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**PRESS BRIEFING: The 2014 North American Leaders' Summit  
in Mexico**

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## P R O C E E D I N G S

MS. GOLUBSKI: I'd just like to welcome everyone. My name is Christina Golubski; I'm the Communications Associate in the Global Economy and Development Program at Brookings. Very glad to have everyone here for this media call on President Obama's upcoming trip to the North American Leaders Summit in Mexico.

Our scholars, we're glad to have them today. Our first speaker will be Ambassador Arturo Sarukhan, he's a former Mexican Ambassador to the United States, a Distinguished Affiliate in the Foreign Policy and Metropolitan Policy Program. He focuses on hemispheric issues, Mexico-U.S. relations, immigration policy, new security staff threats and the role of cities in the 21st century. After the Ambassador, Alan Berube will talk. He is a Senior Fellow and Deputy Director of the Brookings Metropolitan Policy Program. Alan is an expert on North American cities as major drivers of growth, hubs for industry, and

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links for trade and investment. Then Joshua Meltzer, a Fellow in the Global Economy and Development Program, will speak on international trade and NASA. And finally Vanda Felbab-Brown, a Senior Fellow with the Brookings Center for 21st Century Security and Intelligence will speak. Vanda is an expert on conflict on conflict and security threats including organized crime, drugs, urban violence and illicit economy.

I just want to remind everyone that we are recording this call and that there will be a full audio recording and transcript available tomorrow. And one last thing, if you are -- when you are not speaking if you could just mute the line, that would be very helpful so we're not getting any feedback. And our scholars, if they just want to please every time you speak identify yourself so that our reporters can tell who is talking. And with that I will impart the Ambassador to give his remarks.

AMBASSADOR SARUKHAN: Good morning, this is Arturo Sarukhan. Thank you, Christina, and good

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morning to all on the line. Let me start obviously by stating that I think the North American Leaders Summit comes at a very appropriate time. Number one because obviously we've just observed the 20th anniversary of the signing the ratification of NAFTA and it's a good time to take stock of how NAFTA has and has not worked and sort of what are the opportunities and challenges ahead of us. And I think the fact that the summit is taking place in that context is a unique opportunity. Second, because all you all know there are two very important pieces of trade negotiations going on which will impact North America, the first one which fully includes Canada and Mexico as a TPP which is -- of the two agreements the one that is closest to concluding. The second one is TTIP. You all know that Mexico and Canada have underscored the importance of at some point being brought into the discussions because as you know Mexico is of the three North American countries the only country that has a free trade agreement with the European Union today; Canada is in the process of finalizing its deal with the European

Union. And when the United States and European Union eventually finalize TTIP what we will end up having is three similar parallel free trade agreements with the European Union in North America, but we will have to solve the harmonization issues of having three similar but separate deals. So I think the timing is incredibly important.

So having said that let me just very quickly sort of give you a rundown of where I think some of these opportunities and challenges lie, like by stating that I think the framework of the discussions will obviously be determined by I think a very compelling statement which is that if you look at NAFTA one could say that we have -- NAFTA has given us 21st Century trade flows. I don't think there's any place on the place of the earth where a free trade agreement has detonated the integrated supply of production chains that NAFTA has. When members of the hill or even the administration sometimes talk about buy America or export American, they're losing one very powerful point which is that we're no longer

exporting Mexican, U.S. or Canadian products, we're exporting North American products. Out of every dollar for example that Mexico exports about 40 cents are U.S. content. And the same proportions more or less are relevant for Canada and the United States. And that's a result of the integrated supply and production change in platforms that have developed since NAFTA was negotiated. So we've got a very unique trade flow. One trillion dollars of trade, \$1.4 billion dollars of daily trade between Mexico and the United States; very compelling figures. Canada and Mexico are the number one and number two buyers of U.S. exports, the number one and the number three trading partners of the United States respectively. So we've got 21st Century trade with a 20th Century framework, NAFTA. NAFTA was negotiated 20 years ago when the global economy was very different from what it is today. In many ways NAFTA was a 1.0 free trade agreement; it was the gold standard at the time. But since then the global economy has changed, the way we negotiate free trade agreements has changed and so in

many ways the challenge is how do we pull up and modernize NAFTA from the bootstraps up. I think TPP will provide that. It allows us to modernize NAFTA without having renegotiate NAFTA itself and so again that's why I think this negotiation is very important. So recapping we've got 21st Century trade, we've got a 20th Century frame work but more importantly we've got a 19th Century system of regulations and infrastructure. If you look at our border infrastructure it is woefully inadequate to be able to take advantage of this \$1 trillion dollars a year of trade both on the Canadian border and on the Mexican border. It is clear that we don't have the 21st Century modern non-intrusive technology that will facilitate trade. And so this is the template on which the discussion in Toluca will take place. A 21st Century trade, a 20th Century frame work and a 19th Century border infrastructure.

