

**THE U.S.-MEXICO RELATIONSHIP: ADVANCING
SECURITY AND PROSPERITY ON BOTH SIDES
OF THE BORDER**

HEARING

BEFORE THE

SUBCOMMITTEE ON WESTERN
HEMISPHERE, TRANSNATIONAL
CRIME, CIVILIAN SECURITY,
DEMOCRACY, HUMAN RIGHTS,
AND GLOBAL WOMEN'S ISSUES

OF THE

COMMITTEE ON FOREIGN RELATIONS

UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

—————
MARCH 29, 2017
—————

Printed for the use of the Committee on Foreign Relations



Available via the World Wide Web:
<http://www.govinfo.gov>

U.S. GOVERNMENT PUBLISHING OFFICE

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**THE U.S.-MEXICO RELATIONSHIP: ADVANCING
SECURITY AND PROSPERITY ON BOTH
SIDES OF THE BORDER**

WEDNESDAY, MARCH 29, 2017

U.S. SENATE,
SUBCOMMITTEE ON WESTERN HEMISPHERE,
TRANSNATIONAL CRIME, CIVILIAN SECURITY,
AND GLOBAL WOMEN'S ISSUES,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:23 a.m. in room SD-419, Dirksen Senate Office Building, Hon. Marco Rubio, chairman of the subcommittee, presiding.

Present: Senators Rubio [presiding], Flake, Gardner, Menendez, Udall, Kaine, and Shaheen.

**OPENING STATEMENT OF HON. MARCO RUBIO,
U.S. SENATOR FROM FLORIDA**

Senator RUBIO. This hearing of the Subcommittee on the Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights—you guys know the committee—comes to order. It is a long title. We have got the longest name of anybody. The subcommittee comes to order. We just spent too much time talking about the title of the committee.

The title of this hearing is the U.S.-Mexico Relationship: Advancing Security and Prosperity on Both Sides of the Border.

We are going to have one panel testify today. It will feature the Honorable Roger Noriega, Ambassador and Visiting Fellow at the American Enterprise Institute, and the Honorable Bill Richardson, former Governor of New Mexico, among other important positions that he has held. Of course, both have impressive careers in this field, and we are fortunate and grateful to them for being with us today. We look forward to your testimony.

Today we will discuss a topic that I believe is both timely and important, and that is how we can continue to advance the deep economic, security, and people-to-people ties between the United States and Mexico that have proven to be vital for the wellbeing of both of our respective nations.

I recently joined my colleagues in introducing a bipartisan resolution to reaffirm the importance of bilateral cooperation that advances our Nation's national security and economic interests and underlines the strategic partnership between the United States

and Mexico. And I urge all of my colleagues to join us in supporting this bipartisan resolution.

Earlier this week, I welcomed Mexican Ambassador Gutierrez to his new post in Washington, DC. He has been on the job now for about 3 weeks, and I extended my sincere and strong desire to work together on the challenges and on the opportunities we both share for our respective countries.

To this end, it is my hope that to address common challenges, including counterterrorism and counternarcotics, we can advance security cooperation between the United States and the Mexican militaries, law enforcement, and intelligence communities. Improving security also requires a judicial system that investigates and prosecutes crimes.

As indicated in the State Department's 2016 International Narcotics Control Strategy Report, Mexico remains a major transit point for illegal drugs destined for the United States, as well as an originator for both heroin, marijuana, and methamphetamine. And I note that, by the way, not as a negative slight against Mexico because on the other side of that equation the transit point is to the United States and it is our consumption problem that is an equal part of that problem.

We should also note that the Mexican Government has increased its public and national security budget to more than \$15.4 billion with an aim to combat and prevent organized crime.

Under the Merida Initiative partnership, Congress provided nearly \$1.5 billion from fiscal year 2008 to 2016. This assistance also addresses human rights, the rule of law, and public security.

However, drug trafficking and related violence in Mexico continues to pose a significant problem to Mexico's security and to its economic development. The DEA notes that Mexican criminal networks transport the bulk of their goods over the southwest border through ports of entry using passenger vehicles or tractor-trailers. In passenger vehicles, the drugs may be held in secret compartments, while in tractor-trailers, the drugs are often commingled with other legitimate goods. Less commonly used methods to move drugs include smuggling them through cross-border underground tunnels and on commercial cargo trains, small boats, and ultra-light aircraft.

Mexico is also experiencing an alarming surge in poppy cultivation and heroin production. According to the U.S. Office of National Drug Control Policy, 28,000 hectares of opium poppy were cultivated in Mexico in 2015. That was up from 17,000 in 2014, a 64.7 percent increase. Virtually all of Mexico-sourced heroin is consumed in the United States, and Mexico is reportedly the source of more than 90 percent of the heroin seized in the United States. That is up 50 percent from 2012.

Additionally, new synthetic opioids like fentanyl that are substantially more powerful and deadlier than heroin are increasingly being produced and trafficked into the United States through Mexico using precursor chemicals from China.

We are all, I think, committed to supporting the work of law enforcement agencies on both sides of the border to counter the increase in cross-border trafficking of heroin and fentanyl and to

fight transnational criminal organizations. But this must be done with the support and the attention of both nations.

Senator Markey and I have introduced the INTERDICT Act, which would provide U.S. Customs and Border Protection with better tools to detect and stop fentanyl coming into the country.

As neighbors, we need to tackle security challenges together. Our nations share a border of nearly 2,000 miles, but we also share a long history of cooperation and a mutual desire to see peace and prosperity through Central and South America. Both countries have worked jointly to further advance and protect democracy as well as to support democratic institutions in other parts of the western hemisphere, as best evidenced by yesterday's vote at the OAS in which Mexico stood strongly on behalf of freedom and democracy in the region.

We cannot talk, of course, about our relationship with Mexico without mentioning the North American Free Trade Agreement, NAFTA, and our deep economic ties across the border. According to the U.S. Trade Representative, the U.S. exports to Mexico and Canada are responsible for more than 3 million American jobs, and both countries purchase more American goods and services than any country in the world. However, according to information published by the Census Bureau, the trade deficit with Mexico went from a surplus to a deficit, and it has continued to grow since NAFTA went into effect.

The current administration has signaled its intention to modernize this agreement. We need to ensure that our trade with Mexico is free but also fair.

For example, Florida's agriculture community—some segments of it have been harmed in the past by Mexico's ability to supply the U.S. market with produce in large quantities and at prices that are often below production costs. This is particularly true for our tomato growers and our strawberry growers. This past weekend, I was in the Tampa Bay area. I visited the Florida strawberry fields, and I heard about the challenges our farmers have faced from unfair competition. These are issues that Secretary Ross and our Trade Representative will have to address as changes are considered. If done correctly, I think the efforts to modernize NAFTA can produce significant economic and strategic benefits for all three countries.

In addition to these challenges, we also have the issue of immigration and of border security. While the rhetoric on the subject is sometimes heated, both of our nations have a responsibility and an interest in stemming the flow of illicit activity crossing the U.S.-Mexico border. We often think of this issue in terms of America's southern border. We also need to be cognizant of the pressure Mexico faces along its own southern border due to migration from Central America and through Central America.

For our two nations, this is not simply a question of how we can improve our border security. We need to think and act strategically to advance policies that advance democracy, security, and economic prosperity throughout the entire hemisphere because when people feel confident in the future in their home countries, they do not have to migrate to the United States illegally, at least not at the levels we have seen throughout the decades. We need to work with

our Mexican partners to enhance their ability to police and defend their own southern border, which is an entry point for many migrants who seek to transit through Mexico, more often than not, on their way to the United States.

As I stated earlier, the U.S. and Mexico have a long history of cooperation. As Senators Cornyn, Flake, Udall, and others representing border states will tell you, our two countries are intertwined by history and by shared interest in the future. Our people have worked together and interacted for generations. Many Americans of Mexican descent have achieved great success in business, sports, arts, medicine, politics, just to name a few. And it is in our mutual interest to continue to work together to ensure economic opportunities and strengthen our security on both sides of the border.

I look forward to hearing from both of our witnesses about this critical relationship.

And with that, I turn it to the ranking member, Senator Menendez.

**STATEMENT OF HON. ROBERT MENENDEZ,
U.S. SENATOR FROM NEW JERSEY**

Senator MENENDEZ. Thank you, Mr. Chairman. There was much of what you said that I agree with you on, and I appreciate you holding this second hearing of the Western Hemisphere Subcommittee on a critically important bilateral relationship.

I want to thank both of our ambassadors for being here, and my good friend, Bill Richardson, for traveling here today. I greatly appreciate that and his knowledge particularly of this relationship.

It would be a gross understatement to say that Mexico is a critical ally, partner, and most importantly, neighbor of the United States.

Now, over the past few months, Mexico and the United States' relationship with Mexico has been in the spotlight. And I would like to start by outlining some facts. And while I am sorry I have to make this clarification, let me be clear that these are factual facts that reflect the truth.

The United States cannot effectively manage our southern border in a way that protects, serves, and benefits Americans without collaboration and cooperation from the Mexican Government and the Mexican people. Since 2007, more Mexicans have been leaving the United States to return to Mexico than have been arriving from Mexico. In fact, between 2009 and 2014, there was a net exodus of 140,000 Mexican migrants back to Mexico.

As a geographic transit point since 2014, Mexico has experienced the same surge in unaccompanied minors and undocumented migrants from Central America that we have here. Mexico intercepts around 150,000 Central American migrants seeking to come to the United States. In fact, the United States and Mexico are working together to find the best solution for addressing these children and families fleeing violence and poverty.

The United States and Mexico have a nearly \$600 billion per year trading relationship in goods and services that is overall fairly balanced. And in fact, the United States actually has a trade surplus in services of about \$10 billion. After Canada, Mexico is the

most important trading partner. They are the second largest trading partner export market with Mexicans consuming more than \$240 billion of U.S. goods. Mexico plays a distinctive role in U.S. trade overall due to the unique nature of integrated supply chains. Around 5 million jobs in the United States depend directly on bilateral trade with Mexico, largely tied to our export market.

Now, during his campaign, our current President rallied crowds around the ridiculous idea of building a wall along the entire U.S.-Mexico border and the more ludicrous proposition that Mexico would somehow pay for this wall. I will start by noting that the last time a nation tried to wall itself off in East Berlin in the 1940s, that did not turn out so well. Beyond ludicrous, this rhetoric, along with its outrageous and misguided admonishments, including that all Mexicans are rapists and drug dealers, have in fact undermined American national security and undermined good will that Mexicans have towards the United States, not just our political leaders, but our citizens as a whole. To anyone with a faint understanding of foreign policy or the history of Mexico, some of whose territory now comprises a large chunk of the southern part of the United States, the idea of having Mexico pay for this idea is nonsense.

As Mexico gears up for its own elections in 2018, paying for the wall has driven a growing movement of nationalism that could see political leaders emerge who harbor negative views of the United States.

