

# Great Decisions 2019

## Class #7: "U.S. & Mexico: Partnership Tested"

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- US & Mexico: long, intertwined history
- War on drugs, immigration and trade issues have ruffled the relationship
- Under new leadership and trade deal, what's future of this partnership?

*"Poor Mexico, so far from God and so close to the United States!"* - Mexican President Porfirio Diaz (1830-1915)

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## Mexico: half size & third per capita GDP of U.S.



### Comparison U.S. and Mexico (world rank)

Metric	U.S.	Mexico	Mexico/U.S.
Total area (mil. Sq. mi.)	3.8 (3rd)	2.0 (13th)	53%
Population (mil.)	327 (3rd)	124 (11th)	38%
GDP (PPP) (\$ tril)	20.5 (10th)	2.6 (11th)	13%
Per capita GDP (\$PPP)	\$62,518 (11th)	\$20,645 (64th)	33%
Income inequality (Gini)	39.1 (medium)	0.774 (high)	
Imports & Exports (\$ bil)	246 (3rd)	319 (1st)	130%

Source: wikipedia.org/wiki/Mexico and United States



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## Timeline of Modern Mexico

Mexico City, larger than any US City



- 1836 - Texas secedes and joins US 1845
- 1846-8 - Mexican-American War, US buys half of Mexico
- 1910-20 - Mexican Revolution - constitutional republic
- 1929 - PRI party formed - dominates politics until 2000
- 1976 - Huge offshore oil reserves discovered
- 1994 - NAFTA goes into effect
- 1995 - IMF bailout of \$50 billion of Mexican crisis
- 1997 - Finally becomes a democracy
- 2000 - Vicente Fox breaks ruling PRI seven-decade
- 2006 - Crackdown on drug gangs, violence escalates
- 2018 - Andrés Manuel López Obrador (AMLO) - elected and NAFTA re-negotiated

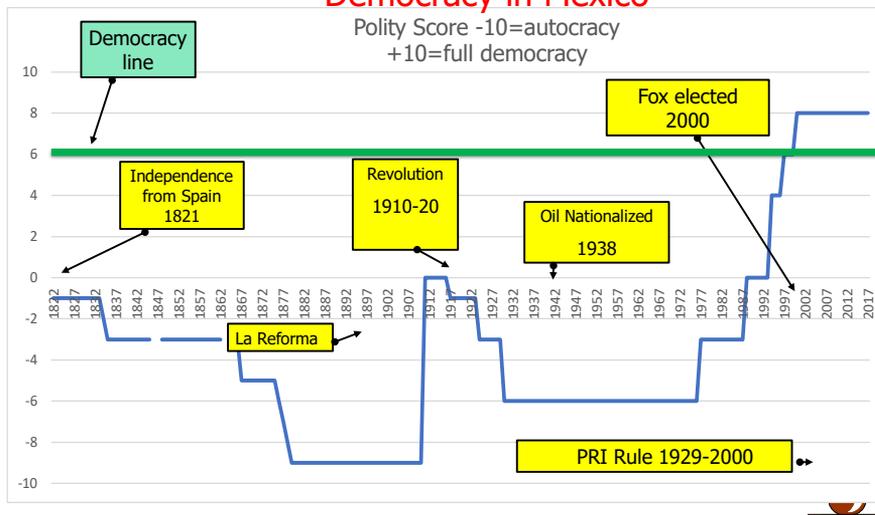


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## 1997 Mexico finally a democracy after centuries of authoritarianism

