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AMLO'S FIRST YEAR:
MEXICO'S POLITICAL, ECONOMIC, AND SECURITY TRENDS

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P R O C E E D I N G S

MR. CALL: Good afternoon, everyone. Welcome to the Brookings Institution. I'm Chuck Call. I'm a nonresident senior fellow here in the Latin America program. Thanks for coming out on a miserable day. Wish we had the fire going here. I'm going to briefly introduce our panel, in the order that they will be speaking on AMLO's First Year; Mexico's Political, Economic, and Security Trends.

To my left are our first speaker, Ambassador Roberta Jacobson. She is a senior advisor at the Albright Stonebridge Group. She is a former ambassador to Mexico, was the first civil servant in the history of the State Department to be a regional assistant secretary. I first met her in the early 1990's when she was the deputy director of the Central America office and I was working in Central America.

To her left, Vanda Felbab-Brown is a senior fellow here in the Foreign Policy program and master of all things transnational and criminal in her writings, stemming from Afghanistan to Mexico to Columbia and other places. I'm sure you've read her work. She has been in Mexico recently.

Following her is Samantha Gross who is a fellow here in the Energy Security and Climate Initiative at Brookings. She worked at the Department of Energy and has worked for over 20 years on issues of climate and energy and will be speaking to us about those issues.

Finally, Ambassador Earl Anthony Wayne, Tony Wayne, who is a public policy fellow and advisory co-chair of the Mexico Institute at the Woodrow Wilson Center. He preceeded Roberta Jacobson as the ambassador to Mexico, retiring as a career ambassador from the State Department when he left, and is currently a distinguished diplomat in residence at my school, the School of International Service at American University

Welcome to everyone. We're going to basically have very brief interventions and then I'll go back and ask a few more questions. Then we will open up to the audience for some Q and A. Okay. Initially, Roberta is going to share some of her reflections. We'll begin with that.

MS. JACOBSON: Thanks, Chuck. Thanks for reminding me how long we've known each other.

MR. CALL: You were 8 years old at the time.

MS. JACOBSON: I usually tell people I entered the State Department at 12, since I left after 31 years, but I will also say I am deeply grateful you didn't read the whole bio because as people in

Washington know, the longer your bio doesn't mean you're more distinguished. It just means you're older.

So, we're coming to the end of what seems like an extremely long and very studied period of President Andres Manuel Lopez Obrador's first year. There's been a whole lot written, a whole lot said. So, in some respects, it's hard to say anything that's different than things that have been said or published in the last couple of weeks. I will try to do a little bit of that on a very superficial level and then we'll hope to get into more depth as we go forward.

There are a couple of things I want to say at the outset to frame my view of this first year of AMLO. One is a question that I sometimes wonder which is, is the question of "Well, it's not as bad as it could be", the same as good enough, because that's a lot of what you hear from people. We thought it might be worse. It's not as bad as it could be. For someone who had a ringing mandate, which really was pretty extraordinary when he was elected, I'm not sure that that's good enough, as I say.

The second thing that surprises me consistently is how many people are surprised by what AMLO is doing. While his government is disorganized and often incompetent, he is fundamentally doing what he promised. Therefore, I think it reflects the extraordinary amount of wishful thinking that was going on during the campaign that he might govern differently than he campaigned. That includes, and I think this is really an important point, attacks on institutions and weakening of institutions within Mexico because he is not an institutionalist. He's a solo actor. He's the decider. Therefore, institutions, whether those are checks and balances such as separation of powers or independent regulatory bodies or civil society, including media and non-governmental organizations are obstacles to his agenda.

Then the final thing I'll note, and I'm not going to talk about the bilateral relationship because others will do that, is that overall I think a la Mark Twain, reports of the relationship's death are greatly exaggerated. It is a relationship that survives, albeit slightly beaten and bruises.

My favorite of the analysis recently, the analysis that I've seen from Mexican firms or individuals was one that compared his first year to Dante's Inferno. What they did, was they divided out things that you could categorize as inferno, or the inferno, failures, things you can categorize as achievements or CELO (phonetic) heaven, and then those things that are in Purgatory. I think most of us can agree that USMCA, although the agreement that will lead to ratification in the United States came after his 1-year anniversary. That is a significant achievement. Continuing fiscal discipline and

independence of the central bank, increase in the minimum wage. There are some bright spots, if you will, on the economy. The biggest area of achievement, I think, again going back again to the idea that he is what he promised are the social benefits and assistance programs which he is carrying out as he planned, as he said he would.

I think in communications it's been very interesting to watch the monomers (phonetic). I think the figure for the first year, the morning news conferences, the figure for the first year of morning news conferences was 250. He held 250 of those. What that successfully did, whether you like watching those every day or not, and I suspect his cabinet has a view about that, is that he sets the communications agenda for the day. By doing them as often as he does, that means that he has virtually set the communications agenda for his entire first year. People talk about what he talked about that morning.

I think we could look at the issue of anti-corruption and taking on the huachicoleros, the gasoline thieves and so forth, and some judicial processes against people, but I think on the whole, I would not put the anti-corruption agenda in the area of achievements or success, which is interesting, considering that was, some might argue, the fundamental reason he was elected. Mostly, I would say that, again Mexico has set up a series of laws that make up its national anti-corruption system and he has not focused on that because he's not about building institutions and putting in place the structures that will carry about corruption. He's about bringing charges against the huachicoleros or making sure Rosia Robles goes to jail. Those may not be bad things in an anti-corruption fight, but they're not going to strengthen structures and institutions that are separate from the president.

We can talk a little bit about migration at some point, but I think it's questionable as to whether that's a failure or achievement. I'll explain why. It's clearly the case that the numbers are down from Central America going through Mexico because of Mexico's actions to ensure that that number went down, as well as Draconian policies in the United States, but politically there's a real question as to whether that long term is an achievement. It is obviously seen by some in Mexico as having caved excessively to U.S. demands. I think there is significant percentage of Mexicans who were not thrilled with the migration numbers either, but as long as his approval rating remains as it does, hovering near 60 percent, I think that doesn't create major problems for him. I would point out that from the beginning, that

is the first day that he took office when I think he had an approval rating of about 62 percent to the end, 1 year later, when he had 58 percent, with significant increases and decreases during that period. That is a remarkable similar level at the end of 1 year.

On failures, I think we're going to talk about a number of those. I think you'd have to say at the top of that list are both the economy and corruption, a growth rate that will be either zero or slightly negative after 2 or 3 quarters of negative growth will certainly be difficult and a headwind for this administration. I think the question of when his promises and his programs come into conflict with fiscal discipline, i.e., when you can cut the bureaucracy no more, since he's cut it back to the bone and find savings any place. I think that's a real serious problem for this government. It's not clear to me that fiscal discipline doesn't get thrown out the window. That's been a very important stability factor for the Mexican economy.