Now, the President seems to be trying to find ways for Americans to pay the \$8 billion to \$25 billion this project could cost. And recognizing the infeasibility of his own campaign promises, the President is now seeking ways for American taxpayers to pay for the wall. That does not come as a shock to me, but I was genuinely surprised to learn that of all the funding sources President Trump plans to pay for the wall by using elements from other homeland security programs, including cuts to the Coast Guard, airport, port security, and most astonishing of all, by charging a special increase on homeowners flood insurance premiums, something that I can assure you I will fight tooth and nail, having lived through Super Storm Sandy.

Many of the challenges facing the United States, including eradicating the scourge of drugs like opioids and fentanyl, combating the drug traffickers who bring them into this country, securing our borders in a responsible way that serves the interests of our entire population cannot be effectively confronted, let alone solved, without cooperating and strategically planning with Mexico.

In fact, since the 1980s, the United States and Mexico have built effective strategies that improved the lives and national security of Americans and Mexicans. This cooperation was formalized largely through the Merida Initiative, built on trust and the principle of shared responsibility that has served as the basis of this productive relationship for decades. We rely on Mexican cooperation for critical intelligence sharing, counterterrorism, and counternarcotics trafficking operations.

Foreign aid to Mexico that this administration is seeking to reduce by drastic and draconian measures contributes directly to programs that help Mexican law enforcement and immigration au-

thorities address their southern borders and migrants from other countries. Our economic development support directly aids Mexicans' purchasing power which often goes to U.S.-made goods. Higher levels of economic development and education in Mexico lead to less pressure for emigration and generally more stable and resilient communities that are able to stave off poverty and criminal networks who seek to exploit it.

That Mexico, with all of its national pride, would allow for the extradition of El Chapo Guzman speaks volumes about not only the skill that their forces have developed but also the trusting relationship we have fostered.

While no country is perfect, Mexico's police and military with investment, training, and cooperation of the United States have made incredible strides in protecting their population and combating drug traffickers. We need to continue and expand these efforts, particularly to support judicial and governance reforms that will help Mexico tackle the root causes fueling criminal networks and drug trafficking.

The bottom line is that Mexico and Mexicans have the most direct impact on Americans in their daily lives than just about any other country in the world. It is vital to our national security and to our continued peaceful prosperity in the northern part of the western hemisphere that the United States and Mexico continue strengthening our relationship and forging new areas of cooperation and growth.

I look forward to hearing both of your testimonies and engaging in a dialogue with you.

Thank you, Mr. Chairman.

Senator RUBIO. Thank you, Senator Menendez.

Just as a side note, my understanding is next week there will potentially be working coffee with the foreign minister of Mexico. He was saying Mexico. So I got to work that in there too.

And the second is that my understanding is that late in April, a delegation of Mexican Senators will be traveling here as well. And I hope my colleagues take an opportunity to attend both of those gatherings. It is really important to establish those bonds, both with our counterparts in the Mexican Senate and also with the foreign minister.

Thank you both for being here. Governor Richardson, thank you. I look forward to your testimony.

**STATEMENT OF HON. BILL RICHARDSON, FORMER GOVERNOR
OF NEW MEXICO, SANTA FE, NEW MEXICO**

Ambassador RICHARDSON. Thank you, Mr. Chairman and members of the subcommittee. I am not going to enunciate the friendship I have had with those outstanding three members of the minority. And, Mr. Chairman, I have always respected you and your knowledge of Latin America and your excellent Spanish, which I hope you try to match Senator Menendez.

Senator RUBIO. It is not as good as Senator Kaine's, but we are both working on it.

[Laughter.]

Ambassador RICHARDSON. Mr. Chairman, this is a very important hearing, and I am glad you are focusing on the U.S.-Mexico

relationship. I have been involved with this issue as a governor, as somebody who grew up part of my life in Mexico, as a Congressman, as Energy Secretary. I have never seen the relationship in such bad shape as it is today. It is in tatters, and steps need to be taken to better—one of the most important relationships we have I think among the top there countries that the United States has—I will not name the others, but it is obvious—I think Mexico is one of those. And I am extremely concerned that we are heading into a period where the issue of paying for the wall, the building of the wall, the NAFTA negotiation, the threat of an import tax, the deportation—and I commend Senator Menendez. I know you did an event a couple of days ago on that issue. Eleven million potential deportations.

The government-to-government relationship is shaky, but I worry about the relationship between the American people and the Mexican people. There is resentment. They feel insulted—the Mexican people. I spend quite a bit of time there. My sister lives there. And I am concerned. And I think it is important that in the course of the hearing, Ambassador Noriega and I might have some suggestions on what to do about it.

My worry is that what we have is a Mexican election coming up. And I think it is 16 months. But the election really starts in 5 months with state elections. And what we want to do is find ways to deal with the problem issues that affect the relationship. On the wall, my hope is that other alternatives are looked at. I know in the Senate and the House, there is great concern about funding the wall. I hope that is abandoned. I hope the import tax discussion ends. The NAFTA negotiations. Yes, I think the U.S. NAFTA relationship needs to be modernized, but I think an acceleration of those negotiations needs to take place. Otherwise, they are going to head into these negotiations into the Mexican election period.

I would also add that—echoing the views of all of you, and that is that we have transnational issues affecting the relationship. The best way to deal with transnational threats, whether it is health, whether it is terrorism, whether it is immigration, whether it is crime is together. And Mexico and the United States need each other, and I see us heading into a situation where the government-to-government relations needs to be revitalized but very, very soon.

I think the statistics are very strong. You asked me to focus on some of the issues relating to security and strategic issues. There is an extraordinary level of collaboration between the U.S. and Mexico to address terror threats and capture dangerous criminals. You mentioned El Chapo. Every airline passenger who arrives in Mexico is vetted against the U.S. criminal and national security database. Heroin addiction is epidemic in the United States, and we rely on Mexico's cooperation in allowing DEA agents to operate on the ground.

I think as Senator Menendez mentioned, on immigration, net migration to the U.S. is negative. Not a single terrorist act has been committed in the United States by anyone that entered via the Mexican border. Mexico has cooperated with the U.S. by deporting hundreds of thousands of Central American migrants bound for the U.S. I have some views on that. I think we have got to be careful, especially with families and children.

But across the board, on the economic front, we trade approximately five times as much with Mexico as we do with Great Britain. Five times as much. Mexico is our third largest trading partner. Mexico is our second largest export market. And Mexicans buy more American goods than Japan, Germany, South Korea, and Great Britain combined—combined. Mexico buys more from the U.S. than China, Japan, and the UK combined. And additionally, the two NAFTA countries, Canada and Mexico, represent 30 percent of all U.S. trade, 35 percent of our total exports. So on the domestic side, 23 states in the United States count Mexico as their number one or number two export market. In 2015, foreign direct investment from Mexico in the U.S. was \$52.5 billion.

I think those most concerned with the NAFTA negotiations and with the breakdown in trade are agricultural people. I know there are issues in Florida, but if you look at Midwest corn, \$2.5 billion in exports could be jeopardized. Auto plants, food, across the board.

I will cite one statistic. Six million American jobs depend on U.S. trade with Mexico according to the U.S. Chamber of Commerce. But most importantly and to put our trade deficit with Mexico into perspective, 40 cents of every dollar's worth of goods imported from Mexico is made in the United States.

So in conclusion—and I am sticking to my 5 minutes here. I see this thing glaring at me, and I will observe it because I think the best questions can come in a dialogue.

When I was Governor of New Mexico, the State of Chihuahua was our partner. And Senator Udall knows these issues well. NAFTA created a lot of jobs along our border, good jobs, good high paying jobs. But the cooperation that I had with the Governor of Chihuahua on issues relating to crime, on issues relating to heroin addiction, issues relating to immigration was exceptional. And the worry that I have is the border states, the 12 border states, because we are talking about four on the U.S. side and eight on the Mexican side, have tremendous cooperative relationships on security, on trade, on drug interdiction, on extradition that would be jeopardized.

So my hope is that in the next few months, the sooner the better, I think this subcommittee can play an important role because I see right now the executive branch is not necessarily coordinating the best they should on the relationship. I think this subcommittee can play an important role in bringing an institutional framework of the U.S.-Mexico relationship where the State Department and the Commerce Department take the lead in the relationship, perhaps with your intervention, and not the White House. I think this is a relationship that is too valuable to let drift away into domestic politics.

So I thank you, Mr. Chairman. I thank members of the subcommittee. And I appreciate your time.

Senator RUBIO. Thank you, Governor.
Ambassador Noriega?

**STATEMENT OF HON. ROGER F. NORIEGA, VISITING FELLOW,
AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Ambassador NORIEGA. Thank you. Good morning, everyone.

Mr. Chairman, Ranking Member, members of the committee, it is an honor to be with you this morning to discuss the importance of Mexico to our prosperity and security and its potential importance in terms of foreign policy interests of the United States as, Mr. Chairman, you referred to Mexico's leadership really on the Venezuela question at the OAS. And I commend you for calling out those countries that could not find their way to work with the United States and other democratic countries vis-a-vis the narco dictatorship that is taking shape in Venezuela.

It is really vitally important—and I agree with the Governor here—that Members of the U.S. Senate, U.S. Congress generally, and other stakeholders in this relationship speak out to explain the vast mutual benefits that derive from our economic partnership with Mexico, as well as from our cooperation to confront drug trafficking and to secure our border. Both sides can do more to realize the full potential of NAFTA and of our law enforcement cooperation. But it is precisely why a respectful dialogue is essential as we expand and deepen those ties.

It is well known, as others have referred to already this morning, that Mexico is the United States' second largest trading partner after Canada and the third largest two-way trading partner behind Canada and China. But not many realize that our \$530 billion two-way trade with Mexico is more than that of Japan, Germany, and South Korea combined. And when you back out the crude oil exports from these trade figures, Mexico's two-way trade with the United States actually edges out Canada to make it our largest trading partner.

Much is made of the \$60 billion trade deficit with Mexico. However, the U.S. trade encompasses integrated cross-border supply chains or production sharing. As a result, 40 percent of every dollar of Mexican exports is actually U.S. content. Five million American jobs depend on trade with Mexico, 14 million on NAFTA more generally. And Mexican companies have invested \$16 billion in the U.S. economy, \$3.7 billion in manufacturing.

There is no doubt that NAFTA has been a success for all of the three countries participating. It has fueled momentum behind the modernization that has encouraged Mexico to strengthen its democratic institutions and diversify its economy, all of which make Mexico a more cooperative and stable neighbor.

As good as that cooperation on cross-border issues is today, it could be better. The United States needs Mexico to do more to promote border security to protect our citizens from drugs and terrorism. Mexico's role on border security really is critical, as has been stressed today. Our country cannot formulate an effective anti-drug strategy, including a plan to confront the opioid crisis, without intense support of Mexican authorities who are the last line of defense against illegal drugs and immigrants bound for our southwest border.

In recent years, not many folks would realize, the Mexican migration authorities have interdicted 560,000 persons, mostly illegal immigrants from Central America who are headed for our border. That is a half a million people who did not have a chance to test our resources on that border.

