

# Building a Partnership with Mexico



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# Building a Partnership with Mexico



- U.S.-Mexico ties touch more lives daily than any other country in the world, via trade, border connections, tourism, and family ties.
- There are an estimated 35 million U.S. citizens of Mexican heritage.
- We have a common 1990-mile border (3,201 km) and a shared environment.
- Today's government-to-government collaboration is unprecedented.



**Exports**  
**\$267**  
**billion**



**Imports**  
**\$325**  
**billion**

**U.S. goods and services  
trade with Mexico**

**\$ 592**  
**billion**



**Wilson  
Center**

**MEXICO INSTITUTE**

U.S. trades over **\$1 million**  
per minute with Mexico



Trade has grown about  
35% since 2010

# Mexico

**2<sup>nd</sup> largest export market**

**3<sup>rd</sup> largest trading partner**

# Mexico

**1<sup>st</sup> or 2<sup>nd</sup> export market for  
23 U.S. States**

**Mexico's FTA's**  
provide access to  
**46 countries**





Each day  
there are over  
**1 million**  
border  
crossings



Source: Bureau of Transportation Statistics (2015)

Note: BTS database includes only entry query to the U.S. Therefore, the result is an estimate of two-way border crossings per day



In 2014, the number of overnight visitors from the U.S. to Mexico was

25 million



Together, they spent over

\$ 30 billion



In 2014, the number of overnight visitors from Mexico to the U.S. was

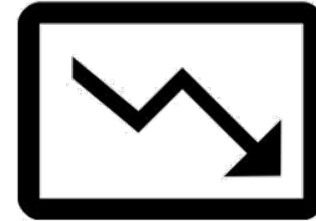
17 million

Currency in USD

The flow of Mexican immigrants  
is at its **lowest level** since the  
1990s



The number of **Mexican immigrants** residing in the U.S. has continued to **drop** since 2007



In FY 2015, the number of apprehensions of **Mexican unauthorized immigrants** declined **18%** from FY 2014

Sources:  
CBP Border Security Report. Fiscal Year 2015  
Pew Research Center. "More Mexicans Leaving than Coming to the U.S." (2015)

# Examples of Cooperation

## Areas of U.S.-Mexico Bilateral Work



- Economic competitiveness
- Education
- Energy
- Environment and climate change
- Border management
- Public security and justice collaboration
- Fighting drug trafficking
- Counter-terrorism
- Health issues
- Human rights
- Central America and the region
- Joint work in the UN, G20, OECD and OAS
- Consular issues

## Trilateral Work with Canada



- North American Climate, Clean Energy, and Environment Partnership and Action Plan
- North America Caucus on regional and global priorities
- Trilateral Trusted Traveler Program

# **Serious Challenges to Address**

U.S. drug demand and drug-gang violence in Mexico

**Terrorism**

**Social inequality and poverty in Mexico**

**Criminal networks**

**Illegal immigration**

**Corruption**

Building stronger justice and law enforcement institutions

**Avoid Simplistic  
Answers or Solutions**

# A Strategic Perspective



# North America's Geo-Strategic Situation

- Mexico and Canada provide **extra layers of defense** against threats like terrorism and pandemics.
- Mexico and Canada provide a **continental economic foundation** for global economic competition.
- There is an opportunity to **re-conceptualize borders** to enhance security and prosperity.

# North America v. Rest of the World

## European Union

Policy struggles among  
26 members  
Brexit  
Migration crisis  
Aggressive Russia  
ISIS and terrorism

## Russia

Fall in oil prices  
Demographic decline

## China

Serious economic and  
social challenges

A decade of non-growth  
Chinese maritime claims

## Japan

War  
Terrorism

## Middle East & South West Asia

Economic and  
political crises

## South America

Economic growth but  
serious internal challenges

## India

# Economic Security

# North America's Trade in Goods and Services

North American Goods and Services Trade



**4 times larger since 1993**

Sources: IMF for goods trade and OECD and BEA for services trade in billions of dollars. 2015 services values repeat 2014 values, as 2015 figures were not available. Mexican services export data is substituted by U.S. and Canadian services import data.

U.S. trades **\$3.56 billion** a day with  
Canada and Mexico



More than with all the **European Union**  
1.9 times more than with **China**



Over **10 million** U.S. jobs  
are estimated to be supported by  
U.S.-MEX-CAN trade and  
investment

# Bush Center: North America Competiveness Score Card

## Key Comparisons



### **North America (B+) and APEC (B)**

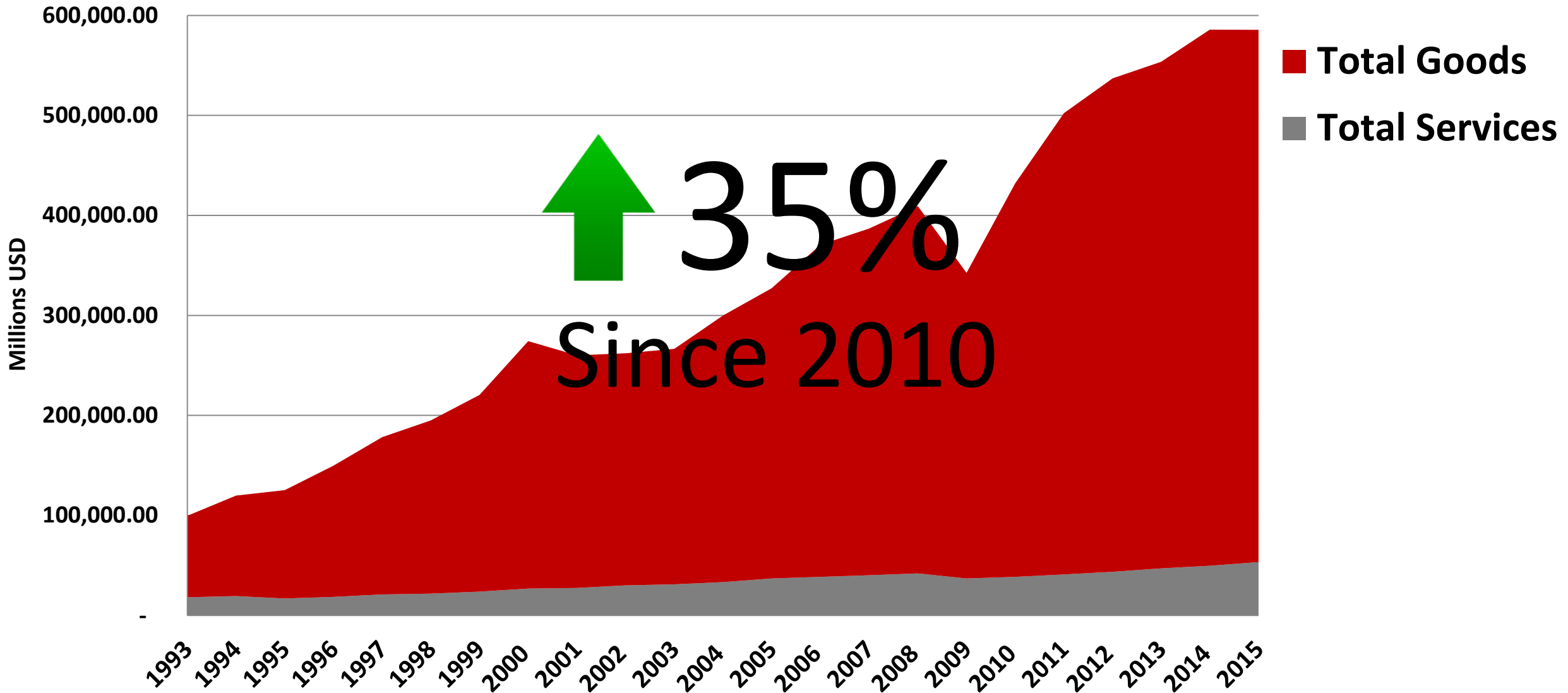
APEC'S core strength is having the North American economies as members.



### **North America (B+) and European Union (B)**

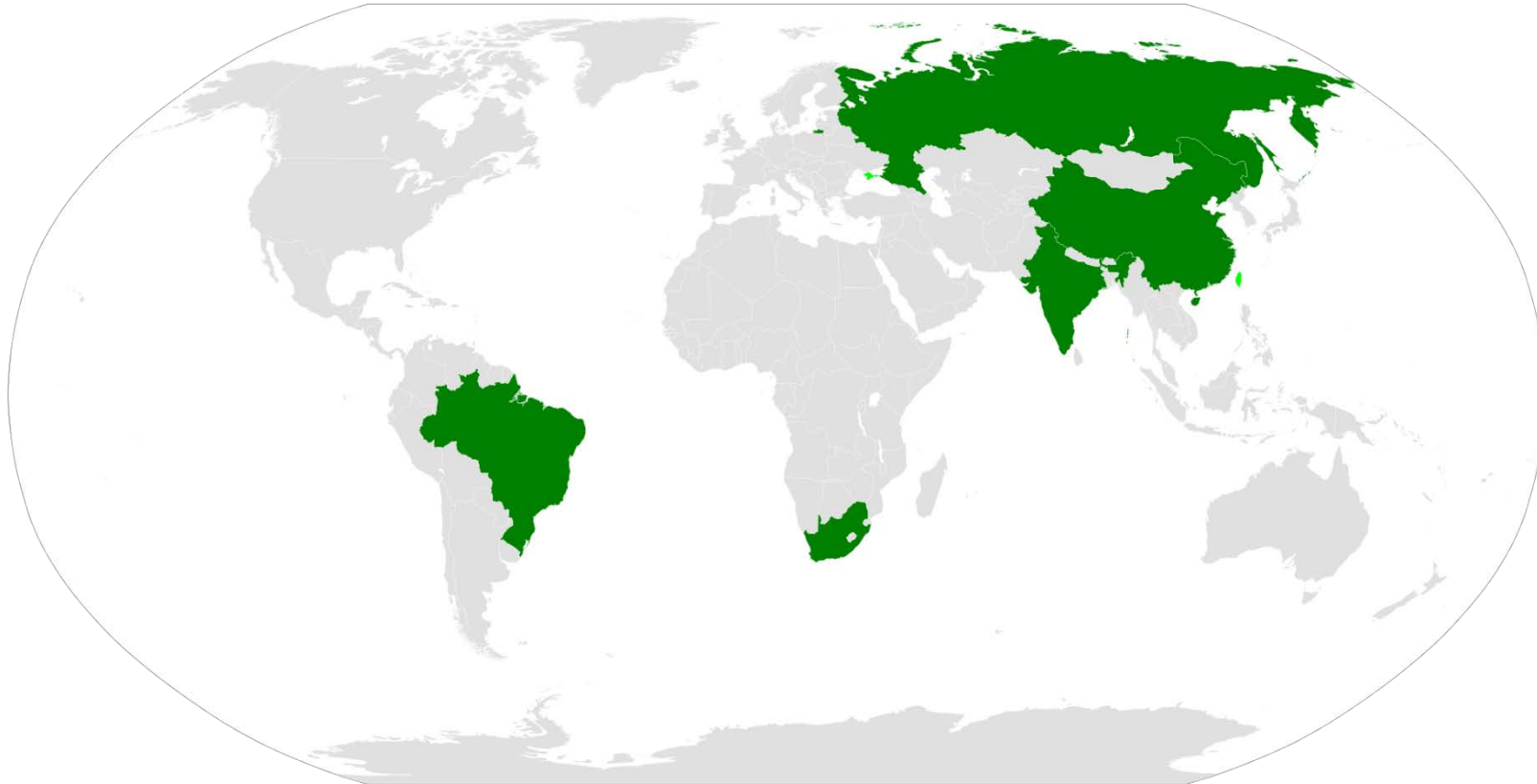
North America and the European Union are two of the most modern, developed trading blocs in the world, but North America has a healthy lead on the Scorecard.

