



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. An “**Inter-Mestic**” Relationship.
- 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; **mixed 2017-21**.
- July **2020**: new U.S., Mexico, and Canada **trade accord launched** (USMCA).
- **2021-22**: Rebuilding cooperation on migration, border, crime, implementing USMCA, enhancing competitiveness and North America issues.

Serious Challenges to Address

U.S. drug demand; cross-border criminal networks: drugs, guns

Manage Central American, Mexican, “other” migration

Security & Justice Cooperation: New Bicentennial Framework

Negative public perceptions; deepen stakeholder dialogues

Boost commerce and jobs; build resilient supply chains

Recover from pandemic; Build a 21st century border

Implement USMCA, Solve Environmental and Energy Differences; Rebuild HLED

Reduce Violence & Corruption

Don’t forget potential terrorism

Importance of U.S.-Mexico Trade

Mexico is the U.S.' :

- 2nd largest export market (2021)
- 2nd largest supplier of imports (2021)
- 2nd largest Ag export market
- 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 \$611 billion in goods trade; behind Canada; ahead of China. Trade running higher in 2022. (China was #1 in 2020, Mexico was #1 in 2019.)

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



U.S.-Mexico Trade



Exports

\$289.5
Billion



Imports

\$387.8 Billion



Currency in USD. Source: Office of US Trade Representative 2019

2019 Trade in goods and services:

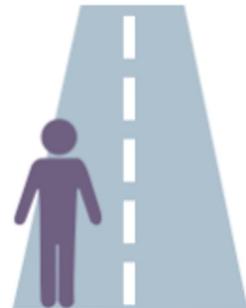


\$677.3
Billion

US and Mexico trade over 1 million dollars per minute

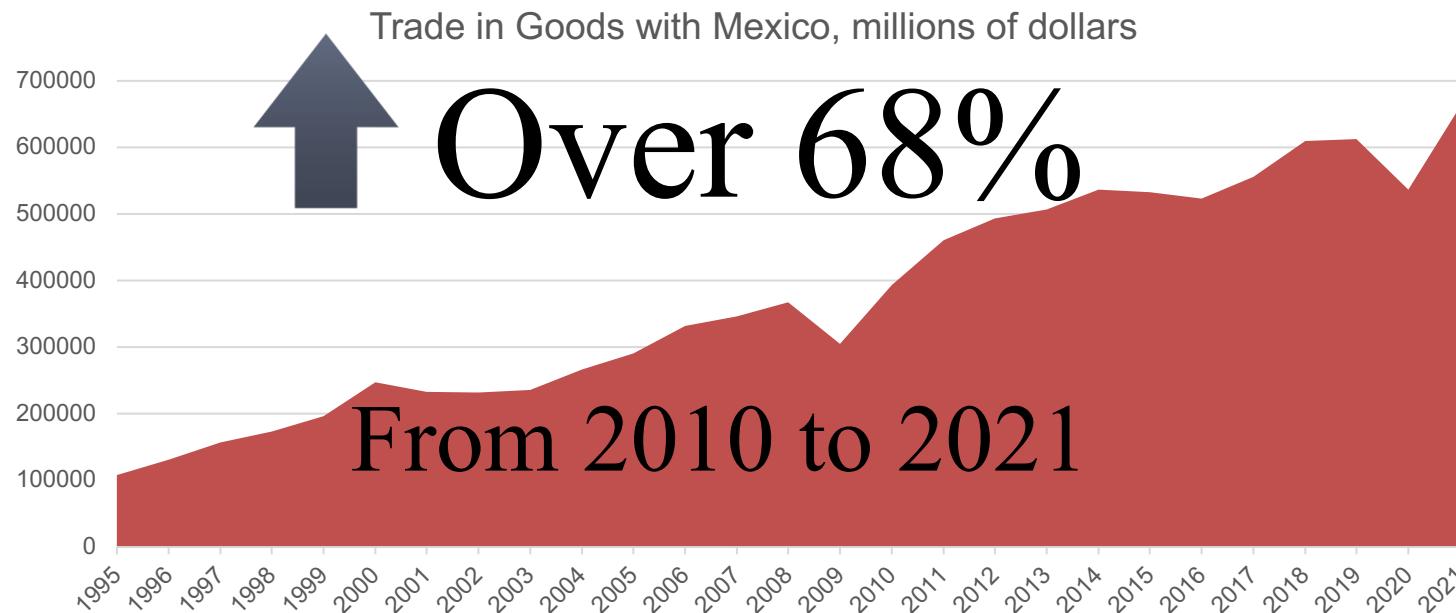
Border Crossings back to pre-COVID levels

Post-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

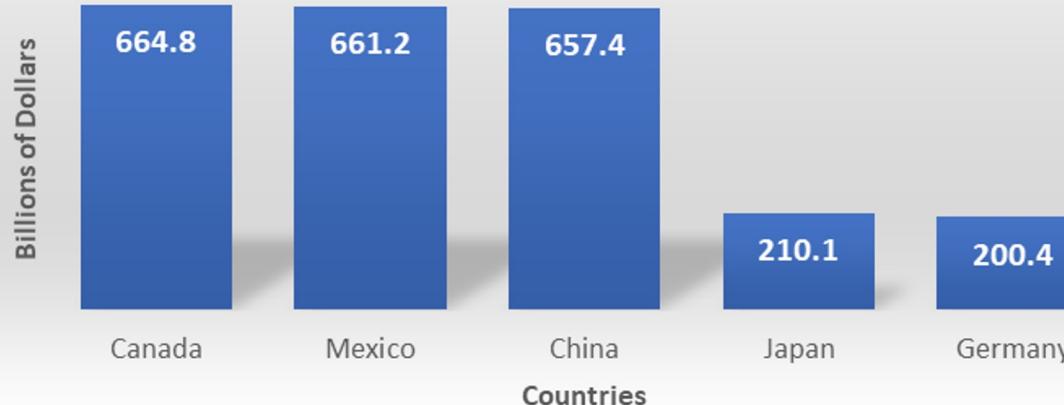


2021: Canada Tops Mexico in goods trade



Canada trade grew 26%, Mexico trade 23% vs 2020

U.S. Top Trading Partners (Jan 2021 - Dec 2021) Imports + Exports

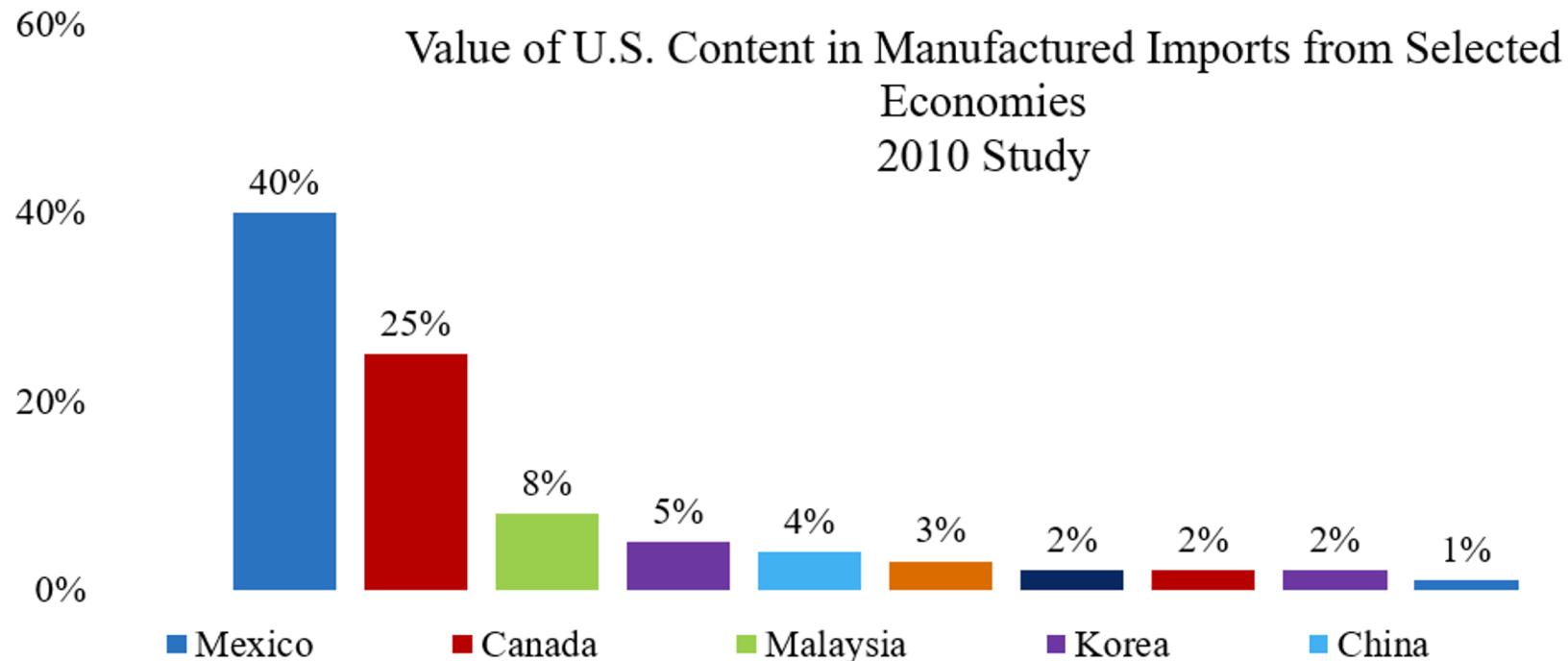




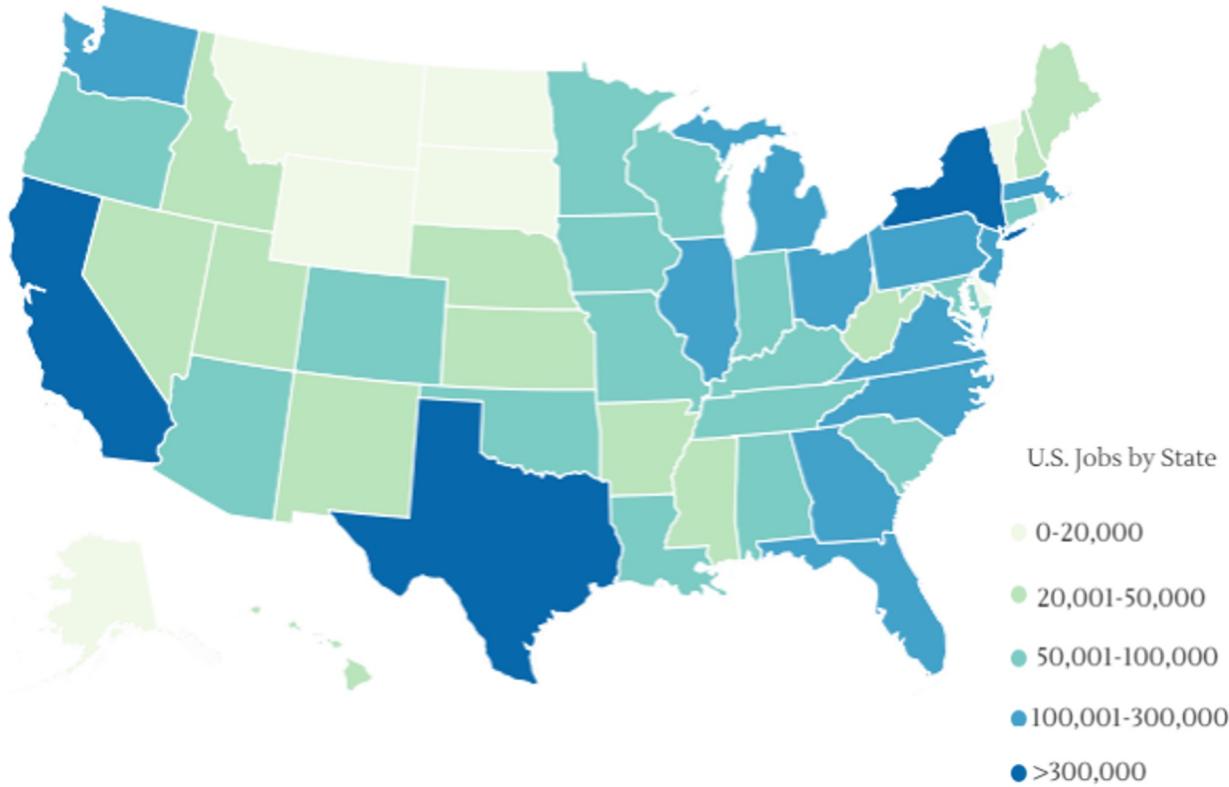
2022: Canada still at top North American trade growing by double digits