In any case, Mexicans should not allow themselves to be distracted from the important reform agenda that is essential to building its own modern prosperous nation. Mexico would be better if it were to exercise the political leadership internally to take on corruption, which fuels criminality, to modernize a criminal justice system that unfortunately today sows insecurity, to adopt fiscal responsibility and tax reform measures, to undertake meaningful energy sector modernization, and to adopt a host of measures that will make itself more competitive in the world. Until these things happen, Mexico cannot take full advantage of the trade or attract the capital that it needs to build a more modern economy.

It is interesting that in recent months, Mexicans have not overreacted. At least the Mexican officials have not overreacted to the anti-Mexican rhetoric. Instead, they have looked to open new channels, more serious dialogue, more reflective based on information about the important relationship that we have because I think they realize that those who stand to gain from bad relationships between the United States and Mexico are those same people in Mexico who disparage the economic relationship and nationalists who criticize cooperation with U.S. law enforcement and migration authorities.

Mr. Chairman, Americans must admit that many of Mexico's security woes and instability is a direct result of being on the threshold of a nation with an insatiable desire for dangerous illegal drugs. We should be trying to make its anti-drug mission easier, not complicating the ability of that government to cooperate with the United States.

Finally, American stakeholders in the United States' bilateral relationship, particularly businesses that rely on the integrated supply chain and those whose jobs depend on Mexican partners and investors, must do more to explain the tangible and substantial benefits of ties with Mexico and to advocate a more constructive engagement and mutually respectful dialogue between our two great nations.

Thank you very much, Mr. Chairman.

[The prepared statement of Ambassador Noriega follows:]

PREPARED STATEMENT OF AMBASSADOR ROGER F. NORIEGA

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KEY POINTS

President Trump's rhetoric about Mexico obscures the disproportionate importance of Mexico to U.S. prosperity and security. The economic partnership and security cooperation with Mexico is not a problem, it's a solution.

- Mexico is the United States' second-largest export market (after Canada) and third-largest trading partner (after Canada and China), with a two-way trade that amounts to \$530 billion (more than Japan, Germany, and South Korea combined).
- If oil is taken out of the equation, Mexico would surpass Canada as the United States' second largest good trading partner. Mexico's two-way trade with the United States would stand at \$511 billion and Canada's at \$505 billion.
- Mexico is the fourth largest source of foreign crude oil imported by the United States.

- Mexico is the top buyer of U.S. corn (27% of the country's exports representing \$2 billion). Mexico is the world's No. 1 importer of U.S. dairy products. A disruption or loss of that market would be devastating to U.S. agriculture.

NAFTA is an indisputable success story for both the United States and Mexico.

- It has helped companies build a mighty North American market, contributing to U.S. global competitiveness.
 - U.S.-Mexico trade encompasses integrated cross-border supply chains and "production sharing," in which 40 cents of every dollar of Mexican exports are U.S. content.
 - Five million U.S. jobs depend on trade with Mexico; 14 million depend on NAFTA.
- NAFTA has fueled momentum toward modernization that has encouraged Mexico to strengthen its democratic institutions and modernize and diversify its economy—all of which makes Mexico a more cooperative and stable neighbor.

As good as cooperation on cross-border issues is today, it could be better. The United States needs Mexico to do more to promote border security to protect our citizens from drugs and terrorism. That is less likely to happen if U.S. officials peddle half-truths and hurl threats that undermine mutual confidence.

- The United States cannot formulate an effective anti-drug (including opioids) strategy without receiving more support from Mexican authorities who are the last line of defense against illegal drugs bound for our southwest border.
- In recent years, Mexican migration authorities interdicted 560,000 persons, mostly illegal immigrants from Central American countries, headed for our border.

Misinformation and distortions undermine the effort to build an even more robust economic and security partnership. Thus far, White House advisors and their Mexican counterparts appear to have established a more serious and mutually respectful dialogue.

Mexicans should not allow themselves to be distracted from an important reform agenda that is essential to building a modern, prosperous nation. Anti-Mexico rhetoric is a destructive and costly distraction.

Those who stand to gain from a return to overheated rhetoric are populists in Mexico who disparage the economic relationship and nationalists who criticize cooperation with U.S. law enforcement and migration authorities.

Americans must admit that many of Mexico's insecurity woes are the direct result of being on the threshold of a nation with an insatiable desire for dangerous illegal drugs.

American stakeholders in the U.S.-Mexico bilateral relationship—particularly businesses that rely on the integrated supply chain and whose jobs depend on Mexican partners and investors—must do more to explain the tangible and substantial benefits of ties to Mexico and to advocate for a more constructive engagement by U.S. authorities.

INTRODUCTION

During his candidacy for the U.S. presidency, Donald J. Trump tapped into American anxiety about lost jobs and illegal immigration to garner popular support. That anxiety is very real, but candidate Trump offered a questionable diagnosis and impractical remedy. Unfortunately for Mexico, his rhetoric singled out that country as a scapegoat, accusing the government of taking advantage of the United States in the North America Free Trade Agreement and saying that it "forces many bad people into our country, . . . including drug dealers and criminals of all kinds."

In the ensuing months, experts and journalists have systematically disproven these accusations. However, significant damage has been done to Mexico's economy and American credibility as a security partner. Twenty years ago, such animus from a key U.S. political figure, let alone a one who waged a successful bid for the presidency, would have been met with a nationalistic backlash. Instead, the Mexican government and much of the political class has sought to minimize the damage—recognizing that their country's fate is tied inexorably to North America.

In recent weeks, the White House advisors managing the relationship have established a more serious and constructive dialogue. However, President Trump has not disavowed his most negative comments about trade with Mexico and illegal Mexican immigrants, of which there are 11–12 million living in the United States today; nor has he dropped his insistence that our neighbor to the south will pay for a 2,000-mile border wall that experts say could cost as much as \$20 billion.

It is important to acknowledge that, if the President continues to bash Mexico to placate his political base, one of the United States' most important bilateral relationships is at risk. Although the damage so far can be measured in the value of the Mexican peso and the anxiety of Latin American immigrants, also at stake are billions of dollars in two-way trade, millions of U.S. jobs that depend on an integrated cross-border supply-chain, and essential cooperation against illicit drugs and a potential wave of illegal immigrants.

MEXICO'S CONTRIBUTION TO U.S. PROSPERITY

Mexico is the United States' second-largest export market (after Canada) and third-largest trading partner (after Canada and China), with a two-way trade that amounts to \$530 billion (more than Japan, Germany, and South Korea combined), according to the office of the U.S. Trade Representative. USTR reports:

U.S. goods imports from Mexico totaled \$295 billion in 2015, up 0.2% (\$667 million) from 2014, and up 73% from 2005. U.S. imports from Mexico are up 638% from 1993 (pre-NAFTA). U.S. imports from Mexico are up 638% from 1993 (pre-NAFTA). U.S. goods exports to Mexico in 2015 were \$236 billion, down 1.6% (\$3.9 billion) from 2014 but up 97% from 2005. U.S. exports to Mexico are up 468% from 1993 (pre-NAFTA). U.S. exports to Mexico account for 15.7% of overall U.S. exports in 2015.... The top import categories in 2015 were: mineral fuels (\$70 billion), vehicles (\$55 billion), machinery (\$20 billion), special other (returns) (\$14 billion), and plastics (\$11 billion).

However, these data not take into account the "production-sharing" that is integral to the robust cross-border manufacturing between the two countries; as a result, about 40 percent of Mexico's exports actually is U.S. domestic content being re-exported into the U.S. market. That simple fact means that the \$60 billion trade deficit figure cited repeatedly by President Trump is misleading.

Mexico also is our fourth largest source of foreign crude oil, according to the U.S. Energy Information Administration.

An article published in Foreign Policy just this week offers a strong refutation of the suggestion that the lost of millions of U.S. jobs can be attributed to NAFTA:¹

From 1994 to 2000, after NAFTA was enacted but before the 2001 recession and the reduction of investment restrictions in China, U.S. manufacturing employment rose from 16.8 million jobs to 17.3 million. While estimates vary, research suggests NAFTA had a modest but positive effect on the U.S. economy. A 2014 study by U.S. International Trade Commission economists found that NAFTA slightly increases national real wages and employment in the U.S. machinery and metal industries, while slightly decreasing employment in the sugar and apparel sectors.

MEXICO'S CONTRIBUTION TO U.S. SECURITY (ILLEGAL DRUGS AND ILLEGAL IMMIGRATION)

Mexico benefits materially from its proximity to one of the world's most dynamic markets and its partnership in NAFTA. However, the country also pays a high price for being located in the heart of the transit zone through which tons of illicit narcotics and illegal immigrants flow to the U.S. border. Mexico sits between the largest consumer of illicit drugs (the United States) and the largest producers of cocaine (Colombia, Perú and Bolivia). It also borders Central American nations that are the source of an influx of illegal immigrants.

Transnational organized criminal networks—which no country can confront on its own—attack the already weak institutions in Mexico in order to carry out production on the doorstep of the U.S. market and to move product (and currency from illegal sales) through Mexican territory. Successive Mexican presidents have implemented policies aimed at disrupting these drug-trafficking organizations, but the result has been a decade-long bloodbath that has cost more than 100,000 deaths to the ensuing violence.

Criminal organizations operating in Mexican territory have become the top producers of methamphetamines and heroin. In fact, 90 percent of heroin consumed in the United States is produced in Mexico.² Far from "forcing" these criminals over the U.S. border, Mexican authorities and innocent civilians have paid a very dear price for trying to interdict these criminals and their contraband and to dismantle their operations.

The opioid epidemic in the U.S. is fueling this production. "According to the Department of Health and Human Services, More people died from drug overdoses in 2014 than in any year on record, and the majority of drug overdose deaths (more than six out of ten) involved an opioid. Since 1999, the rate of overdose deaths involving opioids—including prescription opioid pain relievers and heroin—nearly quadrupled, and over 165,000 people have died from prescription opioid overdoses."³

The State Department's 2017 International Narcotics Control Strategy Report, using figures from the office of Mexico's Attorney General, quantifies Mexico's anti-drug seizures in recent years. From April 2014 to September 2015 (most recent figures) "Mexico reportedly seized 1,346.4 metric tons (MT) of marijuana (a 45 percent increase from the same period in 2013 to 2014), two MT of opium gum (a 43 percent increase), 26.5 MT of methamphetamine (a 74 percent increase), 10.2 MT of cocaine (a 183 percent increase), and 272 clandestine laboratories (a 90 percent increase)." "Mexico also reported seizing 653 kilograms (kg) of heroin from April 2014 to September 2015, an increase from 455 kg during the previous reporting period, between December 2012 and April 2014."

Regarding illegal immigration, candidate Trump excoriated U.S. authorities for failing to protect the U.S. border with Mexico. A wave of unaccompanied minors crossing the border in the summer of 2015 exacerbated the impression among the American people that illegal immigrants are crossing into the United States with impunity. Unfortunately, Mr. Trump failed to make a distinction about the national origin of recent arrivals, fueling the incorrect impression that Mexicans are pouring across the Rio Grande.

The March 28 Foreign Policy piece by Messrs. Blackwill and Rappleye reports that "net migration from Mexico to the United States has been negative since the 2008 recession. . . . Most exiting immigrants were undocumented. The number of apprehensions of Mexican migrants at the U.S. border fell from 1,637,000 in 2000 to 188,000 in 2015, reaching a low level not seen since 1969."