# United States Trade with Mexico, 1993-2015

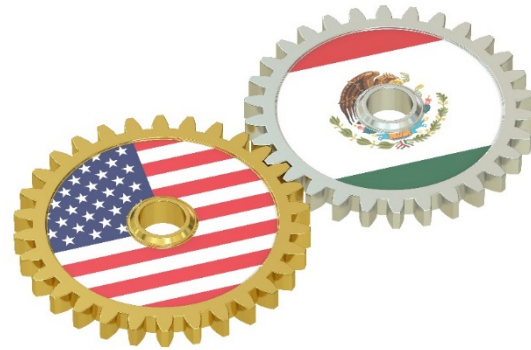




U.S. sells **more** to Mexico than to all the **BRICS** countries together

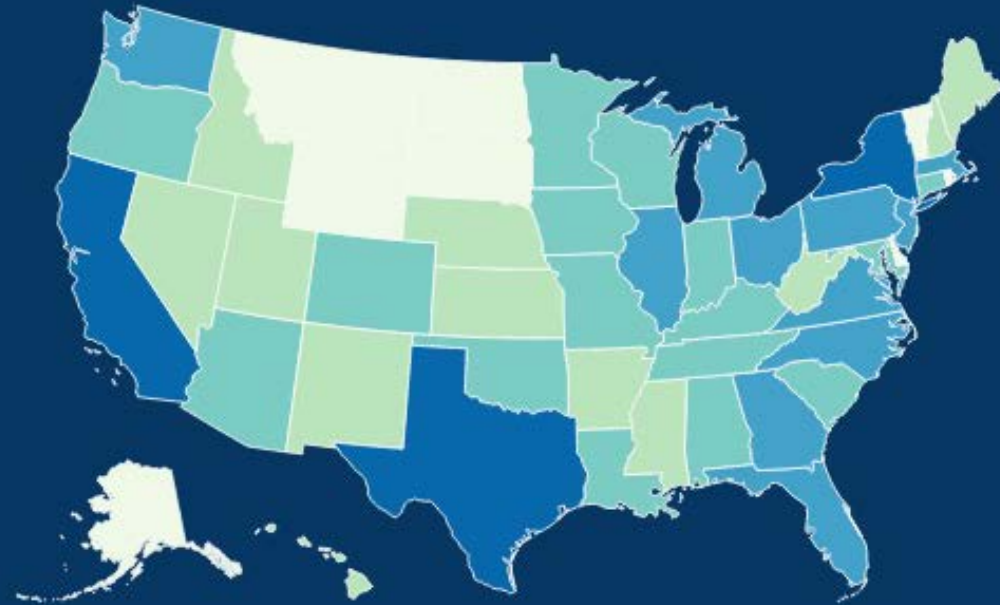


Up to **4.9 million U.S. jobs** are supported by sales to Mexico



**57,000 U.S. companies** sell to Mexico;  
**18,000** operate there

# U.S. Jobs that Depend on Trade with Mexico



## U.S. Jobs by State

- 0-20,000
- 20,001-50,000
- 50,001-100,000
- 100,001-300,000
- >300,001

**Nearly 5 million jobs  
depend on trade  
with Mexico**



**#USMXEcon**

Source: Wilson Center, *Growing Together: Economic Ties between the United States and Mexico*

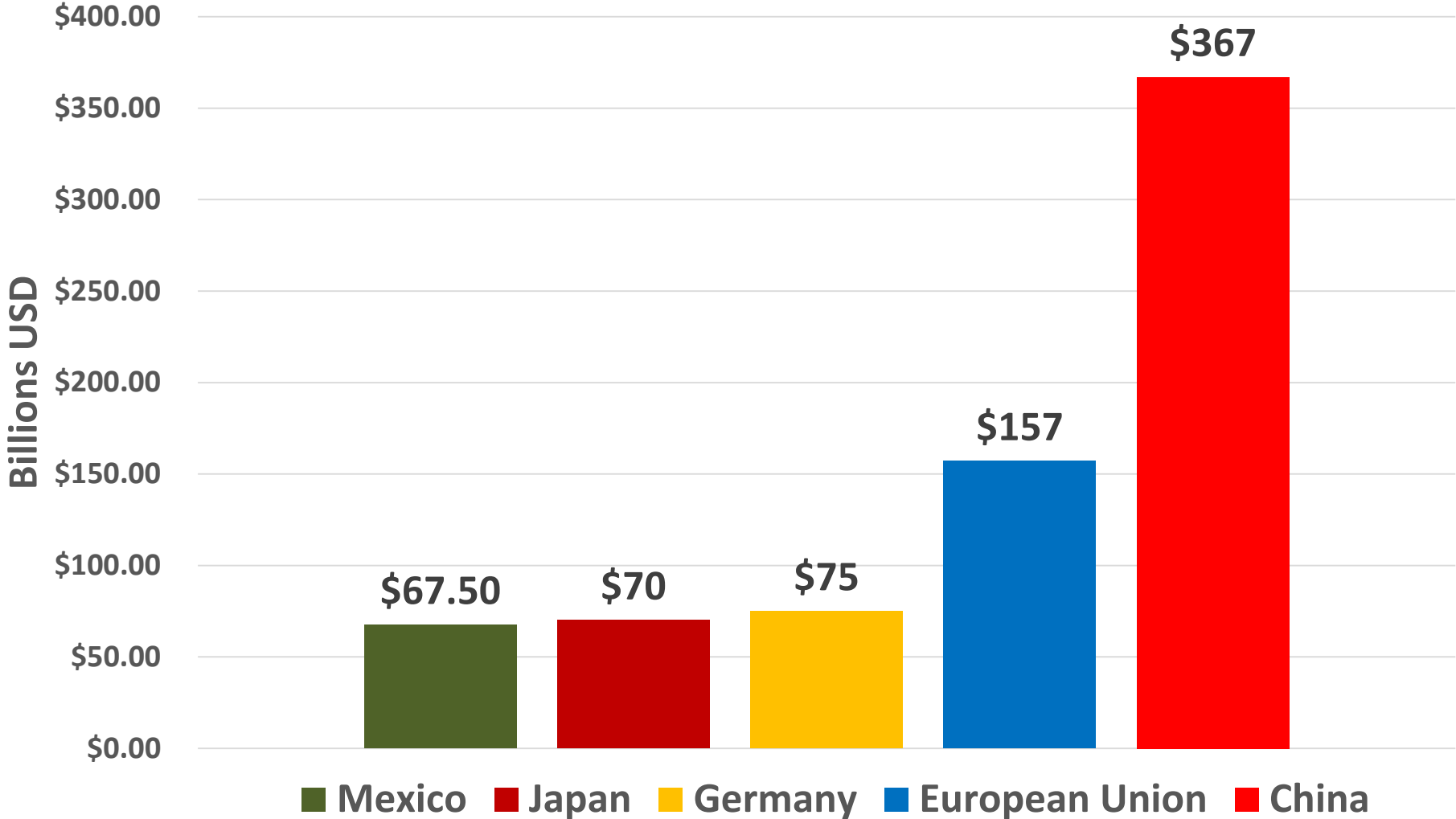
U.S. trade deficit with  
Mexico dropped

43%

during 2010-2015

# U.S. Trade in Goods Deficit

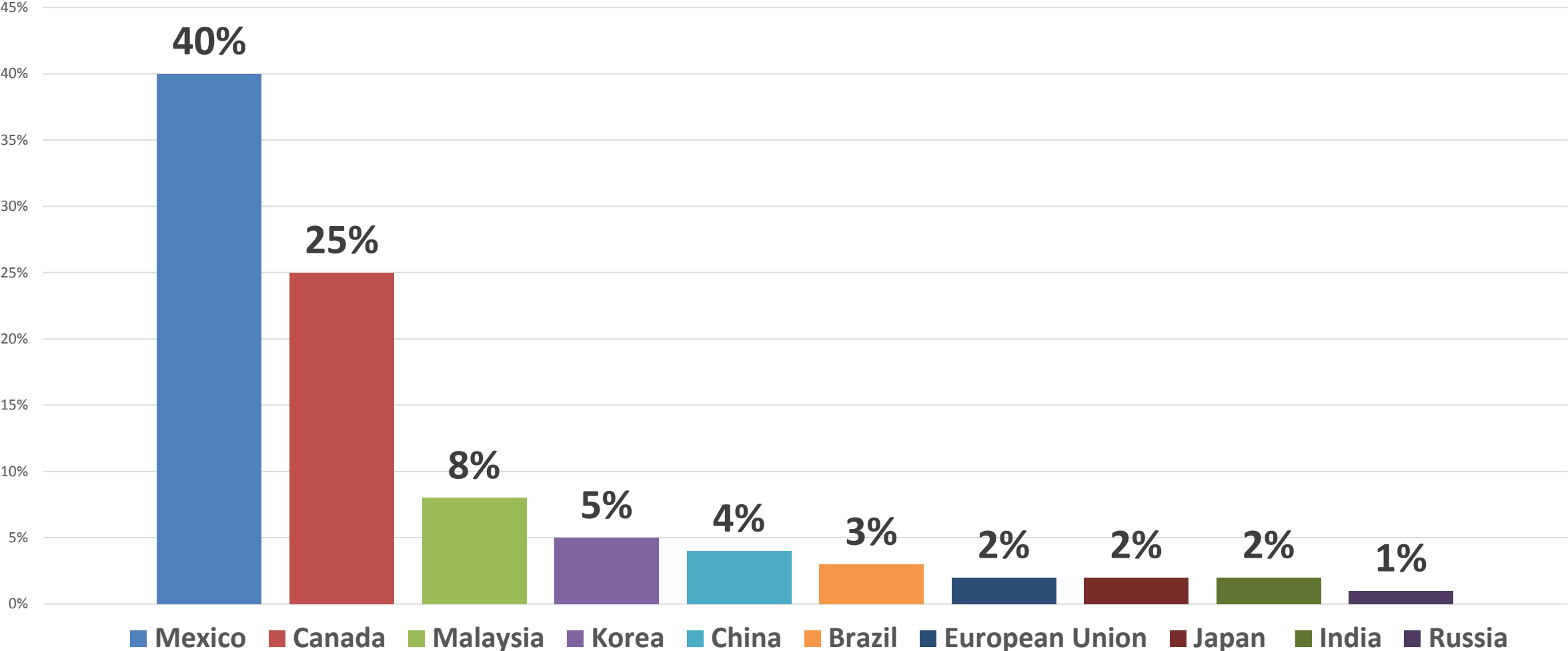
U.S. Trade Deficit with Selected Partners



