

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 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



Exports

\$276 Billion



Imports

\$340 Billion



2017 Trade in goods and services:



616
Billion

US trades over 1 million per minute with Mexico.

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



Areas of U.S.-Mexico Bilateral Work



- Trade Facilitation
- Economic competitiveness
- Energy
- Border management and migration
- Public security and justice collaboration
- Fighting drug trafficking & organized crime
- Counter-terrorism
- Central America, the region, international
- Consular Issues for US and Mexican citizens
- Health issues
- Education, Innovation
- Environment
- Human rights

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



- Finalizing USMCA
- Energy & Environment Cooperation
- Regional and global priorities
- Trilateral Trusted Traveler Program
- Countering Illicit Drugs

Serious Challenges to Address

U.S. drug demand and cross-border
criminal networks

Migration & border
Management

Finalizing USMCA

Surging Criminal Violence in Mexico

Strengthening Mexican law
enforcement institutions and
bilateral cooperation

Negative public perceptions

Potential Terrorism

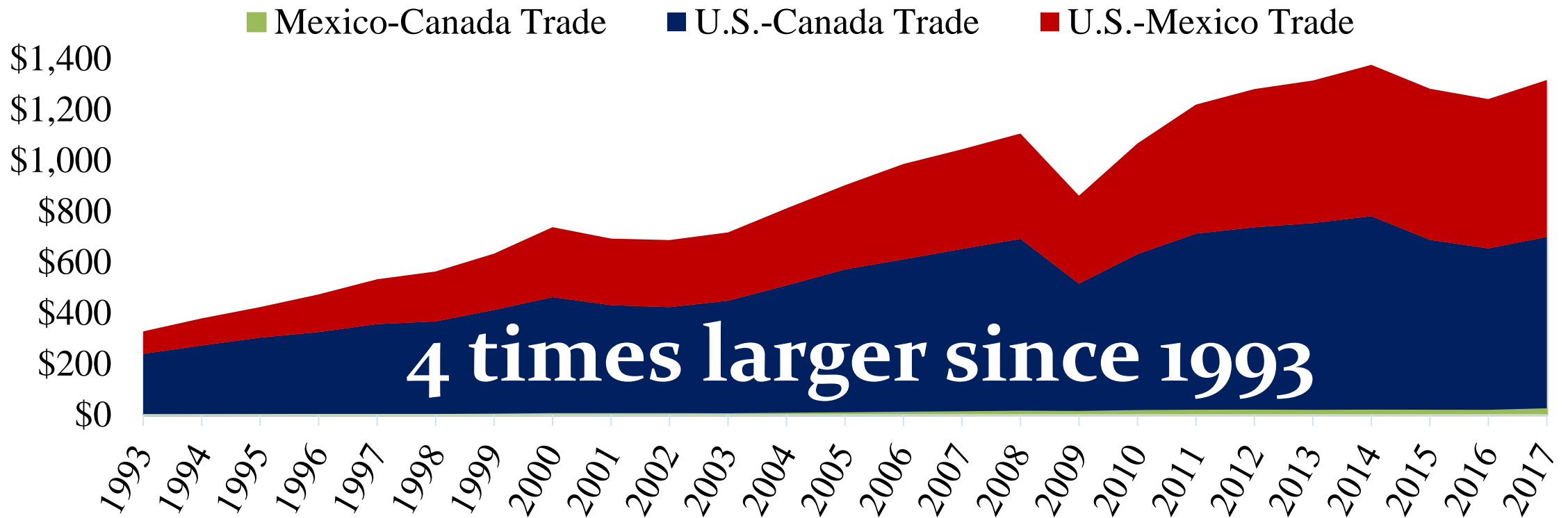
Countering Corruption

Central American migrants

Reducing poverty in Mexico

Economic Security

North American Trade in Goods and Services



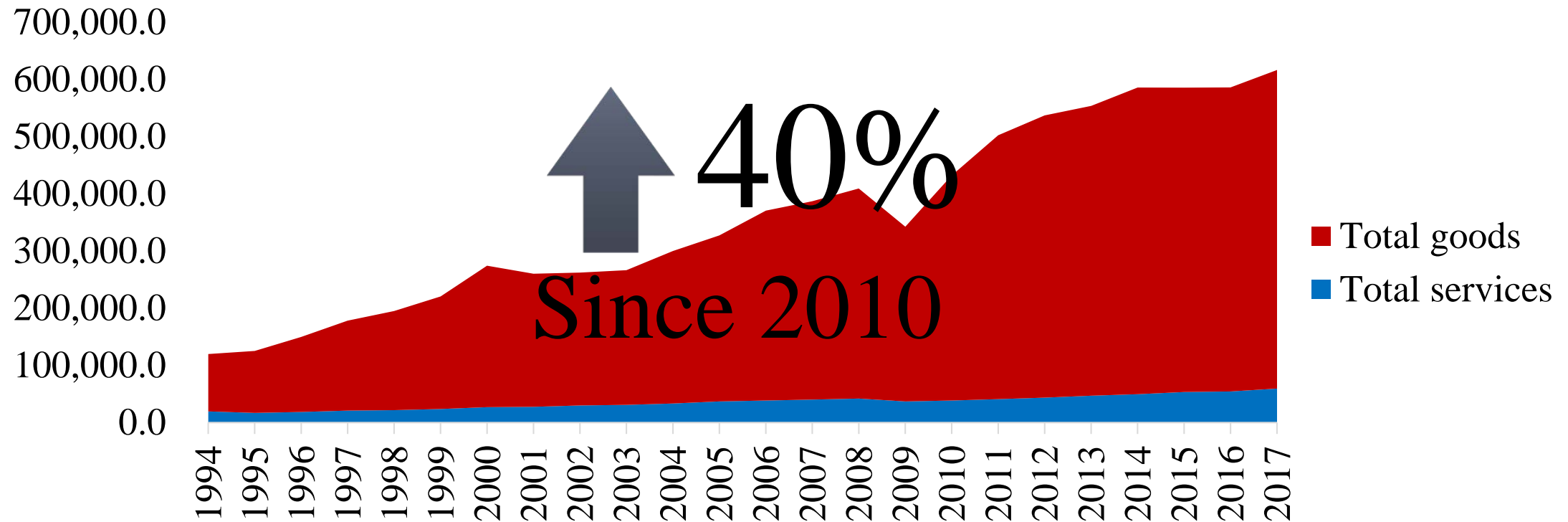


North American Trade

- Canada, Mexico and the US trade **\$1.3 trillion a year**,
- **\$3.6 billion a day**, reflecting shared production networks.
- More than US trade with all the **European Union** and **1.9 times** more than with **China**.
- **Up to 14 million US jobs** supported by trade with 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