I think there are two or three issues that I would like to highlight before passing the baton on to my colleagues. Number one is I think that we can --

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we will need to -- the free countries will need to deal with regulatory barriers because they are a real impediment to further integration of production and supply chains. Given that shared production platform, efficient logistics, and that's where the infrastructure piece is so important. There's another very relevant piece to all of this which also plays to why this Summit at this moment is important which is energy. For the first time Mexico is in a position thanks to energy reform and hopefully we'll see how that plays out with the implementing legislation that is being drafted as we speak. This could really open the door for a true North American energy security, energy efficiency and energy independence platform. Imagine if the three North American countries can really come together and help the United States wean itself from less reliable sources of oil both hemispherically and exo hemispherically.

The second issue which is very important which obviously was triggered by 9/11 is the challenge of common domain awareness, how the three countries

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continue to enhance North American security. Again much like what we could end up with as a result of TTIP 9/11 left us with two sets of profound, important, relevant, robust security relationships, bilateral security relationships with the U.S., but again what Canada negotiated with the U.S. after 9/11, what Mexico negotiated with the U.S. after 9/11, very similar but the three systems don't talk to one another. So how we continue to deepen that footprint is important.

Then finally, as a recovering diplomat one thing which is important in my book is how do Canada and the United States and Mexico continue to develop a more cohesive -- even if you like common global footprint on developing a rules based international system in the 21st Century on everything from how we cooperate in the G20 on global macroeconomic issues, how we work together on environmental change and climate, what we do together on issues related to disaster relief and emergency preparedness in the Western hemisphere and the Caribbean. So that I think

will -- should be and hopefully will be an important proponent of the discussion. And with this I will pass it on to my colleagues and be more than glad to take your questions once we're done. Thank you.

MS. GOLUBSKI: Thank you, Ambassador. Alan, are you on the line?

MR. BERUBE: I am, thank you.

MS. GOLUBSKI: Hi, Alan. Do you want to go ahead and give your remarks?

MR. BERUBE: Sure. I'll be brief. Good morning, everybody, this is Alan Berube; I'm a Senior Fellow in the Metropolitan Policy Program at Brookings. And I think Ambassador Sarukhan has done a great job of setting the table for the rest of us so I won't go over a lot of the I think very salient points that he made. I'll just emphasize on the economic end that, you know, the trends indicate that, you know, here it's the 20th anniversary of NAFTA and the agreement contributed to greatly increased trade within North America over the last 20 years. Trade talks have tripled and now trade within the North

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American Region constitutes about half of total trade conducted by the three countries and as the Ambassador said that's a reflection of the fact that the three countries increasingly coproduce a lot of products and what you might call advanced manufacturing industries like automotive and aerospace and machinery and electronics. And, you know, multinational manufacturers increasingly treat the continent as a seamless market for research, design, production and distribution activities.

So the Summit I think comes at an interesting and potentially auspicious time for thinking about the next 20 years of that North American industry footprint due to a few factors. One is the decrease in costs of energy. The increasing supply of energy within North America has dividends for manufacturers in decreasing their costs, the convergence of labor costs in East Asia, with those particularly in Mexico making Mexican and increasingly U.S. manufacturing more competitive on that input costs, the advent of new production technology,

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particularly in the United States and Canada like 3-D printing which are gaining a foothold here very quickly within North America and increasing speeds in market. And then I think the demographic dividend that unites our three countries. We're relatively young countries, especially in considered developed regions. And even developing regions like China, but particularly Europe, we just have younger workforces and the ability I think to increase production from North America in ways to service growing demand in the global marketplace. So the -- I think the questions I'm interested in that the three leaders are going to be discussing are around the future of economic integration in North America. And from our perspective in the research that we've done at the Metropolitan Policy Program has really focused on the role of cities and regions and how they contribute to our current economic integration and the furthering of that. And it's I think notable in that regard that the leaders are going to gather in Toluca.

Toluca is the sight of two major U.S. auto  
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plants. I think the Chrysler plant in Toluca dates from the late 1960s and some of the first U.S. automotive foreign direct investment into Mexico. And when you just look at Toluca alone that metropolitan area export about \$9 billion dollars in merchandise goods to the United States each year and if you trace that supply chain and that supply route a lot of that trade is conducted between Toluca and Detroit, reflecting the importance of the automotive supply chain and the fact that according to research done by some colleagues at the Wilson Center a car and the components of the car will cross the U.S./Mexico border an estimated eight times before the automobile is finally assembled and shipped. So, you know, the role of metropolitan areas and cities and trade about two-thirds of what our three countries trade together comes out of or eventually ends up in a major metropolitan area. So for the three leaders a question is how to strengthen the position of cities and regions in trade in order to boost the competitiveness of North America in the global economy

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and to counter the trend which has been toward decreasing share of world exports coming from North America from about 19 percent to 13 percent over the last decade or so. I think the issues that go to this imperative -- the Ambassador spoke about the importance of goods movement at the border and I would just emphasize that that's incredibly important not just for those border communities where it contributes to jobs in transportation and logistics but it's so important for the sites of production and consumption that are really well beyond the U.S./Mexico and U.S./Canadian borders in places like Toluca and Central Mexico. Of course the ongoing trade negotiations which the Ambassador spoke about and I think Josh will too are critically important for those same sites of production and consumption.

