THE BROOKINGS INSTITUTION

FALK AUDITORIUM

TRADE, SECURITY, AND THE U.S.-MEXICO RELATIONSHIP

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PARTICIPANTS:

Welcome:

MARTIN INDYK
Executive Vice President
The Brookings Institution

Introductory remarks:

AMBASSADOR GERÓNIMO GUTIÉRREZ
Ambassador of Mexico to the United States

Panel 1: U.S.-Mexico relations - Ambassadors' perspectives

Moderator:

MARTIN INDYK
Executive Vice President
The Brookings Institution

Panelists:

AMBASSADOR ARTURO SARUKHAN
Former Ambassador of Mexico to the United States
Nonresident Senior Fellow, Latin America Initiative
The Brookings Institution

AMBASSADOR EARL ANTHONY "TONY" WAYNE
Former Ambassador of the United States to Mexico

PARTICIPANTS (CONT'D)

Panel 2: U.S.-Mexico trade and economics

Moderator:

MIREYA SOLIS
Philip Knight Chair in Japan Studies
Senior Fellow, Center for East Asia Policy Studies
The Brookings Institution

Panelists:

DANY BAHAR
Fellow, Global Economy and Development
The Brookings Institution

GARY HUFBAUER
Reginald Jones Senior Fellow
Peterson Institute for International Economics

ANTONIO ORTIZ MENA
Senior Advisor
Albright Stonebridge Group

Panel 3: U.S.-Mexico Security and Border Issues

VANDA FELBAB-BROWN
Senior Fellow, Center for 21st Century Security and Intelligence
The Brookings Institution

DORIS MEISSNER
Senior Fellow and Director, U.S. Immigration Policy Program
Migration Policy Institute

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Senior Fellow
Urban Institute

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P R O C E E D I N G S

MR. INDYK: Good afternoon, ladies and gentlemen, I'm Martin Indyk, the executive vice president of Brookings. We're delighted to have you here this afternoon. And thank you to those of us joining us online via our webcast. Just a reminder that you can tweet about this event using the hashtag #USMexico, there it is. To say that a discussion about the U.S. Mexican relationship is timely is kind of cliché at this point. The way in which Mexico and the issues related to U.S.-Mexican relations managed to be projected onto the stage of our elections last year and since then with the advent of President Trump and his administration is something quite remarkable and in many ways quite worrying. And therefore, we felt it was very important to have an opportunity to discuss the issues related to Mexico and the relationship with the United States.

We wanted to have a frank discussion about the critical issues involved in the relationship from the issue of the wall and security, immigration, drugs, illicit drugs and arms issues, and of course, the really big one, the issue of NAFTA and the future of NAFTA and the trading relationship between United States and Mexico. We're going to have the honor of hearing from Ambassador Geronimo Gutierrez, the Mexican ambassador here before have a discussion with two former ambassadors, Arturu Sarukhan, the Mexican ambassador to the United States and Tony Wayne, our ambassador in Mexico, back between 2011 and 2015.

We're also going to hear from a variety of experts on trade, economic security and migration, the issues and challenges that are facing both of our countries and complicating our relationship. Brookings has played an important role in terms of conducting policy research on Mexico and U.S.-Mexican relations for nearly a decade. Given the recent developments, we see an urgent need to mobilize the expertise that we have in house, and with our affiliated scholars to generate not only greater understanding in Washington, but also around the country, through our metro program, particularly in the border states between the United States and Mexico, which have firsthand experience of the relationship and are affected most by it.

And therefore, this event also serves the purpose of being a kind of launch event for our new Mexico Initiative. This will be a cross-Brookings effort to take advantage of the expertise across our research programs, from Metropolitan Program to Foreign Policy Program to the Global Economy and

Development Program to produce in-depth, fact based, independent policy research and practical evidence based solutions to strengthen and deal with the challenges in this vital relationship between the United States and Mexico.

I have the pleasure of introducing Geronimo Gutierrez. He is a distinguished Mexican public servant who has only arrived in Washington to take up his post on January of this year. So, I think for him, drinking from the fire hose has real meaning. Before his arrival here, he served as managing director of the North American Development Bank that was headquartered in San Antonio, Texas. But before that, he's had a diverse 15-year career in the Mexican federal government, previously serving in the areas of trade, financing, diplomacy and national security under four presidents. In 2009 and 2010, he served as deputy secretary for governance and Homeland Security. He was also part of Mexico's National Security Council Executive Committee. Before that, he served as undersecretary for Latin American and Caribbean affairs in the Mexican foreign ministry, and before that, as undersecretary for North America, where he coordinated day-to-day trilateral and bilateral affairs between Mexico, the United States and Canada, and supervised the operation of over 50 Mexican consular offices in the region. He also led negotiations for the creation of the security and prosperity partnership for North America that was a prelude to the North American Leaders Summit.

So he has deep experience in the Mexican American relationship and we're very grateful to him for coming today to introduce our symposium. Ambassador Gutierrez.

(Applause)

MR. GUTIERREZ: Good afternoon to all of you. Thank you very much, Martin for that introduction, thank you for the Brooking Institution for the invitation to be here this afternoon with all of you. It's not only an honor, but a pleasure. Ambassador Sarukhan, it's always good to share the floor with you, Ambassador Wayne and the rest of the people that are going to be on different panels. It certainly looks like it's going to be a very lively, and a very well-informed discussion throughout the rest of the day. And I want to thank you again all for being here.

One correction is that I actually arrived here in March, so it's even less of a time. You can imagine that the past three months have been quite interesting and in some way challenging. Certainly very positive, I think.

I've in fact been dealing with foreign affairs and U.S.-Mexico affairs for some time now. And one of the things that I've learned is that those who think that have all the answers of what is going on, or especially what will happen, frequently end up being wrong. So I will try to just center my initial remarks on three questions and then my comments, I will therefore try to put them as hypotheses, just to be on the safe side.

So the first question would be is there a fundamental change in the U.S.-Mexico relationship as a result of the Trump administration. The second one would be is there actually room to revisit and renegotiate NAFTA in a way it's beneficial for the three parties of the agreement. And the third one, is it possible to continue to display, very productive, in my view, security and law enforcement cooperation between the United States and Mexico if there is a -- is the political climate of the overall bilateral relation is deeply deteriorated.

So those I think are the three questions I will center on. So for the first question, very briefly, is there a fundamental change? I was, when I was being confirmed by the Mexican senate, I did say something that I deeply believe in, which is that the bilateral relation is at a critical point, not a crisis, but at a critical point. And that means that unless fundamental, unless appropriate action is taken, I think it's likely that the status quo will be fundamentally different. I think there is a possibility of having a major setback in the relation still, but I also think that it is at hand the possibility of surpassing this phase in the bilateral relationship and actually having a much more mature relation between Mexico and the United States.

In essence, the change is that over the past 25 years, the bilateral relation evolve very positively on different fronts, trade, security, cooperation at the border, et cetera, in spite of differences. And it was, it had been based fundamentally true premises, the first one is that given our geographical proximity and our complementarities, it made a lot of sense to go into a full free trade agreement and that we would benefit for that, of that relationship. The second one was that as we have seen, as non-conventional security threats have become more important over the last 10, 15 years, it made a lot of sense to work together on security cooperation rather than point fingers at each other. And the third one, which is very general, but it was that whatever we need to address, whether it's the environment at the border, water at the border, migration, trade, that we were better off talking to each other again than just pointing fingers at each other.

I think that summarized that the premises that the relation has been based over the past 25 years, and I think again that the trend line is very positive. And I think quite clearly, that some of these premises have been questioned. They were questioned in some way or another during the campaign and in some way or another by positions that have been presented by the new administration. And therefore, I do believe that the idea about calling each other partners has been put in question. That is something I think importance. I would say that the Mexicans have been hearing from administrations of different parties over the last, again, two decades, that we are partners with the United States, and suddenly, it has appeared that our neighbor is not necessarily sure, at least based upon some of the positions that we've heard that it really wants to be a partner.

So I do think there's a fundamental change. I remain optimistic however, that there is a honest intent of both sides to reach common ground, that over the course of the past four months, there have been contacts at different levels that have proved useful to clarify positions, to understand each other better, to establish more clearly lines of counterparts and again, that this honest intent to find common ground will help us address the challenges that we do face in the bilateral relation in the immediate future.

And I will conclude here this question by saying that I also do believe that if we, and I hope we do, we do surpass this phase, we will have a more mature relationship because this is the first time to put it, on some label, that we have had a strong disagreement as quote unquote partners, and that is an important difference. And usually what happens is when you have a partner and you have a strong disagreement, and nevertheless, you both sit down and think, you know, let's work this through and you finally work it through, you end up knowing a little bit more about each other, understanding each other better, and I think having an overall, a more mature and hopefully better relationship. And again, I do think that possibility is certainly at hand and I do say that the intent of the Mexican government in spite of the difference, which have been made public is to precisely do that.

The second question relevant today's conference is about trade. Two or three years ago, five years ago, when people talked about NAFTA 2.0, it was, the sort of discussion was different. It was the idea that we should continue to do things to remain competitive in an increasingly competitive environment worldwide, that we should, you know, harmonize regulations, labeling, to improve our border infrastructure to be more competitive, to have our business sectors interact farther with each other. And that was, that has largely been what was attempted at the security and prosperity partnership along with our Canadian friends at the high level economic dialogue, at different mechanisms that we have seen especially over the last ten years or so.

And now, it's about something different. It's actually about let's open up NAFTA and let's review it and let's renegotiate. And the question is, again, is there room that somebody has said as the U.S. Chamber has said recently, is there room to do that in a way that nobody gets hurt and first do no harm. And I think that that question largely remains unanswered but I'm again, moderately optimistic. There seems to be a growing narrative, perhaps even consensus that the agreement is 23 years old, almost 25 years old now, that there are things that can be improved, there's different topics that have been voiced out there, working intellectual property, ecommerce, looking at some changes on the labor and environmental standards, including sectors that have changed because of technological advancement like telecommunications or maybe even energy and just simply have a better overall trade agreement. In my view, as a result of conversations that I have had here, and knowing what the Mexican line of thinking is, I think that's very likely and that's very possible.

There is a legitimate concern here about manufacturing employment that has been clearly voiced by the administration. I would just say that it's a legitimate concern. It's unclear whether manufacturing employment has declined here as a result of trade or other reasons. I think that does deserve careful attention. There are some that would argue that manufacturing employment associated precisely with trade with NAFTA has actually grown, that manufacturing output has actually grown, and yes, free trade is, in free trade there will be industries and there will be specific firms that will go through hard times. The same has happened in Mexico. That's what free trade, it's all about. So if there are ways we can address those concerns, if there is a way in which we can improve our market access among ourselves and better exports, and there's a way in which employment, better, more and better jobs can be created in North America in a balanced way, by all means let's sit down as soon as possible and let's begin looking at what those things.

On the Mexican side, the principals which we believe should be upheld as a result of this process that now has formally kicked off are simple three or four, is keep it trilateral. First, do no harm. Let's keep our trade and investment flows free, as with any additional restriction beyond what we have already established and let's try to close by the end of this year for reasons that are important.

So, is there room? I think there is. It will depend a lot as we, you know, see the administration here begin its consultation process during this 90 day period and hopefully get a better sense. There's still uncertainty about it. I would be remiss if I wouldn't say so. But I think it's going to be possible. And again, the contact with (inaudible) have been proven so far useful, difficult, but useful.

Finally, is there, what would happen, is there a possibility to continue security cooperation and law enforcement cooperation between Mexico and the United States if there is a major meltdown, to put it some way. Let me try to address that in the following way. When you talk to U.S. agencies here, security agencies, I feel confident in saying that they will agree in general that A, they value the cooperation with Mexico, B, that the cooperation has improved significantly over the last 10, 15 years as the result of the effort on both sides and very competent people on both sides, that there's a clear understanding that we need to talk to more about each other, further exchange intelligence, all sorts of things that we might get into detail later on, and that it's important to keep that cooperation, because again, there are, whether it's transnational organized crime or other non-conventional or non-state threats on security, those cannot be handled if you're not talking and working with your neighbor, period.

And security strategies about identifying risks assigning them probabilities that they will occur, and then trying to reduce those probabilities. That list of threats might not be exactly, the same one on both sides, but there's a pretty good common denominator which we can work on. And that's what in fact, we're doing on a daily basis. If there is a major derailment, setback on the relation is that security cooperation a threat? Unfortunately, I think it is. It's not as a result of you know, just, you know, using it as a bargaining chip, we're not going to discuss agricultural trade vis-à-vis working with the DA, no, that's not the point.

There are two reasons that I think would, you know, could in fact affect -- and just to make sure, we continue to work. Just last week, our foreign secretary was here, along with our Homeland Security secretary meeting with his counterparts and 20 other people looking, actually jumpstarting a lot of things in security with the new administration. Mexico understands, and certainly

President Peña Nieto's government that it is in our best interest also to have that security.

But, if political climate around the relation and within the relation is very deteriorated, there are things that could happen. And, A, that people that believe in this cooperation and that push for it will have their margins of maneuver reduced and secondly, just from a very clear operational basis, I think the figure is like four out of every ten Mexicans have someone in the United States. So, you know, we have right now, around 90,000 you know, between federal police, state police, the army, navy working on security matters. And the likelihood that any one of those has a cousin in the United States that has maybe their mother living in Arizona is there. And it's more difficult to tell people hey, we really need to do this, we need to fight terror and consumption and smuggling along with the United States when unfortunately we sometimes see from the United States a rhetorical narrative that many Mexicans feel it's not a partner's tone, and it might be even somewhat aggressive and that does not help.

We wish to continue that cooperation, the possibilities of increasing it and improving it even farther are significant. But it's important and that's why the president has said we need to look at the relationship holistically. Those are my three questions, some food for thought. Again, I thank you for being here, and I look forward to further discussion, thanks.

