

TESTIMONY OF  
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U.S. DEPARTMENT OF STATE  
BEFORE  
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UNITED STATES HOUSE OF REPRESENTATIVES  
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“The Future of U.S.-Mexico Relations”

Mr. Chairman, Ranking Member Engel, and Members of the Committee:

Thank you for the opportunity to appear here today to testify on U.S.-Mexico relations. I know many members of this committee follow closely developments in Mexico and the bilateral relationship. As you are aware, Mr. Chairman, it has been my privilege to work on Mexico and North America for more than a decade. Twenty years after our countries took giant steps to facilitate trade, we must take new steps to take advantage of the potential for growth and prosperity in our bilateral relationship.

I thank the U.S. Congress, and this committee, in particular, for the consistent, bipartisan support the U.S.-Mexico relationship enjoys here on Capitol Hill. The Interparliamentary Group the House sent to Mexico in December – led by Representative McCaul – and the companion group Senator Kaine hosted here in Washington in November are important signals of the U.S. commitment to our relationship with Mexico and to greater security, prosperity, and opportunity. Our relationship with Mexico is positive and successful, and Congress’ support is a cornerstone of that success.

I have testified before this committee on major themes like security and the Merida Initiative, and my principal deputy appeared before your colleagues on the Committee on Homeland Security last month to provide an overview of the fight against Mexican cartels. I will speak briefly on security before giving the floor to my colleagues for specific developments under the Merida Initiative, but I also want to provide the broader context for a relationship that is increasingly global and ever more important to the lives and pocketbooks of Americans.

In February, President Obama traveled to Mexico to meet with President Pena Nieto and Prime Minister Harper. It was the President's fifth trip to Mexico. The three leaders took stock of the remarkable economic platform North America has become, building opportunities for good jobs for our citizens and quality education for our students. We have made it easier for businesses to import and export goods and services throughout North America and embraced the need to promote new economic opportunities, in North America and beyond. The leaders discussed cooperation on energy competitiveness, green energy, and our shared commitment to safe and prosperous communities. They announced concrete initiatives to enhance the region's competitiveness, including creation of a North American trusted traveler program, stepping up regulatory cooperation efforts, working trilaterally for women's economic empowerment and entrepreneurship, cooperating on energy in Central America and the Caribbean, and much more.

Last September, the Vice President traveled to Mexico to launch the High Level Economic Dialogue, an initiative to create jobs on both sides of the border and to promote competitiveness. He also advanced the U.S.-Mexico Forum on Higher Education, Innovation, and Research that the President launched in May 2013 to expand the educational interchange, workplace development, and research partnerships that drive the North American economic engine.

The number of Cabinet officials that traveled to Mexico in the past year is a symbol of the breadth and vitality of our relationship – Secretaries Johnson, Hagel, Foxx, Lew, Vilsack, Pritzker and Amb. Froman have all been to Mexico to support trade, streamline regulatory cooperation, and enhance security for our citizens. And, of course, Secretary Kerry travels to Mexico tomorrow to discuss these issues and areas where we can leverage North America's leadership in global affairs.

## ECONOMIC ENGAGEMENT

The United States and Mexico have integrated our economies in ways that we could not foresee when NAFTA went into force 20 years ago, creating good jobs and new opportunities for citizens of both our countries. The United States and Mexican manufacturing economies build products together for the North American market and globally. Cultivating this relationship has allowed our citizens to realize one of the key benefits of economic integration – increased competitiveness – that forms the basis for good jobs and prosperity.

Over the last twenty years, the stock of U.S. investment in Mexico – \$101 billion – grew by a factor of six while Mexican investment in the U.S. economy – \$28 billion – is 10 times larger.

In 2013, two-way goods and services trade reached \$559 billion – over \$1.5 billion daily. Mexico is our second-largest export market and third-largest trading partner. We sell more to Mexico than we do to Brazil, Russia, India, and China combined. What's more, it's estimated that about 40 percent of the value of final goods we import from Mexico consists of U.S. content, a far higher proportion than for any of our other trading partners. Energy is an important part of our trade relationship, with the United States buying over 70 percent of Mexican crude oil exports, while supplying Mexico with refined products and natural gas. Some 450,000 people enter the United States legally each day along the land border, crossing to shop, study, and visit family and friends. Mexico is our number one tourist destination, with about twice as many U.S. citizens visiting Mexico each year than all of Europe combined.

Millions of good Mexican and U.S. jobs in states all over both countries depend on this economic partnership. We don't just trade with each other – we make things together. From Chicago to Knoxville, from Houston to Seattle, we build products with partners from Puebla and Queretaro, from Monterrey and Ciudad Juarez. We are partners in complex supply chains that run the breadth of North America. A recent Brookings study found that 15 U.S.-Mexico city pairs each had more than a billion dollars in annual trade in 2010. According to that study, Mr. Chairman, Los Angeles exports over \$1.09 billion per year to Mexico City, Houston nearly \$700 million to Monterrey, and Tucson over \$12 million to Guadalajara. But it's not just the border that benefits – Chicago exchanged over \$11 billion in goods and services with Mexico in 2010, Miami nearly \$2.9 billion, and Nashville over \$2.5 billion. What's more, significant percentages of this trade come from advanced industries that support a 21st century workforce.

Mexico has also joined with us in the Trans-Pacific Partnership (TPP) negotiations. TPP is currently being negotiated among 12 countries in the fastest growing region in the world representing nearly 40 percent of global GDP and a third of global trade. In TPP we are taking a new approach that builds on our other trade agreements, such as the need for new or strengthened provisions covering intellectual property, State Owned Enterprises, global supply chains, and rules of origin. And on labor and environment, through TPP we can subject labor and environmental provisions to the same dispute settlement as the commercial obligations.