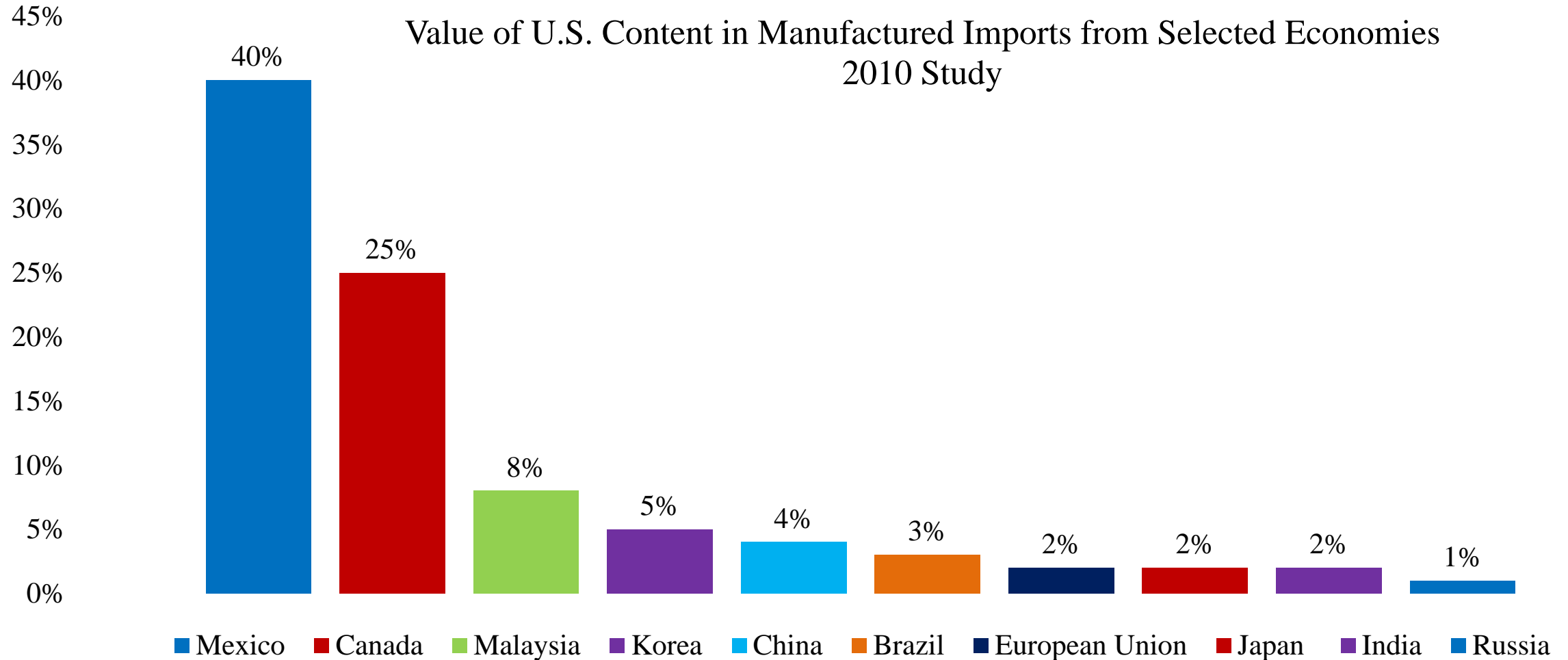


Rank Order: Top US States' Trade with Mexico 2017

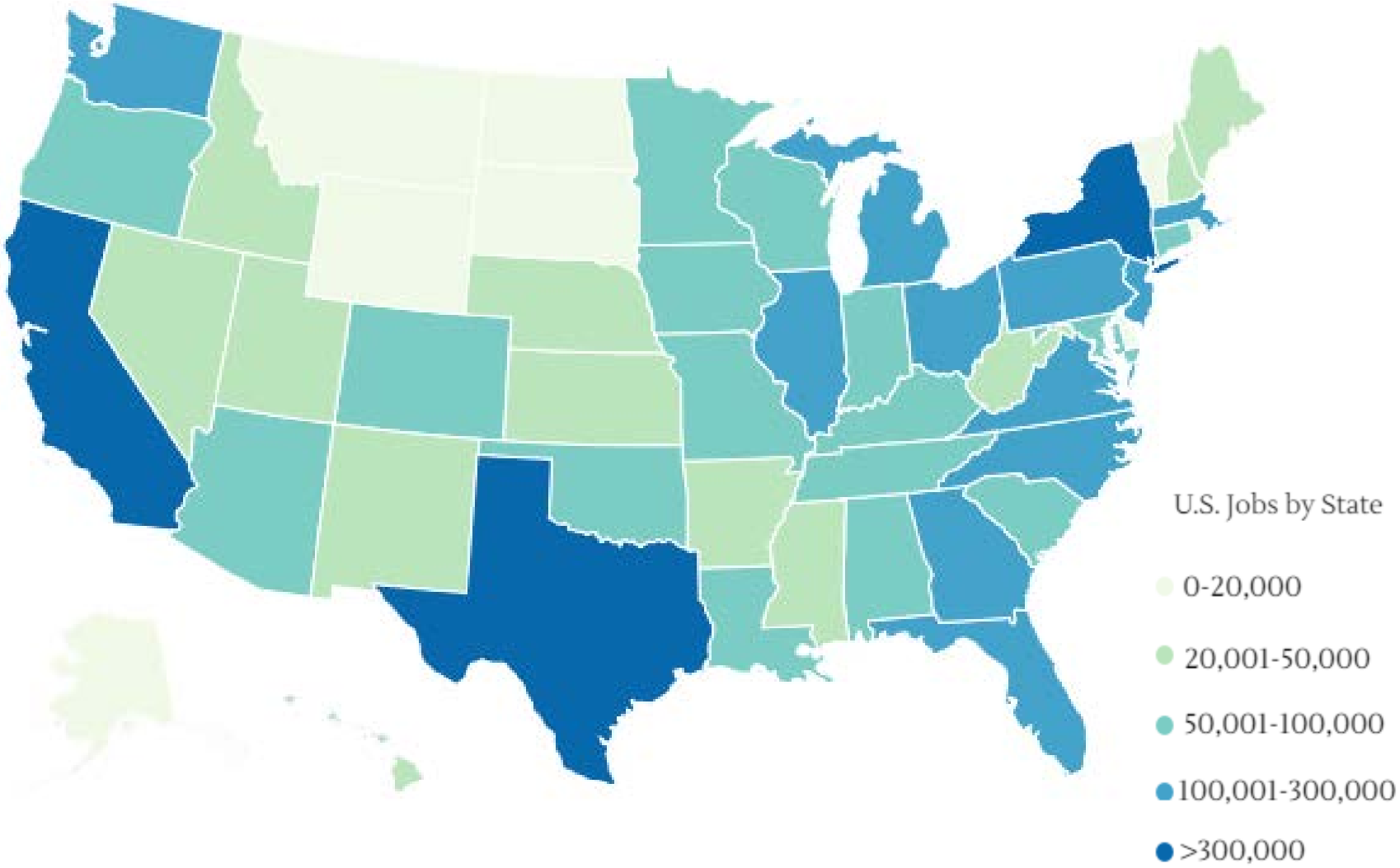
State	Volume \$USD (Billions)	State	Volume \$USD (Billions)
Texas	187	Indiana	9.8
California	73.1	Florida	9.7
Michigan	65.5	Pennsylvania	9.5
Illinois	22	Louisiana	8.6
Arizona	15.5	North Carolina	8.3
Ohio	14.7	Kentucky	7.7
Tennessee	11.7	New Jersey	7.4
Georgia	10.4	New York	6.4



More U.S. Content in Imports from Mexico and Canada



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.

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

U.S.-Mexico and North American Investment



Mexico's FDI in the US
\$17 billion



US FDI in Mexico
\$88 billion



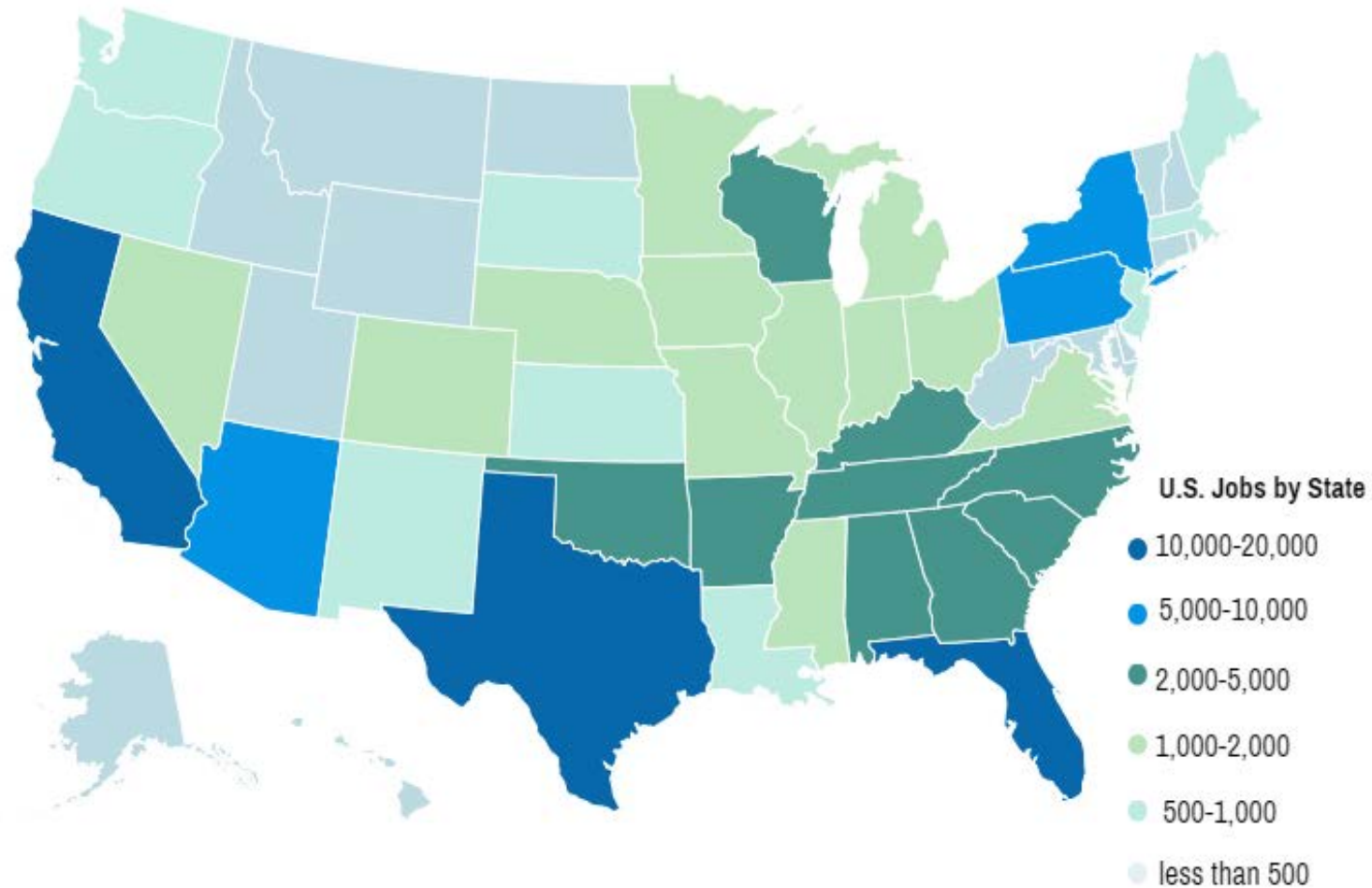
In 2015, Canada's and Mexico's FDI in the US reached **\$388 billion**