On security, Vanda is much more of an expert than I am, but my uninformed view would be there is no policy on security. I'm the first to admit that some previous strategies have failed, but it is always better in my opinion to have a strategy, than not to have a strategy. I just don't see one right now. It's hard to cooperate when neither side, in my opinion, on this, U.S. or Mexico, has a security policy.

Let me close by talking about a couple of things that are in Purgatory. That is to say they are pending and the jury is still out as to whether they will be successes or failures at the end of his administration. One is the National Guard. For all intents and purposes, there is no National Guard. There is an entity that is made up of at least 3 different entities, the Army, the Navy, and the police who have put arm bands on their arms to say that they're National Guard, but it's not clear that there is training or doctrine or a real cohesive spirit within a new organization, nor that that organization is capable of battling the security challenges in Mexico as you divert significant numbers of them, not overwhelming, but significant numbers of them to work on migration issues. In his program, in his 3 big priorities, the Dos Bocas Refinery, the Train MIA, and the Trancysmayco (phonetic) I think the jury is still out as to whether those will proceed. Clearly, he is committed to proceeding on all of those, but they are varying degrees, I would say, of feasibility from unlikely to impossible. It's not clear that those are going to happen. If you had to evaluate Lopez Obrador's foreign policy for his first year, it would be the shortest chapter ever, because he's neither interested in foreign policy, nor does he believe it important, with the exception of

believing that keeping a positive relationship with the United States is a number one priority. We have seen that demonstrated over and over. Whether you agree or disagree with that, I think he has been extremely adept at maintaining that relationship through difficult periods.

I guess finally I would say over all if you had to get caps made for the Lopez Obrador Administration, they would probably say make Pemex great again. I'm not sure that's actually going to get Mexico to where it needs to be because my belief is that his diagnosis of what was wrong in Mexico was very, very accurate and that it needed fundamental change, but that his policies may prove to be counterproductive.

MR. DAY: Thank you, Roberta. I'm going to come back with a couple more questions, but before I move on to Vanda, let me ask you just one right now, which is this. You know he's got a popularity rating of, you said, 58 percent. I saw 68 percent about a month ago at the first year, roughly. That's a popularity rating that's higher than Trump's, than Boris Johnson's, than Macron's, than Bolsonaro, not Modi. Modi's is like maybe comparable. So, yet, almost everyone agrees that his performance has been disappointment in lots of areas. You mentioned the communication strategy. What explains that, if you don't mind?

MS. JACOBSON: I do think the communication strategy is part of it. We certainly see leaders who are adept at communicating their successes, even if many in the sort of chattering class, if you will, think that X is not a success, but it is defined as the President as a success and often perceived as such by the public. I think overall the biggest explainer of Lopez Obrador's popularity is disgust with everybody else. That is the traditional political parties and those that came before. So, that hasn't worn off yet. He's been given, not just one year, but longer, being given the benefit of the doubt, because they don't see any alternative. They didn't in the election, and they still don't. And because he's pretty successfully defined the failures, the things he has been unable to do, as someone else's fault. That someone else may be his predecessor. It may be the fifties and the elite. It may be whoever, but so far, he's been pretty successful at defining the things he hasn't gotten done as being blocked by somebody else who doesn't want the best for the Mexican people. I don't know whether that will last forever, but I think that it clearly was doable beyond the year. I think the Achilles' heel is security. I think security is becoming the kind of issue for more Mexicans than it ever was. Unless you can do something about

that, I think it may very well begin to sort of dent that, that Teflon quality, but so far, I think people are willing to give it a little bit longer. I really do. Part of it is, no other option.

MR. DAY: Thank you. Very good. So, the homicide rate is on track this year to be the highest in modern history, higher than last year's record rate and higher than the levels that people thought were just alarming in the Calcodon (phonetic) Administration. Those of us who work in security, we've seen a lot of criticism of security policies of the past in Mexico, particularly from the left. Now, you have a leftist President who comes in and has a chance to articulate what a left security policy would be with lots of high expectations and lots of studies by lots of our favorite experts. How is that going, Vanda?

MS. FELBAB-BROWN: Well, inspired by Roberta's downtown analogy, I am often inspired by Roberta. I think the only adjective that can be applied to the security situation is hellish. Yes, there are countries in Central America as you, Chuck, know well, as Roberta knows well, that have great homicide rates, but that doesn't excuse the fact that the security situation continues to be catastrophic. AMLO did inherit the country with very bad security trends, not simply in terms of the homicide rates, but really in terms of the profound failure and lack of adjustments that the country has been experiencing in security policy, despite a lot of very hard work having gone to police reform particularly, Federal policy reform level. When he took over the country, there were really no trends, no structural tools, no indications that he would inherit anything other than a very bad security situation.

So, from the very beginning, the ambition that his administration laid out promising that by 2021 he would reduce the homicide rates from the National 20 per 100,000 to 4 per 100,000 was unrealistic. He still has 2 years. Maybe a miracle will strike. I would be delighted to be proven wrong because it's not good for the people of Mexico. It's not good for our neighbor or for ourselves that the security situation continues to be bad. But right now, the only way that any significant reduction in homicides would come about is through the same set of developments that homicide rates came down at the end of the Caldron administration, the beginning of the Pena administration, namely through the actions of the criminal groups themselves.

At the time homicide rates came down because a set of criminal groups in a lot of them won instability in territories, but the security policies had not matured at the time to strengthen the deterrent's capacity of law enforcement both as policy forces and the military. One or two presidents later,

we have essentially the same situation. The different capacity of law enforcement in Mexico continues to be extremely low to non-existent, and as a result, levels of insecurity or security come at the hands of the discretion of the narco groups and their capacities, and with a much more fragmented criminal market that was the case at the beginning of the Calderon administration and the bipolar war that we see between the Sinaloa cartel and cartel (inaudible), spreading all the way from Mexico into Columbia and essentially spreading across the hemisphere. There is very little light in this situation to shine to provide one of the circles of hell to purgatory.

I however think it's more than really bad structural situation. There is a lot of blame to be actually laid at the hands of the Amad administration, at the choice of policies, particularly, really, it's the abdication of fundamental responsibility to deliver law enforcement. This goes back, Chuck, to your opening statement that many wanted to see a leftist security policy. AMLO is delivering a leftist security policy. During his campaign and since he became president, AMLO has had sort of 2 slogans or 2 overriding, overarching thoughts on how to deliver security. Hugs, not bullets is one of them. And he frequently uses the phrase that we cannot fight fire with fire. The second element is that he has wanted to back away from law enforcement strategies, particularly law enforcement strategies and design security policy is addressing causes. So, delivering socio-economic programs that would reuse the vast pool of unemployed people in Mexico that have weak resistance, weak resilience to being recruited by organized crime. That's a very valid, very important element of the policy, but it becomes really inadequate and extraordinarily bad strategy when this is the entirety of the strategy. This is essentially what has happened. So, what we have seen is increasing impunity of criminal groups, really going back to the early spring, where Calisdilion (phonetic), the most vicious and aggressive cartel around, has repeatedly shown up at police stations, killing police officers, has repeatedly attacked public security institutions, has burned down a casino in which some 30 people perished, innocent people perished, has taken other steps. Each time an incident like this happens, security forces do not react and they specifically do not react because AMLO has instructed not to use fire. After each of the security incidents, AMLO praises the security forces for not acting, for not responding with force. This has, of course, culminated -- and I will say that each of these security incidents building up to October to October, both in the Caleron administration and in the Pena administration to have a different response, to really shift policy. So, remember when in 2010, a

party was showed up by one of the criminal groups in Ciudad Juarez in which some 14 children died. It was a very defining moment in the Calderon administration. The outcry against that event forced Calderon to devise the summer policy to embrace a different element of his strategy. When the house burned down and the casino, again, a very significant outcry generated a significant shift in response in policy. Pena ultimately was allowing security to deteriorate and slide, instead of shoving the problems, but nonetheless even he was forced to react to event such as the massacre of the students in Iguala, still not resolved.