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



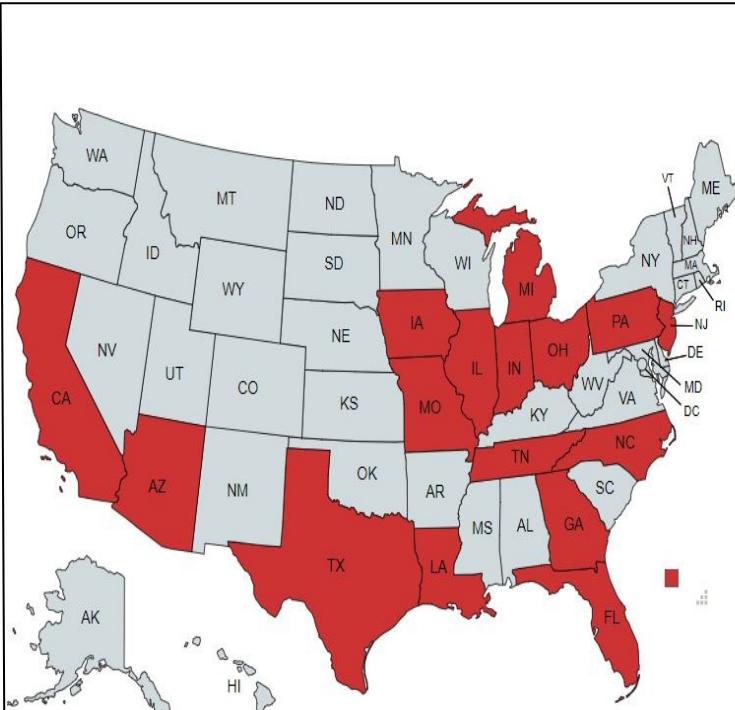
Mexico trade and investment supports over 5 million U.S. jobs



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' Exports To Mexico 2021

State	Volume \$USD (Billions)	State	Volume \$USD (Billions)
Texas	123.1	Pennsylvania	4.8
California	27.2	North Carolina	4.6
Michigan	10.6	Tennessee	4.1
Illinois	8.9	Georgia	3.7
Arizona	8.2	Florida	3.3
Louisiana	7.1	Missouri	3.3
Ohio	6.3	New Jersey	3.2
Indiana	5.3	Iowa	3



U.S.-Mexico Border States

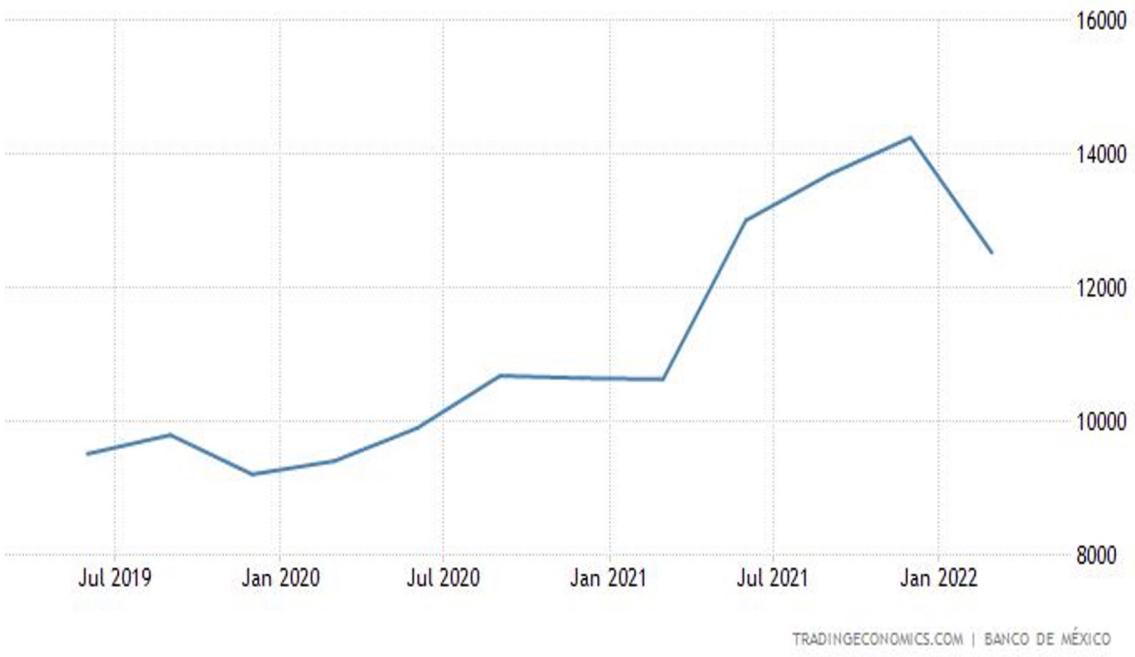
- In 2021, the U.S.-Mexico Border States' GDP reached **\$6.2 trillion**
- GDP from both sides of the border would constitute the **3rd** or **4th** largest economy in the world.



Largest economies in the world (2022)

	United States: \$22.9 trillion
	China: \$17.7 trillion
	Japan: \$4.9 trillion
	Germany: \$4.2 trillion (EU \$17.1 trillion)

Big Jump in Total US Remittances - Money sent back to family and friends in Mexico rose 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.
- Remittances appear to be moving back to pre-pandemic levels.

Border Management: Licit and Illicit Flows

Moving toward Co-Management of the Border



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

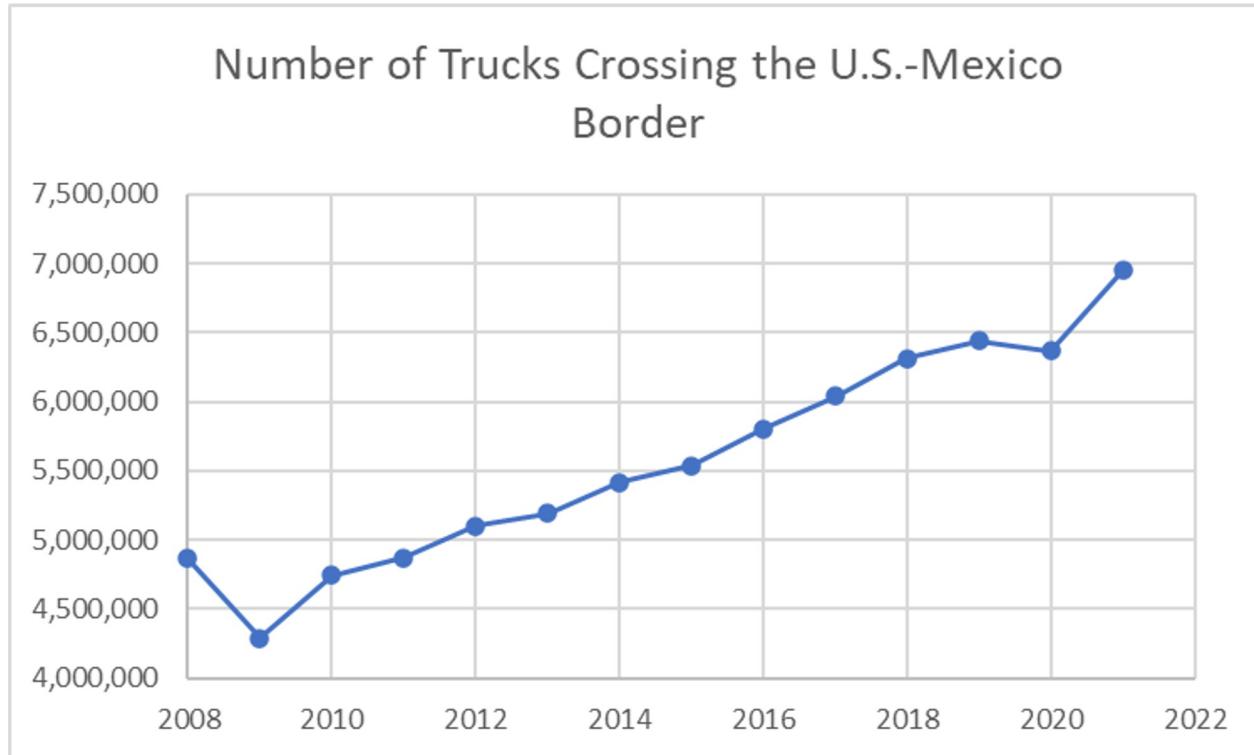
In 2019, overnight visitors from the U.S. to Mexico totaled **39.9 million**:
40.0% of U.S. overseas tourism.

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

Together, these **55 million visitors** spent over **\$41 billion**. 2022 numbers are rising to those levels.

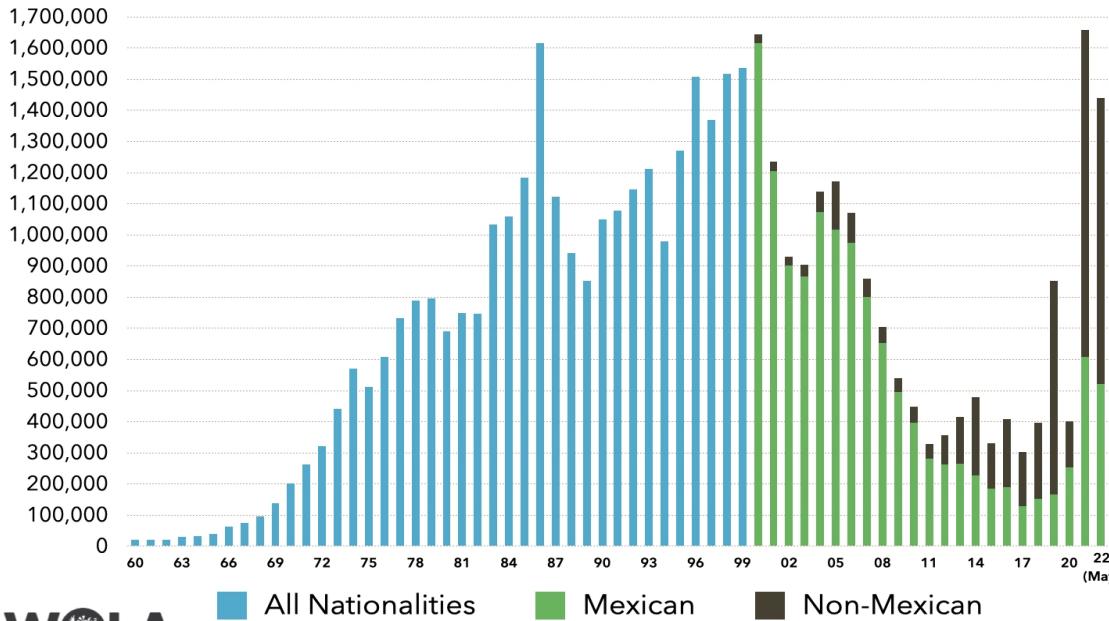


Trucks Crossing the U.S.-Mexico Border



60 years Southwest Border Migrant Encounters

U.S.-Mexico Border Migrant Encounters



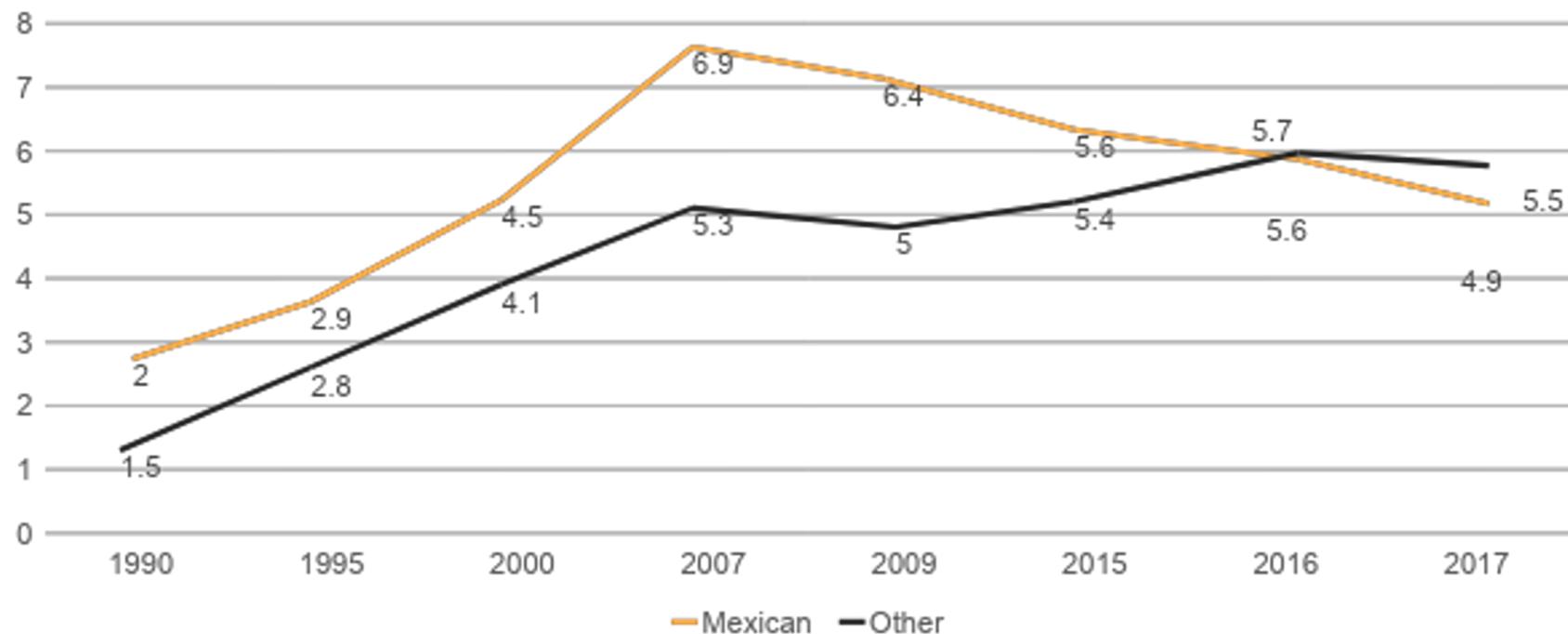
Mexican Migrant Flows Net-Zero Until COVID

- 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.
- FY2011: Mexicans still made up 86% of apprehensions but then declined until COVID.
- FY 2020: Mexicans apprehended rose again; 63% of the apprehensions, totaling 400,651.
- FY2022: only 33% encounters, but 808,000.
- Mostly single adults returned immediately.
- Why? seeking jobs due to pandemic recession and some flee violence in Mexico.