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



U.S. Jobs Created by Mexican Investment₂₀₁₆

- Mexican investment supports **123,000 US jobs.**

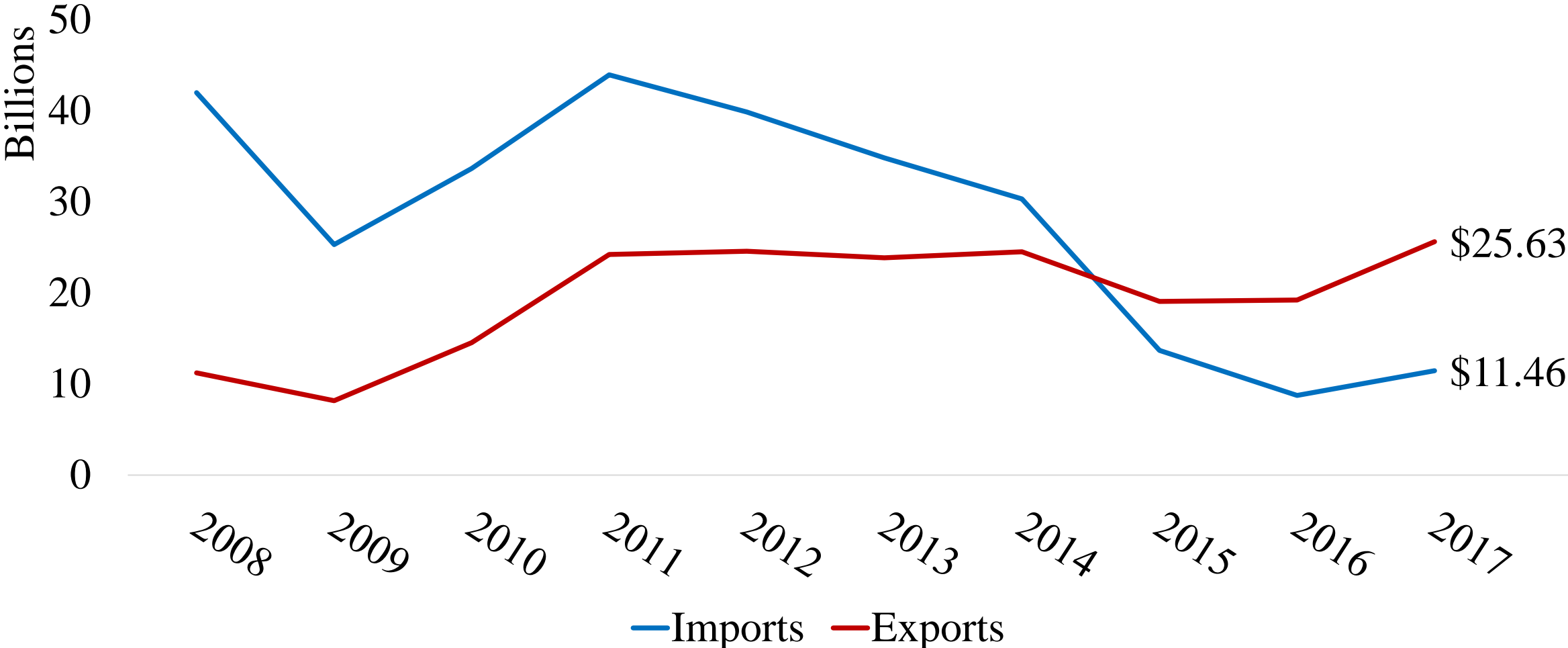


Energy

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 bringing changes, e.g. bigger role for PEMEX, reduce exports of crude oil?

U.S. Energy Trade Surplus with Mexico



Source: US Census Bureau, 2017

Border Management Licit and Illicit Flows

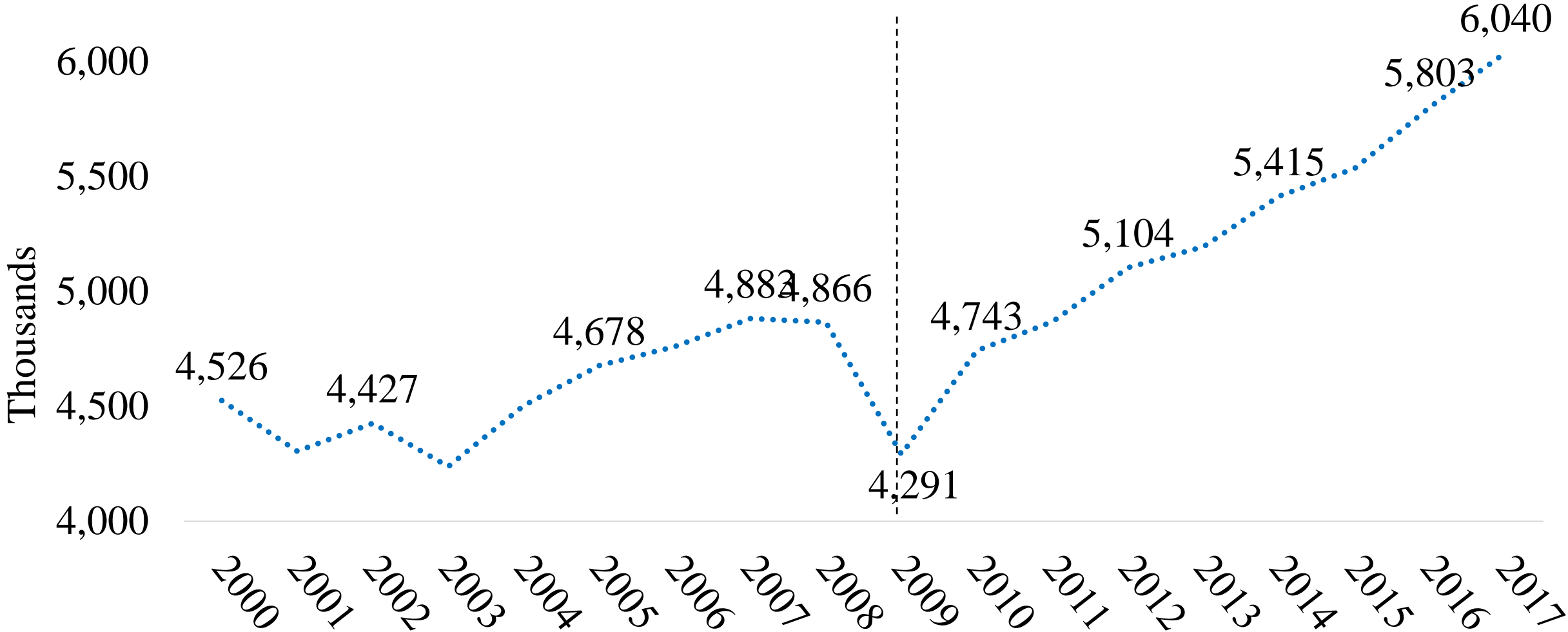
Moving toward Co-Management of the Border



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

Border: Migrant Flows

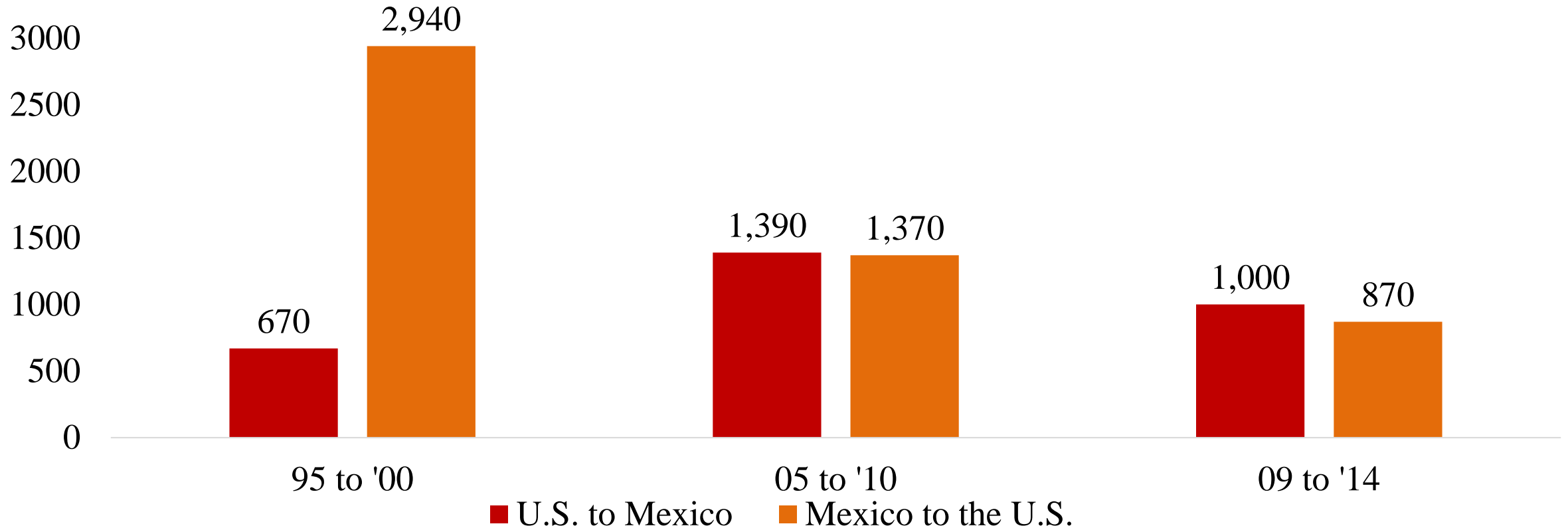
Migrant Flows

- 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.