What's really been astounding is that in each of these events that should have been defining events, AMLO just continues with the same policy, continues significantly under-emphasizing and delegating law enforcement response, really sending the message, that getting away with murder in Mexico is not now only a matter of lack of capacity, but it is actually an endorsed policy, which in my view is really a catastrophe message. So, with this long build-up, we come to October and the events in Curican where the Mexican government, Mexican military at U.S. behest attempts to arrest the son of El Chappo, the most notorious drug trafficker now imprisoned in the United States, his son OVIDIO. This is an incident where the administration is really slipping to what is allowed, namely high value targeting, but in addition to embracing an old problematic policy in this one instance, it does so also in an extraordinarily botched manner. The technical handling is disaster against something that is linked to AMLO, particular because AMLO prefers strongly the Army versus the Navy. The Navy is the closest U.S. partner, the one who has received the most vetting training. He chooses an actor that has less history, less experience, less capacity, to conduct the raid. The raid backfires, with the Sinoloa Cartel really shooting up Curican, taking families of the soldiers who attempt to arrest the video hostage, and ultimately a video is released in a very public manner. The images from Curican – I was in Afghanistan when it was happening – really could have been a situation from Afghanistan, just the explosions, the manner of the raids. It could have been a shot from Afghanistan. So, terrible outcome, terrible debacle. You would think at this point, AMLO and his administration would say no more. We have to let a video go in order to save lives, but any cartel that behaves in this way is our primary target. We will tear them apart. We will not allow this kind of deterioration of security, this kind of brazen behavior. Once again, AMLO endorses the attacks not acting.

Finally we come to the killing of the Baron family, and of course, again, but the same type of messaging but now the Trump administration is considering designating Mexican criminal groups the cartels as terrorists groups. I think that's a very problematic decision. I hope that it won't happen, not because I don't believe they merit the label terrorists, not because I don't believe that they don't have political effects. They might not have revolutionary ideology and want to take over the State, but they have profound political effects in Mexico. And they have political agendas and they manipulate political processes and local groups, but because that designation paralyzes U.S. foreign policy. So, in Columbia today, after the peace deal with the Farrok, we cannot buy ex-Farrok combatants a cup of coffee because the Farrok was designated as a terrorist group. In Nigeria, the United States can provide toys to children who were dragged off by Boko Haram, but only as long as the children stay in a facility because even given a toy to a child that was imprisoned by Boko Haram could be construed as material support to terrorist groups.

So, U.S. policy in terms of livelihood becomes really very hampered when a group is designated as a terrorist group. That's why I believe it would be a bad outcome if this designation happens. Nonetheless the threat now will make the AMLO administration think about how long they can persist with the policy of essentially abdicating law enforcement. The socio-economic elements of the policies are important, but they cannot be the entirety. As long as they remain the entirety, then we will only see another circle of hell in the insecurity in Mexico.

MR. DAY: Thank you, Vanda. I have many questions, but I think we should press on. Samantha, one of the energies has become, as Roberta has just said, make PamEx great again. Oil and natural gas are high profile challenges in the country. Please tell us what we can think after the first year in office of Lopez Obrador.

MS. GROSS: Thank you, Chuck. Just to begin, in order to understand how the Lopez Obrador administration is managing energy issues, it really helps to take a step back and look at the energy sector reforms that happened during the last administration and understand the conditions that brought these changes on. As Roberto implied, oil production is an important part of the Mexican economy. PamEx, the national oil company, is considered a crown jewel of Mexico, but the crown jewel of PamEx, the Cantor oil field has been declining for some time, and there has been persistent under

investment. Oil production in Mexico is now about half of what it was during its peak in 2004. The electricity side also faces some serious challenges. CFE, the State monopoly utility had high prices, low penetration of renewables, despite the fact that the resource in Mexico are fantastic for renewable energy. Also, an aging grid infrastructure. So, former President Pena's goals. They had 2 main goals in his energy re-constructing, to bring in competition and to bring in capital.

Competition was intended to bring in new entrants and break the sort of gridlock that PemEx and CFE had on the Mexican energy sector, ultimately contributing to Mexico's economy and lowering energy costs for Mexican consumers and businesses, also, to keep up with growing demand and also to replace oil and gas production from aging fields. I'll be very straightforward. Like the other folks up here, I actually very much agreed with the reforms that happened in the Pena administration and in fact I actually worked with that administration somewhat in a previous job at the U.S. Department of Energy. I thought that what he was doing there was good for Mexicans, opening up the sector, ultimately was going to bring benefits to Mexicans and to the Mexican economy, but especially in the oil sector, these reforms were not universally accepted. It helps to understand something about the Mexicans and the Mexican psyche. Unlike here in the United States, oil resources in particular are really considered a part of Mexican patrimony, something that belongs to all Mexicans. Actually the day in 1938, the day that the Mexicans appropriated the oil industry is actually still celebrated as a holiday in Mexico. It's really important to people that the oil is there, as it belongs to all Mexicans. So, bringing in new firms to bid on Mexican oil fields and produce out of them was somewhat controversial. Also, ordinary Mexicans didn't necessarily understand some of the underlying challenges with the energy sector. P) prior to the election in Mexico last year, we at Brookings in combination with several folks in Mexico, including (inaudible) did a survey and we found that the majority of respondents didn't know how much or even that PemEx's oil production has been declining. Not only did they see these resources as really being theirs, belonging to them, but also, they didn't really understand the underlying reason why it was so important to bring in new investment.

During his campaign, AMLO focused on a concept that he called energy sovereignty. This is very much his version of Make PemEx great again, as Roberta said. The idea was bringing back the energy industry under government control and decreasing imported energy, particularly from the

United States in the form of fuels and also in natural gas. So, as a result, many of the things that have happened in Mexico in the energy sector in the last year have been focused on taking back Mexico's energy and returning to this previous State-run structure.