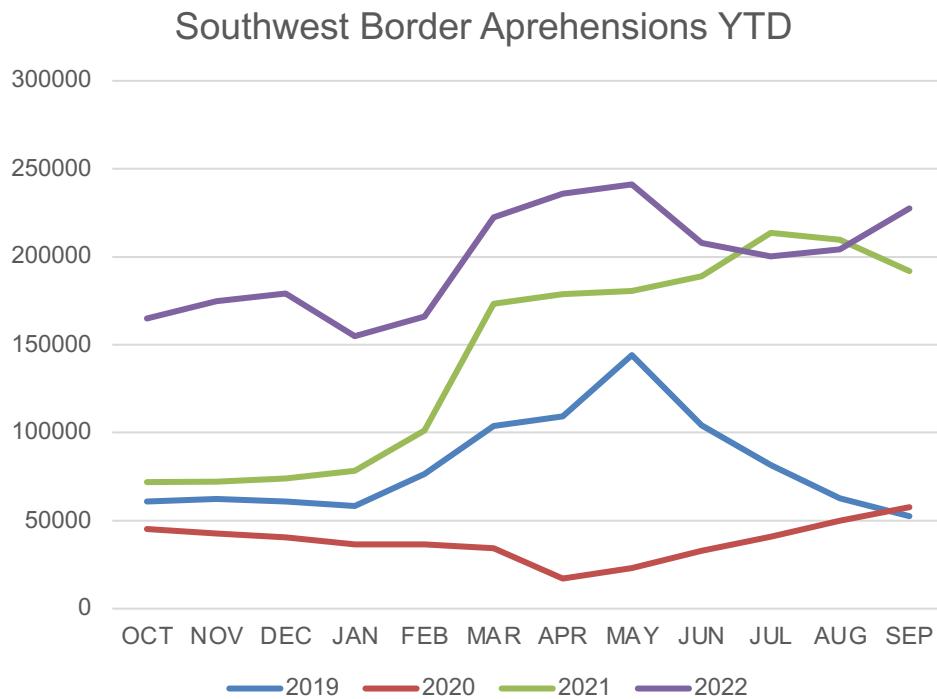


Source: U.S. CBP 2019, Congressional Research Service 2019.

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



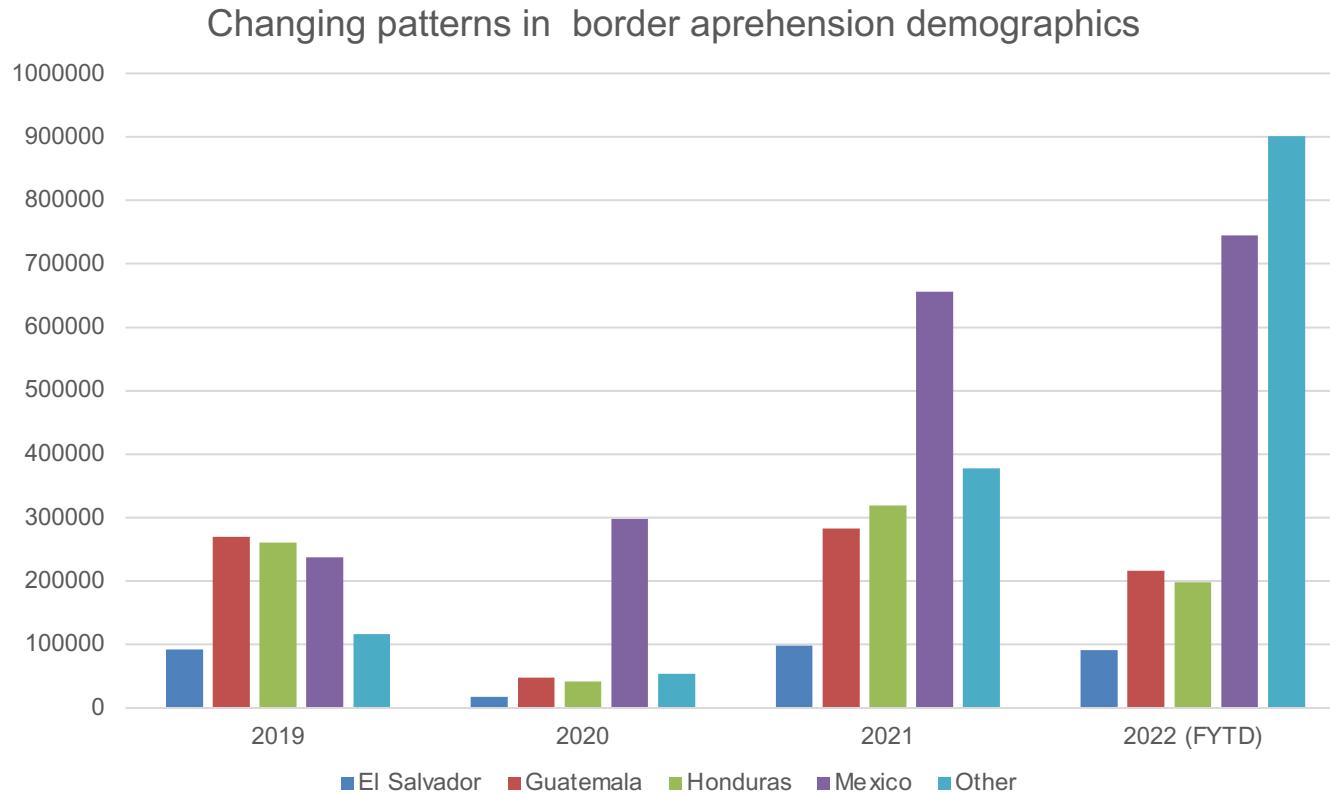
U.S.-Mexico border apprehensions



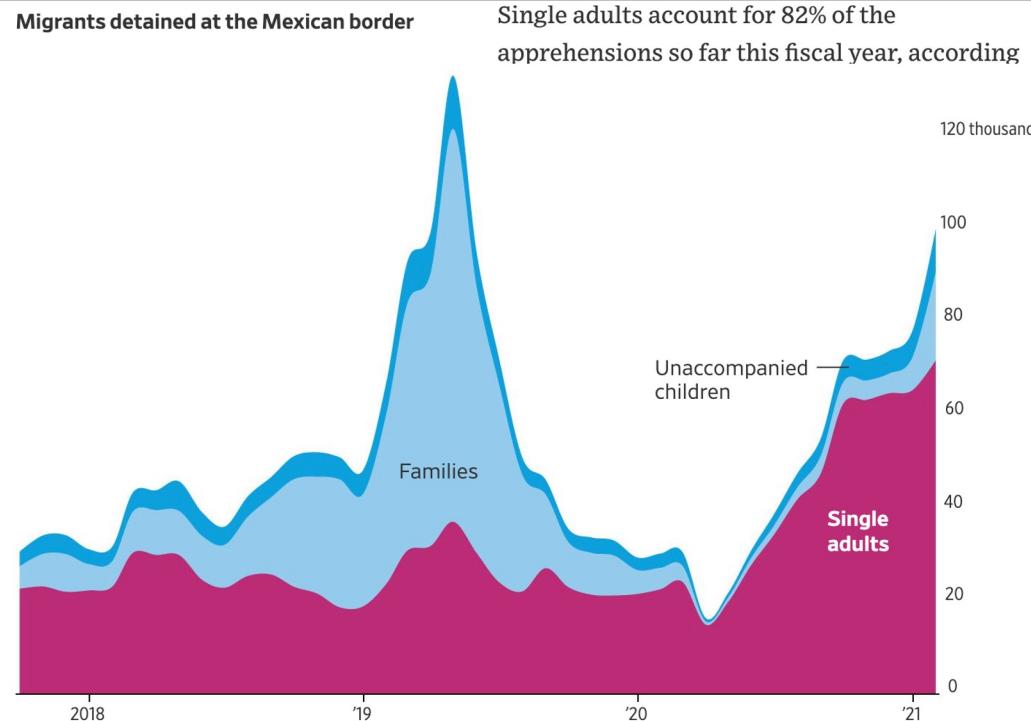
- FY 2020, 458,088 apprehensions (COVID 19)
- FY 2021, 1,734,686 apprehensions.
- FY 2022, record encounters, 2,378,900.
- Fewer families, more adults, more Mexicans, many more from elsewhere.
- Many rapid returns (60% of those under Title 42 citing Covid concerns)
- More repeat apprehensions (28%)

