Building 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 as well as, sadly, illicit flows. The same is 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. Security-related cooperation has grown immensely.
Managing a Massive Relationship
US-Mexico Trade

2017 Trade in goods and services:

$616 Billion

US trades over 1 million per minute with Mexico.

Exports
$276 Billion

Imports
$340 Billion

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

Mexico is the US’:
• 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
Each day there are over 1 million border crossings.

Source: Bureau of transportation statistics, 2016
Areas of U.S.-Mexico Bilateral Work

- Economic competitiveness
- Education
- Energy
- Environment
- Border management and migration
- Public security and justice collaboration
- Fighting drug trafficking & organized crime
- Counter-terrorism
- Health issues
- Human rights
- Central America and the region
- Work in the UN, G20, OECD and OAS
- Consular issues

Trilateral Work: Canada, Mexico and the U.S.

- Modernizing NAFTA
- Clean Energy and Environment Cooperation
- North America Caucus on regional and global priorities
- Trilateral Trusted Traveler Program
- Dialogue on Countering Illicit Drugs
Serious Challenges to Address

- U.S. drug demand and cross-border criminal networks
- Modernizing NAFTA
- Strengthening Mexican law enforcement institutions and bilateral cooperation
- Regional migrant flows
- Immigration & border Management
- Surging Criminal Violence in Mexico
- Negative public perceptions
- Potential Terrorism
- Countering Corruption
- Reducing poverty in Mexico
Economic Security
North American Trade in Goods and Services

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

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

Mexico

Canada (Surplus)

China

$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.
US-Canada Cattle and Beef Trade

Cattle and Beef Supply Chain in the US and Canada

- **RANCH OF ORIGIN**: A calf is born on a ranch in the U.S. or Canada.
- **COW-CALF/STOCKER**: The calf feeds on grass at the ranch of origin, or is sold to a stocker operation.
- **FEEDLOT**: The animal enters a feedlot in states and provinces such as Alberta, Washington, Colorado, or Nebraska.
- **PACKING/PROCESSING**: Once fed to the appropriate weight, the animal is processed at a facility.
- **CONSUMER MARKETS**: Beef is shipped to domestic and foreign markets. Primary destinations include major urban centers throughout North America and the Asia-Pacific region.

Source: National Cattlemen's Beef Association.
Leading Mexican Products Exported to the US
Manufactured Goods Dominate 2015

- Vehicles: 24.46%
- Electrical machinery and equipment: 23.2%
- Nuclear reactors, boilers, machinery and mechanical appliances: 16.52%
- Optical and medical instruments: 4.47%
- Mineral fuels and oils: 4.41%
- Furniture: 2.99%
- Plastics: 2.01%
- Vegetables: 1.79%
- Precious stones and metals: 1.74%
- Iron or steel products: 1.50%

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

Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

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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

- 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
U.S. Energy Trade Surplus with Mexico

Source: US Census Bureau, 2017
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.
Border Management Licit and Illicit Flows
Moving toward Co-Management of the Border
2012-2016 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.
- 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 Trilaterial 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>Support building a wall along the US-Mex border</th>
<th>38%</th>
<th>18%</th>
<th>68%</th>
<th>32%</th>
</tr>
</thead>
<tbody>
<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
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 less** unauthorized Mexican immigrants in the US than in 2007

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

Southwest Border Apprehensions by State

Source: U.S. Border Patrol FY2000 - FY2017
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
Addressing Central American Migration

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 in 2018 has been postponed.

Mexico’s Senate condemned U.S. 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
US-Mexico 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 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 has quadrupled.
- Economic cost of the opioid crisis is estimated at 2.5% of GDP.
- Illegal drug border flows 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 to Combat Illicit Drugs

• Partner to destroy criminal organizations – “Unprecedented” cooperation.
• Address the demand for illicit drugs among US citizens.
• 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.
• AMLO has ordered a review of Mexican policies and of cooperation with the U.S.
Violence up in Mexico
Urgency: Homicides in Mexico

Source: Secretaria Ejecutiva de Seguridad Nacional, 2000-2017
Urgency: Homicides in Mexico

29,168 killings in 2017; the most violent year since 1997.


Law enforcement and judicial process overwhelmed.

Cartels fighting, but types of crime expanded & more states affected.

Est. crime cost up to 17.6% GDP.

U.S. travel warnings for resort areas.

