

# Redefining Mexico-U.S. Relations To Enhance North American Prosperity<sup>1</sup>

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Ferrán Paredes/Reuters

Texaco has recently opened gas stations in northern Mexico.

For an entire year, up until this writing, President Donald Trump has engaged in offensive, false, simplistic rhetoric about Mexico, Mexicans, and relations between our countries. The most dangerous and concerning underlying component of his tirades is racism. The central themes of his discourse have been the traditional issues (security, migration, and trade), which frequently are those that cause the most tension and disagreements between the two nations. While they are important, our relationship must not only be measured by these. It is indispensable, rather, that we underline and vigorously disseminate, among many indicators and data, that in addition to the million dollars a minute that we trade, more than one million legal crossings of our border take place every year; that the comprehensive security of the Northern Hemisphere is only achieved through the principles of shared responsibility and cooperation, which implies mutual interdependence; that one expression

of migration is the more than 35 million inhabitants of Mexican origin in the United States, who contribute significantly to the local and national economies; and that we design and manufacture intermediate and final goods by cooperating in an increasingly integrated way.<sup>2</sup>

Simplistic, erroneous arguments and his disrespectful, arrogant attitude toward a large proportion of local and world leaders are the norm in the United States and are part of the context in which relations with our neighbor unfold. However, in recent weeks, President Trump has been forced to moderate his positions due to pressure and decisions by the legislative and judicial branches, pressure and recommendations from those with economic power, his cabinet members' understanding of reality attributable to their career service, and/or perhaps as a survival tactic.

Canadian Liberal-Party-member Prime Minister Justin Trudeau, by contrast, is very popular both domestically and abroad since, among other attributes, he stands for the West's main values such as solidarity, cooperation, democracy, and inclusion, values for which Canada has been internationally recognized.

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The forthcoming trilateral negotiations should develop a North American energy outlook that would evolve into a reference point for energy planning.

This article briefly discusses some of the challenges and opportunities for Mexico with regard to certain issues, aside from the traditional ones already mentioned: the domestic agenda, energy, infrastructure, education, innovation and research, and the border conceived as something more than security and migration. A recent document published by the Mexican Council for International Relations analyzes both the traditional and other topics and proposes ways of dealing with them.<sup>3</sup>

With regard to Mexico's domestic agenda, the current situation forces us to establish a medium-term vision to be able to deal with issues that have been pending for many years: incomplete rule of law, impunity, corruption, and inequality. Now is the time for our institutions of higher learning, particularly public institutions, to renew themselves internally to drastically improve the quality and pertinence of their activities. This requires vision, political will, and capability. To the extent that Mexico resolves these scourges, it will not only be dealing with the domestic agenda, but will also have greater political capital to negotiate and further its interests in North America.

At this writing, the positions of Mexico and Canada for modernizing the North American Free Trade Agreement (NAFTA) are public. With regard to the United States, the only thing known is that it agrees it should be trilateral and modernized, but the scope and details of its position have not been announced.<sup>4</sup> In any case, hopefully, modernization will include more flexibility in order to be able to recognize how several issues have evolved, such as the case of the economic sectors based on exponential technologies as part of the Fourth Industrial Revolution, where digital, biological, and physical technologies converge.<sup>5</sup>

The North American region has abundant energy resources, both fossil fuels and clean energy, and an internationally competitive cost structure. In addition, its energy production is intensive, which implies the need to reinforce its energy security, understood as the uninterrupted availability of energy sources at accessible prices. This is a principle accepted worldwide for countries to be able to meet their challenges.<sup>6</sup> While NAFTA deals with energy in its exceptions, rules for the

case of liberalization, and rates, it was not until Mexico changed its Constitution in December 2013 that the creation of a regional energy system and market began to be conceived. The principles of this new market are increased energy security, diversification of the energy grid, and improved sustainability. In the case of Mexico, while the energy reform is advancing swiftly and successfully, many tactical problems remain to be resolved (for example, deregulation and regulatory simplification), and policies for strengthening government productive companies must be created, such as the creation of a legal framework to facilitate and protect decision-making by public servants.