Southwest Land Border Encounters and Demographics

Massive Surge from Other Countries

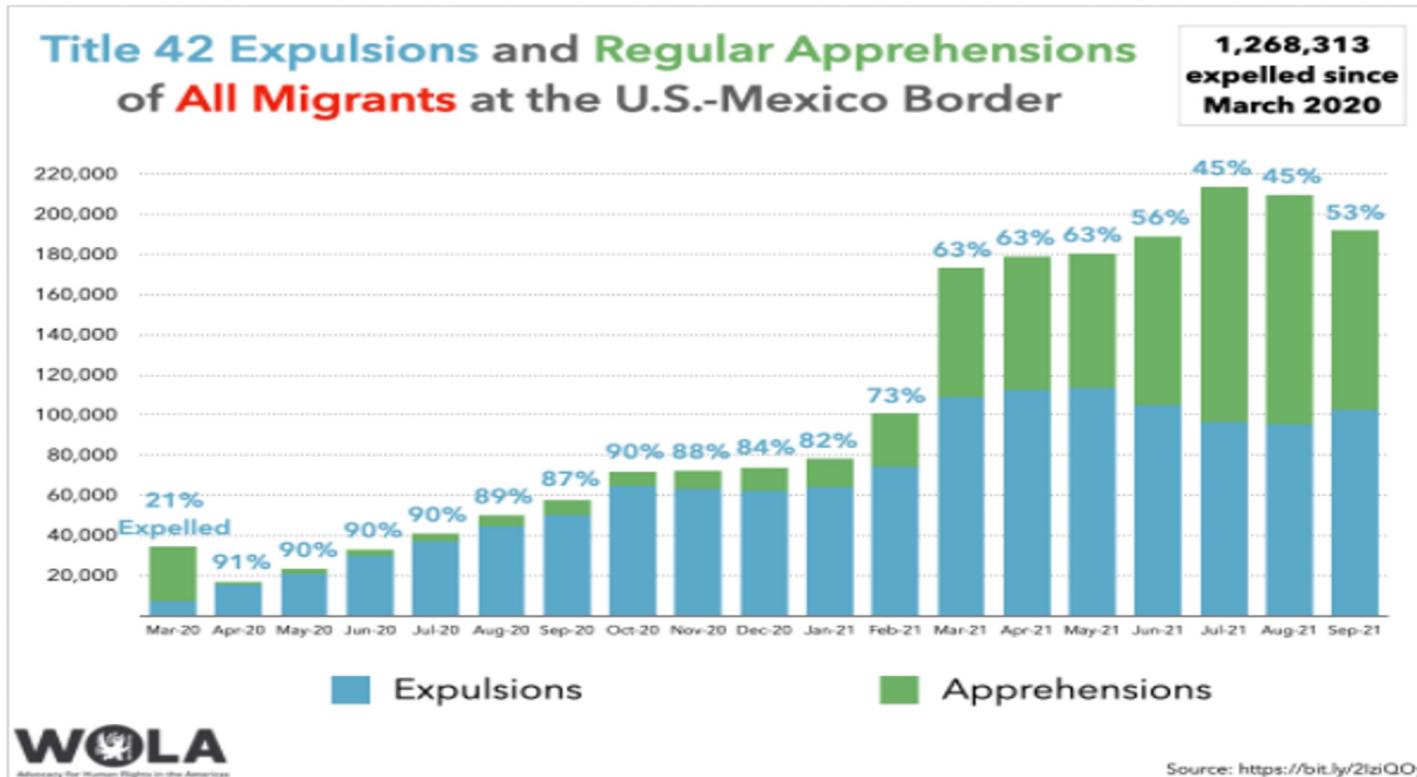


Migrants Detained at SW Border- through FY 2021



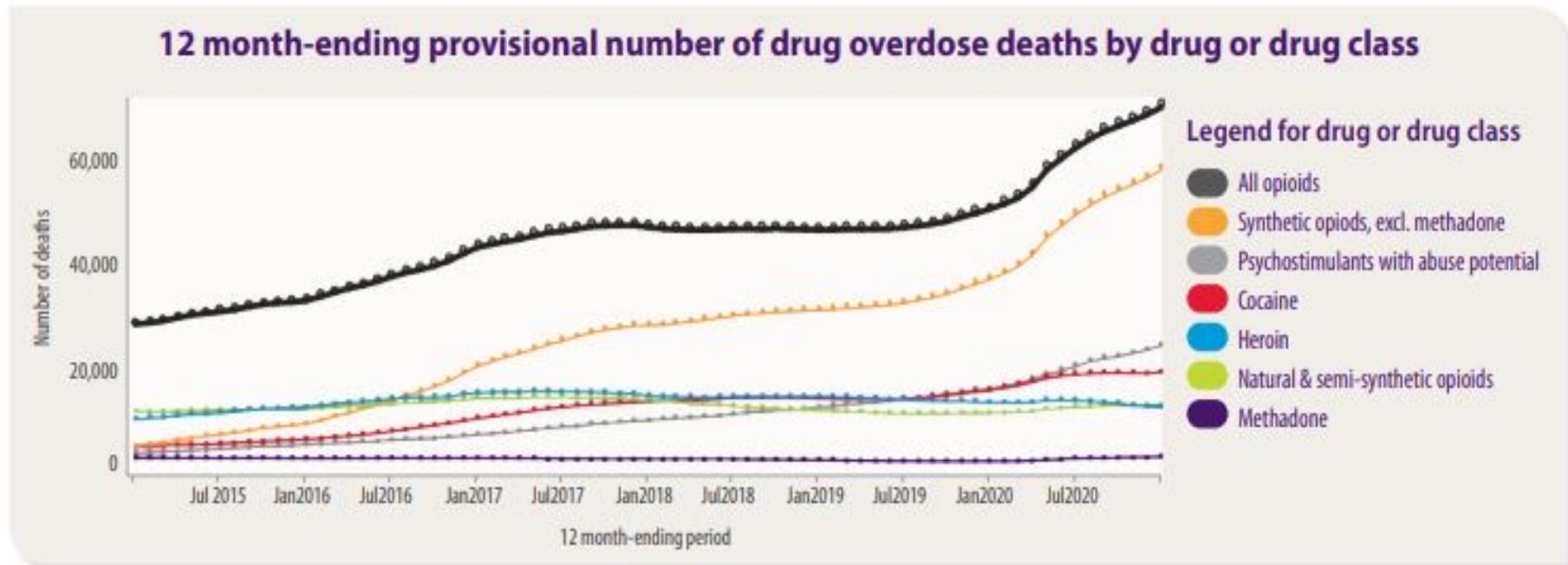
during the same period in 2020. During the same period in 2019, more than 136,000 families were arrested at the border.

Border Expulsions linked to COVID to end soon



Bilateral Cooperation Against Crime: Trying to Revive Collaboration

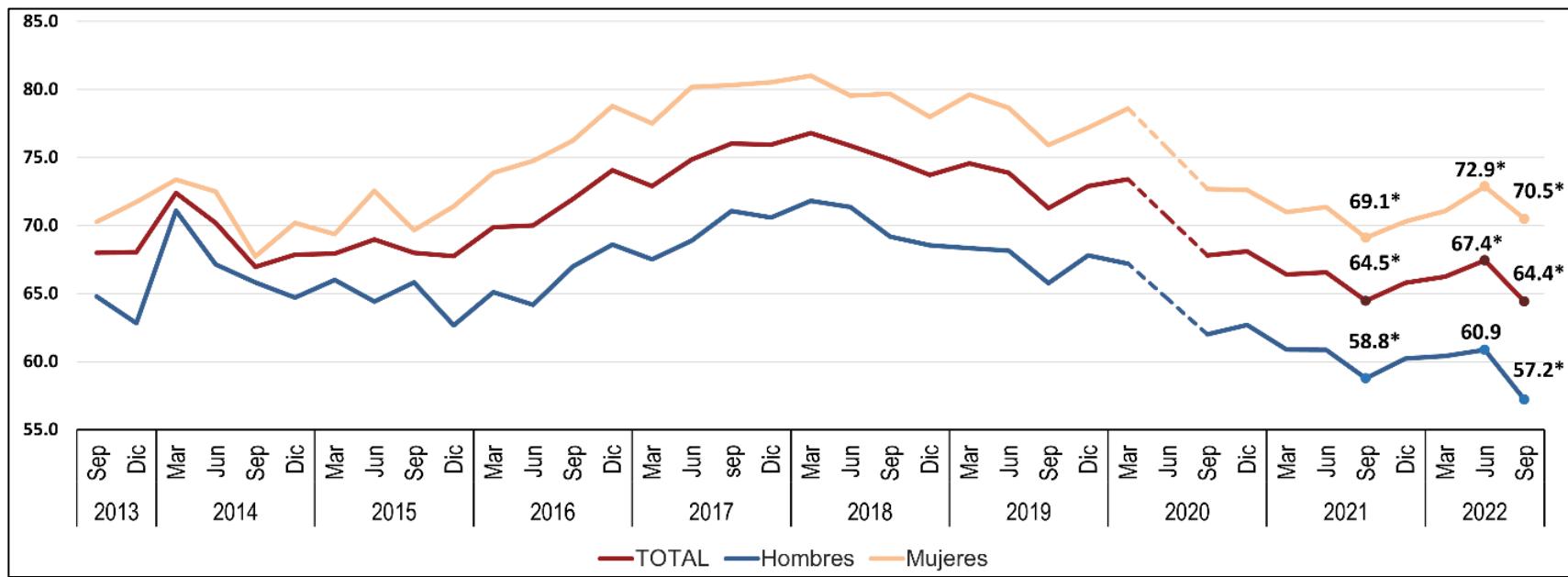
Driver: Drug Overdose Deaths up 28% to 106,000 2020-21



Source: 2021 OVERDOSE EPIDEMIC REPORT Physicians' actions to help end the nation's drug-related overdose and death epidemic —and what still needs to be done.

Perception of Public Insecurity

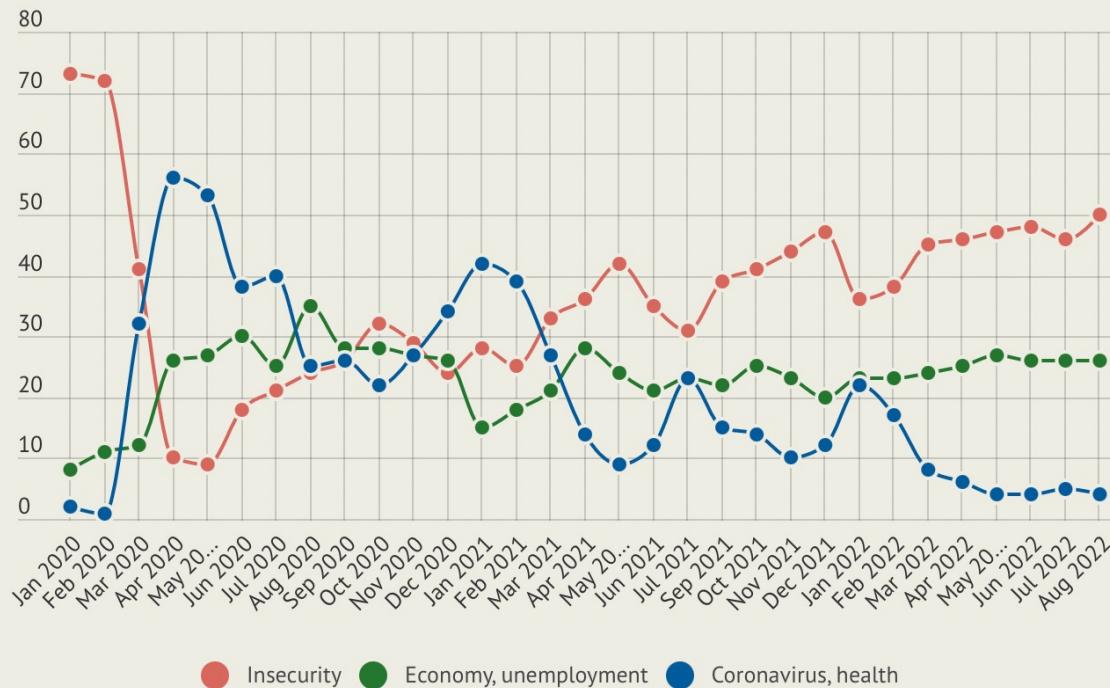
SOCIAL PERCEPTION OF PUBLIC INSECURITY AT THE NATIONAL LEVEL



Source: INEGI (2022)

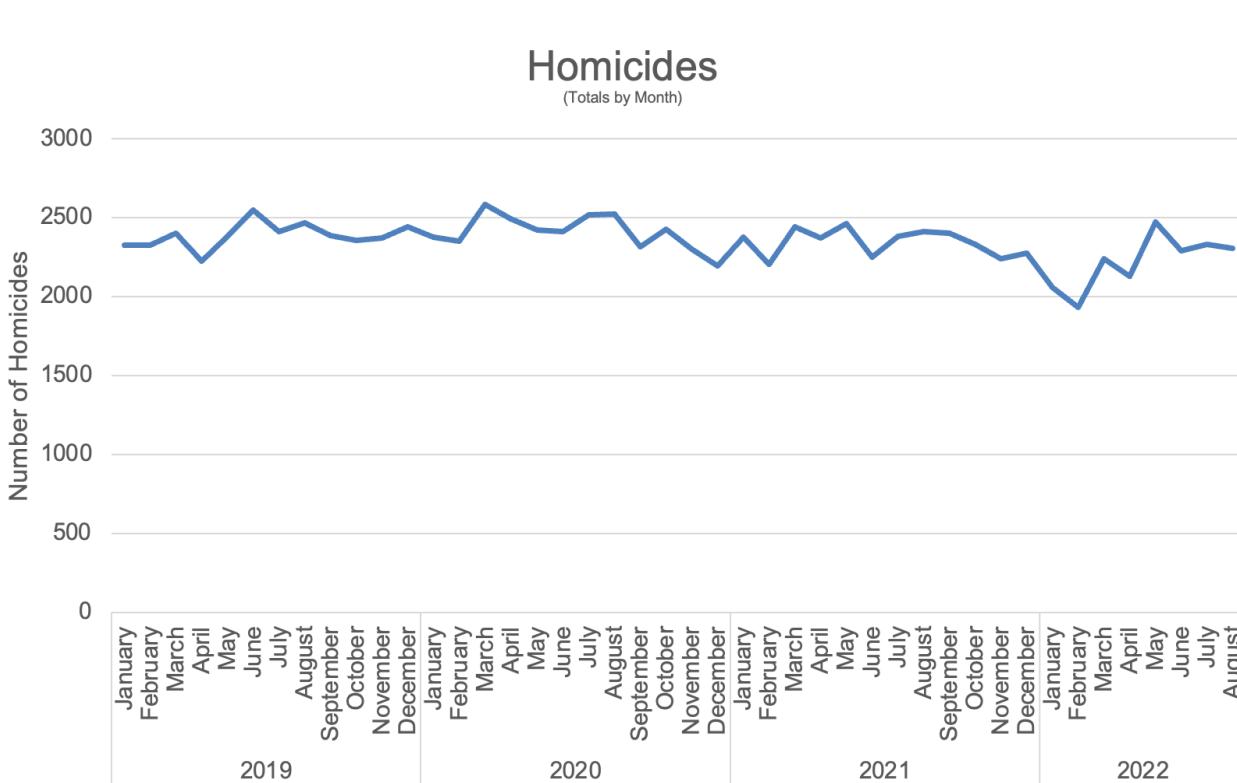
August 2022 poll: Percentages of Mexicans that see specific issues as the country's principal issues: **Insecurity at top**

Insecurity is seen as the top issue, per the August 2022 poll.



