Building a Partnership with Mexico

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

2017 Trade in goods and services:

$ 616 Billion

US trades over 1 million per minute with Mexico.

Currency in USD. Source: BEA 2017
US-Mexico Trade

Mexico is:

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

Each day there are over 1 million border crossings.

Source: Bureau of transportation statistics, 2016
<table>
<thead>
<tr>
<th>Areas of U.S.-Mexico Bilateral Work</th>
<th>Trilateral Work: Canada, Mexico and the U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Facilitation</td>
<td>Finalizing USMCA</td>
</tr>
<tr>
<td>Economic competitiveness</td>
<td>Energy &amp; Environment Cooperation</td>
</tr>
<tr>
<td>Energy</td>
<td>Regional and global priorities</td>
</tr>
<tr>
<td>Border management and migration</td>
<td>Trilateral Trusted Traveler Program</td>
</tr>
<tr>
<td>Public security and justice</td>
<td>Dialogue on Countering Illicit Drugs</td>
</tr>
<tr>
<td>collaboration</td>
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<tr>
<td>Fighting drug trafficking &amp; organized crime</td>
<td></td>
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<tr>
<td>Counter-terrorism</td>
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<tr>
<td>Central America, the region,</td>
<td></td>
</tr>
<tr>
<td>international</td>
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<tr>
<td>Consular Issues for US and Mexican citizens</td>
<td></td>
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<tr>
<td>Health issues</td>
<td></td>
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<tr>
<td>Education, Innovation</td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td></td>
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<tr>
<td>Human rights</td>
<td></td>
</tr>
</tbody>
</table>
## Serious Challenges to Address

<table>
<thead>
<tr>
<th>U.S. drug demand and cross-border criminal networks</th>
<th>Migration &amp; border Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finalizing USMCA</td>
<td>Surging Criminal Violence in Mexico</td>
</tr>
<tr>
<td>Strengthening Mexican law enforcement institutions and bilateral cooperation</td>
<td>Negative public perceptions</td>
</tr>
<tr>
<td>Central American migrants</td>
<td>Potential Terrorism</td>
</tr>
<tr>
<td></td>
<td>Countering Corruption</td>
</tr>
<tr>
<td></td>
<td>Reducing poverty in Mexico</td>
</tr>
</tbody>
</table>
Economic Security
North American Trade in Goods and Services

4 times larger since 1993

Source: Secretaria de Economia, 2017; BEA, 2017; Census Bureau, 2017.
North American Trade

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

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

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

## Rank Order: Top US States’ Trade with Mexico 2017

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

Source: Secretaria de Economia, 2017
US Trade in Goods Deficit but Service Surplus

- **Mexico, 8.9%**
- **Canada, 2.1%**
- **European Union, 19.0%**
- **China, 47.1%**
- **Japan, 8.6%**
- **Others, 11.2%**

U.S. Trade Deficit with Mexico dropped **2.7%** as a portion of Total U.S.-Mexico Trade between 2010-2017

Source: BEA, 2017
US Trade in Goods and Services 2017

Billions of Dollars

Mexico
- $69
- $76

Canada (Surplus)
$7
$3
-$22

China
$40
-$336
-$376

$25 billion surplus in services & $3 billion total trade surplus with Canada

$7 billion surplus in services with Mexico

Source: BEA, 2017
More U.S. Content in Imports from Mexico and Canada

Value of U.S. Content in Manufactured Imports from Selected Economies
2010 Study

Source: Robert Koopman et al. “Give Credit Where Credit is Due: Tracing Value Added in Global Production Chains”. NBER Working Paper No 16426.
# Leading Mexican Products Exported to the US

Manufactured Goods Dominate 2015

Source: OECD Stats, 2015
Leading U.S. Products Exported to Mexico 2017

- Plastics
- Vehicles
- Mineral fuels
- Electrical machinery
- Machinery

Billions: $0, $10, $20, $30, $40, $50

Leading U.S. Agricultural Exports to Mexico 2017

- Beef & beef products
- Dairy products
- Pork & pork products
- Soybeans
- Corn

Billions: $0, $1, $2, $3

Source: Office of the U.S. Trade Representatives, 2017
Where have the manufacturing jobs gone?

Competition from China
2 - 2.4 million

New Technology
4.7 million

Source: Autor et. Al, 2016; Hicks and Devaraj, 2015
U.S. Manufacturing Employment and Output
Mexico trade supports some 5 million jobs

Some 5 million US jobs depend on trade and investment ties with Mexico (2015), compared to an estimated 700,000 jobs in 1993.