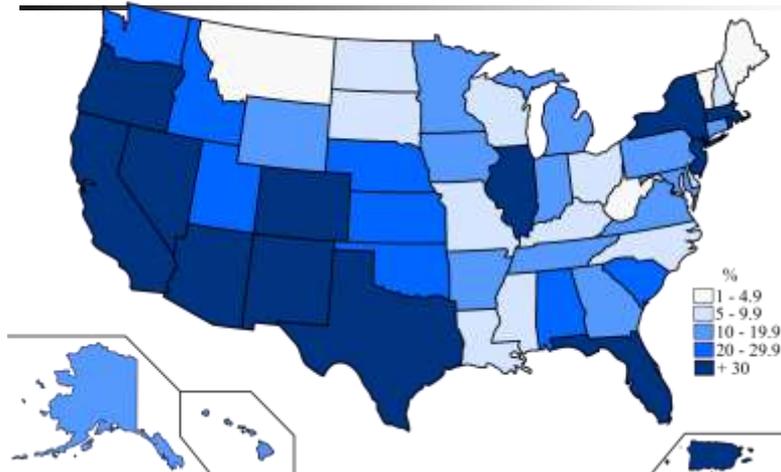
### Democracy in Mexico



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## 2050 US Hispanic population projection – 14 States 30%+ Hispanic



[https://commons.wikimedia.org/wiki/File:2050\\_US\\_Hispanic\\_population\\_projection\\_map.svg](https://commons.wikimedia.org/wiki/File:2050_US_Hispanic_population_projection_map.svg)



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## US and Mexico: partnership tested

AMLO  
&  
Trump



- US and Mexico bound not only by geography but economics, security and social connections
- Share a 2,000 mile border forged by war
- Million people & \$1.4 billion trade cross border daily
- 200,000 killed in Mexico since 2006 “war on drugs”
- 36 million of Mexican origin in US - 25% are citizens
- Despite close connections, also divisions and criticisms

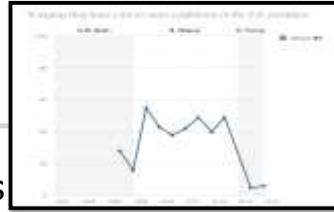
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## Strained relationship and new Presidents



- Trump plummets in Mexico polls
- Since 2009 net immigration from Mexico has reversed
- Complaints against Mexico for US job losses better explained by technological changes & impact of China
- Mexico's new president Andrés Manuel López Obrador (AMLO)- first leftist president in a generation
- Despite political animosity, outgoing Mexican government replaced NAFTA with US, Mexico, Canada Agreement (USMCA)

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## US long disregard for Mexican sovereignty & rocky diplomacy still affects relationship

- US debated & delayed recognition of independent Mexico
- After finally recognizing in 1822, US expansion led to war in 1846-48 then US annexed half of Mexico
- Relations reestablished in 1848 after war
- Relations severed by US in 1858 due to mistreatment of US citizens
- Relations reestablished in 1859 by recognizing government despite being outside the capital occupied by a rival
- Relations severed by Mexico 1914 when Mexico arrested U.S. naval personnel and US bombarded and occupied Veracruz
- Relations reestablished in 1917

Source: [history.state.gov/countries/mexico](https://history.state.gov/countries/mexico)>



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## Braceros –temporary Mexican laborers to work in US agriculture



- Bracero program created during WWII for temporary workers in US agriculture
- Criticized by US labor for accepting low pay workers
- Despite its relative success, did not stop undocumented immigration from Mexico which became a major issue
- Eisenhower's "operation wetback" enforced immigration limits & deported undocumented
- Program ended in 1964 which fostered illegal immigration despite Mexico launching industrialization for border areas

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## Maquiladoras – tax-free border industries for export to US



- Assembled with cheaper Mexican labor and export back to US
- Accounted for half of Mexico's exports and largest foreign currency after oil exports
- But benefits did not trickle down to rest of Mexico nor stem flow of undocumented immigrants to US
- 1990-2000, 12 million undocumented immigrants to US - 70% from Mexico
- US politics polarized and immigration contentious

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## Under Bush II relations improved then ignored after 9/11



- Bush II stated "US has no more important relationship than with Mexico"
- But that optimism ended after 9/11 and US attention turned to terrorism
- Relations further soured when Mexico voted against US invasion of Iraq at UN
- Bush proposed immigration reform and regularization of millions of undocumented immigrants
- But Bush's initiatives failed to pass

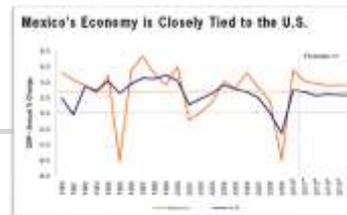
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## NAFTA: linked together, criticized, then hit by China



