

Working with Mexico



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Important Ties with Mexico



- **U.S.-Mexico ties touch more U.S. lives daily** than any other country via trade, border connections, tourism, family ties and illicit flows.
- Some **37 million Mexican-Americans**: 11% of the U.S. population.
- The **1990-mile border** (3,201 km) creates overlapping security, economic, family and environmental interests.
- **2010-2016**, government-to-government **collaboration** unprecedented. July **2020**, new U.S., Mexico and Canada **trade accord launched**.
- **Big issues today**: Migration, COVID recovery, Anti-crime work, USMCA implementation and disputes.

Serious Challenges to Address

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

Manage Central American,
Mexican, “other” migration

Security & Justice Cooperation:
New Bicentennial Framework

Negative public perceptions;
stakeholder dialogues

Boost commerce, Build
resilient supply chains,
Create a 21st century border

Recover from COVID 19; Build a
21st century border

Environmental Challenges,
Energy Policy Differences

Reduce Violence & Corruption

Stop potential terrorism

Importance of U.S.-Mexico Trade

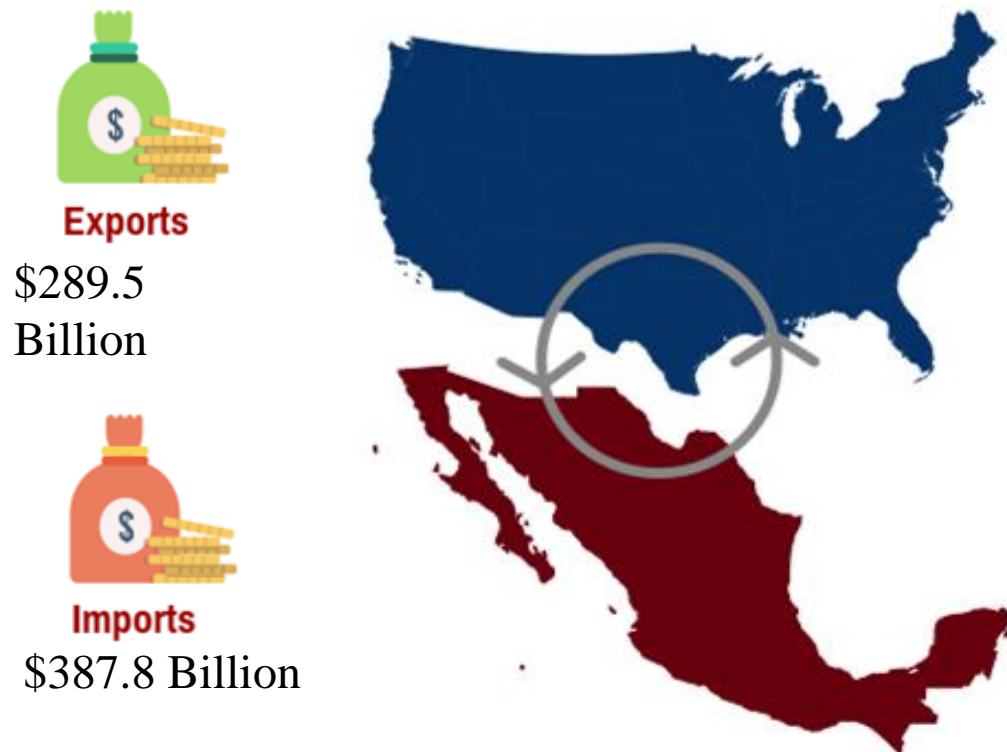
Mexico is the U.S.'s:

- **2nd largest export market (2021)**
- **2nd largest supplier of imports (2021)**
- **2nd largest Ag export market: \$19 billion in 2018**
- 1st or 2nd export market for 28 U.S. States
- 1st export market for U.S. Southern Border States

In 2021, Mexico was the U.S.' second largest trading partner at \$661 billion dollars of goods trade, behind Canada. (China was #1 in 2020, Mexico was #1 in 2019.) (Services trade adds \$30-50 billion.)

For Mexico, the US accounts for 80% of Mexican exports and 39% of GDP.

U.S.-Mexico Trade



2019 Trade in goods and services:

\$ \$677.3 Billion

US and Mexico trade over
1 million dollars per minute

U.S.-Mexico Border Crossings

Pre-pandemic: each day over

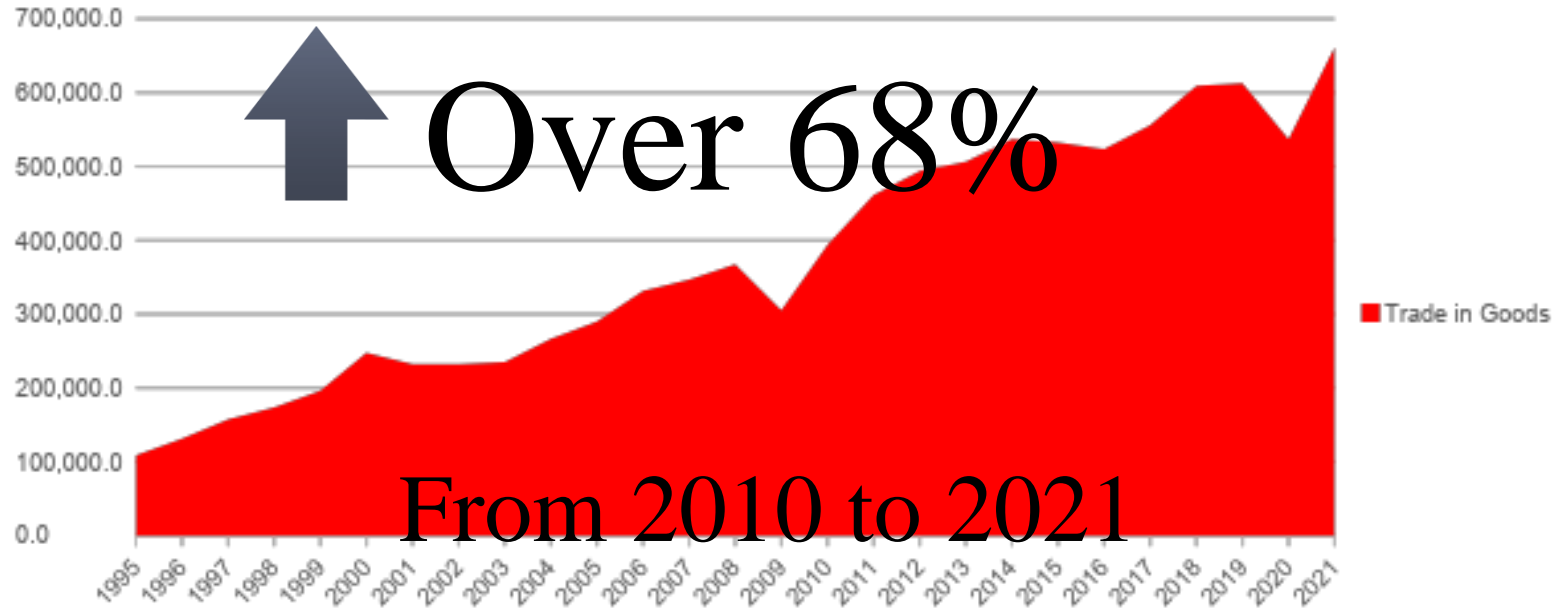
1 million

border crossings



U.S. Trade with Mexico has multiplied by 6 since 1995

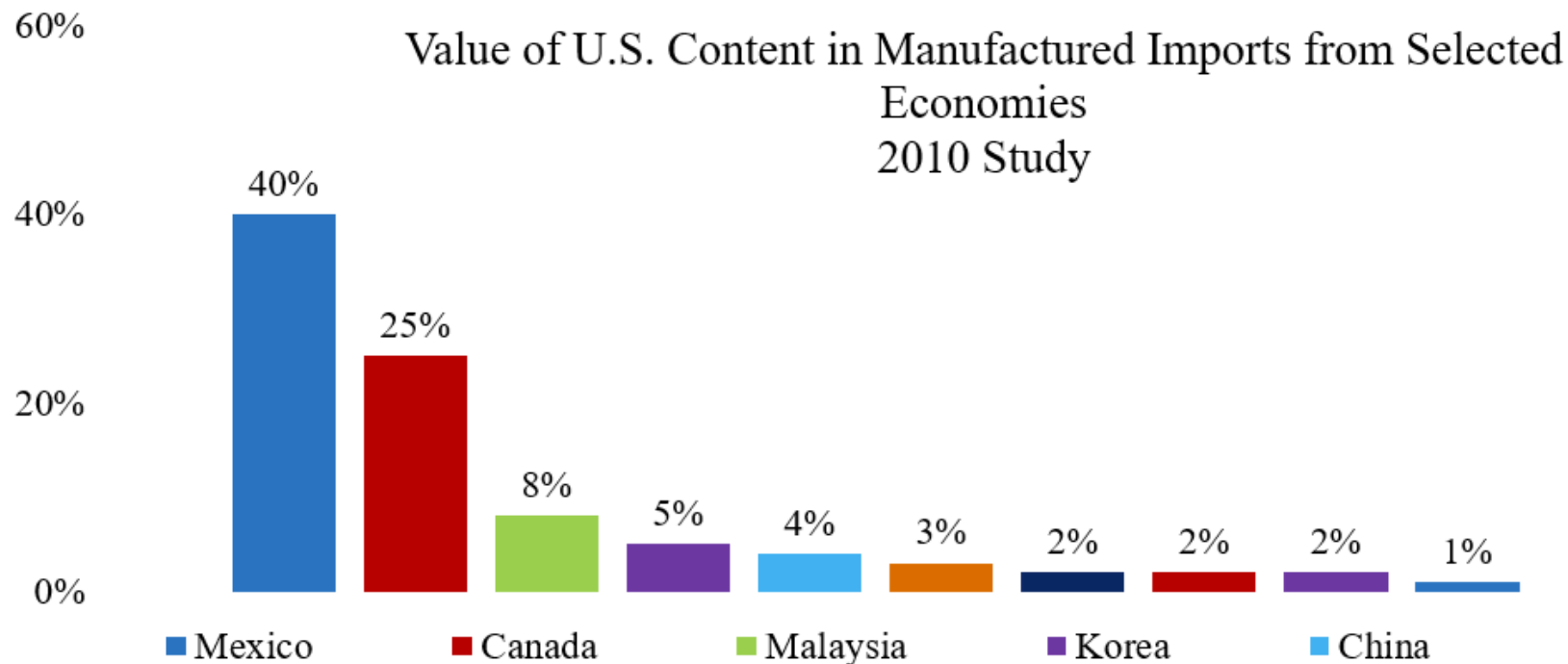
- The U.S. sells **more** to Mexico than to all the **BRICS** countries together