In 2015, Canada’s and Mexico’s FDI in the US reached $388 billion.

The US had $452 billion FDI in Canada and Mexico.

U.S. Jobs Created by Mexican Investment 2016

- Mexican investment supports 123,000 US jobs.

Reforms and Partnership
Mexico’s Major Reforms (2013-2018)

• Education
• Telecommunications
• Energy
• Judicial and Law Enforcement

More partnership with the U.S.
Energy and the Environment
Energy and the Environment

- Increased U.S. investment in Mexico’s energy sector following reform
- Increased U.S. natural gas and gasoline sales to Mexico
- New dialogues between energy regulators
- U.S. and Mexico work to protect border environment, river basins, and endangered species
- AMLO’s plans may bring changes, e.g. bigger role for PEMEX, reduce exports of Mexican crude
U.S. Energy Trade Surplus with Mexico

Source: US Census Bureau, 2017
Investment and Cooperation in the Energy Sector

- Pemex has signed joint operating agreements with Exxon, Chevron, Shell, etc.
- Exxon Mobil plans to invest $300 million in Mexico over the next 10 years.
- Sempra Energy is investing $800 million: $500 million in a pipeline project between Texas and the Mexican Gulf port of Tuxpan.
- U.S. energy equipment exports enhanced via new investment.
- In 2017, U.S. and Mexico authorities agreed to work on expanding cross-border energy infrastructure, including in electricity.
- North American cooperation, investment and trade help ensure reliable low-cost energy to power manufacturing across region and build Energy Security.
- AMLO seeks more Mexican refineries, will slow new offerings, export less.
Border Management Licit and Illicit Flows
Moving toward Co-Management of the Border
2008-2016 from blame to “shared responsibilities”

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

Source: Bureau of Transportation Statistics, 2017
## Americans’ Views towards Border Wall

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Democrat</th>
<th>Republican</th>
<th>Independent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support building a wall along the US-Mex border</td>
<td>38%</td>
<td>18%</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>Agree that building a wall along the US-Mex border wastes taxpayer money</td>
<td>60%</td>
<td>81%</td>
<td>35%</td>
<td>57%</td>
</tr>
<tr>
<td>Agree that building a wall along the US-Mex border is necessary for national security</td>
<td>35%</td>
<td>20%</td>
<td>61%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: Ipsos Poll, 2018
Border: Migrant Flows
Migrant Flows

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

Source: PEW Research Center, 2016
Net Migration from Mexico

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

Source: Pew Research, 2017
Recent Apprehensions
USBP Southwest Border Monthly Apprehensions

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

Unidad de Política Migratoria (2008-2017)
Helping Northern Triangle
The US and Mexico enhanced cooperation in response to the 2014 surge of child and family migrants, including work at Mexico’s southern border against smuggling of people & drugs.

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

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

A second conference in Washington took place October 11-12, 2018.

Mexico’s Senate condemned U.S. border migration policies in June and called the government to end security and immigration cooperation.
Bilateral Cooperation Against Crime
US-Mexico Law Enforcement/Security Cooperation

- Mérida Initiative Programs & Agency-to-Agency Cooperation
- Defense Dialogues & Cooperation
- Security Coordination Group
1. Disrupting the operational capacity of organized crime.
2. Institutionalizing reforms to sustain the rule of law and respect for human rights in Mexico.
3. Creating a “21st Century Border”.
4. Building strong and resilient communities.

$2.9 billion appropriated by the US since 2008.

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

Mexico has spent over 10 times more.
Opioids Change the Game

Source: CDC Wonder Database; CDC Provisional Counts of Drug Overdose Deaths as of 8/6/2017
U.S. Opioid Crisis

- Opium derivatives use: over 5% of the U.S. population in 2013.
- Since 1999, overdose deaths involving opioids have quadrupled.
- Economic cost of the opioid crisis is estimated at 2.5% of GDP.
- Illegal drug border flows are mostly via legal points of entry; quadrupling flows through mail and delivery services.
- Opium and heroin production in Mexico has grown substantially, as has transshipment of illicit opioids, e.g., Fentanyl, from China.
- In 2016, the U.S. and Mexico launched a working group on drugs and dismantling criminal networks.