- NAFTA tied US & Mexico economies together
- US labor and environmental groups denounced companies relocating to Mexico
- Mexico criticized it because it's benefits did not spread to its economy as a whole and instead perpetuated unequal maquiladora system
- NAFTA was oversold & raised unrealistic expectations
- Cheap Chinese goods undercut US-Mexico connection

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## Other priorities under Obama



- After 2008 financial crisis hurt US employment and Mexican immigration reversed
- Immigration remained politically explosive, but Obama focused on healthcare reform and financial crisis
- Obama ordered strict implementation of immigration rules which led to a rise of deportations and arrests
- Lacking congressional support, Obama implemented Deferred Action for Childhood Arrivals (DACA) protection for 5 million

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## Immigration now from Central America not Mexico

- While immigration of Mexicans reversed, it grew from Central America
- Central Americans traverse Mexico and victimized by organized crime and human traffickers
- Crisis of thousands unaccompanied minors reached US
- Sent knowing US doesn't deport minors alone, while others trying to join parents in US
- To stem flow, \$2.6 bil. US aid in Central America
- US helped Mexico crackdown on Central American flow – often using brutal tactics

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## War on drugs



- Drug cartels challenge Mexico and pour drugs into US
- Cocaine and heroin come through Mexico
- Cartels fight Mexico with US gun purchases
- By 1980s Mexican drug traffickers were partnering with Colombian cartels
- Mexican drug lords gained influence over Mexico's underfunded and corruption prone government

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## Drug war fails, cartels existential threat to Mexico



- In 2006, Mexico launched war on drug cartels using the Armed Forces rather than corrupt police forces
- US contributed \$1.6 bil. of aid
- Despite efforts, busted cartels replaced by others
- Miserable results of US backed war on drugs:
  - 200,000 dead
  - 5 of 10 most dangerous cities in world in Mexico
  - Heroin production tripled between 2013 and 2016
  - Heroin overdose in US tripled between 2010 and 2015

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## New politico era: Trump & AMLO



- Trump campaigned opposing NAFTA, immigration and pledged to build a wall
- Image of US in Mexico collapsed from 66% to 30% positive and from 49% under Obama 25% under Trump
- 94% of Mexicans rejected Trump's border wall
- AMLO elected as Mexico's first leftist in generations due to dissatisfaction with violence and human rights violations under US backed war on drugs

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## "New NAFTA"



- Covers \$1.2 trillion of trade
- Higher pay for auto workers – 30% of production workers at wage of \$16+ per hour – triple current pay
- No auto tariffs if 75%, up from NAFTA's 62.5% and 70% also steel and aluminum used in vehicles
- Canada to allow US exports \$560 mil dairy products – 3.5% of Canada's dairy industry
- Intellectual property rules stiffened
- **Questions:** Will Congress approve the deal and will higher wages reduce auto competitiveness

Source: George Petras, *USA TODAY*, Oct. 1, 2018

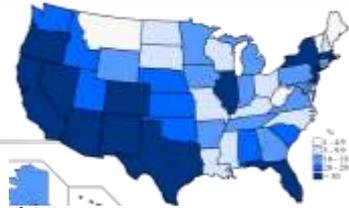


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## Intriguing book on next 100 years

2050 US  
Hispanic  
population



- George Friedman, *Next Hundred Years*, notes borderlands is distinct from rest and becoming bicultural
- Sees several things working in Mexico's favor: continued oil revenues, advantages of proximity to American market, remittances plus flow of illegal drug money that will eventually become invested in legitimate businesses and further promote growth
- But will be continued tension due to history of US taking half of Mexico's land in 1840s and US attitude of superiority and domination

Source: George Friedman, *The Next 100 Years: A Forecast for the 21st Century*, Doubleday, 2009, see especially chapters 4 and 13



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## Summary: The Future: Uncharted Territory



- In view of Trump's criticisms of Mexico, immigration and wall, and new NAFTA and new leftist President of Mexico, relationship is in uncharted territory
- 6 million US jobs now depend on trade with Mexico
- Mexico still willing to negotiate with Trump to avoid crisis
- Still opportunity for US and Mexico to benefit from cooperation
- Wouldn't want Russia or China to displace US in Mexico