And then finally in think, you know, there's growing activity and interest and focus on the role of national governments in actually engaging with and helping sub national actors, government business, actually improve these production linkages and supply

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chains across North American. So you saw in November for instance the cities of Chicago and Mexico City initiate a new economic partnership undertaking a series of joint initiatives in trade and innovation and education. There's a longer standing relationship between Northwest Washington State and the greater Seattle area and Aero Montreal, two of the world's largest aerospace clusters trying to connect up their supplier bases to opportunities within one another's cluster. And then increasing activity in the supply routes not just at the border but extending a little bit beyond the border in regions like Monterrey, Saltillo and Southern Texas, between Southern California and Baja States, and the U.S. State Department helping to facilitate more of these relationships. So I think the conversation next week to the extent that it focuses not just on the kind of macro issues that will influence the volume of trade between our three countries but the really strategic opportunities to take advantage of these tailwinds in manufacturing and production and to invest in the

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infrastructure and the policies the cities and regions need to succeed I think is going to foster a very productive ongoing relationship among the three countries. Thank you.

MS. GOLUBSKI: Thank you, Alan. Josh, you want to go ahead?

MR. MELTZER: Oh, thanks. It's Josh Meltzer here. And thanks to my colleagues and the Ambassador I think for those remarks. There's probably not all that much I want to add and might well keep my remarks short so we can get into Q&A fairly quickly.

I certainly essentially agree with everything that's been said before. You know, the White House has said that this maybe is going to be focused on a range of eight issues. They mentioned competitiveness, trade investment, and security. So I think it gives us a sense of the breadth of the agenda. Certainly the fact that it's 20 years after NAFTA is going to be sort of a touchstone and an opportunity to revisit what that trade deal has meant and what could be done going forward. I think that,

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you know, the Ambassador mentioned -- and before I sort of touch briefly I think on the trade side I just want to second a lot of the key points that the Ambassador raised which is sort of key to making sure that future economic integration in North America can be more successful because trade is certainly an important part of and what can be done in mastering other trade agreements is also important. But there's also enabling context around that which I think where some of the major challenges now lie and the Ambassador mentioned a few of them, infrastructure obviously. I think immigration is going to be an ongoing issue. When President Obama met with President Nieto last year there was a discussion about this and I think an attempt to frame the immigration issue as an economic issue and there might further discussion about that this year. Obviously the immigration debate in the House, but I think, you know, continuing the message that this is economically good for the United States I think is an important strategy for the President and I would hope to see

more of that at this meeting.

On the energy front certainly the energy story in North America is a very positive one at the moment. There's different estimates about so called self sufficiency or getting close to that amount. Once ones takes into account what's happening in Canada and obviously the significant reforms that are underway in Mexico I think another part of the piece there is going to be Keystone. There was a recent State Department report on that which has, you know, I think cleared away some of the obstacles to President Obama making an affirmative decision on that and I think that's certainly going to be part of the discussion coming up. And on that front I think there is also a bigger environment agenda which is important for North America particularly on the clean energy and links with the climate change pace and, you know, the President I think has made it abundantly clear that this is an increasing priority for him in this part of his term and there's no getting at this issue without bringing the North American partners on board and

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Canada's made it I think very clear from the very beginning that they will need to do whatever U.S. does on this front given the interlinkages between the economy. I think much of that is true for Mexico which also in its way has been quite a significant leader n that front. So, you know, discussing how do you turn for instance the shale gas revolution into an opportunity to actually provide a pathway to reducing greenhouse gas emissions, you know, in a sort of sustainable way at the time it's an important part of that discussion.

On the trade fronts I think that in some respects a lot of the controversy that was surrounding NAFTA when it was initially implemented 20 years ago has dissipated though that's not to say there is still not some controversy. When one looked for figures at least when it comes to U.S./Mexico trade I think there's a fairly unambiguous story of our success. I think it's also true with Canada though I think with Canada one interesting fact is that percentage of total trade with Canada has declined over the duration

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of NAFTA. But that said what we -- we don't really know whether that would have been more significant if NAFTA had not been in place particularly given the ballooning trade in China in particular. But I think as the Ambassador pointed out I think this is very much a key point is that a lot of the data we have now just does not pick up the supply chain nature of a lot of trade and how integrated the production process is in North America which means that exports and imports from all countries from each other contain inputs from each other, this is -- so referred to value added trade. The data doesn't really capture this OECD-WTO work on this front which points to an average figure at least of around 25 percent. Those this is already a few years old although some might be higher than that. So that's fairly significant. I think the building out that story is important because you have the -- the President had an export initiative which I think is important but I think, you know, also expanding that to be at a talk about the role of imports as an important import into further exports is going to be

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unnecessary not only for the United States but broadly going forward. And I think the North American contact provides an important testing ground to actually talk about that in an important way which can lead into growth and jobs.