On the other hand, Mexican authorities continue to play a significant role in quelling the 2015 crisis. Between October and April 2015, Mexico apprehended 92,889 Central Americans. In the same time period, "the United States detained 70,226 'other than Mexican' migrants, the vast majority from Guatemala, Honduras and El Salvador," according to a report in U.S. News and World Report in June 2015.

As the United States confronts this quadrupling of opioid abuse in recent years, it must be able to count on the Mexican government deploying law enforcement resources to its southern and northern borders and adopting other measures to interdict illegal activity. Rhetoric that treats Mexico as a scapegoat comes dangerously close to sabotaging crucial political support and law enforcement cooperation on the Mexican side, without which the U.S. border would be overwhelmed.

POPULISM AND NATIONALISM

To the extent Mexicans are disoriented by unhelpful rhetoric, they may become more vulnerable to a populist of their own. Andrés Manuel López Obrador (known commonly by his initials, "AMLO") has made a career of fanning populist and nationalist flames. For example, he has blamed NAFTA for causing more poverty and inequality in the country and attacked presidents for welcoming U.S. law enforcement cooperation.

As Mayor of Mexico City, López Obrador was responsible for increasing the debt of the city by 400%. When he left office, the city's debt increased to \$4.3 billion (exchange rate of 2006). In that same period, poverty increased from 9.9% to 10.3%.

In 2006, AMLO ran for the presidency, losing in one of the closest elections in Mexico's modern history. After losing, he refused to accept the results of the election and launched nationwide protests, which paralyzed Mexico City's most important thoroughfares for almost a year, causing billions of dollars in losses. In 2012, sought the presidency for a second time, losing by a wider margin to current President Enrique Peña Nieto. Again, AMLO rejected the results and initiated nationwide protests.

In 2013, he opposed Peña Nieto's education reform, sponsoring riots, especially in the States of Michoacán, Guerrero, Oaxaca and Chiapas. These riots caused billions in losses and were responsible for serious acts of violence and looting. In 2014, AMLO launched his own party, Movimiento Regeneración Nacional (MORENA), signaling his intention to wage another campaign for the presidency in 2018. Last year, he proclaimed himself the "antisystem" candidate.

The United States is among the greatest beneficiaries of a Mexico that is democratic, stable, and cooperative. Any sensible U.S. diplomatic strategy toward Mexico should avoid rhetoric and confrontations that divide the two countries and strengthen the hand of politicians who would undermine democratic capitalism and positive bilateral relations with the United States.

MEXICO'S DAUNTING AGENDA

The United States should hope that Mexico's political leaders will take steps to invigorate their nation's economy so that it contributes even more to a healthy and

dynamic North American market with greater advantages over competitors in Asia and Europe. Anti-Mexican rhetoric in the United States is a distraction from a daunting agenda of reforms that Mexico must undertake to build a safer and more prosperous country—and an even better neighbor.

When President Enrique Peña Nieto came into power on December 1, 2012, he proposed to increase public spending to jumpstart the economy. Four years into the Peña Nieto administration, public spending has increased by 16.2%. In 2012, public debt was 34.3% of gross domestic product (GDP) and last December reached 50.5% of GDP, according to data from the Ministry of Finance and Public Credit (SHCP). This spending has not jumpstarted the economy, reduced poverty, or improved public security.

According to the Economic Commission on Latin America and the Caribbean (ECLAC), from 2010–2014 poverty in Mexico increased 2.9%. In the decade from 2006–2016, Mexico’s economy grew a meager 2.4%. In recent years, the 60% decline in oil prices and 20% reduction in oil production have generated losses that amount to 5% of the country’s GDP.

When the energy reform was enacted in 2013, it failed to attract sufficient private capital because of the decline in the world prices of oil. More recently, however, companies have started to invest through the bidding rounds. So far, Mexico has received investments for \$70 billion, and there are already 80 companies from 18 countries with contracts for the development of electricity and oil projects. Mexico needs to continue to attract more companies and capital if it wishes to recover lost ground. In fact, according to Pablo Zarate, member of the Mexican Association of Hydrocarbons Companies (AMEXHI), Mexico needs to attract investments of \$26.6 billion a year to reach the goals of the International Energy Agency, which estimates that Mexico can reach 2.8 million barrels by 2040 if it adopts a serious energy sector reform.

Mexico’s currency, the peso, has lost significant value as a result of bad economic policies and international factors, primarily the anti-Mexico rhetoric of the Trump campaign. In 2016 alone the peso lost nearly 20% of its value. This trend is not expected to improve this year.

In terms of foreign direct investment Citibanamex has reduced its 2017 forecast by a third from \$35.8 billion to \$25 billion. According to a report in the Financial Times, a bank research note predicted, “The main feature [of 2017] will be uncertainty and therefore weak investment.” The bank predicted “a shift from manufacturing to extractive industries (oil and gas) and electricity, gas and water, among others.”

Corruption costs Mexico approximately \$17.3 billion a year, which represents 9% of the country’s GDP. According to Transparency International’s Index of Corruption for 2015, the country ranks 95 out of 168 countries.⁴

In Mexico today, more than 50 organized crime organizations continue to operate with impunity, often engaging in ultraviolent action that terrorizes the population. The frontal assault against powerful crime syndicates, which started in earnest under President Felipe Calderón in 2006, left smaller but functioning cartels. Unfortunately, federal and local authorities have been unable or unwilling to adapt in order to thwart the smaller and less organized splinter groups that emerged after the Calderón offensive.

Peña Nieto began his 6-year term deemphasizing the “war on drugs,” failing to produce a comprehensive security strategy for his first year in office, and resorting to ad hoc measures as violence flared up repeatedly in subsequent years. Kidnappings have increased 79% since Peña Nieto took office, according to a January report in *La Opinión* summarizing 2016 statistics. Homicides were up by 255% in 2016 in comparison to 2015. Extortion increased by 30%.

According to the Global Impunity Index, Mexico ranks second in the world on its ranking of countries impacted by impunity. The Index noted that only seven of ten crimes are reported in Mexico, of which only 4.46% reach a sentence phase. For every 100,000 inhabitants there are 3.5 judges, less than one-fifth the average in most developed countries. Prisons remain understaffed at 20 guards per 100 inmates; the average in most developed countries is 47 per 100.

Until Mexico’s political class takes on corruption that fuels criminality, modernizes a criminal justice system that sows insecurity, adopts fiscal responsibility and tax reform, undertakes meaningful energy sector modernization, and adopts a host of measures to make itself more competitive, it cannot take full advantage of trade or attract the capital it needs to build a modern economy.

There is no agenda more important to Mexico than addressing the serious security challenges, impunity, and economic malaise that it is facing today. The rhetoric of President Trump may add to the burden, but it is a distraction from the country’s real problems.

Notes

¹“Fact Checking Trump’s ‘Alternative Facts’ About Mexico,” by Robert D. Blackwill and Theodore Rappleye, March 28, 2017.

²“State Department: At least 90 percent of heroin destined for the U.S. comes from Mexico,” *The Washington Examiner*,” by Joel Gehrke, March 2, 2017.

³Fact Sheet, Opioids, U.S. Department of Health and Human Services.

⁴“Corruption Costs Mexico 9% of GDP,” *Forbes*.

Senator RUBIO. Thank you both.

I will just begin with an observation, and then I am going to start turning to the members here so they can get their questions in. Various of them have other engagements, and this is an important hearing for them.

So let me say I have heard all the facts and figures about NAFTA, and so there are winners and losers in any arrangement. So if you are a corn farmer in Iowa, NAFTA has been very good for you. If you are a dairy farmer in Upstate New York, NAFTA has been very good. If you are a tomato grower or a strawberry grower in Florida, it has been more complicated and more difficult. And so that is the dynamic that we have internally and it is important to reexamine that.

But here is the broader question that I have. Irrespective of whether that is a legitimate or not complaint, I think there are legitimate complaints about the way NAFTA has impacted certain sectors of our economy. That would be true on the Mexican side as well.

But the Mexican people are a proud people. We talk about nationalism. There is nationalism in every country in the world and that includes Mexico. And here is the broader observation that I have.

We forget that Mexico is not just a democracy but a vibrant one. Its leaders are elected. And if they find themselves in the crosshairs of heated rhetoric that inspires a nationalist response, leaders have to respond to that reality internally in their country.

The bigger concern is the impact it is has on the broader politics of Mexico and creating a space—I am not going to mention anyone by name. I am not here to give anyone free publicity. But imagine for a moment a candidate in Mexico who has made a career of fanning populism and nationalistic sentiments, who is also anti-NAFTA, who has attacked Mexican presidents in the past for cooperating with the United States on law enforcement and all these issues we have talked about. And imagine that person, someone like that, being able to take advantage of all this rhetoric to be elected in that democracy. And suddenly we find ourselves with an Hugo Chavez type leader, not in Venezuela, which is, of course, tragic, but right on our border, something we have never faced in the modern history of this country.

Obviously, it is up to the Mexican people to decide what future they want and who they are going to vote for in the upcoming presidential race, and we should not try to influence that in one way or another other than ensure that we try to strengthen our relationship.

But describe for a moment that situation internally in Mexico, what it could lead to, and what would it be like for U.S. policy. What will this hearing look like in 2 to 4 years if a leader like that

assumes the presidency in Mexico partially by capitalizing on some of the rhetoric we see here in the United States.

Ambassador RICHARDSON. Well, Senator, you make an excellent point. This is why the timing on NAFTA, which is so critical I think to both countries, the NAFTA negotiations happen sooner or later because the Mexican State elections are in 5 months, and you want—the presidential election, as I said, I think is several months later. But it rolls into the presidential election. You want to eliminate the U.S. being a vibrant issue. You want to eliminate the statements made in the presidential race and the policies that have been initiated and dealing with the issue of NAFTA sooner than later.

This is what I would suggest. I think that, one, the United States needs to move on the 90-day consultation period. Now that the health care debate is over in the Senate and the Congress, move forward to renegotiate NAFTA sooner than later. And it does need to be modernized.

First, the rules of origin. I think this is a new era.

Secondly, there was no digital trade in 1993. I happened to be the Democratic whip in the House when NAFTA was being debated, and things have changed enormously.

Number three, Mexico has had an opening on energy reform. Some of those energy issues I think need to be discussed.

Issues related to manufacturing.

You know, you mentioned Venezuela, and my colleague, Roger Noriega, is an expert on Venezuela. The danger, if there is an abrogation of NAFTA, is China has invested \$30 billion in Venezuela. \$30 billion. And they are going to take over the vacuum if NAFTA and the United States and Canada do not reach an agreement. There is potentially a geopolitical threat too.

So I think, Mr. Chairman, what you want to do is—you know how important these elections are. You want to get the issues resolved in a way that they do not give impetus to any one candidate. And the U.S.-Mexico relationship is right now very fragile.