- 46% of Mexicans see security as the most important national issue
- Coronavirus and health concerns are at their lowest point since March 2020, at 6%
- Economic and unemployment concerns have held steady between 20%-30%

Homicides in Mexico: Still at Crisis Levels

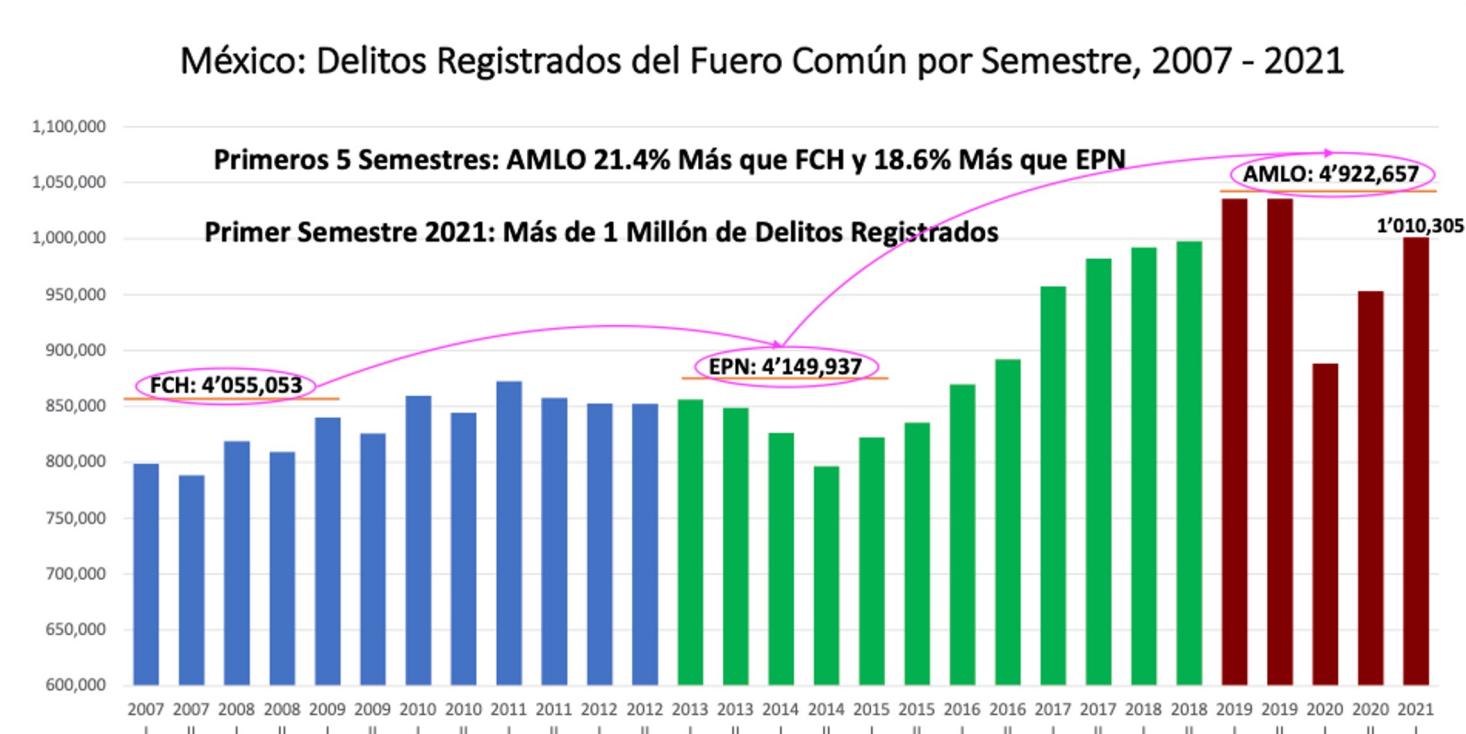


2019 Record 34,648 homicides
2020 slightly down: 34, 515
2021 3% reduction: 33, 308
2022 decline thru June, but jump in October

Criminal groups fighting for territory; over 50% homicides in six states

\$19-30 billion to criminals from U.S. drug sales. Violence cost Mexico an estimated 20.8% GDP in 2021 (\$243 billion)

Crime Increased Significantly over Last Two Presidencies



Department of State 2021 Country Reports on Human Rights Practices

- In March 2022, “**Impunity and extremely low rates of prosecution.**”
- **Significant Human Rights Abuses:** “**unlawful or arbitrary killings** by police, military, and other governmental officials; **forced disappearance** by government agents; **torture** and degrading treatment by security forces; life-threatening prison conditions; arbitrary arrest ...
- **Organized Crime:** “Organized criminal elements ... were **significant perpetrators of violent crimes** ... **acts of homicide, torture, kidnapping, extortion, human trafficking, bribery, intimidation, and other threats**, ... the **vast majority remained uninvestigated and unprosecuted.**”
- **Journalists:** Journalists were killed or subjected to physical and cyberattacks, harassment, and intimidation **High levels of impunity, including for killings or attacks on journalists.**
- Plus **femicides.**

Mérida Initiative: 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**.

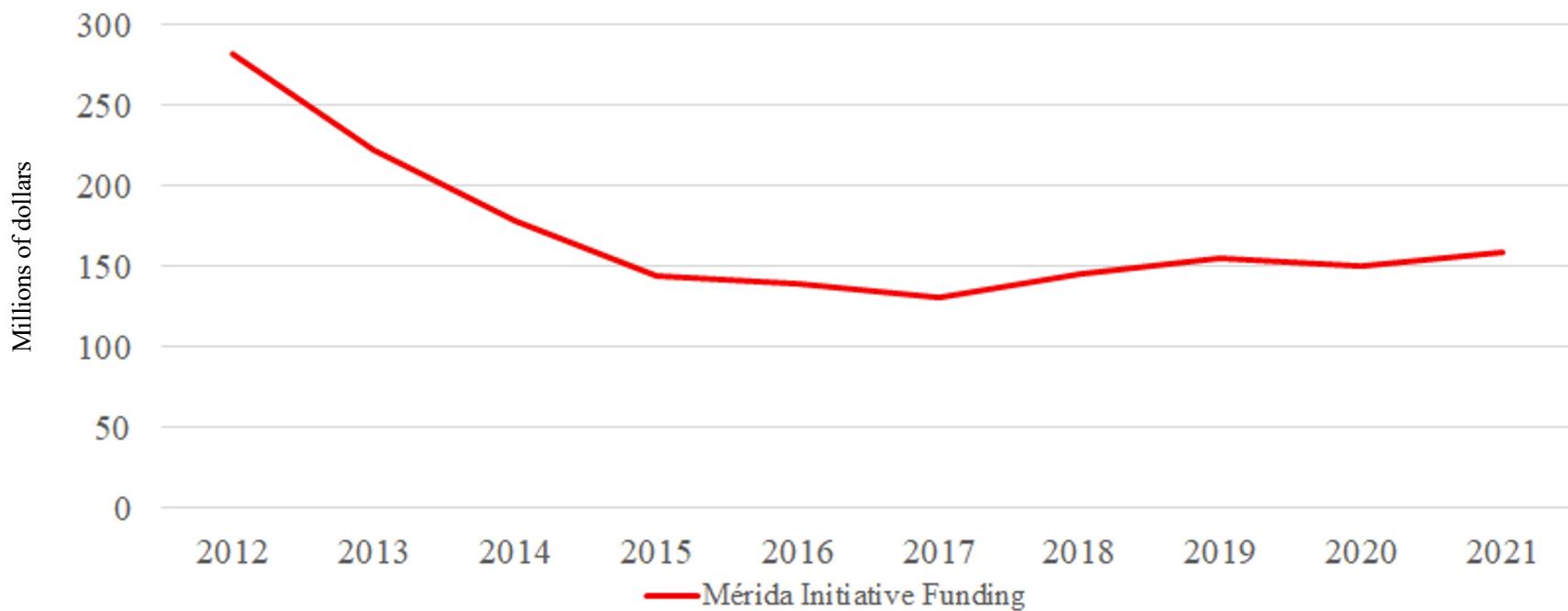
\$1.6 billion already spent on training and equipment via over 100 programs to bolster Mexican capacity.

Mexico has 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.

Mérida Initiative funding 2012-21

- In recent years, funding for the Mérida Initiative, declining but still substantial



Law Enforcement & Security Cooperation: 2007-21

Mérida Initiative Programs &
Agency-to-Agency Cooperation

Defense Dialogues & Cooperation

Security Coordination Group (est. 2014)

High-Level Security Group (est. 2019)

Cabinet-Level Security Dialogue
(announced June 2021)

Expert Suggestions for Cooperation (2018-2024)

An alignment of key security objectives.

1. Create a **bilateral coordination group** to reconcile the priorities of both nations (**done**).
2. Build **cooperation** with the **National Guard** and at **sub-national levels** (**some in process**).
3. **Training** to improve Mexican law enforcement and **criminal justice system** (**some in process**); launch **joint investigative work**, including on **illicit finance** (**needed**).
4. Establish/re-activate/strengthen **international liaison units including at border** to help with investigations, information-sharing, etc.; deepen prosecutor cooperation (**needed**).
5. Create a joint U.S-Mexico **task force on countering fentanyl trafficking** (**needed**).
6. Exchange best practices on drug abuse prevention & **harm reduction** strategies (**beginning**).
7. Enhance cooperation to **strengthen local policing and justice** in Mexico (**some underway**).
8. Enhance cooperation on **migrant smuggling & Central America networks** (**in process**).
9. **Separate cannabis regulation** from security cooperation (so far).

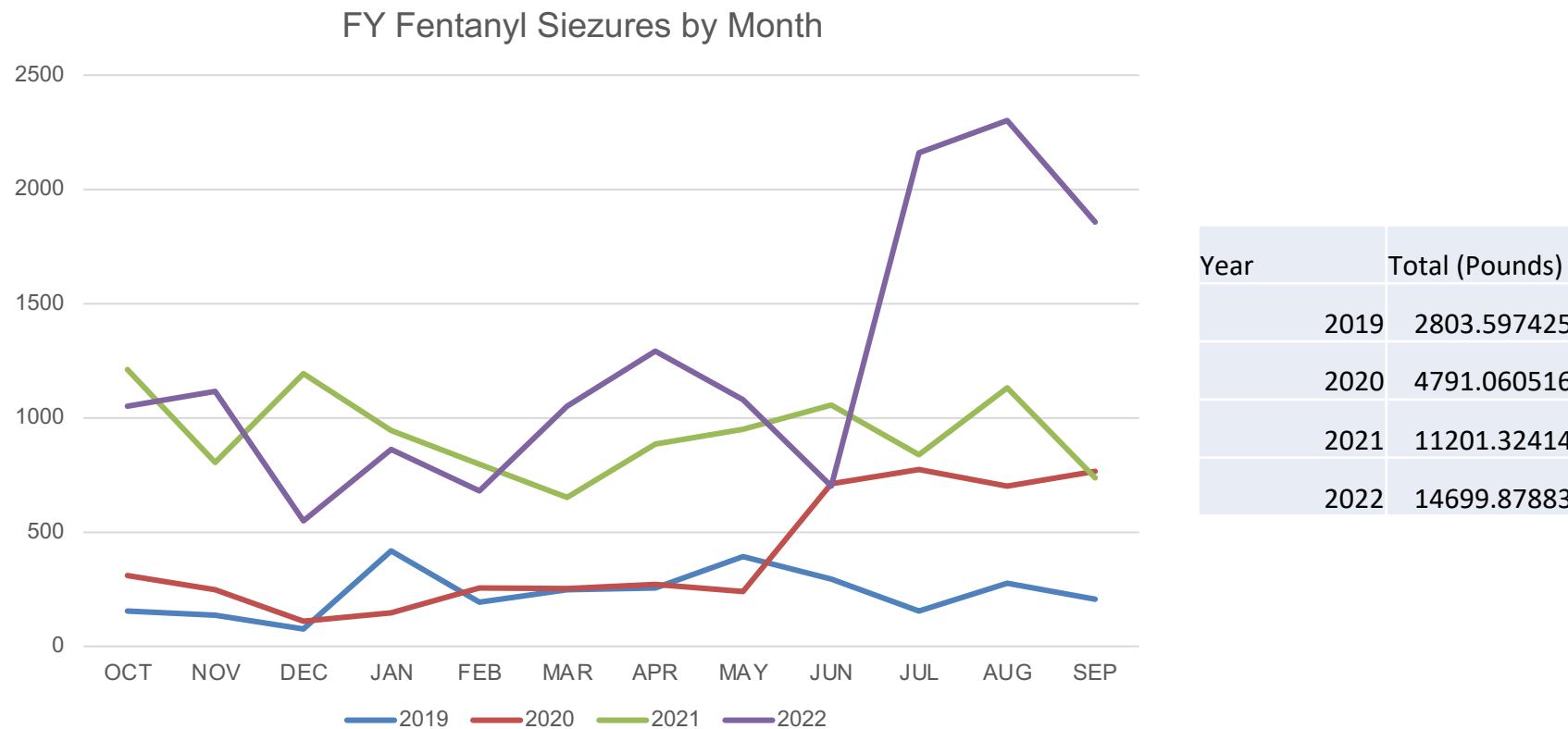
2017-2021 Growing Challenges on Illicit Drugs

- **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. **Tools:** physical barriers, technology, patrolling, eradication, enhanced cooperation, anti-addiction programs. **Never Implemented.**
- In **2018**, **AMLO ordered a review**, but did **not agree to update strategy until October 2021**
- **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.
- Former Defense Secretary's arrest in late **2020** generated Mexican law sharply restricting anti-crime cooperation.
- VP Harris June **2021** visit sparks launch in October of a High Level Security Dialogue & a new Bicentennial Framework.