Just specifically on the NAFTA piece I think the Ambassador is absolutely right when he said that the TPP really is the opportunity to renegotiate NAFTA in the sense of not actually having to open the NAFTA agreement. There is -- some of the controversy that always surrounded NAFTA in particular around issues to do with investor state dispute settlement have actually continued and now we see reemerging in the TPP context. And in a way I think there's a really good story that NAFTA tells because the countries in a sense have very much learned from that experience and have changed and refined and updated those types of rules to reflect a growing understanding of how this should work and what the work balance should be between investor protection and giving governments the autonomy to regulate. And so in a sense that's one

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story that could be pulled out from the NAFTA experience which I think can play well in the TPP context. And some of the new rules -- and I think, you know, as the Ambassador said the NAFTA is -- was cutting edge at the time. It certainly needs to be updated. A lot of the updating that it needs is actually happening in TPP and this includes for instance on issues to do with labor and environment, on the digital economy, just name a few. So I think I'll just leave it at that.

MS. GOLUBSKI: All right. Thank you, Josh. We're getting a little bit of feedback on the lines. I just want to please remind everybody to mute your line if you're not speaking. Vanda, do you want to go ahead?

MS. FELBAB-BROWN: Sure. Good morning, Vanda Felbab-Brown. I'm sort of in a funny position of speaking on security issues, particularly crime in Mexico and its relations to the United States which is a matter that neither president and particularly not President Pena Nieto is very keen to bring on the

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agenda. In fact the focus is the one that my colleagues outlined. But nonetheless the security situation continues to be unresolved, in fact challenging and so does U.S./Mexico cooperation on security continues to be challenged ever since President Pena Nieto came to power with many programs stop or aborted and very much a sense of frustration in Washington that there is very little clarity as to what Mexico security policy is and what kind of role the United States could play in it. President Pena Nieto campaigned on focusing on socioeconomic issues and on a trade agenda, international agenda as outlined, but he also promised that he would reduce violence in Mexico, in fact reduce it by 50 percent in his first year. That has clearly not happened. There is a lot of confusion and lack of transparency about murder numbers coming in from Mexico, but nonetheless by the most generous numbers we can say that perhaps violence dropped by 20 percent. Much of this decline is driven by very local dynamics and in fact restabilization of the criminal market in various

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parts of Mexico but is really not drive by federal policy or frankly by policy at local level.

Essentially in parts of Mexico various cartels are winning and establishing territory. At the same time and some of the important success stories such as Tijuana, a city which is also crucial from the perspective of trade, U.S. cross border, U.S./Mexico cross border cooperation, there is significant deterioration of security showing the weakness of the previous stabilization and essentially exposing the fact that improvements in Tijuana were to a great extent driven by (inaudible) that once again appears to be collapsing or at least deeply troubled.

Other aspects of insecurity continue to be even more worrisome; particularly kidnappings and extortion have been increasing for a number of years and increased dramatically again this year with both the prevalence and shape of kidnapping intensifying. This is very important because it has implications for trade and for investment by other countries such as the United States and Mexico including for example in

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the oil market if the new reforms permit far more engagement on the part of external access. So for example this past year Mexico turned out to be the country with the greatest kidnapping rate even toppling Nigeria, of course a country plagued by kidnapping very much associated to foreign oil investment and the presence of foreigners. Also toppling quite significantly Columbia.

An important component of course is the very visible growth of militias in Michoacan that effects - - that not simply exposes the weaknesses of rule of law and the real inability of state security institutions to develop robust responses, a policy of groping confusion and ultimately yielding to the militias as problematic as it is. But it's also exposing the huge presence of organized crime on all manner of economic activity. Extortion of avocado farmers. In fact one can question how many avocados that one buys in the United States that come from Mexico have been -- are from which the criminal groups received a cut and to what extent is consumption of

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avocados feeding organized crime in Mexico. The same situation although perhaps not as intense and visible but nonetheless the dynamics are not very different now also in the Northern sector in places of the Makelas where extortion is very significant, very prevalent and though it has not perhaps targeted very dramatically large businesses or at least foreign workers in large businesses one cannot assume that this will stay. And indeed businesses have good reason to be concerned about it.

When President Pena Nieto came to power the Mexican government was shocked by the level of cooperation, security cooperation between the United States and Mexico and the presence of U.S. personnel as well as other forms of U.S. assistance in Mexico with the outcome being that much of this cooperation was either aborted or sought to be redirected through just one point of entry by the administrative interior, the so called *Ventana Unico*. That generated a lot of frustration and disruption in the relationship with the United States and in fact U.S.

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agents were expelled from the true infusion center in Monterrey. And the outcome is frustration, lack of trust on the part of the United States, lack of clarity as to what the security policy is in Mexico, whether there is any sort of backsliding and how the United States can cooperate. Many of Pena Nieto's key security initiatives such as the *gendarmarie* are dead in the cradle. Others such as the robustness of the police reform are questionable. In October of last year, October 2013 once again other deadline passed where all of Mexico's policemen and women were supposed to be vetted and have not been vetted. The deadline has shifted by another year.

