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TRADE AND BORDERS:
A RESET OF U.S.-MEXICO RELATIONS IN THE TRUMP ERA?

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Introduction:

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Framing Remarks and Discussion:

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P R O C E E D I N G S

MR. JONES: Good morning. I'm Bruce Jones. I'm the vice president and the Director for Foreign Policy here at the Brookings Institution.

It's one notch too early to say Happy Thanksgiving. But Happy Thanksgiving anyway! And thank you for being here this morning, and I'm pleased to welcome all of you, as well as to extended members of the community who are watching the live webcast of this event.

My job is a simple one today. It's to welcome you and to welcome our distinguished guests here to Brookings.

We are particularly pleased to welcome Mexico's Ambassador to the United States, Gerónimo Gutiérrez Fernández. Ambassador Gutiérrez has served this position with distinction since April 2017. He deliberately chose that timing to make his life as hard as possible. Prior to his appointment as Ambassador here, he had served as the Managing Director of the North American Development Bank, and before that held several positions in the Federal Government of Mexico, including as Under Secretary for Latin America and the Caribbean; and was responsible for the normalization in the Mexico-Cuba relations, as well as the reestablishment of diplomatic ties with Venezuela. So, he's well trained in handling complicated relationships.

We are also very pleased to welcome Former U.S. Ambassador to Mexico, Earl Anthony, or as we all know him, "Tony" Wayne, who currently serves as the public policy fellow and co-chairs the Mexico Institute Board at the Woodrow Wilson International Center for Scholars. Now, Tony has served in many U.S. governments and State Department roles throughout his illustrious career, notably as ambassador to Mexico, ambassador to Argentina, and assistant secretary of state for business and economic affairs, among many other assignments.

So, two people who are extremely well positioned to talk about what we're going to be talking about today, namely: "The complex nature of the relationship between these two complex countries, and where we are in that relationship now."

They're going to be joined on stage between two Brookings Scholars who will moderate the discussion and engage in the discussion and lead our work on Mexico here, Dr. Mireya Solís and Dr. Vanda-Felbab-Brown.

Over the last two decades, it seems to me, the United States and Mexico have become not only more deeply integrated economically, but have also cooperated on managing a complex border agenda, and an agenda which transcends that border.

But the last couple of years have thrown a lot of those issues into doubt in terms of how they'll be managed, what the perception of the relationship on either side of the border is, and where we go from here.

The renegotiation of the North American Free Trade Agreement, into what's now known as the U.S.-Mexico-Canada Trade Agreement, UMCA -- or something along those lines -- clearly challenged both Mexico City and Washington in terms of the management of the relationship, and I think it was a huge relief to all concerned when those two parties plus Canada reached an agreement.

But they were clearly costs to the relationship through that process, and one of the questions for today is: where are we and where do we go, building on the conclusion of the trilateral trade agreement?

Tensions along the border continue to rise with the continued discussion of the border wall, and caravans, and migrants, and the deployment of U.S. Troops to the border, et cetera. I think we have seen the U.S.-Mexico relationship bend not break, but how far it's bent, and how do we bend it to the right shape, continues to be the question in front of us.

This is not or should not be a zero-sum relationship. It seems to me that both countries have a lot to gain by deepening their understanding of one another, by reopening channels of trade, and working together on issues of migration, security, drug trafficking, poverty and equality, both of which have challenges to both our countries.

The recently-elected President of Mexico, Andrés Manuel López Obrador, begins his six-year term in office 10 days from today. Brookings' scholars have been writing, talking about what his -- how he should approach some of the tough challenges in front of him. There will be lots of debate around his tenure.

We here will be very focused on the changing nature of Mexican politics and policy, the relationship between the two countries, and how we build on it, and what it means for U.S.-Mexico relations.

With that, I'm going to turn the floor over to our moderators, Mireya Solís and Vanda Felbab-Brown. So, please join me in welcoming our two distinguished guests to Brookings today. (Applause)

MS. SOLÍS: Good morning, everyone. It's wonderful to welcome you to our conversation today, a deep dive on U.S.-Mexico relations: where we are today, where are we going next.

And we're going to start, first, by framing remarks from Ambassador Gutiérrez, and Ambassador Wayne. And then I'll moderate a discussion on trade issues. And my colleague, Vanda, will moderate a conversation on border security, immigration.

So, Ambassador Gutiérrez, if you like to offer some opening remarks, please?

AMBASSADOR GUTIÉRREZ: Thank you very much, Mireya. Good morning to all of you. It's a pleasure to be here. I want to thank the Brookings Institute for hosting this important event. I think it comes at a very opportune time.

I'll be very brief on my initial remarks, to give as much possible time to the questions and answers and comments. And it's a pleasure to share this panel with all the guests that are here.

When I was being confirmed, you know, almost two years ago as Ambassador of Mexico to the United States by the Mexican Senate, I said that the U.S.-Mexico relationship was at a critical moment. One in which we could either achieve a much more mature relationship, or one in which we could have a major setback.

I think that what the two years that have transpired are important because we achieved to get -- you know, to have a much better place than the one we were with respect to trades, there is now a successful conclusion of the negotiations, and I think with a reasonable horizon to have a new trade agreement between the three countries. I think that was important.

The other part I think that we're missing, to be absolutely honest, is that we need to find I think, still, a different way to manage the immigration phenomenon between Mexico and the United States, and the Central American countries. And I think that's still, by and large spending, a lot has been done during the past two years, and until that happens, I think that we continue to be at a very, you know, critical moment.

We are in a better shape I think in the overall bilateral relationship than the one we were two years ago for a series of reasons that I will be happy to discuss, but I think we're not quite yet there, in terms of achieving a new, favorable status quo for the two countries.

MS. SOLÍS: Thank you very much, Ambassador Gutiérrez. Ambassador Wayne?

AMBASSADOR WAYNE: Well, let me just step back for a minute, and say that the U.S.-Mexico relationship is probably the most under-appreciated relationship

that the United States has. In that it touches the daily lives of more U.S. citizens than any other relationship.

And this is a combination of our history, and the fact we have 35 million Mexican-American citizens, we trade a million dollars a minute, we have all sorts of human interactions, a lot of it good, but also some challenges, including migration and fighting crime that crosses the border in both directions.

And this makes it really important that we invest in doing all that we can to manage the challenges well, and to take advantage of the opportunities.

As Ambassador Gutiérrez has said, it is a big step forward that we've reached agreement on a successor to NAFTA. NAFTA supports 5 million U.S. jobs; it does -- it supports several jobs in Mexico too. So, there's a lot of good that comes out of this relationship, and then if we add Canada in, it becomes even more important.

But if we look at what's happened during the 25 years or so since NAFTA came in effect, what we've seen is a gradual building of cooperative relationships across wider and wider swaths of policy issues between the two countries. And we've seen a production network that's been built by the private sector, not by the governments, by the private sector of the two countries.