I would argue with some questionable results. The changes that we've seen have been particularly drastic in the oil sector. AMLO called a moratorium on options for oil exploration for at least 3 years, saying that he wants to see results from the previous bid rounds that happened under President Pena. He will be waiting for a while to see those results because these were auctioned off as exploration blocks. It takes a good 5 years minimum to go from exploring a brand-new block to actually producing significant quantities of oil. He could be waiting his whole administration to see the results of what happened during the previous administration. The fact that those earlier actions are not yet delivering results to Mexico is a surprise to no one. This is how this system works. It takes a while. An outside investment in Mexico's oil sector really has the potential to bring benefits. Outside expertise in the deep-water Gulf of Mexico, for instance, were also an unconventional oil and gas resources, like we see in the Southwestern United States. I have to point out that those resources don't come to a halt at the Mexico border. There are similar resources spreading into Mexico, but they're not being developed right now because PaMex doesn't have the ability to do those. That ability is primarily here in the United States. We have a world class industry of developing that specific kind of resource.

So, there's tons of potential in Mexico, but PaMex doesn't necessarily have the money or in some cases, the expertise to develop them by themselves. Also, PaMex has been downgraded nearly to junk status and it's drowning in debt. So, it's difficult for PaMex to come up with the capital to take advantage of the resources that it has. Also, on the oil side, AMLO was really, really focused on the refining sector. The reason why is this energy sovereignty idea. Last year Mexico imported about 70 percent of its refined fuels, gasoline, diesel fuel, jet fuel from the United States, and particularly from the large refining capacity from the U.S. Gulf Coast. So AMLO has commissioned a new refinery on the coast in Tabasco, his home state, and he's also really focused on improving performance and upgrading existing refineries in Mexico. If you think about this from an economist's perspective, you're like, okay, they're increasing the value add on the oil that they produce. Maybe this is a good idea.

But on the other hand, I have to note that refining is a very high capital, very low margin,

and also a relatively low employment business. So, modernizing those existing refineries, getting their production up, might be a good investment idea, but I think the investment in the brand-new refinery in Tabasco state is pretty questionable. Adding on to that, AMLO says that PaMex can deliver this refinery for 8 billion dollars within 3 years. Especially that 3-year mark is very iffy. When he put this out to bid for international companies, they came back saying it would cost 10 to 12 billion dollars and take 4 to 6 years. So, who knows how that will turn out?

Finally, the retrenchment in the electricity sector is really harming Mexico's investments in renewable energy. Despite what I said before, really fantastic renewable resources. AMLO's administration cancelled what would have been Mexico's 4th clean energy auction. Despite the fact, that unlike in the oil sector, the previous auctions had really delivered results. The first 3 auctions brought in 7 gigawatts of contracts for wind and solar and in the last auction that took place at the end of 2017, the average price was just 2.1 cents a kilowatt hour, which at that time was among the lowest price seen around the world globally. So, clearly these auctions have been successful. And it's really doubtful that CFE can itself achieve these kinds of low prices when it goes about building its own generation, just because of the lack of competition. So, instead of focusing on renewables and continuing these renewables auctions, AMLO's administration is instead focused on modernizing CFE's existing generation and even building new coal plants. This might sound like it makes sense. I talked about modernizing refineries might be a good idea. But the thing is, modernizing old coal plants compared to installing new renewables is a complete step change in efficiency and environmental performance in cost. I think it's clearly better for the Mexican public to focus on new generation.

He has also changed the rules on Mexico's clean energy credits, allowing older hydroelectric plants to count, and thus reducing the impetus for new renewable generation that those credit provided. So, I'll wrap up my little energy spiel by saying that AMLO and President Trump are both populists, although they come at it from completely different political directions. But I also think they see the energy industry somewhat similarly. They have really a view from the past. Their views on renewable energy are similar and they love to focus on this idea of emergency independency and energy sovereignty. As someone said earlier, things are not as bad as they could be, and in fact, that's how I responded to Vanda when she first emailed me to speak at this. At least AMLO is honoring some old

contracts that were in place. There were some questions during his campaign about whether or not he would do that. But I would say that his energy policies have been really more focused on populist and populism than they have been on what's best for the Mexican people and the Mexican economy. I think some of the previous reforms were actually helpful, not just from a economic point of view, but also from an environmental performance and a greenhouse gas point of view. So, I'm a bit disappointed with what we have seen happen in the last year.

MR. DAY: Thank you. When I first came to Brookings a few years ago, I noted that Samantha is great at presenting solid research through great story telling and so it's nice to see that here today. Thank you. Tony, you're going to answer all our questions about the U.S., Mexico relation and maybe the economy too. I'd be interested if you would agree with Vanda's comments about her negative take on the foreign terrorist organization designation for cartels.

MR. WAYNE: Yes.

MR. DAY: And, so, please go ahead.

MR. WAYNE: Thank you. Okay. I also agree that things could be worse. They are not as bad as they could be, even in bilateral relations. In fact, as has been noted, many people predicted that the relationship would be much worse between the two presidents before they came in. Actually, the two governments have done pretty well to find solutions to take things forward, despite tensions and serious disagreements in a number of areas. So, I'll talk about 3 things. One is trade and investment and USMCA. Secondly is migration and the border. Third is a cross border organized crime, which is a part of the broader crime problem, the part that tests the United States.

So, first, as you all have noticed, we are going to probably have a vote in favor of USMCA next week in the U.S. House of Representatives. This effort has been under way for a long time, not as long as many trade agreements, updating NAFTA to this USMCA actually took place pretty quickly in about a year and was finished before AMLO came to office, but he supported it. The last set of negotiations and amendments in order to bring on board Democrats in the House of Representatives and indirectly U.S. unions just took a few months and had a very intense last round over the last few weeks to deal with some Mexican disagreements with those proposals they initially received from the administration Congressional negotiations, but they were actually able to come up with some creative

solutions very quickly. Why does Mexico work so hard for this? Well, they sell 80 percent of everything they ship overseas to the United States. This is a tremendously important market. I think from AMLO's perspective, he wants to stay focused on this domestic transformation agenda. He needs income to do that. He needs tax income. He needs prosperity. The way to do that is to assure that you have this continued market to the north.

In the process, over the past year, Mexico became the United States' number 1 trading partner. It's never been that before in modern times. Part of that is due to the disagreements with China and the reduced trade to China, but that U.S. Mexico trade has remained steady, even during this period of many other disagreements, which we will talk about in a little while. That's because the industries and the foreign markets are very integrated. We buy a lot from each other and we make more with each other. From the United States' prospective, we make more with Mexico than we make with anybody else in the world by far. It's not even close. Canada is number 2 but Mexico is so far ahead of that. So, this is an integrated market where both sides have a real interest in finding a way to have that go forward. The USMCA is not a perfect agreement. It does improve some things from NAFTA. It preserves a lot of NAFTA. It basically modernizes NAFTA to bring in a number of other areas, except in one section which is the auto section, and then things related to that, like steel and aluminum. In that sense, we'll have to watch very much what the results of this agreement is going to be. A lot of experts predict it will actually make, for example, cars more expensive for all of you, if you buy American cars, because of the new requirements. Others argue that, well, that might be right but it will assure more auto worker and steel industry jobs in the United States. We'll see, as it goes forward.