Last comment I would make is on the emphasis that the President Pena Nieto has put on crime prevention and without explicitly saying so, using some of the *Todos Somos Juarez* initiative perhaps as a model for a much more white bread program with about 57 areas to go public on receiving some sort of economic, socioeconomic programs to try to mitigate criminality. And while the emphasis on socioeconomic

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simply -- and not simply -- law enforcement measures is critical, the design of the program is highly unsatisfactory and once again something where the United States is really not sure how it can meaningfully contribute. Moreover the program is rather divorced from law enforcement and policing, another reason why -- how and why one might question its efficacy. So the security agenda is not what either leader wants to talk about, it's certainly not what President Pena Nieto want to make the focus but it's underlying there. It's troubling, it's a difficult component of the relationship and it's an important and difficult backdrop for lots of the trade investment city by city cooperation. Thank you.

MS. GOLUBSKI: Thank you very much, Vanda. I'd like to thank all of our scholars for their remarks and we'll open it up to question and answer from the reporters. If I can just remind everyone before you speak please identify yourself and your outlet and I guess we'll get started.

MR. CONDON: This is George Condon with the  
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*National Journal*. If I could ask two quick questions. One, if you could elaborate on the frustration of Prime Minister Harper over the Keystone decision, how much that will play a role in this. And secondly, combine that with what you just said about the security disruption in the relationship between the United States and Mexico. It suggests that this meeting takes place with a lot of tension between the -- or among the three leaders.

MS. GOLUBSKI: All right. Thank you, George. Josh, do you want to take the first part of that question?

MR. MELTZER: Sure. Look, I think on the frustration generally between the Prime Minister and Canada are more broadly delays on the case and I don't think there's going to be any surprises there. I think Canada has been very frustrated over the years that the Keystone decision has been put off, delayed and so I don't think that's in a sense this is going to be a new story. I think Obama and the administration gave -- they're aware of Canada's

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position on this. I would -- what I would expect is for the Prime Minister to push the President a little bit given the State Department's report to make a decision earlier rather than later. I think a rather interesting thing on that front is that one of the arguments and concerns from the environmental side in the United States is they never have developed Keystone in further development of the tar sands and impact on climate change and in some sense a lot of the -- a lot of development is going ahead anyway in Canada and there have been a few recent announcements towards the end of last year about some fairly substantial enlargement in that part of Canada. And so think that very clear that a lot of this is going to happen irrespective of whether Keystone gets built or not. And I think that's probably part of the message that I would expect the Prime Minister to give.

MS. GOLUBSKI: Thank you, Josh. Vanda, do you want to take the second part of that question?

MS. FELBAB-BROWN: Sure. Well, I think that

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the level of frustration or optimism will depend very much on what construction the President put on the agenda. And my sense is that the construction will in fact be very positive, that it will be precisely about the issues that Arturo and my colleagues were highlighting on trade, on energy. The energy reform passed in Mexico will be a very significant part of the discussion. And the frustration on security issues, I think this is sort of underlying and bubbling underneath and what might very well happen at the summit is that it in fact receives very little attention and public play and that's something that's in the background that ultimately will have to be resolved as it figures in many other dimensions, not simply trade investment, city to city cooperation but also of course border, the possibility of loosening the border and making it far more competitive from a business perspective is to some extent a function not just of immigration and immigration reform in the United States but is very much a function of trust on the part of U.S. state and federal law enforcement

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officers of how diligent and competent Mexico is in combating organized crime with its many reaches in the United States. And so, you know, I think it will be in the background but it's a very important unresolved and difficult background even if the leaders choose to concentrate on the far more upbeat story and on the opportunities such as deepening NASA and using the TPP and the trade negotiations, other ways, mechanism of deepening economic cooperation.

AMBASSADOR SARUKHAN: Christina, this is Arturo Sarukhan. May I sort of just jump in and provide maybe some behind the scenes context to the question that George asked of us?

MS. GOLUBSKI: Sure.

AMBASSADOR SARUKHAN: Undoubtedly there are sets of bilateral issues, whether it's Keystone with Canada, whether it's some of the security issues with Mexico that always are relevant when the three North American leaders get together but as someone spent the past six years sort of organizing and prepping for these trilateral summits you usually try to prevent

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the bilateral agenda from seeping into the trilateral -- the North American Leaders Summit because it detracts from the more global holistic North American discussions. So I'm not saying this to suggest that either Keystone or other bilateral Canada/U.S. or security or other bilateral Mexico/U.S. issues, immigration another one, will play -- will not pop up in the discussions but when you prepare the agenda for the trilateral meeting which supposedly occurs every year -- it hasn't happened every year consistently for the past six years for reasons that have to do with elections in Mexico and U.S., etcetera, but you sort of -- you try as a Sherpa preparing the meeting to sort of make sure that the discussion is focused on the trilateral agenda because I think some of us have been frustrated that the trilateral agenda in North America has not received the attention that it should. You try and focus on that more than on the bilateral issues and you tend to try and push those to the sidelines of what usually happens which is that in the context of the trilateral meeting the three leaders

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sometimes have sets of bilateral discussions on the sides of the summit. So just to give you a bit of a context of what has been the norm in the past as to how sort of a bilateral creeps into or does not creep into the trilateral discussion.