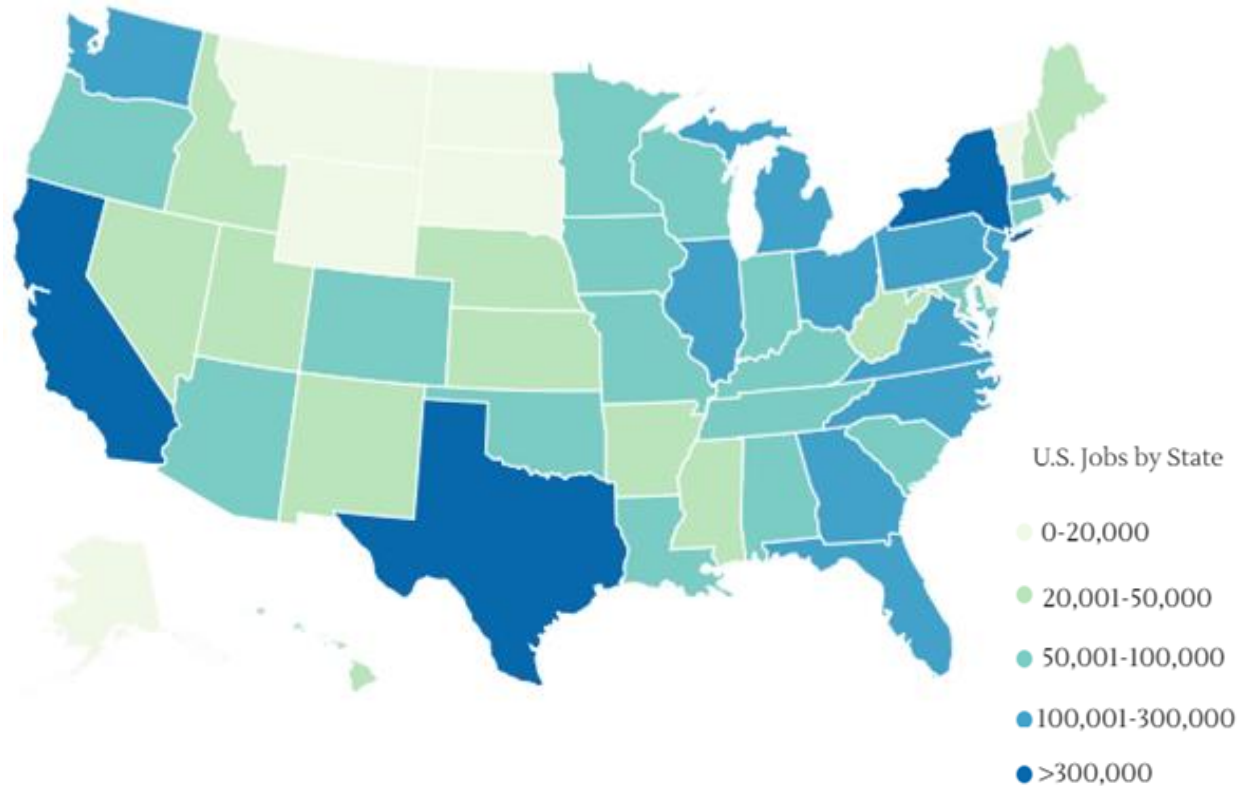
Top Trade Partners 2021: Canada Edges Mexico



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



Mexico trade and investment supports over 5 million U.S. jobs



Some 5 million US jobs depend on trade and investment ties with Mexico (2017), compared to an estimated 700,000 jobs in 1993.

Rank Order: Top U.S. States' Trade with Mexico 2018

State	Volume \$USD (Billions)	State	Volume \$USD (Billions)
Texas	174	Indiana	9.3
California	71.6	Florida	8.6
Michigan	61	Pennsylvania	7.7
Illinois	21.2	Louisiana	6.8
Arizona	15.7	North Carolina	7.6
Ohio	14.5	Kentucky	7.4
Tennessee	11.7	New Jersey	7.3
Georgia	9.9	New York	6.4



U.S.-Mexico Border States

- In 2018, the U.S.-Mexico Border States' GDP reached **\$5.3 trillion**
- GDP from both sides of the border would constitute the **3rd largest economy in the world.**



Largest economies in the world (2019)



United States: \$21.43 trillion



China: \$14.14 trillion

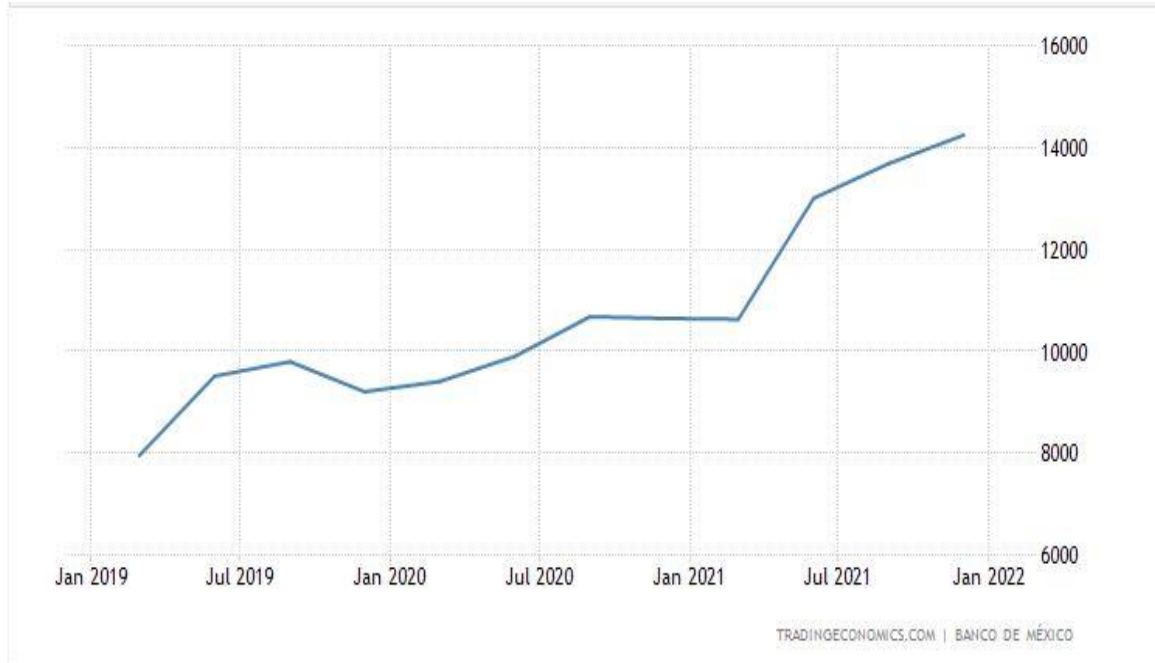


Japan: \$5.15 trillion



Germany: \$3.8 trillion

Total Remittances to Mexico from US Surges during pandemic.



- Mexico's Central Bank estimates that **95% of the remittances** to Mexico come from the United States.
- In **2021**, remittances set a record of **US \$51.6 billion**: a **27%** increase from 2020. Continue to rise in 2022.
- In **January 2022**, remittances totaled \$3.93 billion, a 19.6% increase from January 2021.

Border Management: Licit and Illicit Flows

Moving toward Co-Management of the Border



U.S.-Mexico Visitors (Pre-Pandemic)

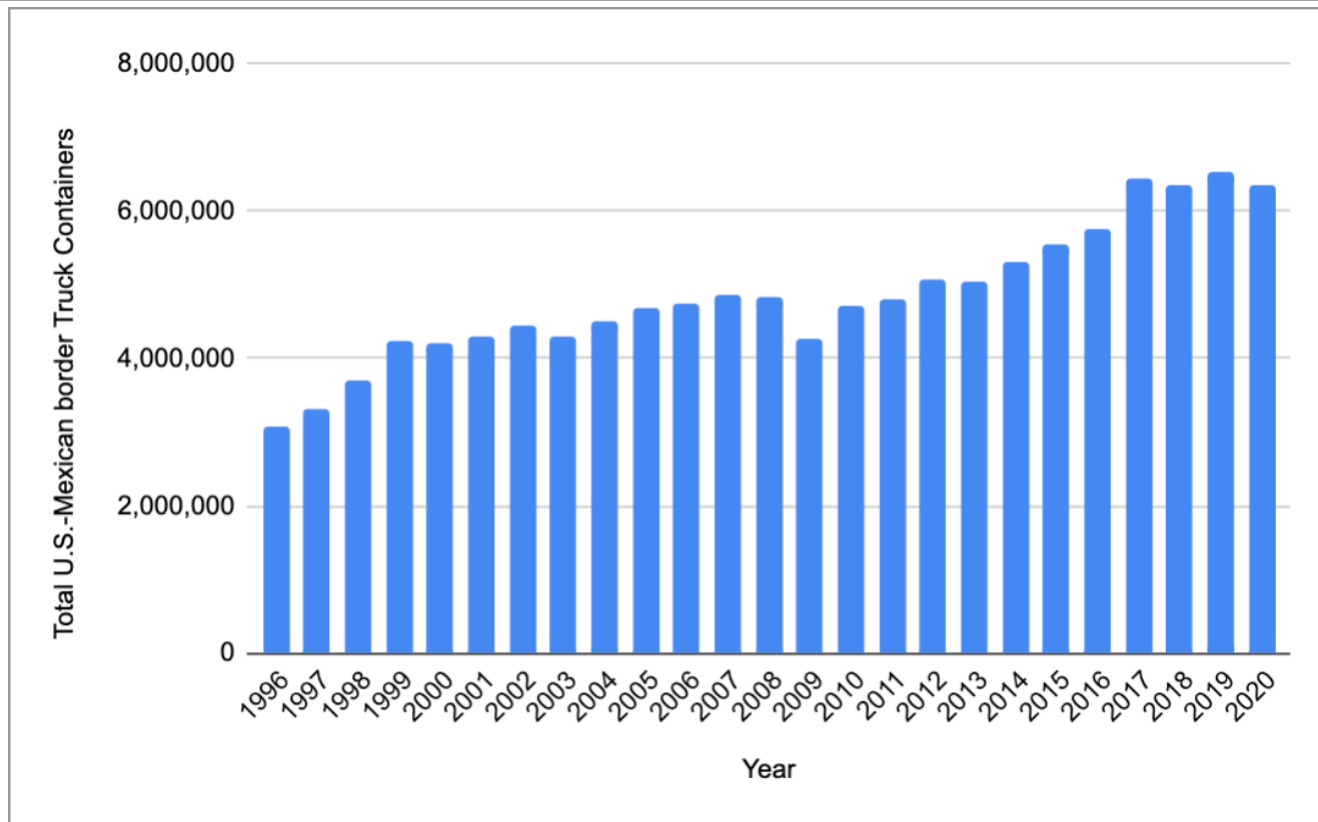
In 2019, overnight visitors from the U.S to Mexico totaled **39.9 million**: **40.0% of U.S. overseas tourism.**

Overnight visitors from Mexico to the U.S. totaled **18.4 million** in 2018.