New Start: High level Security Dialogue (HLS)^D

- US and Mexican cabinet members agreed to replace Merida with a new “**Bicentennial Framework for Security, Public Health and Safe Communities**” in October 2021.
- **Agreed to forge a more detailed action agenda by the end of 2021 and then a 3-year action plan.**
 - Investing in public health as related to the impacts of **drug use, supporting safe communities, and reducing homicides and high-impact crimes.**
 - **Reducing transborder crime** by securing modes of travel and commerce, reducing **arms trafficking, targeting illicit supply chains, human trafficking & smuggling.**
 - Pursuing criminal networks by **disrupting illicit financiers and strengthening security and justice sectors.**
- **26 joint objectives** announced January 2022. **HLS met again October 2022. Agreed much work still to do: Fentanyl, Arms, Migrant Smuggling, Illicit Money.**
- Will require **rebuilding trust** and finding ways to successfully arrest and **bring criminals to justice.**

Fentanyl Seizures at SW Border: up 524% 2019-22





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

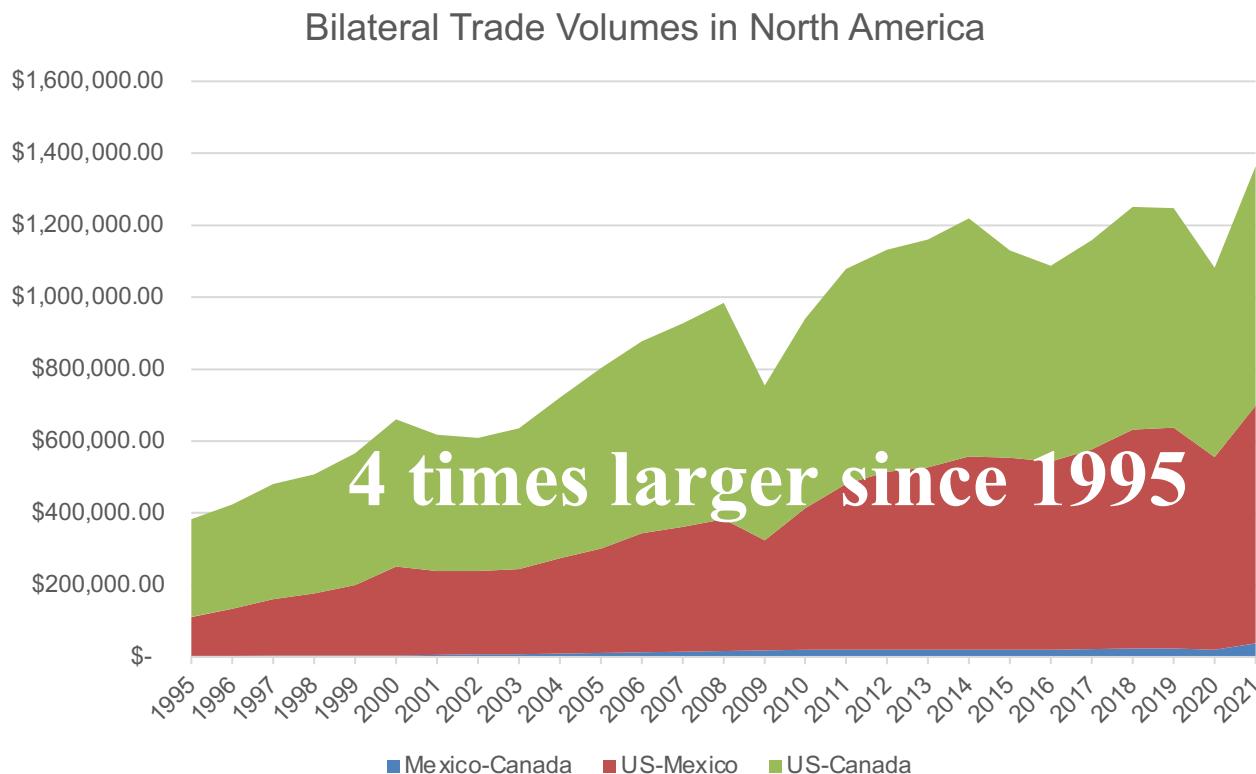


North American Trade

- 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**.

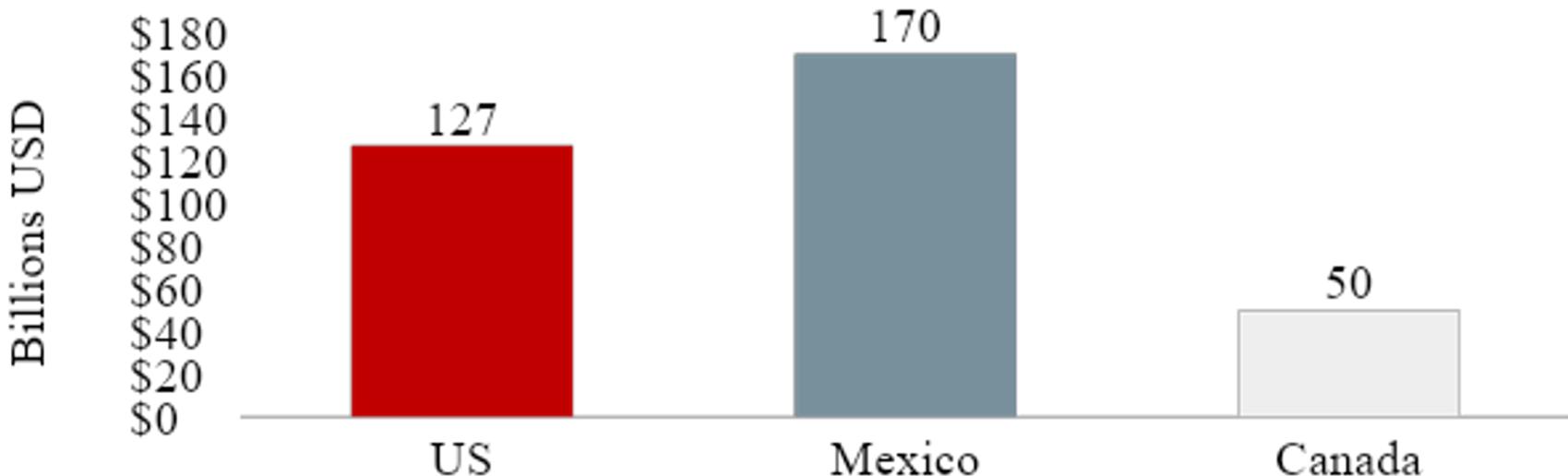


North American Trade in Goods and Services



Source: Secretaria de Economia, 2018; BEA, 2018; Census Bureau, 2018; Americas Society/Council of the Americas, 2019, USTR 2020

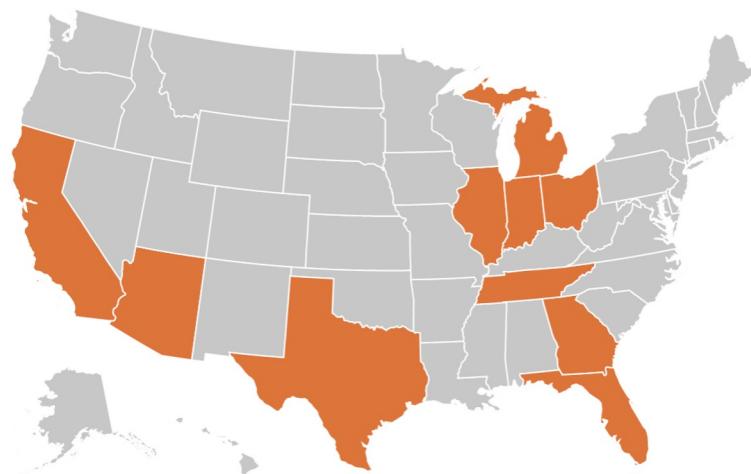
NAFTA Countries were richer each year due to “extra” trade growth (2014 estimate)



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

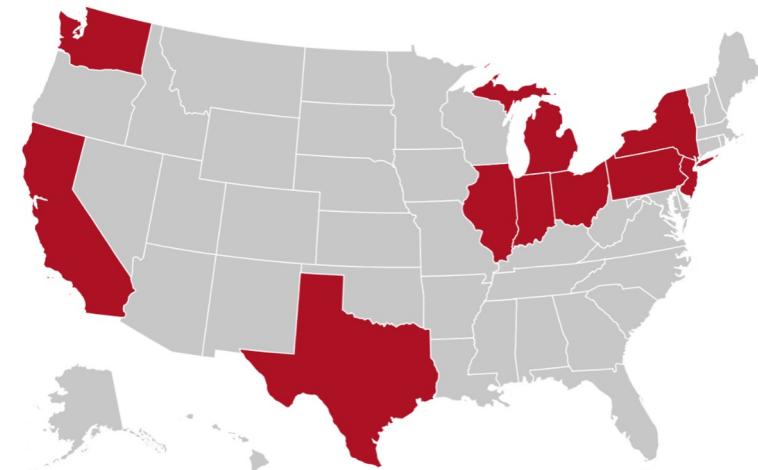


Top U.S. States' Trade with Canada 2017

- 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

Source: Forbes, 2017; U.S. Census Bureau, 2018.



Net U.S. Jobs Related to Trade with Mexico & Canada Top 10 states

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 underway. Slowed by pandemic and US transition.**





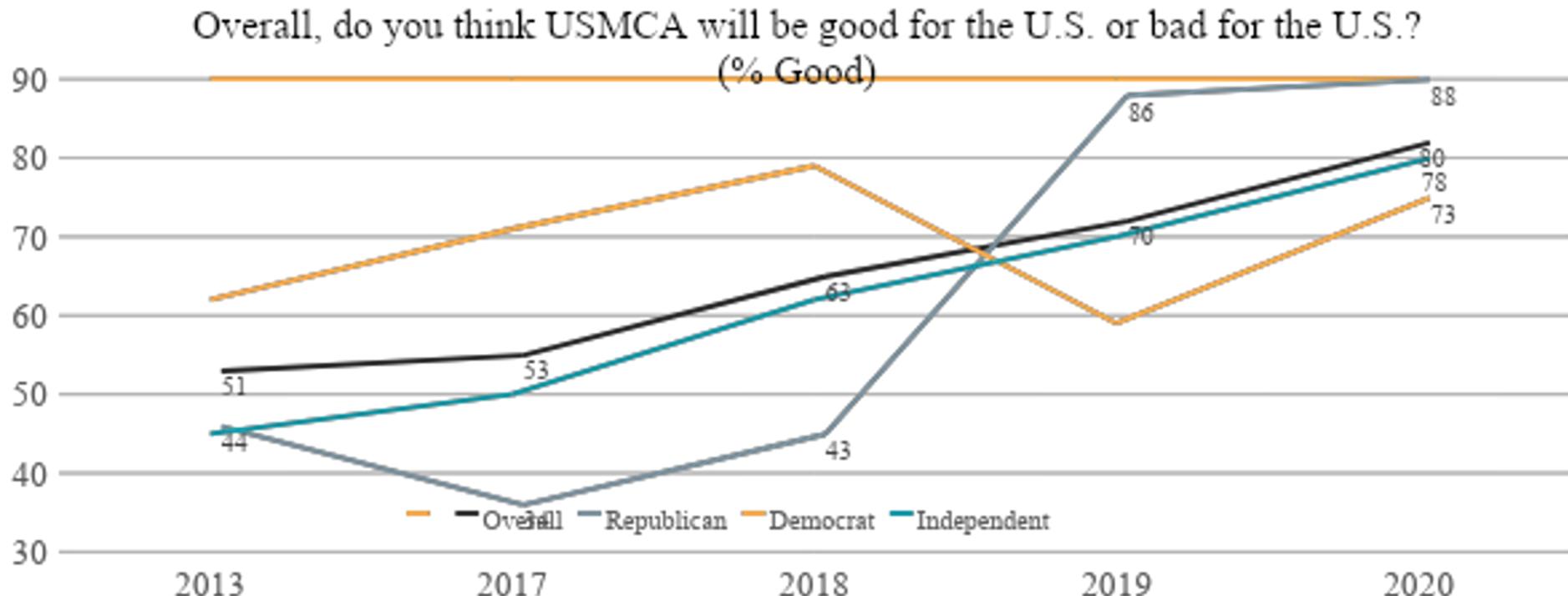
Main elements of the USMCA (T-MEC)

- **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.





US Opinion: Is NAFTA/USMCA Good for the US Economy?