And this isn't just manufacturing, it's farmers, all sorts for farmers depend on selling things back and forth between the two countries, and between the three countries if we think of NAFTA.

So, let me just end on this note, that this is a really important relationship. We do need to invest in it. I agree fully that migration is an area that we have to work on and get to a consensus in fighting crime, and public security is another very serious area to work on, an area where -- both areas, they are not easy solutions, but it is well worth the investment to get to a common agenda.

MS. SOLÍS: Thank you very much for those opening remarks. And let's move the discussion now to the trade negotiations that you both of you referenced. I think it's fair to say that when the renegotiation of the North American Free Trade Agreement started, the prospects were not very good. You had the American President saying that NAFTA was the worst trade agreement ever, and also threatening the possible withdrawal of the United States from the trade agreement.

And it's true both -- the three teams of negotiators could see eye-to-eye on the modernization agenda. We know that NAFTA was negotiated almost 25 years ago, and it was important to bring that trade agreement to the digital era, for example.

But you could also notice that the United States brought to the table proposals that were tough, and that were also considered red lines by the Mexicans and the Canadians.

For example, a Sunset Clause that would allow the trade agreement to expire or terminate five years down the road if the three countries do not agree to renew it. Or, the idea that cars produced in North America that would benefit from these preferential trade agreement would have to incorporate 50 percent of American content.

Those were very tough proposals. Then also take into account the broader trade issues happening as you had the three countries negotiating intensely in NAFTA, the fact that the United States decided to impose tariffs on steel and aluminum, and both Mexico and Canada retaliated.

So, tension, if you will, in the trade relationship. The dynamics were different as well. There was a moment when, in May, when it was clear that it was not possible to reach an agreement there was a break, and when the negotiators came back to the table it was mostly the United States and Mexico talking, reaching an agreement, and for a while there was a concern that Canada might not make it to the finish line.

Eventually they did, and the trilateral agreement was preserved.

So, I highlight this because I want to emphasize how unusual this negotiation was, and the stakes could not be higher for all three countries involved. So, Ambassador Gutiérrez, to you first, but also I would like to hear from Ambassador Wayne.

How can we explain that the negotiations did not flounder? If you could be as candid as possible, when did you think that there were moments where it looked like this might not work? When were you feeling down, if you will, in the negotiation? And what happened that the negotiations were able to continue forward?

AMBASSADOR GUTIÉRREZ: Thank you very much, Mireya. First of all, let me start by saying that, you know, the deal that finally was nailed down by the Executive Branches is quite a different result from where we originally started discussions, and it's only natural on any trade agreement.

I think that -- I am convinced that the trade agreement is good for Mexico, it's good for the United States, it's good for Canada, and it's good for the region as a whole. It's not perfect, but it works. And given the circumstances that needs to be taken into account.

What are the things that I would point to that I think allowed us, you know, to get to where we are? Number one is, you know, when we came in two years ago, and we started to listen to people, experts, you know, ex-foreign ministers, trade ministers about how to handle this one. The recommendations were completely different. And that was, I think, you know, reflect to the fact that nobody knew exactly how to deal with this, and that's from where we started.

But I would say four things were important, one was establishing trust, irrespective of the viewpoints of each of the parties. We clearly did not see eyeball-to-

eyeball on many things on the trade agenda with the Trump administration, but we needed to establish trust. It's difficult to get to an agreement when you don't trust the guy sitting on the other side of the table, irrespective of what you think of his or her positions. And that, I think we were able to establish it, and that was very important.

The second thing is we managed, I think, to engage a broader coalition; this is not only about the governments, as Ambassador Wayne was rightly pointing out. We managed to engage the private sectors, you know, academia, governors, mayors, legislators, from both sides and, you know, from Canada always, to be part of the discussion.

The important thing is that we when did that I think our narrative was the same with them and with the administration in order not to lose that level of trust. But getting a broader coalition of stakeholders activated with respect to the agreement was important.

The third thing I think is just a matter of -- it's a learning curve, and everybody goes through a learning curve, any administration that starts anywhere in the world, goes through a learning curve. And I think that even if you look at how the trade agreement was analyzed, NAFTA was built by the administration in their terms -- I'm not necessarily saying that we agree with that -- but it became evident that Mexico and Canada were not the greatest challenge that -- you know, perhaps there were other challenges that were far important than us, and I think that --

And the other thing is, you know, it was important -- there were several times, April of 2017, it's now a legendary date, 19, April 19, because we came very close of losing NAFTA, and there was a letter hanging around somewhere in the White House, perhaps to be signed, and there were a lot of people trying to opine on the matter, and get to the point, and say, you know, this is important, let's give it a shot.

You know, and several others, we didn't finish in 2017, we extended it to March. So I think through these two years there was always a significant level of, you know, concern and tension. But I think that the important part was let's -- you know, abstracting ourselves a bit for the narrative, sometimes a difficult public narrative about the issues, and steady as she goes.

You know, we had a strategic objective, and we remained steady to reach that objective. And I think that in the end we managed to do fairly well.

MS. SOLÍS: Thank you very much, Ambassador Gutiérrez. Ambassador Wayne, you know, it seems clear that on at least two occasions President Trump came very close to withdrawing the United States from the trade agreement, and yet that did not happen. What is your assessment of what kept the U.S. administration working towards amending some of its proposals, essentially finding compromise, even though they had started with these very tough positions to begin with?

AMBASSADOR WAYNE: I think it was very important that all of the stakeholders in this broader relationship were mobilized. There are, if you look at the broader NAFTA, 14 million U.S. jobs about, about $2.3 million of trade each minute across both borders, a lot of farmers. With Canada being the number one and Mexico being the number three trading partner for farmers, their selling client. All of that, over time, built up and became a more active force, reminding people in the administration how important this relationship was.

So, as there were ups and downs in the negotiations for sure, there were always these voices saying: we can't let this fail. And it wasn't just the business community, it was the business community, the farming community, the Senate, the governors of the United States who kept weighing in with the White House and saying, this is really important, let's get it right.

I think it is also true that, as Ambassador Gutiérrez said, it was clear that there was another country in Asia that people decided might be a bigger trade threat than our two neighbors, and our two largest buyers in the world. And that helped also.

And building that, the hard work and the steady work of the negotiators on all sides, who kept trying to keep focused on building that trust, and then getting to a better solution on the issues, was really important. There was that sort of steady working away that went on, even though there was this turmoil taking place in decision making.

But I think it all came out in a good place that preserves this tremendously important set of relationships that we have, both to sell things to each other, but also to build things together.

MS. SOLÍS: Thank you very much. And I'm glad both of you, you make reference to the fact that the U.S.-Mexico relation is not just about the interaction between the two administrations, but that it's about how the economy is, how the society is closer together now over the past two decades.

And I bring this, because I would like to ask all of you, how do you think the renegotiation of the trade agreement affected the public perception in both Mexico and the United States about the merits or demerits of closer economic integration?