(Applause)

MR. INDYK: Thank you very much, ambassador, as you've really framed the discussion I think very well and I'm very grateful to you for doing that. Now we have the opportunity to hear from two other ambassadors with deep experience in the U.S.-Mexican relationship, Arturo Sarukhan is currently an international strategic advisor and consultant based here in Washington, and a non-resident senior fellow at Brookings, and a distinguished visiting professor at the Annenberg School of Public Diplomacy at USC. He is the grandson and son of Armenian and Catalan conflict refuges in Mexico, hence the name Sarukhan. And has served as a career diplomat in the Mexican foreign service for 22 years where he received the rank of career ambassador in 2006, somewhat like Ambassador Tony Wayne who also achieved that rank.

Arturo has held numerous positions in the foreign ministry in Mexico, deputy assistant secretary for inter-American affairs. He was responsible for Latin American regional coordination and mechanisms. In 1993, he was posted here to the embassy in Washington at the onset of negotiations with Congress, of the NAFTA agreement. And he served first as chief of staff to the ambassador, and in 2000, he then went back to Mexico where he served as the foreign secretary chief of policy planning in the foreign ministry. He joined the campaign of President-elect Calderón and after his victory in February 2007, he was imported ambassador of Mexico in the United States, where he served for six years until 2013. He was, I like this part, the youngest and longest serving Mexican ambassador at the Washington.

MR. SARUKHAN: (inaudible) would be the youngest now.

MR. INDYK: He's younger?

MR. SARUKHAN: I think.

MR. INDYK: You need to update your resume. (Laughter) Except for Geronimo. Tony Wayne, an old friend and colleague from the state department has been a U.S., an American diplomat for, since 1975 to 2015. As I said, he obtained the highest rank of career ambassador in the U.S. Foreign Service in 2010. He's currently a public policy fellow at the Woodrow Wilson International Center for Scholars, and a senior nonresident adviser at the Atlantic Council and at the Center for Security and International Studies. The only think tank that is missing from Tony is Brookings.

MR. WAYNE: Happy to work.

MR. INDYK: Tony served as U.S. ambassador to Mexico from 2011 to 2015. He was also U.S. deputy ambassador in Kabul and U.S. ambassador in Argentina. He worked for three secretaries of state as assistant secretary of state for economic and business affairs, which is where I came across him.

So we have two ambassadors who have deep experience in the relationship and I think what I would like to do since we don't have a lot of time for the discussion is ask you first of all, from your perspective, how serious is this crisis in the relationship? You want to start us off Arturo?

MR. SARUKHAN: Yeah, it's a pleasure to be with you today and to join my good friend and counterpart Tony. We were discussing in the room before we moved in here that many times people tend to forget that ambassadors successful also in terms of how he or she can work with counterparts in the other capital city in the way that Tony and I work together sometimes playing the role of good cop and bad cop with our own respective bureaucracies was a very important component of I think the success that we had during our tenure. So it's great to be with you (inaudible) only more welcome. I couldn't think of someone better prepared to undertake the challenge that you will be facing in the coming months and weeks in the city.

Look, and I, I wrote a pretty straightforward op-ed in the Washington Post when the secretaries of foreign affairs and the economy were ambushed by the tweets and statements by President Trump which led to the cancellation of President Peña Nieto's trip to D.C. at the onset of the administration. There hasn't been a point as dire as this one in the bilateral since the 1980s. And in the 1980s, there were two factors that explained the nadir, of what has still and still is, despite this critical moment, is the nadir of bilateral relationship between Mexico and the United States.

One was an issue which was completely unrelated to the bilateral relationship per se, it was Central America. What happened was that the top Mexican foreign policy priority at the time, Central America, collided with one of the top foreign policies priorities of the U.S. administration, the Reagan administration, Central America. And that really contaminated the way Mexico and the United States understood one another. And in the midst of this, you had the abduction and assassination of DEA agent, Kiki Camarena, in Mexico and the relationship nosedived. We hadn't seen something as bad as that in these past 20 years until these last months and in particular this first month of the administration.

I'm more encouraged than I was two months ago because I think that the administration started to understand that the slash and burn approach to Mexico is counterproductive. But I'm not going to sugarcoat it. I'm a recovering diplomat so I can say things that (inaudible) probably cannot say. Even though again I say things are less dire than they were in the middle of February, the relationship is at a low point, especially because the last two decades fundamentally transformed the way Mexico and the United States understand one another and the government to government dynamics, which is still there and which is still strong. We have the challenge that the President still has to designate 400 plus, nominate 400 plus officials that will need Senate confirmation and for a relationship for like Mexico and U.S. relationship that touches absolutely every department and agency in Washington, D.C., not having the number twos and number threes that carry the water in the day-to-day relationship with Mexico has a very profound impact.

Now, having said that, I think the muscle tone of the day-to-day, government-to-government relationship is pretty solid. But what we saw these first weeks as the administration came into office was very troubling. I think that we've now, by convincing or imposing radio silence on the President's twitter feed regarding Mexico, I think we've allowed both sides and both governments and government officials to start navigating and establishing a road map for what comes ahead. Obviously paramount importance, the NAFTA negotiation, which we now finally with the official U.S. notification to Congress and the 90-day clock ticking will take us into late August, early September for the formal start of negotiations, but I think the breathing room on the radio silence on Mexico related issues coming from the White House is what has precisely allowed cabinet officials, both in Mexico and here, to start working together in trying to plot what comes next in the relationship.

MR. INDYK: How did they manage to achieve that twitter silence? Do you know?

MR. SARUKHAN: I know it's not been easy, but kudos to those who have been able to do it.

MR. INDYK: If it could be replicated and scaled, it would be quite an improvement. Tony, what's your take?

MR. WAYNE: Well, so to build on what Arturo said, what was shocking to those of us who had been working on this relationship for a while is that we really have 20 plus years of constant work to improve that relationship, to overcome the legacy of history where in the 1980s, we were called distant neighbors because we were distant from each other even though we were right next to each other. And we'd had all sorts of success. And if you think about it, there's no relationship that touches the daily lives of American citizens more than does the U.S.-Mexico relationship. So when we started having this very critical rhetoric, coming out of first the campaign and then the new administration, it was really, it was a shock and it was a shock also because it wasn't reflective of the reality of the relationship. And then we saw in Mexico, the resurrection and response of that anti-Americanism that we had seen in the past. So that was very worrisome to all of us who had spent years working on this.

As Arturo said, very fortunately, people started working, talking to each other, really reflecting on the facts, that facts that we trade a million dollars a minute, that there are a million border crossings each day without any problems, legal border crossings, so many other things that tie people together and those who benefit from this relationship started being willing to speak out. And in this sense, I praise American farmers. They and their groups really started saying, wait, what are we doing here, this is our third largest market in the world. We need this market, why are you endangering it.

The other day I ran across when NAFTA was signed, one of the figures the Heritage Foundation came up with was 700,000 American jobs in the relationship with Mexico. Well, it's now 4.9 million American jobs depended on the commercial, directly and indirectly, but in that trade, investment commerce nexus. That is not a factor in which we've lost a lot of jobs in net for the economy. And you'll hear a little bit later, I know Gary Hufbauer and others are going to talk about that. The economic studies have just shown that NAFTA has not been the negative agreement that it's been portrayed as.

MR. INDYK: And yet, President Trump, this is to both of you, President Trump exposed a nativist kind of anger or angst that found expression in the relationship with Mexico.

MR. WAYNE: Right.

MR. INDYK: So there was something there and if that's the case, and what it was was a kind of grievance against Mexico that he gave expression to. How real is that and how can it be dealt with?

MR. WAYNE: Well, I do think there is certainly, in a certain segment of the American population, there is a feeling of grievance and a number of them have blamed NAFTA for this. I don't think correctly, because as studies have shown, it's really been automated, new technology and some trade, but not really within NAFTA, trade with China and elsewhere that have contributed to job losses and there were not many alternatives for a certain segment of these people. So the solution however, is to try and help this segment of people understand the reality and then if we can make NAFTA better, as Ambassador Guiterrez was saying, let, let's do that.

MR. SARUKHAN: I would disagree slightly. I don't think it's a grievance with Mexico. I think it's a grievance with how increasingly working middle classes in America feel that trade and the changing demographics of towns and cities and, and the societies in which they lived in are tapping into certain triggers of fear and uncertainty and the fact that Mexico is part of NAFTA and that we have about five million undocumented of the 11 million undocumented people in the United States, five million of those are from Mexico. That sort of provides an easy platform to scapegoat Mexico and use Mexico as an electoral piñata which is what Donald Trump did I think in a deplorable and demagogic during the campaign.

But I think the challenge is, one, something that successive Mexican, American and Canadian governments have done very poorly, which is to understand that there will be losers as a result of free trade and how do you put in place domestic mechanisms to retrain, to create safety networks for displaced labor and none of the three countries have done this successfully over the 20 plus years of NAFTA.

Second, an issue which is profoundly domestic in nature in the U.S., which is how do you solve, how do you resolve a broken immigration system, how do you bring 11 million people out of the shadows, but how do you provide the circular mobility of labor that will allow the U.S. to continue to grow? There's a study out there, it came out in the past couple of days, where, it shows that the states and the cities that are growing the fastest are the ones where you have significant numbers of immigrants in the labor force, so there's a direct connection there.

So and then, Mexico has also a responsibility because Mexico's achilles heel for many, many years now is the narrative that's being created in the U.S. as to corruption impunity, lack of rule of law in Mexico and you're not going to solve that by throwing money to, sorry guys, PR firms in Washington, D.C. This is something that is going to have to be solved by sustained efforts by successive Mexican governments to take on the issue of lack of rule of law, impunity and corruption, which have sort of fed into this narrative that is being built on NAFTA and five million undocumented Mexican migrants living in the U.S.

MR. INDYK: Let's just focus on that for a minute, because I would like to get to the kind of, get to a sense of the Mexican political constraints here. So one question that comes out of that is has Trump's harping on these issues that relate to rule of law in Mexico had an impact in a way similar to getting NATO countries to increase their defense budgets? That is by making such an issue out of, how does it play in Mexico? Does it incentivize dealing with the problem, or creates a backlash?

MR. SARUKHAN: I don't think it has had an impact on that debate. I think that what is truly having an impact on that debate in Mexico is what I think is one of the most promising success stories in recent years in Mexico which is how civil society and you saw it Tony, as an ambassador, how civil society in Mexico, NGOs are starting to play a very muscular role in pushing for accountability, you know, some of these reforms that were enacted a year ago by the Mexican government were born and driven by NGOs coming together and pushing for anti-corruption legislation, so I think that's much more relevant to the domestic debate than Trump tweeting six months before he announces his candidacy that, you know, he's pissed off at Mexico because he lost two real estate deals and Mexico is corrupt and Mexico should get his money back.

MR. INDYK: Tony?

MR. WAYNE: If I could just build on that.

MR. INDYK: Okay. But I also want you to segue from your reaction to that to the question of the politics on the hill around the NAFTA renegotiation, if you would.

MR. WAYNE: First, on Mexican civil society, I think that the biggest change that I saw in my four years there was increasing activism in civil society and it started using social media and then organized civil society groups worked on it, not accepting the corruption they might have accepted in the past and demanding higher standards. And this pushed their elected representatives, maybe not as quickly as they would want, but it pushed them to different kind of laws and then different kind of actions. So there's still more to do, but that change was amazing and that is the, that's what makes governments and societies evolve, is when it comes from within. So that is really encouraging. Secondly, just to jump back to the United States, there's a gallop poll that came out this week showing 64 percent of Americans have a favorable view of Mexico.

MR. INDYK: We don't trust polls anymore. (Laughter)

MR. WAYNE: Well, I do trust Gallop polls and Pew polls and a few others. And what that suggested to me that is in a sense, the more attention to Mexico, people have actually been drawing different conclusions in the majority than a number of criticisms that have been put out there, for a lot of reasons. We could probably go into that.

MR. INDYK: And there's a backlash.

MR. WAYNE: And people are saying well, you know, that's right. These guys are important to us. Maybe they're nicer guys than they are being portrayed. And, and I think that's positive.

MR. SARUKHAN: Can I add very quickly to this because the counter story to this is that a poll came out, a Mitofsky poll, which is also a very reliable poll in Mexico, came out in February of this year, comparing year periods, February 2016 to February 2017 and the counterpart to this jump in positive perceptions in the U.S. regarding Mexico, which I think was triggered a lot by the response from editorial boards and columnists pushing back again some of the looneyness of the campaign and the first weeks of the administration.

In Mexico, you've got the other story. Negative perceptions of the U.S. skyrocketed from 22 to 44 percent in over a year, and the positive perceptions of the U.S. plummeted almost 40 points. So you've got two, two different trends playing out here. And again, this talks to how some of the damage may be more in the terms of public perceptions than in the Day-to-day government relationship.

MR. INDYK: But how is that going to play into the politics of Mexico? Go ahead, a quick answer on this in terms of the presidential elections.

MR. SARUKHAN: It's going to be tricky. If, if the three governments, the Canadian and the Mexican and the U.S. governments can pull off the feat, it's going to be a tall order, but if they can pull off the negotiation by December and we can more or less contain the mischief or the Pandora's box that's being opened in the Canadian parliament and the U.S. Congress and the Mexican Congress to thumbs up or thumbs down, whatever is being discussed by those three governments and you can prevent this from bleeding into the Mexican presidential campaign, which for all purposes will start late this year. It will formally start in January, but we will have party candidates by November, December.

If we can prevent this from feeding into the Mexican presidential campaign, then I think (inaudible) we're going to see, but it's going to be okay. If we've got a full-fledged negotiation, a discussion of NAFTA in the midst of a Mexican presidential campaign, that's going to be much trickier.

