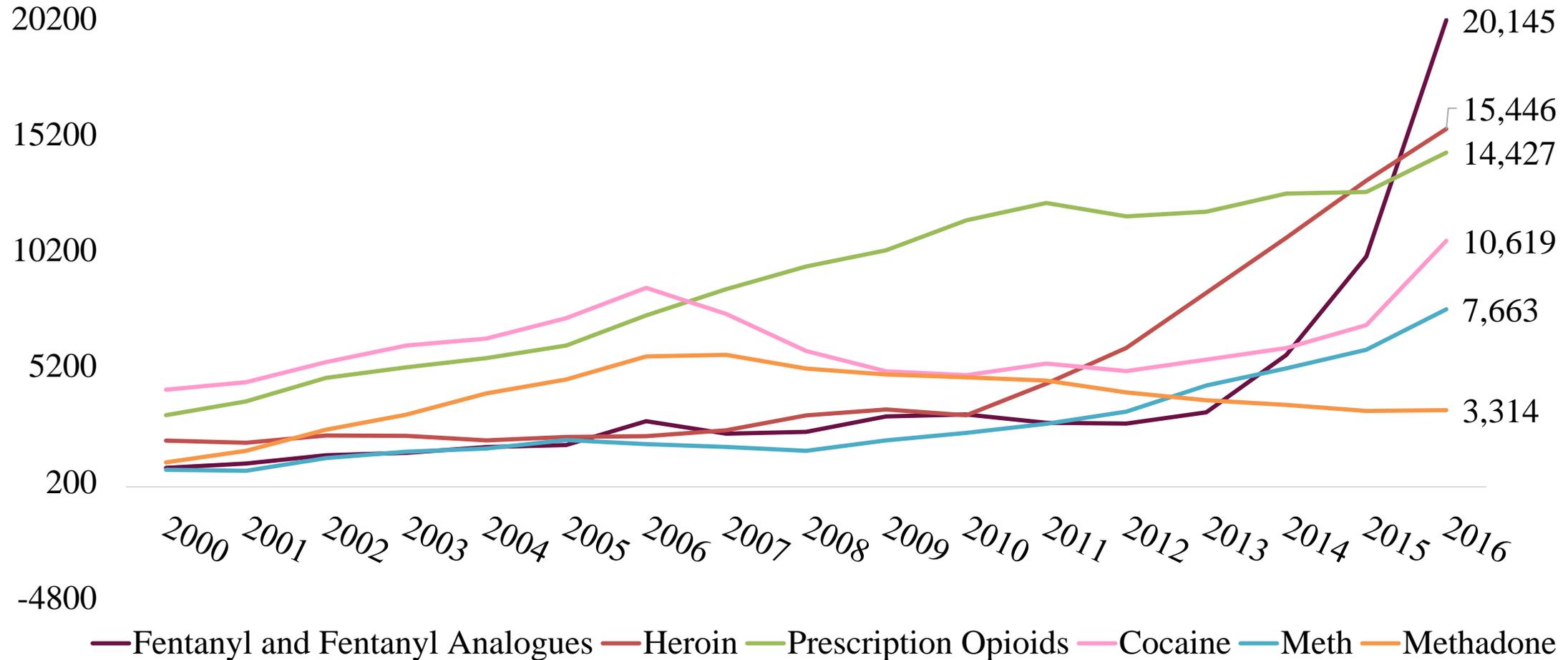
\$2.6 billion appropriated by the US since 2008.

\$1.6 billion already spent on training and equipment via over 100 programs.