Together, these **55 million visitors** spent over **\$41 billion.**

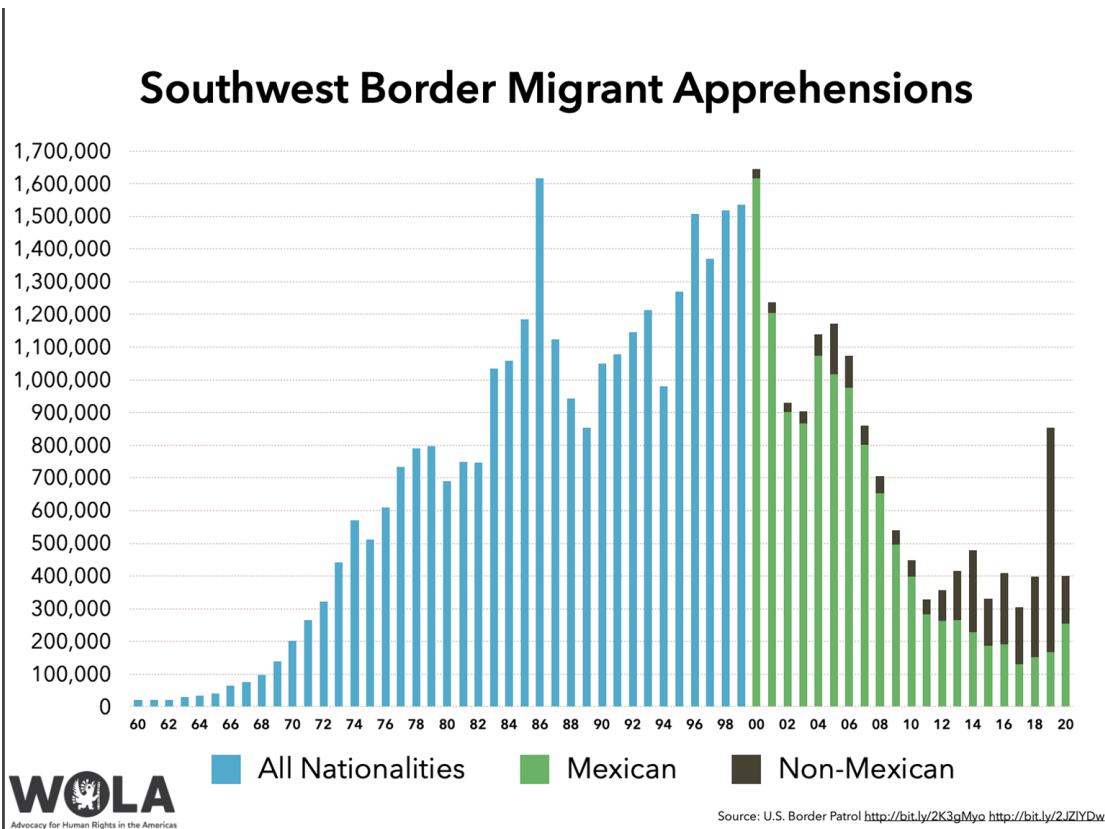


Trucks Crossing the U.S.-Mexico Border



Source: Bureau of Transportation Statistics, 2017

Southwest Border Apprehensions 1960-2020



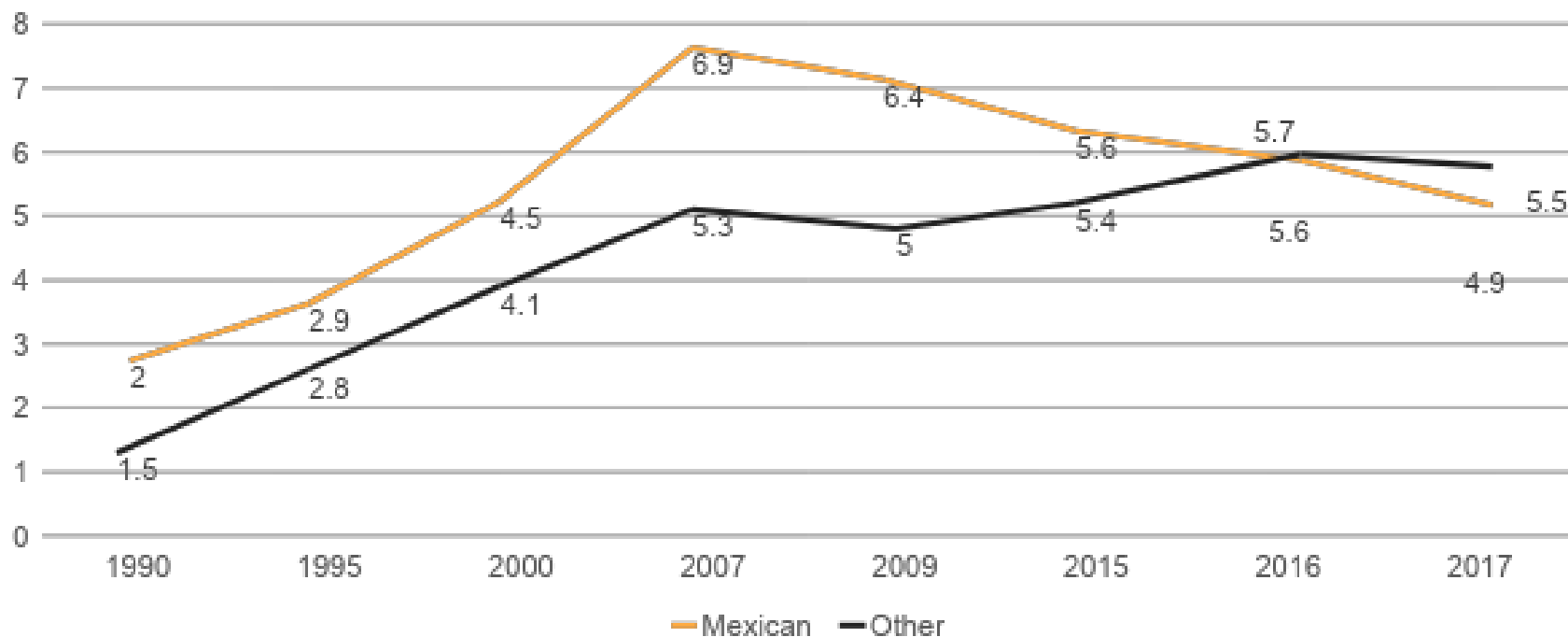
Mexican Migrant Flows Net-Zero Until COVID

- **Undocumented Mexican immigrants in the U.S. began to decline around 2007.**
- **Net migration from Mexico** to the U.S. significantly dropped over the last 25 years.
- As recently as **FY2011**, Mexicans made up 86% of SWB apprehensions and declined until COVID.
 - After **FY2013**, Mexicans accounted for less than half of total apprehensions.
- **Mexicans apprehended started to rise again in FY 2020 when Mexicans accounted for 63% of the SWB apprehensions (400,651).**
- Most single adults & most were returned immediately.
- Why? Looking for jobs due to **pandemic recession**; **some flee criminal violence in Mexico.**



Source: U.S. CBP 2019, Congressional Research Service 2019.

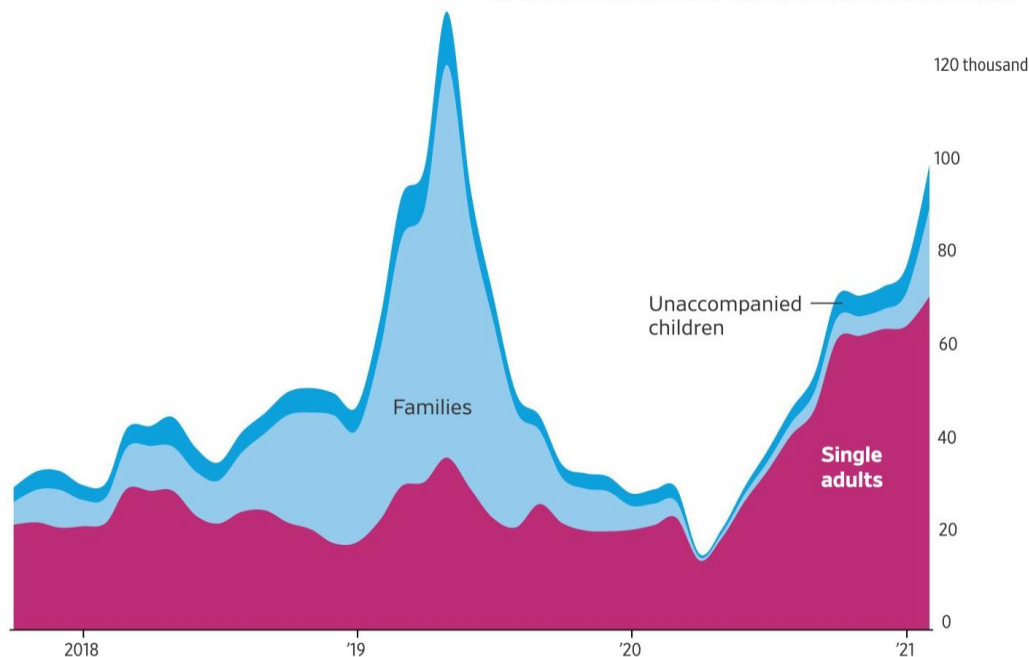
Unauthorized Immigrants in the U.S. - near 11 million



Migrants Detained at the Mexican Border- FY 2021

Migrants detained at the Mexican border

Single adults account for 82% of the apprehensions so far this fiscal year, according



Source: U.S. Customs and Border Protection

during the same period in 2020. During the same period in 2019, more than 136,000 families were arrested at the border.

Border Approaches - 2012-2016 “Shared responsibilities”
2017-2020 U.S. focus on reducing numbers, building a wall
2021-2022 Rebuilding cooperation amid a migrant surge

Obama

- Enforcement and making the border more open to **legitimate travel and commerce; align customs efforts.**
- **New mechanisms to** coordinate, to **counter** illicit trade and travel: **drugs, guns, money and people, to reduce cross-border violence.**
- New programs to **share information on potential border crossers from S. Mex. border.**
- **Manage immigrant surge** from Central America **2014-15 and provide aid to CA.**

Trump

- **Wall; Sharply Increased Enforcement 2017-20; Threatened Tariffs; Wait in Mexico**

Biden

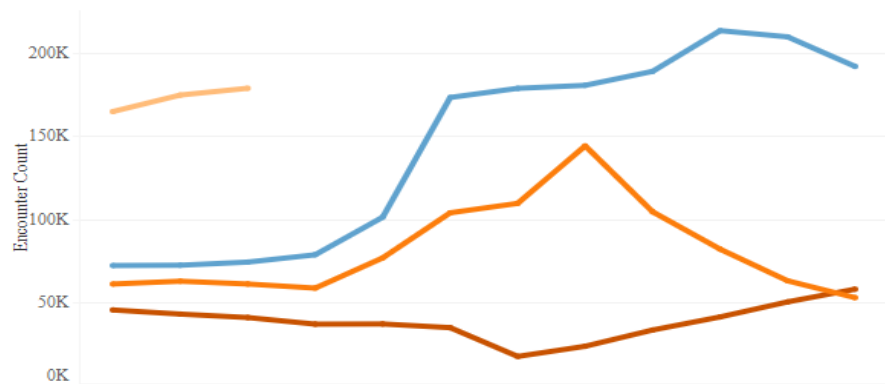
- **2021 Try to manage sustained surge of migrants from Central America, Mexico & Others.**
- **Start to address Root Causes in cooperation with Mexico.**
- **Re-start efforts to build a 21st Century Border, with better processes and infrastructure.**