Let me provide some context. The original NAFTA Agreement has long been controversial, critics can be found on both sides of the border. In the case of Mexico fears about U.S. economic domination, the fact that the economic benefits have been very uneven, that you have a North that is integrated with the United States, and a South that's left behind. Those arguments have been made for a very long time.

I mean, the United States we know that there have always been concerns that there could be unfair competition because of Mexico's lower wages, or lower environmental standards. So, NAFTA has been criticized from the get-go.

In some ways it has become a punching bag, but what's interesting to me in the past year, year-and-a-half, was that when NAFTA seemed almost about to disappear, when we were really worried that the agreement could not make it, that many different groups, communities, stakeholders, began to articulate and argument for why we needed these trade agreements.

So, Tony, what's your point of view of how much has the trade negotiation impacted public opinion? But also, the other side of this, how much has the public lost trust, because there was tension in the negotiation because it's still a challenging issue. So, how do you think the public comes out from the NAFTA renegotiation? I'll go to Ambassador Wayne, actually, first, and then Ambassador Gutiérrez.

AMBASSADOR WAYNE: Well, I think you can look at the polls and you can see that there has been a significant upswing in positive views of the value of NAFTA for the United States. In 2008 it was clearly only about 42 percent of the population thought it was of value. In 2018, it was 62 percent. So, that's a significant rise, and I think a part of -- there are several parts to this, of course.

Part of it is that there was a lot more discussion of NAFTA, so people came to understand that, gee, jobs depend on that; gee, farm sales depend on that. We didn't know that. And I think that's in part true because we shied away from talking about NAFTA for most of this century. It was just: let's just let it go, the idea of administration was, it's working fine, it's good, but we know there is this long-standing opposition. But once there started to be a lot of debated, and people started coming out, as you said, and explaining what was the value; I think that did change opinions.

I think also, in the United States some people didn't like all the criticism of Mexico as it came out, to be very honest, and that isn't as much -- it's not only of

course trade in this sense, it's about migration, it's about other issues. And I think that you can see the same thing in polls of views of Mexico in the United States. They also -- Mexico became more favorably viewed in the United States during this period of time.

So, I think it's that combination of factors, and I think we do come away, in the United State, with a more positive view.

In Mexico, as Ambassador Gutiérrez has already mentioned, the polls show a significant drop in favorable views of the United States, down to about low-30 percent positive, gave favorable views of the United States, from up in the 60s, in 2015.

So, there though I don't know how lasting that will be, there certainly has been a negative effect, but I don't think it's all because of NAFTA, I think it's more about the general tenor of comments about Mexico during this period of time.

MS. SOLÍS: Yes. Thank you very much. Ambassador Gutiérrez?

AMBASSADOR GUTIÉRREZ: I'll start by saying that, the problem was that NAFTA was oversold and under-explained everywhere. Oversold because I think it was sold as: this is going to be the solution to a lot of the things that are going on, that are bad in each country. And that's not the case.

You know, free trade can do some things, but not all of them. And it was under-explained in the sense that people -- we did not do, I guess, a good effort to explain what was NAFTA, or what was -- you know that trade still is responsible and capable of. And I think that -- I'll give you an example.

Free trade nowadays is often blamed because of loss in the manufacturing sector, not only in the United States, elsewhere. And I think there is significant evidence that will point that the vast majority of those job losses are due to a result of technological change, not trade. Of course, trade impulse that some sectors, firms are going to suffer and adjust, end that's what free trade is about.

But the balance is it's certainly positive. So, if people are not -- if governments, to the extent that we are responsible along with, I guess, academia, do not explain exactly what NAFTA is, and this new trade agreement is responsible for and capable of, we will always have a problem.

I think that at the same time Mexico did not -- you know, to be perfectly clear countries compete here in the United States for influence, space and leadership within the United States, if I may use that word. And after NAFTA, I think we failed in our laurels, and we did not take a systematic effort. We did not engage in a systematic effort to talk about NAFTA, to talk about how much it has changed Mexico, why is it important for Mexico, why is it important for the United States, until quite recently. And they were good example.

Now, whether public opinion now, how is public opinion in the United States? I tend to think that there's much more -- people are much more aware about Mexico nowadays than they were years ago here in general.

Go talk to soybean growers in the Midwest, or corn growers in Nebraska. Go talk to the people that are working in the manufacturing firm in Flint, Michigan, that it's owned by a Mexican firm, or go talk to -- and they will tell you.

The problem is that that is, there's not an organized at such coalition that will talk about these benefits, it's much easier, you know, the opponents to be clear, it's much easier for them to organize.

I think that Mexico has a good opportunity right now, because the level of attention with respect to Mexico, I think has risen in the United States. And that gives us a good opportunity to engage in, again, in a systematic and consistent effort to talk about these things, and to understand as Ambassador Wayne was saying, this is not a zero-sum game.

And there are people hurting in America that have been displaced of their jobs, and we need to take that into account, and the same has happened in Mexico.

I will conclude with another example. You know, again, talking about trade and corn. Mexico is, you know, a great buyer of products from all over the Midwest; corn, soybeans, sorghum, a lot of products. Many of those people they -- did not actually know that, you know, they will sell to someone, a distributor, and that, all of their products go to -- now they know, and it's important.

And at the same time in Mexico, when there were people of concern, and people talked about, you know, NAFTA is going to destroy the agricultural sector in Mexico, which I happen to think that's not true.

Go and talk to tomato growers, or to avocado growers, and we now export I think, several billions of dollars in avocados, you know, and it's quite successful because we're more competitive in growing, producing and selling avocados, tomatoes and egg plant, than we are grains, period. And both sides are winning because of that, and there's a huge agricultural trade that's beneficial.

That story, and at the same time, I think the only thing we need to do, is talk about, a little bit more about the stories that are closer to the people, because if you talk in very abstract terms, and I used to go often and go out and say, you know, U.S.-Mexico trade $1.5 billion every day, and we have sort of, you know, the traditional bullet points, and that's all true and that's good; but we need a narrative that relates to the stories and to the local living -- of how people are living locally, and I think that's the challenge as we move forward

MS. SOLÍS: Thank you. And I want to move forward and talk about prospects for the ultimate fate of the U.S.-Mexico-Canada Agreement in the sense that, you know, a very important milestone is coming up at the end of this month, when the

three countries will gather and sign the new trade agreement, but that still needs to be ratified. And, you know, I shudder a little bit when I say that, because we know how difficult that is here in the United States.

So, a general question, I'll start with Ambassador Wayne. As to whether you are optimistic or pessimistic on the chances of the new Congress that's going to be seated next year, where there's going to be a Democratic majority in the House, that they will vote positively for NAFTA.

I'll add that U.S. or Lighthizer incorporated some provisions in NAFTA that should please the Democratic lawmakers on, you know, wage provisions, and things of that nature. But it's not clear that the unions have rallied behind, it's not clear that Democrats, coming to the House, are going to go that route. So, you know, they say don't count your -- what's it -- your chickens until they --

AMBASSADOR WAYNE: Chickens until they hatch.