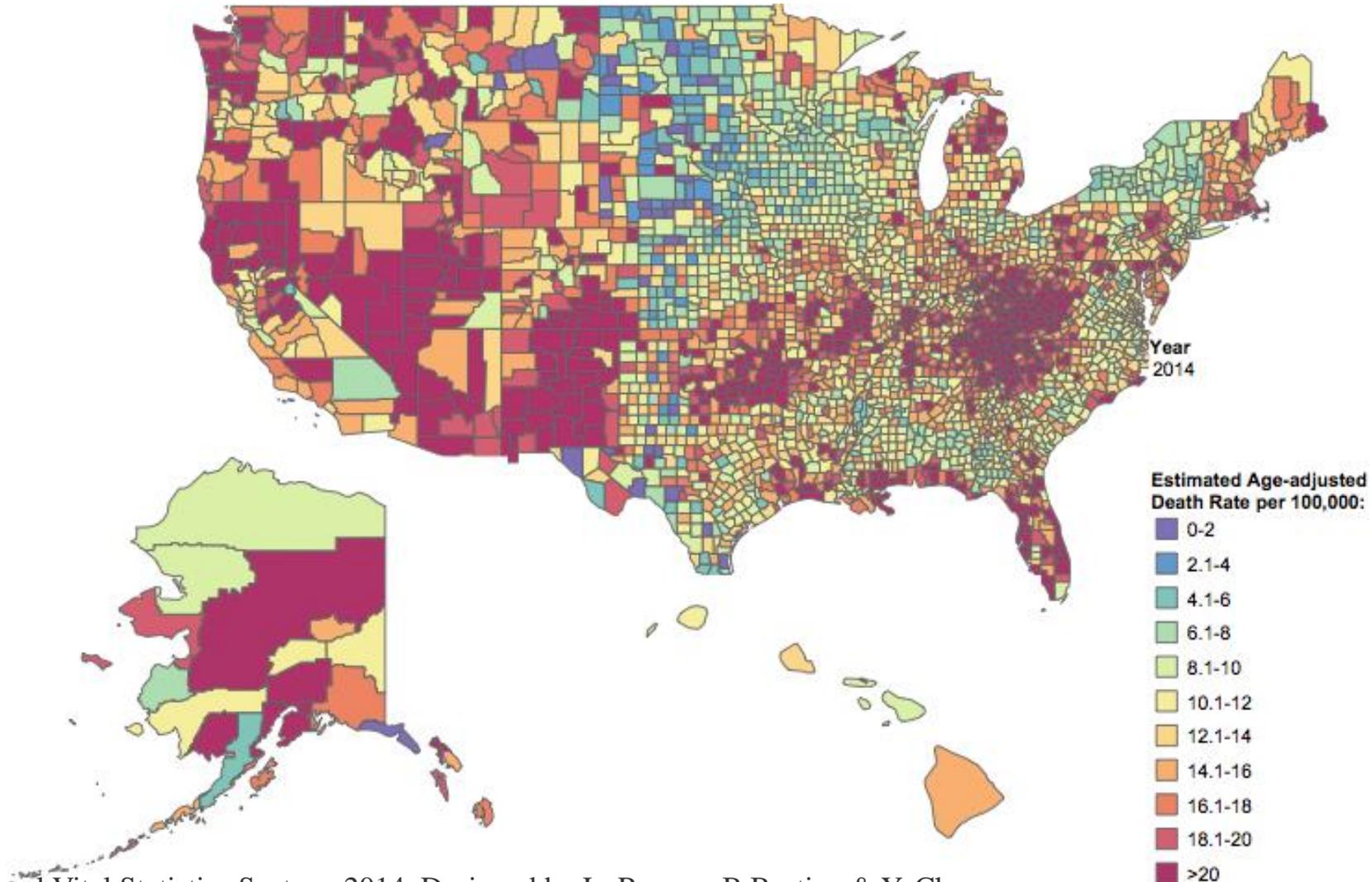
Mexico has spent over **10** times more.

Opioids Change the Game

Drugs Involved in US Overdose Deaths 2000-2016



2014 Death Rates for Drug Poisoning



Source: CDC/NCHS, National Vital Statistics System, 2014. Designed by L. Rossen, B. Bastian & Y. Chong

U.S. Opioid Crisis

- Opioid derivatives use: over 5% of the U.S. population in 2013.
- Since 1999, overdose deaths involving opioids has quadrupled.
- Opioid and heroin production in Mexico has grown substantially, as has transshipment of illicit opioids, e.g., Fentanyl, from China.
- In 2016, Presidents Peña Nieto and Obama launched a working group on drugs and dismantling criminal networks.

2017 Agreements to Combat Illicit Drug Trade

- **Partner** to destroy criminal organizations.
- **Address the demand** for illicit drugs among US citizens.