Sharp Rise in U.S.-Mexico border apprehensions

Apprehensions at the SW Border FY 2018 – September 2021

FY 2019 2020 2021 2022 (FYTD)

FY Southwest Land Border Encounters by Month



OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP Total

2022 (FYTD) 164,776 174,744 178,840 518,360

2021 71,929 72,113 73,994 78,414 101,099 173,277 178,795 180,597 189,034 213,593 209,840 192,001 1,734,686

2020 45,139 42,643 40,565 36,585 36,687 34,460 17,106 23,237 33,049 40,929 50,014 57,674 458,088

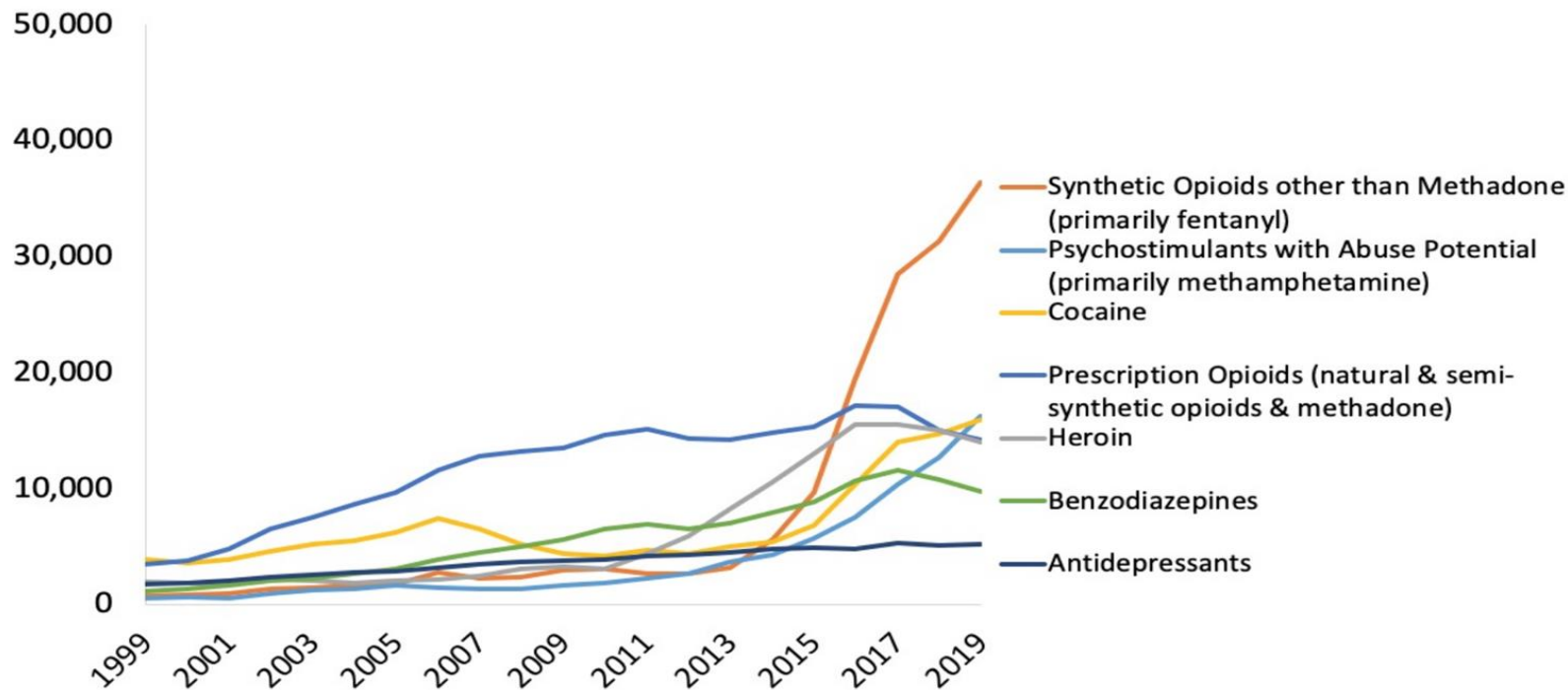
2019 60,781 62,469 60,794 58,317 76,545 103,731 109,415 144,116 104,311 81,777 62,707 52,546 977,509

- FY 2019, 851,508 apprehensions, most since 2012.
- FY 2020, 400,651 apprehensions (COVID 19)
- **FY 2021, 1,660,000 apprehensions.**
- **FY 2022, high numbers so far: Oct-Jan 672,838.**
- Fewer families, more adults, more Mexicans, more from elsewhere.
- Many rapid returns (60% of those under Title 42 citing Covid concerns)
- More repeat apprehensions (28%)

Bilateral Cooperation Against Crime: Pending Review

Driver: US Drug Overdose Deaths Jump to 100,000 2020-21

National Drug-Involved Overdose Deaths, Number Among All Ages, 1999-2019

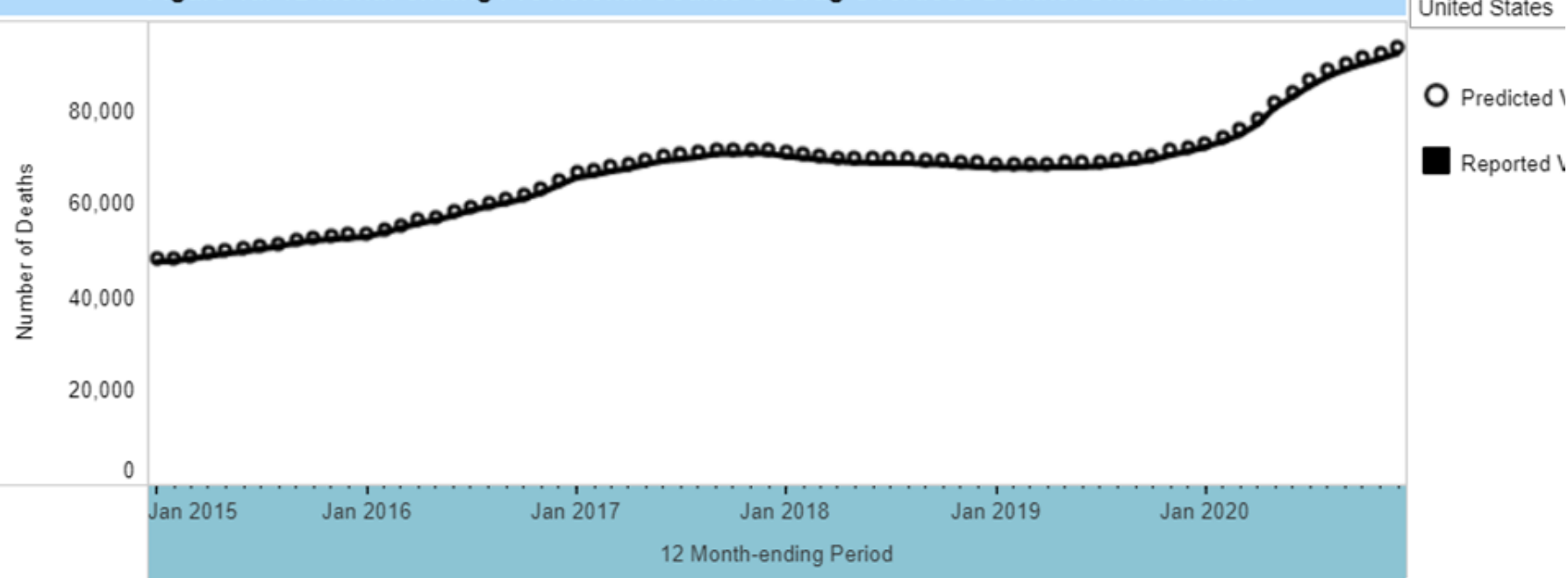


Source: CDC Wonder Database; CDC Provisional
Counts of Drug Overdose Deaths, 2019

Driver: US Drug Overdose Deaths surged 28% in 2020-21

National Drug Overdose Death Number 2015-2020

Figure 1a. 12 Month-ending Provisional Counts of Drug Overdose Deaths: United States

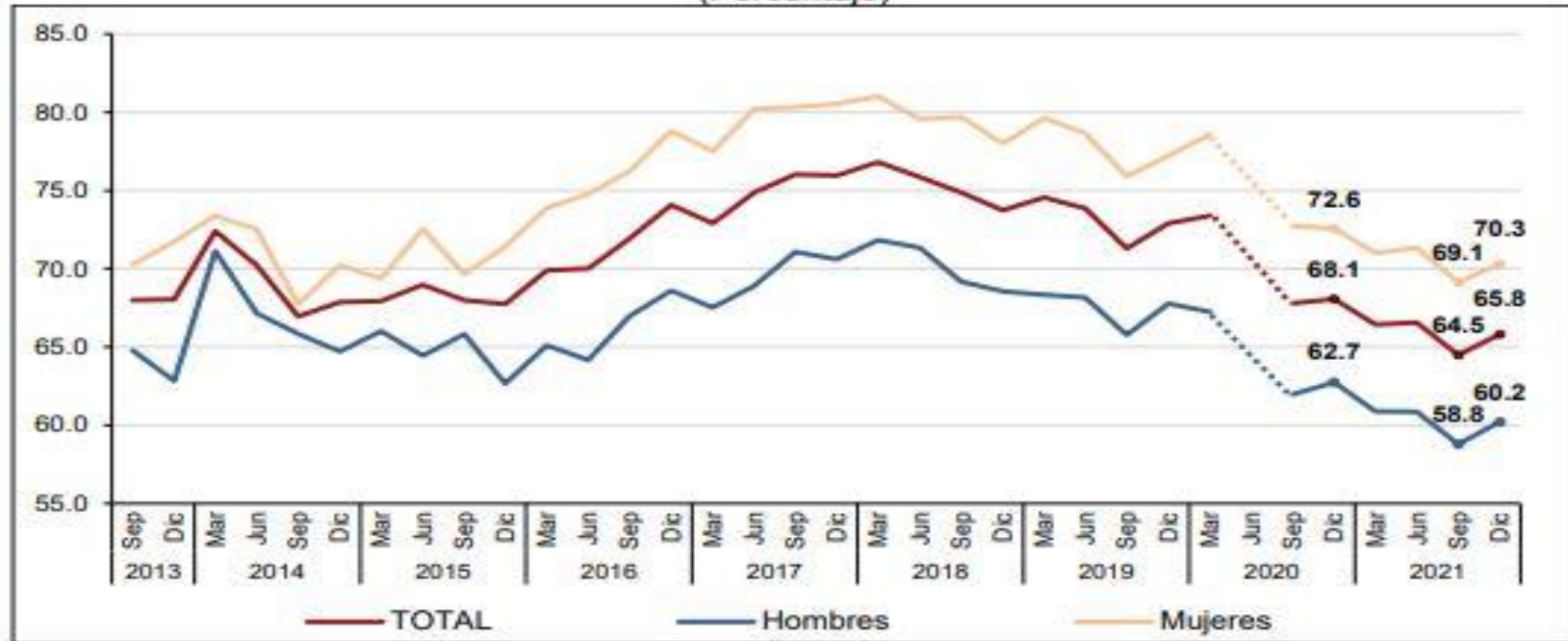


Source: CDC Wonder Database; CDC Provisional Counts of Drug Overdose Deaths, 2019

Driver: Perceptions of Insecurity in Mexico

INEGI: 65.8% feel insecure in their city

**PERCEPCIÓN SOCIAL SOBRE INSEGURIDAD PÚBLICA
A NIVEL NACIONAL SEGÚN SEXO**
(Porcentaje)



Driver: Homicides and Violence



Homicides per month



2021 Homicides declined by 3% to 33,308. Still historically high.

26 per 100,000 inhabitants; 7th highest in Latin America.