Ambassador NORIEGA. Yes, Mr. Chairman, I certainly agree that some of the rhetoric, the ill-informed characterizations of our relationship with Mexico and that Mexico has taken advantage of us somehow under NAFTA or that Mexico is forcing literally—that was the word used—forcing criminal elements to come over the border and to prey on our people has a very serious and negative impact on the relationship between our two peoples. And most folks on both sides of the border understand that that is not true, and that kind of rhetoric does not really reflect the nature of our mutually respectful relationship among family members in certain ways.

Certainly when the Mexicans reflect on NAFTA, they probably have a long list of issues that they would like to take up with us. And my guess is that those negotiations would carry on in a quiet way for 4 or 8 years, however long it takes. And in the meantime, decisions that the United States makes arbitrarily or unilaterally to go beyond the framework of the agreement of NAFTA would be a great relief to every Washington law firm that trades in trade law, and there would be tons of disputes. I do not think it is a short-run exercise. I think they can maybe lay the groundwork for these kinds of discussions, set up working groups between our two

countries once we actually have people who can be on our side of the table in those discussions. But it would be a very complicated, drawn-out process.

But I think it is important to note also—and I am sure really everyone here would probably agree with this—the anxiety among the American people about lost jobs, about illegal immigration is a genuine anxiety that has been tapped into. The problem we have to face as a country in a bipartisan, really non-partisan way is how do we address that anxiety for our mutual benefit. And I think there has to be an essential understanding that in global trade you can find win-wins generally in trade agreements, and that is tough work. But it makes sense in terms of improving stability in the world, in this case economic activity and health and prosperity on our borders. We can knit together mutually beneficial arrangements. That makes a lot of sense. So trade agreements generally are important, but we have to find ways to address that anxiety of the American people that they have not worked in our interest. And part of that in the short run is better information that tells the truth about the mutual benefits.

Senator RUBIO. Thank you.

Senator MENENDEZ?

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you both for your testimony.

Would you both agree that the principle of shared responsibility laid out in the Merida Initiative is a principle that we should continue to try to engage with Mexico?

Ambassador RICHARDSON. The answer is an overwhelming yes, Senator. I think the cooperation on extradition, on drugs, on cartels should be enhanced. I know that Congress budgets several billion dollars for this, but I think it is important that it not just be reestablished, but you know, what has happened since the time period of December and January, some of these visits and some of this cooperation, military cooperation, has stalled. You know, the Mexicans are kind of waiting to see what is going to happen with the import tax, with the wall, with deportations, with the bilateral relationship with NAFTA. There are some instances where these joint visits, just joint cooperative agreements have been so——

Senator MENENDEZ. So shared responsibility should be a mutual goal I would think.

Ambassador RICHARDSON. Absolutely.

Senator MENENDEZ. Ambassador Noriega?

Ambassador NORIEGA. Absolutely.

Senator MENENDEZ. Now, if you want to renegotiate NAFTA, a negotiation in and of itself implies that there are multiple parties, in this case Canada as well. So you cannot ultimately unilaterally—you could move out of NAFTA totally if that is what you think is—I do not advocate, but if that is what you think is the right way. But that is shared responsibility to go ahead and renegotiate in a way that would benefit the three countries involved. If you want to do a better job on stopping the flow of narcotics, which ultimately comes through vehicles into the United States, not by humans trafficking across the border, you have shared responsibility. If you want to deal with the question of the Central American migration, Mexico could just say, you know what? We are

not going to do anything. Let them go all to the border and let the United States handle it. But they actually engage in trying to mitigate that. And I think we need to mitigate the root causes that cause people to flee Central America and come northward, violence, economic oppression, gangs, and others. But Mexico could stand back. You need shared responsibility.

So it seems to me, following on the chairman's question, that I get real concerned that—of course, it is the people of Mexico who will decide what their future is and who leads them. But inadvertently when comments are made in the United States by its leaders that ultimately are incendiary about Mexicans, it drives the poll numbers of its right wing candidate—I mean—excuse me—of its left wing candidate in a way that is ultra nationalism. So if shared responsibility is our goal, the last thing you want to do is to drive the Mexican people to someone out of resentment, not out of hope, that ultimately will not engage in shared responsibility at the end of the day.

And so how do we get the Trump administration to engage in the principle of shared responsibility? What would you advocate that we try to do here from the Senate to try to make that the continuing cornerstone of our relationship?

You know, we as a country often seek to engage other countries to have more liberalized economies, to end state-controlled entities. Mexico has taken a number of proactive steps over the past several years to privatize state-owned companies, making them more open to productive trade relationships. But I could see the reversal of that if you end up with a leader who says, you know, that was the United States urging us to do that, and they are not our friends anymore.

So how do we get to the principles of being able to cement that essence of shared responsibility that was laid out in the Merida Initiative?

Ambassador RICHARDSON. Well, Senator, what the Senate and the Congress do is followed in the U.S. and Mexico. You guys are with the appropriations. You may have to look at NAFTA again if there substantial changes. So you have a major role.

You also have the pulpit role, the bully pulpit role.

What I would do in this shared responsibility is, number one, I think—and this is related to your question. One, I mentioned the NAFTA issues. I would also throw in worker protection. I think NAFTA needs a little stronger worker protection mechanisms.

But number one, I would have President Trump invite President Peña Nieto to a visit in the U.S. The relationship is in bad shape. That is very important, President to President. Give him a state visit. That symbolism is very important. Sending a message, treating Mexico as an equal partner, not as a subordinate.

I mentioned two others. Let the State Department—they have a lot of good Mexico experts—let the Commerce Department be the central focus of negotiations with Mexico on NAFTA, on issues relating to trade, issues relating to commerce, across the board. Let the Commerce and State Departments lead the interagency process. Keep it out of the White House.

I am very concerned about this channel that the foreign minister and the President's son-in-law have established. You forget the

State Department. I mean, the foreign minister of Mexico came here, did not even go to the State Department. I think that is a mistake. Institutionalize the relationship. I think you are able to do this as the Subcommittee on Western Hemisphere affairs.

Number three, I mentioned on NAFTA trigger the 90-day consultation period to get the negotiations going. Press the executive branch to do it. Find ways to limit this populist, nationalism, and anti-Americanism that could become part of bilateral negotiations.

And then there is the area, stop talking about the import tax. Stop talking about border taxes. We are not going to win that war. Mexico can retaliate against us on unfair trade practices.

Again, I mentioned Midwest corn. Do we want Mexico to punish Midwest corn, which is a \$2.5 billion export? Talk to American farmers. They are in Mexico all the time. They have benefited from this free trade.

You know, these are the not doable right away. I would forget about this wall. It is unworkable, sends a terrible message. It is not going to work. Most of the illegal immigration that comes in in containers is from Central America, smuggled. Deportations. Focus on the criminals in deportation, not have blanket—there are people in New Mexico and our border states and Colorado that are being deported I believe unfairly.

So, Mr. Chairman, the long-range issue—and you all have worked on this—is comprehensive immigration reform. A path to citizenship but also stronger border security. No question about that. Data collection, technology, cooperation with Central American countries.

Mexico needs to do more to take care of their own people economically on the border. No question. More to deal with the cartel violence, more to deal with the corruption issues.

I think President Peña Nieto is a very skilled politician, but I think he needs to engage directly in these negotiations. When he came into office, he did energy reform, education reform, political reform. He needs to personally take charge of a bilateral relationship that only I think a president can handle at this stage.

Senator RUBIO. Thank you.

I am going to turn to Senator Gardner in a second.

Two points that I think are important to raise.

One is that lost in this NAFTA discussion is the emergence of the Mexican middle class. That has actually grown exponentially over the last 20 years and has been a benefit to the United States.

And the second point, before I turn to Senator Gardner, is just an editorial point is in the business world, when you want to get into a negotiation with another business, you take a maximalist position, really tough, because the higher you start, the better your ultimate outcome could potentially be.

In the political world, there are consequences to taking a tough line at the start of a negotiation. And that is what both Senator Menendez and my questions were geared towards is the impact of a tough line. You think you are staking out a really good starting point. It strengthens you in a negotiation. But it has an impact on a democracy that is not applicable in the business world where it is only about dollars and cents.

Ambassador RICHARDSON. I think, Senator, to that excellent point, I would just add on NAFTA, if we delay and not try to fix these problems sooner than later and it gets into a Mexican election, we, the United States, lose leverage by delaying. So it reinforces your point.

Senator RUBIO. Senator Gardner?

Senator GARDNER. Thank you, Mr. Chairman.

Thank you, Governor Richardson, as well as Ambassador Noriega. Thank you very much for the opportunity to be here today to learn from you and to talk about this incredibly important issue.

As a Coloradan, I think some of the statistics are very compelling. Forty-eight percent of all Colorado goods that are exported—we are a strong export state, about \$8.5 billion exported from Colorado just a few years back. Forty-eight percent of all of our goods exported from Colorado were exported to countries that were involved in the Trans-Pacific Partnership negotiations. Two-hundred and sixty-five thousand Colorado jobs are related. Of the some 750,000 trade-related jobs in Colorado are related to TPP countries.

And if you get further into the relationship we have with our NAFTA trade partners, the numbers are even more compelling. Since the passage of NAFTA, the approval of NAFTA in 1994, Colorado's exports to Mexico and Canada have increased over 300 percent since it was concluded.

If you look at free trade agreements alone, between 2003 and 2013, Colorado trade with FTA nations increased nearly 40 percent through that decade.

The challenge we have in this country, of course, is the macro/micro argument. If you look at the macro numbers in Colorado and you can say that we added thousands of jobs or increased trade 300 percent, that is a great macro argument to make. The micro argument that some factory town can make in the Midwest or perhaps Northeast United States is that the factory closed and they lost 20 jobs. So while Colorado may have added thousands of jobs, their small town lost 20 jobs. So it is a difficult argument that we have to make, that this is a macro benefit and how do you make sure that even at the micro level, it is understood.

So I appreciate the chance to have this discussion. The United States is unique around the world, and a strong relationship with Canada and Mexico are the envy of the world in many cases with strong nations on our borders that are partners, not foes. And too many times you can look around the globe at conflicts that begin by nations that conflict with each other on the border, and not only does it lead to decimation of one nation, but both nations. And I think our interest, of course, is a strong North America, a strong partnership between Mexico and Canada and making sure that we have a rising tide in every nation around the globe, but particularly in North America. The better Mexico does, the better Canada does, the better we do. And so this opportunity gives us a chance to have that discussion. I appreciate that.

So I wanted to talk a little bit about a couple of things. What does the process—just a technical question on the process. If NAFTA is, quote/unquote, reopened, renegotiated, what role does Congress play in any discussions or decisions that are made as a result of that opening?

Secondly, just a couple on the Merida Initiative. Which do you believe have shown the most promising results so far?

So either one of you could take those two questions.

Ambassador RICHARDSON. On the NAFTA issues—and, Senator, by the way, one statistic that I wanted to just mention to you because it involves Colorado and New Mexico. Nearly 20 million Americans travel to Mexico every year, while an average of 14 million Mexican tourists visit the U.S. every year, spending more than \$10 billion. And I would like you to share a little of those tourists that go to Colorado with us in New Mexico. You are getting a little too much of a lion's share.