MR. INDYK: Tell us about what's likely to happen with the NAFTA negotiations and the congressional reaction.

MR. WAYNE: Well, I think the good thing is that in recent months, you really have had those people who have benefitted from NAFTA have the opportunity to go talk to their congressman, to explain what those benefits are and they've been coming increasingly bold in being willing to say yeah, there are these good things that happen. Now that goes along with saying sure, there are things that we can mention. As Ambassador Gutierrez has said earlier, there are things that can be updated, that can be modernized, it's 20 years old, everybody -- there's a widespread agreement on that. The question is can we modernize it and not do damage to the economic relationship or to the political relationship in the process. And is there a way, are there ways to better tie it to future job creation.

We're all going to go through this fourth industrial revolution. We're all going to go through new technologies coming in and changing how we define work and jobs. So can we work better together between neighbors, three neighbors to actually take this forward in a positive way, and in that sense sort of redefine, not sort of, really redefine what is the economic relationship in North America.

MR. SARUKHAN: And many of us obviously were extremely relieved when we knew it would probably happen when the plans to push the nuclear button by invoking our Article 2205 NAFTA were leaked to the press by some within the White House. It was very important to see the reaction by very numerous group of GOP senators who immediately came out and said this is crazy, you have to defend and you have to bullet proof what we've achieved through NAFTA. And that I think was very important. And that I think was very important. And that plus what we've already talked about here which is how the ag industry, the role that Secretary Perdue has played in this discussion and in this debate, incredibly important and sort of putting this conversation and discussion into context.

MR. INDYK: So let's just talk quickly, because we want to go to the audience about the situation when it comes to drugs and guns and the wall. What's your sense of where's that's going to go?

MR. WAYNE: Well, I thought the talks last week, which Ambassador Gutierrez mentioned between the two foreign ministers and the two Homeland Security ministers and others were really important because what it highlighted was that both sides need the other side. In Mexico, violent deaths have again turned up, and if continued, this year at the projection, would set a new record for violent homicides in Mexico. In the United States, we have a record of death by opioid overdose, a lot of that, the illegal opioids coming from Mexico, because there's been a response in the drug traffickers to the demand in the United States.

Last week when everybody got together to talk about that, the United States came out and said we have to recognize that we are the market, we are the demand, we've got to change that. In the process, we need to work with our partners in Mexico along this whole chain of production. The Mexican minister said that's right, we need to work together jointly on that whole chain. Now, this means that you have to trust each other more. You have to build more confidence, you have to have better ways of practical cooperation. During Arturo's years--

MR. INDYK: Sharing intelligence, too.

MR. WAYNE: -- during my years, we worked that through but precisely in part because of intelligence and other things, it's a delicate process. It's going to take trust between the two governments to move to those higher levels of cooperation against really clever, but really bad opponents.

MR. SARUKHAN: And it's hard to build and it's very easy to demolish.

MR. INDYK: And do you think it's possible to build trust in this environment, Arturo?

MR. SARUKHAN: I think it is. The problem again is whether the larger context of how Mexico's talked about up here in Washington provides that wiggle room, because one of the things that we've sort of talked about in different ways, but I'll call it out as it is, is one of the things that's going to matter is as this current Mexican government moves into the sunset phase of the administration as soon as we start heading into political (inaudible) season, the political maneuverability and political wiggle room of the President is going to diminish month by month, so things that could have been doable a year ago, or acceptable, will be less and less the closer we get to the elections. And the rhetoric has also damaged this and let me give you an example.

Remember when Homeland Security came out with some of these new directives where there was the mention of non-Mexicans being deported to Mexico across the Mexican-U.S. border. That, you know, you can imagine the uproar that has created in Mexico and the response, which was logical, which was that's not going to happen. Now, that took me back to the last time that there were was a senate bill on immigration reform. And for those of you who are steeped in the dynamics of comprehensive immigration reform, back when the gang of eight put its bill together, which was the last successful bill that actually got approved in the senate, there was something called the touchback clause.

The idea was that to be able to neutralize the opposition of the hard right legalization amnesty pathway to citizenship, whatever you wanted to call it, you had to do something in providing 11 million people from all over the world with some sort of status. And so the thinking initially was well, they have to go back to their countries and then they have to come back with some form of legal document back into the U.S. Very quickly, everyone understood, you know, if they are Mexicans, it's easy because you're right across the border, but if you're a Filipino, Bangladeshi, a Chinese or an Irishman, it gets much more complicated going back and then coming back into the U.S.

What we were discussing back then, which I will describe in a second, today in this context would be absolutely impossible. What we were discussing back then is Mexico is willing to take those 11 million undocumented immigrants from all over the world across the border into Mexico--

MR. INDYK: From all over the world?

MR. SARUKHAN: From all over the world, have them processed in one of the Mexican, on one of the U.S. consulates across the border in Mexico and then have them return in 48, 36 hours to U.S. soil so they can come back in with a legal status. That conversation which we were having with Capitol Hill today.

MR. INDYK: We're going to go to your questions because I'm told that we have to wrap it up because of the schedules of some of the other speakers. I'm just going to take three questions together, and get you both to respond to them. Yes, the lady here in green. Please wait for the microphone and please identify yourself and please make sure there's a question mark at the end of your sentence.

MS. BOURBON: Hi. My name is Contessa Bourbon from The New York Times. I would like to ask the ambassadors, if you could change NAFTA, what would it be, particularly on intellectual property and on access to markets.

MR. INDYK: I just have to make a correction here. I don't think that Contessa is from The New York Times. We've had a lot of protest about that. Please go ahead.

MR. PRESTON: Good afternoon, gentlemen. Thank you so much for your discussion. My name is William Preston. I'm with the Rosa & Raymond Institute for Self Development. I just wanted to find out your ideas and concepts on sister city programs because there's so many -- I'm from California originally, but I've seen so many great successes from the ones I built in Africa. So I just wanted to see -- those are soft ways of getting meaningful dialogue and engagement, but without engagement, we've got to win the hearts of people on both sides of the border. Thank you and god bless you.

MR. INDYK: Let's take one from the back, no? Over there, the gentleman with the glasses.

SPEAKER: Good afternoon, my name is Jose (inaudible). I'm a student at Georgetown

University. I have a question specifically for Ambassador Sarukhan. You mentioned the coming election in 2018. There is one specific potential candidate who is highly populationist, highly isolationist, he's already lost two elections. One of them was close enough for it to have been statistical error. So my question for you is if these negotiations are not finished by the time elections roll around and people start campaigning, what can the Mexican people do to avoid the election of a highly isolationist president and if we are not able to, what does that mean for the future of the bilateral relation?

MR. WAYNE: I'll let you think about that, Arturo, I'll start off.

MR. SARUKHAN: Go ahead, Tony. When you talk about the first two, I'll jump in and then I'll answer the last one.

MR. WAYNE: Okay, for sure. So on NAFTA, I mean for me, the big new areas should be everything to do with ecommerce, with data flows and services. I think for another big area that we have not paid enough attention to and is all these areas are future growth. That's what is encompassed there. And IPR, intellectual property rights, I think relate to that, to those areas also. And so there's a lot that can benefit all the economies across North America and we can set global standards in a very positive way. I am a big believer in setting norms that others can follow, and we can do that I think as part of our modernization of this agreement.

On the sister cities and exchanges, I think those are so important. One of the things that I worked on and I know Arturo worked on, and we continue to work on are student exchanges, academic exchanges, research exchanges. You can avoid, help avoid so much of this prejudicial rhetoric if people actually know each other in all of these kind of interactions. They are just going to stand up and say that's not the Mexico, or that's not the United States that I know. I've been there, I've lived there, I know these people. So we have to find ways to keep growing these kinds of interactions. That is really important.

MR. SARUKHAN: On the first two questions, the question would have been solved, there would be no question if President Trump had not jettisoned TPP, because TPP, by virtue of having Canada, Mexico and the United States having agreed to a negotiator were there with our with our Asian and Latin American Pacific counterparts precisely chapters and disciplines on data flows, ecommerce, data protection, we would have had a painless upgrade of NAFTA which would have precluded all of the challenges that we're now facing down the road with a formal renegotiation and redo.

MR. INDYK: Let me just interrupt you on that because I heard Secretary of Commerce Wilbur Ross say that the administration going in position is what you accepted on TPP.

MR. SARUKHAN: That's fantastic, but do you imagine we would have avoided all of this process if we had TPP, then redoing NAFTA would be superfluous because TPP would have modernized the edifice of NAFTA and created 21st Century rules based international trading system, which is what we're going to end up doing regardless, but with a process that is much more complex and much more vulnerable to congressional pressures.

MR. WAYNE: I would just add in some areas, like rules of origin, actually NAFTA has a higher standard than TPP.

MR. SARUKHAN: On the issue of the cities, I couldn't agree with you more. In fact, if you look at a map of the cities and states that have their highest trading partners abroad, Mexico, it's very clear that it's between cities and governors on both sides of the border that we need to build a new sense of coalition. I've always believed that in this relationship, yes, I was ambassador in this city for six years, but if you stay in the city in the U.S.-Mexico bilateral relationship at least, you're shooting yourself in the foot. The role, in part because of the connections that already exist between cities and states across the border, but more importantly, at a time where governments and politics and political parties are being questioned and challenged here, in Europe and in South and Latin America, it is at the city level where public policy is being reinvented. That's where the conveyor belt between citizens and public policy is real and if we can create greater connectivity between cities and mayors, I think that's the wave of the future, not only for the international system of the 21st century but particularly in this bilateral relationship.

On -- I don't know what you tell Mexicans not to vote for López Obrador. I'm not affiliated to any political party in Mexico, but one of the reasons why being consul general in New York City in 2006, I decided to resign and ask for a leave of absence from the Foreign Service was because -- and accept Felipé Calderón invitation to join him as his foreign policy advisor and international spokesperson was because I was terrified of how López Obrador understands Mexico's role in the international arena and how he understands the bilateral relationship with the United States.

And I don't think that the 12 years that have gone by have changed that dramatically.

You just have to look at his positions on Venezuela today to understand what a risk it is for someone that understands Mexico in light of the world of the 19th century and the impact that could have on the U.S.-Mexico bilateral relationship, so I really hope the negotiation can be wrapped up before the campaign kicks off in Mexico because then it becomes really complex.

MR. INDYK: Okay. Unfortunately, that's all the time we have, but I have a closeout question for the two ambassadors. Who is going to pay for the wall? (Laughter)

MR. SARUKHAN: Mexico and the U.S. have done a lot of great stuff together. We will continue to a great lot of stuff together. The one thing that we're not going to do together is build a wall. (Applause)

MR. INDYK: That's good. You want to add to that?

MR. WAYNE: We're going to make the border more efficient and more secure together.

MR. INDYK: Together. Ladies and gentlemen, please join me in thanking both ambassadors. (Applause) Please stay in your seats because we're going to be moving to the next panel. Thank you.

(Recess)

MS. SOLIS: Good afternoon, everyone. My name is Mireya Solis. I'm senior fellow and Knight chair in the Foreign Policy program here at Brookings, and it's a pleasure to be moderating this panel on trade and economic relations between Mexico and the United States. And I think it's very clear from the previous session that this is, indeed, the topic of the day.

There is so much uncertainty. We all know that the Trump administration has already sent a letter of notification to Congress to initiate the renegotiations but there are many questions as to what might be the final outcome of these talks. Because on the one hand we hear a message about modernization, and I think that's very much needed, especially after the United States government decided to withdraw from the Trans-Pacific Partnership, and the idea is that we need to upgrade this trade agreement that is 23 years old that has framed trade and investment relations between these three parties, but the world economy has changed and therefore, we should, indeed, adapt and incorporate those new rules.

But then there are the other messages about the other positions on trade policy, a new direction, if you will, for coming from this administration, an emphasis on bilateral trade deficits and encouragement about “Buy American” clauses, and skepticism, quite frankly, about the merits of production sharing which in many ways is the essence of a North American integration project.

So I guess this afternoon we have a lot to talk about, and we have a group of experts. I'm going to introduce them very briefly because you have the bios. And they are going to start with an initial set of remarks and then we'll open up for a conversation amongst ourselves and then we'll open up for questions from the audience.

So I'll start with my colleague, Dany Bahar, who is a fellow in the Global Economy and Development program here at Brookings. Gary Hufbauer, who is a senior fellow at the Peterson Institute, and Antonio Ortiz Mena, who is now a senior adviser at the Albright Stonebridge Group. And Antonio, I have to say, was also involved in the regional NAFTA talks. So it will be interesting to get his perspective on what has changed and what hasn't from these two processes.

So, Dany, would you like to get us started, please?

MR. BAHAR: Sure. Well, thank you for the opportunity. I want to base my remarks basically on three ideas that are central to the discussion that you framed. I'm going to touch a little bit on very basic economic theory that I think is lacking on the discussion, at least on the government side. And basically, I want to talk a little bit on the trade deficit with Mexico and overall and on the job losses and the job gains that come out of NAFTA.

So the bilateral trade deficit with Mexico stands at about $60 billion a year and it's similar to the trade deficit with Germany and Japan. It's not even comparable with the trade deficit with China, which is about $350 billion. But I talk about the trade deficit, I start with the trade deficit because it's the measure that President Trump is using to measure whether it's a good deal or a bad deal to the level that we can say it's almost an obsession. And base on that, the president has suggested that some sort of renegotiation will include some tariffs perhaps or some difficulties in importing goods from Mexico or China. I'm going to leave China aside for today. And encourage exports.

So I want to stress two points on this train of thought. The first one is whatever tariffs or renegotiation that could happen that aim to change the flow of trade between Mexico and the U.S. is not really going to change the trade deficit overall for the U.S. And second, the trade deficit is the wrong measure to look at whether trade is good or bad or the deal is good or bad.