In any case, the overarching value of this new agreement is that it preserves and modernizes a marketplace that is in reality extremely valuable for all 3 countries in North America. It eliminates a degree of the uncertainty that has really tamped down investment across, but especially U.S. and Mexico, but in both countries, and the uncertainty that might have continued for another year and a half until the U.S. could get through the elections and look at this treaty again, or agreement again. Not a treaty, but an agreement. So, trade has been really important. What we might see now is a return to a forward-looking trade agenda as we get into implementing the USMCA. For example, one part of that is the 3 countries will establish a competitiveness committee where they would look at what things can make

North America more competitive in the world. We used to do that on a more regular basis. In the last couple of years, we have not had that kind of a forward-looking discussion between the 3 countries. It's very important for the 3 of them from Mexico's prospective as they look to grow a number of their important sectors.

Secondly, migration at the border. The numbers have steadily come down since June. There was an agreement signed between the United States and Mexico in June where the Mexicans committed to a better control of migrants from Central America coming north. Before that, early on AMLO had proposed to the United States that the 2 governments get together and addressed the root causes of migrations by investing in Central America and in southern Mexico. The U.S. agreed to that in principal, but not very much has happened in that area since that period. What did happen was a focus that the United States asked for on enforcement on the part of Mexico. Whatever you may think about the migration policies of the United States, it is quite fair to say that Mexico did not have a very strong migration policy, very strong migration institutions, very strong institutions to care for migrants as they came through. They were essentially, anybody who got to the southern border could get to the northern border very quickly. There were, in fact, a lot of organized buses that you just paid a bit on, got on and went up to the Texas border. There was a good basis for asking Mexico to be better about that.

The numbers have gone down. They continue to go down, including the last numbers reported from the last month, in fact, further went down. What still needs to be addressed, however, in this whole migration issue, is are migrants being cared for as they are moving? What are the root causes? Can we start addressing the root causes? Those really haven't been addressed. So, even if you have some enforcement successes in this short term, are you really going to deal with the problem without looking beyond enforcement to the root causes.

Then you have all the issues associated with care for migrants, respect for human rights, how they're treated, everything else that still needs to be sorted out on both sides of the U.S./Mexico border, meaning in Mexico and in the United States. So, that issue has been tamped down. There is a framework for discussing it, but it is far from being solved.

Finally, the third big issue is cross border security, cross border organized crime. Vanda's analysis is an excellent analysis of the situation in Mexico. From a U.S. National Security prospective, you

can say, look, Mexico wants to deal with its security problems in one way. That's fine, but if it spills over into the United States, then that's our problem. That's one of the things about the U.S./Mexico relationship. We have shared problems and thus shared responsibilities for dealing with them. Right now these organized criminal groups undermine the sovereignty of both countries. They are harming the citizens of both countries. The only way we're going to really effectively deal with and reduce that problem, hopefully get it down to a minimal level at some point is if we start working together effectively. That certainly includes social programs on both sides of the border. The United States needs to deal with demand, much more effectively than it does. Mexico needs to deal with its social challenges much more effectively than it does, but in the interim, you're living day to day. You need law and justice institutions that work. You need to be able to collect the intelligence on bad people that are doing bad things, arrest them, bring them to justice effectively, have them convicted. This is not easy. What has happened, however, over the past couple of years, is that you've maintained a certain level of cooperation, but you have had no agreed overarching strategy between the 2 governments on how to tackle this. You still do not have an overarching, agreed strategy on how to tackle this. That is essential, or you're going to see, I believe, more of these threats, for example, the foreign terrorist organization designation. We had a few months ago, a threat to stop things at the border, a crime. What it reflects is this understanding gap in a coordinated plan, essentially of law enforcement, essentially of addressing the problems that are, from the U.S. perspective, creating social and human damage in the United States. My view is the best way to do this is to have an agreement so you can help both countries solve these problems. It is not going to be easy. We've tried to do it over many years. Over the past 10 years, there has been a more concerted effort by both governments to find ways to do that, which had mixed results but did have some good results. We've been sort of on pause in the past 2 years. The big challenge now for both governments is can we move beyond this status and get into another phase of enhanced cooperation.

Then finally, if we get all of these 3 areas working together, as I mentioned earlier, hopefully we can return to the forward-looking agenda that we've tried to explore in the past. You can then get back to things that are more people to people oriented, that you're actually doing more good things together, in a variety of areas. We just have not been able to effectively do that, not saying good things don't happen. They do, but not in a way that has been sponsored in a part of a framework by the

two governments, because we've been dealing with crisis and problems during this last period of time. I'll stop there.

MR. DAY: Thank you, Tony, very much. You know, one of the things that strikes me in what you're saying, and somebody who spends a lot of time working in Central America, is that I believe that Mexico and the Mexican government has actually been vital in helping President Trump actually deal with his policy in Central American migrants. It's actually the release valve that's been crucial for success there. The other thing, my impression is, I think AMLO has actually negotiated those waters actually more ably than I expected, as I think you mentioned.

I think what I want to do, there's 3 questions I want to put on the table, and I'm just going to ask each of you to respond. I hope you don't respond to all of them, actually. So, pick whatever one you want to respond to and then we'll turn to the audience. Those 3 questions are these: One is, you know, the first thing is AMLO came in with the expression, "el bien de todos los pobres ", for the good of all, the poor first. What has he done? How has he delivered for that? We haven't talked much about that in social policies. He has expanded a lot in terms of jobs for youth, but it hasn't had the kind of short-term security impact that he hoped. So, if you have anything to say on that.

The second thing I'll say is, you know, I think, I agree with you Vanda in terms of security. The passive don't fight fire with fire and don't respond to these attacks on policy stations by the cartels. It's not tenable and really disaster, but what is the answer to that. Is it to go back to the high-profile approach we saw under Calderon? What are the 2 or 3 things that you think would be most advisable in terms of dealing with the insecurity. Tony just shared his thoughts on that a little bit already.

The third question is this is 1 year to a 6-year term. What course correction do you expect to see, or that you think should happen importantly in this administration? So, I'll just go down the line. Roberta, if you don't mind.

MS. JACOBSON: Okay. On the delivery for the poor, I think that's a really good question. I think the answer is if you measure sort of the way the social benefits are being given out now and that they're going directly to recipients, as opposed as going through intermediaries. So, individuals now think that the money for the elderly or for childcare or for disabled kids or family members, that now

doesn't go to providers for you. That goes to you. I think that there is a real question as to whether that ultimately does better for people. I think it's a legitimate question to ask, but for sure, politically it does better for you, because you've now got an army of, I don't know, 8,000,000 plus. It's more than that, who are getting their social benefits directly from, and he's very clear about this, it's not from the Mexican government necessarily. It's from AMLO and Marina, right. And that's going to serve him well in the next election. I will say that every business that I talked to that has sought to do the young people's jobs program, and there were quite a few that wanted to do hundreds of them, has been disappointed. They have ended up doing a fraction of what they had hoped to do, not because economically it's not viable, but because they can't get young people either who are qualified. These are not very, very high skilled jobs, but more importantly, they can't get young people who want the jobs and stay in the jobs. That's very disappointing.