Source: BEA 2015

# More U.S. Content in Imports from Mexico than Other Countries

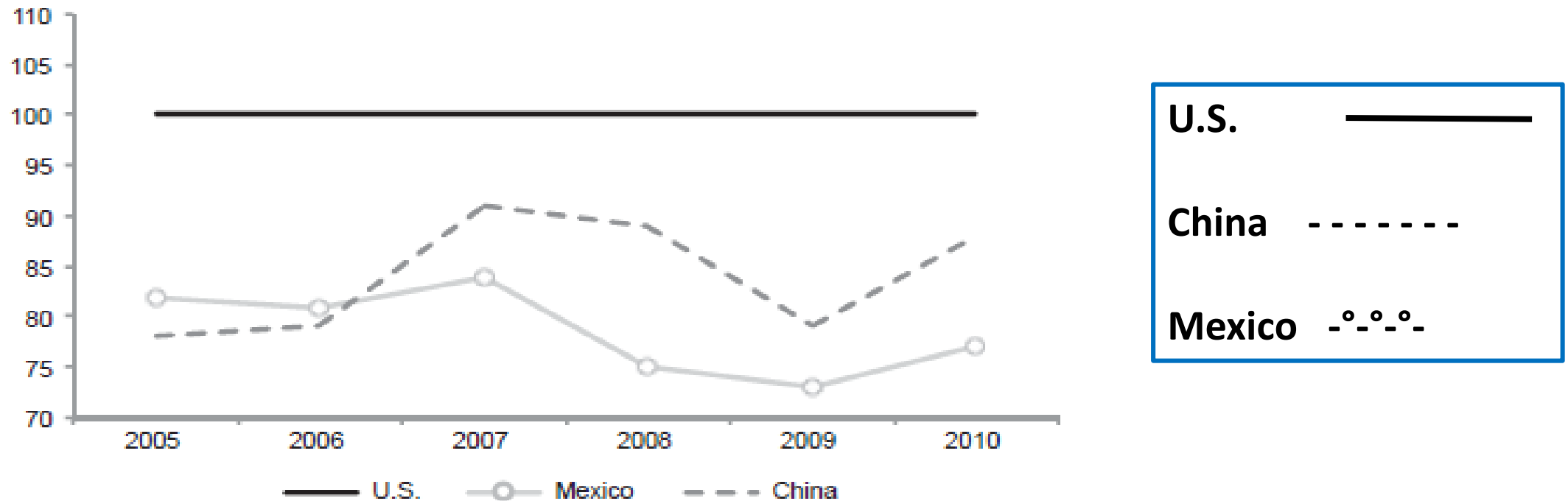
Value of U.S. Content in Imports from Selected Economies



Source: Robert Koopman et al. "Give Credit Where Credit is Due: Tracing Value Added in Global Production Chains". NBER Working Paper No 16426.

# Manufacturing Outsourcing Costs

FIGURE 6. *Manufacturing outsourcing costs<sup>a</sup>*  
(index US = 100, 2005 - 2010)



<sup>a</sup> Alix Partners compares the components of the cost vector of different countries with a US base line for the production of a basket of parts which can be done anywhere with US inputs.

SOURCE: Koopman et al. (2010) and Alix Partners (2011).

**Where have the jobs gone?**

Competition from China

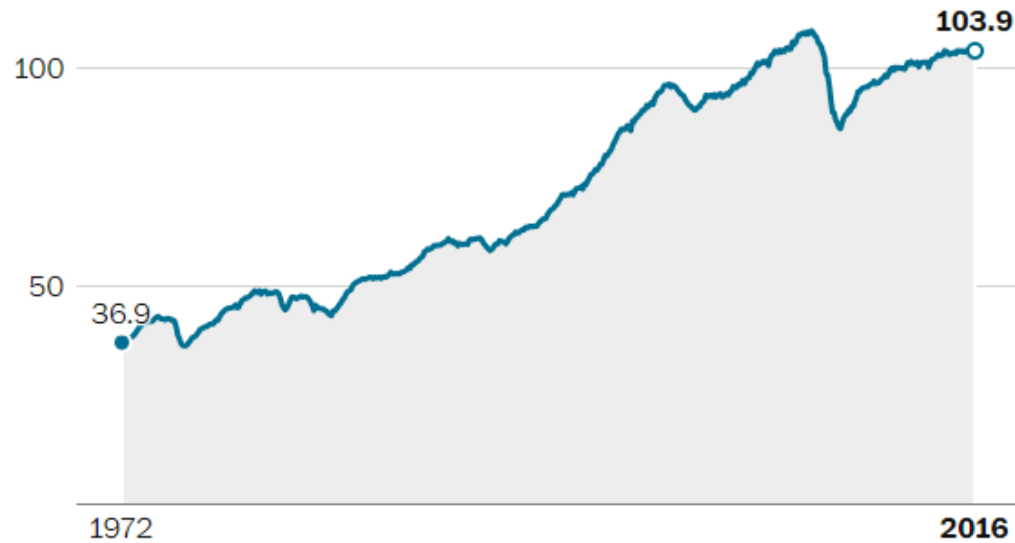
New Technology



# U.S. Manufacturing: Production vs. Jobs

## Industrial production: manufacturing

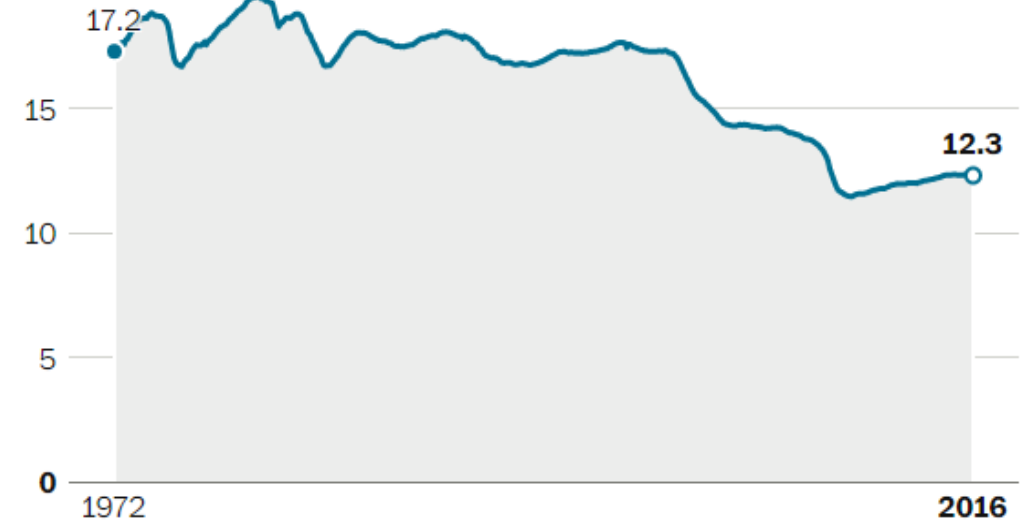
Index 2012 = 100



Source: St. Louis Fed

[WAPO.ST/WONKBLOG](http://WAPO.ST/WONKBLOG)

## Manufacturing workers, millions



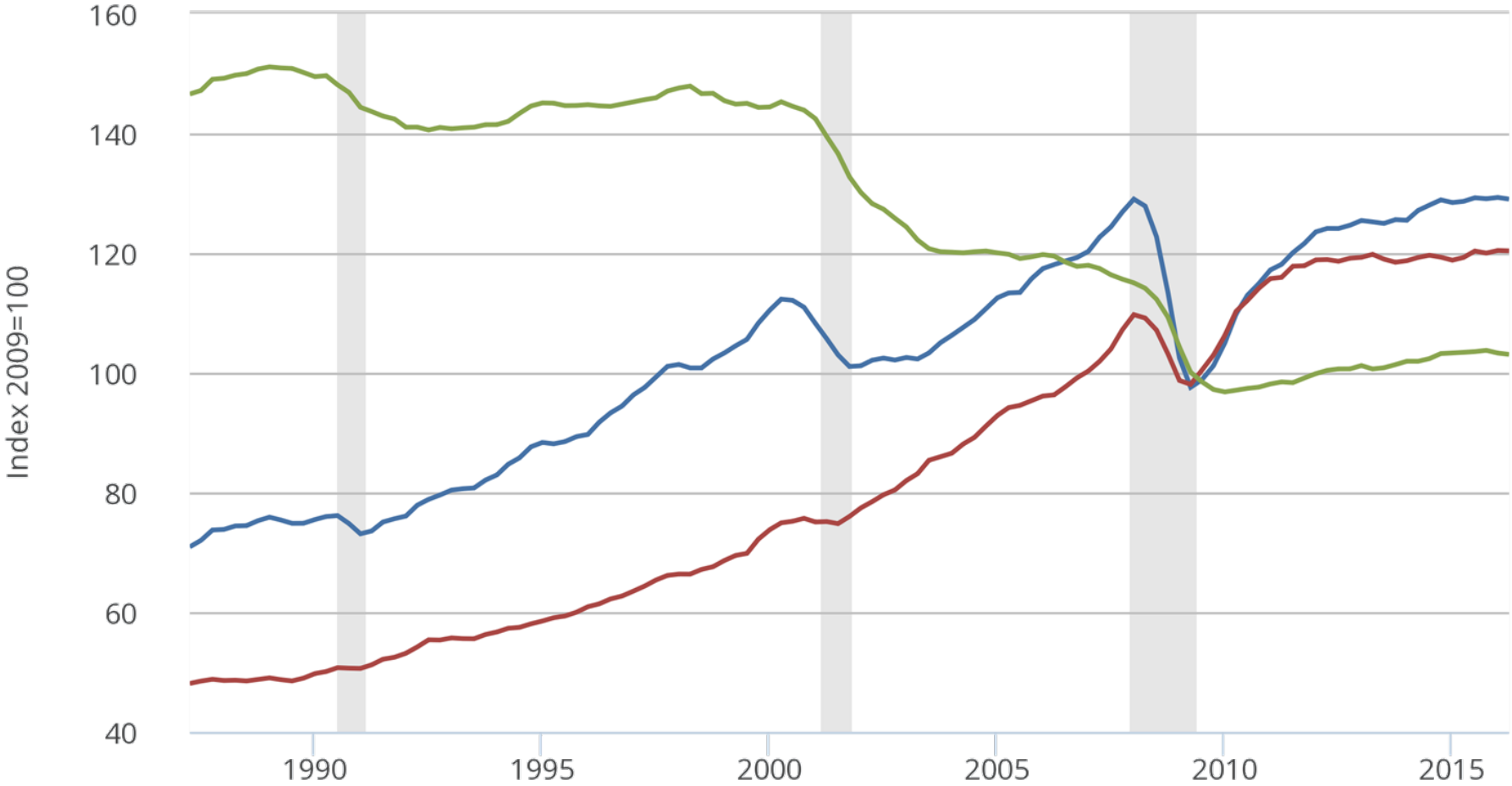
Source: St. Louis Fed

[WAPO.ST/WONKBLOG](http://WAPO.ST/WONKBLOG)