So in terms of imposing tariffs, the idea is that what would happen imposing tariffs or renegotiating in a way that would make it more expensive to import goods, the final person that is going to be hurt by this are the American consumers on the American side. They're going to have to pay higher costs for their avocados or their Coronas or any other Mexican good that is coming here.

And so the train of thought, I think, that is coming out of the administration is, well, that's going to happen so then the consumers are going to go and start consuming American goods. But that's actually not the case because Mexico and the U.S. are not really competing on the same kinds of goods. Their export baskets are not that similar. So when that happens, American consumers are going to move to start importing from somewhere else. So the trade deficit is going to move from Mexico to some other country, but overall, the trade deficit is really not going to change.

But moreover, on the trade deficit as a measure itself, I think that it comes from the very basic notion that when we spend money, it's something bad; when we earn money, it's good. So when we import, it's bad; when we export, it's good. But the bilateral trade deficit is a meaningless measure because I, for instance, I have a longstanding trade deficit with my dentist. Right? You know, every time I go I pay him. I never get any money back. But it turns out that he, with that money, will go and consume something and at the end of the story we're all in this market. And the same thing is happening with Mexican goods and trade in all (inaudible). But I'm going to say something else. That the trade deficit, as an accounting identity, reflects the difference between savings and investments in the economy. Between the domestic savings and the investment. So I'm not going to get into the macroeconomics of it, but this is not an empirical fact. This is an accounting identity.

So the fact that the U.S. is running a very large trade deficit reflects the fact that the American economy is saving very little. And part of the reason that it's saving very little, it might be because of the monetary expansion that has been happening in the past since the crisis, which makes sense. You don't really want to change. I mean, there could be changes -- I'm trying to say, in order to change the trade deficit, there should be a structural change in how Americans start saving, which could come out of, for instance, monetary policy, but increasing the interest rates right now to incentivize people to save more is not the smartest thing you can do coming out of a recession.

By the way, I'm not surprised that because the interest rate is actually going up and it's expected to go up, that the administration will get credit for when the actual trade deficit goes down.

So a little bit on the job losses and the gains. I think that the story that was put out in the campaign, actually on both sides, definitely with Trump, with Bernie Sanders, and to some extent also the Clinton campaign, of how trade has not been super-efficient and has resulted in job destruction. It comes out of connecting a couple of dots, and really just a couple of dots. First, the fact that America has lost many jobs in the manufacturing sector since NAFTA was signed. And the fact that it has been running a current account deficit or a trade deficit. But when you actually look at the numbers, there are a few more facts that could really change this narrative. So yeah, the U.S. lost about five million jobs in manufacturing since the mid-90s until today, and at the same time the balance of goods with Mexico, the trade balance went from having a surplus to having a deficit of $60 billion as of today, but the story is not as simple.

So first, on the aggregators, many economies have shown that on the aggregators there have been welfare gains from NAFTA, both from the U.S. and from Mexico. But of course, there have been winners and losers as well. So consumers have increased their purchasing powers. Sometimes this comes at the expense of some workers in certain areas losing their jobs.

But I think that these stories I'm telling you, you can reach it after really using some very fancy mathematical models and some very complicated data analysis, and the problem that we economists have of conveying these in simplicity is part of what made the case of using trade as a scapegoat in many political campaigns, not only in the U.S. but also around the world.

So let me just summarize this with some facts. All advanced economics have lost jobs in manufacturing, regardless of whether they were running a trade deficit or a trade surplus. Germany has lost jobs in manufacturing and many other countries, too. So the U.S. lost about five million jobs, but the manufacturing output in the U.S. increased by about $800 billion, which explains the second point that many of these jobs, or the vast majority of these jobs were not lost to trade. They were lost to technology and increasing productivity. There are some stories out there, one of them from Robert Scott of the Economy Policy Institute that they estimate that the net job losses in NAFTA have been about 100,000 out of the five million jobs that were lost, and that is a really tiny amount. I'm not saying that we shouldn't care about it but it's really not as catastrophic -- it's by far not as catastrophic as they think.

But third, jobs have been created after NAFTA because if you actually look at the numbers, it's not only consumers who are benefitting from importing from NAFTA but firms are benefitting quite a bit. If you look at the imports of Mexico to the United States, about 50 percent of them are intermediate goods, meaning that American firms are importing these goods to allow them to become more competitive and export abroad and also create jobs. Also, if you look, about 35 percent of the imports are in the automotive industry, but also, within that sector, half of those are also intermediate goods for the American car companies. So all I know, this idea that trade -- to look at trade only at how it is using the trade deficit and it is making job losses and not taking into account the fact that it's making firms and America more productive and more competitive, I think it's really misleading.

So just two thoughts to conclude a little bit maybe on policy. One thing that is maybe more a philosophical question, I'm not going to answer it but I'm going to pose it out there, is this idea that when some protectionists are saying we should create tariffs or should protect some industries to avoid workers losing their jobs, I wonder why this has to happen at the expense of consumers that are going to have to pay more expensive tomatoes and cucumbers so that farmers can keep their jobs. I'm not saying it's a straightforward answer but I think it's not straightforward on both sides. And I'm using the example of agriculture because that's one of the sectors that actually tariffs are still very high all over. But it applies to this case, too.

And one thing that was said in the panel before, yeah, some jobs and some industries are destroyed in trade. And that is unfortunate but that is part of the structural change process that makes economies grow. More competition will kick out of the market some less productive firms and some less productive industries. And that process in which the resources, the workers and the machines go from the least productive industries to the most productive industries is the process that explains growth and productivity growth. And that is the biggest challenge that the U.S. economy has: how are we going to overpass the productivity growth slowdown that has been happening. And more trade is the answer to it, not less.

And finally, my advice to the administration, if somebody is listening, is that if they really want to stand out in terms of trade, the answer to the discontent that is out there, which is a valid discontent of people who have lost jobs and industries that have been shattered and factories that have left -- I'm really not saying that's unimportant, but if you actually want to make a difference, so the way to do this is to really create the proper safety nets for those people to help them transition to another industry or even to retirement probably in most cases. And that's something that really no other administration has done before, or at least not in a very good way. So that would be the way that this administration could really stand out in helping the American worker.

MS. SOLIS: Thank you, Dany, for helping us (inaudible) the trade debate which is so important.

Gary, would you like to go next and talk about the U.S. position on the NAFTA renegotiation?

MR. HUFBAUER: Well, thanks very much, and thanks for inviting me. I look at the audience and I see a room full of experts. Many of them economists, but all experts. The ambassadors, of course. I see my old friend, Mike Finger there who is hiding, and Kim Elliott, many others.

So kind of where to start. Well, I think Dan has put the economist and expert argument extremely well. Across the street at our institute, and Kim was there, Alan Blinder at lunchtime explained quite brilliantly why economists have not sold the free trade medicine over 200 years. We've had 200 years since Ricardo and there's still no sale as this current debate indicates. And when we take the antipathy to trade and globalization generally in the United States, it really is hyper focused on NAFTA, an agreement made and Washington made in Mexico City, in Ottawa, and with a developing country, all these reasons which are very familiar to people in this room. So it's quite an uphill battle that the experts in this room and Antonio and myself face.

Now, just coming to kind of the U.S. side of the picture, I think it's well to start with the umbrella that President Trump puts on trade. His umbrella is the theme of fairness as he interprets it. And under that theme of fairness there are two subthemes as Dan has mentioned, others have mentioned. One is trade deficits, bilateral trade deficits with a free trade partner country, or evidence of unfairness. I mean, it proves itself as far as he's concerned. And also as far as a great many Americans are concerned. And the second is a little more technical but not a whole lot more technical. It's what I call mirror image reciprocity and some people call level reciprocity. In other words, if the other country has barriers that we, the United States, does not and the other country is a partner of ours, especially if it's a free trade partner, it is unfair by definition. But that's the very issue with Canada. But there are plenty of other issues, and we can go into the details of it. In fact, Secretary Ross will go into the details because one of the multiple executive orders which he's carrying out in the next couple of months is one on the sources of the trade deficit. He will draw on the National Trade Estimates Report on foreign trade barriers and he will choose out the impost important sources, and all of those will fall in this category of mirror image reciprocity, or rather lack of mirror image reciprocity. We'll find things with Mexico, with Canada, and of course, China, and so forth and so on.

So, that's the big agenda. Now, there are three separate negotiations going on to deal with this agenda. And the one we're talking about, I guess in this panel generally is supposedly the NAFTA negotiations. But there are two other negotiations which are equally important and not even negotiations, but two other fora which are equally important and will have faster delivery. One is Trump's direct talks with CEOs of major companies. He's done it already and you know the examples, and he will do more of it. And he will convey to them, as long as he I guess has some authority as president that you will do much better with the U.S. Government Defense Department or other departments if you make an announcement of a major plan, live employees, and so forth. And that's going to go on. And I think that pays politically. You know, it leads to a number, a concrete number in a concrete place, concrete company, Apple, whatever, Toyota, many companies are available.

So that's an important feature of our present kind of reconfiguration of trade policy. It's something we haven't done. I won't say we've never done it but we certainly haven't done it in this amplitude.

Okay, the second, not a negotiation but very important fora are unilateral trade actions, and I've written a piece on this, and I think everybody in this room knows it. But the president has not quite unlimited, but almost unlimited authority to stop trade and other commercial relations, finance if he wants, intellectual property transfers if he goes into that, and so on. And he's beginning to use it. Now, Mexico so far has been rather spared but don't hold your breath because look at what's happened to Canada. Now, Canada is a good neighbor, as is good Mexico, but has been a good neighbor longer than Mexico. It's been a military ally. It is currently an ally in terms of the Arctic and so forth and NORAD. I mean, I can go on. And what do we have? We have soft wood lumber. We have Boeing versus Bombardier. And in the wings we have steel and aluminum. And of course, dairy was mentioned. You know, that's policy right there. And out of this kind of trade deficit report and so forth I'm sure you can find three or four actions which you can start to take against Mexico as well. We haven't seen it yet but I think it's yet to come.

Okay. Let's come to the supposed NAFTA negotiations. Both of the very distinguished Mexican ambassadors have left and I've known many Mexican ambassadors, so it's probably just as well they've left because I'm going to disappoint them. This negotiation, this so-called NAFTA negotiation, if it's completed this year, that will certainly surprise me. Why? There is a Congress to be considered. When you talk about something as big as NAFTA, you engage not only the Border States, my home -- I regard my home state as New Mexico but I grew up in California, Texas. You engage all of those congressmen and senators. You also engage the northern Border States and you engage a lot of states in between. And those congressmen and senators, they've begun to talk back. It's true that, and to correctly say it, I mean, there are losers when we have a trade agreement and we've gone through the numbers on that if anybody cares to read it. I'm not sure the numbers make a lot of difference to the political debate, but now there are people invested in jobs which have to do with the continuation of the present level of trade with both Mexico and Canada. And it's about $1.3 trillion two-way trade with our two neighbors. I mean, it's just a tremendous amount.

So those congressmen and senators, they're not going to give the administration a pass, and they're starting right here and right now with this 90-day window, and they're going to really put the squeeze on Lighthizer to get away from these generalities, this two-page nonsense. Get right down to the specifics and the priority. And there's a big battle. All the lobbyists, my good friend Antonio probably would be concerned in this, they're going to be enriched by trying to get their issue higher up on the priority list. So you've got the same thing going on I'm sure in Mexico and Ottawa, in Mexico City and Ottawa. So that's got to make it very long. And all trade negotiations last longer than were ever advertised to begin with. So the notion that this will be wrapped up by December I think is a dream.

But there's a further reason why it won't be wrapped up by December, even though everybody says they should do it, and that's this. Look, if Trump and the two capitals actually wrapped up this negotiation, the reason Dany said and others have said, you know, he's not going to be able to deliver to the American public this huge promise of this reduction of the trade deficit, and therefore, because of the reduction in the trade deficit there's more auto plants going to spring up and reemploy those workers and so forth in Ohio, Pennsylvania, Michigan, and the battleground states. I mean, it's not going to happen. So he's smart enough, or if he's not smart enough, Gary Cohen is smart enough, maybe Wilbur Ross is smart enough to tell him it's not going to happen. So if it's not going to happen when you sigh on the dotted line, you better not sign on the dotted line. You better keep the dotted line unsigned so you can continue the political campaign going into the 2018 election.

I think my chairman is giving me the signal so I'll stop right there.

MS. SOLIS: Thank you. Very interesting.

Mexico's perspective, Antonio?

MR. ORTIZ MENA: Yes, hello. It's very good to be with friends. And I'll give Antonio's perspective. So if you are Mexican, I cannot speak on behalf of the Mexican government, and I'm glad that I now can speak my mind. So you'll get a piece of my mind.

I was asked to provide my thoughts on how Mexico has prepared for the negotiations, its goals and strategies. I'll go over that very quickly. And share some thoughts on how to upgrade NAFTA, again, from my perspective how things are seen from Mexico. In terms of Mexico's preparation for the negotiation, I would say Mexico is very well prepared.

First of all, it has the human capital trade experts. This is a nontrivial issue. Not a lot of countries have the depth and breadth of trade negotiator expertise. Mexico has some old hands that were sort of colleagues from the original NAFTA negotiation, and the new generation that were steeped in negotiations, more recently the TPP. So they've got that.

Secondly, there's the Business Advisory Council that was working with the trade negotiators for the TPP and that's already up and running. And again, up to speed on the traditional trade issues and new trade issues. That's also very helpful.

Thirdly, I would say that NAFTA and Mexico is not as controversial now as it was during the original negotiations. In fact, when some U.S. government leaders started speaking about withdrawing from NAFTA or doing away with NAFTA, a lot of voices in Mexico that had originally criticized

NAFTA, and yours truly and some colleagues that were involved in those negotiations, someone said, whoa, whoa, whoa, it's not a good idea to get rid of NAFTA.