In addition, developing national capabilities for competing in better conditions is urgent. This involves a policy and actions to foster engineering and high-value services that can be developed by Mexican companies, as well as protection equivalent to that received by foreign engineering firms in their own countries. Rapidly moving ahead in regulatory cooperation, matters such as the professionalization of regulatory bodies, and the harmonization of energy regulations, emphasizing a hybrid system that combines a prescriptive focus with one based on performance, is also indispensable. Given the country's high energy intensity,<sup>7</sup> Mexico must make enthusiastic energy efficiency efforts in North America, by developing and adopting minimum standards for energy performance. According to the International Energy Agency, the country's 2040 energy consumption will be concentrated in transportation; this is why this sector requires a special effort. It is also advisable for the trilateral negotiations to develop a North American energy outlook that would evolve into a reference point for energy planning, identifying investments, capacity building, and pinpointing regulatory improvements for the three countries.

A country's infrastructure is an indispensable means for sparking its development. This is why international institutions like the World Economic Forum rate the quality and scope of infrastructure as inputs for estimating a country's competitiveness.<sup>8</sup> In the case of North America, the competitiveness of each of the three country's infrastructures is very different: Canada is in fifteenth place of 138 countries; the United States, in eleventh place; and Mexico, in fifty-seventh place. With regard to the quality of the infrastructure, they are in twenty-first, twelfth, and sixty-ninth place, respectively. If we want the region to continue to be dynamic and competitive not just on the basis of low Mexican wages, which must be raised, North America, and particularly our country, needs

to substantially improve its urban and regional infrastructure.<sup>9</sup> This requires more investment as well as better planning, execution, operation, and maintenance of its infrastructure.

Given the asymmetries and its lower investment in infrastructure in recent years, Mexico must take advantage of the trilateral negotiations to attract more investors. Simultaneously, as part of its domestic agenda, it must develop its own capabilities similar to those pointed to above for the energy sector, and harmonize regulatory and normative frameworks. Mexico must aspire to quality, resilient, pertinent infrastructure equivalent to that of our trade partners, including the Europeans. This need was recognized in the 2014 Leaders of North America Summit agreements. One of those accords referred to developing and implementing a North American Transportation Plan that included establishing a joint prospect for the future and the design and implementation of infrastructure, equipment, and services with an urban and regional vision and multi-modal approach for freight and passenger transportation.<sup>10</sup> As in the European case, it would be desirable to set up an infrastructure development bank for the region to swiftly and efficiently foster and support world-class, priority projects that could positively impact urban and regional competitiveness and shared prosperity. The current North American Development Bank could be the basis for a new bank that would include the three countries.

The establishment of the U.S.-Mexico Bilateral Forum on Higher Education, Innovation, and Research (Fobesii) and the High Level Economic Dialogue in 2013 put human development and job skills training at the center of the Mexico-United States agenda.<sup>11</sup> Canada joined a year later, first bilaterally and later trilaterally. The results over these four years have been very encouraging. More cooperation agreements have been signed than ever before formalizing the thousands of exchanges of students and academics that take place every year. More than 100 000 Mexican students and academics have gone to the U.S. and over 7 800 to Canada, the vast majority from public schools, for academic stays of different length and scope. In addition, by bringing together companies, research centers and universities of our countries, bilateral and trilateral research and innovation initiatives useful for industry have been established. These alliances aim to establish long-term partnerships between industry and academia, to foster the culture of innovation among the Mexican research community, and to develop cutting-edge projects on science, engineering, and technology for the benefit of the regional economy.<sup>12</sup> Outstanding examples are joint centers

and projects on advanced and intelligent manufacturing. Higher education, innovation, and research endeavors must continue and expand. It is indispensable for the three countries' private sectors to contribute resources and strategic orientation in forming a new generation of innovative, competitive talent committed to the social development of their countries and the region.<sup>13</sup> Long-term collaboration must also be stimulated to develop new knowledge and translate it into applications to benefit society. Academia in the three countries, particularly engineering, science, and medicine, must play an important role in this. To determine the central axes of training talent and generating knowledge, I suggest applying clusters of innovation as a platform for the cooperation of the quadruple helix of government, universities, companies, and professional associations.