MS. SOLÍS: Exactly. So, what are the chances then that we'll have a ratification of NAFTA? What are the chances that we'll have some kind of renegotiation through side letters or through reopening the agreement proper, some things that we're all familiar with, painfully?

So, Ambassador Wayne? And Ambassador Gutiérrez?

AMBASSADOR WAYNE: Well, I think we need to protect the eggs. (Laughter) And we encourage them to be hatched. First, let me mention there is still one big issue to be sorted through, which are the tariffs on steel and aluminum.

MS. SOLÍS: Yes.

AMBASSADOR WAYNE: And then the counter-tariffs from Canada and Mexico, which are severely harming American agricultural exports. So, I hope that can be worked through in the weeks ahead.

I think we will see objections from in the new Congress, especially from the House of Representative with the labor concern. And I think it will be very important also what the International Trade Commission comes up within its findings. They had a number of hearings the other day, for example, with the auto companies asking about all of the impacts of the new provisions in there.

So I think what they come up with will fuel a lot of debate. But it's also important to remember that all of the -- this is not just going to be a vote on the merits of what's in the Treaty, it will be some political calculations especially in the House of Representatives about how the Democrats want to treat this.

I think the driving force toward approving something is in fact the same force that drove the three countries to agreement which is a lot of jobs are riding on this, the prosperity of a lot of companies, of a lot of farmers, our competitiveness in the world is very much affected by having certainty of a well-working, well-oiled relationship between the three countries.

And even if we get this trade agreement in place, there's then a whole agenda to implement it, to address other parts of the efficiency of this relationship to reduce cost that will help make companies in all three countries more competitive against our other traders around the world. And that is really important.

So I think that's going to be the main force driving toward an agreement, but I'll honestly say it's going to be a really hard slog, and I don't know where it will come out in the end.

MS. SOLÍS: Thank you very much. Ambassador Gutiérrez?

AMBASSADOR GUTIÉRREZ: I think that the agreement has a fair to good chance of being ratified by, you know, the three legislative bodies, and more too, it's good. I think, you know, it's never certain, and it's never easy to, you know, pass a trade

agreement as comprehensive as this one in any legislature. It's never a walk in the park. But I think, again, it has a good chance of passing.

Talking about trust, you know, we have to give -- I would give credit to the fact that when it was -- it became evident that the two sides, the three sides were really trying to get a deal, in respect of differences, it was obvious that we needed to think about what would make the deal feasible.

I give credit to Ambassador Lighthizer, because he always had very clear in his mind that we needed to construct an agreement that not only would be feasible to be signed by the Executive, but actually that it will make it, you know, likely to through the Congresses. And I think that we managed to achieve that.

It's obvious that there is a concern here on the Democrat side about labor. I think that if you look at the specific annex on labor that is part of the agreement, it will be easy to see that it's a huge step forward in terms of improving labor standards, and union transparency, and union independence in Mexico.

I think that it's just a matter of really reviewing it. I think that it's there, at the same time I think we managed to, you know, get to address some of the concerns that were more important for the -- you know, the Republican side of the aisle, such as ISDS, you know, an intelligent Investor-State Dispute Settlement, or the so-called Sunset, which we now like to call Sunrise Clause, now Sunset.

And I think so, the equilibrium, I think it makes it feasible, and the fact that there has been relatively, relatively radio silence about it, I think it's good. Sometimes silence is better than a public discussion -- not public discussion but, you know, positions.

I think that the unions here have been, you know, careful. From what I've seen most legislatures that are deeply involved here have talked about, you know,

we need to look in detail, but we welcome the fact that there's a concluding (inaudible).

So I think it has a fair chance. On the Mexican side I think it's very important to emphasize, that we had under very difficult political settings, we have the President-elect Team be part of the discussions with Ambassador Sayadi.

You know, if one would look at the nattiness of the Mexican campaign, we would have never imagined that we were going to be side-by-side with, you know, the present Government, and the Government-elect trying to get this done.

I think that attest to the fact that there is, on the part of the government and laws of Mexico, a very clear understanding that this is important, and the guy just happen to have a majority in both Houses. So, I think there's a good chance that that will go through the Mexican Senate. I'm not so well abreast on Canada, but I think it's pretty much the same thing.

Let me conclude by saying something that I have mentioned before in Congress, and to my interlocutors here. I often said, listen, the world nowadays is a complex situation. You see a lot of difficulties in the Middle East, you see a lot of strain in the traditional NATO Alliance. Europe under a lot of -- you know reflecting about its integration process, you do see a resurgent China, you do see also tension in Asia.

Why complicate North America? You know, I said: we're doing okay, we have our challenges, but this is important, and North America is a sense, it's very much in a good place.

And I think this just goes to the point of Ambassador Wayne that it won't be only about the trade agreement itself, if you put it in a boarder context I think that's the way it should be analyzed, it makes a lot of sense to get this out of the way as soon as possible.

MS. SOLÍS: Thank you. My last question, to Ambassador Gutiérrez,

building on these broader trends, Mexico economic future; and what I want to ask in particular is that when Mexico decided to change the economic model, decided to open its economy, and integrate into the international markets, there was a very important core assumption behind the decision, and that is that the United States would continue to play a role as champion of a rules-based trading system as an advocate for multilateralism.

I would pose that that assumption may no longer hold. We don't know. It's a period of uncertainty. What we know is that the United States had decided to impose tariffs, using national security considerations on allies, on neighbors, that the United States, the current administration is skeptical of the World Trade Organization, and that there's an escalating trade -- tariff war with China that can become more than that, a deeper economic tension.

So, my question to you is: how does Mexico, a country that has decided to become a trading nation, navigate the geopolitics of trade? On the other hand you could say this creates some opportunities, the U.S.-China tension could produce a restructuring of supply chains. Some of these companies may decide to operate in Mexico, but on the other hand, if there is protectionism, if there is a weakening of the World Trade Organization that hurts everyone, and certainly countries that depend on international trade, and much as Mexico does.

People have talked in the past in Mexico about diversification; the fact is that 80 percent of Mexican exports still come to the United States. So, what can Mexico do?

AMBASSADOR GUTIÉRREZ: I think that, you know, first of all for Mexico believing in a rule-based system, specifically with respect to trade and investment, does not only relate to the United States but to every country. It's true that we have a very concentrated economic relation with the United States, but we're a very

open economy, over 40 trade agreements with -- you know, all over the world, because we believe that that's the best way to remain a competitive and attractive destiny for investment and trade, and we will continue to do that irrespective of what the United States does or not.

Yes, there is concern. I think the discussion on multilateralism versus bilateralism, or even something a little bit more harsh, has always been there, and we are experiencing I think a -- I think there is some sort of pendular dynamics to this. I think we're, overall, in the world experiencing and finalizing -- you know, assimilating some of the changes, very profound changes that took place at the end of the last century, and the beginning of this one, with respect to globalization and trade, and we're adjusting to those.