So there are some broad concerns in Mexico overall of NAFTA as positive and they don't want to get rid of it. So I think in terms of preparation, Mexico is really pretty well prepared.

In terms of the goals that were explicitly set out by President Pena Nieto and he has mentioned no tariffs and no quotas. That means this is really seen more as a modernization of NAFTA than a renegotiation of NAFTA. And this is not semantics. This is the way Mexico is approaching this. The Mexican government is in favor of including new topics such as telecoms or energy or ecommerce. And the Mexican government has also made it explicit that it wants to wrap up by late this year. And here there's a striking difference between the current negotiations and the past negotiations. In the past negotiations the mantra was that the content would determine the timing. And whenever we were asked when will you wrap up, we would, you know, it's a mantra, almost like yoga like. The content will determine the timing. Well, this time we really have a tight deadline because I don't see how negotiations can continue. Next year when there will be two presidents in Mexico, a president in power and a president-elect. And elections are in June 2018, and the next president will take office until December. So it's a very long changeover period. I don't see how we negotiate during that phase. I think it's very, very difficult to wrap up by December. I don't think it's impossible if countries focus on modernizing rather than renegotiating NAFTA.

In terms of the strategies, again, the government has mentioned some principles, but I think they could be seen as strategies. And first of all, it's focusing on a sort of win-win solution. It's not taking a mercantilistic outlook at negotiations. If you do that you will not be able to reach any agreement. And I think, again, this is not semantics; it's trying to see how I can provide suggestions and solutions for a win-win approach across the whole of North America.

Secondly, it is focusing on trilateral negotiations, not bilateral negotiations with the U.S. And as Ambassador Geronimo Gutierrez mentioned, the government's looking at this holistically. It's looking at the economic relationship within trade is a big part. It's looking at immigration and it's looking at security. So that's really what's at stake, not because of quid pro quo but because that's the nature of the relationship. And I would say that that will help concentration minds and hopefully help us do what

Gary thinks is nearly impossible. I would tend to agree it's very difficult but hopefully negotiators will pull that off.

And now let me share just a few ideas about how I see NAFTA being upgraded. I think we have to focus on three types of upgrades. First, what I would call internal upgrade, then external upgrade, and then the architecture of the agreement.

Regarding internal upgrade, there are a lot of things that should have happened that have not happened. It has nothing to do with modernization of NAFTA. NAFTA negotiators said they would do a number of things they haven't fully done. Let me mention just a few. They would increase the scope and coverage for the temporary entry of business persons. They said they would improve cooperation and commitments regarding competition policy. They said they would improve dispute settlements, especially regarding antidumping and countervailing duty, issues in which the U.S. has become very active recently, and they also said they would try to find better ways to resolve agricultural disputes. And these past weeks, for those of us trade policy wonks that focus on Mexico-U.S. trade relations, you've heard nothing about sugar, sugar, and HFCS and tit-for-tat. Okay? So these are just examples. That's not an exhaustive list but examples of things that could be done that should have been done before.

And my position would be that it's a good time to get up to speed on what should have been done. That the Mexican government should not accept any policy reversals in terms of what it already has in terms of the NAFTA. Some interest groups in the U.S. have been calling for doing away with NAFTA Chapter 19. That's by national panel review of antidumping countervailing duty determinations. I don't see what would be at all in Mexico's interest or Canada's interest to accept that. If there are concerns about Chapter 19, well, then let's fix it, improve it, strengthen it to provide certainty for producers in all three countries. But I don't see why Mexico would be willing to do away with that.

So this is just some example of what I would call sort of internal upgrade, internal modernization.

Regarding external modernization, that's what would have taken place if the TPP had entered into force. And if any of you have read the letter sent by USTR Lighthizer to the Congress on NAFTA modernization, he does mention NAFTA modernization. He uses that word. Okay? It looks almost like a chapter listing of the TPP. Whoa, you know? Small and medium enterprises. State-owned enterprises, telecoms, ecommerce. Okay, fine. But I think that the politics are very different when you're negotiating between three countries than when you're negotiating between 12 countries. And I'm not sure that you get a better deal negotiating bilaterally or in a small group than negotiating in a big group. I don't see why Mexico should accept exactly what it accepted in the TPP negotiations because there were many other tradeoffs that were possible with the TPP that will not be possible now. So that's the external sort of upgrade incorporating these new issues.

And in addition, some issues that I think will have to be addressed more in depth, Ambassador Wayne mentioned regulatory cooperation. I think that will be critically important. Mexico and the U.S. tried to do that bilaterally through the high-level economic dialogue, and to be frank, I think progress has been slower than expected and desired and that needed, so that's a very important issue.

Secondly, everyone talks about ecommerce. I would talk about sort of the digital economy beyond ecommerce. And there's a small issue related to ecommerce called taxation. Okay? And it was a big deal in the U.S. about whether Amazon should be taxed or not. Now throw in an international dimension to that. The OECD has done a lot of interesting work on ecommerce and taxation. Taxation is not a part of the NAFTA but that's something that will have to be contemplated.

And then lastly, if I can have a minute in terms of architecture, the agreement, I would say that if we only focus on an internal and external upgrade, we run the risk of having the new NAFTA 2.0 become obsolete in three or four or five years. NAFTA is really pretty rigid. It's a detailed, long, some would say pretty boring agreement. It's like an old phone book. Okay? It has been adjusted slightly in terms of the definition of investor and investment for Chapter 11 ISDS. The rules of origin have been tinkered, but overall, it's pretty much set in stone. Right now we're in the midst of the fourth industrial revolution where you see the convergence of digital technologies, physical technologies, biological technologies. We don't know where this will lead to but it will affect how we produce and how we trade.

So now I think that the negotiators have the challenge and the opportunity to craft an agreement that is not as rigid as the original NAFTA because it's really difficult to sit down and make any changes. So I don't want to sound like Goldilocks but it has to be sort of, you know, flexible enough to incorporate any new developments in terms of the fourth industrial revolution but not too flexible so that it generates uncertainty for, you know, producers and consumers. I don't know what the perfect balance is but I do think negotiators have to take this into account, and I'm not sure anyone is really discussing this issue.

And then lastly, I don't know if the intent maybe on behalf of the U.S. is to use the new NAFTA as a new template. That is to say TPP was supposed to be the new template for international trade agreements. We have no TPP. Well, that could be the opportunity or the risk to use NAFTA as a new template. For example, as far as I know, there are no big debates between Mexico, the U.S., and Canada on currency manipulation. The peso has been depreciated because of some unwarranted tweets north of the border; right? So the currency could be manipulated by something that's happening on 1600 Pennsylvania Avenue, not at the Central Bank of Mexico. But, you know, be that as it may, I don't think it's a big issue.

But, if it's going to be a platform for other countries, I think we need to make this explicitly, and also think about how to deal with the accession clause. Not a lot of people remember that NAFTA has an accession clause. A lot of people have been talking about the withdrawal clause; right? There's an accession clause that says that any country or group of countries can join NAFTA so far as Mexico, Canada, and the U.S. agree to that. Right? So if it's going to be seen as a flexible agreement where you might later incorporate some of the Central American countries that are of, you know, a lot of interest for the U.S. for national security purposes, how are we going to deal with that? I think that's just an open question in terms of the architecture of the agreement.

And with that I'll just leave it open to questions. Thank you.

MS. SOLIS: Thank you. Thank you, Antonio. Fantastic. So I think we have a whole set of issues to discuss, but I want to focus on one issue that I think has been really driving the discussion and that is the timeline, how realistic it is really to finish by year's end. I very much have the same sense as Gary does that if you really sit at the negotiation table by say August, it's going to be very difficult to imagine that by the end of the year you can conclude.

As a very dear friend of mine who follows trade very closely and is a former trade negotiator told me, you cannot even negotiate a single rule of origin in that timeframe. I mean, and the rules of origin are actually quite political and quite challenging, not only technically but in terms of the interests that they move. Also, because we don't have a consensus even within the United States. When it comes to rules of origin, car companies and unions may have different views and, you know, Gary, I would like if you could also comment on, you know, we don't really know what is driving the Trump administration. Is it really modernization as implied in the USTR letter or is it a renegotiation in terms of what the political advisors may be advising is the function of trade policy? So we don't have that certainty as to what will be the position of the U.S. government.

And then Antonio, when I hear about, and I complete agree with the set of issues they're putting on the table, when you're talking about a NAFTA that is less rigid, that can address the new, you know, realities of technology and production, when you talk about defending Chapter 19, when you talk about the fact that Canada and Mexico gave some things as part of TPP while they will not give as part of NAFTA, I would say all of that suggests that it cannot be done by the end of the year.

So what happens? I think we should start, you know, thinking about a hyper related scenario that NAFTA talks will spill over not only to 2018, it may actually go even further than that, and it's going to be different electoral cycles that will have an impact. Next year is Mexico's presidential election but it's also a midterm, and eventually, you might even talk about the presidential reelection campaign of Mr. Trump. So I think we have to consider the fact that this may be a long, drawn-out process, and what that does to the Mexican economy, what that does to U.S.-Mexico relations.

Comments on these points that you might have?

MR. HUFBAUER: Who do you want to start?

MS. SOLIS: Gary, why don't you go first?

MR. HUFBAUER: Okay. Well, you and I are in sympathy on this. It is true if President Trump had a real conversion on the Road to Damascus and really thought, well, yeah, we want to modernize and so forth, as Antonio said, yes, you might get some steps in that direction within this year, but that is so at contrast with his rhetoric. And he has this whole wing in his government. He's got Navarro. Navarro is in charge of "Hire Americans", "Buy America." Well, "Buy America," the way it's interpreted by the Trump administration is a complete negation of the Normand Procurement Agreement in the WTO and the NAFTA Agreement. And Navarro is going to spend his time pushing this down to the states and to private firms. You saw what happened on the pipelines.

So, and you have Lighthizer, Robert Lighthizer, he's technically extremely able, brilliant, but his position has been clear for 30 years. He's not in favor of this kind of stuff. And then we have Wilbur Ross who is the trade policy director. So you have this whole wing who are really not in favor of a modernization agenda. They have another agenda in mind. But then you have the Goldman Sachs wing, Gary Cohen may be mentioned and Juster and some others. So there's this kind of battle within the White House. If it were resolved in one way, it is conceivable that you might have a quick negotiation, which is essentially adopt what happened in TPP, but that seems -- I just think that is quite inconsistent. And so I think if you add that position with what Antonio said, you end up with the NAFTA negotiation going at least to 2019.

MS. SOLIS: Thank you. Antonio and then Dany, do you have any comments?

MR. ORTIZ MENA: Yes. I mean, this is a town full of lawyers.

MS. SOLIS: I'm not a lawyer.

MR. ORTIZ MENA: (Inaudible) political economists so I can take his side. But I guess it depends how you define "conclude."

MS. SOLIS: Oh, I see.

MR. ORTIZ MENA: Yeah. Okay. Okay.

MR. BAHAR: That's an idea for a tweet.

MR. ORTIZ MENA: And let me tell you how I think it could theoretically be pulled off.

First of all, you negotiate over the general architecture of the agreement, basic principles, what is the baseline where there will be no reversal, and you strike something like a peace clause. Right? So you create certainty and stability for political actors while you reach an agreement instead of sending signals that, you know, everything is up for grabs or maybe Chapter 19 is going to go away and, you know, it's a complete mercantalistically-driven negotiation. So you establish broad principles. You do a peace clause. You advance as much as you can, and then you can sort of establish some, say some working groups. Say rules of origin. Okay? Rules of origin are very complicated. You could lay out some principles. We will not disrupt regional supply chains.

Having said that, we will try to have as much regional content as possible. And once we have rules of origin agreed upon, they will have a transition phase. Like there is usually a transition phase for tariff reductions so that if there are any adjustments that need to be made, those adjustments can be made. And then you can leave a lot of stuff for what's called the legal scrub that can take a long time. For me, just making a clear and direct statement of what the aims are, sort of what's in, what's out, and what will happen until you reach an agreement would go a long way towards creating stability in the markets.

And also, an additional thing that I think is worth mentioning is that this is, you know, trade policy, but a lot of trade politics. Right? Mexico is now the major investor in the U.S. Mexican multinational corporations. So I cannot speak for their CEOs, but I think they've kept a pretty low profile. And if they had a high profile just stating how much they've invested in the U.S., how they're creating jobs in the U.S., how they would be willing to invest more into the U.S. if we remained good neighbors as opposed to distant neighbors, and if there are good trade and investment rules for regional trade, that could be a positive thing and maybe have a few -- I'm not being sarcastic, but a few new true photo ops. It's like, look, this plant by Beanbo has state-of-the-art facilities. It's producing, you know, great Thomas English Muffins or Entenmann's donuts, or what have you. I think that could be also part of the solution. You have to be really creative.

MS. SOLIS: And that is very creative, Antonio. And I think you're a voice of reason, but I would just play devil's advocate, and I'll go to Dany in a second. And I would say that when you mention a peace clause that provides stability uncertainty, I think we can all agree with that. But what I hear the messaging from the Trump administration is that uncertainty provides leverage in negotiations, and therefore, the notion is that you want to keep the other side guessing as to what might happen. So whether they would willing to provide a kind of assurance when they say that the negotiations with Mexico I think remains to be seen but the approach is very creative.

Dany?

MR. BAHAR: I just want to comment on just two things. I don't know about the specifics as my colleagues but just if you look at history, I mean, the (inaudible) from 1986 to 1994, the Doha development round, which these are multilaterals, right, so it's more complicated but it's, yeah, but even if you say like take it by half. So the Doha round started in 2001. It was supposed to end by 2005. It's still going on. So I tend to agree that this is something that, I mean, we're talking about years.