MS. GOLUBSKI: Thank you Ambassador.

MR. LAFRANCHI: Hello? Yeah, this is Howard LaFranchi. I guess my question would be for Ambassador Sarukhan. You know, I heard you in your overview, you know, talking about 21st Century, you know, trade area and how TTIP will take, you know, help take NAFTA into the 21st Century and all. But I'm wondering, I didn't hear a lot of mention of the, you know, the people, the population of the three countries. And, you know, I covered Europe when the European Union was trying to kind of different steps of go forward and as we know, you know, there were referendums and it was -- as it turned out, you know, maybe the technicrafts and the leaders wanted to go ahead but it was the populations that ended up saying no. And there seems to be a lot of resistance at

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least in the United States anyway and I'm wondering, you know, how you see that whole question of bringing the population along and where you see Mexico is.

AMBASSADOR SARUKHAN: Yeah, that's a very important question, Howard. First of all just a clarification. The trade agreement that I think right now is particularly relevant to modernizing NAFTA is TPP because that's the one that Canada, Mexico and the U.S. are involved in with other American Pacific and Asian Pacific nations and that's where I think we could help propel NAFTA from a 1.0 free trade agreement to a 3.0 free trade agreement. I think TTIP down the road will pose some other challenges but the one that I see modernizing NAFTA is the TPP more than the TTIP at this point. But just a clarification.

You made a very important point which is labor mobility. And most of you know that there were two huge elephants in the room that were left off the negotiating table back in 1989-90 when NAFTA negotiations started between Canada, Mexico and the United States, energy and labor mobility. Mexico

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wanted to put labor mobility on the table, United States said no go. United States wanted to put energy on the table, Mexico said no go. So in many ways we're still tackling this very vexing and complex issue of labor mobility. And if you look at it from a very aseptic academic point of view what could be more important than two countries that are capital intensive, Canada and Unites States, with a third partner that is labor intensive and matching those capabilities and bringing those assets to the table. It's not going to be an easy lift. I think that the way immigration reform seems to be again stumbling this year in the United States, the opposition of the conservative base in the Republican Party to anything that reeks of amnesty I think is a telling tale of how despite the fact that I think that the body politic and public opinion -- certainly if you look at the latest polls -- have moved forward in understanding the importance of immigration reform in the United States we're still quite a way from being able to put labor mobility as an issue on the North American

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agenda. And if you look at what has just happened in Europe with Switzerland on labor mobility within the European Union I think you're absolutely right. I think that what may make sense from Ottawa, Washington and Mexico City and from corporate boards and from the offices of CEOs may not necessarily reverberate with public opinion. And so that will continue to be a challenge. I am as you can imagine, Howard, disappointed that once again I think we have had an opportunity to see immigration reform move forward. I think the window in 2014 is again closing. We may still have a chance after the midterms but I think the ground is rather shaky. And this is one issue which is probably more relevant to the U.S./Mexico relationship than to the Canadian/U.S. relationship but which may come up in the Summit because again labor mobility is such an important issue. Mexico and Canada have had albeit very small but a very relevant and very successful temporary worker program that has been in place for 35 plus years in which 35,000-40,000 Mexican temporary workers go back and forth between

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Canada and Mexico every year. It's been a very successful temporary worker program. I think it shows that some of these programs can work. So there may be some discussion as to, you know, or even conversation between the leaders as to how immigration reform may move forward but it is a vexing issue and I don't think we will see any holistic solutions on the table, at least certainly not in Toluca and maybe not in the near term unfortunately.

SPEAKER: And just -- I'm sorry -- but just that second question on -- in terms of support or opposition in Mexico at kind of a public level to NAFTA or expansion through TPP how do you see that?

AMBASSADOR SARUKHAN: I don't think there's a sort of a -- I don't think there's a great deal of public engagement with TPP or the impact of TPP modernizing the NAFTA edifice. The -- any reference to -- for example when I Tweet about TPP which I do quite frequently what I usually get back as a response is oh, TPP will sort of -- TPP is relevant in the sense that there are significant groups out there that

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equate TPP to constraints on internet freedom. Many groups, many advocacy groups, many grass roots have conflated TPP with ACTA, with SOPA. So they see it more as something to continuing constraining the ability of individuals to navigate and so there's a narrative challenge to TPP. But I don't think it's top of mind of Mexican public opinion at this point.

SPEAKER: Thank you.

MS. GREILING KEANE: Hi, this is Angela Greiling Keane with Bloomberg. Ambassador Sarukhan, you mentioned that Keystone might be a conversation off to the side between the U.S. and Canada but you also said that energy is an important part of the agenda for Mexico as well. So how does the Keystone debate trickle down into Mexico as part of the bigger energy picture?