# U.S. Manufacturing Employment and Output



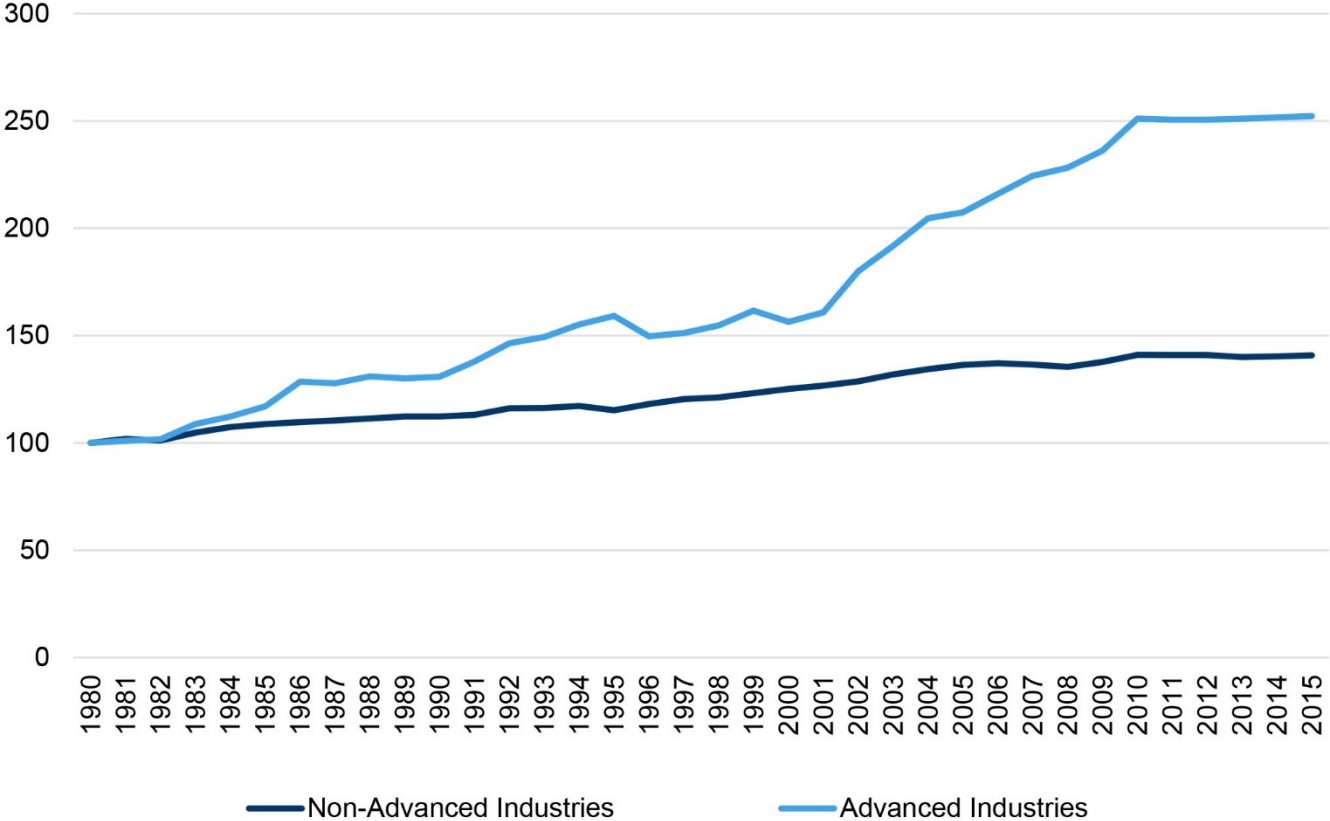
- Manufacturing Sector: Real Output
- Manufacturing Sector: Real Output Per Hour of All Persons
- Manufacturing Sector: Employment



# Industry Productivity

Industry productivity (1980=100)

1980–2015



Source: Brookings Analysis of Moody's Analytics Data

# Making America more Competitive

Immigration Reform

**Innovation**

Government Deficits



Trade and Investment

Regulation

Worker Retraining

Corporate Taxes

Education

Transportation Infrastructure

**Investment**



### Mexico's Foreign Direct Investment in the U.S.



**\$17 billion**

→ 15th Largest Investor



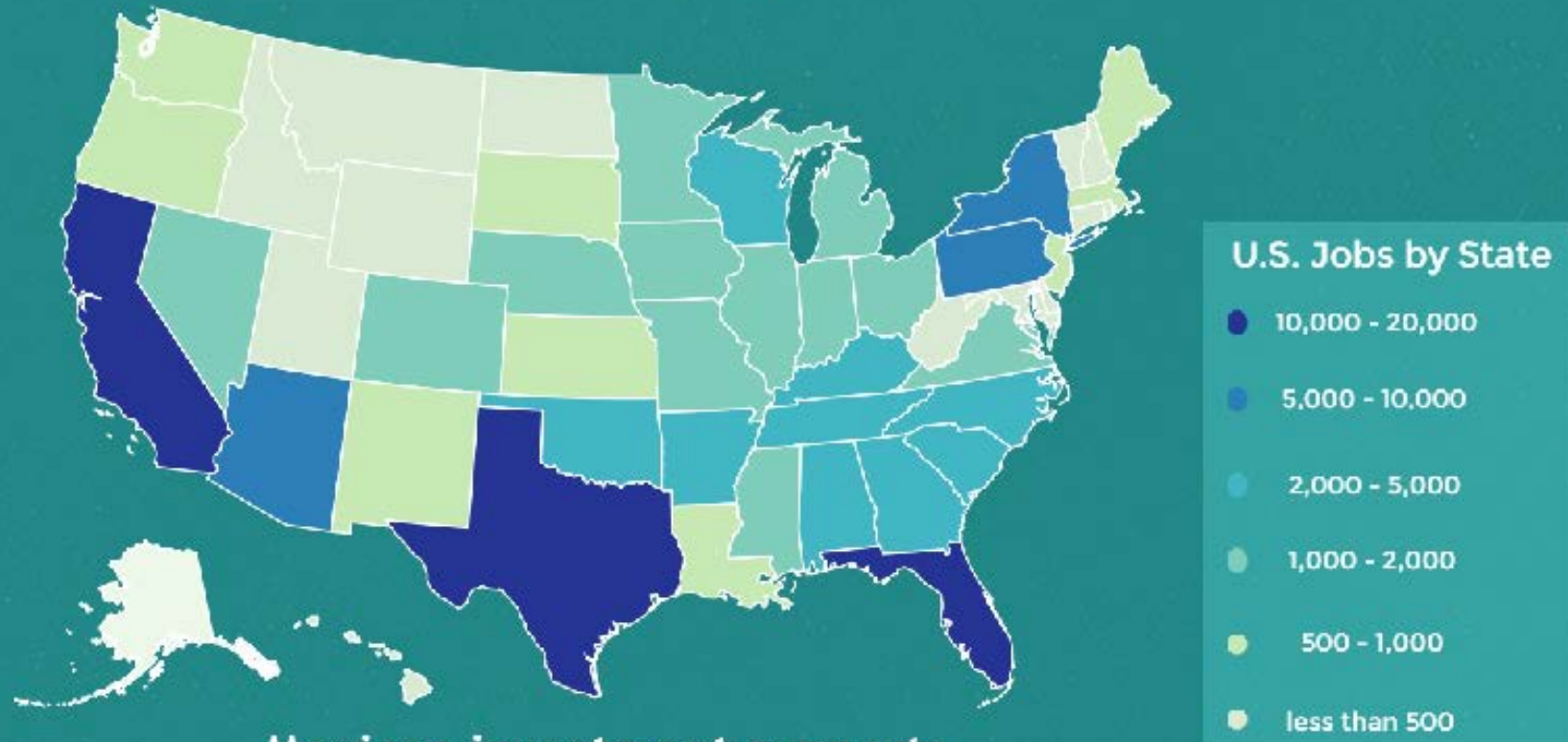
### U.S. Foreign Direct Investment in the U.S.



**\$93 billion**

→ Largest Investor

# GROWING TOGETHER: U.S. Jobs Created by Mexican Investment



Mexican investment supports  
123,000 U.S. jobs

#USMxEcon



Sources: Mexico Institute, *Growing Together: Economic Ties between the United States and Mexico*, 2016.  
Mexican Secretaría de Economía, using IMAP Database, 2015.

