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

U.S. goods and services trade with Mexico $592 billion

Imports $325 billion

Currency in USD / Source: U.S. BEA 2015
U.S. trades over $1 million per minute with Mexico
Trade has grown about 35% since 2010
Mexico

2nd largest export market

3rd largest trading partner
Mexico

1st or 2nd 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
National Travel & Tourism Office http://travel.trade.gov/research/reports/recpay/index.html
The flow of Mexican immigrants is at its lowest level since the 1990s.

Source: http://www.pewhispanic.org/2015/11/19/more-mexicans-leaving-than-coming-to-the-u-s/
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

- Criminal networks
- Illegal immigration
- Corruption
- Building stronger justice and law enforcement institutions
- U.S. drug demand and drug-gang violence in Mexico
- Terrorism
- Social inequality and poverty in Mexico
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

Europe 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

4 times larger since 1993

North American Goods and Services Trade

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.
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

35% Since 2010
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

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 Deficit with Selected Partners

- Mexico: $67.50
- Japan: $70
- Germany: $75
- European Union: $157
- China: $367

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\(^a\)
(index US = 100, 2005 - 2010)

\(^a\) 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.

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

Manufacturing workers, millions

Source: St. Louis Fed

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

Notes: FDI values are reported as accumulated stocks, rather than annual flows. Currency in USD.
Source: U.S. BEA 2014 (latest data available)
GROWING TOGETHER: U.S. Jobs Created by Mexican Investment

Mexican investment supports 123,000 U.S. jobs

#USMXEcon

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

- Should definitely not: 65% (U.S. border cities), 75% (Mexico border cities)
- Should maybe not: 7% (U.S. border cities), 11% (Mexico border cities)
- Depends/unsure: 6% (U.S. border cities), 4% (Mexico border cities)
- Should maybe: 9% (U.S. border cities), 6% (Mexico border cities)
- Should definitely: 14% (U.S. border cities), 5% (Mexico border cities)

Border Poll Spring 2016: Cross-border neighbors

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

- **Yes:** 79%
- **Did not know or did not answer:** 4% each
- **No:** 17%

**Source:** A Cronkite News – Univision – Dallas Morning News border poll (2016)
Border Poll Spring 2016: Progress against drug trafficking

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

- **U.S. border cities**: 52% Yes, 30% No, 9% Didn't know/Didn't answer
- **Mexico border cities**: 40% Yes, 67% No, 3% Didn't know/Didn't answer

Border Poll Spring 2016: Trust in law enforcement

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

- **Yes**: 82% (U.S. border cities) 22% (Mexico border cities)
- **No**: 76% (U.S. border cities) 15% (Mexico border cities)
- **Didn't know/Didn't answer**: 4% (U.S. border cities) 2% (Mexico border cities)

Border Poll Spring 2016: Illegal drugs or gun flows

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

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Both</td>
<td>57%</td>
<td>49%</td>
</tr>
<tr>
<td>Drugs</td>
<td>23%</td>
<td>16%</td>
</tr>
<tr>
<td>Guns</td>
<td>16%</td>
<td>34%</td>
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Migrant Flows
Since 2007, the number of unauthorized Mexican immigrants has dropped by 1.1 million.

Source: More Mexicans leaving than coming to the U.S. PEW Research Center (2015)
Number of Unauthorized Immigrants in the US – drop since 2007

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

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

Source: Migration Policy Institute. "Migrants Deported from the United States and Mexico to the Northern Triangle" (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 “21st 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

Drug overdose deaths involving opioids, by type of opioid, United States, 2000-2014

SOURCE:
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., Fenantyl.

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

Sources: The Globalist, The White House, CDC.
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.
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Foreign-born population estimates, 2014

11.7 million (26.9%)
11.1 million (25.5%)
1.7 (4.0%)
19 (43.6%)

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

Source: Overall Number of U.S. Unauthorized Immigrants Holds Steady Since 2009. PEW Research Center (2016)
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 128,000 jobs.

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

Source: Mexico Institute, Growing Together: Cross-Border Investments Lay the Foundation for Shared Regional Prosperity, October 2016.
Bush Center: North America Competitiveness 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.

Source: George W Bush Presidential Center at SMU North America Competitiveness Score Card (2016)
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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.