Also an alarming number of internally displaced persons (IDPs)

Some 357,000 IDPs in Mexico compared to 8,000 in 2009.

Driver: Local Violence

Cost estimated at 22.5% of GDP

Mérida Initiative: Bilateral Security 2007-2021

U.S.-Mexico Merida Program Goals Established 2007

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**.

\$3.2 billion appropriated **since 2008**.

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

Mexico spent over **10** times more, but heroin, fentanyl and meth trafficking still massive and violence still high.

Congress provided **\$155 million** in FY 2019, **\$150 million** in FY 2020, and **\$159 million** in FY 2021.

Suggestions for Better Cooperation (2018-2024)

An alignment of key security objectives is essential.

1. Create a **bilateral coordination group** to reconcile the priorities of both nations.
2. Build **cooperation** with the **National Guard** and at **sub-national levels**.
3. Training to improve the Mexican criminal justice system; launch **joint investigative work** including on illicit finance; enhance the quality and capacity of Mexico's law enforcement and justice operations.
4. Establish/re-activate **international liaison units** to help with investigations, information-sharing, evidence gathering, etc.
5. Create a joint U.S-Mexico **task force on countering fentanyl** trafficking.
6. Exchange best practices on drug abuse prevention and harm reduction strategies.
7. Enhance cooperation to **strengthen local policing and justice** approaches in Mexico.
8. Enhance cooperation on criminal groups working through and from Central America.
9. **Separate cannabis regulation** from security cooperation.

2017-2021 No Consensus on Anti-Crime Strategy

- **2017: agreement to comprehensive strategy** on supply and demand for illicit drugs. **Attack entire criminal business network** from means of production, cross-border distribution networks to profit flows and weapons procurement. **Never Implemented.**
- **2018: AMLO ordered a review**, but did **not agree to update strategy until October 2021.**
- **2019: U.S. concern grew.** December 2019 U.S. citizen **families massacred**; US **threat** to designate cartels as Foreign Terrorist Organizations sparked progress, but **opioids and meth continue** massive flow northward, drug organizations flourish, US drug overdose deaths surge.
- **2020: Former Defense Secretary's arrested.** He was returned to Mexico, but the arrest **sparked a new Mexican law in 2021 sharply restricting role of US law enforcement in Mexico.**
- **2021: VP Harris June visit fuels reconsideration.** **October High Level Security Dialogue launches new framework.**
- **2022: Agreed on objectives for new Bicentennial Framework in January 2020.**

New Start: High level Security Dialogue (HLSD)

- US and Mexican cabinet members agreed to replace Merida with a new **“Bicentennial Framework for Security, Public Health and Safe Communities”** in October.
- Agreed to hammer out an **action agenda by the end of 2021** and then a **3-year action plan**.
 - **Investing in public health:** impacts of drug use, supporting safe communities, and reducing homicides and high-impact crimes.
 - **Reducing transborder crime:** secure modes of travel and commerce, reduce **arms trafficking**, target illicit **supply chains**, **human trafficking & smuggling**.
 - **Pursuing criminal networks:** **disrupt illicit financiers; strengthen security & justice sectors.**
- **26 joint objectives announced January 31.** Much work still to do to produce an action plan and concrete steps that reduce violence and illicit flows.
- Will require **rebuilding trust** and successfully **bringing criminals to justice.**

Persistent Challenges



“Chronic irritants” to bilateral security cooperation continue.

1. Corruption persists, harms confidence.
2. Weak enforcement & justice systems.
3. Human rights violations.
4. Weapons trafficking southward.
5. Illicit money flows to Mexico.

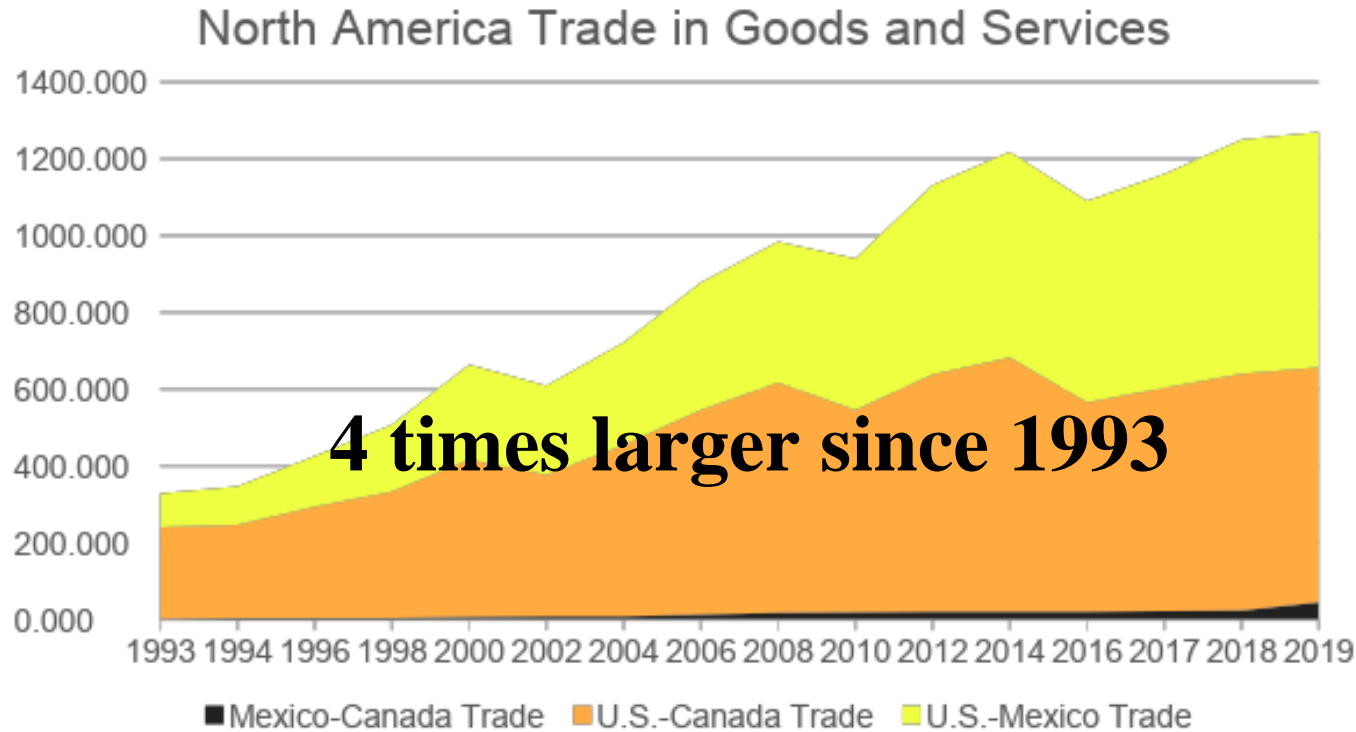
Trade: NAFTA to USMCA



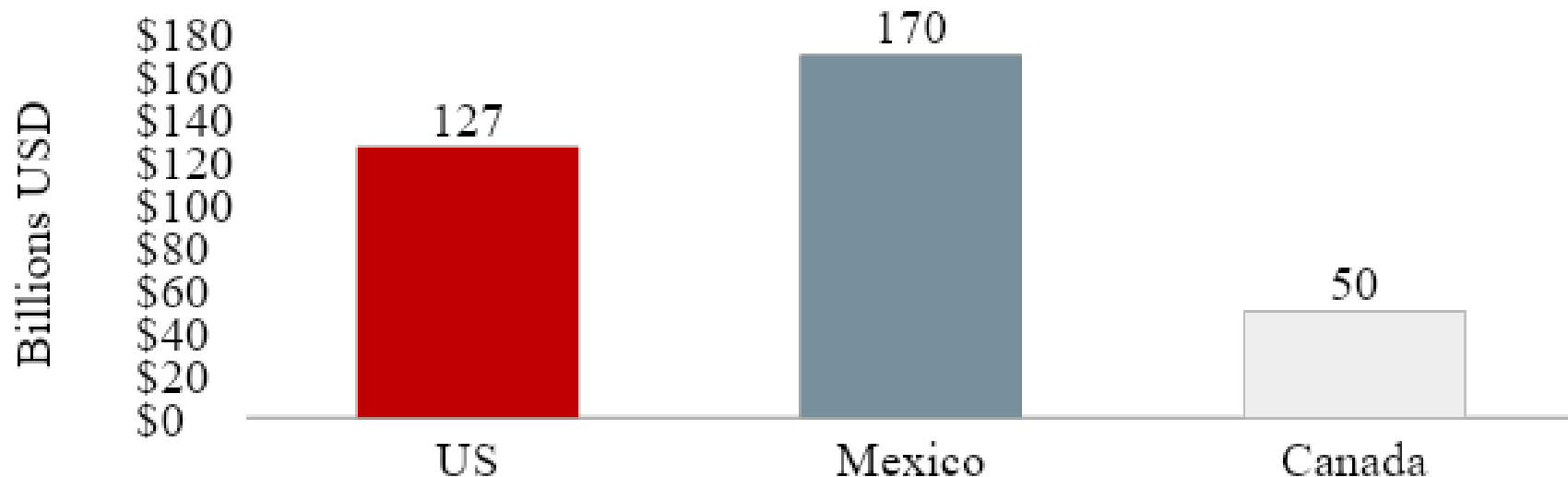
North American Trade

- Canada, Mexico and the U.S. 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 **over 2 times** more than with **China.**
- **Over 12 million U.S. jobs** are supported by trade and investment with both neighbors.
- **50 percent** of North American trade is **intermediate goods.**

North American Trade in Goods and Services



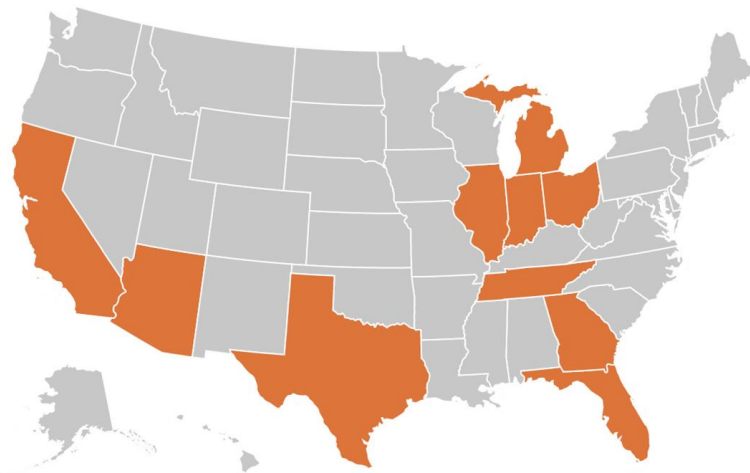
NAFTA Countries were richer each year due to “extra” trade growth (2014 estimate)