# Reforms

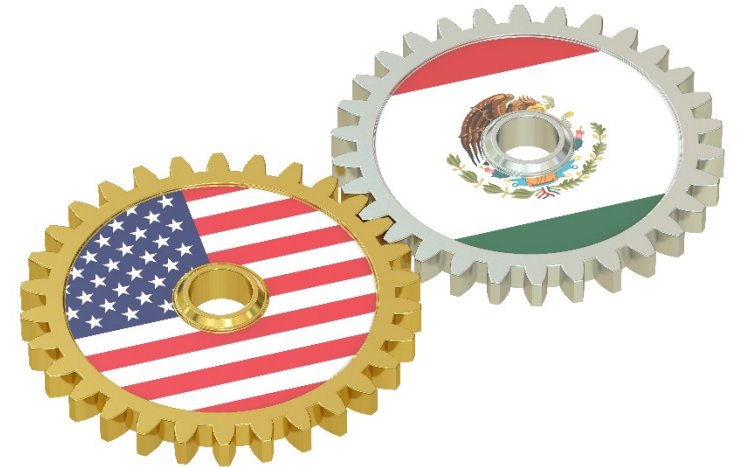


# Mexico's Reforms

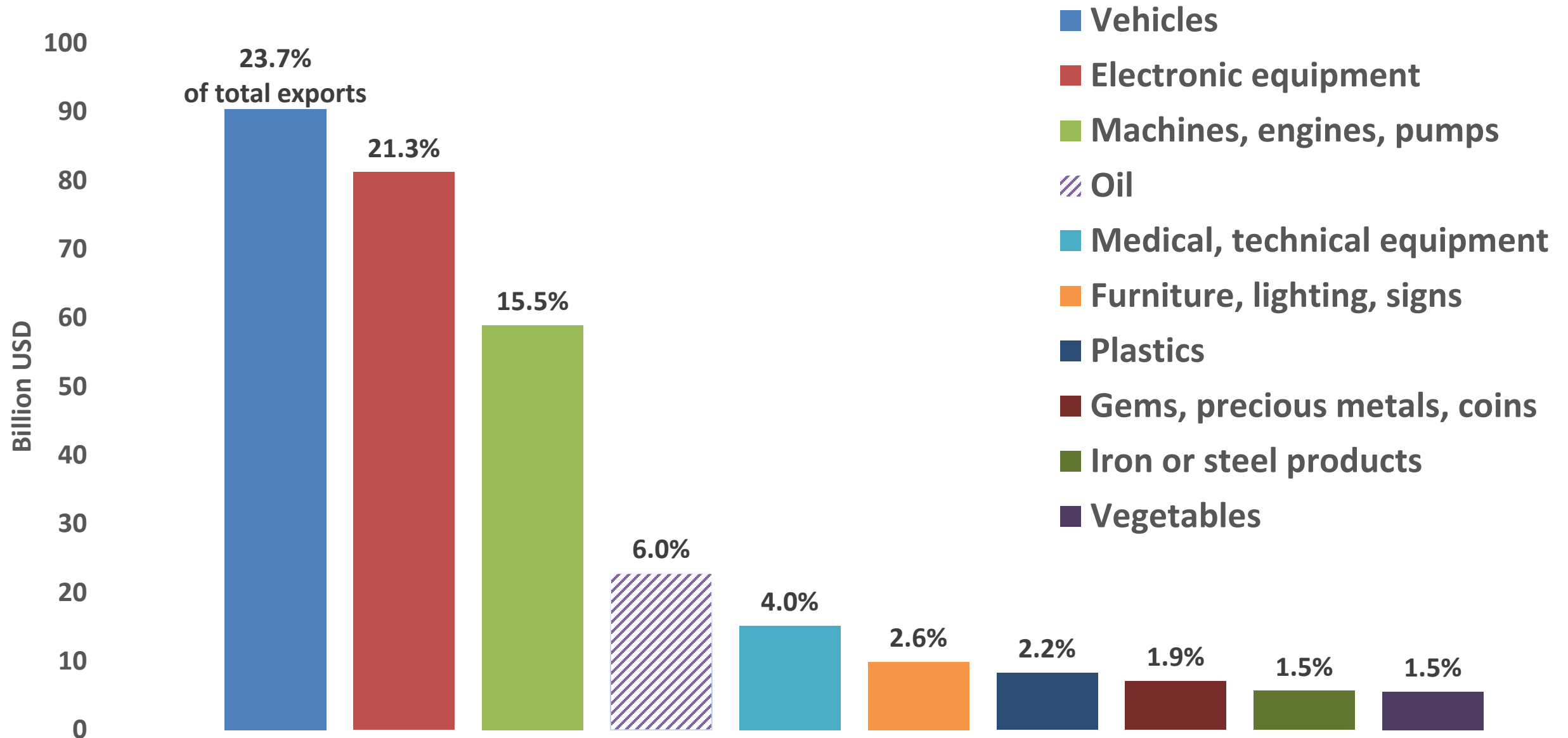
- Education
- Telecommunications
- Energy
- Judicial and Law Enforcement



More partnership  
with the U.S.



# Mexico's Top 10 Exports: Manufactured Goods Dominate



# **U.S.-Mexico High Level Economic Dialogue (HLED)**

# U.S.-Mexico High Level Economic Dialogue (HLED)

## Agenda Items



- Improving border infrastructure, processes and waiting times
  - Planning for transportation routes
  - Energy standards and regulations
- More student and researcher exchanges
  - Encouraging innovation
- Protecting the environment and combating climate change
  - Involving border communities

## Accomplishments



- Civil aviation agreement
  - Infrastructure on the border
- Prioritizing future border infrastructure projects
  - Pilot pre-inspection facilities for cargo
  - Industry and business cluster maps
- Cooperation among Regulatory Authorities
- Energy and Climate Change Working Group
  - Process for stakeholder input

# Energy and the Environment

# **Bilateral and Trilateral Cooperation in Energy and the Environment**

- **North American Climate, Clean Energy and Environment Partnership and Action Plan:**
  - ✓ Set shared goal of 50% clean power generation by 2025
  - ✓ Committed to reduce 40% - 45% methane emissions by 2025
  - ✓ Promoting energy efficiency standards for vehicles and appliances
  - ✓ Encouraging renewable energy
  - ✓ Strengthening energy security
  - ✓ Cooperate to phase out hydrofluorocarbons and reduce aircraft and black carbon emissions
- **U.S. and Mexico work to protect border environment, river basins, and endangered species**

# Saving the Monarchs' Flyways and Habitat



# **Border Management**

## **Licit and Illicit Flows**



# Moving toward Co-Management of the Border



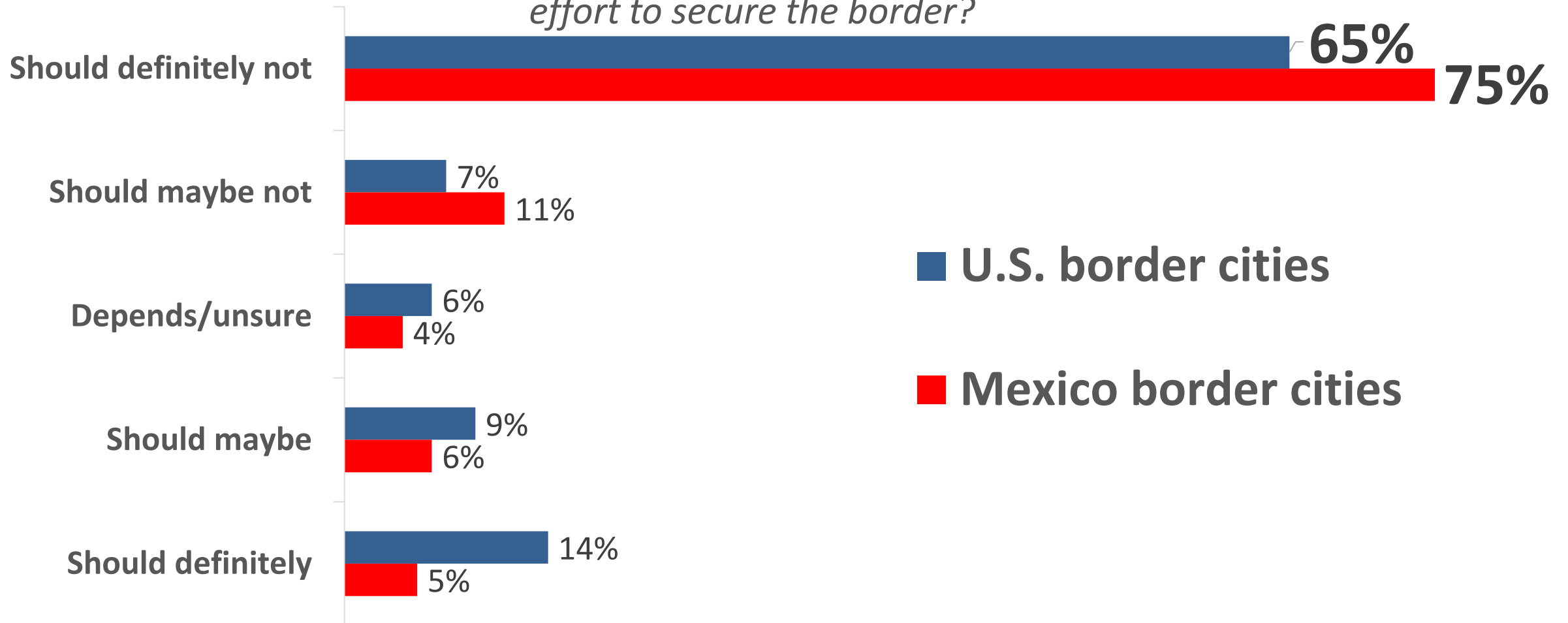
# Moving from blame to “shared responsibilities”

- Making the border more open to legitimate trade and commerce
- New mechanisms to communicate and coordinate about countering illicit trade and travel
- Steps to increase security and reduce cross-border violence
- New program to share information on border crossers via shared radio-frequency identification system
- Trilateral Trusted Traveler Program in action by the end of 2016

**Border Residents Do Not  
Want a Wall**

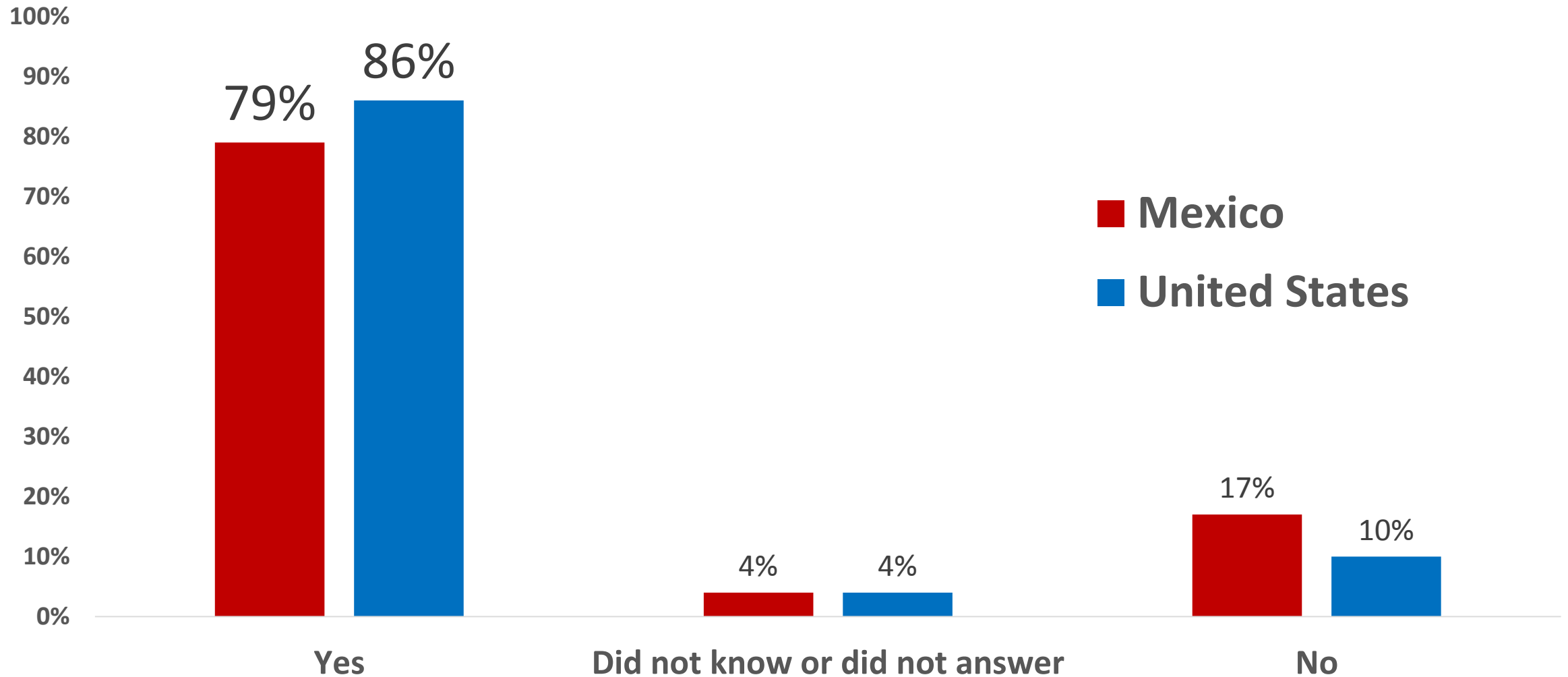
# Border Poll Spring 2016: Border wall to secure border

*Question: Should the U.S. build a wall between Mexico and the U.S. in an effort to secure the border?*