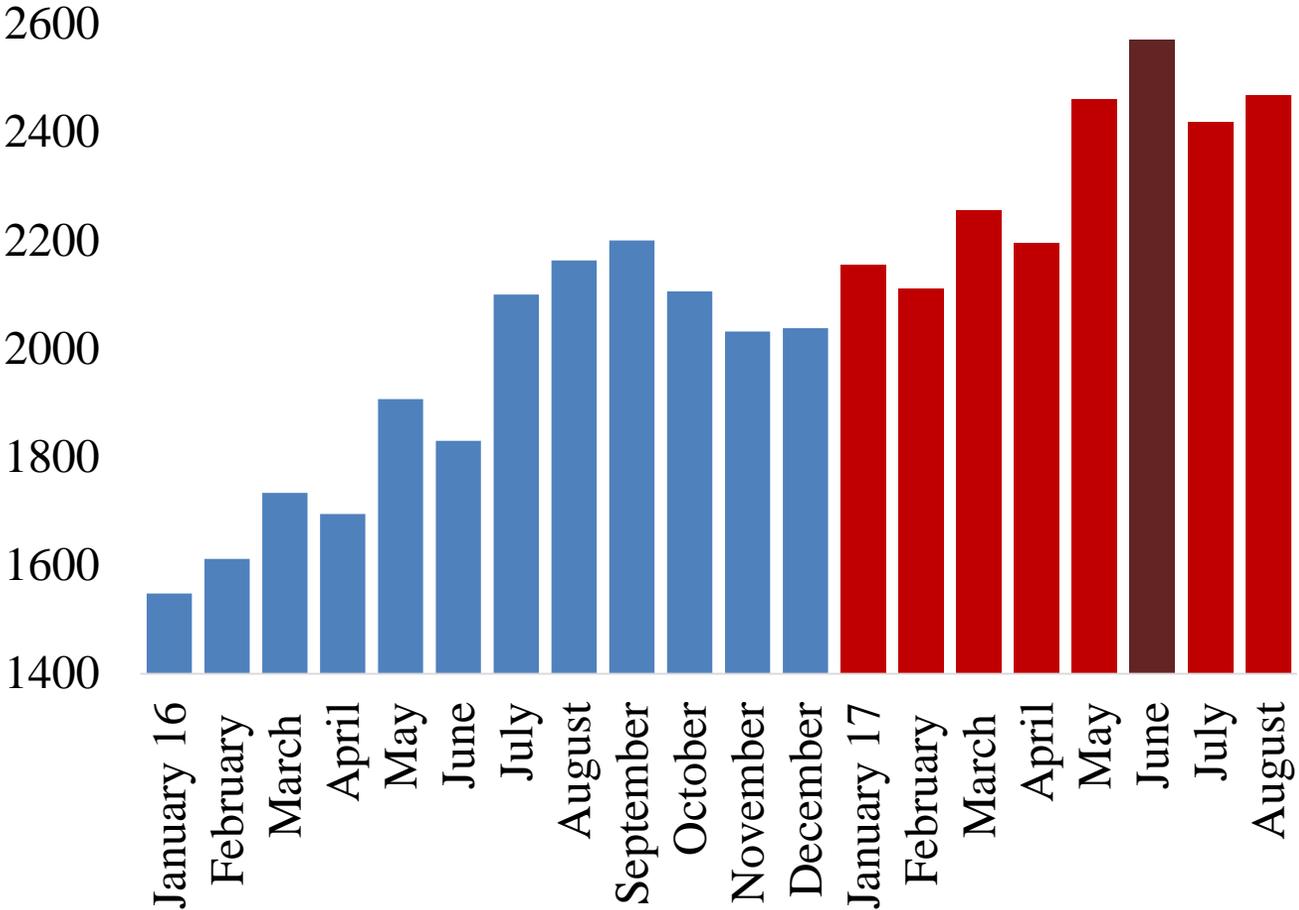
“We have one common objective to end the tragic impacts of illicit drug trade on both sides of our border,” Secretary Tillerson

- **Necessary tools:** physical barriers, technology, patrolling, eradication, enhanced law enforcement and justice actions, and anti-addiction programs.
- Go after **all elements in the chain:** means of production, cross-border distribution networks, flows of cash and profits, weapons procurement.