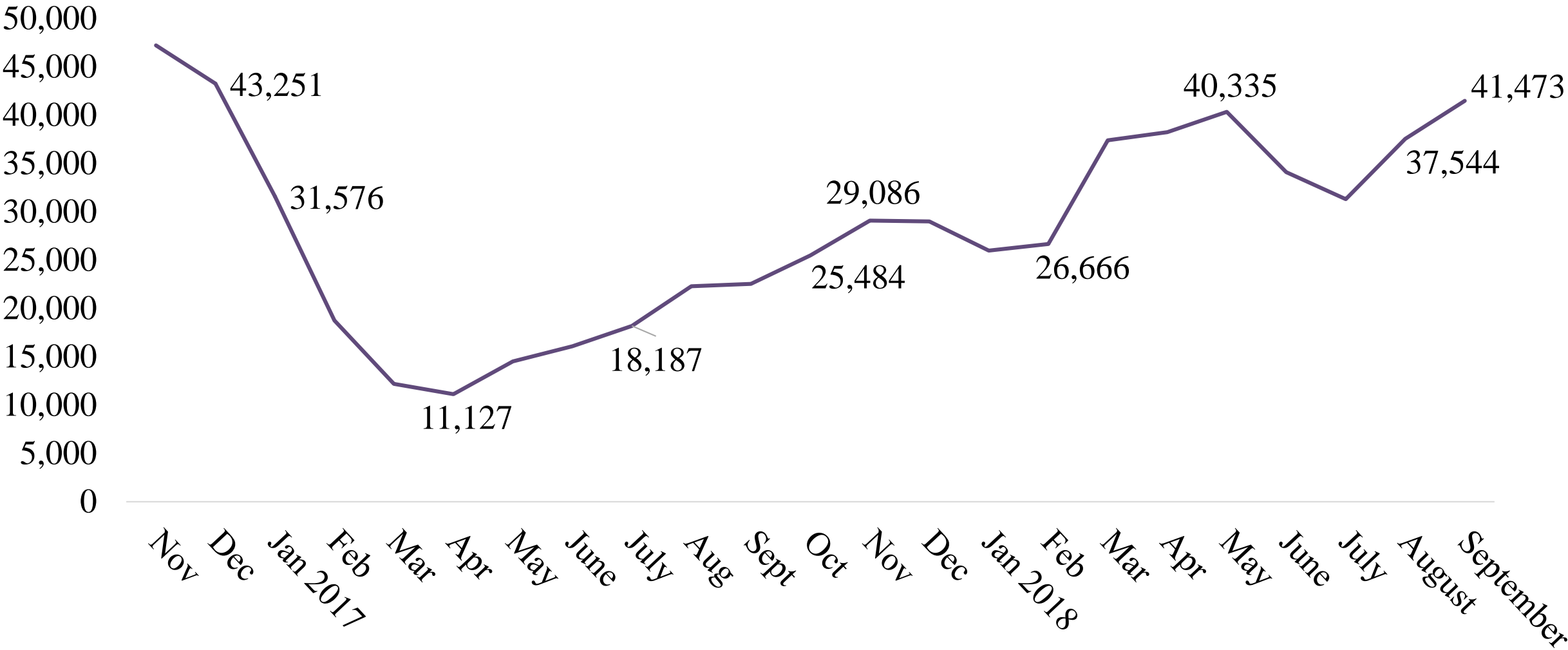
Net Migration from Mexico

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



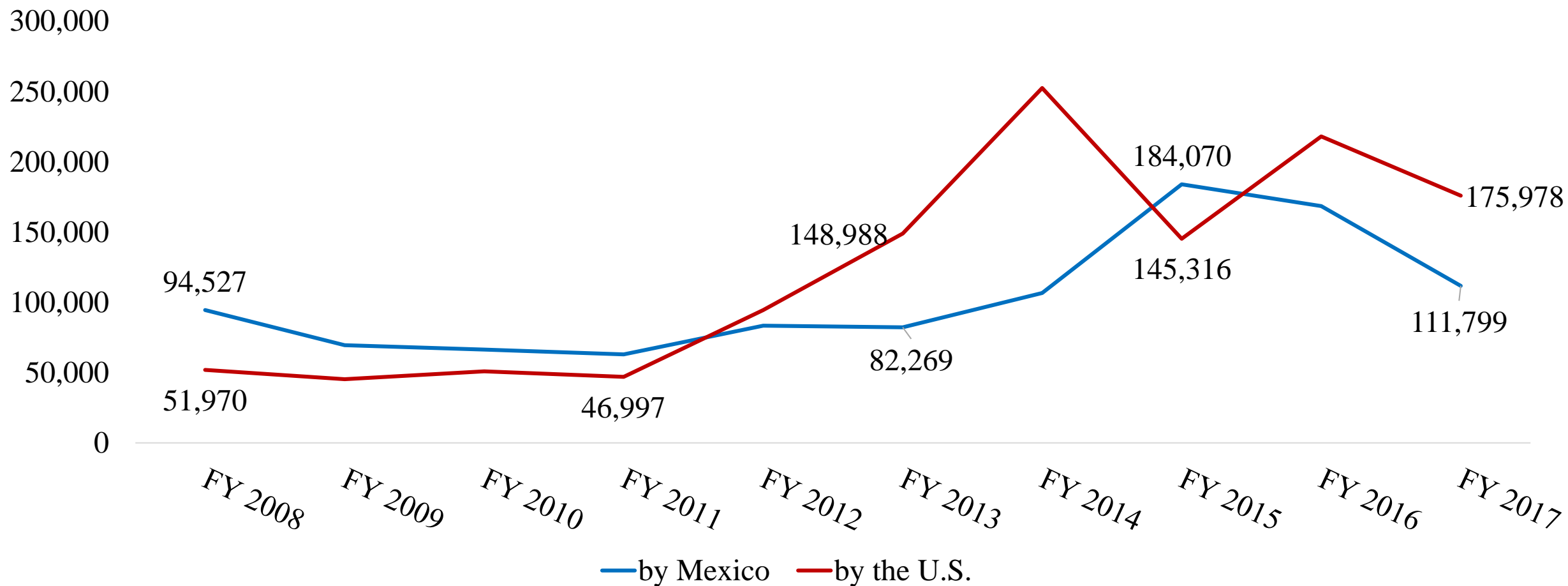
Recent Apprehensions

USBP Southwest Border Monthly Apprehensions



Source: U.S. Border Patrol Monthly Apprehensions (FY 2017 - FY 2018)

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



Source: U.S. Border Patrol Monthly Apprehensions (2008-2017)

Unidad de Política Migratoria (2008-2017)

Helping Northern Triangle

Addressing Central American Migration

The US and Mexico enhanced cooperation in response to 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.** 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 for 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**.