AMBASSADOR SARUKHAN: Yeah. Again I don't think that sort of Keystone is a very relevant either public policy or public opinion discussion in Mexico. I certainly think -- I have not seen the agenda, I'm not privy to the agenda that the leaders will be

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discussing in Toluca, but sort of I would bet safe money on the fact that energy in North America will be one of the central components of the agenda. And so I'm sure that there will be a discussion as to how the full implementation of Mexico's energy reform will have an impact on energy costs in North America and the possibilities of developing a North American agenda, energy agenda in the same that I think Keystone will be part of that same conversation. But I don't think it's a very relevant discussion in Mexico either in terms of public policy or public opinion as of yet.

MR. ROBERTS: Dan Roberts from *The Guardian* (UK).

SPEAKER: Go on, Dan.

MR. ROBERTS: Yeah, sorry. I just wanted to follow up on some of the comments about immigration reform. To what extent do think that the complete stalemate in Congress will hinder any attempts in Toluca to talk about meaningful border reform or security reform? I mean is this elephant in the room

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in Toluca that -- despite what the White House has been saying for months, immigration reform just isn't happening here?

ABMASSADOR SARUKHAN: Just so I -- is this Dan from *The Guardian (UK)*?

MR. ROBERTS: Yes, it is.

ABMASSADOR SARUKHAN: Hi. I'm -- my colleagues may want to jump in on this one too. I don't want to suck the oxygen out of the room on this issue but, look, it is clear that one of the biggest challenges that the North American Leaders Summit and the North American agenda have faced since 9/11 is how you compatibalize common security with common prosperity. And, you know, again the idea and the issue of borders needing to be like membranes instead of walls. You have to let the good stuff in but you've got to be able to stop the bad stuff coming in. And that tension between how you develop secure but efficient trade flows has been at the core of every single North American leader summit since 9/11 and it will continue to bedevil I think much of the

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discussion as to how you continue to secure our borders but at the same time to facilitate that \$1 trillion dollars of trade in North America. I think that the immigration discussion will be relevant because I think especially the Mexican President will be interested in hearing from President Obama his thoughts as to, you know, where this is going to go this year. I think Canada will also be validly interested in this issue because at the end of the day it will have an impact on the discussions. If you look at both the Senate Gang of Eight bill and now the sort of a piecemeal approach that all the principles that the Republican leadership put out there before marking it off the table a few -- a week ago, again immigration reform seems to be led by border security and border -- the enhancement of border controls. The concern that I have had all the time is that whereas you see billions of dollars being thrown at border security you see very few resources being put on the table. For example customs inspection and the ability to modernize our non intrusive technology on both

borders. And that again is a challenge because if you're building a greater capability to secure the border you have to have doors that open up to allow trade to flow back and forth.

And so that's how I think immigration may pop up in the discussions but I don't think there will be a discussion on immigration reform itself as part of the agenda.

MS. FELBAB-BROWN: Dan, if I can --

MS. GOLUBSKI: Do our other scholars -- sorry. Do our other scholars want to add anything?

MS. FELBAB-BROWN: Yeah, Vanda here. I had a comment on the relationship between security, immigration and then implication for trade as loosening the border. I think that one of the contacts I brought in my opening remarks is the frustration on the U.S. part as to the lack of clarity, lack of engagement on Mexico's part with the domestic security agenda. In this sense the ball on security has been dropped and that the U.S. on the one hand then is left out and doesn't frankly know how to

engage. A component however of it is that for complex reasons Mexican authorities have become far more motivated in stopping the flow of undocumented workers, both on the Northern border but also on the Southern border. On the Northern border in particular areas such as Tijuana it is often driven by complex dynamics including a desire to focus on flows of undocumented workers perhaps as a mechanism of not focusing on other security agenda such as the complexities of the organized crime scene in this place. So this is not very healthy but something that's enabling perhaps a sense that cooperation is taking place. The Southern border of Mexico for a long, long time frustrated the U.S. as being extraordinarily porous with very little interest and motivation on the part of Mexican authorities and arguably there's a capacity to shut down the border. But that's been changing as many of Central American migrants do not manage to cross into the United States and are falling back and staying in Mexico. And so we have heard far more embrace over the past several

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months of -- from Mexican authorities or from Mexican government over the desire to crackdown on the Southern border. Whether this will happen, whether it will be effective, whether it will stabilize, makes it go south and result in violence or whether it will shut down, close of migrants is to be seen. But it is certainly something that can enable those who oppose immigration reform on security grounds to see that there is more of a cooperation on issues that had long been difficult in the immigration security border agenda.

I was just want to make one final comment on Michoacan which I think is difficult for many reasons including because the important hope of reforming border security was to move inspection away from the border. It's a mechanism of woe enhancing security and enhancing trade flows. And Michoacan was to be one of the areas where precisely be away from border security checkpoints, inspection centers would take place. And its explosion in violence is more challenging for Mexico than even other forms of

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violence. It think it's putting a real damper on that and generating a sense in the U.S. that maybe moving security inspection checkpoints away from the border is really not feasible, that they could not be trusted.

MS. GOLUBSKI: Okay. Thank you, Vanda. We're starting to run out of time. Can I take the next question please?