Sources: The Globalist, The White House, CDC., U.S. Surgeon General Vivek Murthy
2017 US-Mexico Agreements on Illicit Drugs

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

Source: Secretaria Ejecutiva de Seguridad Nacional, 2000-2017
Homicides in Mexico: Criminal Insurgencies?

- 29,168 killings in 2017; the most violent year since 1997.
- Law enforcement and judicial process overwhelmed.
- Cartels fighting, but types of crime expanded & affects more states.
- Crime cost up to 17.6% GDP.
- U.S. travel warnings for resorts.

Other crimes: serious but not up like killings

Source: Secretaria Ejecutiva de Seguridad Nacional, 2017
Percent of Mexico’s population that feels unsafe

Source: INEGI, 2017
Perceptions of Bilateral Relations and NAFTA
In 2017 polling, 66% of Americans had positive views of Mexico; while only 30% of Mexicans had positive views of the US.
Mexican Opinion of the U.S.

Don't know/No response: 5%
Unfavorable/Very unfavorable: 25% Favorable/Very favorable: 31%

Source: Buendia y Laredo 2018.
Americans views of FTAs & Tariffs on Steel and Aluminum

Free trade agreements have been a Good/Bad thing for the US

<table>
<thead>
<tr>
<th>Good</th>
<th>Bad</th>
</tr>
</thead>
<tbody>
<tr>
<td>56%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Raising tariffs on steel and aluminum would be a Good/Bad thing for the US

<table>
<thead>
<tr>
<th>Good</th>
<th>Bad</th>
</tr>
</thead>
<tbody>
<tr>
<td>37%</td>
<td>45%</td>
</tr>
</tbody>
</table>

US Opinion: NAFTA is Good for the US Economy?

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

NAFTA/USMCA Negotiations
Main elements of the USMCA

- **Rules of Origin for Vehicles**
  - 75% of the value of a vehicle to be produced in the region (up from 62.5%).
  - 40%-45% percent of auto content produced by workers earning over $16 per hour.

- **Dispute Settlement**
  - Keeps NAFTA’s dispute-settlement provision (Chapter 19) for private companies; keeps state to state (Ch. 20).
  - Limits investor dispute (ISDR) to key sectors and in scope for U.S.-Mexico, eliminates them for U.S.-Canada.

- **Intellectual Property Rights, Modernization, Labor**
  - Expanded IPR Protections and internet coverage toward U.S. objectives.
  - Achieved or exceeded most of modernization goals sought in TPP, including labor rights provisions.

- **Sunset Clause:**
  - 16-year lifetime for the agreement, with a review every six years and possible 16 year renewal.

- **Dairy**
  - Allows U.S. dairy farmers to export the equivalent of 3.6% of Canada’s dairy market into Canada.
  - Eliminates Canada’s Class 6 and Class 7 milk categories and associated pricing schedules.
Next Steps: United States

- Two TPA timelines:
  - Requirement to publish the full text of the deal within 30 days of announced agreement
  - Option to sign USMCA as early as November 29.

- Within 105 days of the agreement being signed, the U.S. International Trade Commission (ITC) must complete a study of the agreement’s economic impact.

- Congress will have to pass legislation to implement the USMCA along with an accompanying Statement of Administrative Action.

- President must provide Congress with the final legal text of the trade agreement and a draft SAA it proposes to take to implement it 30 days before it submits its draft implementing bill to Congress.

- After Congress receives the final bill from the president, it has 90 days of being in session to act under TPA rules.

- Implementing legislation is referred to the House Ways & Means and the Senate Finance Committees, the former may take up to 45 days to consider the bill and report it to House floor.

- Once on the floor, the House must vote on it within 15 session days, once it passes TPA provides the Senate Finance Committee 15 days to vote on it, at which point it is automatically discharged to the Senate floor.

- The full Senate then has 15 session days to consider it as well before a vote is required.
Next Steps: Mexico

- Senate received summary document from Ministry of Economy, won’t wait for presidential signature to begin analyzing the deal.
- 8-member Senate Committee will review.
- President Pena Nieto will sign the accord before December 1st (his last day in office).
- After being signed, the treaty will go to the Foreign Affairs and North American Foreign Affairs Committees in the Senate.
- The Committees can make recommendations for amendments (no time frame for review).
- Once the committees make their decision, it goes to the full Senate for approval.
- Once approved by the Senate, the President can ratify the treaty.
Next Steps: Canada