The only other thing I wanted to say was on security. In my opinion, it's certainly not necessarily viable to return to some previous strategies that have failed, but my own view for quite a while has been that the strategies have failed, in part, because I don't think the high value target strategy in itself was successful because in getting down all the capos or the heads of organizations, obviously, what you did, was fragment and increase violence, which can be an okay, not an okay for the people who are living with it, but if that's transitional to a strong law enforcement capability, but an extremely strong judicial capability, then maybe that's acceptable, that reduces that violence quickly. That is not what happened. So, my view would be that you have to push much harder on the judicial implementation and creating strong judicial institutions that can judge people, at least judicial institutions that can capture and judge people, but I believe very strongly that you have to deal with the cartels as transnational companies. If you want to get rid of Walmart, your competitor, when Sam Walton died, Walmart didn't go away. The same is true of a cartel. Unless you go after your financial infrastructure, the accountants, the safe houses, the product itself, and the customers obviously, which is the demand reduction, but a lot of this is on the supply side, you need to go through all of the levels. I think where they have made progress, they've done so when they've gone after the accountants, and followed the money, and done investigations that go at the structure of the organization at all levels, not just at whoever happens to be heading it this week.

MS. FELBAB-BROWN: I'll pick up on the security, endorsing what Roberta just stated. I mean, clearly the priority needs to be to strengthen the capacity of law enforcement, particularly the police. AMLO follows, spinning the pursuit and just dropping the ball on police reform. To the extent that he speaks about police reform, it's essentially increasing police salaries. That is important to the extent that police salaries are inadequate. People are susceptible to bribery obviously, in addition to facing intimidation, but it's also not the entirety of police reform, particularly at the level of municipal police in Mexico that has really been subject to at least police reform.

It is significant that the Army thing this week. It is significant that the (inaudible) Secretary and U.S. Minister under Calderon and the man who was really tasked with conducting police reform in Mexico was indicted in the United States and arrested on taking bribes from the Sinoloa Cartel. That is an enormously significant event in my view. Tony and Roberta, you can chime in, but I really see this at the level of earthquake in the trust of U. S. and Mexican law enforcement that really surpasses even the arrest of Obole (phonetic) back in the 1990's, where this came after. This came after the really, really bad U.S., Mexican law enforcement relationship and full expectation that law enforcement in Mexico was enormously correct. The Salinas administration came in enormous traumatic events and traumatic periods, but the fact that the architect of the anti-corruption police cleansing law enforcement reform at the level of Federal police was indicted, I think is very significant. I am positive it will take quite a bit of effort now to restore the always precarious trust of U. S. law enforcement operating in Mexico is absolutely vital, as it is. The AMLO administration has given it a reason of resurrecting or strengthening the trust. In fact, is re-opening, and the President has repeatedly questioned Medenia (phonetic) initiative as both of you worked on, very vital, very significant development. So, police reform needs to be number 1 and getting back away from the collapse in trust or the weakening in trust with U.S., is another one.

The high value targeting turned out very problematic, counter productive policy for Mexico. I have long argued for different targeting patterns. One of them is middle level targeting. Targeting is just a tool of strategy. This is where the AMLO administration has thrown away the baby with the bath water, in saying that a particular pattern in this case, high value targeting is counterproductive. One should not say that law enforcement does nothing, just watches lynching, which is murders, watches a city being blown up. Really the fundamental issue for AMLO, as it was for Pena, as it was for Calderon,

and as it has been going on through the 1980's, how does Mexico get in a situation where law enforcement has deterrents' capacity when it is feared and obeyed by criminal groups? Why does (inaudible) and Sinaloa in the United States behave radically differently than they behave in Mexico. They are flooding the United States with Fentanyl. It's causing, in fact, flows of Fentanyl from Mexico have surpassed flowing Fentanyl from China. It is very much contributing to the greatest drug epidemic crisis in U.S. history, surpassing HIV level crisis. It's a really, really bad public health situation, but they're doing so peacefully. No way is a repeat of (inaudible), because our law enforcement has deterrents. This is what Mexico needs to resolve. There are elements to judicial reform, to judicial capacities. Police reform is not a different targeting pattern, but the AMLO administration has really not grappled with that. Even though it has stated and states that it's number 1 priority is to reduce violent crime and violence in Mexico, at the same time it says we will not go after drug trafficking groups, which is a contradiction because the drug trafficking groups are not the sole, but they are certainly the primary source of violence in Mexico.

MS. GROSS: I'm going to step back from the security situation for a minute, given that it's not my expertise. I'm going to focus on the first and third questions. As far as social policies for the poor go, I want to focus on the electricity policy that we're seeing right now and the move away from renewables. The head of CFE, the Mexican national utility, has come right out and said renewables are unreliable and expensive, when actually what we're seeing right now is renewables are cheap. So, not only is this move away from renewables possibly increasing electricity prices for Mexican consumers, if you think about this from an environmental justice perspective, it's everywhere and always the poorest people who suffer the most from environmental issues, be that a power plant or a factory or anything else. So, this move away from renewables is likely to be most harmful for Mexico's poor. This is true the world over and I'm 100 percent true in Mexico as well.

As far as a course correction, I'm not sure that this will happen, but I hope so. I think it will be good for Mexico. That is that the administration comes to the realization that it can't do everything that it wants to do for energy within the Mexican economy along, that it needs investment, that it needs partnerships, that it needs outside technology. This is true in oil and gas, but it's also true in electricity, as well. So, I hope there's a bit of a course correction in understanding that this isn't giving up energy

sovereignty and that there is – how do I want to say it – power in cooperation, that a grouping of sources is often much more powerful than just more powerful, may be relying on your own. It's sort of an energy security idea that is a truism among people that – think about this – it doesn't always ring well with politicians. But I'm hoping that the inability to reach their goals and to make the investments that they need for the Mexican economy has them pull back from this Energy Sovereignty and focus more on strength through diversification.

MR. WAYNE: Just on the social policies, I think Roberta hit the nail on the head as to why it is, in fact, popular. People are getting more money quicker. That's why it's beneficial politically. I just note that on the youth for, the Job Program for Youth, I think that they had to end it early this year because they ran out of money, also, to pay for it, which is one of the effects. We haven't talked about it, but of course, one of the policies is austerity in the government, which means they have cut a lot of common, cut a lot of programs, they've eliminated a lot of positions, including a lot of their senior and most capable civil servants have left. This has hurt the capacity of the government to implement in a number of areas. It is vital that if you are going to go after a criminal organization, you look at the entire chain of its activities. In the case of those cross-border organizations, that means from where they buy the stuff in a port coming in, or they make the stuff in a factory, or they grow it in the hills of Guerreros, all the way until it gets to Boston or Chicago and New York. Then where that money goes there, how it gets sent back. You have to go after each of those different elements. That means you need effective intelligence collection, effective law enforcement, collection of evidence, bringing people to trial, cooperation in extradition, cooperation on investigations, cooperation on tracking the money and the different patterns it follows. That takes confidence. That's what I said. You have to have trust in each other. It's been a problem consistently. We've experimented with different kinds of vetting mechanisms to make sure that you don't have moles in the group that you've working with, but it's a hard thing. That confidence, I would say, has been weakened over the past couple of years for a number of different reasons. It's going to take some time to rebuild. We should work at rebuilding it, and we should work at making these mechanisms from working on other social approaches that you want to take to improve the long-term results for your society.