Senator GARDNER. I was going to say. They are skiing. I do not know what they are doing in New Mexico. They are skiing in Colorado.

[Laughter.]

Ambassador RICHARDSON. I think the process has to be, Senator, look, you are intimately involved. NAFTA—I was around. I think I am the only human being around when this passed in the 1990s. I was the Democratic whip. And it was a bipartisan effort, by the way, in the House and the Senate. Newt Gingrich was the Republican whip and I was the Democratic whip to get the votes. And it was 1993, and Congress had to approve.

I think it depends on the scope of the changes to NAFTA whether it comes back. If they are considered technical, it might not. But you are going to have a role regardless.

What first has to happen is 90-day consultation period. That has to be triggered by all sides. And I think Mexico is concerned that the U.S. has not triggered that. It has not happened. The Secretary of Commerce said it is going to take a year. Before you arrived, I mentioned the danger of waiting a year. I think the negotiations need to keep going.

But if you get into issues like I mentioned, rules of origin, which I think you need to do, especially manufacturing to protect a potential Asian intrusion into North American manufacturing, rules of origin, digital trade. You might have to look at it again. And I think that would be constructive if that happened.

Ambassador NORIEGA. So, Senator, also adding to this, the U.S. public law would have very specific expectations of the administration pre-consulting with the Senate Finance Committee and the House Ways and Means Committee if they were to look at significant changes in that agreement and keep you informed along the process, and then finally very intense discussions, consultations before they were to bring any agreement back. But I think those would be sort of long-term objectives.

Perhaps the two countries, two leaders could make sort of broad statements indicating what is on the table to initiate this process. But I think that the negotiations would be very technical at the working level and would be sort of a very low profile exercise, I think which would be helpful.

And I wanted to just comment, Senator, that your very positive way of looking at this relationship and the benefits from trade generally is really extraordinarily helpful and constructive that Mexicans hear this and then frankly the American people hear this. But

I also understand how difficult it must be to go to a town hall and to explain these issues.

Senator Rubio used an expression that was running through my head this morning thinking about this. It is not all dollars and cents. I was in Colombia yesterday, and we have to understand that these agreements are not just about trade. Yes, we want them to be positive, produce tangible benefits for our economies, but they are also used to fortify our partners and our allies and our friends, in this case a neighbor. And certainly we can point to trade tripling since NAFTA was passed or, in point of fact, fivefold trade among our countries since NAFTA was passed. And that is a positive macroeconomic good. But it has also fortified Mexico's move toward representative democracy. It has cemented its commitment to the rule of law to where they are a partner with us in addressing this transnational organized crime.

Mexico, yes, derives a lot of benefits from its proximity to the United States, right on the threshold of the most dynamic and robust economy in the world. But it also is the transit zone for drugs and other things making its way to this market. And the friction that results, as Mexican authorities try to stop those things, generates a lot of heat. And there are hundreds of thousands of Mexicans dead today that were not 5 or 6 years ago precisely because Mexican authorities decided to stop that flow.

There are some people in Mexico—and some intelligent people—who say that the United States should step aside—I am sorry—Mexican authorities should step aside, and if the Americans want their cocaine or their heroin, they should have it, but why should Mexican people pay a price in very serious terms for standing with us and fighting these drugs.

And part of that is the relationship which is cemented by an agreement like NAFTA where we knit that North American market together so that, by the way, we are more competitive economically with our real competitors in Asia and Europe. Being able to have that intimate, integrated relationship benefits us in broad ways as well, and having a good ally in fighting drugs is really indispensable.

Senator GARDNER. Mr. Chairman, I see I am out of time.

Last year, I had the opportunity to visit Mexico, visit the foreign minister. And I would love to continue our conversation on the Merida Initiative because it was something I would like to follow up.

Senator RUBIO. Thank you.

Senator Udall?

Senator UDALL. Thank you very much, Chairman Rubio.

Let me just say, though, Senator Gardner, we do everything we can as those skiers move from Mexico through New Mexico to keep them as long as we can. We have extended our ski areas—extended the opening. So we are going to do everything we can to keep them from going to Colorado.

Governor Richardson and Ambassador Noriega, wonderful to be with you here. And this has been an excellent discussion.

I think one of the points that you have made that I think is very important is treating Mexico like an equal. And I think what we have seen in this relationship with the President and the President

of Mexico is that has not been the case. It has been a very kind of condescending approach. And I know we were all shocked at where President Trump has taken U.S.-Mexico relations, calling Mexican immigrants rapists and murderers, insulting their leadership, and threatening to send U.S. troops south of the border to fight cartels, demanding to build an expensive and unproductive border wall, and to extort Mexico to pay for it, threatening to rip up NAFTA, throwing our border economies in chaos.

For those of us in New Mexico and other border states, this is really beyond belief. And this approach is completely and totally inappropriate for a neighbor, for an ally, and a nation which we share many common bonds.

Now, before the wall became a campaign issue, the United States and Mexico had already taken strong measures to address security. The U.S.-Mexico 21st century border management has allowed the two countries to work together on the issues of security and tracking risky shipments, while also allowing trade to increase. And I am wondering what both of you think. With groups such as this, the Chamber of Commerce, the Council on Foreign Relations have endorsed these bilateral security programs. Do you believe that expanding these programs would be more beneficial than building an unproductive and expensive wall?

Ambassador RICHARDSON. Well, the answer again is an overwhelming yes. I think both of these studies that you cited, one the Merida agreement—I think the Mexicans were concerned with some of the—they considered some of those measures a bit intrusive. But, nonetheless, I think they have been resolved—a lot of those problems. So, yes, the Merida Initiative I believe should be continued. It involves helicopters, military cooperation, cartels. Look what Mexico did right after our election. They sent El Chapo. They extradited him. They continue with these extraditions. You mentioned a number of statistics that are so important.

On expanding the relationship, I think because of the rupture that has taken place and the relationship in such bad shape, I think additional measures are needed, strengthening bilateral ties in areas like education, scholarships, medical technology. You know, our border—Senator Udall, you have done a lot on our border to enhance ties at ports of entry, the cooperation on endemic diseases at the border, which are a big problem, environmental issues, clean air. I worry about the climate change issue now being deemphasized with, as you know, a border that needs strengthening.

But I think you hit the nail on the head. The United States and Mexico—we are bound together by geography, by trade, by family, by culture, by affinity. You have got several million Mexicans that are in the United States that are voters, that are the growing Hispanic community. And then you have got the 11 million that are worried about deportation. It is a very tense situation. They are scared. This is not America.

And we mentioned the economic ties. U.S. and Mexico economies—they do not compete with each other. We complement each other. We make each other more competitive in the global market.

And across the board, let me just say something about some of the immigrants that are in all of our states. They are not violent

criminals. They are patriotic. They want to work. They are hard-working. They make enormous contributions to the American economy. I mean, what is going to happen to the security, restaurant business, agriculture, construction. Some of these industries might collapse. I think, Senator Udall, an article in New Mexico in the Albuquerque Journal yesterday basically said that the New Mexico economy is dependent on immigrants. It is dependent. It would seriously be harmed if all of a sudden that disappeared.

So in conclusion, we need each other. We need to work with each other, not fight. And the first step is to not just end some of this rhetoric but take specific steps that in the area of geopolitical, soft power, geopolitical issues relating to our shared interests, we need to work together. And that is not happening.

Ambassador NORIEGA. May I just jump in real quickly, Senator? I am one of those—and I suspect Governor Richardson is as well—who sees the border as where our two nations are joined, not where they are divided. And if you take the U.S.-Mexico economy along that border, 100 miles on either side, it would be in and of itself one of the top 10 economies in the world. And so how do we make it safe for people on both sides for commerce on both sides? And there is all sorts of sort of private sector cooperation, as well as government cooperation, which will fortify the relationship in terms of security and opportunity to prosper.

Senator UDALL. Thank you.

And let me just finish by saying, Governor Richardson, you really set an example as Governor as to how to work with Mexico, both with the states and with the Mexican federal entity. You traveled a lot there. You were a real presence. And I think that is the kind of cooperation that is needed.

And one of the things that I did as State Attorney General, I remember when there were issues about the judiciary and their police, we would loan them prosecutors. I mean, they were open to ideas. And they have done a lot of reforms, and they have made great strides there.

So I think there is a much better approach than this accusatory approach that they are using—that the President is using.

So I thank you both. It has been a very good discussion, and I am hoping that Senator Kaine is going to ask you some questions in Spanish.

[Laughter.]

Senator RUBIO. All right. Senator Kaine?

Senator KAINE. Welcome. And thanks, Mr. Chair, for doing this great hearing. [Spanish spoken.]

Senator RUBIO. Very good Portuguese.

[Laughter.]

Senator KAINE. Sadly I am now up against a hard stop. And so all I am going to get to do is ask two questions, and then my staff are going to be here for the answers because I have to depart.

I do want to say particularly to Governor Richardson, when he was a youngster and he got his first job at the State Department, he worked for my wife's dad. My wife's dad was the congressional liaison for Secretary Kissinger after he had been Governor of Virginia. And Bill, as a young staffer, worked for my father-in-law. And my kids, because they had a father-in-law who was Governor

and a father who was Governor, they think people in politics are completely uncool. But Bill Richardson is the only politician they have ever met that my children thought was cool.

[Laughter.]

Senator Kaine. So I am going to start right there. Here are my two questions: one for Governor Richardson and one for Ambassador Noriega.

So, Governor Richardson, I would like you to talk about this border adjustment tax proposal. You had a bit of it in your testimony, but I would like you to kind of walk through, if you would, because I think it is important that it be on the record in this hearing how you think it might affect the U.S.-Mexico commercial relationship.

And then second, Ambassador Noriega, you had a wonderful point in your written testimony. Quote, on page 3, Americans must admit that many of Mexico's in security woes are the direct result of being on the threshold of a nation with an insatiable desire for dangerous illegal drugs.

I am on the Budget Committee too. We are contemplating a budget proposal that slashes public health funding, that slashes funding for opioid treatment. What would the effect be on the security situation in Mexico if America backtracks on a commitment to public health treatment of the insatiable desire for illegal drugs that we have.

And I apologize for not being able to stay, but you have got the best part of me by having my staffers listening to those two answers, if you would not mind.

Ambassador Richardson. And, Senator, I know you are on your way out, but what you did not mention is when I worked for Governor Linwood Holton. He is a Republican, moderate Republican. So I started my career working for Republicans. I have since come to my senses.

[Laughter.]

Ambassador Richardson. No. I am just kidding. But he was a wonderful human being. And I appreciate your kind words. So I will give a good answer now that you are leaving.

[Laughter.]

Ambassador Richardson. I just think this border tax, this import tax would be a disaster for U.S. economic relations with Mexico. The main reason is Mexico would retaliate. I mean, the Secretary of the Economy, Ildefonso Guajardo, has said we will retaliate on the \$2.5 billion corn from the Midwest. You do not want a trade war. It does not make sense. It would hurt both countries, a possible violation of NAFTA. I think that should be taken off the table.

