

September 12, 2017

IWP MEXICO MEETING



Views on the Impact of Trump Policies
on the U.S.-Mexico Relationship

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Importance of U.S.-Mexico Relationship

- Mexico's economy is the 15th largest in the world in nominal terms and the 11th largest by purchasing power parity
- Mexico is the United States' second-largest export market (after Canada)
- Mexico is the United States' third-largest trading partner (after Canada and China)
- During the period from 1999 through 2016, foreign direct investment (FDI) by the U.S. in Mexico totaled \$213 billion and FDI by Mexico in the U.S. totaled \$46 billion
- 5 million U.S. jobs depend on trade with Mexico
- 1 million American citizens live in Mexico
- Mexico's consular network in the U.S. is the largest any country has in another
- Total remittances sent home by Mexicans in the U.S. were \$27 billion in 2016

Above all: next-door neighbors forever

- Mexico's population is approximately 130 million
- Mexico and the U.S. share a 2000-mile international border and have extensive interconnections through the Gulf of Mexico

Importance of NAFTA

- NAFTA region is the most extensive free trade zone in the world
- NAFTA created a \$19 trillion market with close to 470 million consumers
- NAFTA region produces goods and services valued at more than \$19 billion per year
- NAFTA represents roughly 28% of the global GDP
- Trade between NAFTA members was \$1 trillion in 2016
- NAFTA played an important political role in Mexico's economic opening and transition to democracy

President Trump's False Assumptions: NAFTA

- *NAFTA has created a massive \$58 billion U.S. trade deficit with Mexico which causes the U.S. to lose money*
 - Since NAFTA came into effect, the value of 2-way trade has reached \$525 billion in 2016, and the number of jobs linked to trade with Mexico has increased from 700,000 to 5 million
 - The U.S. has larger trade deficits with China, Japan, Germany, Korea, France and Russia than with Mexico
 - The trade deficit with China is 5 times larger than with Mexico
- *NAFTA is a job killer – it has caused the loss of millions of U.S. manufacturing jobs*
 - Technological change, trade with China and the U.S. recession beginning in 2008 have been the major sources of job loss

President Trump's False Assumptions: Mexico and Mexicans

- *Mexico is sending a lot of people to the U.S., and when it sends its people, it is not sending the best. It is sending criminals, people who bring drugs and rapists*
- Mexico sends more tourists to the U.S. than any other country in the world
 - 20 million Mexican tourists visit the U.S. each year
- There are 35 million Mexicans and Mexican-Americans living in the U.S.
 - 4 out of 5 are U.S. citizens or legal residents
- More Mexican immigrants are leaving the U.S. than moving into the U.S.

- *We will build a big, beautiful wall across the southern border, and Mexico will pay for the wall. It will be a great wall and it will keep Americans safe*
 - The idea that Mexico will pay for a border wall is universally considered absurd and offensive, and President Peña Nieto has repeatedly said there is no way Mexico will contribute toward the cost of building a wall
 - There is no evidence that any terrorist attack has occurred as a result of undocumented aliens crossing the border due to the lack of a wall
 - For the first time in decades, unauthorized immigration from Mexico is actually declining

New Negotiation of NAFTA: U.S. Priorities

On July 17, 2017, the Office of the U.S. Trade Representative and the Executive Office of the President issued a summary of U.S. objectives for the NAFTA renegotiation which included, among others, the following:

- Improve the U.S. trade balance and reduce the trade deficit and update and strengthen Rules of Origin for NAFTA products
- Maintain existing duty-free market access and expand competitive market opportunities for U.S. agricultural goods
- Facilitate market access, promote compatibility among regulations and promote digital, telecommunications and financial services trade
- Promote protection of intellectual property rights
- Improve labor and environmental compliance standards and bring these provisions into the core of NAFTA instead of side agreements
- Revise trade remedies and incorporate anti-corruption provisions and alternative dispute settlement mechanisms

New Negotiation of NAFTA: Mexican Priorities

On July 31, 2017, the Mexican Ministry of Economy issued a report outlining Mexico's priorities for the NAFTA renegotiation which included, among others, the following:

- Promote Mexico's production and export competitiveness, maintain and enhance favorable treatment for Mexican goods and services in U.S. and Canadian markets and facilitate market access for fish and fish products
- Increase participation in the regional economy by small and medium-sized companies, strengthen compliance with labor standards and cooperation on environmental matters, and incorporate gender perspective and anti-corruption provisions
- Update NAFTA provisions to reflect changes and reforms in Mexico's energy, and telecommunications industries, expand digital trade and promote greater market access for Mexican investors and financial services providers
- Modernize dispute settlement mechanisms and trade remedies, promote free competition, market efficiency and protection of consumer rights