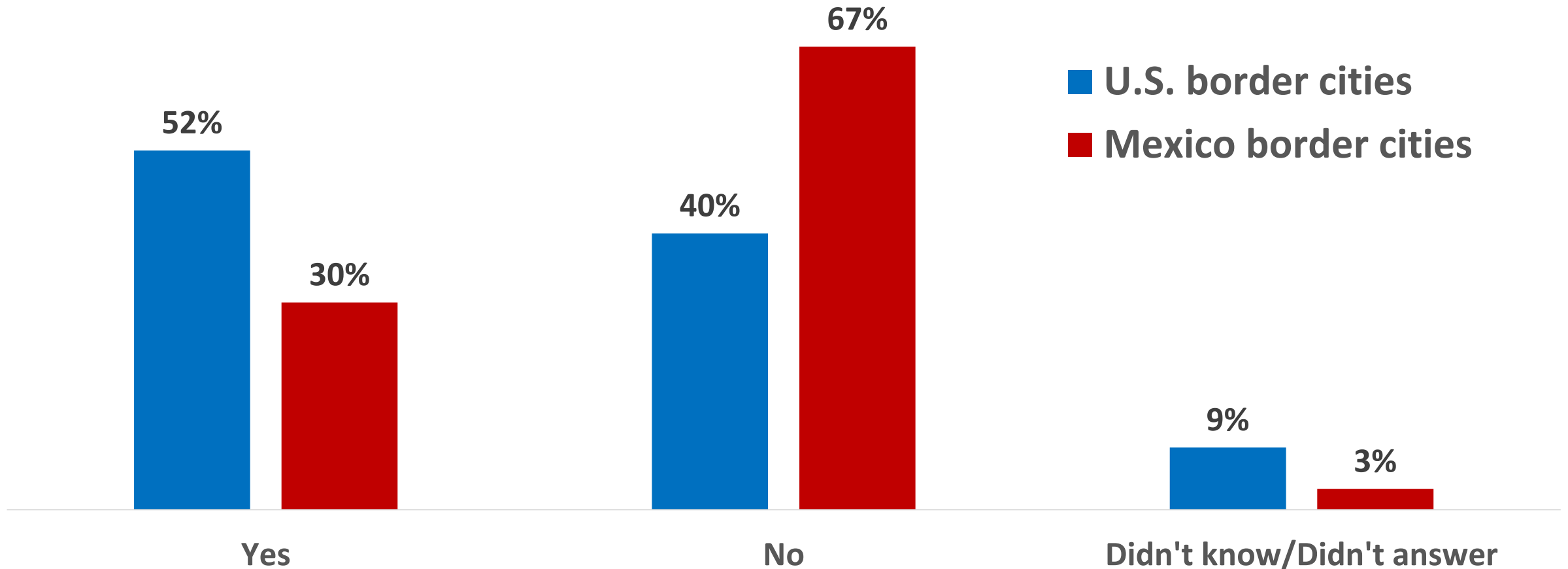
# Border Poll Spring 2016: Cross-border neighbors

*Question: Do you like your cross-border neighbors?*



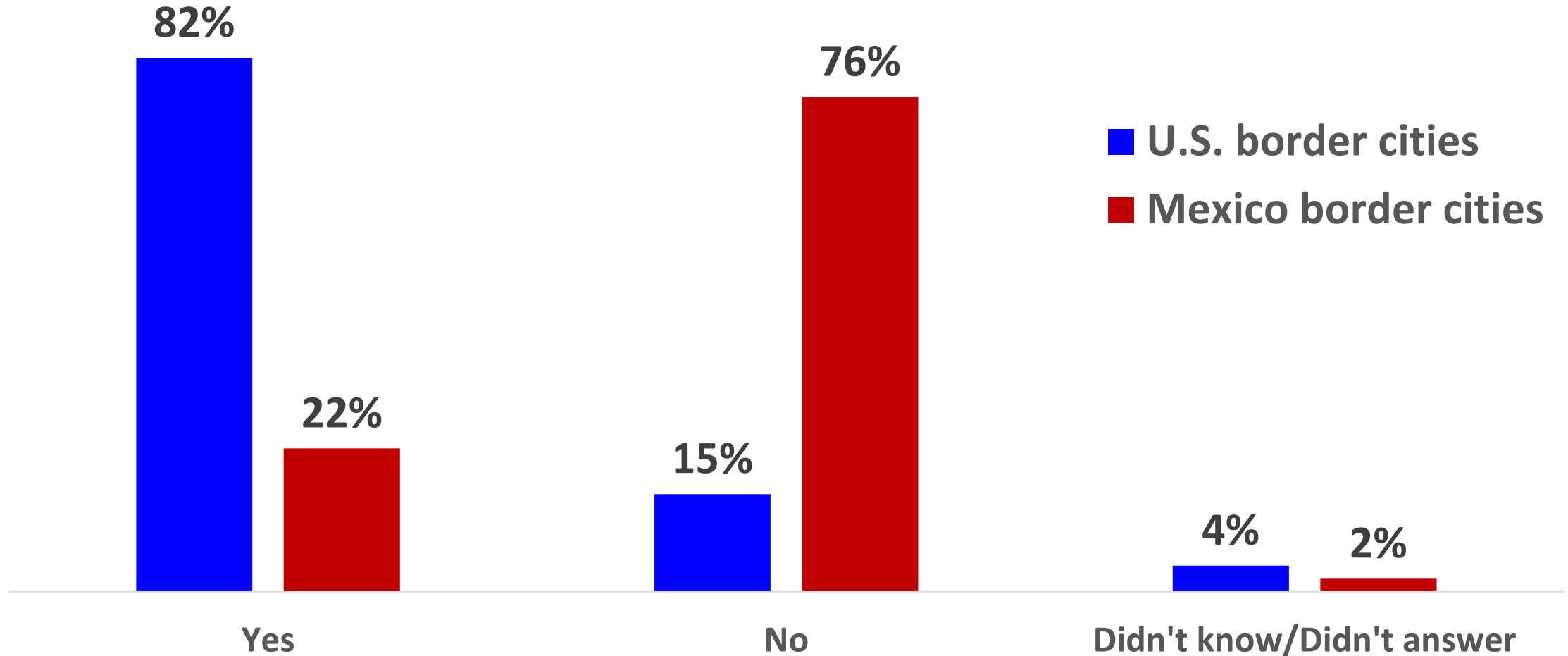
# Border Poll Spring 2016: Progress against drug trafficking

*Question: Do you think progress is being made against drug trafficking?*



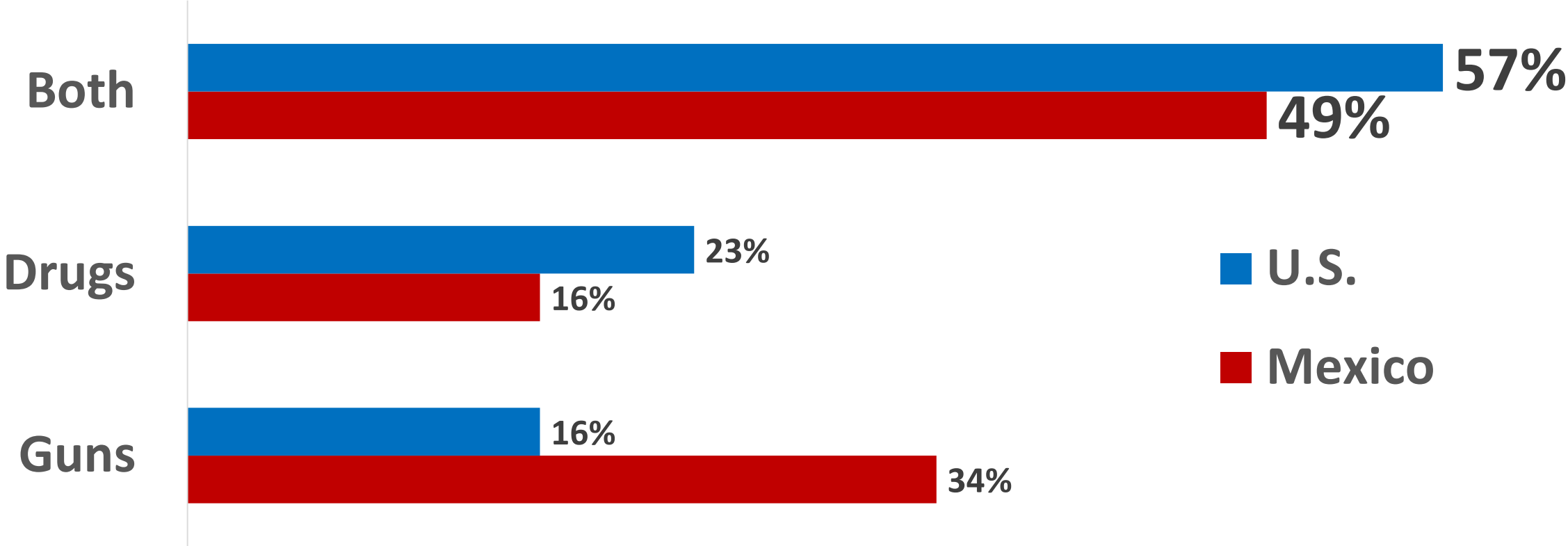
# Border Poll Spring 2016: Trust in law enforcement

*Question: Do you trust law enforcement officers in your country?*



# Border Poll Spring 2016: Illegal drugs or gun flows

*Question: Which is more serious: Illegal drugs or gun flows?*



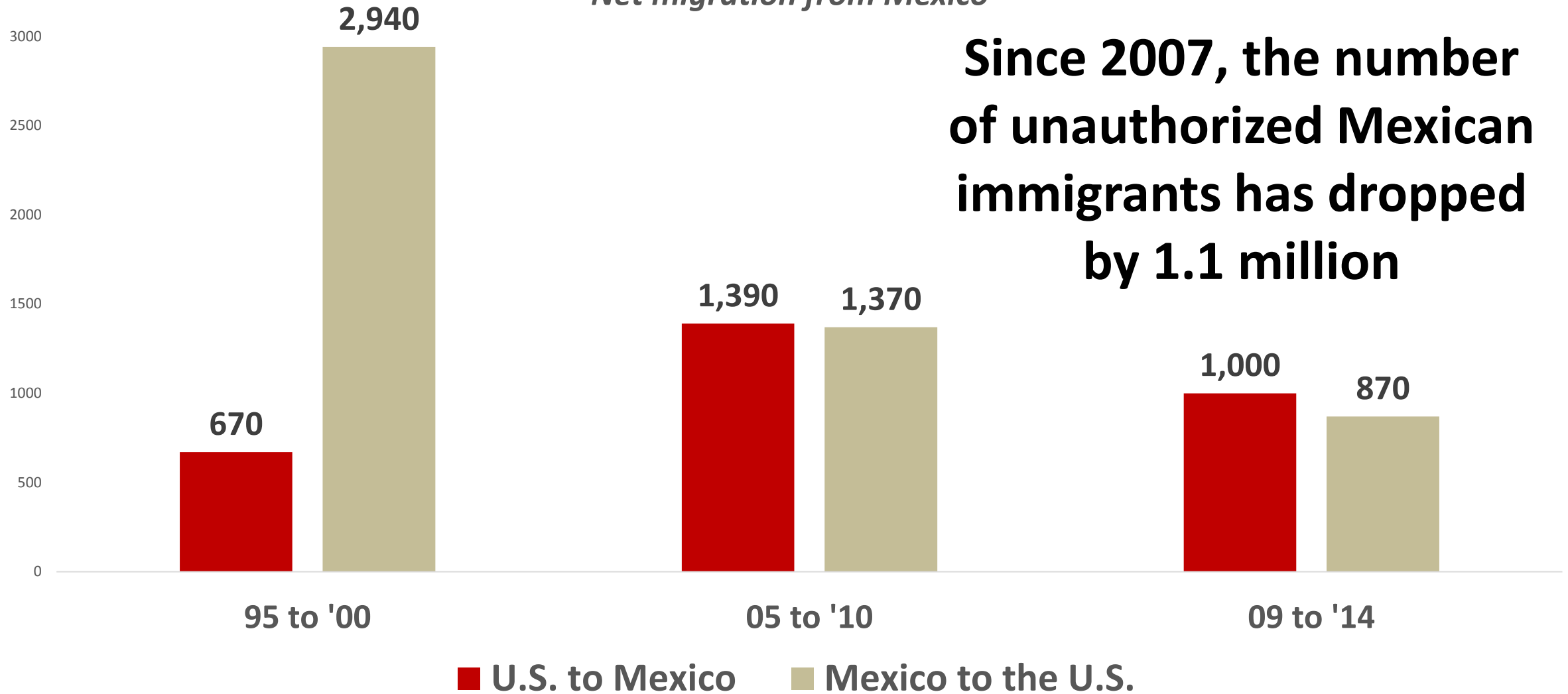
Source: A Cronkite News – Univision – Dallas Morning News border poll (2016)