The alternative thing that I think could happen, which has nothing to do with Trump, nothing to do with Mexico, but Trump will take credit for it, is like when and if the federal (inaudible) keep increasing the interest rate in the next year or two, that will have, I think, that will have an effect on lowering the trade deficit. And if the peso keeps appreciating a little bit more, that's also going to happen. So I think if those two, you know, all the stars only align and that happens, the administration might say, well, we actually lowered the trade deficit. We're so good that even without negotiations we lowered the trade deficit.

MS. SOLIS: All right. Thank you, Dany.

Questions from the audience? There's a microphone. So if you can please, this gentleman here, identify yourself and be very concise so we have time for more questions.

MR. MALDEN: Thank you so much. Will Malden with The Wall Street Journal.

Just asking to follow up. It's hard to look into the future politically from where we are right now, but I guess what I'd like to ask, Gary, and Antonio, and anyone else, if the negotiations aren't concluded by the time of the Mexican election, what is the fallout for the negotiations? On the other hand, if they're not done by the U.S. midterm elections or even by the next presidential election season, which seems to start earlier and earlier these days, what are the possible repercussions? What could happen to NAFTA? What could happen to the Mexican-U.S. trade relationship? Thanks.

MS. SOLIS: Thank you.

So Antonio, why don't we go with you first this time?

MR. ORTIZ MENA: Okay. Thank you.

I would say that there are different scenarios depending on which candidate wins the election next year. There is, I would say, broad support across the political spectrum in Mexico to maintaining NAFTA. It's not perfect, but if the question is are you better off with or without, most people would say I'm better with NAFTA. That might not be the case for all of the people supporting Lopez (inaudible). That would be a different scenario and that would be a great deal of uncertainty.

For some companies, you know, the backup would be if that means there's no NAFTA, you know, the region would be governed under WTO rules and most favorite nation tariffs. In that case, I would say the U.S. exporters would be put in an adverse position because Mexico's MFN, the WTO tariffs, are much higher than the ones of the U.S. So Mexican exporters would have much easier access to the U.S. market than would U.S. exporters to the Mexican market, especially so agricultural exporters. And they've been speaking out by saying, hey, Mexico is a very big market. It's an important market. Don't mess with it. I hope that we don't reach that situation, but that would be the case.

And then just briefly commenting on Mireya's point that, you know, uncertainty is a negotiation strategy, yes, but there's also Mexican politics. And too much uncertainty could backfire on the U.S. Right now there's an initiative in the Mexican Senate that would compel the Mexican government to source its corn from Argentina and Brazil and not from the U.S. And Mexico is upgrading its trade agreements with Europe, with the E.U, with EFTA, with Argentina, and Brazil. So I think that could be counterproductive for the U.S. And I guess the onus would be on those U.S. exporters that really rely on the Mexican market to be much more outspoken. They were very outspoken when there was the fear that the U.S. would suddenly withdraw from NAFTA. So that's what I would say. I would say that yes, it's difficult, but not impossible to play out with my scenario.

MS. SOLIS: I want to see it (inaudible). That would be great.

And Gary?

MR. HUFBAUER: Okay. Well, Will asked the right question as he often does. If it's not done by the midterm elections, what are the repercussions in the U.S.? Well, there's the other two negotiations which I talked about, and they will be done. Trump will get more CEOs to line up and pledge. And he will put on sectoral -- he'll have sectoral agreements. We're headed to one in soft wood lumber. We've had four of them already. We're certainly going to get a fifth. And we're certainly headed for one in steel. And Lighthizer is a master at negotiating these sectoral deals. And in steel, the strength that Mexico and Canada have is that they are the destinations of the eight million tons of U.S. exports of steel, but they also supply us about eight million tons. But there will be some kind of nice deal which will have a global impact which will raise the price of steel and we'll probably get more (inaudible) will go up but also we might get a few more workers. But it's not going to stop there. Who knows what he's going to get on autos? He might go company by company. You get GM or Ford or whatever to promise, you know, their internal balance of production in the United States versus what happens in Canada and Mexico and it's kind of more shaded. I mean, so there will be things to talk about in the midterm election even if there's no sign on the dotted line on the new NAFTA. In fact, I would say you don't want that sign. I've already said that. You don't want that signing on the dotted line. You want that as the promise for the next two years of the administration.

MS. SOLIS: Thank you. We have time for another question. This lady?

MS. MEREDITH: I'm Emily Meredith. I'm a reporter at Energy Intelligence. And I have a more basic question, which is, you know, if there's broad support like Antonio said in Mexico right now for this NAFTA, possibly in Canada, why participate in renegotiations? Why not just say, you know, we hear you that you don't like it but we're not going to show up? And then sort of related, you know, what's the danger of going through the motions of renegotiations if they don't seem to lead anywhere for years?

MS. SOLIS: Who wants to take it?

MR. HUFBAUER: I didn't quite hear the question, so.

MR. ORTIZ MENA: Yes. If you like NAFTA, why favor renegotiation? And I would say because that's the only way to keep it alive because of the politics of the U.S. So the status quo is not sustainable. NAFTA is either modernized or adjusted in some way or it will go away. That's my view. So it'll be difficult to just kick the can down the road and just, you know, do nothing. I don't think that's viable in terms of U.S. politics.

Secondly, I think it's in Mexico's self-interest to have a much modern and powerful and flexible NAFTA. So I think those are the reasons. Mexico was hesitant to participate in the TPP, and I think at the end of the day it participated because of not to make gains in the TPP but to avoid losses from being excluded in a brand new agreement. So Canada is already going to do it with the U.S. regardless. Mexico has to be in even from a defensive position. I would say those are the reasons why it's at the table.

MR. BAHAR: And also, because the alternative, as Antonio said before, is that if NAFTA, I mean, if they say we're just going to show up and the United States actually withdraws (inaudible) option, then the law of the land becomes the World Trade Organization and the tariffs that the U.S. will have to face. If they want to export to Mexico or (inaudible) vice versa, too. Right? So the U.S. will also have -- they're not aside but the Mexican exporters will also have to pay more tariffs when they export to the U.S. So, it's a win-win situation.

MS. SOLIS: Thank you very much. I underrated there's a lot of interest but we have another panel. It's a very tight schedule so we have to transition. We're going to talk next about security and border issues, but please join me in thanking the panelists for (inaudible).

(Recess)

MS. FELBAB-BROWN: Good afternoon. I am Vanda Felbab-Brown, senior fellow here at Brookings. And thank you very much for staying to the last panel, very exciting one, on some of the most difficult and intractable issues in Mexico and in the U.S.-Mexico relationship. We'll speak about drugs, criminality, as well as immigration issues, something President Trump inappropriately tends to lump together in his issued -- a range of policies that are highly controversial in Mexico and highly controversial in the United States.

I'll be moderating the panel as well as lead of the discussion on security issues in Mexico and in the transition to the border. Let me introduce my two distinguished colleagues on the panel. First, Doris Meissner, who will be speaking about the border relationship, Doris was a high administration official during the Clinton administration. In fact, she was the commissioner for what was then the U.S. Immigration and Naturalization Service. And not only (inaudible) and dealt with many of the issues at the time, but also made some enormous progress at the time in dealing with issues such as managing the border, but also improving naturalization, setting in procedures for refugees issues, and leading and really at the time being at the core of improving U.S.-Mexico collaboration on immigration issues.

So in many ways a lot of Doris's key work at the time is now being overthrown, perhaps, perhaps not, by the Trump administration. And we are absolutely thrilled that you can join us. Doris, today, is a senior fellow at the Migration Policy Institute, that she, in fact, started after also being senior associate at Carnegie.

We will then hear from Audrey Singer, my colleague. I still claim Audrey as my colleague here at Brookings. Audrey is a nonresident senior fellow these days, and used to be senior fellows here and also very prominent expert on immigration (inaudible) issues. I would highly recommend her recent book on how cities, particularly middle level cities, deal with integrating immigrants, called "Twenty-First Century Gateways." It's, again, one of the issue that we hear a lot today in the presidential rhetoric and the White House rhetoric and, in fact, from cities, as well, about issues of sanctuary cities, the dealing with migrants, but there are many dimensions to it, and the integration is crucial and can be done effectively, as you will learn in Audrey's book.

And Audrey also used to be at Carnegie as a senior associate there and is now also with the Migration Policy Institute. Sorry, at the Urban Institute. But at one point you were at the MPI, also.

MS. SINGER: I was at the previous incarnation.

MS. FELBAB-BROWN: The previous incarnation of MPI.

MS. SINGER: Before MPI --

MS. FELBAB-BROWN: Okay.

MS. SINGER: -- was MPI.

MS. FELBAB-BROWN: I thank you very much. So I hope that you will all stay robustly engaged as the last panel and look forward to your questions after we make our remarks.

And as I mentioned, I'll kick us off with the question that has not so far had much airing in the panel in the conversation that we had today, namely the murder rates in Mexico, which, however, is enormous, by all standards. You might have been following some of the recent controversy in U.S. media as to whether Mexico is the second-most violent country in the world after Syria. And there are disputes whether that is the case. But last year between 21 and 23,000 people were murdered in Mexico. That is very, very high number. And the number is not unique.

There are several aspects to the number, one of which is that really it goes back to what were sort of the most intense murder years of the Calderon era between 2010 and 2012. There was, for a while, the beginning of the Peña administration and decline in murder rates that some attributed to better government policy. Others, including myself, attributed it to changes in the criminal markets. But those have been ephemeral. And so since 2006, some 180,000 people and possibly considerable larger number, have been murdered in Mexico. Think about it, 23 -- 20,000, 23,000 murders per year, that's more intense violence than insurgency violence in Afghanistan.

Now, in the United States last year, we had 50,000 murders, but they are also contributed much bigger population, so in terms of the rate, it's very different. And the structure and character of homicides in the U.S. is always -- not always, but often quite different than the structural criminal violence in Mexico with criminal groups engaging in real warfare among themselves, and also against the state.

Though I mentioned that, for a while we have seen some declines in murders that President Peña Nieto tried to claim for himself and -- as a success of policies, of government policies, but that have now seemed to have operate and we have seen steady increase in violence for the past two years. And you heard earlier Ambassador Tony Wayne saying that if the current violence continues, this year will be the new record since 2006, and, in fact, the new record historically in Mexico in terms of homicides. What is the explanation? What's driving this violence?

Well, there is a set of factors, and I'll briefly speak about them, that are both immediate, precipitating factors or drivers, and more deeply structural drivers. The immediate precipitating factor is the split and infighting in the Sinaloa Cartel. That is the biggest of the Mexican criminal groups. It's also by far the most successful of the Mexican criminal groups, and one that has the greatest presence in the United States. Between 40 to 60% of wholesale drug trafficking into United States is handled, I don't say controlled, handled by Sinaloa. And the leader of Sinaloa Cartel, El Chapo Guzman, who has been extradited to the United States, often gets credit as sort of master, one of the most successful drug traffickers ever. But in many ways his genius, his criminal genius, lay in his ability to put in succession systems and succession into the leadership of Sinaloa in a way that other criminal groups in Mexico were uninterested or unable to do so.

And so a lot of the violence that has swept up Mexico since 2006 has to do with infighting, fragmentation, and division among the criminal groups that until about a year ago, Sinaloa was able to avoid. And the change a year ago where they are finally seeing splintering the -- is the deputy or coleader, El Mayo Zambada, who was also very effective in dealing with avoiding infighting and holding the group together seems to be ill, and the second deputy, known by the nickname as El Licenciado, has initiate a split in violence. He was arrested at the beginning of this month, but it's probably not enough to now bring the group back together, or at least we don't know whether that's the case.

And, of course, when the infighting within the cartel started taking place and starting very visibly playing out on the streets of Mexico, that attracted other criminal groups that were subservient in the orbit of Sinaloa Cartel to also try attack over turf. And so groups in Tijuana, El Ciudad Juárez, other places that were essentially paying homage to Sinaloa are now fighting with the various factions of Sinaloa try to get bigger piece of the action. And that's very much driving optics in violence in several places.

And combining with that is also the rise of a newish group called the Jalisco Nueva Generación Cartel that, like the (inaudible) previously, is enormously aggressive, tried to take over large territories, wants to get territories close to the border with United States which are much more profitable than the core region where it operates, and tries to rule through sheer brutality and aggression. So the rise of Jalisco, another major precipitating factor of the current violence.

But the structural, deeper issue of the violence is the continuing weakness and inability of the Mexican law enforcement system who generated deterrence capacity. Notice that the infighting between Sinaloa -- within Sinaloa and between Sinaloa and Jalisco is playing out in Mexico in the massive homicide rates. The same groups operate in the United States, yet there are no news and, in fact, there is no infighting among those groups operating here. Jalisco has a much smaller presence, but Sinaloa various factions have presence, and yet we don't see that behavior because U.S. law enforcement still has very strong deterrence capacity and is able in many (inaudible) and we can talk about Chicago and (inaudible) for example, who prevent this escalation of violence. But as with all the efforts at police reform in Mexico since the 1980s and particularly since 2006, Mexican law enforcement still cannot do it. So when there has been increases in violence in the early Peña years it was really, what I called, narco peace, peace at the discretion of the criminal groups. When the criminal groups no longer have the capacity or interest to enforce the peace, we are back to enormous slaughter, enormous competition, violent competition over turf.

And, of course, the Mexican policy choice of, so-called, high-value targeting, which is driving the splintering of the group is only precipitating the problem, or it's only increasing and intensifying the problem. So it's a strategy that's relatively easy to implement, but in the current setting, very questionable and problematic.

I finally want to conclude about also focusing on the issue of heroin production in Mexico and U.S. demand. That's what Secretary Tillerson and Secretary Kelly spoke about in Mexico. I think it was very important that both of them strongly acknowledge responsibility, saying that Secretary Tillerson put it that we own the problem because our demand is what is driving Mexico's criminal violence, a very strong statement. And they also both promised that the U.S. will finally reduce its demand.