MR. JOPSON: Yes, Barney Jopson from the *Financial Times*. Just a couple of questions on energy. The Ambassador mentioned that back in '89 and '90 the U.S. wanted to put energy on the table, the Mexicans didn't. Has the kind of the surge of shale oil and shale gas production in the U.S. reduced America's interest in what's going on in the Mexican oil industry to any extent? And then a second question for Vanda, you mentioned that some of the oil reforms raise questions about which external access might get involved and how that might connect up into organized crime. Can you just elaborate a little bit on those issues?

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MS. GOLUBSKI: All right, Ambassador, do you want to go first?

AMBASSADOR SARUKHAN: Yes, of course. I think sort of -- I think that it is very fortuitous that the energy revolution particularly in the U.S. has been occurring as Mexicans -- most Mexicans and certainly two of three political parties in Mexico have come to figure out that the *stato cuarante* of Mexico's energy regime was untenable. I think the fact that some of us -- I don't know how successfully -- but have been sort of hinting that contrary to the persistent Mexican narrative and myth that the Americans want Mexico's energy and energy resources that precisely the U.S. doesn't really need Mexico's energy sources because of this very profound change that has happened in the United States. I think it's a very positive development because it allows those of us who believe in energy reform in Mexico to seek to decouple the argument between those who oppose energy reform in Mexico and those who would make the connection to nationalistic argument that the

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Americans really want to come over and take over our oil. So I think that the timing of Mexico finally coming to realize that the way PEMEX was being run, the way Mexico's energy framework was playing out was absolutely untenable, happening at the same time that this very profound change has happened in the U.S. but also in Canada is very important in allowing Mexicans, Mexican leaders, the Mexican President and especially the PRI and the PAN to move this much more aggressive bill that finally was approved in December. So I think that that's a very important issue there.

MS. GOLUBSKI: Thank you. Josh, do you have anything to add?

MR. MELTZER: No, I think that's a very comprehensive answer. Thanks.

MR. MAER: Hi, Peter Maer, with CBS. Could I ask a quick question?

MS. GOLUBSKI: Sure.

MR. MAER: I heard you anticipating this question as you were setting up the call but it was on my mind and that is the extent for any of the leaders



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-- for either of the leaders of Mexico and Canada that the recent disclosures of the NSA will be brought up to President Obama during the discussions.

AMBASSADOR SARUKHAN: Well, given that I was preempting this one I'll -- I think -- I quite frankly don't think this issue will come up in the discussions. I think that in the case -- and I will only speak for Mexico obviously, and not for Mexican government certainly, but as to what this may look like on the Mexican/U.S. side of the discussion. I think President Obama and President Pena Nieto have had several opportunities to discuss this issue. I think there have been conversations between both leaders and between both governments at a high level over this issue. So I really don't think this will be a part of the discussion either in the trilateral form or if there's a side bar between the Mexican and the U.S. President in Toluca.

MS. GOLUBSKI: All right, thanks. Sorry, we skipped over Barney's second question. Can you ask that again and, Vanda, can you respond?

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MS. FELBAB-BROWN: I remember it.

MR. JOPSON: Sure. Okay. Go ahead.

MS. FELBAB-BROWN: Well, the question was about security concerns of businesses in oil industry. And I would expand that in other extractive industries in Mexico such as rare and precious metals and coal for example in the Southern part of Mexico, (inaudible) being a prominent example. In the oil sector security issues will very much be a function of what kind of cooperation and engagement there will be and where. Certainly offshore oil exportation in the case of Mexico unlike in East Africa presents quite a few vulnerabilities at this stage than any sort of engagement with oil exportation, refining, or distribution on land. Where there is a sense that there is great vulnerability to kidnapping and extortion as well as great vulnerability to pipeline bunkering which in Mexico is arguable far more sophisticated than even in a place like Nigeria or in a place like Columbia. There is also I think uncertainty and a desire to develop some sort of

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intelligent picture of how much oil is being diverted through -- from PEMEX, how much money is being laundered, criminal monies being laundered through PEMEX and what are the implications, liability implications for international partners and the scenarios. And so -- but in -- the security issues and the difficulty of ascertaining what kind of extortion connecting risks are go beyond oil and affect also foreign interest in exportation of -- or extraction of coal, minerals in places of Chiapas raises prospect of land conflict and great political difficulties in managing conflict and insecurity related to land conflict which is outright criminality. So I think many foreign investors want to have high rate of confidence and clarity on a level than they have right now.

MS. GOLUBSKI: All right. Thank you, Vanda. We're actually out of time right now so I'm going to end the call. Thank you all for coming. Thank you, Alan, Josh, Ambassador and Vanda for your comments. If you -- I'm going to hopefully post the audio and

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the transcript. They will be hopefully available tomorrow. The snow day might have slowed that down a little bit. If you'd like to follow up with any our scholars please feel free to contact me, I'm the one that's been sending out the invitations. Again my name is Christina Golubski; I am at the Global Economy and Development Program. So if you have any more questions please feel free to contact me. And thank you all for coming.

AMBASSADOR SARUKHAN: *Mil gracias a todos.*

MR. BERUBE: Thank you.

MS. FELBAB-BROWN: Thank you.

\* \* \* \* \*

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