- Step 1: Signing Order (Instrument of Full Powers): designate one or more persons who have the authority to sign the treaty on behalf of Canada. This is expected to take place in late November 2018.
- Step 2: Tabling the Treaty in the Parliament: The signed treaty is tabled in the House of Commons for discussion (not for a vote). The House of Commons then has 21 sitting days to consider the treaty.
- Step 3: Motion in House of Commons: When there is a majority government or sufficient support in the House of Commons, a motion will be tabled to recommend action, including ratification of the treaty.
- Step 4: Order-in-Council (Instrument of Ratification): The ratification process is controlled by Cabinet. There is no requirement to pass legislation in the Parliament to ratify a signed treaty.
- Step 5: Federal Implementing Legislation: An implementing bill is tabled in the House of Commons. The MPs debate the implementing bill and may suggest changes to the implementing laws. After the implementing bill passes in the House of Commons, the implementing bill is sent to the Canadian Senate. The implementing bill is debated in the Senate. It is possible that the Senate will not pass the implementing bill.
- Step 6: Provincial/Territorial Implementing Legislation: It may be possible that implementing legislation is also required at the provincial level
- Step 7: Regulatory Changes: The passing/changing of regulations is controlled by Cabinet.
What’s at Stake?

- $1.3 trillion of North American Trade
- Nearly 14 million U.S. jobs & millions more in Mexico and Canada
- $452 billion U.S. investment in NAFTA partners & their $388 billion in the U.S.
- 46,000 U.S. trucking jobs supported by cross-border trade; $137 billion in annual vehicle and parts exports to neighbors and the world.
- $43 billion worth of food and ag goods exported to Mexico and Canada
- $88 billion in U.S. services exports & $31.5 billion services trade surplus

NAFTA Countries are richer each year due to “extra” trade growth

The pure economic payoff for the U.S. is $400 per person

Source: NAFTA 20 Years Later. Petersen Institute for International Economics, 2014
Questions about the new Rules of Origin

1. Will measuring wage rates and content in the supply chain be workable? How costly and accurate will it be? Who will enforce it?

2. How much will the new rules raise the prices of North American vehicles for U.S. consumers and for export?

3. Will manufactures move production out of North America?

4. Will some manufacturers forgo the NAFTA benefit and pay a tariff instead?

5. Will the U.S. auto industry be less competitive?

6. Will the new rules create or destroy jobs?
Costs of Withdrawing from NAFTA

From 256,000 low skilled jobs lost up to 1.2 million jobs lost (3-5 years).\(^1\)

95,000 workers would have to relocate to other sectors (3-5 years).\(^1\)

GDP decline up to 0.64% ($120 billion).\(^1\)

Hard hit sectors: agriculture/livestock/food; motor vehicles; machinery; other manufactured; services; transportation and logistics; textiles.\(^3\)

Investors see U.S. growth slowed and harm to specific sectors and equity markets.\(^2\)

Strategic dangers: reduced cooperation against drug trafficking and on migration; move back to "distant neighbors" with revived anti-Americanism.

Sources: 1) Impact Econ; 2) Trade Leadership Council Survey; 3) ImpactEcon, Trade Leadership Council Survey, Food and Agricultural Letter, Atlantic Council, MEMA/BCG.
### Benefits of Enhancing Economic Integration across the US-Mexico Border

<table>
<thead>
<tr>
<th>STUDY</th>
<th>IMPACT ON EMPLOYMENT &amp; GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Perryman Group 2018 Study</td>
<td><strong>US Border States</strong></td>
</tr>
<tr>
<td></td>
<td>Employment: +702, 421 to +1.4 million jobs</td>
</tr>
<tr>
<td></td>
<td>GDP: +$69 billion to +$140 billion</td>
</tr>
<tr>
<td></td>
<td><strong>Largest impact in California</strong></td>
</tr>
<tr>
<td><strong>Mexico Border States</strong></td>
<td>Employment: +95, 948 to +193, 526 jobs</td>
</tr>
<tr>
<td></td>
<td>GDP: +$4.8 billion to +$9.7 billion</td>
</tr>
<tr>
<td></td>
<td><strong>Largest impact in Nuevo Leon</strong></td>
</tr>
</tbody>
</table>
Steel and Aluminum Tariffs
Still in place
# Steel and Aluminum Tariffs