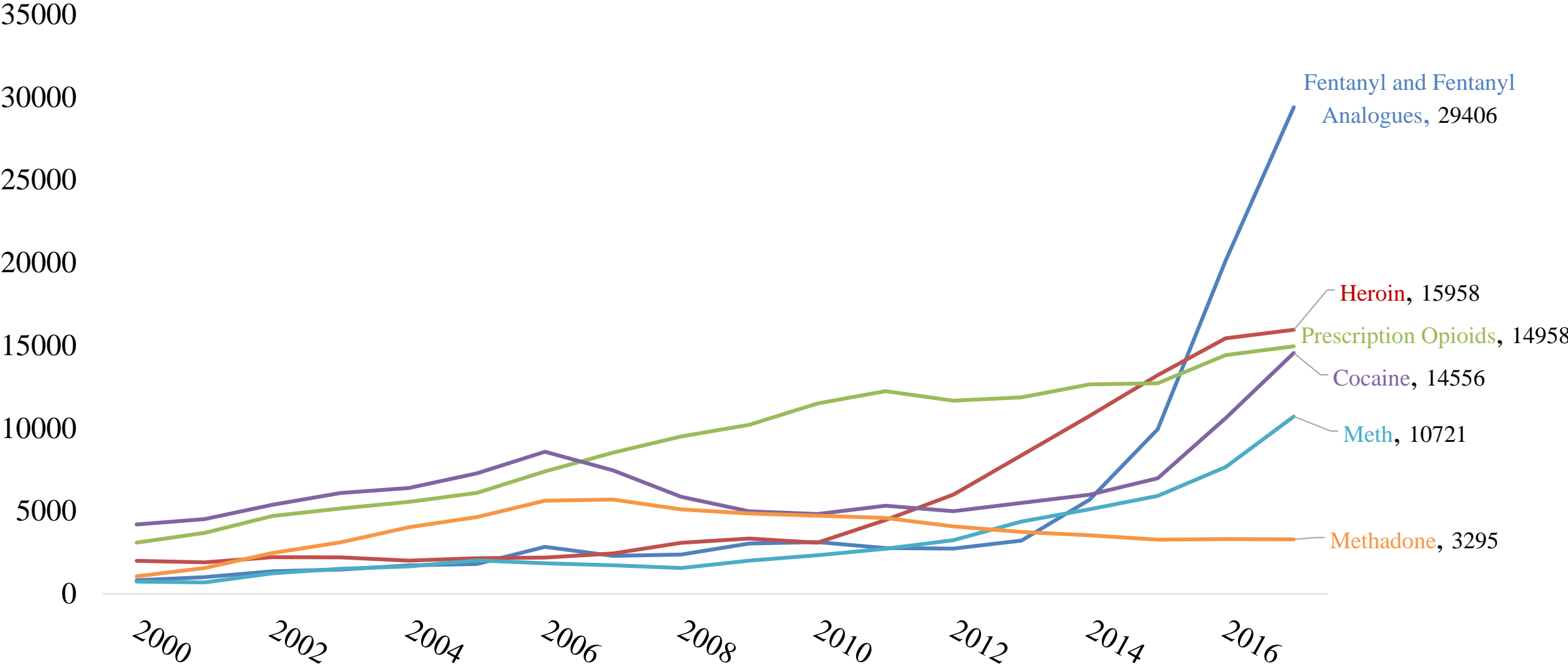
\$2.9 billion appropriated by the US since 2008.

\$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

Urgency: US Drug Overdose Deaths 2000-2017



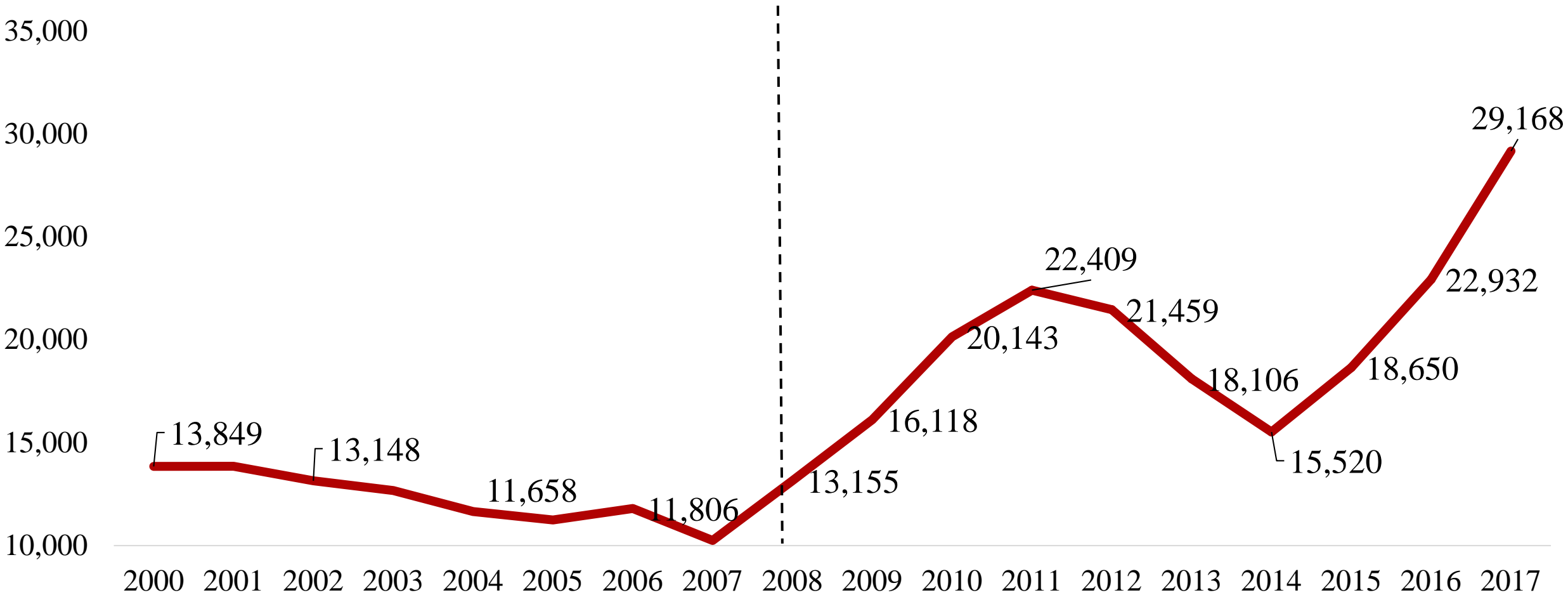
Source: CDC Wonder Database; CDC Provisional Counts of Drug Overdose Deaths as of 8/6/2017

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.**

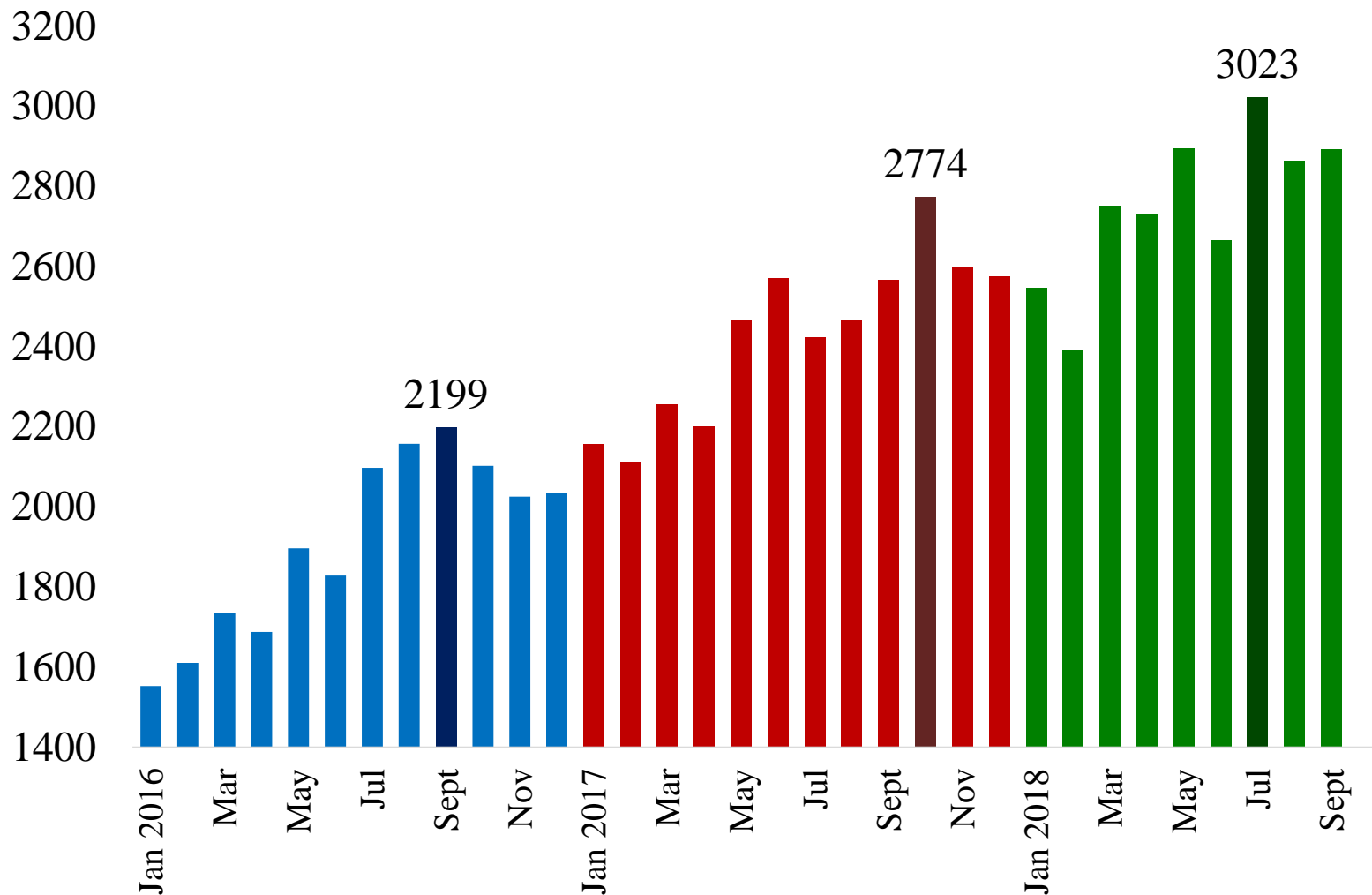
Violence up in Mexico

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.