Initially I think it was put in there as a way to pay for the wall. But that should be totally taken off the table because, I mean, we have all outlined the commercial relationships that exist today between the United States and Mexico across the board, the statistics that show that Mexico is our third largest trading partner. In other words, Mexicans buy U.S. products, goods more than any other country. So to have a retaliation in the area of food, of auto parts would be, I think, something very shortsighted that would make American consumers pay more.

So that would be the effect of a border or an import tax besides ruining I believe a very productive bilateral relationship in these areas where we have, Senator Menendez, a shared interest, cartel cooperation, security cooperation, immigration cooperation, endemic disease, environmental issues, issues relating to extradition, to the DEA, across the board.

Ambassador NORIEGA. Well, if I could just follow up on the issue of the drug cooperation. Obviously, both countries are both impacted, as I mentioned before, by transnational organized crime attacks, already weak institutions in Mexico and the inability of the state, at least at the federal level, to deal effectively with that, and at the state level, a lack of political will. The previous President of Mexico, Felipe Calderon, initiated a frontal assault against these organized crime organizations and managed to splinter them. But you did not have the kind of coherent comprehensive strategy sustained by him or, for that matter, certainly by his successor to deal with the splinters that were left over.

Also, Mexican institutions are too weak. They do not have a sufficient criminal justice system, either prosecutors, prison staff to deal effectively. So a very few crimes that are actually reported. Only 5 percent of the time will you actually see where it reaches the stage of a sentence being handed down. So with all due respect to Mexico, because this is internal affairs, for it to get its arms around this criminality, they have to make a serious commitment to that kind of criminal justice reform and fighting corruption, which is endemic.

And I think it would be important for this committee also to review the strategy under Merida because if you take the pillars that they have laid out there, we have really fallen far short of any of our objectives. And it is fair to say we need to renovate that and also consult with the Mexicans about what more we can do to attack transnational organized crime using asymmetrical tools like the OFAC sanctions to go after the drug kingpins. When Senator Coverdell, the former chairman of this subcommittee, drafted the drug kingpin designation act, he had Mexico in mind, not Afghanistan where most of this is taking place. And so I think it is an asymmetrical tool because these guys are not in the drug business for pharmacology. They are in it for the dollars. And it is one thing for this activity to be taking place overseas or maybe we cannot do much about it. But when they traffic in our American dollar and use our financial system to launder the resources, we should be more effective in going after them.

Senator RUBIO. Ambassador Noriega, you mentioned the institutions—criminal justice reform capability increase is one of the things that the Mexican Government does want to work more closely with the United States on.

But the other good news in sort of institutions is the Mexican Navy. The Mexican Navy has been an extraordinary partner and liaison to the United States. They have proven not just capable but willing of confronting many of the challenges that are going on. In fact, they have taken on increasing law enforcement responsibility. And there are opportunities there.

Now, Mexico is not destitute. They can afford to buy a lot of this equipment, but there are sales and other technologies we can make

available to them on air-to-ground communications, on additional training for helicopter maintenance. That really goes a long way towards increasing the Mexican Navy capability. That liaison relationship with the Navy of Mexico is a phenomenal relationship, and it is one of the institutions that I hope we will continue to work closely with.

Senator Shaheen?

Senator SHAHEEN. Thank you, Mr. Chairman.

And thank you both for being here. Governor Richardson, it is nice to see you again.

I just wanted to respond to both of your focus on the economic relationship between Mexico and the United States, because as Governor, I took a trade mission to Mexico because that is what the businesses in New Hampshire wanted. And you think about a trade relationship with the southern states that border Mexico, but that relationship is throughout the country. And in a northern state like New Hampshire, there is a great deal of interest in Mexico and in our trade arrangements with Mexico. And that has been enhanced by NAFTA. So I think it is important to point out that, as you all have suggested, it is not just with part of the United States, but the whole country benefits.

I want to go back to the question about what happens with the drug wars because in New Hampshire we have the second highest overdose rate in the country. It is from opioids, from heroin, from fentanyl which is now causing a huge impact on the heroin and opioid issue in the state and the death rate.

So as we think about cooperation with Mexico, about the Merida Initiative that you all have referenced—I think you referenced it, Ambassador Noriega—what would potential cuts that we are hearing about for the State Department—and we have not seen detail on the proposed budget cuts from this administration. But what would cuts like that do to that initiative and to the efforts to combat trafficking of deadly drugs and chemicals?

Ambassador NORIEGA. I must say that Mexicans are already asking themselves why they are still in this fight when they see drugs being legalized in the United States, not to take a position on that subject. But the fact is they are asking that question even just the marijuana, but why are we in this if the Americans do not have the resources behind the fight or are actually changing their public laws to minimize criminality—or decriminalize I should say. So that is where we are in the discussion.

In terms of the cooperative agreements that we have and the material resources that we provide, the training, technical advice, money to fuel these activities, it is really essential. It shows a level of commitment whether we are going to be engaged in a serious way because they are running serious risks by engaging with us. And they do have alternatives, which is let the drugs through.

The other thing is we have to show a commitment, a rhetorical commitment at the presidential level against the consumption of drugs here. It has made an impact in the past. And unfortunately, we sort of let our guard down in terms of speaking out against those things. And the people think that they are engaging in sort of, quote/unquote, recreational drug use, are sowing mayhem and chaos up and down our continent. When unaccompanied minors are

throwing themselves over the U.S. border, part of that is that their agricultural economies and their societies in general have been decimated by criminality sown by this trade in these illegal drugs.

The Mexicans are going to—you know, they are concerned about their own consumption problems too. So I think they are going to carry that fight forward.

But I think it is very important that the United States do two things: sit down with them and other consumer and producer countries, and have a serious discussion about an overall strategy. And one of the things they are going to want to know is why do we insist on this kind of coercive strategy. I have been a hawk on this for a long, long time from when I worked for Congressman Ben Gilman on the House side and even criticized the Mexican Government in the past for not doing enough. But I think we owe them serious answers about a strategy that says that we should apply all the resources to interdict drugs instead of looking at other ways of dealing with the market.

Senator SHAHEEN. Thank you.

Ambassador RICHARDSON. Senator, I remember when you made that delegation trip to Mexico. I think I was Secretary of Energy.

Senator SHAHEEN. I think that is right.

Ambassador RICHARDSON. And you wanted to do some energy cooperation. And I went to see you. And I commend you for that effort.

You know, on the heroin addiction, the opioid, I know how big an issue it is in New Hampshire. I spent some time in the Northeast recently. And I think that what is needed there is the joint programs with Mexico to continue. We know that heroin addiction, opioid addiction is growing in the United States. But we allow Mexico's cooperation to permit DEA agents to operate on the ground in Mexico and extradite these drug dealers and dangerous fugitives to the U.S.

Now, I think your specific question was on the budget. I think the Homeland Security budget—some of this would be under Homeland Security. It would not be under the State Department, which I hear is maybe a 40 percent cut. I hope that does not happen, and you can stop that.

But my last point is I think the economic relationship, NAFTA, has created a Mexican class that did not exist before. You know, Mexico today graduates more engineers than Germany does. So this is an evolving economic country that is getting stronger on the educational side, which is so important.

But I wanted to make you recall that visit. I think we were in southern New Hampshire. And you were just going to Mexico and you went.

Senator SHAHEEN. That is right. Thank you. And we had a great trip, and we brought back lots of business.

Senator RUBIO. While Senator Flake is just arriving—I know he has got some questions—I want to make two points.

You talked about the Mexican middle class, and I mentioned that earlier as well. And that is an important development. In addition to expanding their markets, the ability—I think it really does strengthen both sides of the country.

But the broader point I would make and I have discussed with people in the Mexican Government the issue of migration—it is of growing concern to them because they are largely a transit point. But when people are unable to enter the United States, as is the case now, for example, for a number of Cubans who transited through Central America, through Mexico to try to get to the border, they now have become a responsibility on the Mexico side to house migrants and others who are coming through the country. So they have a shared interest with us in dealing with the migratory issue, particularly because they are a transit point for tens of thousands of people who are coming through the country, and if they cannot ultimately get into the United States, obviously wind up staying in Mexico and becoming a burden to them as well. So I do think there is the opportunity to work in partnership with them on the issue of their southern border and the broader point of migration.

Senator Flake?

Senator FLAKE. Well, thank you, Mr. Chairman. I wish I could have been here for more of the discussion. I appreciate you scheduling this hearing.

As the Senator from Arizona, I obviously see firsthand the benefits of our relationship with Mexico. On the economic side alone, Arizona exported more than \$8 billion worth of goods and services in 2016. \$8 billion. Trade with Mexico supports tens of thousands of jobs in Arizona. Arizona obviously benefits when shoppers from Mexico come to Arizona as well. And NAFTA has enabled a number of U.S. industries to become more competitive on a global scale with our supply chains being integrated with Mexico.

A “Wall Street Journal” article from a few weeks ago noted that nearly 60 percent of the 17.5 million light vehicles sold in the U.S. last year were assembled within the so-called auto alley that runs from the Great Lakes to the Gulf of Mexico.

Obviously, the talk of renegotiating NAFTA—or first they talked about tearing it up and then renegotiating. That obviously has an impact, just the talk of it. And I am concerned about that.

With regard to Mexico, I would just like to ask the question, Mr. Noriega, do you believe that just—has there been any impact with the rhetoric about renegotiating NAFTA in terms of decisions made by companies to locate or trade patterns? Is there a problem just by talking down our trade relationship?

Ambassador NORIEGA. Well, I certainly think there is a problem with that and even the idea of being able to muscle certain companies into not relocating their plants. You know, there are Mexican investors who invest in the United States as well. What if the Mexican Government were to turn around and say you cannot create jobs in Michigan, for example? A company names Rassini is a Mexican company that makes the brakes for the Tesla and has a new contract with Ford. That is a Mexican company with Mexican engineers and Mexican technology that is contributing in the long run to our economy.

The big winner, if were to, quote, tear up NAFTA, would be China right here in our back yard. Not only does NAFTA make us more competitive vis-a-vis China, but the Chinese are fully prepared to move into Mexico and to use Mexico as a platform and all

of its workers and the industrial base that our relationship helped create to then export Chinese products to the United States or to the rest of the world and to our natural market in Latin America. There is literally a case in recent days of a Chinese investment to make automobiles in Mexico for export into Latin America.

So that agreement, obviously, as you know really better than almost anyone around because of your home state, is good for our interests, and the idea of sort of opening it up to renegotiation—it has had an impact in terms of the value of the Mexican peso. In the last 16 months, the Mexican peso I think has dropped 20 percent in value. It has a real impact on the lives of folks. And it is really sort of a shame that we sow these kinds of doubts among our very best partners.

Senator FLAKE. Well, thank you.

Ambassador RICHARDSON. Senator, you made a very good point. Mexico has free trade agreements with 40 countries—40 right now. They would all love to take advantage of the exports that might be lost if we abandon NAFTA. I think that is a very serious problem that we have got to address.

In addition to that, China would be the main beneficiary.