NAFTA Renegotiation or “Modernization” Talks

- The first round of NAFTA renegotiation talks took place August 16 to 20, 2017, in Washington, D.C.
- The second round of renegotiation talks took place September 1 to 5, 2017, in Mexico City
- The third round of renegotiation talks will take place September 23 to 27, 2017, in Ottawa, Canada
- Trade negotiators from all three NAFTA parties say they have made some progress and that negotiations will continue at a “rapid pace”; the original goal was to reach a framework agreement by early 2018
- However, sources say the parties have only agreed on easier issues and have not even begun to deal with the more complex and sensitive topics, such as Rules of Origin, and President Trump meanwhile continues to talk against NAFTA and threaten to terminate it
- There are no guarantees as to what a framework agreement will look like or whether it will be reached at all

How Trump Policies Are Affecting U.S. Mexico Relations

- Since his election, President Trump has continued to “trash talk” and disrespect Mexico, including through aggressive tweets espousing anti-Mexican rhetoric, and has signed executive orders seemingly designed to deliberately undermine diplomatic relations with Mexico
- President Trump declared that the Deferred Action for Childhood Arrivals (DACA) program will be phased out over a period of six months and called on Congress to pass a replacement program; this affects 800,000 young people, 80% of them from Mexico
- Although the actual number of deportations under the Trump administration is lower than under the Obama administration, U.S. immigration enforcement agents continue to arrest and deport Mexican nationals including those with no criminal record and with children and other family members who are U.S. citizens.

How Trump Policies Are Affecting U.S.-Mexico Relations – cont'd.

- The crackdown on immigration has resulted in increasing numbers of Mexicans voluntarily leaving the U.S. and returning to Mexico
- On July 7, 2017 during the G20 Summit, Trump and Peña Nieto met for the first time since Trump became president, even though the two countries are next door neighbors, close allies and trading partners
- President Peña Nieto cancelled a scheduled first meeting in January when Trump threatened to impose a tax on Mexican imports to pay for the border wall
- Some Trump policies could backfire
 - Mexico could decide to reduce its cooperation with the U.S. in security and counterterrorism efforts
 - Mexico could purchase more grain and other agricultural products from countries such as Brazil and Argentina rather than the U.S.

Certain Positions taken by Mexico in Response to Trump Policies

- As a principle of national sovereignty and dignity, Mexico will not pay for a wall or other physical barrier at the border under any circumstances
- Fight against drug trafficking and violence
 - Drug trafficking and drug-related crime are shared problems for both countries, and the “war on drugs” requires teamwork and cooperation
 - The U.S. needs to cooperate in controlling the illegal flow of guns and cash from the U.S. into Mexico
 - The U.S. needs to work to reduce the demand for illegal drugs in the U.S.
- Immigration
 - The human rights and legal rights of immigrants and deportees must be respected
 - Mexico strongly objects to the militarization of immigration enforcement
 - Mexico will not accept deportees from countries other than Mexico

Mexico's Options Going Forward

- President Peña Nieto has been conducting bilateral meetings with other trade partners, including Argentina and Brazil, in order to diversify Mexico's markets and decrease dependence on NAFTA
- Mexico's trade policy is among the most open in the world, and it has a network of trade treaties covering a potential market of over 1 billion consumers and 60% of global GDP, including:
 - 11 Free Trade Agreements (FTAs) involving a total of 46 countries, including Japan, Israel, Colombia, Chile, Peru, Uruguay, the EU nations and the Central American countries
 - 32 treaties for the Reciprocal Promotion and Protection of Investments
 - Membership in the 13-member Latin American Integration Association (LAIA), and a party to 9 LAIA trade agreements

Mexico's Options Going Forward – cont'd

- Growing trade and market opportunities in the Asia-Pacific region, including through Mexico's membership in the Pacific Alliance and as a supporting member of the failed Trans-Pacific Partnership (TPP)
- Mexico was invited to and attended the 2017 BRICS Summit held in China, as a member of the new "BRICS Plus" nations (Egypt, Guinea, Mexico, Tajikistan and Thailand), and President Peña Nieto is seeking to strengthen Mexico's trade relations with BRICS
- He met with Russian President Vladimir Putin for talks aimed at strengthening and enhancing trade relations with Russia, particularly bi-lateral trade and investments in the energy sector
- He also met with China's President to begin exploring the possibility of a Mexico- China FTA

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