# Migrant Flows

# Mexican Migration

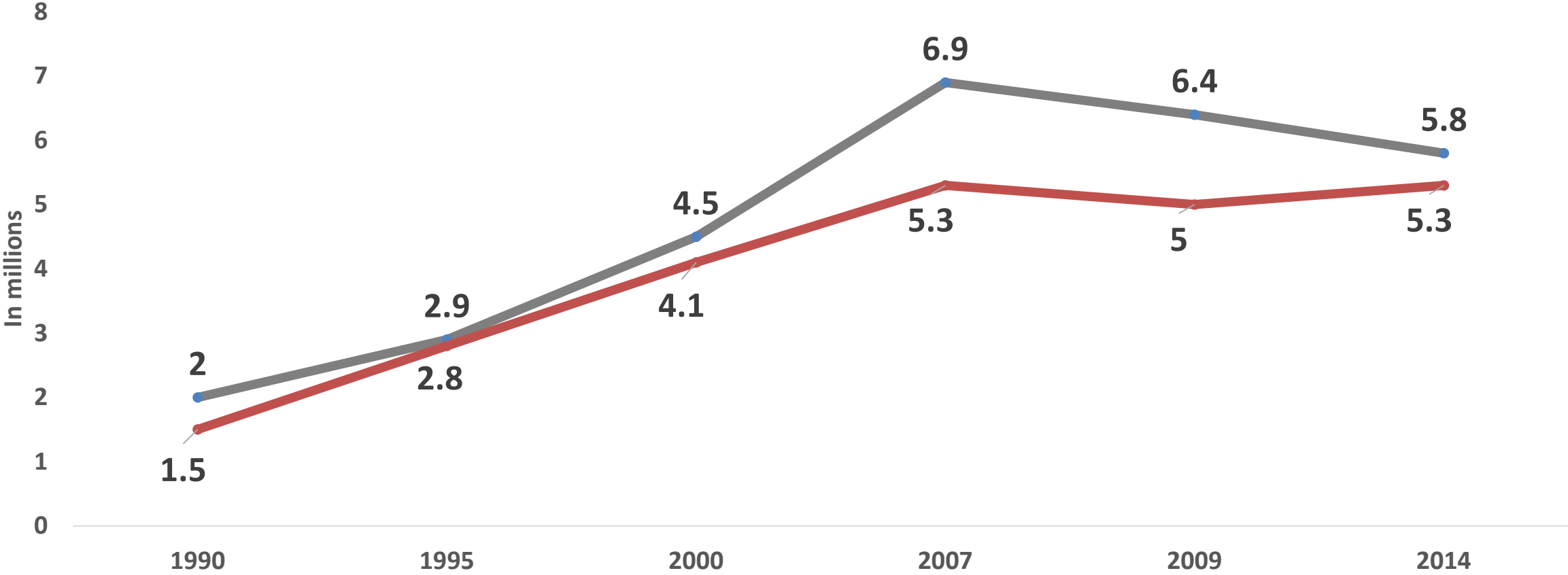
*Net migration from Mexico*





# Number of Unauthorized Immigrants in the US – drop since 2007

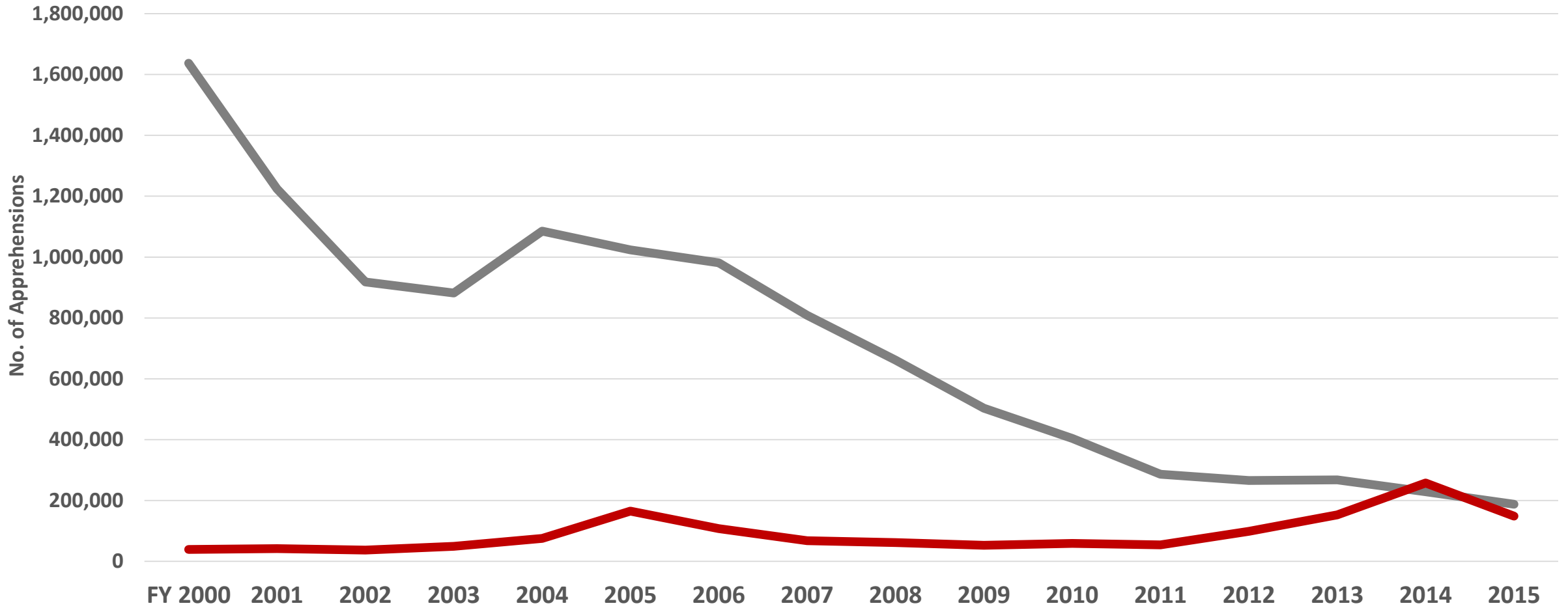
—●—Mexicans —●—Others



Source: Overall Number of U.S. Unauthorized Immigrants Holds Steady Since 2009.. PEW Research Center (2016)

# U.S. Border Patrol Apprehensions from Mexico and Other Countries

— Mexico — Other than Mexico



Source: United States Border Patrol. "Illegal Alien Apprehensions from Mexico and Countries Other than Mexico by Fiscal Year (FY 2000 – 2015)"



Migration from Mexico has **decreased to historic lows**

Migration from **El Salvador, Guatemala and Honduras** has significantly increased



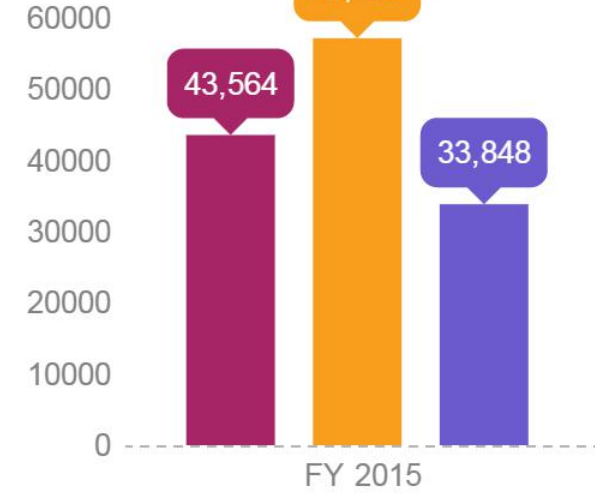
Since 2010  
**The United States and Mexico**  
have apprehended **1 million**  
people from **El Salvador,**  
**Guatemala and Honduras,**  
and have deported  
more than **800,000**



- El Salvador
- Guatemala
- Honduras

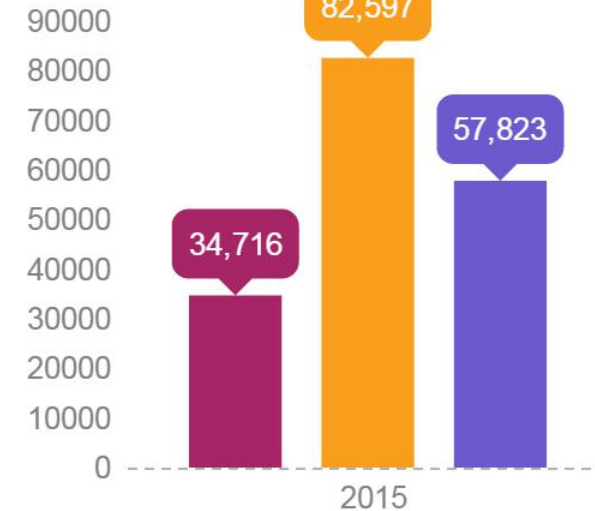
# 2015

## Apprehensions by the U.S. 134,572



## Deportations by Mexico 175,136

- El Salvador
- Guatemala
- Honduras



Sources:  
 Unidad de Política Migratoria 2015.  
 CBP Border Security Report. Fiscal Year 2015.