And I remain positive that we will find a way to continue with that idea, overall idea about openness. And Mexico, you know, again, I think that has learned over the years that those rules-based systems are important especially for a developing country. And it's not always easy, and I think that here in the United States the debate also will take place.

So, you know, in the end there's two sides of that story and that debate and, you know, I couldn't say much more about it's going to look in the future, but I do believe that that's the right way to go. And it is especially in this type of context and circumstances where it's really important to remain steadfast with respect to what a rules-based system means for the world.

With respect to, you know, China, I would say -- I think that there is, you know, in the year 2000 everybody decided to bring China into the World Trade Organization. I think that was the right step, but I think that there is also, you know, growing opinions that China must play better by the rules that the WTO imply. There is

concern about intellectual property, and there is concern about other trade practices, and those things need to be discussed openly.

Mexico in itself has -- we have a trade relationship with China for about $70 billion, we export 5 billion on export around -- and import around 65. Yes, there's opportunity, and we are open to trade. And we're open, I think that there was recently a press release with respect to that by Mexico's Foreign Minister. We are open, we value the relationship with China, but in the end we need to make sure that our own interests are served.

MS. SOLÍS: Thank you so much. So, Vanda, over to you, thank you.

MS. FELBAB-BROWN: Thank you. I will take the conversation to the many other dimensions, security, border, immigration. But I actually do want to ask one question about the future, and the new deal, and perhaps directed to you, Ambassador Wayne.

So a core understanding of the signing of NAFTA and the renegotiations is that the deals are to last, that they are to enable investment and decisions that don't change every two, three years, every five years, and yet a very important element of the renegotiation was to remove that, to put in clauses that the renegotiation would have to take place repeatedly, to eliminate that certainty for political consideration, and with the claim that this would then allow to take care of those who don't benefit from the deal, whether in the United States or Mexico.

Ambassador Gutiérrez talked about the importance of explaining the benefits. If you now look at the new deal, assuming that it's passed by all three legislations, and that it really becomes a new deal. Is it going to last? Is it going to be a deal for 10 years, 20 years, or are the political pressures, the circumstances in the United States, or perhaps elsewhere, going to bring about another really wrenching debate

about what the relationship, economic and broader relationship should look like? How confident should we be that there is a happy ending?

AMBASSADOR WAYNE: Well, that's a difficult question. But let me say -- what I will say, is I think it's actually going to be good to have more regular reviews of this new agreement. We did not do that under NAFTA. There was supposed to be a regular review process in NAFTA, but it was never really serious. I went to some of them, and it was more just a rote talking about the differences and where there were differences, and they really didn't get fixed.

So, having a process that allows people to bring up things that aren't working, or they're not happy with in a serious way, I think is good, and it can involve people more, as we were all saying. One of the challenges during the NAFTA period was, that there wasn't discussion about the good things that were happening in NAFTA, just the bad things.

So I think one of the things that's incumbent on everybody is when they do get together for a review to talk about what's working also, and the benefits that are coming from that. That can also address one of the other problems with NAFTA, which Ambassador Gutiérrez mentioned, is that NAFTA got blamed for problems that weren't caused by NAFTA.

Most of the serious studies looking at the job losses either looked to technology or they looked to China, if you --

MS. FELBAB-BROWN: Automation?

AMBASSADOR WAYNE: It's sort of a rounding era the number of jobs that were lost, overall, to NAFTA, now that wasn't a rounding era to the individuals who lost jobs, but the problem was, they weren't public policies that actually helped take care of those individuals and give them some viable options for new employment or new

opportunities. And that also I think can be healthy if we have this discussion after six years, and maybe six more years looking at it.

So I think it can be -- we can make it into a positive as we go forward. And so I think one of the lessons that I would draw from this period of debate, is how many people really do get benefit from the relation with our two neighbors. And as Ambassador Gutiérrez was saying, that brings an important stability to the United States.

I mean, how blessed we are to have two neighbors we can work closely with compared to many parts part of the world.

MS. FELBAB-BROWN: You very importantly highlight that NAFTA has been blamed for a lot of issues they didn't cause, particularly automation. And of course the challenge was automation and its impacts on job losses, is only going to grow, not just in the United States, in Mexico or elsewhere, and the vital importance then of understanding that it's policy is completely separate from the trade deal that needs to address those.

Yet, the White House certainly pitched the renegotiation as the solution to problems that it incorrectly linked to NAFTA, and it now presents the new deal as a solution to problems that have nothing to do with NAFTA. And so having that economic awareness seems to be fundamental for keeping the trade relationship positive and going on.

AMBASSADOR WAYNE: For example, if I just might add. I think the three governments and societies, and private sectors need to start talking about workforce development, for example. They have not really done that, and that relates to the new technology coming in, the training that's necessary. Each nation may have its own responses to that, but we should be learning from each other.

And there are good practices available in all three countries, and we're

all going to face this wave of technology, and the demand for higher and new skills on a regular basis. So, as neighbors we should build that into this future agenda.

MS. FELBAB-BROWN: Ambassador Gutiérrez, Mireya talked about the precarious nature of the renegotiations, of the many moments when at least some of us, the holding our breath, is this the end. The stunning announcement from the White House that withdrawal was imminent, unilateral withdrawal, and then stepping back from the brink.

The other aspect of the renegotiations of course was enormously strong, one might even say hostile rhetoric from the White House about Mexico, during the campaign but throughout the relationship, starting with the wall, and talk about the crime that's pouring from Mexico into the United States. And even just very recently the President has spoken about invasion from Mexico, referring to the migrants from Central America that are trying to claim asylum.

Can you please talk to us about the context of the security rhetoric? Of building up and image that there is an imminent, enormous security threat from the Southern border, and how that was affecting the renegotiations? Was that meant for the negotiating teams? But also was it meant of course for the politics in Mexico?

AMBASSADOR GUTIÉRREZ: Sure. You know, when NAFTA was being negotiated, negotiators tried as hard as possible to keep all the other stuff, security, migration, away from the trade table. And they managed to do that pretty well. And that was, in that context, I think it made all the sense in the world.

This time around it was a completely different context, a completely different administration, and a completely different political context. And the narrative was sometimes, yes, difficult because we were not in the midst of a trade negotiation, we were not dealing only with that, but also with, you know, border security, immigration, and

sometimes that -- and then to be clear, irrespective of what anybody thinks, when the President of the United States says something, it's important, so it does generate an influence in what is going on.

I think that we -- but at the same time, and this time around, President Peña Nieto said, as we go into the trade negotiation, we need to look at the relationship comprehensively, because there's a lot of value for the United States in respect of the differences that we do have, the security and immigration cooperation that it has with Mexico, so, in a sense that was also implicit as part of the negotiation.

Many times we had to -- you know, we've always tried to keep a policy of no surprises with the United States, trying to be -- and it was very clear that what I think was skillful was that we established clear limits. We were not focusing so much on the narrative, but again, in its strategic result, and we tried to make very clear what our limits were, and we were, you know, willing to stand off the table if those limits were broken. And it's difficult but, you know, I think that was what managed to take us here, so.

