



## New Agenda and New Leadership in Mexico: Part II

*Barbara Kotschwar analyzes President-elect Enrique Peña Nieto's pledges to shift priorities on anti-drug enforcement and cooperate with the United States on economic ties and immigration.*

*Transcript of interview recorded November 29, 2012. © Peterson Institute for International Economics.*

Steve Weisman: This is Steve Weisman at the Peterson Institute for International Economics with Barbara Kotschwar, research associate at the Institute, discussing the recent visit of the President-elect of Mexico [Enrique Peña Nieto] and his pledge to continue and expand economic reforms including revamping or upgrading the trade agreement with Canada and the United States, NAFTA. When President Obama came into office, he said NAFTA needed to be modernized. But his administration was marked not by modernizing it, but by more confrontations over trucking and things like that. What are the prospects for expanding or modernizing NAFTA?

Barbara Kotschwar: Now that NAFTA has consolidated, we do have a North American supply chain, which has been now brought about under NAFTA and also just as a result of trading investment within the region. The auto industry is one very poignant example in which the three economies (Mexico and the United States and Canada) are inextricably linked. But now you're seeing competition from sources that really weren't around when the NAFTA was signed. So the North American economy really needs to increase its competitiveness vis-à-vis emerging Asian economies.

The trilateral initiatives haven't been compelled to do much in the past decade or so, where the trilateral relationship has focused more on security issues and, for compelling reasons, post-9/11. If the leaders are serious about making the North American economy more competitive, this seems to be the time with Mexico and Canada participating in the TPP [Trans-Pacific Partnership] opportunity to also perhaps harmonize some of the rules of origin and administrative procedures that these countries have with trade agreements with common partners. You could see some sort of a regulatory -- North Americans don't like the word harmonization -- a coming together of some of the spaghetti bowl of agreements that we have in common.

Steve Weisman: I wasn't aware that we North Americans didn't like to harmonize.

Barbara Kotschwar: You probably don't want to spend time on it.

Steve Weisman: I don't want to spend too much time on drugs, but we can't ignore it. That was a point of discussion and a hallmark of the outgoing administration of President Calderón, this huge amount of resources spent on cracking down on drug trafficking, especially near the border. To what extent can you anticipate policy changes by Mexico on drugs?

Barbara Kotschwar: President-elect Peña Nieto has said that he wants to demilitarize the Mexican approach towards the war on drugs. I don't think it's known yet what exactly he means to do. There's been discussion about changing the institutions that are the main players in countering the drug war. He has said that he will continue to be strong on murders, on kidnappings, on drug crimes and on the drug cartels, and so it's obviously in the interest of both Mexico and the United States that those issues are addressed. It will also be interesting to see the impact of some of the measures recently in the United States legalizing certain categories of drugs, and how that plays. I'm not an expert on the drug trade, but that's certainly something that Mexico's looking at. I imagine it will be on the bilateral agenda for some time to come.

Steve Weisman: Mexico has always been irritated that the U.S. is not doing enough to cut down on the demand for drugs.

Barbara Kotschwar: Right.

Steve Weisman: And the legalization of marijuana, while it's not hard drugs, doesn't seem to be going now in that direction.

Barbara Kotschwar: Right.

Steve Weisman: What about immigration? Is that something that if done would make Mexico happy and make cooperation on other issues more likely?

Barbara Kotschwar: I think it's clear that that's something that would be constructive for the relationship. The Mexican diaspora is huge in the United States. There are about 12 million Mexicans. I think about half of those are undocumented and so this is a pressing issue for both countries. Recently, you've seen the flow of undocumented Mexicans from Mexico to the United States slow down if not stop, and you've also seen a reverse migration back to Mexico, as Mexico's economic growth in the past two years has been about twice that of the United States.

Steve Weisman: So there are more jobs back in Mexico.

Barbara Kotschwar: More jobs back in Mexico.

Steve Weisman: That was an original selling point on NAFTA.

Barbara Kotschwar: On NAFTA, right.

Steve Weisman: So it took a little while.

Barbara Kotschwar: Right. That is something that Peña Nieto has said is one of his goals -- to revitalize the Mexican economy and to create jobs that could help keep Mexicans at home, making migration to the United States a choice rather than a necessity. I think that's a goal that's common to both leaders in Mexico and in the United States. Hopefully, we can find some form of immigration reform that will make it possible for there to be more of a constructive economic relationship. Mexico is very important to the U.S. economy, both Mexico in Mexico, and Mexico in the United States.

Steve Weisman: President-elect Peña Nieto is kind of a celebrity in Mexico, with energy and promise, even though he's from the old party and the old guard. What do you suppose is the chemistry with President Obama?

Barbara Kotschwar: By all reports, the chemistry was positive. The press conference after the meeting seemed very positive. I guess the most notable remark was Peña Nieto congratulating Obama on in his words immigration reform and saying that Mexico will be a constructive partner in this, which probably means we're not going to preach or criticize you in the way that we have previously. That will probably be constructive in helping to build some of the relationships to move forward pragmatically and get something done. Let's hope, anyway.

Steve Weisman: Let's hope. Barbara, thanks very much

Barbara Kotschwar: And thank you, Steve.