“It’s a multifaceted problem...it needs multifaceted solutions,” Secretary Kelly

Violence up in Mexico: Mexican Strategy and Tactics?

Homicides in Mexico



January-August 2017: **18,637 killings**: up 27% from the same period in 2016.

June 2017: the **most violent month** in the last 20 years.

Law enforcement appears overwhelmed; cartels fighting; types of crime expanded, e.g. oil theft; more states affected.

Revised U.S. travel warning for vacation spots.

Source: Secretaria Ejecutiva de Seguridad Nacional, El financier & Dallas Morning News, 2017

NAFTA

5 WAYS TO IMPROVE NAFTA

U.S. withdrawal from NAFTA would be incredibly costly.

However, these 5 updates to the agreement could favor both U.S. competitiveness and American workers:

1

Account for recent technological advances.

Now that the Internet and smartphones are everyday tools of business and commerce, issues such as cross-border data flows and exports of digital products should be included in updates of the agreement.



2

Revise customs processes and requirements.

Simplifying customs rules and paperwork would make it easier for small U.S. businesses to take advantage of new online platforms, like Amazon and Etsy, that have made it easier to venture into foreign trade and find buyers abroad.



3

Update NAFTA's rules of origin.

NAFTA includes rules about what percentage of a product must be produced within North America in order to enter the U.S., Mexico, or Canada tariff-free. A detailed analysis should be done to determine how these rules could be strengthened to incentivize investment and job growth in the U.S.



4

Strengthen the NAFTA side agreement on labor rights.

While the countries of North America have already agreed to abide by their own labor laws in a NAFTA side agreement, incorporating labor issues into NAFTA itself could better ensure that companies don't leave the U.S. in an effort to avoid the cost of respecting workers' rights.



5

Eliminate obstacles to service exports.

Since the U.S. has an advantage in the high skill industries that make up much of services trade, like financial and educational services, special emphasis should be placed on eliminating obstacles to these exports.



Further protection of U.S. workers requires investment in workforce development:



Improving basic education



Aligning higher education with labor market demand



Strengthening worker retraining programs

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Trump to Announce Plans for Renegotiation of NAFTA: Five Ways to Improve the Agreement

U.S. NAFTA Modernization Objectives

Controversial topics include:

- Focus on reducing trade deficit.
 - Eliminate chapter 19 dispute settlement mechanism, and otherwise preserve United States freedom to enforce rigorously its trade laws.
 - Keep in place preferential purchasing programs such as “Buy America” .
- Eliminate the Investor-to-State Dispute Settlement (ISDS) mechanism.
 - Proposals to strengthen rules of origin and incentives to ensure greater sourcing of products in US.
 - Sunset clause.