The pure economic payoff for the U.S. estimated at \$400 per person

Rank Order: Top U.S. States' Trade with Mexico 2017

State	Volume \$USD (Billions)	State	Volume \$USD (Billions)
1. Texas	187	6. Ohio	14.7
2. California	73.1	7. Tennessee	11.7
3. Michigan	65.5	8. Georgia	10.4
4. Illinois	22	9. Indiana	9.8
5. Arizona	15.5	10. Florida	9.7

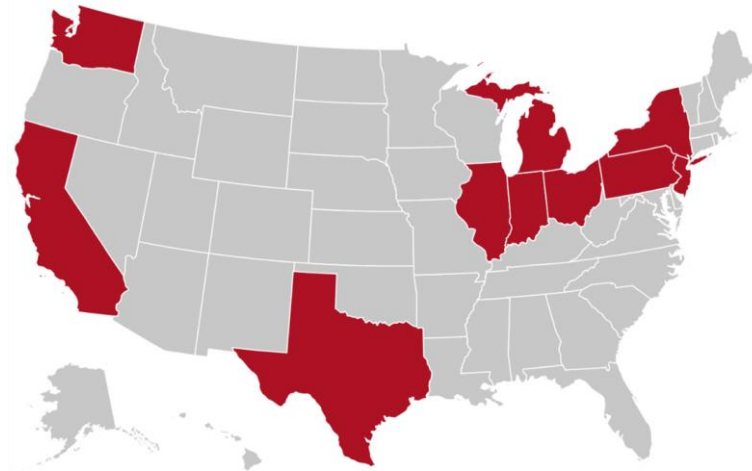


Top U.S. States' Trade with Canada 2017

- Canada ranks as the **United States'** top export partner, accounting for **more than 18%** of the total.
- Canada is the **number one export market for 35 U.S. states**, and the largest foreign supplier of oil, natural gas, and electricity to U.S.

Top 10 Trading States

State	\$USD (Billions)	State	\$USD (Billions)
1. Michigan	72.0	6. Ohio	30.7
2. California	44.0	7. Pennsylvania	20.0
3. Illinois	41.2	8. Washington	19.8
4. Texas	35.2	9. Indiana	19.8
5. New York	33.7	10. New Jersey	13.6



Net Number of U.S. Jobs Related to Trade with Mexico and Canada

Top 10 states 2017.

Trade with Mexico: 4.9 million		
No.	State	Net Number of U.S. Jobs
1	California	+ 572.2
2	Texas	+ 399.5
3	New York	+ 325.5
4	Illinois	+ 198.0
5	Pennsylvania	+ 195.7
6	Ohio	+ 170.9
7	Georgia	+ 158.2
8	North Carolina	+ 150.6
9	New Jersey	+ 141.2
10	Virginia	+ 135.3

Trade with Canada: 7.2 million		
No.	State	Net Number of U.S. Jobs
1	California	+ 898.5
2	Texas	+ 549.4
3	New York	+ 475.9
4	Florida	+ 446.3
5	Illinois	+ 293.7
6	Pennsylvania	+ 282.3
7	Ohio	+ 257.5
8	Georgia	+ 229.2
9	North Carolina	+ 225.8
10	Michigan	+ 209.7

NAFTA to USMCA (T-MEC, CUSMA)



- The **USMCA (United States-Mexico-Canada Agreement)**, or T-MEC in Mexico, replacing the 1993 **NAFTA (North American Free Trade Agreement)**.
- New agreement signed on **November 30, 2018**.
- A revised agreement reached on **December 10, 2019**.
- U.S. Senate approved and President Trump signed USMCA in January 2020.
- USMCA entered into force **July 1, 2020**. **Implementation slowed by pandemic and US transition.**



Main elements of the USMCA (T-MEC)



- **Rules of Origin, wages and steel for Vehicles to be phased in 2020-2023**
 - 75% of the value of a vehicle to be produced in the region (up from 62.5%); 70% of steel and aluminum.
 - 40%-45% of auto content produced by workers earning over \$16 per hour.
- **Dispute Settlement**
 - Maintains NAFTA's dispute-settlement provision over unfair trade practice allegations (Chapter 19) and state to state differences of treaty interpretation (Ch. 20), but limits investor dispute (ISDR) options to key sectors of U.S.-Mexico investment; eliminates coverage for U.S.-Canada issues. **New “rapid” dispute settlement for labor enforcement.** Eliminated ability of a government to block a dispute settlement panel.
- **Successfully Updated Treatment of IPR, Internet-related issues, Labor, Environment...**
 - Achieved or exceeded most of modernization goals sought, including stronger labor rights provisions, IPR protections, includes ecommerce & data issues, anti-corruption, competitiveness, SMEs, among others.
- **Sunset Clause:** 16-year lifetime for the agreement; review every six years; possible 16-year renewal.
- **Agriculture:** Addresses U.S. concerns over Canada's dairy restrictions; new commitments biotech & food safety issues.



Implementing USMCA



Governments **agreed on procedures to monitor compliance, set up the dispute settlement systems, new committees to work through problems and build cooperation.**

COVID 19:

Supply chains & border crossings disrupted; **seek resilient supply chains & modern borders.**

USMCA Concerns:

- **Mexico:** Labor democracy (2 US cases successful). Undermining **Energy Investments with proposed reform.** Complaints not honoring agriculture **biotech** commitments.
- **United States:** Mexico and Canada concerned about **Buy America & rules of origin** for cars.
- **Canada:** US complains about **dairy** commitments; Canada complains about **softwood lumber.**

Biggest gain: reduced uncertainty. Seek good implementation and enforcement, plus work on **competitiveness; SMEs; digital trade, workforce development.**



New High Level Economic Dialogue (HLED)

1. **Revived the HLED set up in 2013** to advance strategic economic and commercial priorities. **Trump Administration abandoned.**
2. In **September 2021**, cabinet ministers launched. **Complementary to USMCA**, focused on **efforts to boost competitiveness** and well-being. **Pillars of Focus:**
 - a. **“Building back together”**: encourage resilient and reliable supply chains; renew border modernization to better manage and promote efficient trade flows.
 - b. **“Promoting sustainable economic and social development in Southern Mexico and Central America”**: identify best mix of programs and tools to get results.
 - c. **“Securing tools for future prosperity”**: promote collaboration on **cross border information and technology systems, including cybersecurity policy.**
 - d. **“Investing in our people”**: Look at ways to encourage **workforce development** including among disadvantaged populations.

Elections & AMLO's Policies/Performance

AMLO: Launches the “4th Transformation”



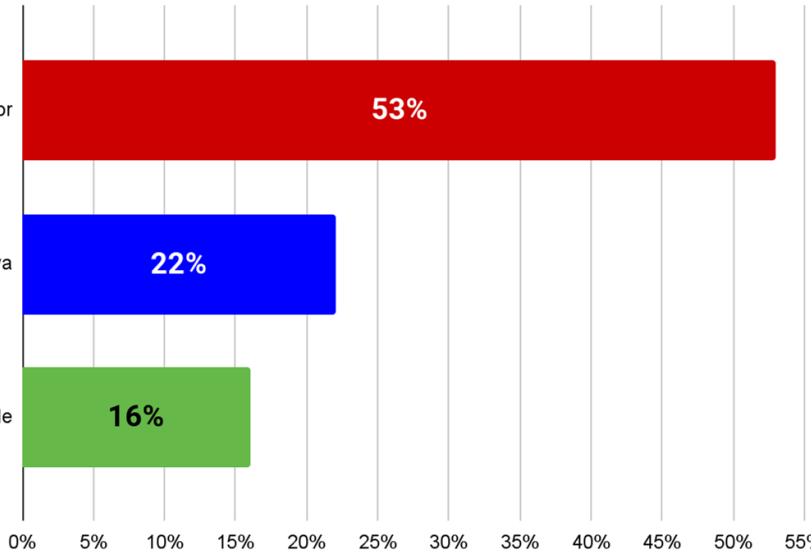
Lopez Obrador



Anaya



Meade



July 2018 voter turnout: 63.5%

AMLO won 53% of vote.
(PAN 22%; PRI 16%)

Andres Manuel Lopez Obrador's party, Morena, **won big majorities in Congress.**

Six year term 'til Dec 2024.
Most powerful President in decades: few counterweights.

Midterm Elections 2021:

AMLO retains majority

- AMLO's MORENA won but without the 2/3 majority in the lower house of Congress needed for constitutional changes.
- Successful in governor and other state races but with 35% of vote.
- Opposition PAN and the PRI gained seats.
- AMLO relies on small parties for a majority in lower house.

In the 2021 elections, MORENA won 197 of the 500 seats of the Chamber of Deputies. This gives them the 39.4% of seats.



Of the 500 seats, 246 of them, or 49.2% will be held by women.

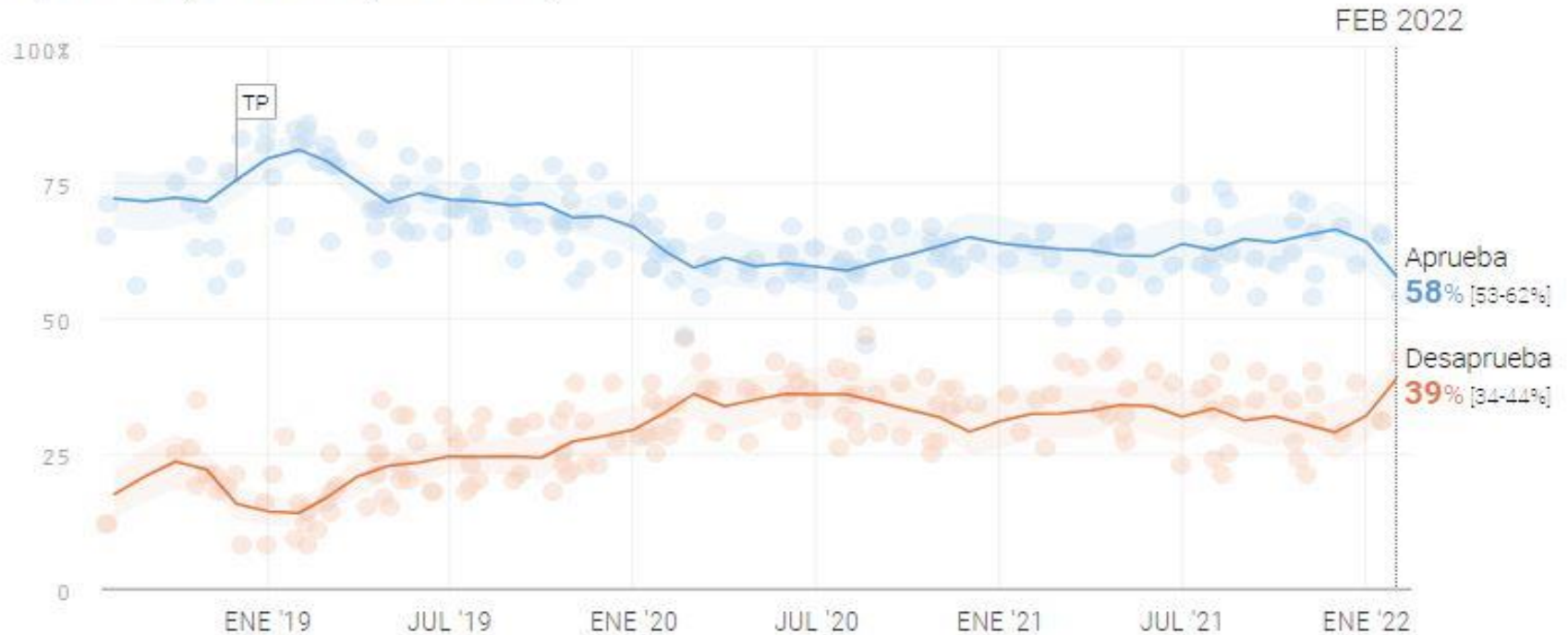


Entidad	Partido actual	Partido virtualmente ganado
Baja California	MORENA	MORENA
Baja California Sur	PAN	MORENA
Campeche	PRI	MORENA
Chihuahua	PAN	PAN
Colima	PRI	MORENA
Guerrero	PRI	MORENA
Michoacán	PRD	MORENA
Nayarit	PAN	MORENA
Nuevo León	Independiente	MC
Querétaro	PAN	PAN
San Luis Potosí	PRI	PVEM
Sinaloa	PRI	MORENA
Sonora	PRI	MORENA
Tlaxcala	PRI	MORENA
Zacatecas	PRI	MORENA