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## Key Points of Video: A tested relationship: The U.S. and Mexico

- Shared interests - crime, drugs, trade, and immigration
- Opinions at all time lows over wall
- Mexicans now returning but Central Americans coming
- 9/11 tightened security
- 3<sup>rd</sup> largest trading partner
- Relations tense until modern times due to Mexican-American War (1845-48) and taking 1/2 territory
- Big changes past 25 years from closed economy, one-party system & state-ownership to now one of most open in world
- Despite current tensions still cooperation & new NAFTA
- New president, AMLO, populist, leftist and very popular
- US doesn't want to open door for China and Russia



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## U.S. and Mexico: Can they work together effectively?

- As neighbors, the US and Mexico have shared interests in stopping cross-border crime, promoting trade, and managing immigration.
- Relationship in spotlight: Charged due to immigration, drugs, and strong comments from President Trump
- Was a defining moment when Trump accused Mexico of sending their worst problems of crime, drugs, rapist to the US
- Politicians keep promising to solve these problems, but so far they haven't

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## Trump and today's tense relations

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- Trump pledged building a wall which Mexico would pay for
- Trump insulted Mexicans the way he said it in a disrespectful way
- Trump is held very unfavorably in Mexico
- Immigration is both a practical and political challenge
- Today very few Mexicans cross the border illegally
- Now most illegal immigrants are from Central America – but most Americans don't understand this

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## Worries about Drugs and Terrorist

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- US concerned about the drug war spilling over
- US also seeks to prevent terrorists from coming across the border
- Lots of illegal drugs and guns cross the border
- But 9/11 tightened and changed our security with both Mexico and Canada

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## Mexico is a large trade partner

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- Mexico is US third-largest trading partner
- But not long ago was a rivalry
- Mexico was very cautious about the US
- Texas was a young republic when annexed in 1845 then won the US-Mexico war
- Afterwards US seized half of Mexican territory

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## Mexico – Good Neighbor Policy

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- Relations with Mexico improved when US helped overthrow Portillo Diaz the dictator during the Mexican Revolution in 1910
- Mexico in 1910 was important to the US –major destination of US capital
- But generally relations have been good since the 1930s Good Neighbor Policy

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## 1994-NAFTA

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- In 1994 implemented NAFTA for tariff free flow of goods between US, Mexico and Canada
- Generally there was peace and we've had an undefended 2000 mile border and neighbors
- Mexico opened its economy to the world – now one of most open in world
- Prior to that Mexico was always very cautious about the US intent and trade

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## US Investments in Mexico

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- US investment in Mexico has ballooned from \$17 billion in 1994 to over \$100 billion today
- 25 years ago Mexico was a closed economy, with a one party system, with little exposure to trade
- Today 20% of Mexico's GDP are imports from US

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## Mexico has changed

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- US investment in Mexico has ballooned from \$17 billion in 1994 to over \$100 billion today
- 25 years ago Mexico was a closed economy, state-owned enterprises, not in international agreements, with a one party system, with little exposure to trade
- Today 20% of Mexico's GDP are imports from US
- US gains from the relationship – favorable import prices

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## US and Mexico ties remain close

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- Have been criticisms of free trade because of NAFTA
- But cultural ties remain strong
- It's one of the most important bilateral relationships
- Latino population of US is 30 million+, huge amount of trade and close proximity
- Now 1.5 million US citizens living in Mexico
- Some families live on both sides – cross frequently
- Also cultural ties in food and film - from cooperation of Hollywood to the expansion of tacos, salsa, Chipotle ...