Other types of crime: serious but not like killings

Source: Secretaria Ejecutiva de Seguridad Nacional, 2017
Public Perceptions: % of the population that feels unsafe

Source: INEGI, 2017
Perceptions of Bilateral Relations and NAFTA
Americans’ and Mexicans’ Perceptions of each other (per cent favorable)

- 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.

Source: Buendia y Laredo 2018.

- Don't know/No response: 5%
- Unfavorable/Very unfavorable: 56%
- Favorable/Very favorable: 39%
Americans views of FTAs & Tariffs on Steel and Aluminum

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

- Good: 56%
- Bad: 30%

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

- Good: 37%
- Bad: 45%

US Opinion: Is NAFTA Good for the US Economy?

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

NAFTA Negotiations
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
## 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:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>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.</td>
</tr>
<tr>
<td>2</td>
<td>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.</td>
</tr>
<tr>
<td>3</td>
<td>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.</td>
</tr>
<tr>
<td>4</td>
<td>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.</td>
</tr>
<tr>
<td>5</td>
<td>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.</td>
</tr>
</tbody>
</table>

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

Wilson Center
MEXICO INSTITUTE
Trump to Announce Plans for Renegotiation of NAFTA: Five Ways to Improve the Agreement
Controversial topics include:

- Focus on reducing US trade deficit
- Eliminate or weaken dispute settlement provisions in Chapter 19 to expand U.S. freedom to enforce rigorously trade laws
- Eliminate or weaken the Investor-to-State Dispute Settlement (ISDS) process
- Strengthen rules of origin to ensure greater US and North American sourcing of inputs
- Five year “sunset clause” for treaty
- Preserve preferential purchasing programs such as “Buy America;” cap Mexican and Canadian access
- Stronger Mexican Labor Rights
- Preserve preferential purchasing programs such as “Buy America;” cap Mexican and Canadian access
- Stronger Mexican Labor Rights
US-Mexico Preliminary Trade Agreement

- 75% of the value of a vehicle to be produced in the U.S. or Mexico (up from 62.5%)
- 40%-45% percent of auto content from workers earning over $16 per hour.
- Possible cap on tariff-free Mexican cars.

- 16-year lifetime for the agreement, with a review every six years and possible 16 years renewal.
- Eliminate settlement system for anti-dumping disputes, Ch19. (Potential deal breaker for Canada)
- Reduced coverage for Investor-to-State Dispute Settlement.
- Energy: undisclosed changes.
- Labor: undisclosed changes.

- Improved Goods Market Access chapter; provisions to incentivize NAFTA textile production.
- Updated annexes on ICT, Pharmaceuticals, Medical Device, Cosmetic Products & Chemicals.
- Stronger agricultural chapter covering biotech, Science-Based SPS measures.
- Expanded IPR Protections and internet coverage.
Remaining Issues to a Trilateral Agreement

- Canada’s Dairy Sector
- Dispute Settlement Mechanism
- Steel and Aluminum Tariffs
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).
- 95,000 workers would have to relocate to other sectors (3-5 years).
- GDP decline up to 0.64% ($120 billion).
- Hard hit sectors: agriculture/livestock/food; motor vehicles; machinery; other manufactured; services; transportation and logistics; textiles.
- Investors see U.S. growth slowed and harm to specific sectors and equity markets.
- 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></td>
<td><strong>Mexico Border States</strong></td>
</tr>
<tr>
<td></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
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 1</td>
<td>The U.S. imposed <strong>25% tariff on imported steel and 10% tariff on imported aluminum</strong> from Mexico, Canada and the European Union.</td>
</tr>
<tr>
<td>June 6</td>
<td>Mexico imposed <strong>15%-25% tariffs on $3 billion worth of U.S. products</strong> (e.g. pork, steel and cheese).</td>
</tr>
<tr>
<td>June 22</td>
<td>The <strong>European Union imposed 25% tariffs on $3.4 billion worth of U.S. goods</strong> (motorcycles, cranberry juice, cigarettes, denim and peanut butter).</td>
</tr>
<tr>
<td>July 1</td>
<td>Canada imposed <strong>25% tariff on U.S. steel imports and 10% tariff on aluminum</strong> and other U.S. goods. <strong>Tariffs cover up to $12.6 billion worth of U.S. goods.</strong></td>
</tr>
</tbody>
</table>
Costs of Steel and Aluminum Tariffs

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

Sources: 1) Peterson Institute for International Economics & Trade Partnership Worldwide, 2018; 2) American Action Forum, 2018
Mexico’s 2018 Presidential Election
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.
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% of seats (70 seats)
- **PAN**: 30% of seats (38 seats)
- **PRI**: 15% of seats (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 **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 **renegotiation of NAFTA**. Focus on expanding trade.