Third Round of NAFTA Renegotiations

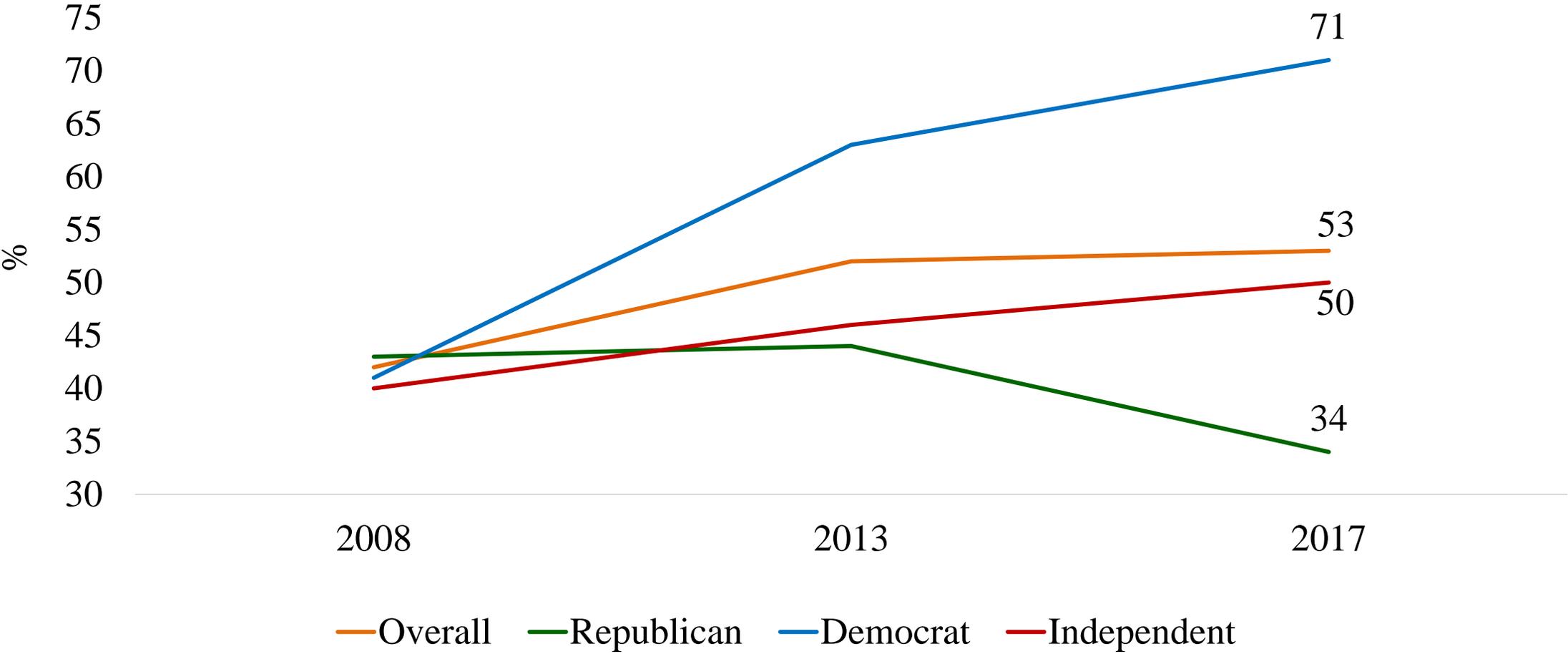
Progress

- Small and medium-sized businesses
- Competition policy
- Digital trade
- State Owned Enterprises
- Sanitary and Phytosanitary measures
- Customs
- Telecommunications
- Protections and rights for Mexican workers
- Fourth Round in DC on October 11-17