The Mexico-U.S. border is the area that most clearly and forcefully expresses our relationship's vitality and complexity. The institutional architecture agreed upon by the governments has made it possible to deal with and gradually improve security and infrastructure conditions (crossings, water and sanitation, energy). However, it does not include joint actions for improving the quality of life and the sustainability of the border region. The present moment offers the opportunity for improving the linkages of the components of border governance and development, as well as dialogue among the stakeholders. This implies comprehensive planning of the border strip's social, economic, and environmental development, which would elicit positive impacts for security and migratory flows, as well as improving the management capabilities of state and municipal governments. In this effort, it would be very valuable to create consortia of the two countries' universities since, in addition to helping us better understand the phenomena involved and seeking solutions or methods for dealing with them, they would train specialized talent. In addition, they could serve as facilitators of dialogue among sectors and as disseminators of successes and opportunities.

Developing a U.S.-Mexico short- and medium-term plan for a modern, smart, and efficient infrastructure is also urgent. Among other things, the plan would aim to increase the pace of construction/rehabilitation/modernization of border infra-

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structure; revise the financing system; mitigate the effects of natural and man-made hazards; incorporate the ample use of state-of-the-art technology; and establish an observatory of border infrastructure. The plan should consider border master plans and previous studies and information. This is the case of the study financed by the North American Development Bank aimed at proposing improvements in both countries' infrastructure planning methodologies. One of the border's most pressing challenges is the lack of communication.

The current situation offers Mexico an ideal window for speeding up the definitive solution of its age-old problems, and at the same time, for promoting, together with the United States and Canada, inclusive, sweeping economic growth for the well-being of our citizens. This would allow twenty-first-century North America to establish new global standards for trade, energy, infrastructure, education, innovation, sustainable growth, and the border. ■■■

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#### NOTES

<sup>1</sup> The author wishes to thank engineer Luis Javier Castro for his valuable comments and suggestions.

<sup>2</sup> Secretaría de Relaciones Exteriores, <http://mex-eua.sre.gob.mx>; and Robert Koopman, William Powers, Zhi Wang, and Shang-Jin Wei, *Give Credit Where Credit is Due: Tracing Value Added in Global Production Chains* National Bureau of Economic Research Working Paper 16426, 2010, <http://www.nber.org/papers/w16426>.

<sup>3</sup> Consejo Mexicano de Relaciones Internacionales, "Definiendo la relación para la prosperidad de Norteamérica" (Mexico City: Comexi, 2017).

<sup>4</sup> "Panel 2: US Trade and Economics," at the event "Trade, Security, and the U.S.-Mexico Relationship," May 25, 2017, <https://www.brookings.edu/events/trade-security-and-the-u-s-mexico-relationship/>.

<sup>5</sup> México Exponencial, <http://mexicoexponencial.org>.

<sup>6</sup> International Energy Agency, *World Energy Outlook 2016* (Paris: International Energy Agency, 2016).

<sup>7</sup> International Energy Agency, *Energy Policies Beyond International Energy Agency Countries* (Paris: International Energy Agency, 2017).

<sup>8</sup> World Economic Forum, *The Global Competitiveness Report* (Geneva: World Economic Forum, 2016).

<sup>9</sup> Joseph Parrilla and Alan Berube, *Metro North America: Cities and Metros as Hubs of Advanced Industries and Integrated Goods Trade*, Brookings Institution Metropolitan Policy Program, 2014, <https://www.brookings.edu/interactives/metro-north-america-metros-as-hubs-of-advanced-industries-and-integrated-goods-trade/>.

<sup>10</sup> "Fact Sheet: Key Deliverables for the 2014 North American Leaders Summit," February 19, 2014, <https://obamawhitehouse.archives.gov/the-press-office/2014/02/19/fact-sheet-key-deliverables-2014-north-american-leaders-summit>.

<sup>11</sup> "The US and Mexico: Education and Understanding," <http://theconversation.com/the-us-and-mexico-education-and-understanding-76686>.

<sup>12</sup> "Logros del Foro Bilateral de Educación Superior, Innovación e Investigación," <https://mx.usembassy.gov/wp-content/uploads/sites/25/2017/03/Logros-FOBESII-mar17.pdf>.

<sup>13</sup> Centro de Investigación para el Desarrollo, *Reshoring México: Índice de capacidad de atracción de inversión manufacturera* (Mexico City: CIDAC, 2014).