The other course correction< I just want to mention, is I want to mention the zero

economic growth this year. Economic growth consistently, if you watch the predictions over the past year for Mexico has gone down, down, down. It's now maybe it will be a little positive. Maybe it will be zero. Maybe it will be a little negative when we get the final results. Most of that is caused by Mexico. It's not due to the international situation. The United States is growing. Their trade has stayed steady. Remittances from the United States – I haven't verified this, but I'll repeat it. I'm telling you I'm repeating it. We're higher than they have been for a long time over this last year.

So, the problems are problems of lack of confidence and lack of investment inside Mexico. Other steps that have cut back domestic spending, especially government spending in the first part of the year because the austerity measures. There needs to be a course correction there. The IMF came down and had a consultation. There were results published in November. They suggested a number of things the government should do to address some of these problems. This relates to what Samantha said. Part of that is working with the private sector again. The government just announced an agreement with a number of big firms for a multi-year investment program, to build infrastructure. That's very encouraging. That's the kind of investment you're going to need to have to get growth going again, to get domestic consumption going in Mexico to help spur that growth. Once again, it's really hard to carry out social reforms and pay for social programs, if you don't have economic growth and you don't have sufficient income coming in. So, I think in this area is where I would hope to see some course corrections. Thank you.

MR. DAY: Excellent. Thanks so much. I'm going to open it up to questions. Please identify yourself, our organization. It's perfectly fine if you're here representing yourself. I think Brad has a microphone, and others, as well. So, yes, hands? Right here, the gentlemen up here on the front. Then gentleman to his left.

MR. DIAZ: Thank you very much. I'm Cozo Diaz with Performance Paper from Mexico Diaz practice. The question is for the practitioners for diplomacy out in the field; right, and also the bands because of the nature. What's the security strategy that the U.S. wants from Mexico. Is it just one of stopping drugs at the border? What exactly is the Trump administration really willing to do because as you know, the State Department has a wealth of expertise on prosecutorial and judicial reform in Mexico, but is that what the U.S. is proposing?

MR. DAY: Can I take 2 or 3 on a chance. There's a gentleman here to his left and then this woman over here to my left.

MR. GRUENBERG: My name is Mark Gruenberg. I run a small news service for union papers here in this country. I'd like to look forward a little, in particular to the USMCA, particularly through the U.S., the 2 veteran diplomats here, which is give me a little bit of forecasting about what you see coming out of that, and particularly the specific – let me rephrase that, the chances that AMLO has in implementing the safeguards and the protections for Mexican workers, which are very detailed that are in the trade pact. He basically has to build a structure from the ground up.

QUESTIONER: Yes, I'm Dona Davis. I'm a Washington correspondent with different publications in Mexico. My question is for Roberta and Ambassador Wayne. I wanted to ask you a little bit more about Garcia, Garcia Luna. I know both of you work very closely with him, I think, in both governments, under folks and under Calderon. Did it surprise you what happened on Tuesday, that he was arrested and charged? To what extent does this represent an indictment of the so-called war on drugs? It's pretty much like putting the chickens in charge of the fox, or whatever the phrase is, because he was in charge of going after a chapel and the other cartels and the other heads of cartels. He was the one implementing the high-level target. So, anyway, I'd like to hear your comments on this one. Thank you.

MS. JACOBSON: The first question, what does the U.S. want on security? I have no idea. I don't know what this administration wants, what its priorities are on security in Mexico. We see episodic sort of implications of what they may have asked for, but it is not at all clear to me, we want more. We want tougher. I don't know what the strategy is on our side either. That's why I said neither side, I think, has a strategy. To some extent, each of us think we have a list of what the other one should do, but that's not a strategy. Okay? So, that's my first answer.

On forecasting on USMCA, I think Tony is a lot better on that than I am. So, I'm going to let him do that one. I will say labor reform was underway before USMCA got under way for negotiation. Obviously, it got ramped up significantly thereafter. It is so long overdue. While it is unclear to me exactly how some of the intrusive things were agreed to at the very end will work, it is really unclear to me how successful all of these things are going to be, there is already a sort of a -- well, there's already an

opening of the labor sector, unions thinking about moving into other industries where they didn't have organizing capability because they really couldn't. There was only one protection union and a proliferation of actors in that. Certainly my hope is adjudication of labor complaints and labor difficulties will be better, even if slow and probably non-linear in how well it's implemented in the future, but I think it's very early days to say whether all of the things that have been agreed to will be fully implemented and how quickly they'll be implemented.

Going on your question on Garcia Luna, your first question is were you surprised. The answer to that question is no. Your second question was is it an indictment on the war on drugs. The fact of the matter is, I disagree with Vanda just a little bit on this. I defer to her on a lot of security issues, but of the people that I know who worked with Garcia Luna, there wasn't a huge amount of surprise. I don't know that this will be an earthquake in terms of cooperation. I'm not going to say too much more about this, but I will just say it consistently reminds me of the last line in a very famous movie, Chinatown, in which the line is, "It's Chinatown, Jake". You understand the environment in which you're working and you are careful and you do as well as you can, but it does not mean that you always assume everybody you're working with is exactly how they present themselves. Let me leave it at that.

MR. WAYNE: On labor and the future and USMCA, let me start there. There is a tremendous amount of work still to do. One of the big pluses that came out of the extended negotiation of USMCA was that the Mexican administration increased its funding for implementing the labor reforms. The first budget had hardly anything in there for labor reform, but because there was consisting questioning from the United States, they increased that funding. So, that's good, but it's going to be really hard to do that. They have to build a whole new court system, and they have to have elections in hundreds of thousands of workplaces. This is going to be messy and long and there will be a lot of complaints. The new USMCA has a method for dealing with these complaints, which to me is going to be worth exploring. It's going to keep people really busy. If you read that annex, which you probably have if you're reporting on this, there is a lot to be done in there. It's not going to make the process any easier but it is going to have those extra sets of eyes on that process as it goes forward.

On the U.S. security strategy, I agree. I don't know what the U.S. security strategy is, but my hunch is that from what I understand with people is there has been a consistent set of

requests. Let's sit down and try and work out a strategy together. There is an openness to the U.S. side to do that, and so far, that hasn't happened. I would suspect that what you would do, you would come in and there would be a set of different priorities. You'd try to work that through and come up with an agreed set of priorities. I mean, one area where the Mexicans asked for action recently is on arms illegally headed south. The U.S. agreed to engage on that. We'll see how they engage and go forward. There are a number of working groups right now between the 2 governments sitting down and working through these issues. So, there is a basis there to have elements to pull together into a security strategy, but that has to be done yet.