## Economic Policy:
- Focus on developing Mexico’s **internal market**
- **Infrastructure projects** (for example, railway line)
- Redirect government spending to social programs.
- **Attract investment**.

## Education:
- Eliminate teacher's evaluation.
- Launch **youth job/education programs**.
AMLO’S PROGRAM “YOUTH BUILDING THE FUTURE”
GENERAL OBJECTIVEs

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

Scholarships for training

• Award 2.3 million scholarships of $3.6 thousand pesos monthly
• Certify youth enrolled in the program
• Award participating companies as social responsible organizations
• Coordinated by the Department of Labor (STPS)

Scholarships for college

• Award 300 thousand annual scholarships of $2.6 thousand pesos monthly
• Coordinated by the Department of Public Education (SEP)

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).
- $75 billion pesos of next year’s budget will be allocated to **oil extraction**.

**Security:**
- Create a new **Department of Public Security**.
- **Support for crime victims**.
- Better-trained and better-paid police.
- Go after **cartel finances**.
- Armed forces off the streets in a 3-year framework.
- De-criminalize marihuana and, possibly, **growing poppy**.
- **Reintegration** of nonviolent drug offenders and **forgiveness** to some criminals.
- More **job and educational opportunities**.
- Review **cooperation with the U.S. – Merida Initiative**.
AMLO’s Policy Proposals on Science, Technology and Innovation

• Increase **public expenditure to 1% of the GDP** on Science, Technology and Innovation.
• Increase **scholarships and number of researchers** on these issues.
• Use **technology to increase agricultural productivity**.
• **Review of document “Towards the Consolidation and Development of Public Policy on Science, Technology and Innovation”** created by UNAM and other 80 higher educational institutions.

• AMLO has expressed interest on creating a **Department of Information Technology**, policy suggested by the National Chamber of the Electronic, Telecommunications and IT Industry.
• **Strengthen U.S.-Mexico cooperation** on science and technology.
• Stronger role for **CONACYT** under María Elena Álvarez leadership.
• **CONACYT** as intermediary through which the Federal government will coordinate public policy on Science, Technology and Innovation.
“Towards the Consolidation and Development of Public Policy on Science, Technology and Innovation”

- Make Science, Technology and Innovation a **national priority**.
- Define **national and regional objectives** based on the country’s needs.
- Define **strategy and implementation plan**.
- Sustain **public funding** on this sector. **Expand the system** of Science, Technology and Innovation.
- **Strengthen partnerships** between governments and educational institutions.
- Develop a **regulatory framework** aligned to the proposed objectives.
## AMLO 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>
</tr>
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<tbody>
<tr>
<td>SECURITY</td>
<td>Establish <strong>development plans</strong> between the U.S., Mexico, and Central America to finance economic development. Allocate 25% of investments to security and border control.</td>
<td></td>
<td>Each government will <strong>control its borders and combat trafficking of drugs and weapons.</strong></td>
</tr>
</tbody>
</table>

Source: Wilson Center’s Mexico Institute, lopezobrador.org.mx, Politico.mx
<table>
<thead>
<tr>
<th>MIGRATION</th>
<th>Improve economic opportunities.</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>
</thead>
<tbody>
<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.</td>
</tr>
</tbody>
</table>

Source: Wilson Center’s Mexico Institute, lopezobrador.org.mx, Politico.mx
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: not sufficient to reverse violence?**


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

Lack of experience governing

Carrying out promised reforms
(salary + personal cuts and decentralization)

Having enough resources and income without increasing taxes

Developing specific policies & effective implementation
(e.g. security & corruption)

Meeting high popular expectations
Maintaining a Partnership with Mexico?
Trade:
• Successfully complete NAFTA modernization negotiations, so all three can claim wins.

Bilateral Security Cooperation:
• Avoid further deterioration in cooperation. Collaborative review of programs.
• Better manage together migration and travel issues; intercept terrorists.
• Better fight organized crime, attacking production, distribution, logistics, finance networks, arms smuggling, and addiction/demand; support Mexico in reducing related violence.
• Deepen coordinated support for Central America to address root causes of migration.

Improve Competitiveness:
• Enhance technology, information sharing and processes to improve security and facilitate of legitimate trade and travel.
• Invest in programs, including workforce development and education, to further develop the complimentary nature of the two economies, create jobs and improve global competitiveness.

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

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