The United States welcomes the Mexican government's focus on economic reforms. These reforms should not only help Mexico build a more productive economy and raise living standards, but also create opportunities for American firms and improve our joint economic competitiveness.

### U.S.-Mexico High Level Economic Dialogue (HLED)

The Administration is capitalizing on President Pena Nieto's strong push on economic development. The High Level Economic Dialogue Vice President Biden launched is moving forward under a work plan that has three pillars:

- Promoting competitiveness and connectivity;
- Fostering economic growth, productivity, entrepreneurship, and innovation; and
- Partnering for regional and global leadership.

We are also working trilaterally in many of these areas with Canada and Mexico based on commitments our leaders made at the North American Leaders' Summit.

Since the Vice President's trip, we have advanced in key areas of the work plan. We signed a memorandum of intent in April on investment promotion cooperation. We held a peer exchange on traffic and freight modeling and launched two border cluster-mapping pilots to identify local industry assets and develop regional economic development strategies. We completed five of six border master plans, designed to better coordinate infrastructure and development in border communities, with the last one on track for completion by mid-2015.

The Mexico-U.S. Entrepreneurship and Innovation Council is fostering cross-border entrepreneurship by strengthening the legal framework, improving access to capital, developing regional innovation clusters, expanding small business development infrastructure, facilitating technology commercialization, promoting women's entrepreneurship, and engaging the U.S.-based Latin American diaspora. In April, the United States and Mexico agreed to connect Mexican small business development centers with U.S. centers to help small business owners and entrepreneurs in both countries grow their business and tap into global business opportunities. Tourism officials formed a working group to collaborate on data, joint marketing opportunities, and promoting trusted traveler

programs to increase travel and tourism between our countries and to attract more visitors from the rest of the world.

The United States will host a second High-Level Economic Dialogue meeting later this year.

Ten percent of all Americans – more than 33 million – are of Mexican heritage. The vibrant Mexican-American community in the United States is a vital part of our culture, our politics, and our values. Mexico is home to the largest community of expatriate Americans in the world – with over 1 million of our citizens living within its borders.

Over the past year, both governments have focused on tapping the great potential that our people give us. We held five meetings on the Bilateral Forum for Education, Innovation, and Research, bringing together government, academia, and civil society to promote opportunity, job creation, and development of a 21st century workforce in both the United States and Mexico. We held one of these meetings right across the river at Northern Virginia Community College – a sign that both governments seek to include a broad cross-section of our society as we build pathways to prosperity.

The Forum complements the President's 100,000 Strong in the Americas initiative, through which we support greater student exchange between the United States and countries of the Western Hemisphere, including Mexico. Increasing the flow of students, researchers, and academics between the United States and Mexico benefits the people of both countries and is key to achieving the overall goal of 100,000 Strong in the Americas.

The President and his cabinet continue to engage with Mexican leaders on the administration's vision for comprehensive immigration reform that respects our tradition as a nation of immigrants but also a nation of laws. Immigration reform would affect Mexico more than any other country, but Mexican officials publicly recognize that this is a domestic issue for the United States to debate and decide. At the same time, our border is more secure than it has ever been. We partner with Mexico to maintain a secure border that facilitates the legal transit of goods and people. Mexico is beginning to implement a strategy to better secure its own border with Belize and Guatemala to stem illicit flows of drugs, weapons, and people that threaten Mexico's security and our own.

SECURITY

We maintain close partnership with the Mexican government on security and rule of law issues. I will let my colleagues describe those programs in more detail, but want to highlight two recent emblematic developments. The February arrest of Sinaloa Cartel leader Joaquin “El Chapo” Guzman Loera – and remember, highly skilled Mexican marines apprehended him without firing a shot – represents a milestone in U.S.-Mexican cooperation against cartels. This was a Mexican operation, conducted by Mexican Marines, and supported by multiple U.S. law enforcement agencies. There’s much more work to do, but the arrest was a clear indicator that through cooperation that respects Mexico’s sovereignty and is conducted in a spirit of trust and shared enterprise, no individual or criminal network is immune from the reach of the law.

Another development is the public announcement just last week of a comprehensive government plan to address security in Tamaulipas, which borders Texas. President Pena Nieto stated there are no easy solutions or “short cuts” to reduce violence in the short term, instead emphasizing long-term goals such as the rule of law and trust in judicial institutions. He laid out his broad vision in his multi-tiered, February 2013 National Crime and Violence Prevention Program, and the release just last month of his National Security Plan for 2014-2018. President Pena Nieto has made crime prevention and judicial reform central aspects of his political agenda and has emphasized a focus on reducing kidnapping, homicide, and extortion.

While the Merida Initiative does not directly fund law enforcement operations, it does build capacity. We know that when Mexicans benefit from more effective law enforcement and judicial institutions, in areas near or far from our border, the United States, as Mexico’s neighbor and friend, benefits as well.

## CONCLUSION

In my visit to Mexico in April, I enjoyed frank conversations on human rights, security, and improving the lives of our citizens. We’re building on the strong foundation of decades of trade integration, and during my visit I felt an energy and excitement. Like us, our neighbors want to unlock the massive potential of our citizens and our economies – not just each of us acting alone, but both of us, together. The Mexican government seeks strategic engagement with us, capitalizing on our shared values and our common border to promote regional security, open new markets to trade, and maximize our leadership in the Western Hemisphere and the world.

Thank you, Mr. Chairman, and all of the members of this committee for your time today. By calling this hearing, you are demonstrating the importance you place on the relationship and the partnership I have just described, as well as the role Mexico plays in the economic prosperity and security of millions of Americans. I look forward to your continued support in building the relationship, and am happy to answer any of your questions.