# Security and Justice

# Law Enforcement and Justice Cooperation

Mérida Initiative

U.S.-Mexican Defense Dialogue

Bilateral Security Coordination Group



# Mérida Initiative: The Four Pillars

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 “**21<sup>st</sup> Century Border**”
4. Building strong and resilient **communities**

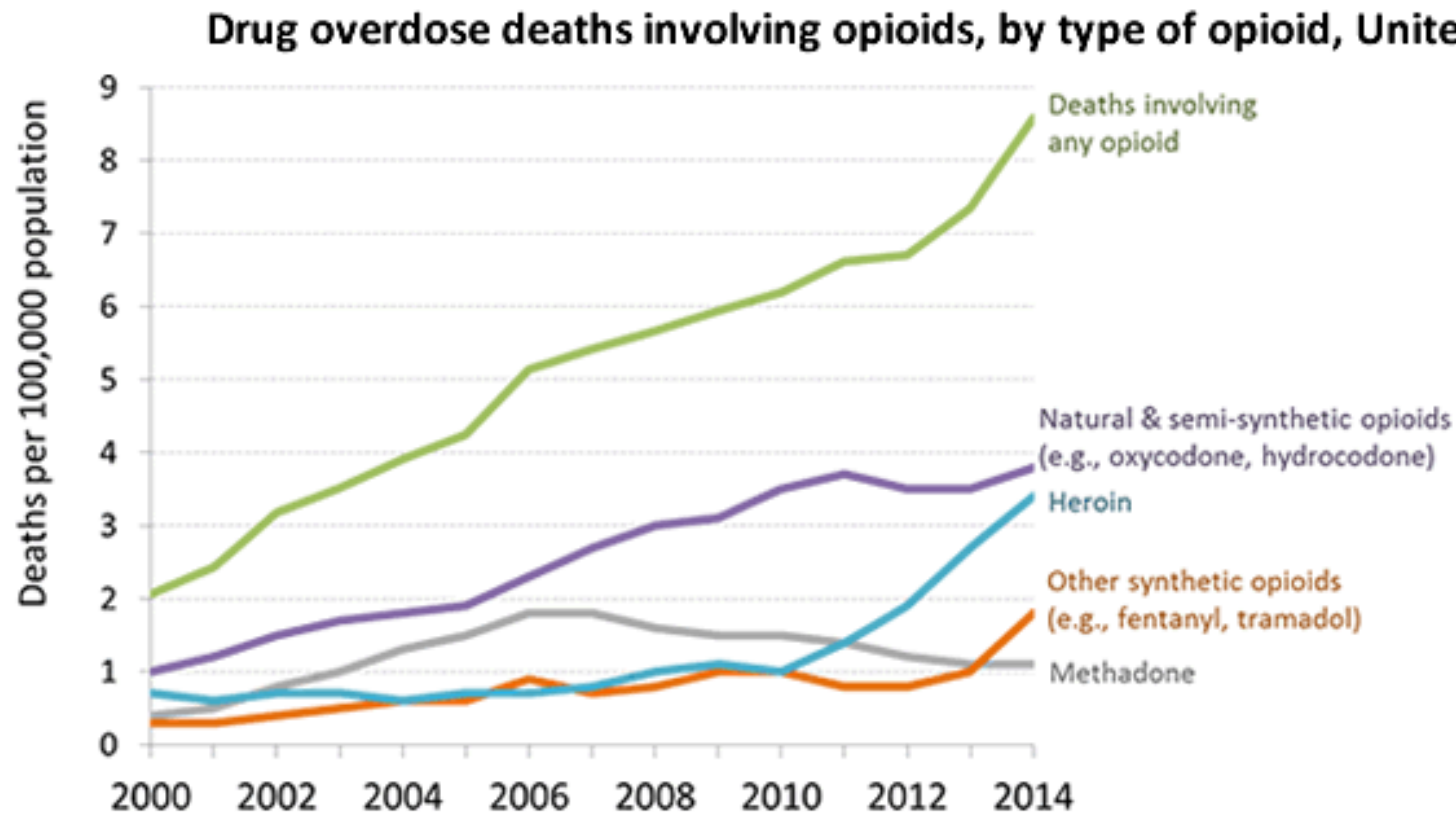
# Mérida Initiative

- **\$2.3 billion** appropriated since 2008.
- **\$1.5 billion** already spent on training and equipment.

Mexico is spending is **10** times more

# U.S. Opioid Crisis

## Opioid overdoses driving increase in drug overdoses overall



SOURCE:  
Centers for Disease Control and  
Prevention. Increases in Drug and  
Opioid Overdose Deaths –  
United States, 2000 to 2014.  
MMWR 2015.  
[www.cdc.gov/drugoverdose](http://www.cdc.gov/drugoverdose)



# U.S. Opioid Crisis

- Users of opium derivatives includes over 5% of the U.S., as of 2013.
- Since 1999, the number of overdose deaths involving opioids has quadrupled.
- Mexican opium and heroin production has grown substantially, as has production of illicit opioids, e.g., Fentanyl.

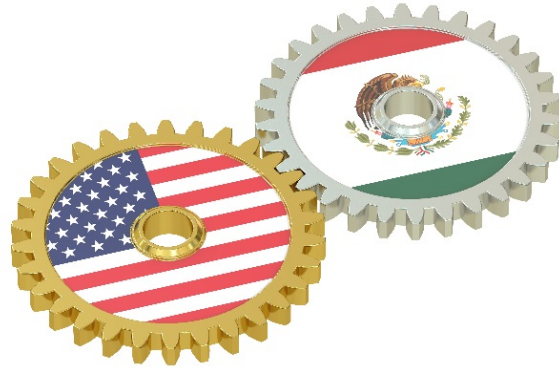
**In June 2016, Presidents Peña Nieto and Obama launched a working group on drug priorities and dismantling criminal networks.**

**Long-Term Effort**

# Positive Trends

- Justice **system reform** in Mexico:  
*From an inquisitorial to an adversarial system*
- Recent Mexican **anti-corruption legislation**
- Civil society and private sector are **demanding change**

# Tasks Ahead



- **Bilateral:** Better **law enforcement and justice cooperation** against drug trade, illicit money, illegal arms and migrant smuggling.
- **In Mexico:** Better efforts to fight **crime, corruption, impunity** and assure **respect for human rights**.
- **In Mexico:** **Reducing poverty** levels and regional inequalities.
- **In the U.S.:** **Immigration reform** and an agreed approach to trade.

# **A Stronger Partnership with Mexico**



# Building Partnership with Mexico, Not Walls




- Better to have a prosperous, cooperative neighbor.
- Further develop complimentary nature of our economies and strengthen our continental production platform.
- Create a more efficient and secure border.
- Deepen collaborative, effective law enforcement efforts.

# Building a Partnership with Mexico



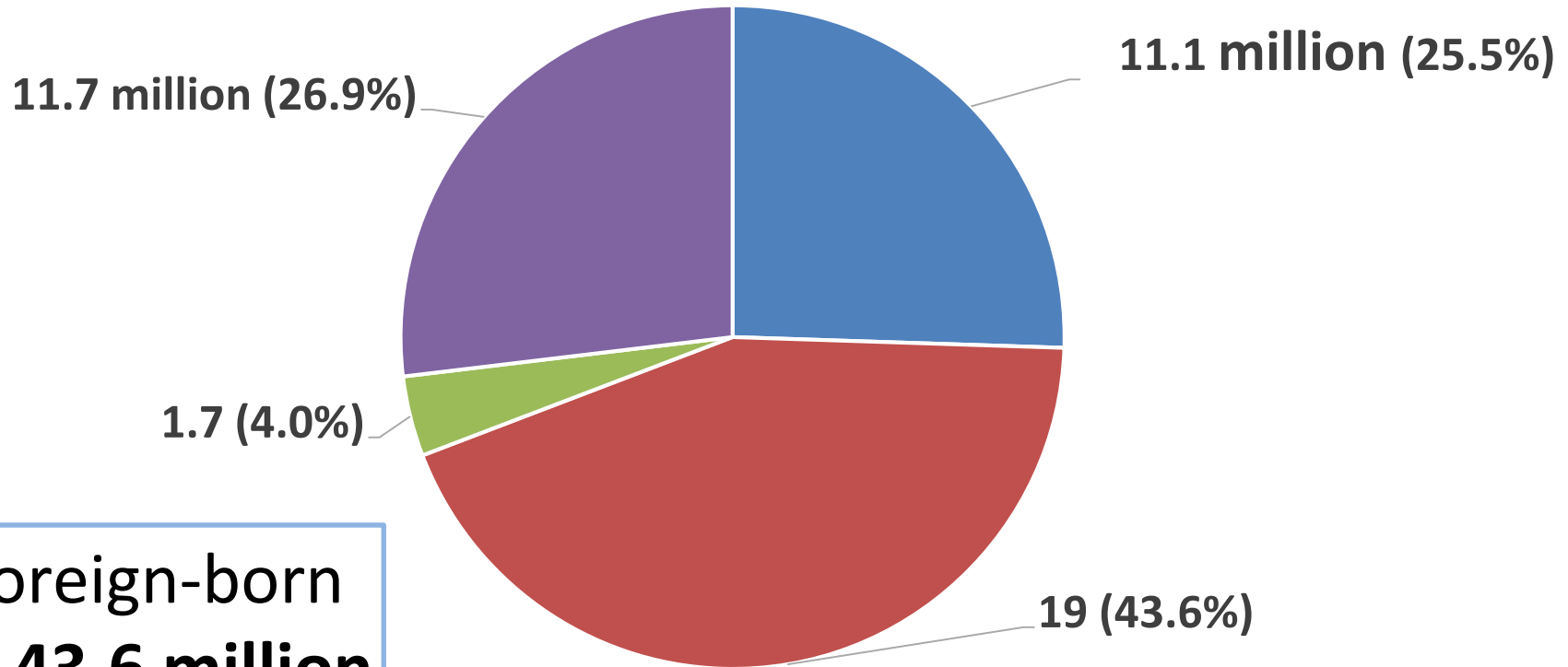
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 [@EAnthonyWayne](https://twitter.com/EAnthonyWayne)

# Foreign-born population estimates, 2014

- Unauthorized immigrants
- Naturalized citizens
- Temporary lawful residents
- Lawful permanent residents



Total U.S. foreign-born population: **43.6 million**

# Mexican Companies with Operations IN THE UNITED STATES



Mexican companies in the United States are active in the following sectors:



## Food & Beverages

World's largest baking company (Bimbo) and largest dairy company in Latin America (Lala)



## IT & Telecom

Largest media companies in Spanish (Televisa & Azteca América) and 4th largest mobile network operator (América Móvil)



## Cement

Second largest building materials company in the world (CEMEX)



## High Tech

Including radio-frequency identification and electromagnetic field technologies



## Auto Parts

One of the largest brake manufacturers (Rassini); One out of every four new vehicles sold worldwide has a NemaK component



## Building materials

Two of the major copper producers in the world (ASARCO & Southern Copper Corporation)



## Hydrocarbons & Petrochemicals

Largest producer of PTA and PET in the continent (Alpek)



## Banking & Financial Services

Largest payday loan company in the United States (Advance America)



Largest destination of Mexican FDI abroad

Mexican investment in the United States supports more than 123,000 jobs.

Mexican foreign direct investment in the United States has quadrupled since 2005



# Bush Center: North America Competiveness Score Card

## Key Comparisons



### **North America (B+) and APEC (B)**

APEC'S core strength is having the North American economies as members.



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North America and the European Union are two of the most modern, developed trading blocs in the world, but North America has a healthy lead on the Scorecard.

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## North America (B+) and Mercosur (D-)

North America consistently scores better than Mercosur—40–60 points better in four of the Scorecard's six categories.



## North America (B+) and Pacific Alliance (C+)

North America holds a solid lead on the Pacific Alliance. When weighted by GDP, North America rises to an A while the Pacific Alliance drops slightly to a C.