Implementing USMCA

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

Post-Pandemic: Supply chains & border crossings disrupted; need to build resilient supply chains & smarter, modern borders to support trade. Takes govt-to-govt and private sector collaboration.

USMCA Concerns:

- **Mexico:** Labor democracy (early US cases successful). Undermining energy investments policies and regulations. Complaints not honoring agriculture biotech commitments.
- **United States:** Mexico and Canada concerned about vehicle rules of origin; US subsidies.
- **Canada:** US complains about dairy commitments; Canada complains about softwood lumber.

Biggest gain: reduced uncertainty for businesses and farmers. Seek good implementation and enforcement, work on competitiveness; SMEs; digital trade, etc. **Review results in 2025-26.**



New: High Level Economic Dialogue (HLED)

1. Revived the HLED set up in 2013 to advance strategic economic and commercial priorities for both countries; Trump Administration abandoned.
2. In September 2021, cabinet ministers launched. Complementary to USMCA. **Four Pillars**:
 - 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.

Second meeting September 2022.

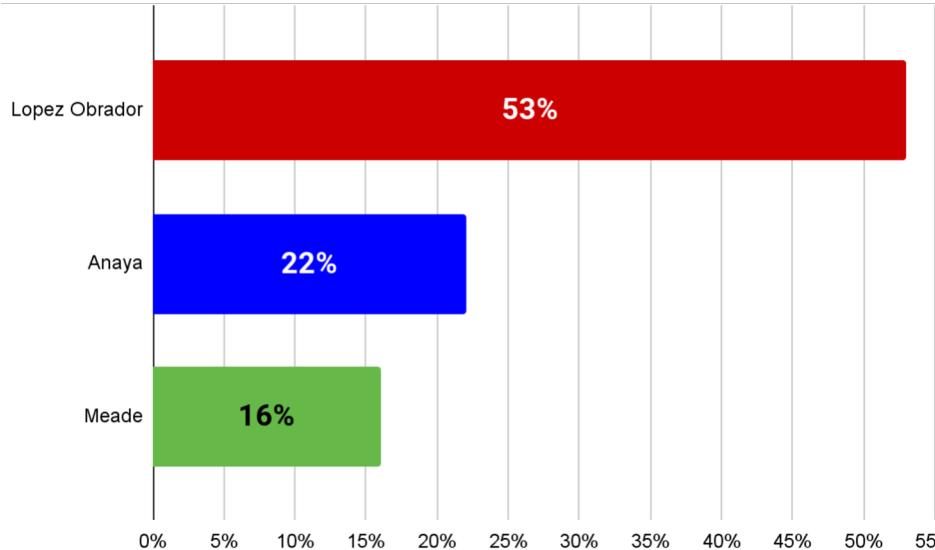
North American Leaders Summit (NALS)

In **November 2021**, the North American Leaders Summit agreed an **action agenda**; Expected **2nd NALS in December**.

1. **Pandemic**: update North American Plan for Animal and Pandemic Influenza (NAPAPI); steps to strengthen vaccine and public health supply chains.
2. **Supply Chains and Economy**: Create a Trilateral Supply Chain Mechanism; strengthen SME participation, stop forced labor imports; hold a trilateral cyber meeting.
3. **Environment and Climate**: forge strategy to reduce methane & black carbon emissions; accelerate renewable energy; support climate smart agriculture, forestry, water use.
4. **Justice and Diversity**: Trilateral action on racial equity and inclusion, violence against indigenous women & girls; a LGBTQI+ global equity fund.
5. **Migration and Development**: Develop a regional compact on migration, promote pathways for labor mobility through seasonal work visas. Continue dialogue on root causes of migration. Create a migrant smuggling and human trafficking task force.

Elections & AMLO's Policies/Performance

Presidential Results: Launches the “4th Transformation”



July 2018 voter turnout: 63.5%

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

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

**AMLO took office December 1.
Most powerful President in decades:** few counterweights.

June 2021 Election

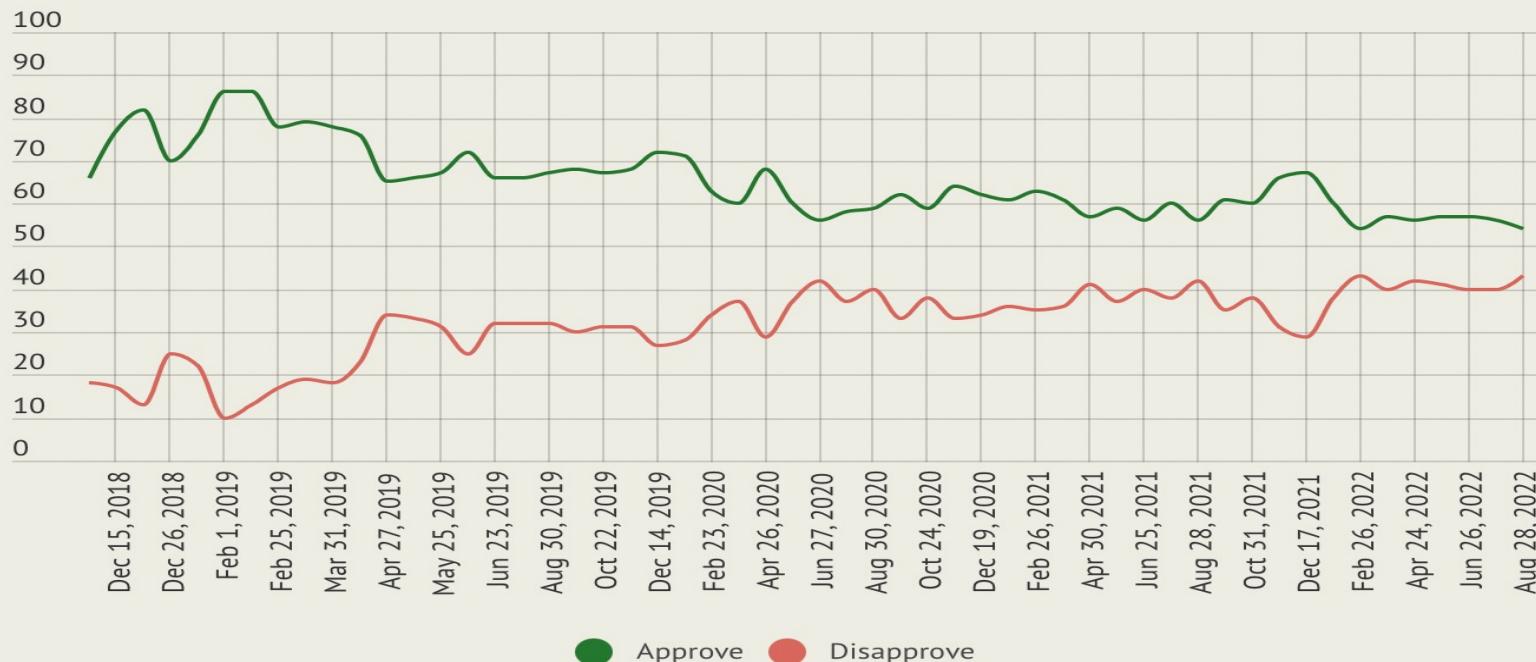
21,368 seats were up for election. AMLO's **coalition retained a majority but did not win $\frac{2}{3}$ of the Federal Deputies to change the constitution.**

Morena won big in the states, but with only 35-36% of the vote.



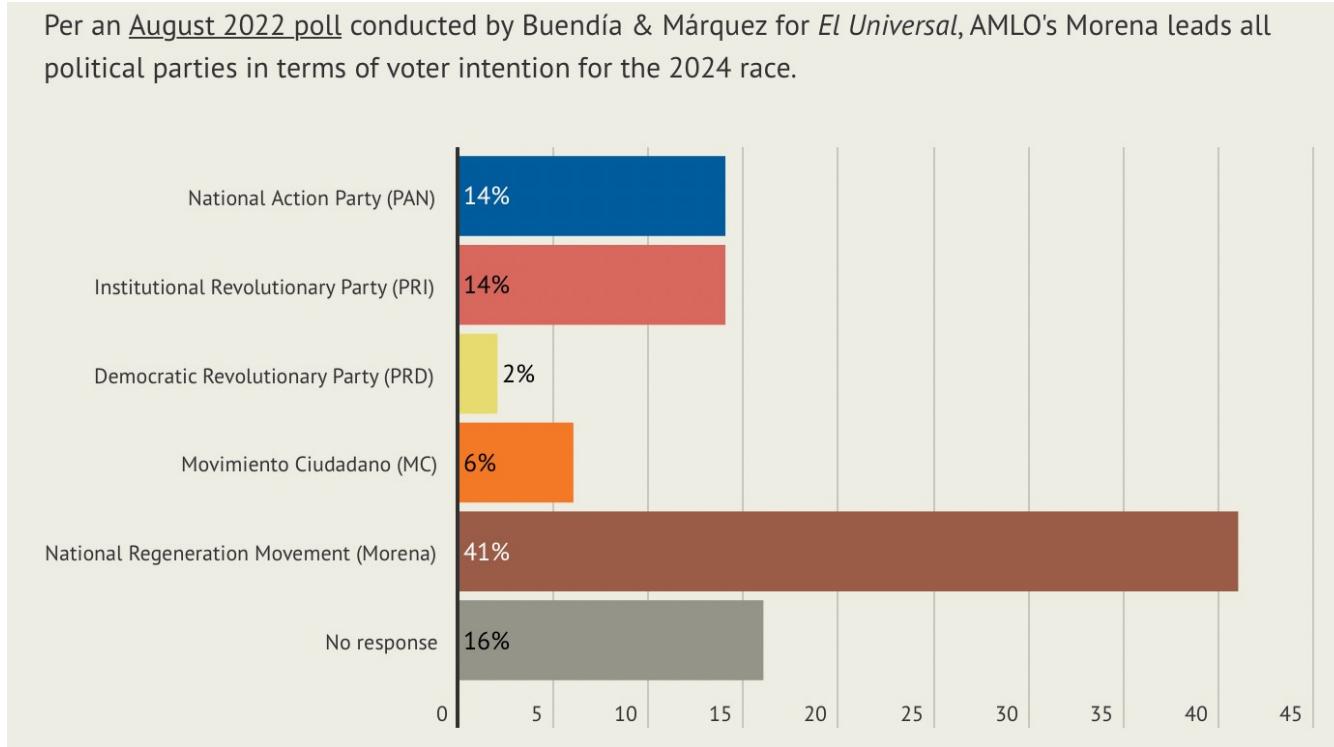
AMLO APPROVAL Nov 2018-March 2022 (POLL OF POLLS)

"In general, do you approve or disapprove of the job Andrés Manuel López Obrador is doing as president of Mexico?"



Popularity of Political Parties

Per an [August 2022 poll](#) conducted by Buendía & Márquez for *El Universal*, AMLO's Morena leads all political parties in terms of voter intention for the 2024 race.

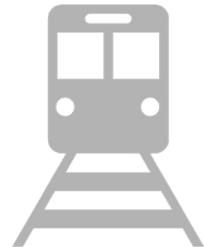




Policy Proposals: Fourth Transformation

Economic Policy: Reducing Inequality while growing economy

- 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: Maya train, cross isthmus train.
- Expand Educational opportunities: apprenticeship programs and new universities.



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 to benefit indigenous**.
- Provide **universal health coverage**; focus **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.”**



Security Proposals and Goals



Security Proposals:

- End to the War on drugs - hugs not bullets.
- Consider reforms on drug production and use.
- Weaken crime with social, education and jobs programs.
- Provide alternatives to drug cultivation and fuel theft.
- Generate peace through non-violent methods.
- Emphasize human rights.
- Strengthen the judicial system.
- Expand National Guard across 226 regions.
- Goals: 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 to 0.60 by 2024.



AMLO after three plus years: Mixed Results

- **Popularity:** consistently over 55%. Talented political leader.
- **USMCA:** trade is helping Mexico recover but serious disputes brewing over energy, agriculture.
- **Coronavirus:** Deaths were very high and under reported, dramatic economic slump, many jobs lost; poverty up.
- **Economy:** Contraction 8.2% in 2020; rebounded 5.9% in 2021. 2022 estimates 2.1%; 1.2% 2023. Many investors perceive negative environment, e.g., energy reforms, weakening independent regulators, tampering with regulations.
- **Poverty:** Over 22 percent of Mexico's 129 million people now live on less than \$2 a day, an increase of more than 6 percent from 2019. Poverty remains above pre-AMLO levels.
- **Crime:** homicide, crime and violence levels remain historically high. US border Meth and Fentanyl seizures at remain high. Impunity high, 92% crimes no complaint lodged or investigation; rule of law ranking declining; killings of journalists, others up.
- **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; attacking electoral authorities and the press. Financial Intelligence Unit and FRG attacked opposition figures. Criticized for boosting the army's role. Increasing criticism in domestic and international media as well as journalists killed by criminal groups. Pressing for major reforms of legislature and election system now.
- **Infrastructure Projects:** The Dos Bocas refinery, the Tren Maya over budget; still controversial. New airport not used.
- **Migrants:** Record numbers of non-Mexicans and Mexicans crossing to US.