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## Not all migrants are Mexican

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- Not all migrants are Mexican – many now are people who cross Mexico from Central and South America
- US agriculture still needs migrants for farm seasonal work
- Some criminal elements do try to infiltrate and enter – e.g. MS13

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## Despite tensions still much cooperation behind the scenes

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- Cooperated on border security and over the war on drugs-for example else chop to has been convicted in US courts
- Security agents work on both sides of the border to secure it
- Cooperation on gun control-especially crackdown on military weapons which are legal in the US but illegal in Mexico for illegal to be purchased by certain criminal elements in Mexico
- 60 to 70% of all firearms seized in Mexico from US
- Increasing intelligence exchange
- Cooperation on tracing weapons and crackdown illegal automatic weapons
- Mexico doesn't challenge US right to bear arms, but illegal arms and sales

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## Historic 2018 Mexican election- Obrador "Won't lie, steal or betray the people"

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- Crime, violence and corruption were key issues in Mexico's 2018 presidential election
- New president, AMLO, is a populist who promises to clean up Mexico's corruption and drug problems
- Mexico not addressing the complex and difficult crime and corruption problems

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## US not only suitor of Mexico

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- Our relations with Mexico are important, as other countries, specifically China and Russia are also courting Mexico
- But China is more of a competitor than ally of Mexico
- Diplomats are trying to smooth the relationship
- Washington doesn't fully appreciate or understand the many detailed relationships on going on a daily basis with Mexico
- Do good fences make good neighbors?

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## US doesn't want to open door for other nations

- Our relations with Mexico are important, as other countries, specifically China and Russia are also courting Mexico
- But China is more of a competitor than complement to Mexico
- Diplomats are trying to smooth over the present spat
- Washington doesn't fully appreciate or understand the many detailed relationships on going on a daily basis with Mexico
- Do good fences make good neighbors? Now a hotly debated question in Washington
- China is interested in energy sector

2017, \$81 bil. two-way trade between China and Mexico. Mexico's imports from China \$66 bil. and exports to China \$5 bil.

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## Andrés Manuel López Obrador (AMLO) - elected President 2018, on 3rd try



- Long-term politician - popular head of Mexico City
- Populist and nationalist
- Policies: more aid for students and elderly, amnesty for some drug criminals, universal access to colleges, cancellation of Mexico City New International Airport project, reconsideration of Pemex's monopoly in oil industry, construction of more oil refineries, increased social spending, decentralization by moving government agencies from the capital to states, reverse decades of free-market economic policy - which he blames for social inequality, endemic violence, and the desire of so many young people to leave in search of a better life.



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## BBC's Mexico country profile

- Nation where affluence, poverty, natural splendor and urban blight rub shoulders
- Second-largest economy in Latin America & major oil exporter
- But prosperity remains a dream for many, and socio-economic gap remains wide
- Rural areas often neglected, huge shanty towns ring cities
- Many have sought to cross border with US, but in recent years more have returned to Mexico than migrated to US
- Tens of thousands killed in drug-related gang violence
- Powerful cartels control drug trafficking to US
- Security forces ordered to crack down on them have been accused of abusing their power and acting with impunity

[www.bbc.com/news/world-latin-america-18095241](http://www.bbc.com/news/world-latin-america-18095241)



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## Mexico's Economy – Latest facts

- GDP of \$2.4 trillion - larger than Canada
- Depends on exports: world's 12th largest, US received 79%
- Trade (exports + imports) 77% of GDP
- Trade with US and Canada tripled since 1994 NAFTA
- 90% of trade under 12 free trade agreements with 46 countries, more than any other nation
- Trade agreements allow duty-free access to 60% of world and attracts foreign factories
- Manufactures & exports equals rest of Latin America combined
- World's 8<sup>th</sup> largest producer of oil
- Major manufacturer for electronics
- Grew from 9<sup>th</sup> to 7<sup>th</sup> world largest auto manufacturer between 2010 & 2015
- 4<sup>th</sup> largest auto exporter

From: [www.thebalance.com/mexico-s-economy-facts-opportunities-challenges](http://www.thebalance.com/mexico-s-economy-facts-opportunities-challenges)

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## Challenges to Mexico's Economy

- Biggest challenge is getting rid of drug cartels
- Southern Mexico doesn't benefit from maquiladora on northern border – inequality increasing
- Although 30% of Mexico's labor is employed in maquiladora companies, their working conditions deemed substandard
- Mexico is actually gaining immigrants - legal foreign-born population doubled from 2000 to 2010 to one million – 750,000 are Americans
- More Americans have immigrated to Mexico over the past few years than vice-versa

From <<https://www.thebalance.com/mexico-s-economy-facts-opportunities-challenges-3306351>>



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## Mexico's economy has had big swings in GDP growth



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