I did not mention this in my comments, but what we also did, which I think was shortsighted, although I seem to be a minority in my own party and everywhere, is one of the first steps that was taken in the new administration was canceling the Trans-Pacific Partnership. That is 11 countries. That involved Mexico. That involved Peru. That involved Canada. I think it was a terrible mistake. China is going to fill that vacuum. We do not want a NAFTA diminishing or a NAFTA derailment or a delay in NAFTA for other countries to move in.

You know, I am just going to give one example. China, that does not have a trade agreement with Mexico, would step in. Days after the President talked about a Ford plant canceling the opening of a factory in Mexico, a company called JAC, a Chinese automobile manufacturer, announced that it would be opening its first plant in that country. So there is movement that unless we move fast, we are going to hurt ourselves. And we are going to hurt Arizona and New Mexico and Colorado and Florida and New Hampshire. You know, 23 states. You mentioned your statistic with Mexico. Twenty-three states out of our 50—the number one export market is Mexico, almost half. So this is an economic security issue too.

Senator FLAKE. If you will indulge for just a minute.

Let me talk for a second about the trade deficit. People I think get too hot and bothered about a trade deficit with Mexico. Our total trade deficit with Mexico is about \$50 billion, mostly having to do with the energy sector where we have a lot of trade deficits around the world. But people will point to that and say that is the reason we need to renegotiate or retool this relationship when prior to NAFTA, 1993, I think total trade with Mexico was about \$60 billion. Now it tops \$500 billion. But we have a persistent trade deficit largely because of energy of only about \$50 billion.

Is there too much fixation on a trade deficit?

Ambassador NORIEGA. I think there is for two reasons. One is if you back the energy number out, Mexico actually is our largest trading partner, and the deficit is smaller as well.

But the other thing is that because of these integrated supply chains that you know very, very well, really among the three countries, not just between Mexico and the United States, as it happens 40 percent of Mexico's exports is actually U.S. content that is folded into the final product and then exported out to the world or, frankly, re-exported to the United States. So that exaggerates the story.

Senator FLAKE. Thank you.

Thank you, Mr. Chairman.

Ambassador RICHARDSON. You know, Senator, just another point. Brazil and Argentina have already approached Mexico on the corn crop if NAFTA or an import tax is initiated. So we would lose there.

But on the energy, I know this is a big issue for you. Mexico has energy reform. So it is permitting American investment for the first time. And I think that is good for both countries. There is a potential solar and wind opportunity for American companies in Baja, California right near you for a new grid, a solar and wind grid that I think would happen. But the potential for cooperation on refineries, on interconnectivity with Mexico's grid is very important. A growing market for U.S. energy exports to Mexico was \$20.2 billion in 2016, and the value of U.S. energy imports from Mexico to us is \$8.7 billion. So we are doing pretty well.

Senator FLAKE. Thank you.

Senator RUBIO. And just as an aside or just to note sometimes how these things are more complicated than they appear at first blush, Mexico has 13 free trade agreements encompassing 45 countries. By comparison, the United States has 14 free trade agreements with 20 countries. So what that means is Mexico basically has free trade access to 60 percent of global GDP in a tariff-free environment. So if you are thinking about making something and it says even if 40 percent of the content is U.S.-made and it says "made in Mexico," you have access to 45 countries through free trade, compared to only 20 for the current United States standing. And that is something a lot of people do not realize.

Yes, their labor costs are lower and they actually have very high skilled labor for the labor cost differential. But one of the advantages that they have is that they have free trade with 45 markets comprising 60 percent of global GDP. That is an incredible advantage that they have built for themselves, quite frankly, and expanding, according to what you pointed out. I do not think we have pointed to that enough. But it is one of the drivers that moves people to say I want the final product to say "made in Mexico" because again I have access to 45 markets, 60 percent of global GDP. If it says "made in the USA," I only have 20 countries that I can send that to, a significantly less percentage of global GDP.

So when we are talking about some of this free trade stuff and undoing some of it, we are almost in many ways cutting off our nose to spite our face in regards with Mexico and the comparative advantage that they have built.

Yes, Senator Shaheen?

Senator SHAHEEN. Thank you, Mr. Chairman.

I just have one more follow-up question because I heard you, Governor Richardson, on NPR this morning talking about coming

today and talking about our border security. You were talking about the proposal to build a wall along the border with Mexico. And I would just ask you. I have been down to our southern border. I have seen that there are better ways for us to address illegal immigration. I wonder if you could just speak to that again about what you think is a better way for us to be dealing with the illegal immigration that we are seeing in this country.

Ambassador RICHARDSON. Well, first, Senator, my observation, you get up pretty early because that was very early. I had just come in from New Mexico. So I commend you for getting up that early and listening to me. I did not think anyone listened, but several very educated members of your staff mentioned the same thing.

The wall is a huge mistake. It is a geopolitical mistake. It is unworkable. It is going to cost \$50 billion. Mexico is not going to pay for it.

You know, most of the illegal immigration coming into the United States right now is from Central America. People are smuggled in in containers. It is not through a wall.

A wall is also a symbol of rejection, that we are saying to Mexico, you are not welcome. Our immigrants—and I have said this before you came—are hardworking. They are patriotic. They want to be part of the American dream.

And so I think the first step has to be—and I think you in the Senate can do this. You could not fund that wall. Mexico is not going to pay for it. Just find other ways to deal with border security. Data collection, technology, maybe some of the drones. If you went to the border, some of those work. Increase Border Patrol agents, increase Customs people, cooperation between states. I know you cooperate very well with Canada.

You know, Mexico, when I was Governor, a lot of the border governors—and we do need to reinvigorate the border governors. This is not necessarily U.S.-Mexico. It is kind of dormant. I do not think they have met in a couple years. I think that makes a lot of sense for border governors, U.S. and Mexico, to start meeting again. It is because of this hostility that has happened.

Ambassador NORIEGA. Let me just jump in, if I could.

One thing we have not said explicitly here but which we would all understand is how do you stop illegal immigration. The most effective way is economic development. It is NAFTA, quite frankly. And that is why you have a net negative migration of Mexicans out of this country. And the increase, on the other hand, is what? Because Mexico's average wage is now about 60 percent of our wages. And the theory always was for decades that if we got to 60 percent, they would stop coming. And guess what? It happened.

Now, we have to turn our attention downrange to Central America where these countries, particularly the Northern Triangle countries, are decimated by criminality. And some of your staff I know have visited the border, and they will tell you there are more things that Mexico can do to help on that border. But one thing we need to do with Mexico, with other countries is help the Central Americans deal with the insecurity issue but, first and foremost, really unlock the economic potential to create jobs so people can stay in their own homes.

Senator SHAHEEN. You are absolutely right, and we also need comprehensive immigration reform in the United States.

Ambassador RICHARDSON. Right. You know, on that, Senator, you are absolutely right. Border security, yes. A path to legalization. That is needed. Realistically, you should do it, but I do not know if it will happen. But just one statistic. Between 2009 and 2014, according to the Pew Center, which is very respected, on the immigration issue, there was a net loss of 140,000 Mexican nationals that left the United States to return to Mexico, bringing Mexican immigration to the U.S. to a current net of 0 percent.

So let us not be in search of a problem. Let us focus on the security issues. People say do not say legalization for citizenship. I am going to say it. I think if you look at what the Congress has pushed forward in the past, President George W. Bush, a path to legalization. It takes about 11 years. You got to pay back taxes, pay a fine if you are here illegally, embrace American values, many conditions before it happens. And I think that is the most sensible route.

Ambassador NORIEGA. I think I would be remiss if I did not raise one point, and this is an important one in terms of a discussion of immigration. The 2015 crisis on the border was driven in large part by a misunderstanding in Central America over the President's DACA decision. And so we have to be super careful because think of the tragedy of hundreds of thousands, tens of thousands at least, of young folks making their way up through Mexico to reach our border because we have created this expectation. And that is just too high a human cost to pay.

I am totally supportive of the idea of immigration reform, to modernize all of that. But let us face it. If you are a Central American, Central America is pretty nice place to live, to grow up, to raise your family. And they will do that, of course, if they have economic opportunity. And that is something where we can play an indispensable role.

Senator SHAHEEN. Thank you, Mr. Chairman.

Senator MENENDEZ. [presiding]: The chairman had to leave, but let me close by saying a couple of things and then we will close the hearing.

First of all, I appreciate and I hope that our friends in Mexico got a very clear sense that there is a bipartisan different view about the U.S.-Mexico relationship than that which is expressed by the administration. I am very heartened to hear Republicans and Democrats alike show a deep knowledge of the incredible importance of the relationship. And for whatever challenges we might have in terms of issues that we want to mutually pursue, that there is a better way. And so I am really heartened by the remarks made by my colleagues here today.

I just want to make one observation. We got something that is impossible these days to get in the United States Senate on controversial issues, 68 votes for a comprehensive immigration reform. Senator Flake was part of the Gang of 8, as I was. And 68 votes is tough to get. But it had more border security than even being proposed by the administration without a wall. It had a very tough, long, arduous pathway to legalization, but it had one. And it was scored by the CBO with some of the most outstanding numbers I have ever seen in my 25 years in Congress. Growth in GDP as a

result of the reform, growth in wages for all Americans, reduction of the national debt as a result of revenues that would be derived, employment levels that would rise. I have never seen a score on a single piece of legislation that was so positive across all the denominators. So I hope we can at some point get back to that.

I would just say that I am not sure that I agree with you, Ambassador, that DACA was the driver. I think that violence in Central America, the gangs, the narcotraffickers. If at the end of the day your choice is to stay and die or flee and possibly live, even if you are caught, you are going to make that choice. And so I think the flow started well before the President's DACA pronouncements. But I still think today those are the critical issues that we need to deal with in our Central American policy so that we can deal with this.

So on behalf of the chairman with our thanks to both of you for some incredible testimony, I need to close.

Ambassador RICHARDSON. If I could just amplify on your excellent remarks. I read the paper this morning.

Senator MENENDEZ. Actually we can go on forever. I am just kidding.

[Laughter.]

Ambassador RICHARDSON. And we have two experts here because both of you work on a bipartisan way.

I saw the President saying that he wanted to talk to Democrats now after the health care issue. I am glad.

I think Democrats and Republicans on comprehensive immigration and U.S. relations with Mexico can forge some sensible policy. So I urge you on the Mexico issue to get involved, to put your voices and your appropriations strength on behalf of a relationship—I am going to say it again. We kind of danced around it. I know the peso is getting better. There are some NAFTA talks. And I think both business communities need to get involved, especially the Mexican business community that knows these issues well. We need to cool this relationship down and get it straight again because it is one of our most important.

And I hope the President reaches out to all of you here and to people like Matt McLarty and Jim Jones Democrats that have handled—Noriega—he told me something about his political affiliation that surprised me. But he has been a leader in the Republican Party on Latin America. You know, to reach out to people that may not share his view.

Senator MENENDEZ. Well, thank you.

On behalf of the chairman, let me thank both of you for some incredibly important, enlightening testimony. It has really helped the process here, the debate, and the insights.

The record remains open for 48 hours.

And with that, the hearing is adjourned.

[Whereupon, at 12:08 p.m., the hearing was adjourned.]