Vance Center Anti-Corruption Assessment 2021-22: Mexico ranked 9 of 17 in Latin America

Country	Final Score	Legislation	Authorities	Implementation
Uruguay	8.36	8.43	8.33	8.33
Chile	7.96	8.71	7.50	7.83
Costa Rica	7.04	8.40	6.67	6.17
Brazil	6.70	8.28	6.16	5.83
Argentina	6.32	8.02	5.42	5.83
Colombia	6.20	8.72	4.58	5.83
Ecuador	6.19	8.41	5.17	5.33
Peru	6.06	9.25	4.33	5.17
Mexico	5.64	9.30	3.50	4.83
Bolivia	5.50	8.17	3.76	5.17
Dominican Republic	5.45	7.94	4.17	4.67
Panama	4.61	6.20	4.00	3.83
Paraguay	4.53	6.99	3.33	3.67
El Salvador	4.20	8.17	2.23	2.83
Honduras	4.05	7.72	2.22	2.83
Guatemala	3.54	6.00	2.22	2.83
Venezuela	2.87	6.86	1.67	0.50

- While Mexico has strong anti-corruption legislation (9.30), anti-corruption authorities are weak (3.50) and implementation of legislation (4.83) is poor.
- Corruption allegations have been made against members of AMLO's party, MORENA, and family members.
- Under the AMLO administration, many corruption cases are unresolved.

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:** buying political support, but not improving results.
- **Energy:** PEMEX debt very high, heavy losses continue for CFE; discriminate against private oil and electricity; predicted higher energy costs; less renewable/green energy.
- **Corruption:** Less transparency, esp. with military-led work.
- **Public Security:** violence still high; heavy reliance on military; strategy?
- **Democracy:** Diminishing of independent voices in government, media, and civil society. More criticism of media. AMLO outspoken against critics. Moves to weaken checks and balances.
- **Countervailing powers:** Markets; USMCA, no 2/3 majority in Congress; critical media stories.



Economy, Energy and Environment

COVID-19, Recession and Recovery



- Report done for WHO: **could have avoided up to 190,000 deaths.**
- **5.9% GDP rebound in 2021** but barely dodged a recession at end 2021. IMF estimates **2022 growth 2.1%. Inflation** currently around **8.7%**.
- Mexican economy growth **driven by exports to US and remittances from US; falling short on potential investment**, concerns re energy; regulatory weakening; public security; poor infrastructure plans.
- Mexico's **credit ratings dropped**; worries growth, inflation, PEMEX, CFE.
- **IMF sees 1.2% in 2023.** IMF recommends reforms in public investment, PEMEX and electricity reform. IMF cites the Russian invasion of Ukraine as lowering global growth projections.

National Energy Companies Struggle



- Fitch Ratings reduced credit rating of PEMEX, the national oil company credit rating **from BB to BB-**, “junk status” in 2022. Moody’s slashed PEMEX’s rating **from Ba3 to B1 in July 22**. This is several levels below investment grade.
- 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 fourth-quarter, and PEMEX had **\$72.7 billion in revenue** in 2021. Growth in revenue continued in the first 9 months of **2022**, making its **highest net profit in 12 years**, as a result of high global oil prices.
- The federal government continues to absorb PEMEX debt payments, **along with giving substantial tax benefits**. The oil company **contributed** around **11% to the federal budget** in 2020, its **lowest contribution since 1990**.
- The National electricity company, **CFE had net losses of \$2.6 billion in 2022 despite increasing its income 8.2% to \$24 billion**. CFE’s losses and operating costs were higher than in 2021.

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 (\$105 billion debt); lessening private sector role.**
- **AMLO focus on prioritizing CFE at expense of private and green/renewable energy producers.**
- In early 2021, federal courts blocked regulatory reforms to PEMEX and CFE as violating constitution.
- AMLO introduced a **new law to reform electricity sector but did not get 2/3 vote to change constitution;** continued regulatory steps to freeze and reduce private sector energy investment.
- Analysts say **Mexican policy hurts renewable energy and climate goals; violates USMCA and jeopardizes an estimated \$25-40 billion in private investment including significant US and Canadian presence.**
- US encouraging attention to USMCA and Climate goals; but **US and Canada in July sought USMCA consultations; may seek dispute settlement panel. Mexico is showing increasing interest in climate goals.**

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:

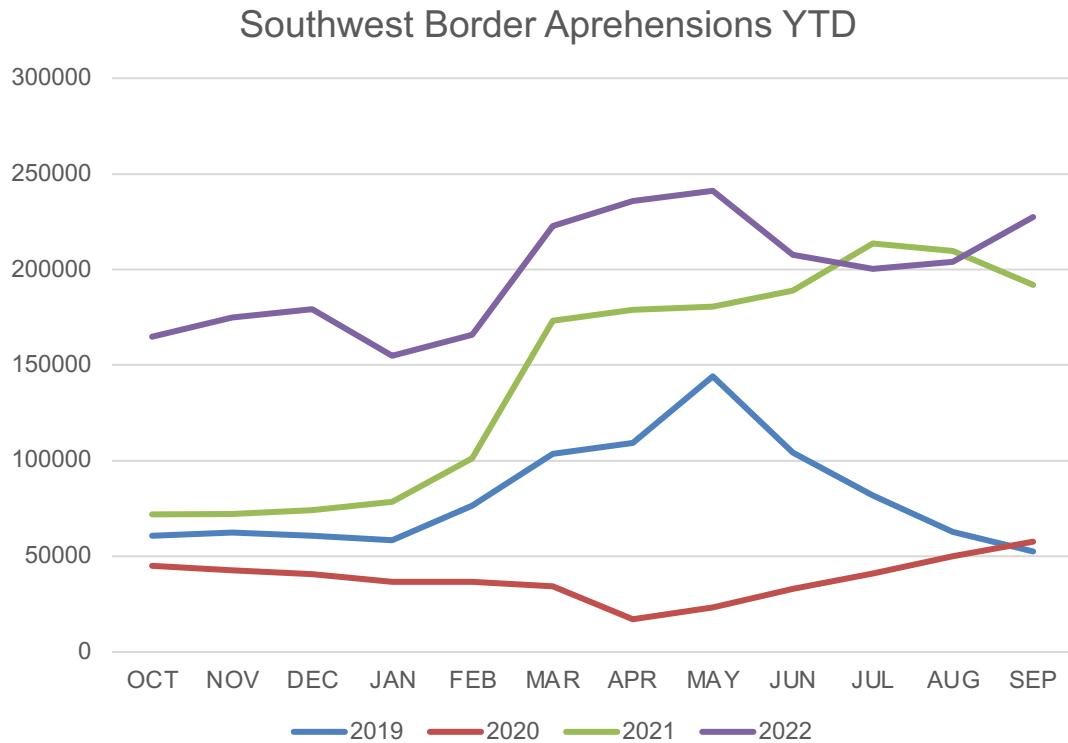
- **Trump’s increasingly harsh measures reduced numbers but created great human hardships; did not deal with driving forces.** Spent on questionable border wall; sent many to wait for asylum in Mexico; weakened US system.
- **Pandemic** reduced cross border flows & added health concerns as rationale for limits, but numbers grew in late 2021.

Biden:

- **Biden has faced unprecedented migrant flows and is being attacked from left and right.**

Migrants Apprehended at Border : 2022

“encounters” record levels but includes repeaters



- U.S.-Mexico land border apprehensions per month.
- Fiscal year starts October and ends in September.
- 2022 Encounters set record.
- Big jump in migrants from other than Mexico or Central America
- Big challenges if COVID 19 expulsions end.
- US administration performance attacked by Republicans and progressives.

Steps to help deal with Migration

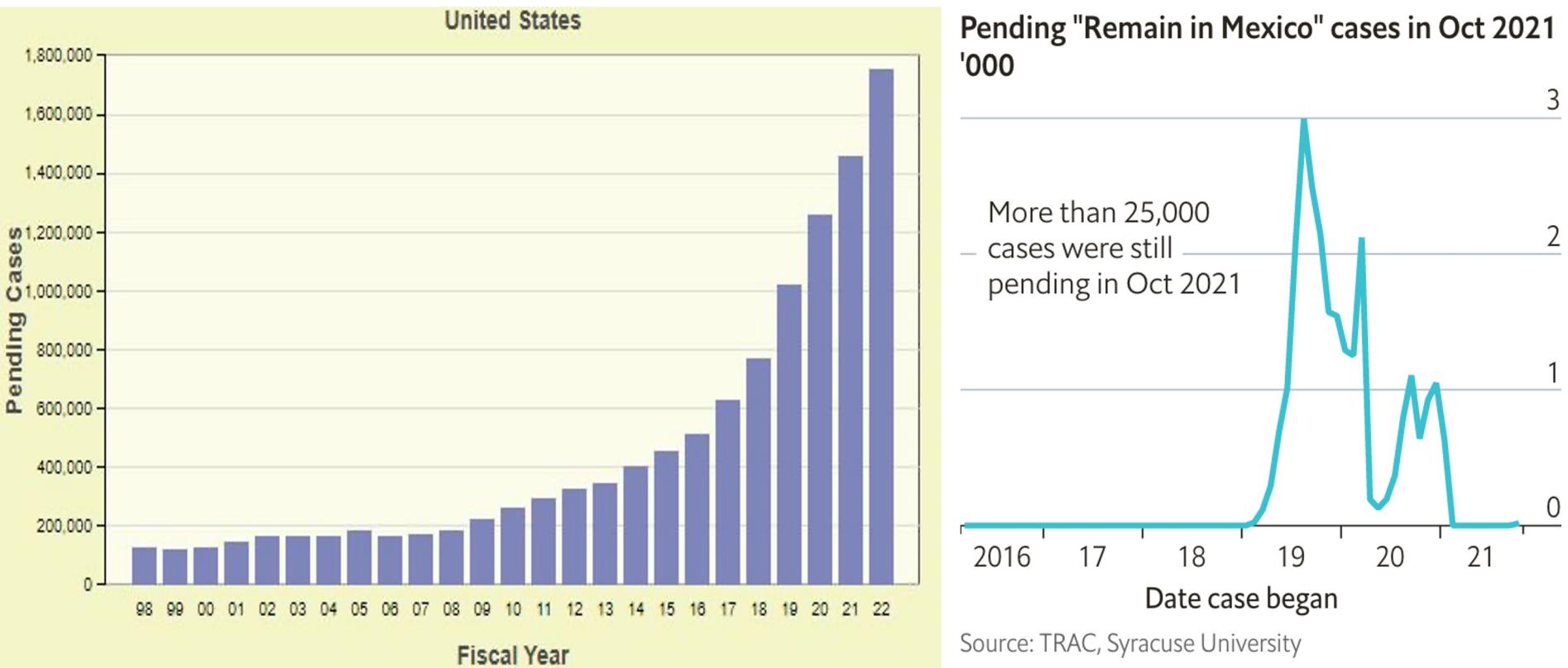


Biden Policy papers on Central America and Migration lay out ideas.

- **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 **broader regional cooperation** to manage and share burdens of caring for those in need; help integrate and resettle elsewhere, as some agreed at the Los Angeles Summit of the Americas.
- **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

Backlog in America's Immigration Courts



Maintaining a Partnership with Mexico?



US-Mexico Steps to Rebuild and Regularize Cooperation

Concerted US-Mexico Effort to Construct Mechanisms/Processes

- Vigorous **USMCA** implementation.
- Re-Created **High level Economic Dialogue**.
- Launched **High Level Security Dialogue** and created a **Bicentennial Framework** for setting specific goals and action plans.
- Partner on **missing persons cases, human smuggling and trafficking**.
- Regular **Migration** dialogue and cooperation.
- Improve partnership on **health, environment**.
- **North American Leaders** Summit added additional 3-way cooperation.

Key Work Areas for U.S.-Mexico Relations

COVID 19 Safe Reopening and Applying Lessons Learned

- Recover from the effects of COVID-19 on trade, tourism & migration and prepare to handle better future crises.

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

- USMCA: monitoring implementation of rules, mechanisms, committees; collaboration (labor) and dispute settlement use.
- Acid test: Managing differences over Mexico's energy policies and practices that harm companies & violate USMCA.
- Make progress in all four pillars of HLED; build NALS collaboration.

Border and Migration

- Better manage **migration including away from border**; strengthen migrant services. Dealing with higher numbers.
- Deepen support for addressing **root causes** of migration; build broader regional cooperation.

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 Mexican law greatly restricting anti-drug cooperation.
- Make effective new security dialogue and cooperation framework into a concrete **action plan** with specific goals and results.

Improve Competitiveness:

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

Rebuild Confidence:

- Deal with negative rhetoric from AMLO; avoid becoming “Distant Neighbors” again; build strategic cooperation.



Working with Mexico



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