On the recent arrest, I agree with Roberta's request, no. It is sort of like Chinatown. There are a people around being influenced on all sides by bad factors, by the temptation of money, by threats, and that's why you need really good and strong methods for vetting people and for checking out on a periodic basis. Even though they were clean 6 months ago, are they still clean? We do that in our law enforcement systems. I think we should ask that our partners do that also and then we just try to do the best we can in moving forward. I would not be surprised if there were not, in the future, other arrests with people we have worked with very closely. That's just the nature of where we are right now. It's a tough game out there, but you've got to soldier on, in that British term, and keep fighting the bad guys and doing the best you can to bring them to justice and to store bad things you're doing. You're going to run into corruption on the way. That's just where we are. Thanks.

MS. BOTTLE: Jan Bottle, Congressional Research Service. So, I tend to agree with you, Vanda, but I'm looking at what are the costs to leadership in either country on non-strategy in terms of security, besides I'd say dead Mexicans and overdosed Americans. What are the costs politically of not having a security strategy when you've just delegitimized? If the top cop got corrupted, obviously everybody knows about it by the cartels, by one of the stronger cartels. It's delegitimized after a long history of delegitimizing inside of Mexico. Potentially someone in the DEA did trust this leader, this security. They at least said, when I was working with them, I didn't think everybody was corrupt or that he was necessarily corrupt. The point is that there may be a slowdown in some of the cooperation. So what are the steps and what are the costs in not having a strategy?

MR. JORDY: Hi, my name is Jordy. I'm a student from

George Washington University. I was just wondering if I could get your take, particularly from Vanda, about the migrant protection protocol, as well as the great security threat that has been caused by that on the Mexican side of the border, how to tackle that, what you think about it?

MR. DAY: Okay. Great. I'll close it with that and turn to the panel and, Vanda, do you want to start with that?

MS. FELBAB-BROWN: Sure. So, I am very glad to hear that Roberta thinks it's not going to significantly weaken the level of trust that US law enforcement developed in working with Mexico. Both countries need each other. Mexico needs U.S. cooperation in dealing with its security issues. So, any kind of further weakening beyond the level of the President's, working level and the State level and the institutional level, it's very bad for Mexico. So, to the extent that the shock is not such a shock, that's very good. That said, I do think it's significant that the architect -- if the institutional reform in Mexico had one more positive element, it was Federal police, and Garcia Luna was very much associated with the Federal police reform and the U.S. was tremendously involved with that. It is very much true that the United States has agreed to operate in Mexico with very problematic vetting. So, when we build special interdiction units, we build them around the world, as do other countries like the Brits. They are often the favored tool, often the only tool available and they frequently go out, but nonetheless when we build them, we often insist that every member of the special extradition unit has to be vetted. In Mexico, the United States has, over the past decade and a half, agreed not to vetted -- has agreed that the top officials in the unit in Mexico will not be vetted. Now, because Mexico has consistently refused to allow the vetting of the top officials of the unit, the situation of the top cop being corrupted is a direct product of systems and signals that were sent and built and accepted and should not have been there. Certainly, the issue of repeated vetting is not something that has been part of it, and badly needs to be part of it, as needs to be that everyone doesn't think that Mexico should not be getting a pass on that. Now, AMLO has centered his policy on anti-corruption. Maybe he doesn't appear intuitive, but the United States could say, okay, you want anti-corruption. Let's start building special extradition units differently. The difficulty is that the AMLO administration has not wanted to use this. They have not wanted to use this element of policy. What the Trump administration has principally been requesting is stop paying other than the Wall, and Mexico paying for the Wall as a security policy, is stopping Fentanyl and Heroin flows. AMLO and his

administration has delivered tremendously on popular education, tremendously on the amount of acreage destroyed, although that has not really slowed Heroin flows to the U.S., but they are doing the eradication the same as president Ducat is doing the eradication. It has been harder for AMLO, but it has not stopped. AMLO has been delivering on popular education, but not as much as Ducsay, but nonetheless the flows keep coming and Fentanyl keep coming. Fentanyl could have been the easy out of U.S. security cooperation vital for U.S., and AMLO has completely rejected that for reasons that are not obvious. They don't cost him politically. It's the easiest element of cooperation and one that should be really meaningful and significant.

On migrants, well, the consequence, of course, of staying in Mexico, policy has been very dire conditions for people who are awaiting asylum cases in Mexico. The conditions that Tony talked about in the shelters are problematic as has been U.S. policies of dumping them into some of the most dangerous parts of Mexico. We hear numerous stories of them falling prey to extortion, kidnapping, and wars by cartels in places like (inaudible), parts of the country that are very problematic, but in my view, still on the cusp of second wave of security problems, which is when the Mexican public loses its patience with them and starts reaction with them in hostility in the same way we see in Brazil toward migrants from Venezuela and Colombia. Some of it is already happening. I feel like wars will come and we will have double sets or triple sets of security threats to the migrants, not just from the criminal groups but also from the public that is now threatened by the pressure on the social environment that they put.

MS. JACOBSON: Just two quick things. I think on the security issue and stopping Fentanyl and Heroin, I think that's probably right. Vanda is willing to make that interpretation from what we've seen, more than I was. I think one of the things to keep in mind is the future is synthetic. The future isn't Heroin and poppies. The future is Fentanyl, qua Fentanyl which is now being produced in Mexico and methamphetamine which is the second largest. When you look at synthetics in particular, the optimistic news is maybe you can get away from geography being destiny because it's coming in from internet and other sources, but it's also easier to produce in smaller territory and smaller amounts. It's easier to smuggle in because of the profitability. Thought to be the focus, I think, of both administrations.

The last thing I would say is I want to be clear about, though my comment about not being surprised by Garcia Luna, I don't want to lead to a conclusion that it's okay. The fact that a policy

maker may not be surprised by someone having been corrupt, doesn't mean that you aren't disappointed and that you are going to do everything you can to work with people who are not corrupt, but over the years, my experience has been that you make certain assumptions and there are always lots of allegations usually by the military against those in the police and vice versa, which you have to take both seriously and also in the context of the allegations and you ensure that you rely on the people that you've vetted the most heavily because some are vetted through U.S. systems as leaders, not SIU, special investigation unit chiefs perhaps, by the U.S. They're vetted by Mexico, but you may recall in the end, it wasn't the Federal police that caught Chappo. I think there was never an assumption that those kinds of operations at the highest levels would be carried out by the police. There was always an assumption that there would be done by units within the military, with which we had greater confidence from experience. I just have no idea. Cabinet secretaries, it's not the same thing as somebody who is in a lower ranking position operational.

MR. DAY: Thank you very much. Please join me in thanking our panelists for their presentations and their talks.

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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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