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1</td>
<td>The U.S. imposed <strong>25% tariff on imported steel</strong> and <strong>10% tariff on imported aluminum</strong> from Mexico, Canada and the European Union.</td>
</tr>
<tr>
<td>June 6</td>
<td><strong>Mexico imposed 15%-25% tariffs on</strong> $3 billion worth of U.S. products (e.g. pork, steel and cheese).</td>
</tr>
<tr>
<td>June 22</td>
<td><strong>The European Union imposed 25% tariffs on</strong> $3.4 billion worth of U.S. goods (motorcycles, cranberry juice, cigarettes, denim and peanut butter).</td>
</tr>
<tr>
<td>July 1</td>
<td><strong>Canada imposed 25% tariff on</strong> U.S. steel imports and <strong>10% tariff on aluminum</strong> and other U.S. goods. <strong>Tariffs cover up to</strong> $12.6 billion worth of U.S. goods.</td>
</tr>
</tbody>
</table>
Costs of Steel and Aluminum Tariffs

- Over 400,000 U.S. jobs lost\(^1\)
- 16 U.S. jobs lost for every 1 gained\(^1\)
- Costs to U.S. Consumers: $7.5 billion a year, before retaliation from the European Union, Mexico and Canada\(^2\)
- GDP decline of 0.2% ($36 billion)\(^1\)
- Decline of 2% in all imports and 1% in all exports\(^1\)

Sources: 1) Peterson Institute for International Economics & Trade Partnership Worldwide, 2018; 2) American Action Forum, 2018
Mexico’s 2018 Presidential Election
Presidential Results

Source: Instituto Nacional Electoral; Consulta Mitofsky, 2018

Voter turnout: 63.5%

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

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

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Vote Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lopez Obrador</td>
<td>53%</td>
</tr>
<tr>
<td>Anaya</td>
<td>22%</td>
</tr>
<tr>
<td>Meade</td>
<td>16%</td>
</tr>
</tbody>
</table>
Mexican’s views of AMLO

Source: Consulta Mitofsky, 2018
Chamber of Deputies – November 2018

- Morena: 307 seats
- PAN: 128 seats
- PRI: 63 seats
- No party: 2 seats

Source: Wilson Center’s Mexico Institute, 2018
Senate – November 2018

- Morena: 55%, 70 seats
- PAN: 30%, 38 seats
- PRI: 15%, 20 seats

Source: Wilson Center’s Mexico Institute, 2018
Issues that Mexicans care about & influenced their votes

- Corruption
- Violence and Security
- Unemployment
- Poverty and Low Wages
- Public Health
- Inflation

Source: Edelman, 2018; GEA/ISA poll, 2018
AMLO’s Policy Proposals

**Poverty:**
- Increase minimum wage.
- Launch new youth jobs programs.
- Subsidize inputs for small farmers.
- Guarantee free universal health coverage.

**Corruption:**
- Better supervision of public spending.
- Cut public-officials salaries, perks and reduce staff.
- Name new independent Anti-Corruption prosecutor. Absolute autonomy of the General Attorney’s office.
- Legal reforms to increase penalties for officials who use public money for personal gain.

**Trade:**
- Conclude the trade negotiation with U.S. Focus on expanding trade with others.
- Redirect government spending to social programs; won’t raise taxes or increase debt
- Lower taxes in border cities with the US

**Economic Policy:**
- Focus on developing Mexico’s internal market
- Infrastructure projects (for example, railway line)
- Redirect government spending to social programs; won’t raise taxes or increase debt
- Lower taxes in border cities with the US

**Education:**
- Eliminate teacher's evaluation.
- Launch new youth scholarships, universities.
AMLO’S PROGRAM “YOUTH BUILDING THE FUTURE”
GENERAL OBJECTIVEs

• Increase job and training opportunities for 2.6 million 18-29 year old Mexicans.
• Goals:
  • Reduce numbers of young people that are not employed, in education programs or being trained (NEETs).
  • Reduce unemployment rates.
  • Reduce youth involvement in criminal activity & non-productive activities.
  • Build linkages between communities.
  • Increase Mexico’s productivity levels and economic growth.
**AMLO’S PROGRAM “YOUTH BUILDING THE FUTURE” ELEMENTS**

<table>
<thead>
<tr>
<th>Scholarships for training</th>
<th>Scholarships for college</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Award 2.3 million scholarships of $3.6 thousand pesos monthly</td>
<td>• Award 300 thousand annual scholarships of $2.6 thousand pesos monthly</td>
</tr>
<tr>
<td>• Certify youth enrolled</td>
<td></td>
</tr>
<tr>
<td>• Award participating companies as social responsible organizations</td>
<td>• Coordinated by the Department of Public Education (SEP)</td>
</tr>
<tr>
<td>• Coordinated by the Department of Labor (STPS)</td>
<td></td>
</tr>
</tbody>
</table>