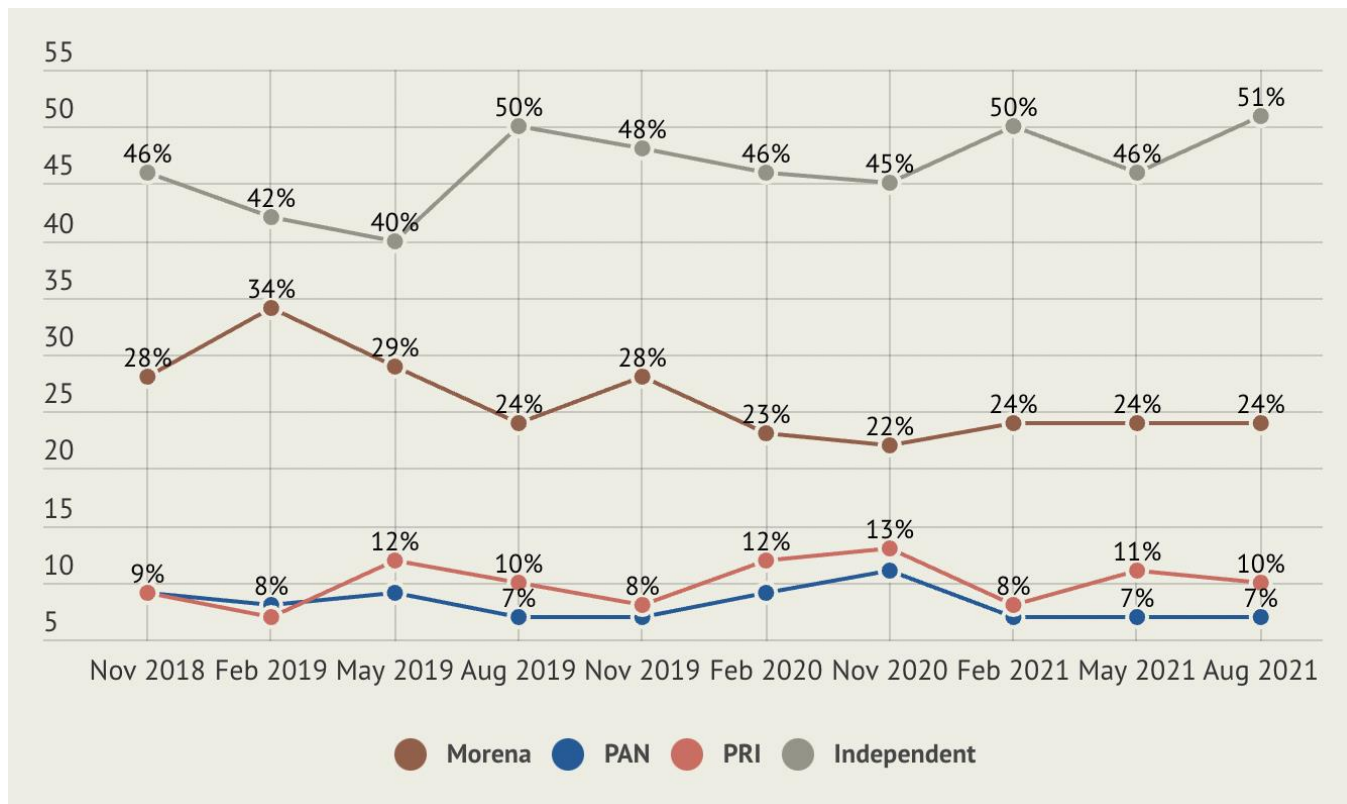
AMLO's Approval ratings Jan 2019-Jan 2022

Andrés M. López Obrador

Aprobación presidencial (Poll of Polls)



Political Parties Trail AMLO

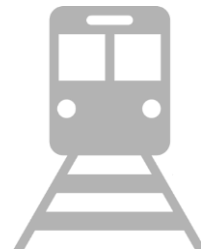


Key Policy Proposals: Fourth Transformation



Economic Policy: **Reducing Inequality**

- Focus on developing Mexico's internal market; encourage investment.
- Build Infrastructure (e.g. railway, airport, oil refinery).
- Redirect spending to the poor but won't raise taxes or increase debt.
- Lower taxes along U.S. border.
- **Aim to achieve 4% average GDP growth over his six-year term;**
- Develop south of country.



Energy: **Strengthen Energy Independence and Public Sector role**

- Strengthen national oil company, PEMEX, & electricity authority, CFE.
- Limit gasoline price increases; decrease prices in several years.
- Build new refineries.
- Slow/reverse previous energy reform allowing private sector role.



AMLO's Early Actions



Reduce Poverty:

- Increased **minimum wage**.
- Launched **youth jobs** programs.
- Subsidize inputs for **small farmers; programs benefit indigenous**.
- Provide universal health coverage; starting with **elderly and poor**.



Attack Corruption and Government Inefficiency:

- Better supervision of public spending; increase legal penalties for corruption.
- **Cut officials' salaries, perks. Reduce staff and existing programs.**
- Name independent "Fiscal General"; active Financial Crime Unit, pursue corruption investigations.
- **Use direct means to consult "the people."**

Maintain Trade with US for economic growth, jobs and funds for reform

- Secure trade with US via **USMCA**, attract new investment.

Education expanded for less fortunate:

- Eliminated key parts of Education Reform that alienated teachers' unions.
- Launched new youth scholarships, promised new universities.



Security: “Hugs Not Bullets” & National Guard



- **End to the War on drugs** - hugs not bullets.
- Consider reforms of currently illegal drug production and use.
- Weaken crime's social base with social, education and jobs programs.
- Provide **alternatives to drug cultivation and fuel theft**.
- **Generate peace through non-violent methods**, transitional justice and amnesty.
- Establish a Council on Peace Construction; Emphasize human rights.
- **Strengthen the judicial system**.
- Expand **National Guard** Officers, deploy across 226 regions.
- Aim to **reduce crime rate by 15%**.
- Aim to **reduce homicides and car theft by 50%**.
- Aim to **reduce the public perception of insecurity from 80% to 39.4%**.
- Aim to boost World Justice Project's Rule of Law score from 0.45 to 0.60 by 2024.



AMLO after three years: Mixed Results

- **Popularity**: consistently over 55% but dropping in 2022.
- **USMCA**: It is helping Mexico recover with exports but investors are worried and hesitant.
- **Coronavirus**: caused serious challenges; deaths very high and under reported, dramatic reduction in exports, investment, consumption, supply chains disrupted, many jobs lost; poverty up.
- **Economy**: An economic contraction of 8.2% in 2020; rebounded 5.9% in 2021. OECD estimates 3.3% in 2022. Mexican and foreign investors perceive negative environment, e.g., energy reforms and weakening independent regulators.
- **Poverty**: Over 22 percent of Mexico's 129 million people now live on less than \$2 a day, up more than 6 percent from 2019. Poverty has risen to 51%.
- **Crime**: homicide, crime and violence levels remain high. US Meth and Fentanyl seizures at border remain high.
- **Corruption**: Fighting corruption an AMLO priority; But Mexico dropped 3 pts in a regional ranking, National Audit Authority has identified serious irregularities; no major convictions; criticism of AMLO family and colleagues.
- **Institutions; Press Freedom**: AMLO criticized for undermining independent regulators and institutions; attacked electoral authorities and the press. Financial Intelligence Unit and FRG attacked opposition figures, including a Supreme Court justice and opposition governor. Criticized for boosting the military's role in the economy. Increasing criticism in domestic and international media, as more journalists are killed by criminal groups.
- **Infrastructure Projects**: The Dos Bocas refinery and the Tren Maya are under construction, but still controversial.
- **Migrants**: Still a challenge from Central America & elsewhere. National Guard criticized for role in stopping them.

Criticisms of the “Fourth Transformation”



- **Power centered around President:** reduced role of cabinet; weakened independent bodies.
- **Fiscal Austerity:** reduced government effectiveness, economic growth, more poverty.
- **Education and social programs:** critics say buying political support, not improving results.
- **Energy:** Losses continue for CFE & Pemex; reforms threaten private in oil & electricity projects and could spur higher energy costs, more pollution and less renewable energy.
- **Corruption:** Less transparency and outside assessments critical.
- **Public Security:** violence still high; no clear strategy; reliance on military.
- **Democracy:** Diminishing of independent voices in government, media, and civil society. More criticism of and violence against media.
- **Countervailing powers:** Markets; USMCA; courts; no $\frac{2}{3}$ majority in Congress; media.



Economy, Energy and Environment

COVID-19, Recession, and Recovery



- **5.9% GDP rebound in 2021, but** Mexico barely dodged a recession at the end of 2021. Inflation above 7%. Estimated 2020 growth 3.3%.
- Mexican economy rebound **driven by exports to US and record remittances**, but **drop in** domestic and foreign **investment**.
- Report for WHO: **could have avoided up to 190,000 deaths**.
- Mexico's **credit ratings poor**; worries on growth, inflation, PEMEX, re-nationalizing electricity sector, green energy. S&P warned of 2022 downgrading.
- **2.3% growth expected in 2022**; 2.6% 2023. **IMF recommends reforms** in public investment, PEMEX and changes to electricity reform.

National Energy Companies Struggle



- Fitch Ratings reduced credit rating of PEMEX, the national oil company credit rating **from BB to BB-**, “junk status” in 2020. Moody’s cut PEMEX’s rating **from Ba2 to Baa3** in mid 2021(3 levels below investment).
- PEMEX ended **2021** with **\$105 billion in financial debt** and with a **\$10.9 billion net loss**. But, on the positive side, output rose 3%, revenue rose almost 80% in the 4th quarter, PEMEX had \$72.7 billion in revenue in 2021.
- The federal **government will absorb PEMEX debt payments** totaling **\$9.88 billion in 2021 and give \$3.6 billion in tax benefits. PEMEX contributed** around **11% to the federal budget** in 2020, its **lowest since 1990**.
- The National electricity company, **CFE had net losses of 95 billion pesos in 2021** despite increasing its income 12% during the year to 565.687 billion pesos. CFE’s 2021 losses and operating costs were higher than in 2020.