Expected US Proposals

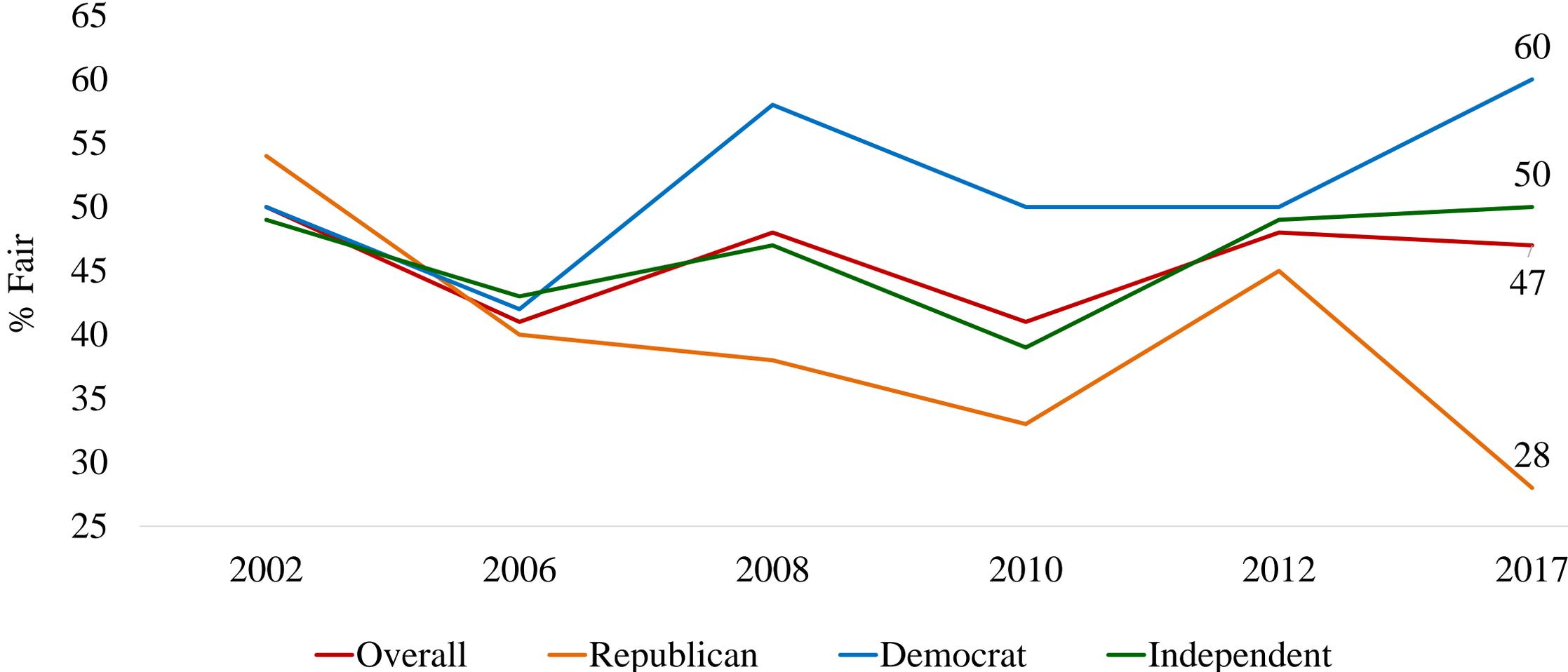
- Ways to reduce US trade deficit
- Minimum amount of U.S. content in autos
- Elimination of Chapter 19 dispute resolution mechanism
- Sunset clause

Overall, Is NAFTA Good for the US Economy?



Source: The Chicago Council on Global Affairs

Do You Think Mexico Practices Fair or Unfair Trade with US? (% Fair)



Source: The Chicago Council on Global Affairs

A Strong Partnership
with Mexico

Opportunities from a Border Region Perspective

- As Mexico's largest trading partner, Texas has a tremendous amount to win or to lose: manufacturing, energy, agriculture.
- Press for attention to **border infrastructure and facilitation**: use combined border state clout so a consistent chorus is heard by Congress, Governors, and Cabinet Secretaries.
- **Border facilitation improvements**: Build in a commitment to on-going **bilateral work** to improve border crossing times and procedures; **trilateral work** to adopt **best practices**, including consistent regulations, processes and rules.

Opportunities from a Border Region Perspective

- **Border Infrastructure:** Build in **reference** to the importance of modern border infrastructure and sufficient staffing.
- Seek more efficient and better coordinated **bi-national planning mechanisms**, and **trilateral planning** where relevant, for example on transportation corridors.
- **Develop federal, state and local strategies:** Form a **border alliance** to talk with the federal governments about resource needs and policies that have effect all along the border.

Tasks Ahead from a Border Region Perspective

- **Economic development:** Champion coordinated multi-year regional plans with local, State and Federal buy-in.
- **Improve communication and coordination** between local and federal governments of both sides of the border.
- Regularly convene **stakeholders** to share know-how.
- **Institutionalize** regional alliances and bilateral relationships.
- Organize **coordinated outreach plans** to sell the economic and security importance of the border region. **Speak out for Texas!**
- **Think big: competing with global producers; Industry 4.0 ahead.**

U.S.-Mexico Tasks Ahead

- **Trade:**
 - Successfully complete NAFTA modernization negotiations.
 - **Bilateral Security Cooperation:**
 - Better manage migration and travel; intercept terrorists.
 - Better fight organized crime, attacking production, distribution, logistics, finance networks, arms smuggling, and addiction/demand.
 - Continue to support Central America; partner with others.
 - Deepen military-to-military cooperation and partnership.
 - **Improve Competitiveness:**
 - Enhance technology, information sharing and processes to improve security and facilitation of legitimate trade and travel.
 - Invest in programs, including education, to further develop the complimentary nature of the two economies, create jobs and improve global competitiveness.
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