July 2018: most violent month since 1997. Violence up in 2018.

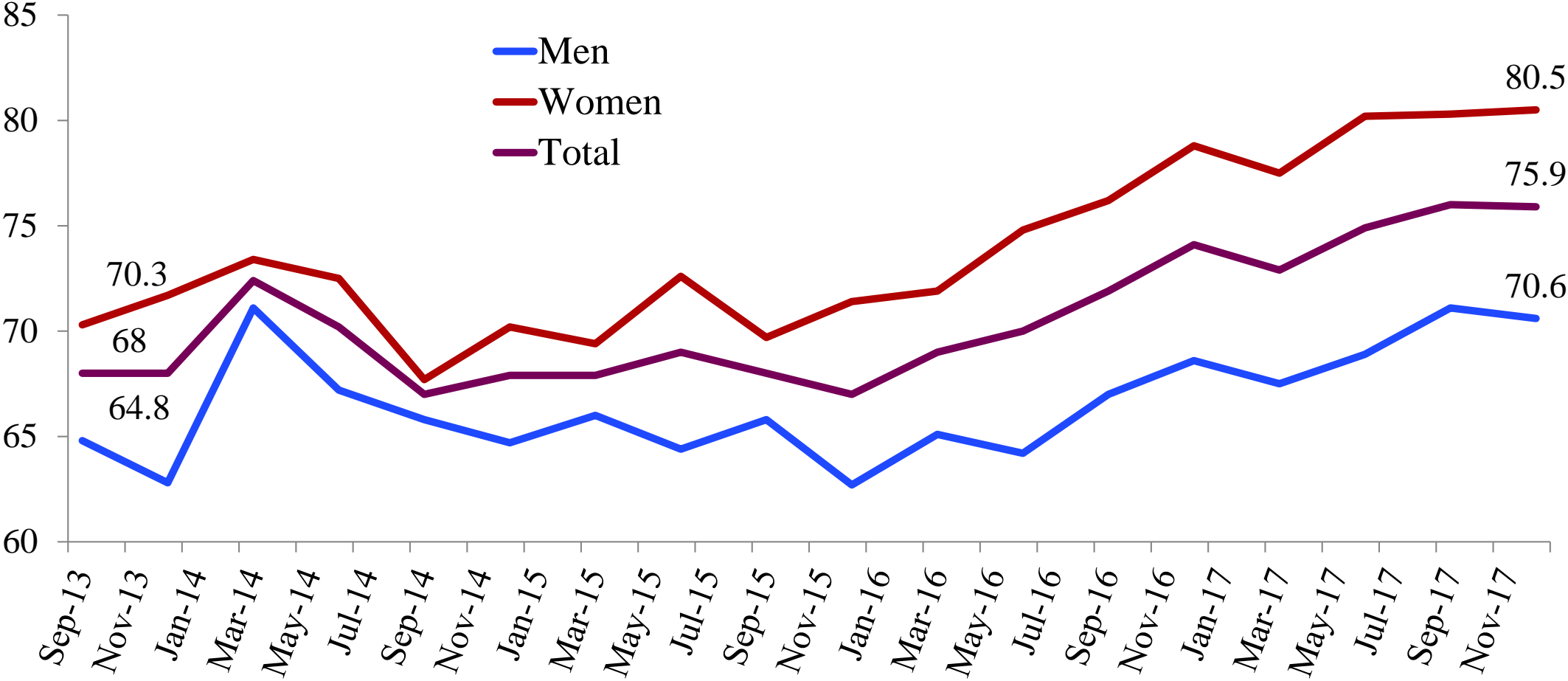
Law enforcement and judicial process overwhelmed.

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

Crime cost up to 17.6% GDP.

U.S. travel warnings for resorts.

Percent of Mexico's population that feels unsafe

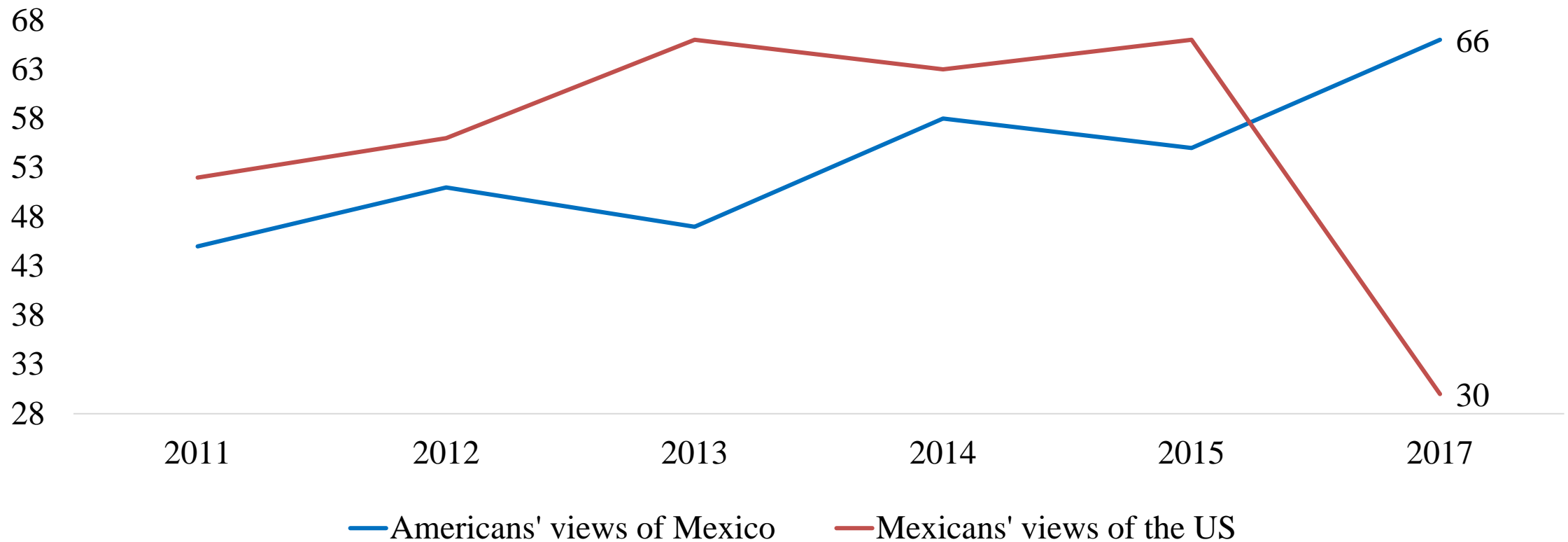


Source: INEGI, 2017

Perceptions of Bilateral Relations and NAFTA

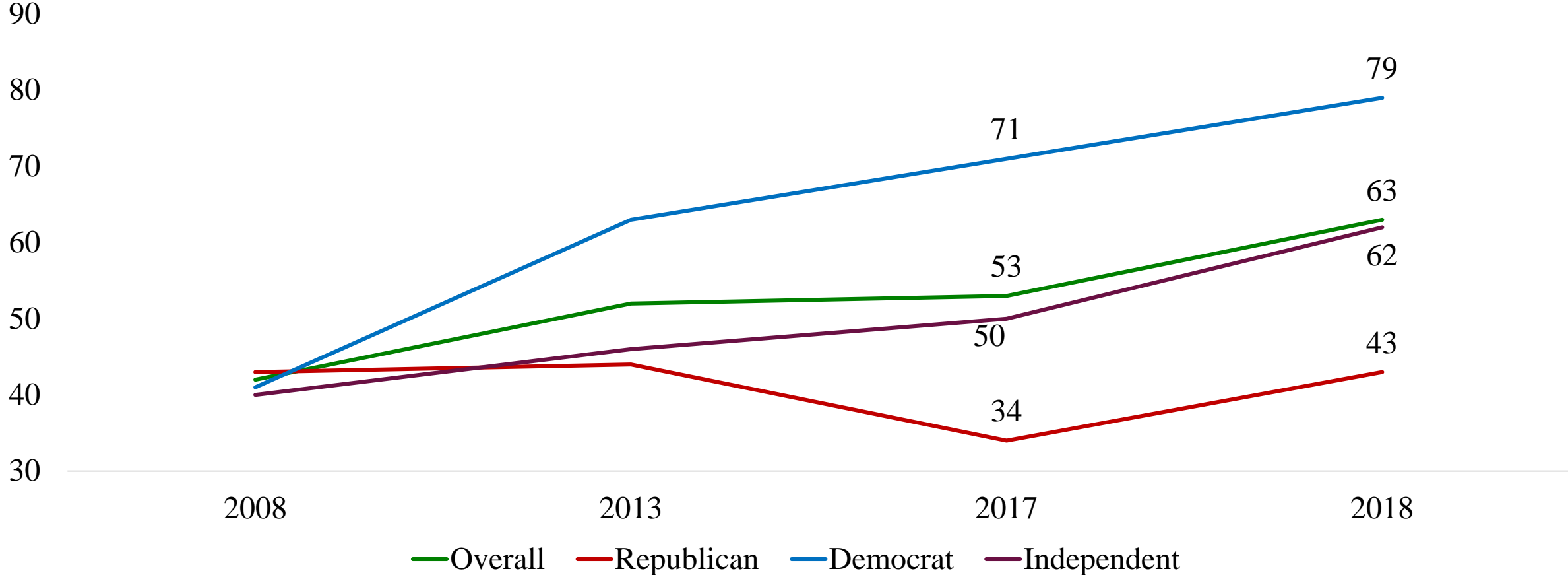
Americans' and Mexicans' Perceptions of each other (per cent favorable)

- In 2017 polling, **66% of Americans** had **positive views of Mexico**; while only **30% of Mexicans** had **positive views of the US**.