Source: “Jovenes Construyendo Futuro” Website, 2018
AMLO’s Policy Proposals

Energy:
• Review of contracts since the Energy Reform. Postpone new auctions (for at least 2 years).
• Strengthen the role of PEMEX with a preferred role for exploration and choosing partnerships.
• Limit gasoline price increases.
• Build new refineries to supply gasoline ($100 billion pesos); aim to reduce/eliminate crude exports.
• $75 billion pesos of next year’s budget will be allocated to oil extraction.

Security:
• Create an independent Secretariat of Public Security.
• Centralize command of police forces (mando único).
• put civilian intelligence agency CISEN under Public Security Secretary.
• Return of the military to the barracks in a 3-year framework.
• Police reform and professionalization: better trained and better paid police.
• Social investment: more job and educational opportunities.
• Review security cooperation with the U.S.
• Amnesty for lower-level offenders; support for victims, use redistributive justice approaches.
• De-criminalize marihuana and, possibly, growing opium poppy.
### AMLO’s Proposals to Trump – July 12 Letter

<table>
<thead>
<tr>
<th>TRADE</th>
<th>Resume NAFTA renegotiation talks; AMLO's team will work with EPN's team.</th>
<th>Relocate Mexican customs 20-30 km inland from the border.</th>
<th>Establish a free trade zone on the northern border of Mexico: decrease the VAT rate, the income tax rate &amp; energy prices, and increase the minimum wage.</th>
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<tr>
<td>SECURITY</td>
<td>Establish development plans between the U.S., Mexico, and Central America to finance economic development. Allocate 25% of investments to security and border control.</td>
<td>Each government will control its borders and combat trafficking of drugs and weapons.</td>
<td></td>
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Source: Wilson Center’s Mexico Institute, lopezobrador.org.mx, Politico.mx
<table>
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<tr>
<th>MIGRATION</th>
<th>Improve economic opportunities to keep Mexicans in Mexico.</th>
<th>Migration cooperation based on the respect for human rights.</th>
<th>Development plan between the U.S., Mexico, and Central American countries to mitigate poverty and retain the migration.</th>
</tr>
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<tr>
<td>DEVELOPMENT</td>
<td>Encourage tourism with high-speed train from Cancun to Palenque.</td>
<td>Creation of an economic and commercial corridor in the Isthmus of Tehuantepec.</td>
<td>Reactivate Mexico’s agricultural sector. Urban development plan in border cities.</td>
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Critics concerns about an AMLO Presidency

Backward-looking agenda: bigger economic role for the State?

Fiscal Responsibility vs new Social Programs e.g. increase public investments, social programs and subsidies without tax and debt increases?

Slow the Education Reform?

Weaken Energy Reform?

Corruption: no effective plan?

Public Security: strategy not sufficient to reverse violence?


Will he listen to his cabinet/others? Will he become more authoritarian?
## AMLO’s Challenges

<table>
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<th>Lack of experience governing</th>
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<td>Carrying out promised reforms (salary + personal cuts and decentralization)</td>
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<td>Having enough resources and income without increasing taxes</td>
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<td>Developing specific policies &amp; effective implementation (e.g. security &amp; corruption)</td>
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<td>Meeting high popular expectations</td>
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Maintaining a Partnership with Mexico?
U.S.-Mexico Relations: Early Months Set Tone

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

Bilateral Security Cooperation:
- Avoid further deterioration in cooperation. Collaborative review of all programs.
- Better manage together migration; integrated AMLO development ideas.
- Deepen coordinated support for Central America to address root causes of migration.
- Review cooperation to better fight organized crime (attacking production, distribution, logistics, finance networks, arms smuggling, and addiction/demand) and support Mexico’s efforts to reduce crime and violence.
- Continue close cooperation against terrorism.

Improve Competitiveness:
- Identify and revive a bilateral and North American agenda to enhance economic competitiveness.
- Invest in programs, including workforce development and education, to further develop the complimentary nature of the two economies, to create jobs for the Fourth Industrial Revolution, and to outperform global competitors.

Rebuilding Confidence:
- Take steps to rebuild deteriorating trust or risk becoming “Distant Neighbors” again.
Building Partnership with Mexico

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