MS. FELBAB-BROWN: Ambassador Wayne, so there was the rhetoric, but at the same time, and often very significant threats made from the White House. At the same time security cooperation has gone on, it has not certainly collapsed. Whether security cooperation on the southern Mexican border with Mexico not deciding to use that as a lever, perhaps sometimes linking the relationship of the southern border and Mexico's effort to stem migration, that to do the negotiation, but never actually employing that lever.

And other cooperation has gone on. Where do you see the U.S.-Mexico security cooperation right now, as we will have a new administration coming in, in Mexico?

AMBASSADOR WAYNE: I think it's important to put this in a little bit of

historic context. Since the Mérida Initiative which was a U.S.-Mexico Initiative, looking at public security broadly, came into effect in 2007 and 2008, cooperation between the public security forces of both countries has grown immensely. And it's important to remember that part of this was fighting organized crime, part of it was modernizing the border, part of it was helping Mexico strengthen its capacities of its institution, part of it was helping communities that were being overwhelmed by local violence from crime.

And so through all of that cooperation, and the law enforcement cooperation that went along with some of these systems, people got to build trust with each other, just like in the trade area, they found new ways to work together rather than just pointing at each other, and blaming the other side.

They said: okay, we've got a problem, we each have a responsibility to solve it. Can we do that? And there was a lot of progress made. So interestingly, in the first year of this new administration in the cross-border crime area, there was a lot of continued process.

There was an agreement on a strategy that went all the way from looking at where the drugs come from, if they're grown, where they're grown, how they get transported, how they get across the border, what happens to them once they're in the United States, what happens to the money that's received, can we track the money.

And so conceptually there was actually an even further step forward between the new governments. But it is true that then the critical rhetoric did get in the way of that cooperation, and the Senate of Mexico twice I think told the government to hold off, or stop cooperating with the United States because of remarks that were made, which made it harder. It didn't stop all cooperation but it made it harder to do.

So, we're at a point right now, with a new government coming into Mexico, where they've just announced a new approach, a more comprehensive approach

to public security, and the U.S. and Mexico are going to have to review where they've worked together, what's worked, what hasn't worked, and hopefully they will come up with an agreed agenda for going forward in the new political context in Mexico.

It's very, very important that this takes place. Just, you know, a couple of examples: it's estimated that the illegal drug sales in the United States make $20-30 billion a year in profits for the smuggling organizations, where a lot of that money heads back towards Mexico, and it doesn't do good things when it gets back to Mexico. How can we do that?

The United States has this terrible opioid addiction problem that needs to be tackled. It has to be tackled in the United States through new, better programs for treating addicts, for preventing addiction, but also better law enforcement in that whole chain. We need to cooperate with the Mexicans well in taking care of that.

Mexico has very serious public security problems that have led to a significant rise in violent homicides in that country. All of it is not related to drug smuggling to the United States, but some of it is related to those organized groups that do that. So, there's an interest, very much an interest from the Mexican side to continuing to work with the United States on a number of these areas.

So, it's a really important area with hard work to do, and we now have this window where we should take a fresh look at this, and see how we can go forward together.

MS. FELBAB-BROWN: Certainly, President Trump has often claimed, incorrectly, that the United States is experiencing a significant rise in violent crime, and often trying to link it to Mexico and drug trafficking, those claims are not supported by any kind of evidence. Nonetheless, Mexico is going through an excruciatingly violent period with death rates that are on par or surpass many countries in civil war.

Those are not new statistics they've been around since the inception of Mérida and prior to Mérida. When President Peña Nieto came to the office he made public security a core element of his administration focus, setting out to reduce violent homicides by 50 percent in his first six months.

When he concludes his term, Mexico will have experienced the most violent year in 2017, with perhaps as many as 30- or even more 30,000 homicides, and this year probably will top that number.

Ambassador Gutiérrez, what are the core challenges? What in your view, despite the efforts of the Mexican administration, President Peña Nieto, President Calderón, Mérida, beyond Mérida, what have been the core obstacles that have made the efforts not delivering on the core element of what the administration needs to do?

AMBASSADOR GUTIÉRREZ: Well, I think that there's obviously a big debate about what has happened. Anybody that has worked in the present administration and in the past administrations in Mexico can certainly not be satisfied with the results. I tend to think that what is going on, it's my experience is as a result of different factors, not only one. It's not a simple explanation to what has happened.

But let me try to describe it, in my opinion, in the following way. A security strategy is about five things; police, prosecutors, judges, jails and the social fabric. And you need to work on those five elements to actually have a successful security strategy.

I think that there has relative success on the social fabric and I think that the -- in the following sense I think that there was with -- I'll point to some examples. Juárez and Tijuana, seems to be cases where the work done to recover social fabric was important in achieving a better outcome. I think that the President Elect and his Government have it right in stressing the importance of -- continue to build up, you know,

improve the social fabric.

If young people are -- if organized crime is able to hire young people at a faster rate than they are put behind bars it's difficult to have an end to this. And I think that's important. You know, if you look at some of the metrics on economic development during the Peña Nieto administration, I believe they're far from perfect, but they're successful in term of employment.

A lot more needs to be done, but I think the stability, the job, employment creation, and other social indicators would point to the fact that there was a serious effort in that regard.

We have, I think, a big problem -- I'll jump to the prosecutors, I think we're in the midst of a transition of our judicial system, well, first of our own, creating a new General Attorney's Office in Mexico. And I think that it's difficult.

We are not in good shape there because of two factors, one is a lot of (inaudible) in the leadership of the important Attorney General Office, and also because lack of resources, and we're in the midst of creating a new Attorney General's Office, and that delay has not been good, because on the Prosecutor's part where it's crucial, and that leads -- you know, it's important to impunity.

On the judges, we're in the midst of the biggest hundred-year transformation moving from a completely -- you know, to a completely different judicial system, and that has been difficult. I think that there are some encouraging results that were pointed out by the project -- on the international project on justice recently that they point to the fact that that system seems to be working despite the difficulties.

We have jails -- we need to more on jails, we have had serious problems with jails, and that's, until that is addressed fully and thoroughly we will continue to have problems.

And then I'll point to the police: and my opinion there is that simply in Mexico does not have sufficiently and appropriately trained police forces per 100,000 inhabitants as compared to any other place in the world.

And if you do not have enough police forces, certainly at federal, state or local level, you're going to have a problem. And I think that building up that police force and having Mexico's Army be part of that effort, because precisely of a lack of capacity at that level is not something that any body feels thrilled about it. Not this administration, not the next administration, not the past administration, but there's a pre-recognition that until we build up that police capacity, we're going to have to have the armed forces doing internal security matters.