Now, and particularly, poppy production and its expansion has driven violence in certain parts of Mexico in the Tierra Caliente areas of (inaudible) Jalisco. Now, I think it's very important that we reduce demand. I also know it's enormously difficult, and I am very skeptical of many of the policies that the Trump Administration is putting forth, particularly resurrecting highly punitive approaches to drug users, the statements from Attorney General Sessions about maximum penalties being applied to non-violent offenders, something that was a big bipartisan breakthrough during the Obama Administration to move away from incarceration. I am very skeptical when I hear of policies based around abstinence and messaging just say no to drugs. We have run that experiment many times. It's not work. I'm enormously worried when I see efforts at Obamacare which for one thing brought medical insurance and mental health insurance to many addicts. And now about 3 million addicts are at risk of losing any access to treatment and medical support. So, again, very counterproductive policy. And more broadly, President Trump applauding apparently President Duarte and suggesting that this is a extraordinary way of dealing with drug users is enormously frightening and, frankly, inappropriate and counterproductive.

And I don't believe that the wall will stop drugs. Traffickers will go under it, over it, around it, by the sea. They'll get the drugs over as they have always done. But meanwhile, the wall and the broader rhetoric of the U.S.-Mexico relationship as you have been hearing during the afternoon all day has enormous repercussion for U.S.-Mexico cooperation, including in security issues. And, of course, the wall is also tearing at communities, the border communities but much beyond.

Doris, if you could please speak about what the wall and the border is like, how it can be improved, but how can, also, damage -- how the policies can damage border communities and beyond.

MS. MEISSNER: Okay. Well, that's a sobering beginning. And I don't know that I -- well, actually, I have a little more optimism in some of the things that I'll talk about. But let me pick up on that from the standpoint of the U.S.-Mexico border quickly past, present, future, from the standpoint of migrant flows.

We all know, of course, that the border is many things. It connects our two countries in very good ways, and also in some bad ways. Obviously trade and travel and interdependent communities and shared water and environment and so forth are all features of the border that go on day in and day out. There are also the issues that you point to more fully with crime, contraband, and illegal crossings of various kinds. But I think it's fair to say that for most of the U.S. public who don't know the border, who aren't familiar with it, who don't live there, it is really a separate region, the U.S.-Mexico border is really about one thing, and that is illegal immigration from Mexico. That's how it's understood. That's how it's portrayed. That is certainly how it's been discussed in our recent politics. And so that's the perception and, to the degree that perception is reality, that's a reality that we, you know, continue to deal with.

Now, it certainly is true that Mexico has, of course, been the source of large flows of illegal migrants for many years, decades, really, beginning in the 1970s. But that has changed dramatically since the mid-2000s, really almost going on 10 years now, for a combination of reasons that came together both in changes in Mexico, as well as changes in the United States. And they're pretty familiar probably to an audience like this. First, very significant, demographic change in Mexico, fertility has come down markedly, and so you -- there just isn't the same kind of burgeoning into the labor market of young people, mismatched with the numbers of jobs that are available. Secondly, Mexico got its economics pretty well on a good course in the 1990s. And so there has been sustained growth and there has been job development macro in Mexico.

From the U.S. side, we had, of course, a historic recession in 2006 to '08 and that really reduced the demand in the United States for jobs -- I mean, the supply of jobs and the demand for workers that had been going on for decades. And we have invested enormously in U.S.-Mexico border investment -- border enforcement, so that that investment in border enforcement really has yielded a modern enforcement machine at the U.S.-Mexico border. And that has made a difference. So the result of all of that is that the large scale illegal immigration from Mexico that has been a reality for probably 40 years really has become a thing of the past, despite what the impressions are. I mean, there is no net new illegal immigration today from Mexico, and that has been the case for quite a few years now. It doesn't mean that there aren't crossings, illegal crossings. But the scale is an entirely different phenomenon than what it is that we've experienced, as I say, since the beginning of the 1970s.

And there's no reason to believe that it would rebound unless there would be some sharp economic shock in Mexico which obviously always could happen, but there isn't any real reason to believe that that's imminent in any way. So we're dealing with a new reality, and that new reality is that illegal crossings, migrant crossings at the southwest border are now really a function of migration from the Central American countries, the Northern Triangle, countries of Central America, then from Mexico. 2014 was the first year that crossings from the Northern Triangle outpaced those from Mexico. That has continued, and 2016 has an even larger amount of Central American crossings, as compared to Mexican crossings.

A lot of that Central American flow is traditional, economic migration as we've always experienced it. Endemic poverty, people fleeing for jobs and for a better life in the United States, but more recently, a good share of that migration is a function of serious upsurges in violence and criminal gang activity in Honduras, Guatemala, and El Salvador. And, in particular, of course, that migration is characterized by, especially, vulnerable groups, women and children, and often unaccompanied children. So you have a very different kind of a circumstance in terms of what's happening, and what the responses to it would be. But I want to just underscore the change with a couple of numbers because it does continue to be so mischaracterized in the United States from the standpoint of border control, the effectiveness of law enforcement at the southwest border, et cetera.

So just to give you a couple numbers, in 2000, 2000 was the high point in apprehensions of people coming into the United States, 1.6 million apprehensions at the southwest border in 2000. Ninety-eight percent of them were Mexican nationals coming to the United States for jobs and work. In the past five years, that has dropped to an average of about 400,000; 1.6 million to 400,000, that's a huge drop. And half of that number is now -- a little more than half, is now people from Central America. It's no longer people from Mexico.

Another way to illustrate the change in the nature of the flow is this number, which is that 10 years ago, 1 in 100 border crossings was an unaccompanied child or a migrant from Central America seeking protection. Last year, 2016, that is down to 1 in 3. So from 1 in 100 to 1 in 3, those are very significant changes. So what we have with the Central American flow is, in some ways, a flow that's similar to Mexico, but in many ways is different from the Mexican flow. It's a mixed flow. It's part economic; it's part refugee flow. And that poses different challenges for border enforcement and for U.S. policy.

First of all, when children come on their own, traveling alone, as an unaccompanied child, they have a right under law to a hearing before an immigration judge. That's a set of procedures that hasn't been the case by and large with the Mexican flow. Adults who come in the Central American flow seeking protection may request political asylum in the United States, and about half of them do so. Those are processes. The hearings before an immigration judge, the request for political asylum, those are processes that are handled by the immigration courts and by political asylum adjudicators. They are not subject to changing because of a wall or because of additional border patrol agents.

So the systems that are suited to deal with this kind of a flow are systems that haven't, by and large, had to be invoked before at the southwest border, and they are systems that are badly overstretched, severely overburdened in terms of workload. Wait times for hearings before judges, for interviews before asylum officers can range, depending on where you are in the country, anywhere from two years to five years. And so any kind of a review whatsoever is a long time in the distance, which actually contributes to the incentive to come to the United States.

So what are the policy takeaways? These are significant changes. I'd say that there are really two big takeaways. One is that smart investments today for effective border management and control ought to be in buttressing our immigration court system and our asylum adjudication system so that they can deliver timely, fair, decisions. If you can do timely, fair decisions on petitions, on requests, applications for protection and relief, you uphold the commitment that we have as a country to providing humanitarian protection when people, in fact, have legitimate refugee claims, but you also create deterrents against people coming simply to get into a backlog in order to spend time in the United States without a decision being made on what happens in the future.

Longer term, though, there is the fundamental issue here of the drivers, of what it is that generates this migration from Central America. And there I do think that there is somewhat of an analogy with Mexico, looking back over the last 20 to 40 years. And that is that the changes that I've described with Mexico, I think, could not have occurred -- the changes in the U.S.-Mexico migration relationship and the changes in the flow from Mexico, could not have occurred without the macro decision and reality of NAFTA. And so NAFTA as the big, broad difference in the relationship between the United States and Mexico created the conditions for other things to kick in over time, and not really over that much time in the scheme of things as these things go.

So how do we use that? What do we learn from that where Central America is concerned? Well, I think where Central America is concerned, we have a big project, and it's a big project that both the United States and Mexico have an interest in and need to come together around because these issues of violence in Central America, obviously of poverty, of weak governments, weak government presence, are going to continue to be a source of that flow until those circumstances change over time. And if they don't change, no matter what we do at the border, no matter what we do in our courts and our asylum system, we'll still be dealing only with the symptoms, not with the deeper reasons.

MS. FELBAB-BROWN: Doris, before I go to Audrey, let me just ask you questions on asylum, which is one of the issues that the Trump administration is looking at. And the reality right now is that people who are coming from Central America are overwhelmingly denied asylum because criminal violence is not one of the categories, correct, that qualifies for (inaudible) recognized for which asylum should be granted. (Inaudible)

MS. MEISSNER: Yes and no. I mean, the actual grant rates are quite high depending on what you call high. But they're in the 40 percentiles. And for this kind of a mixed flow, that is -- that's a reasonable response. The difficulty with a mixed flow, of course, is that you have to do everything individually, and you have to look at cases individually. There is a lot that we could do to improve the way in which the system works and actually handles the cases, but there is a larger argument, as I think you're probably suggesting, about whether these conditions, as we see them, are amenable to what our legal definition is and what the international definition is for refugee status. But one could get to that discussion, and that set of issues, if one even had a more functional system.

MS. FELBAB-BROWN: Mm-hmm. And so (inaudible) question for that, is the Trump administration is in its executive orders proposed giving field officers much greater leeway to decide who should even be sent to -- in front of an asylum judge. Is that a good policy?

MS. MEISSNER: Well, I don't -- I mean, that's definitely what some of the reporting from the field is. People are saying that people are being turned away. I don't think that we know that to be actually the case, and that's not really in the -- it's not really in the interests of officers on the ground and of the border patrol to do that. They are really much happier just taking these cases and giving them over to others because returning people to Central America is a much more complicated endeavor than it is to be just dealing with people in Mexico where you're right next door.

So that is a fear, and that is a concern, but, you know, that goes along with the fact that the numbers are considerably down for the moment, which probably is a Trump effect in terms of all of the rhetoric about enforcement and about muscularity in immigration enforcement. I think we have to wait and see.

MS. FELBAB-BROWN: Mm-hmm. Well, Audrey, the issue of migration, immigration, goes well-beyond border. I know the border has the standard definition of certain numbers of kilometers away, but the relationship, the membrane, that connects the U.S. organism and the Mexico organism connects the tissue far deeper. Migrants are present in the Northern state of the United States and many other areas. Please speak to us about immigration, Trump policies, and how -- why is immigration policies should evolve.

MS. SINGER: That's great. Thank you, Vanda. Thanks for inviting me on this panel. It's great to be back at Brookings. I want to talk about three pieces of this issue and build a little bit on Doris's points that she's made. I'm going to talk --

MS. MEISSNER: Sorry, forgot to do the obligatory --

MS. SINGER: I'll remember that, Doris. I want to talk about -- a little more about the changing patterns of migration, but take a longer view so you can understand how we've gotten -- many of you already know, how we've gotten to where we are, and what that means for communities within the United States, changing demographic, economic, and policy conditions in both countries, Doris touched a bit on that, as well, and then the implication of changing interior and border enforcement for families and workers on both sides of the border.

So if we take a longer view on U.S.-Mexico or Mexican migration to the United States, it's clear that one of the biggest drivers over time has always been economic opportunities in the United States as a pull factor. And as a push factor, until recently, fewer opportunities in Mexico. But somewhere in the middle of the 20th Century, things started changing in terms of policy, admissions policies for Mexicans coming into the United States. In particular after World War II we had a large temporary agricultural program, the Bracero Program, that brought in seasonal, mostly male, mostly agricultural workers, who stayed until the 1960s. When that program stopped, there were no more --

there were many fewer ways for agricultural and low-skilled workers from Mexico to come into the United States legally. However, relationships between workers and employers had been built over time, networks had been established, social and familial and economic, and many migrants continued to come to the United States and many of them still worked for, you know, in the same jobs over a longer period of time.

In the 1980s with the buildup of a pretty sizable undocumented population, things started to change. We had the 1986 Immigration Reform and Control Act which not only legalized a few million people in the United States, it also enhanced our enforcement, you know, at the time. Enforcement enhancements were made. That was followed by some big, along the border, enhancements to our enforcement.

And so, at that point, it's been demonstrated by a bunch of scholars that migrants that used to flow seasonally back and forth to the U.S. for temporary work were now staying longer term in the United States and building their lives here. And somewhere in the 1990s, families started consolidating in the United States, and we saw many more new arrivals who were not like the traditional kinds of migrants that flowed back and forth pretty easily. So what had become seasonal and largely male was now permanent and very diverse in terms of age and sex, but also in terms of a growing proliferation of legal statuses. And at that same time there was plenty of legal migration from Mexico to the United States, further solidifying the social and economic ties between the two countries.

The size of the undocumented population rose from about 3 million in 1990 to what it is -- there was a high point somewhere right before the recession of over 12 million, and now we have sort of plateaued at around 11 million, estimated to be in the U.S. and a little bit -- around half of those are from Mexico. And, as Doris mentioned, net undocumented migration from Mexico is flat now, is zero, and more Central Americans have been arriving until just a few months ago, I would say. So what began as a temporary legal migration grew over time to a longer-term, mostly permanent, mixed status, diverse demographic population from Mexico.

In terms of changing conditions on both sides of the border, I'll give you some examples from communities in the United States. So if we think more recently, prior to the Great Recession, many of our metropolitan areas, particularly in sunbelt regions of the United States experienced a lot of economic growth, a lot of job growth, and this boom attracted migrants, migrants from within the U.S. from other areas in the U.S. to places like Las Vegas and Phoenix and areas in North Carolina, Atlanta, metropolitan areas in Texas, and also attracted many migrants from abroad who were attracted to the construction industry. We had a construction boom going on leading right up to the recession.