US Opinion: NAFTA is Good for the US Economy?

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



Source: The Chicago Council on Global Affairs August 2017.

NAFTA/USMCA 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

Main elements of the USMCA (T-MEC)

- **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

- Presidential signature before **December 1st**
- 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.
- President provides Congress with the final legal text and implementation plan.
- After Congress receives the final bill, it has 90 days in session to approve it.

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?

Steel and Aluminum Tariffs

Still in place

Costs of Steel and Aluminum Tariffs

Over 400,000 U.S. jobs lost¹

GDP decline of 0.2%
(\$36 billion)¹

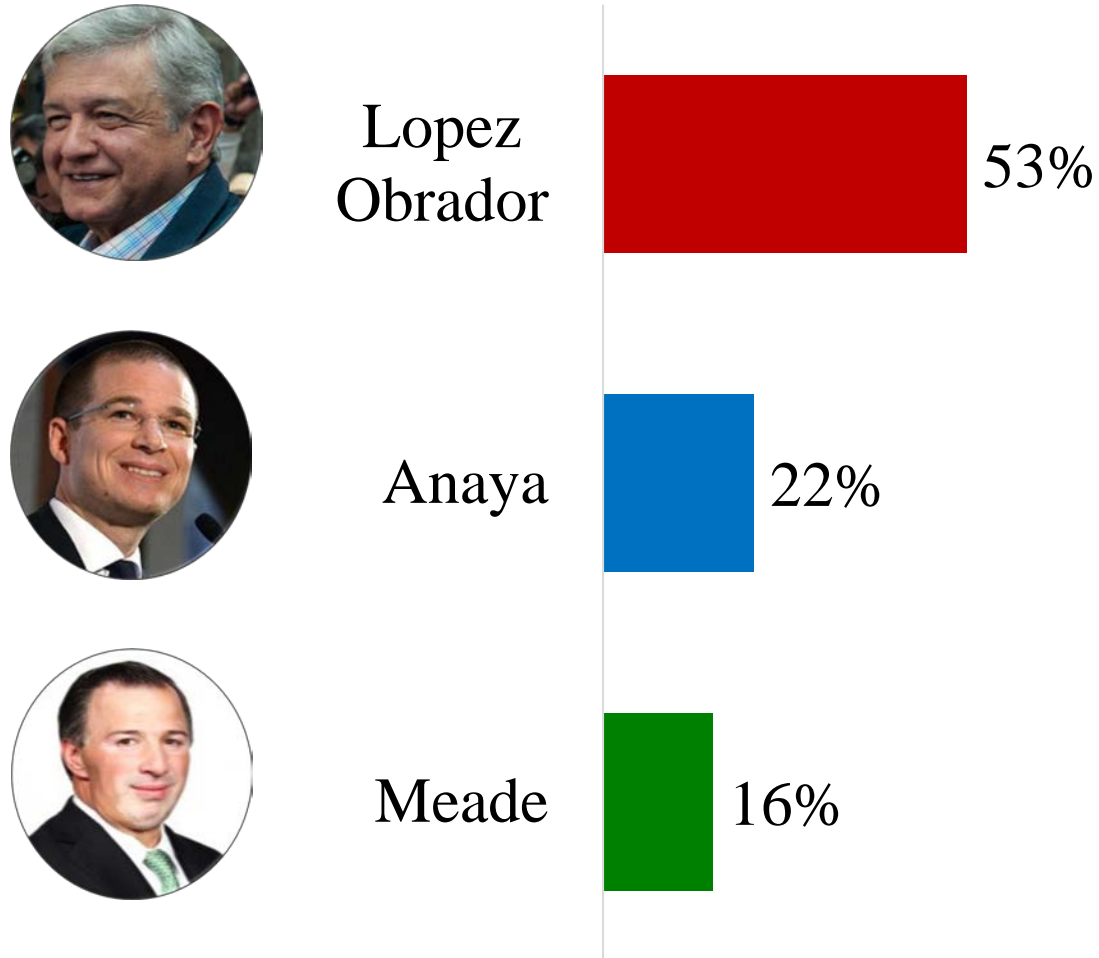
16 U.S. jobs lost for every 1 gained¹

Decline of 2% in all imports
and 1% in all exports¹

Costs to U.S. Consumers: \$7.5 billion a year, before retaliation from the European Union, Mexico and Canada²

Mexico's 2018 Presidential Election

Presidential Results

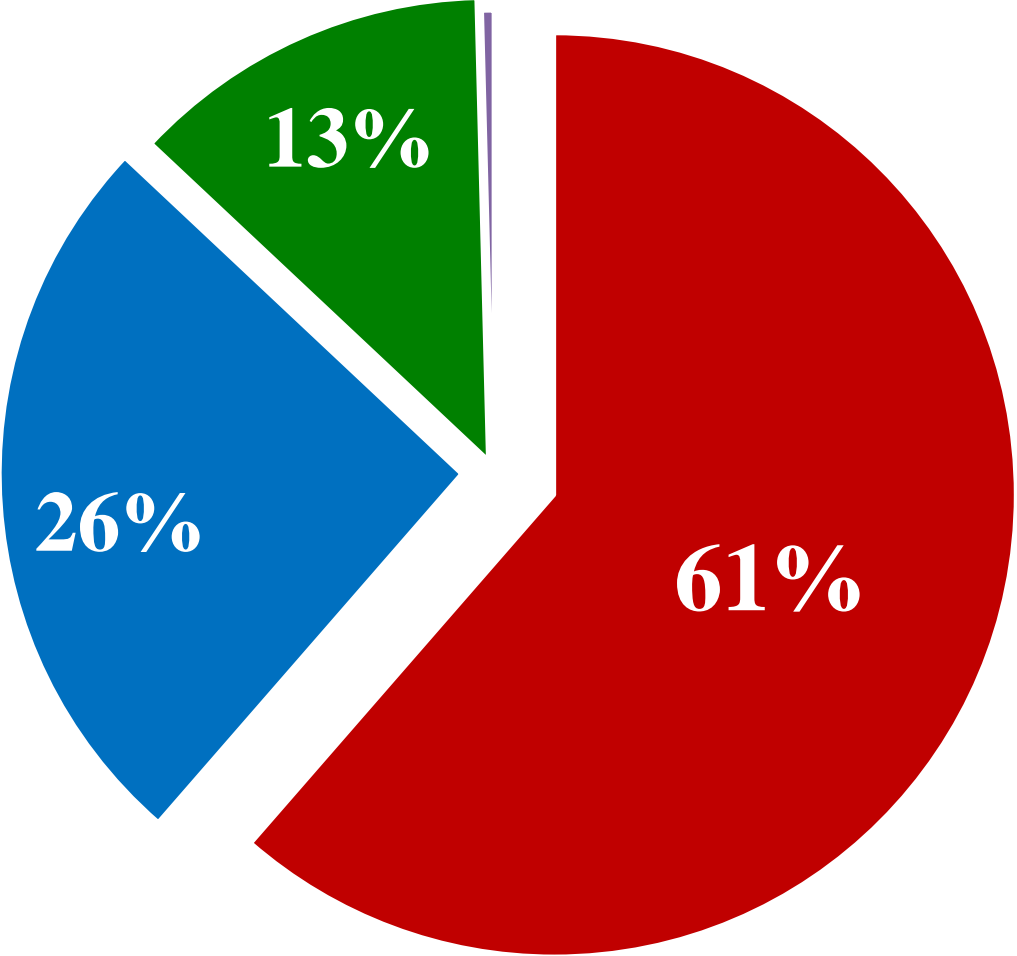


Voter turnout: 63.5%

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.