Everybody I think agrees that we need to get out of that as soon as possible, because there are other challenges with that, but we don't -- we simply I don't think have enough police capacity. And if we don't -- and that's probably the number one factor, and until that, things happen, there's a very strong debate nowadays in Mexico about the new policy that has been put forward, and I think it deserves, obviously, the benefit of the doubt. And I'm sure there will be a lot more discussion on what the Government Elect has presented.

MS. FELBAB-BROWN: Ambassador Wayne, you were Ambassador in Mexico during part of the Peña Nieto administration and you saw how it was trying to reshape the security policy, what it learned, what it adopted from the previous Calderón administration. And you also of course were intimately witnessing, involved at seeing the issues of policy reform that had been right at the core of what President Calderón wanted, that really goes back many more decades, that many prior administrations in the 1990s embraced and achieved -- embraced or sought to achieve, I should say.

And yet, we are still in the situation where Ambassador Gutiérrez says

that's the core difficulty. An enormous amount of U.S. Mérida, and beyond Mérida assistance has been focused on police reform, why are we still in this really difficult situation, why so little has been successfully achieved out of that?

AMBASSADOR WAYNE: Well, there are a number of factors that go into this. I think one is that there really wasn't a coherent, comprehensive strategy, there were very good strategies in certain parts of this effort, but you weren't really going after the problem consistently from all angles.

For example, some of the first very good social programs, working in disturbed communities were actually -- lost funding after several years, lost direction when they tried to spread from Monterrey, and from Ciudad Juárez, and from Tijuana to other cities.

The Professionalization Program worked very good for certain people who got the training, but if those people didn't stay in that service, didn't remain prosecutors, for example, then you lost all that training, and a lot of them did leave that profession after a while, because you hadn't created a profession that promised a lifelong future for a number of these people.

So, I think that I would say in that sense, the new ideas put forward are very interesting because they are trying to take a comprehensive problem, where, if you look at, here's this very unstable, uncontrolled element in parts in our society, let's attack it from these eight different angels. Now, we'll have to see where the political debate comes out. And then are you going to invest enough money to make this worthwhile, and will you keep attention on it, which I think was also some of the problems in the last several years.

Because if you look at the -- even the track of violent homicides, they actually reached the peak at the end of Calderón administration they then started going

down. They went down to about 2014, and then they just started coming up, and they've continued, as you say, through this year, and it was as if there was a complete -- a loss of focus.

I don't know why that happened. The problems spread to other parts of the country, it went into other kinds of crime, not just drug smuggling, but oil smuggling, oil theft and other things, and the authorities were just overwhelmed by this.

So, I'm hopeful that with this rethinking, and the debate that's now going on about a more comprehensive policy, that Mexico will come out of it with a better sense of how to tackle this, and will invest in bringing about those changes.

MS. FELBAB-BROWN: You alluded several times to the new plan, the eight-point plan that President Elect López Obrador just announced this past week. Perhaps for our audience, can you highlight the key elements? And then, have your reflection of: how is this new? How it is different from when you were the U.S. Ambassador, what are the new, different elements? Your take on that, as well as a broader explanation on what are core issues of the plan?

AMBASSADOR WAYNE: Well, there are eight principles to this. Now, there you've tested me, am I going to remember the eight principles, or can I bend down to my folder and pull them out? But I think it ranges from creating jobs for young people, offering them educational opportunities, helping to revive civic morals in society, through penal reform, through strengthening the justice system, strengthening the prisons, through creating a national guard at the other side, which will be a new armed service that will draw from Military Police, the Federal Police, and will be deployed eventually in all parts of the country. They divided the country up into two hundred and sixty --?

AMBASSADOR GUTIÉRREZ: -- sixty-six.

AMBASSADOR WAYNE: -- sixty-six XXXSIC, WITH SENTENCE

BREAK SHOULD THIS BE 266??XXX sections --

AMBASSADOR GUTIÉRREZ: Or regions.

AMBASSADOR WAYNE: And they would analyze each of those sections and then deploy forces there with the idea, if they're more dangerous they'll get faster deployments. But of course what remains is to train all of these people in the police skills, it's one thing to be a military police person, as you know, and another to be a civilian police person. And then they still have to hook up with the prosecutors, the forensic experts, the people that collect evidence that are -- where there are gaps right now, to make that work and then bring people into the justice system.

One of the tremendous flaws is what's called impunity in Mexico where, you know, even if you get arrested you don't get convicted, and so one of the big things is start convicting guilty people. Now, at the same time in this new policy is the idea of transitional justice.

Where you can have a forgiveness and apology process as has been done in other countries, reintegrate people who've been out of formal society, working in illegal activities in this case, bring them back in, help victims feel a sense of justice at the same time you're reintegrating people into society. That's a very big prospect, and won't be easy to implement.

It doesn't mean it shouldn't be explored, but it's going to be very deeply debated, and we'll see where that goes. And then there's drug legalization also, possibly legalizing marijuana, some people suggested finding a way to legalize some of the production of opium; we'll see where that goes.

So, it's to be applauded for its comprehensive nature, but it's going to take a lot of effort to reach agreement, and then a lot of investment and hard work to bring it about. I hope it bears fruit.

MS. FELBAB-BROWN: Ambassador Gutiérrez, in this plan that Ambassador Wayne just perfectly outlined, not missing in any element and getting an A-plus on this test that I just pulled off, where do you see will be any difficulties in U.S. bilateral cooperation? Are there any elements to it that the U.S. might take a pause at or not like?

AMBASSADOR GUTIÉRREZ: Well, the past fifteen years, and the past two especially, I think that the U.S.-Mexico -- U.S. and Mexico, especially agencies on both sides, have learned to work with things. One is that it's really practically impossible to address transnational organized crimes unless you're working side by side with your neighbors and partners all over the world, and especially if you're next to them. It just doesn't work.

I think people now clearly understand that. The second thing that we've learned is that we simply lose time and energy pointing fingers. If we blame the United States because of the amount of drugs, and they blame Mexico for the supply of drugs, we miss the bigger picture that there's a market, and they are a transnational crime organizations that move very quickly, or very agile, they move across borders, and they don't wait for bureaucracies to put themselves together. So, we lose a -- you know, they gain a strategic advantage if we don't work.

And thirdly, that there needs to be trust, and that trust is a key element of security cooperation. I think those things are well grounded in the U.S.-Mexico bilateral relationship irrespective of administrations.

I like to think that the cooperation will continue, albeit changes, and there's always room for improvement. I think that the Government Elect of Mexico has thankfully been -- had a series of meetings with U.S. authorities over the last two to three months that are helpful, and that would allow both sides to get up -- going very quickly as

the new administration takes office, and I'm happy and I celebrate that. I think it's important that that has happened.

I think there are also going to be areas of challenge, I think dealing with decriminalization of, whether it's marijuana or eventually talking about, you know, regularizing poppy cultivation in Mexico, you know, are going to require a lot more explanation in terms of, you know, the benefits or not, I think that's an area to put attention into it.