Then the banking crisis hit, the recession set in, and economic growth in this country largely paused in most places, and in some places worse than others. A lot of associated things happened then. We don't have to talk about that. But, as the opportunities to work in the United States and these growing communities receded, immigration from Mexico slowed, and in particular, undocumented migration slowed. But the perception persisted that the border was out of control. But at this point, many of the people who wanted to stay here were already largely in the United States.

It's also important to note that, during the same time, we were ramping up our enforcement efforts at the border. There were major operations happening at various popular crossing points, which means -- in Texas and California, largely, which meant migrants and traffickers and smugglers were looking for other places, and they found new places which were largely ignored before because they were considered dangerous, for example, through the Sonoran Desert. But people started flowing through Arizona, and this is, I'm talking again, prior to the recession. And that was precisely at the time that, for example, Phoenix was becoming a major regional job center with a lot of economic growth going on, building, and people headquartering their businesses there. So there was a reason to stay in Arizona for the first time.

So this buildup in places like that fuel the perception that things were out of control and things happen very quickly in a lot of places and cause social and cultural disruption, lots of politics as we know, and state and local leaders started taking matters into their own hands. So just to give you an example, the job growth in Phoenix during the period 1980 to 2000 was three times the job growth of the U.S. as a whole. So we see this in a bunch of different places across the country.

At the same time in Mexico, as Doris mentioned, birth rates were dropping. So in 1965, sort of a critical moment in our immigration policy history, the birth rate was a little bit over seven children per woman. It's now 2.3 per woman, which is barely above replacement rate. So there's a couple of other factors that have helped to reduce migration from Mexico to the U.S. that are related to the birth rate. A lot of research points to the fact that economic opportunities and educational opportunities in the acquisition of human capital, Mexico specific human capital, for the Mexican economy, has really increased opportunity, particularly for young people. And fewer young people are making the trek north. And that means younger people, especially, are starting to stay in Mexico, and that's part of the change that we see.

So the result is there's this shrinking pool of migrants who are actually interested in coming to the United States, and we see that as we look at the statistics in the decline of people making those kinds of moves. What are the implications of changes, current changes, thinking ahead, to border and interior enforcement, mechanisms that are starting to come into place? Well, if we look at the deportation priorities in the last administration, the Obama Administration, towards the very end, prioritized removing migrants, unauthorized migrants, who were national security threats, who were convicted gang members, who were migrants who were convicted of serious crimes, and those who had crossed the border very recently. And the Obama Administration used prosecutorial discretion to deprioritize unauthorized immigrants who weren't serious threats, and also recognized that people did have deep ties in the U.S. and families had people of various statues, including a lot of households that had U.S. citizen children with at least one parent who was undocumented.

The deportation focus currently, in the Trump administration, first and foremost, all of the Obama policies have been rescinded. These policies prioritize a much broader class of immigrants, but also includes similar kinds of, you know, security threats and convicted criminals, but also those with final orders of removal, regardless of their ties to the United States. There's broader discretionary power among individual enforcement officers or there could be. And there have been reports that arrests in the first few months of this administration are up by over one-third as compared to the same period last year. But I would take that with a grain of salt because we know that these things have cycles and we need a much longer period of time to really evaluate those numbers compared to years in the past.

So, what does this mean for families? Family disruption has a lot of implications in U.S. communities, in labor markets, in schools, in children's lives here and also for the workforce for communities and for families in Mexico, those who have been deported, those that have been separated, and those that have been reunited. In the last couple of months since the new enforcement priorities have been carried out, they've created widespread fear in communities across the United States because there's the perception that immigrants are getting picked up at random. And there's also the reality that immigrants who were known to U.S. enforcement officials have been deported on the spot. And that's sending a lot of fear around -- for wider ripple effects in those communities.

There are lots of reports of what's happening in schools among school children where -- and there's a lot of talk within families and children see other classmates either missing or their parents are being removed. It can be very disruptive. At the same time, Mexico, if this continues, if there's a pace that ramps up, and there are already hundreds of thousands of Mexicans being deported in the last couple of years, but if we see a change in either size or the composition of returnees, Mexico is going to have to step up their efforts to think about what it means to have a lot of returnees who may need supportive services, whose children may need language services, and youth who are entering the labor market for the first time, and adults, even, are going to possibly need some help. So on both sides of the border there are a lot of issues that affect families, reconfiguration of families, separation of families, language and education issues for kids.

So I think I will end there and we can open up the discussion.

MS. FELBAB-BROWN: And I would just add that already the people that have been deported during the previous administration to Mexico often cost many challenges for Mexico as well as suffer great hardship. Many of them would be dumped, literally, across the border in places like Tijuana or Ciudad Juárez, some of the most violent parts of Mexico at the time and pack up again, without documents, without Mexican documents. They could not easily travel back to places that they had come years from because they were caught up in violence. And they would then, ironically, be often subject to rounds up by Mexican law enforcement and end up in Mexican prisons once again, particularly in those two cities on the specific law enforcement policies adopted there, so suffering great hardship or being potentially vulnerable to recruitment or coercion by criminal groups. So while President Trump frequently alleges that immigrants are a major source of crime in the United States without evidence to the fact, in fact, first generation immigrants have much lower criminal rates, violent criminal rates, than U.S. born citizens. They would often when dumped across the border would come into contact and be subject to coercion from organized crime groups as well as repressive coercion by Mexican law enforcement.

I am delighted to see that we have plenty of time for question, much more so than the previous two panels. And I will hand it over to you. Please identify yourself, speak into the microphone, because we are also webcasting the event, and direct the questions if you'd like, or ask the panelist. Please, this lady here. And let me collect a few questions. I'll go back to ask and then collect more questions.

MS. VOLANAVICH: Hi. My name is Audrey Volanavich and I'm from the Inter-American Foundation. I want to ask, in light of the recent president's budget cuts and proposals, do you see the need or vital -- excuse me. Do you see the need to continue fighting for federal funding for grassroot and civil society programs within Mexico, especially for, like, U.S. assistant agencies regarding migration issues?

MS. FELBAB-BROWN: Thank you. And perhaps gentleman over there.

MR. WALLY: Hello, my name is Walter Wally. I'm from Tijuana, Mexico, also a recent graduate student from the George Washington University, and I wanted to ask, what could be the impact of Mexico's internal security law in the fight against organized crime and the security cooperation between the United States and Mexico? Thank you.

MS. FELBAB-BROWN: And, please, yes, (inaudible).

MR. DESAI: Rahul Desai of Mexamerica Ventures. My question is particularly to Doris and Audrey. Now that we have a complete Republican control of the government, you know, Trump's, his brand of Republican, is it your chance now for some kind of immigration bill? I mean, we may not have the path to citizenship, but maybe a path to some sort of, you know, lesser legal status, and what about the idea of a temporary jobs programs. Because, I mean, again, for all the migrants who are here for economic reasons, wouldn't it be better if they had a chance to come back and forth rather than having being forced to stay? So I'm just wondering whether there might be a interesting time for an opportunity there.

MS. FELBAB-BROWN: Thank you. Doris and Audrey, let me start with you.

MS. MEISSNER: Okay. Well, it'll be interesting if we have a similar take on this. So, yes, theoretically, this is the kind of a candidate and Congress, executive branch, et cetera, all in Republican hands, where you could envision an immigration bill. But, you know, I think one has to recognize that although the parties, Republican and Democrat, have differed on immigration policy for a long time, it's, I think, very clear that the real deep division on immigration policy changes is within the Republican party, not between the Republican and the Democratic [sic] party. And so first off, just setting aside the executive branch, there is that continued fissure between the business pragmatic, more outward looking wing of the Republican party and the more, you know, more fundamentalist Tea Party, Freedom Caucus, elements of the Republican party. That would have to be resolved. The other thing, of course, that would have to be resolved is the campaign promise that Trump made all along, no amnesty. And although, as you say, it's an obvious compromise on this issue, that you do a legal status but not a path to citizenship and people have talked about that for, you know, quite some while, as the place where, ultimately, the differences of opinion could come together, for Trump himself, his policies on immigration have really been, check, check, check out of the campaign. He's changed his view on a variety of things. I mean, take NAFTA, take, you know, a whole range of issues where he's been perfectly happy to take other positions. On immigration he actually has really stuck to the script that he laid out during the campaign. And given how emotional the legal status but the amnesty as it's always labeled, issue is within his core constituency voters, that would be a major breach that they would have to decide on.

On the other side is the issue of the DACA population, because that is the one population and the one area of immigration policy where Trump has not moved in the way -- moved to do what it is that he promised during the campaign. On the other things, he's really going, as I say, right down the list, but not on DACA. And I think that's for a couple of reasons, one of them is that a lot of people immediately after the election got out very aggressively, making the case that this population should be protected. And they did seem to pay attention politically that this would be a real hornet's nest if they stepped into it.

The other is that they are reported to be holding onto the DACA program as a chip for some kind of bargaining later, which could be holding in reserve the possibility of some sort of immigration reform. But even with imagining that he would be willing and that the administration would be willing to go forward in those ways, you know, what we're seeing is an inability to advance any kind of a legislative agenda. And this is a really tough one to advance as compared to some of the others, you know, infrastructure or whatever, which they haven't been able to move forward on. So an awful lot, I think, depends -- I mean, it's a very optimistic notion, you know, what it is that you present. It possibly, theoretically, could happen, but it's pretty hard to see given what we've seen so far, how as a practical matter that could occur.

MS. FELBAB-BROWN: Audrey?

MS. SINGER: I definitely agree with Doris's point of view in that, in theory, the time is ripe, politically with all of these things lining up. But I also want to introduce the idea that we have this notion that immigration reform is something doable in one fell swoop, and that, you know, we've had a lot of discussions over many decades about how to change things. And it really comes down to whether there are pieces of legislation that could move. And again, if it's with these kinds of bargaining chips or other deals that are struck, over time, it's -- we might be able to see something move. I think the root issues have to do with the notion that we can seal the border off and the wall speaks to that, and the impossibility of actually doing that and also the lack of realism about other people who come into the United States either legally and overstay, or in some other ways, find their way in, and become undocumented.

But I think there's some agreement that when migration is so low, it's a good time to think about making these changes, because things can move forward and be implemented, you know, when we're not being -- not dealing with large numbers. So as to creating kind of a visa that would allow workers to stay or come in to work in certain industries and occupations, I think there has been a fair amount of discussion about that. And the issues of how to create a fair and reliable systematic way of doing that for people who are already here, and also for those who would like to join from other places is one of the big outstanding questions.

MS. FELBAB-BROWN: And now, very briefly the issue of budget cuts in support for NGOs in Mexico, I would like to take one more round of questions.

MS. SINGER: Oh, yeah, from the other Audrey. Always nice to meet another Audrey. So are you talking about U.S. support of Mexican civil society?

MS. VOLANAVICH: (Inaudible.)

MS. SINGER: So I don't know what the support would be like to increase the funding for that, especially in terms of the budget kinds of considerations that are happening right now. I think there may be incentive within the Mexican government to think about how to fund those kinds of initiatives within Mexico. I think what Mexico may have to deal with over the next couple of years, as we've been talking about here, is ramping up of bureaucratic costs and the kinds of things that would allow people who don't have documentation anymore in their home country, Mexico, to receive that, kind of like what happened during DACA among consulates in the United States when Mexico changed its policies, for example, to issue birth certificates to Mexicans in the United States.

So I don't know where the answer is, but maybe it's somewhere in-between those two things.

MS. FELBAB-BROWN: So I'm afraid we will not have time for a second round of questions, but let me briefly address your question. Look, I believe that Mexico itself needs to be interested in its internal security policy. That murder rate that has gone on is terribly destructive to Mexico, and cutting down the murder rate and broader violent crime such as extortion is critical. And when previous president Felipe Calderon spoke about the murder rate and the big sign of policy success, he was fundamentally wrong. And equally when he said that, because that just shows that criminals were criminals. That didn't matter. He was fundamentally wrong because it's tearing away fundamentally at Mexican society and, frankly, because in many parts of Mexico, and not just the Tierra Caliente, criminal groups are the authority, not the state.

The (inaudible) you heard in the previous discussions that there are many security issues internally to Mexico, not just production and trafficking of drugs, but others that have potential for us spilling over the border, including counterterrorism cooperation, that requires very intense and good cooperation. And even during the tough times that you heard about in the 1980s when U.S.-Mexico cooperation was really at all time low, there still was, at the time, robust counterterrorism cooperation. So Mexico has not even, at the time, resorted to withholding that or cutting that, and I think that is the new clear option that Mexico could (inaudible) we are fortunately a long way down from it, including because, should a terrorist attack come across the Southern border, the many political and other repercussions would be enormous. But Mexico could certainly walk away from enforcing immigration issues on the Northern border. It could walk away from enforcing immigration issues on the Southern border where

Central Americans come from. It could tell U.S. intelligent law enforcement agents who are helping with intelligence building as well as institutional change that they are no longer welcome in the United States. Again, not something that is good for the United States, just as it would be harmful for Mexico.

And so I very much hope that the Trump administration starts recognizing the value of that relationship, and the interconnectedness between economics, immigration, and security issues.

With that, let me thank all of you for joining us this afternoon, also for the audience that has joined by the Web. I would like, on behalf of Brookings, to thank all of our panelists, Doris and Audrey, as well as Ambassador Gutiérrez and former Ambassador Tony Wayne and Arturo Sarukhan who spoke today. This is certainly the beginning or continuation or one point of a conversation and work that -- on U.S.-Mexico relationship that we are doing at the Brookings and continue to be doing at Brookings. We have a robust (inaudible) across the various dimensions you heard today with a bilateral relationship broadly, economic issues, migration issues, and security issues, and look forward to us being in touch with all of you continuing to your conversation about the dialogue that really needs to take place not just in Washington, but in the country, not only about what kind of neighbors we want to be, but what kind of country we want to be.

Thank you very much.

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2020