AMLO's Proposed Energy Reform



- AMLO wants to **establish Mexican energy independence** in oil, gas, and electricity.
- Mexico gets about **65% of its gasoline and 86% of its natural gas from the U.S.**
- AMLO seeks to **strengthen** national oil company **PEMEX** and national electricity authority **CFE**.
- **Previous government reformed constitution** to allow private sector involvement seeking increased exploration efficiency and lower prices.
- **AMLO focus on** bailing out/improving **PEMEX**; **lessening private sector** role.
- **AMLO focus on prioritizing CFE** at expense of private and green/renewable energy producers.
- In 2021, federal courts blocked regulatory reforms to PEMEX and CFE as violating constitution.
- AMLO introduced a **new law to reform electricity sector**; continues regulatory steps to freeze and reduce private sector energy investment. **Congress could vote on some new bill in April.**
- **Analysts say hurts renewable energy and climate goals; electricity prices will rise; violate USMCA.**
- **Jeopardizes an estimated \$25-40 billion in private investment.**
- **Biden prioritizes climate-friendly power** generation; green energy.
- **US encouraging changes to respect USMCA & environmental goals**; affected US companies very upset.

Migration

U.S. Migration Challenge



General:

- **1986, 1990, 1996 migration reforms** did not alter the **supply and demand or push and pull factors**.
- **Migrant flows were high from late 1970s** and undocumented migrant numbers grew to **around 2007**.
- **US businesses wanted migrant workers** (not punished); migrants from Mexico and elsewhere sought work.
- **US reforms** by limited **temporary work programs** and **stepped up enforcement; more migrants stayed**.
- **US politics became polarized on migration. Bush (2007) and Obama (2013) era reforms floundered.**

Obama:

- **Obama tried increased enforcement and to act to help immigrant children with DACA** by Executive Order in 2012. Obama called “deporter in chief;” unable to make asylum, immigration system run more efficiently; e.g. back log in asylum cases, 2014 surge of kids and moms from Central America to border driven by crime and economics.
- **Dealt with 2014 surge by more border enforcement, Mexican enforcement and aid to Central America.**

Trump:

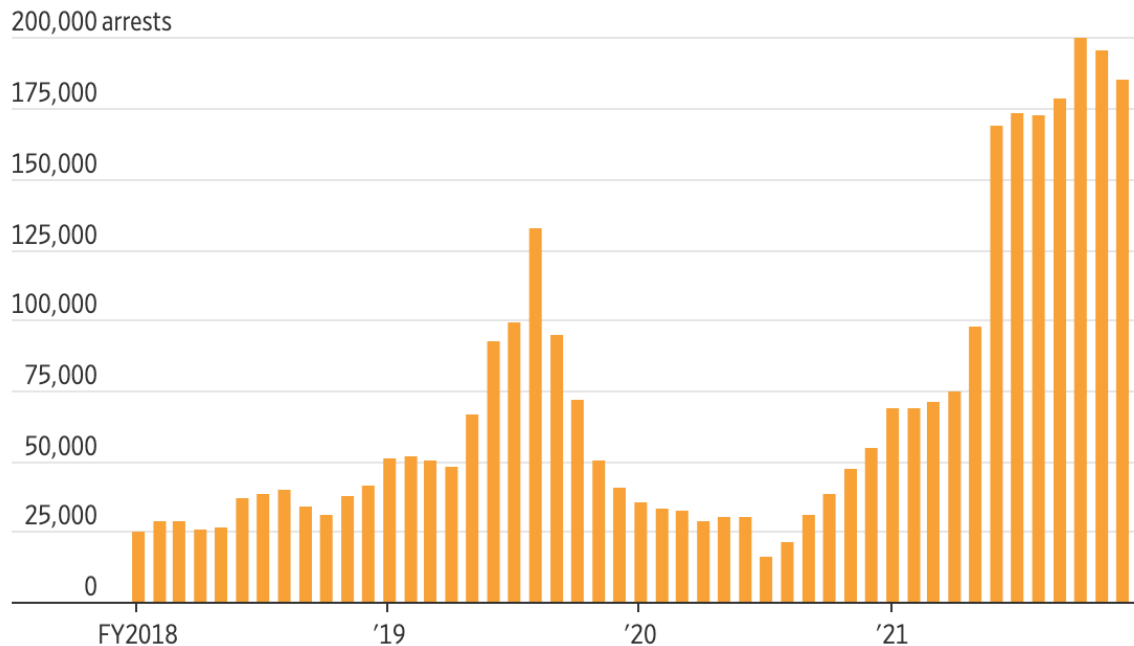
- **Trump’s increasingly harsh measures reduced numbers but created great human hardships; did not deal with driving forces.** Spent on questionable border wall; sent many to wait for asylum in Mexico; weakened US system.
- **Pandemic** reduced cross border flows and added health concerns as rationale to send people back.

Biden:

- **Biden faced unprecedented migrant flows** during his first months in office and is **attacked from left and right**.

Migrants at the Border - 2021 numbers skyrocket

Monthly migrant arrests along the U.S.-Mexico border



Note: The U.S. reports arrest totals for the fiscal year, from Oct. 1 to Sept. 30.

Source: U.S. Customs and Border Protection

Steps to help deal with Migration



Biden Policy papers on Central America and Migration:

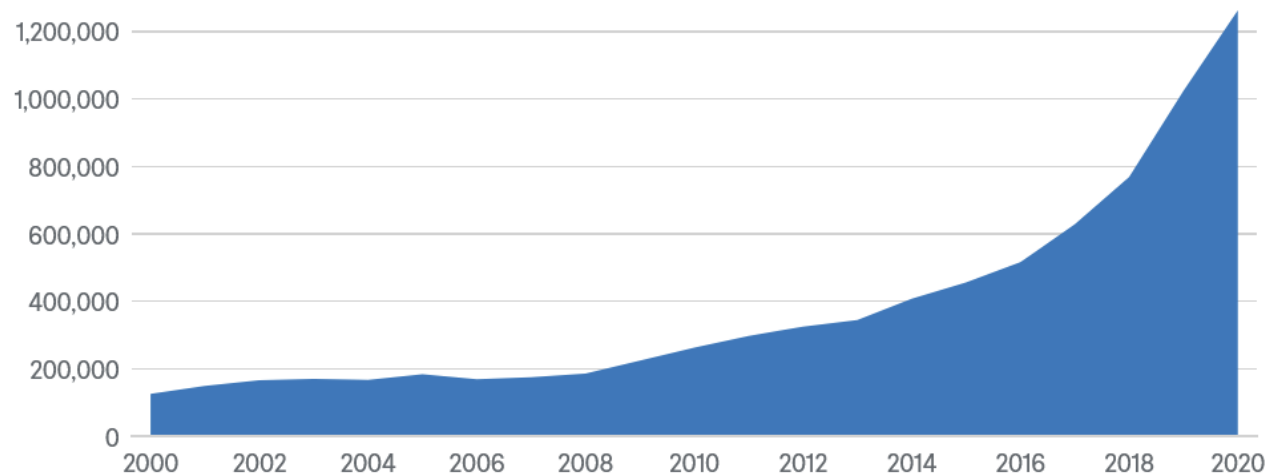
- **Seeks \$4 billion aid to address root causes** and on governance/less corruption in Northern Triangle (Honduras, El Salvador, Guatemala).
- **Seeks closer cooperation with Mexico**, including developing southern Mexico.
- Seeks **broad regional cooperation** to manage and share burdens of caring for those in need; help integrate and resettle elsewhere.
- **Addressing driving forces** in each source country **with better governance, US aid, private investment** & investing in **refugee, border, protection services**.
- Law enforcement cooperation to **reduce smuggling**.
- **Improved US temporary worker programs**: H-2A (seasonal ag workers), H-2B (non-ag)
- **Bolster US asylum system; better infrastructure** to receive and process migrants.

Comprehensive Immigration Reform Unlikely

U.S Immigration Court Backlog: need fixes

U.S. Immigration Court Backlog at All-Time High

Pending cases, by fiscal year



Note: Totals comprise charges related to national security, terrorism, and other crimes, as well as immigration.

Source: Syracuse University.

COUNCIL *on*
FOREIGN
RELATIONS

Maintaining a Partnership with Mexico?

US-Mexico Rebuilding Cooperation



Concerted US-Mexico Effort to Construct Mechanisms/Processes

- Vigorous **USMCA** implementation.
- Created **High level Economic Dialogue** agreed (September).
- Agreed to **High Level Security Dialogue** and to create an **Bicentennial Framework Action Plan (October, Jan.)**.
- Regular **Migration** dialogue and cooperation.
- Partner: **missing persons cases, human smuggling and trafficking**.
- Improve partnership on **health, environment**.
- **North American Leaders** added additional 3-way cooperation in 11/21.

Key Work Areas for U.S.-Mexico Relations

COVID 19 Safe Reopening

- Mitigate, contain and recover from the effects of COVID-19 on trade, tourism & migration.

Trade and Investment: Implement USMCA, Manage Disputes, Develop HLED.

- **USMCA**: new rules, new mechanisms, new committees; monitor implementation, e.g. labor commitments.
- **Tensions on energy policies** that harm US oil, gas, electricity/renewable energy investors; may violate NAFTA and USMCA.
- Make progress in all four pillars of **HLED**.

Border and Migration

- Better manage **migration including away from border**; strengthen migrant services.
- Deepen support for addressing **root causes** of migration; work with Northern Triangle; work with other source countries.

Drug and other illicit trafficking

- **Strengthen cooperation against cross-border crime** and its deadly effects in both countries.
- **Fentanyl, meth and other seizures up** at border; **drug production & violence up** in Mexico; **Overdose deaths up** in US.
- Overcome negative effects of **new Mexican law greatly restricting anti-drug cooperation**.
- Turn HLSD and new Framework **dialogue & coordinating mechanism** into a concrete **action plan** with specific objectives.

Improve Competitiveness:

- Revive a North American agenda to **enhance economic competitiveness** via a **North American Leaders Summit (NALS)**.

Rebuild Confidence:

- Avoid becoming “Distant Neighbors” again; manage domestic politics; rebuild broad, strategic cooperation.

Working with Mexico



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March 2022

North American Investment



In 2019, Canada's FDI in the U.S. reached: **\$495.7 billion**

In 2019 Mexico's FDI in the U.S. reached: **\$21.5 billion**

The U.S. had **\$503.2 billion** FDI in Canada and Mexico.



US FDI in Canada
\$402 billion

Mexico's FDI in Canada*
\$2.9 billion



Mexico's FDI in the US
\$21.5 billion

Canada's FDI in the US
\$495.7 billion



US FDI in Mexico
\$100.9 billion

Canada's FDI in Mexico
\$2.78 billion