Chamber of Deputies – November 2018



■ Morena
307 seats

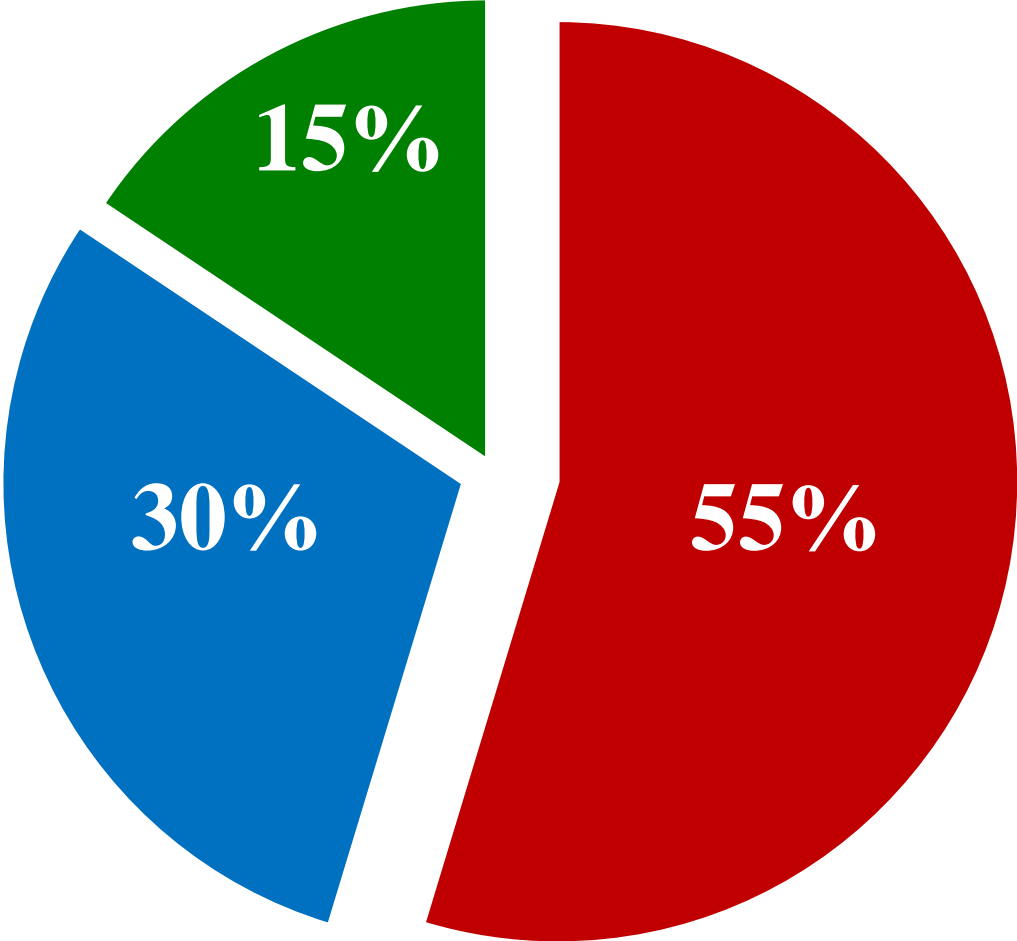
■ PAN
128 seats

■ PRI
63 seats

■ No party
2 seats



Senate – November 2018



■ Morena
70 seats



■ PAN
38 seats



■ PRI
20 seats



Issues that Mexicans care about & influenced their votes

Corruption

Violence and Security

Unemployment

Poverty and Low Wages

Public Health

Inflation

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.**

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 Policy Proposals

Energy:

- **Review of contracts. Postpone new auctions** (for at least 2 years).
- **Strengthen the role of PEMEX** for exploration and choosing partnerships.
- Limit **gasoline price** increases.
- **Build new refineries** to supply gasoline; aim to reduce crude exports.

Security:

- Create an independent **Secretariat of Public Security**.
- **Centralize command of police forces** (*mando único*); set up geographic security districts.
- **Put intelligence agency CISEN under Public Security Secretary**.
- **Return of the military to the barracks in a 3-year framework**.
- **Police professionalization: better trained and better paid police**
- Social investment: more youth **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

TRADE



Finish **NAFTA renegotiation.**

Relocate Mexican customs inland from the border.

Establish a free trade zone on the northern border of Mexico: decrease the VAT rate, the income tax rate & energy prices, and increase minimum wage.



SECURITY



Establish **development plans** between the U.S., Mexico, and Central America to finance economic development.
Allocate 25% of investments to **security and border control.**

Each government will control its borders and combat trafficking of drugs and weapons.

AMLO's Proposals to Trump – July 12 Letter

<p>MIGRATION</p> 	<p>Improve economic opportunities to keep Mexicans in Mexico.</p>	<p>Migration cooperation based on the respect for human rights.</p>	<p>Development plans to mitigate poverty and avoid migration.</p>	
<p>DEVELOPMENT</p> 	<p>Encourage tourism with high-speed train from Cancun to Palenque.</p>	<p>Create an economic and commercial corridor in the Isthmus of Tehuantepec.</p>	<p>Reactivate Mexico's agricultural sector.</p>	<p>Urban development plan in border cities.</p>

AMLO's early months: Signposts

1. Taking the reins of the government
2. Tackling on public security and corruption
3. Working with the private sector
4. Setting energy strategy
5. Maintaining budget prudence
6. Managing U.S. relations (trade, migration, crime)



Maintaining a Partnership with Mexico?

U.S.-Mexico Relations: Early Months Set Tone

Trade:

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

Bilateral Security Cooperation:

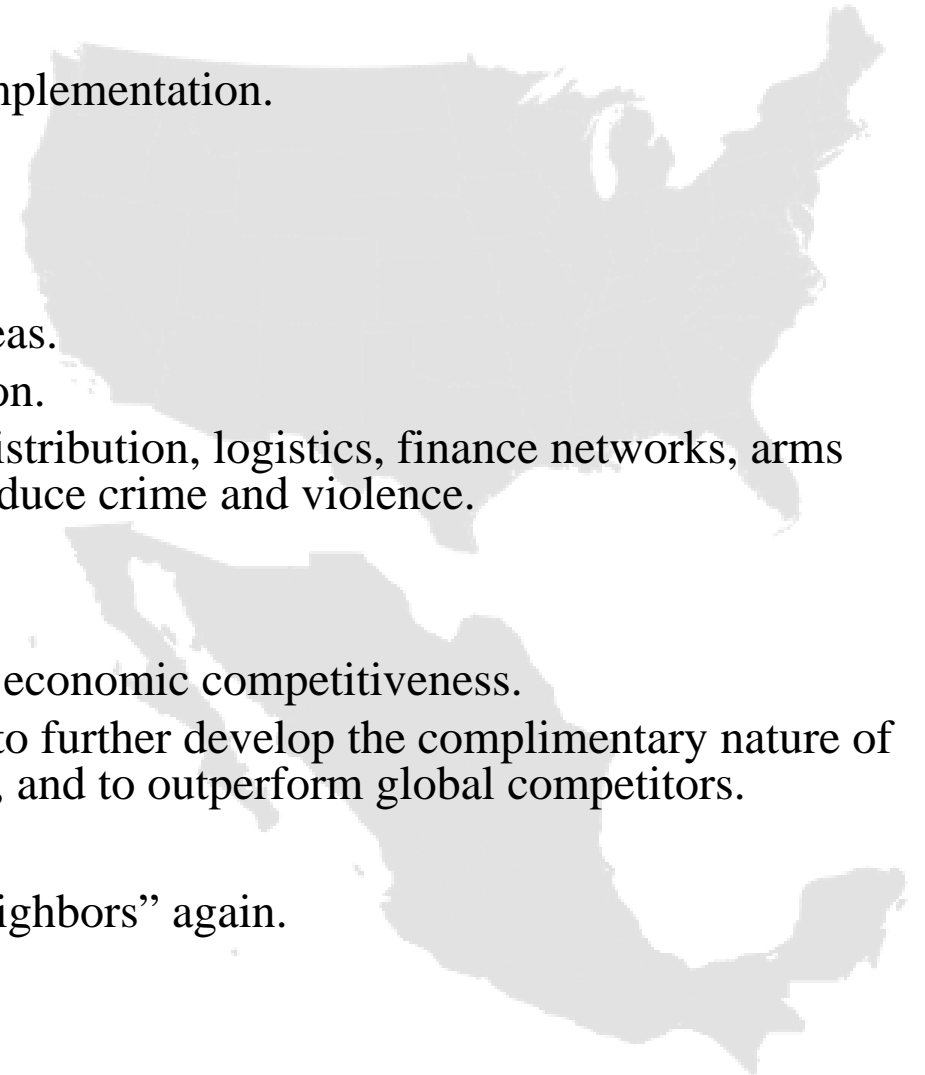
- Avoid further deterioration in cooperation.
- Better manage together migration; integrate AMLO's development ideas.
- Deepen support for Central America to address root causes of migration.
- Review cooperation against organized crime (attacking production, distribution, logistics, finance networks, 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.



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