And I think that that will be the area that requires more attention. The other one just very inaudible 01:35:47), you know, the support that Mexico gets from the United States through M érida Initiative is important. I am believer that it has helped cement the trust among security agencies, not only -- and it also implies a commitment on the part of the U.S. to recognize that there is shared responsibility by pooling resources.

I think those resources are important, I think that we perhaps need to do, we should have done a better job, meaning ourselves, in explaining more clearly, more open, and transparently what those resources are about. And why are they important so the next government is less skeptical about them. But I think, and I do hope that that support will continue, because I think it's critical to the cooperation.

MS. FELBAB-BROWN: There are many more issues, including of course cooperation on migration, the border, the wall, that might not be funded, and about which we have written at Brookings extensively, but then mindful of the fact that we have 10 minutes and would like to allow at least some questions from the audience.

So, perhaps we can collect three questions, and see whether we'll have time for any more. Please, introduce yourselves, and be brief in your questions. The lady here in the front row, the gentleman on the side, and the gentleman across --

MS. LEE: Mara Lee, *International Trade Today*. This is a question for Ambassador Gutiérrez. Can you give us any insight on the timing of when the Senate might take up the -- implementing legislation on the labor changes that were part of the Constitution, and also, any insight on where we are with lifting the retaliatory tariffs on 232, and getting a resolution there? We keep hearing that that could happen before the signing.

MR. KERR: Thank you. This has been very informative. My name is Douglas Kerr, I'm a retired lawyer. I have a family that lives in Mexico City. I've not heard any reference to one of the serious ongoing problems that Mexico has at the federal level, of getting the private sector professional class to pay their income taxes. Is that a serious problem as it appears to be to someone sitting here in the audience who doesn't live in Mexico? And is it part of the ongoing problem of funding?

MS. FELBAB-BROWN: Thank you. And the gentleman across?

MR. THOMPSON: Thank you. My name is Darrel Thompson; I'm with a strategic consultant firm here in D.C. called theGROUP. Mr. Ambassador you hosted us at the Meridian Dinner, and recently just was at a Meridian Study Group in Mexico City last week. Mr. Ambassador, you spoke of rising poll numbers, 62 percent. Mr. Ambassador you spoke of personal narratives to change those poll numbers.

What is the long-term outlook and effort from both countries to improve relations at the root level between United States and Mexico and the outlook as both economies are integrated, cultures are integrated? How do you escalate that so that you can overcome rhetoric such as we've heard in the last few months?

MS. FELBAB-BROWN: Ambassador?

AMBASSADOR GUTIÉRREZ: I'll start with the trade questions. On the steel tariffs I'll repeat what I said yesterday which is, the expectation is that we will have,

by the time of the signing, a solution to the tariffs and steel and aluminum, or at least a very clear track that gives certainty to all parties involved that a solution is coming. That implies we need to work on that heavily in the next nine days, and I think that's precisely what we are doing.

On the labor front, I think that if I'm not mistaken the annex that I referred to earlier talks about it is the expectation of the parties that the reform the, you know, secondary reform on labor would be approved by the relevant legislative bodies in Mexico by January the 31st, if I'm not mistaken. It's important that that happens, and it also refers to the fact that without that reform, the agreement might not be implemented. So that's crucial.

And if I might add, additionally, you know, Leader Pelosi has expressed concern or, you know, the importance that that reform should take place.

So, that's the timing. I think that the new majority in the Mexican Congress sees very favorably that reform. Obviously I cannot guarantee that that will happen immediately, but I think that there's a very fair chance, because the things that are included in that agreement with respect to labor are, if not identical, pretty similar to the sorts of things that had been advocating by what is now the MORENO Parliamentary Group, so I think that, again, there's a fair chance.

That would be with respect to trade. On the income, you know, Mexico has still a relatively low tax to GDP ratio as compared -- when we compare ourselves to several Latin America countries, and certainly OECD countries. I think there are several reasons for that. One of them was a low tax base, and if I'm not mistaken, the reform was undertaken by the Peña Nieto administration early in its administration, I think -- you know, the second year.

It did raise significantly the income tax, and it also broadened the base. I

can't remember the exact numbers, but the number of persons paying income tax has increased significantly. And there was also an effort to close loopholes and, yes, it is important to have a, you know, reasonable tax base, because if not, it's difficult to address some of the challenges that we have.

And it's obvious, in taxes there's always a debate about what's the best way to tax people, and nobody like taxes, but I think that if you look at the figures, and I don't -- I cannot bring them to my mind right now but, you know, the percentage of taxes to GDP, our tax base has increase during the past years. I think, addressing a part of your concern, and I'll leave the last one for Ambassador Wayne.

AMBASSADOR WAYNE: All right. Thank you. Well, it it's an important question, but not an easy one to answer. And it certainly, in my years in Mexico, we tried to use every avenue we could find to spread knowledge about the value of the relationship between the two countries. One thing we tried to do, working with Mexican Foreign Ministry, was expand the number of student exchanges, for example.

It was amazingly low the number of Americans studying in Mexico, and the number Mexicans studying in the United States given the proximity and the size of our economic relationship. But we had to turn to foundations and the private sector to fund this, because there wasn't a lot of government money available, but there was some Mexican Government money available for a couple of years.

But there was never any U.S. Government -- available, but we did expand very significantly the number of universities, university programs. We sent a lot of Mexican students up for a couple of months to come to the United States. And the idea was if you -- (1) if you spend time in the other country you come to understand it better, (2) if you're in the other country and you see these hardworking students come, they work hard, they go back home, you understand them better.

So, I think, just as you were down there, recently on an exchange program, anything we can do to encourage the more organized citizen-to-citizen exchange helps reduce all those myths about, just criminals come to the United States, or this is dangerous, all these people trying to get in.

There are certainly those problems, and we need to admit them, and talk about them. But, as Ambassador Gutiérrez said, if we're seeing them as a shared responsibility to deal with the problems, and a shared responsibility to take advantage of the opportunities that are there, there's a tremendous amount that we can do.

We will try to use social media on a regular basis to highlight the different things that were taken place in the positive manner as well, and I think we can do more of that. And as the Ambassador said, for a number of years a lot of us thought that the Government of Mexico should be more active in traveling and going to different parts in the country to explain what was involved in this relationship with our southern neighbor, and we should certainly try and do that in Mexico as well.

MS. FELBAB-BROWN: Well, thank you very much. We are out of time. Those are excellent and inspiring comments to conclude our conversation for today. The U.S.-Mexico relationship is a relationship between two families. One family that is challenged but at the same time it is a family, so we will have many conversations.

We will all thank you for your remarks today. But I also want to add our Brookings' thanks for your leadership, Ambassadors, both of you for working in the interest of the United States, in the interest of Mexico, and integration. You, when you were Ambassador, you as an ongoing Ambassador, and also during the past several weeks and months explaining the relationship to the U.S. public, honestly analyzing and presenting the relationship.

So, thank you, both, sirs. And please join me in thanking the

Ambassadors. (Applause)

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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.

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