



**Testimony of Michael C. Camuñez,  
President & CEO of ManattJones Global Strategies, LLC**

Before the California Senate  
Select Committee on California-Mexico Cooperation  
Senator Ben Hueso, Chair

*The Future of the North American Economic Partnership with Mexico*

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State Capitol Room 113  
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*As Prepared for Delivery*

Chairman Hueso and Honorable Members of the Committee:

Thank you for the opportunity to be with you today to share my views on the critical importance of Mexico to the long-term success, productivity and competitiveness of the United States and California. Despite being one of our single most important trade and strategic partners, Mexico remains one of our least understood and least appreciated allies. Even in a State like California, with our deep familial, geographic and cultural ties, few Californians, apart from those perhaps who live in the Cali-Baja border region, truly appreciate the important role that Mexico plays in our collective security and prosperity here at home.

It's not surprising, therefore, that even in this great state, which owes in part its heritage to Mexico, the current federal administration has found support, among some, for what can only be characterized as a dangerous and highly ill-advised approach to U.S.-Mexico relations. Indeed, since the launch of Mr. Trump's candidacy, and continuing through his current presidency, Mexico has been repeatedly vilified and antagonized as a nation to be feared; a nation that has



somehow “taken advantage of” the United States; and worse, a nation so menacing as to require the construction of a Berlin-style wall to contain its purported threat.

Mr. Chairman, I submit this hearing could not be happening at a more important time, and I want to commend you for your personal leadership, along with that of your colleagues in the California Senate, including President Kevin de Leon, for rejecting this unfounded characterization of Mexico, and for creating a platform like this hearing to help try to set the record straight.

You will be hearing from a number of distinguished witnesses today who, I know, will be providing a great amount of data to illustrate the important trade and investment partnership that exists between California and Mexico. So what I would like to do with my limited time is provide something of a broader frame on the overall relationship, to put today’s hearing in its proper context, and to stress the important role that this honorable body and other leaders in California can play to help protect, promote and defend our relationship with Mexico.

I offer this perspective having served recently as the U.S. Assistant Secretary of Commerce under President Obama, where I had the great privilege to help lead and shepherd our commercial diplomacy and engagement with Mexico. In addition to leading several executive trade and policy missions there, I was the principal architect and proponent of the U.S.-Mexico High Level Economic Dialogue, a cabinet-level platform launched in 2013 that elevated our engagement with Mexico to its proper status, recognizing the deep economic integration that has



developed in the 20 plus years since the creation of the North American Free Trade Agreement. In my current role as President & CEO of ManattJones Global Strategies, a strategic consulting firm based in Los Angeles and Washington, and with offices in Mexico, I work daily with American firms as they invest and do business in Mexico, as well as with Mexican firms that invest and contribute to the prosperity of the United States. In short, through my work over many years, I have held a first-row view of, and have been an active participant in, the reality of what is a tremendously successful and prosperous relationship.

### *Understanding Modern Mexico*

To put our relationship with Mexico in proper context requires us to first understand what it is we are talking about when we speak of Mexico. Many Americans harbor a highly negative view of the country that is rooted in stereotypes often perpetuated by the relentlessly negative press coverage that Mexico too often unfairly receives. Few can move beyond stereotypes of cartel violence, drug trafficking, corruption and illegal immigration. I often tell friends that if the United States were covered by the U.S. media like they cover Mexico, most Americans would be terrified to leave their homes, convinced that all American schools and places of work and worship were gun-ridden war zones; that major cities like Chicago and Los Angeles—given statistical murder and incarceration rates—were too unsafe to inhabit, much less visit; that our elderly were left roaming homeless in our urban centers or languishing in abusive elder care facilities; and that no child could safely breathe the air, drink the water or thrive in such a dystopian society. But we know that is not the reality we face here at home, notwithstanding that



some aspects of these stereotypes do exist and persist for a reason. And the same is true with Mexico.

In fact, modern Mexico defies the stereotypes we read about. It is a growing, thriving, modern nation of more than 120 million people, made up of families of hard working citizens who share our western and democratic values, our love of country, and our aspirations for a better future for our children. In purely economic terms, Mexico already boasts the world's eleventh largest economy in purchasing power parity with among the very best demographics of any nation: nearly half the country is under the age of 28, promising a robust workforce that can and will sustain the nation's growth for many years. With a per capita GDP that places it solidly in the World Bank's upper-middle income category, Mexico has a remarkably diverse economy that has been built and fortified in recent years through tough, market-oriented reforms that include a strong and independent Central Bank (currently led by one of the most well regarded Central Bankers in the world); increasingly strong and independent regulatory and anti-trust bodies in key sectors like energy and telecommunications. It is one of the most open and trade-oriented economies in the world, with a global network of Free Trade Agreements with some 46 countries reaching nearly a billion customers and 60% of global GDP. Unlike many developing economies, it is not overly dependent on the exportation of any single commodity like Brazil, Russia and others. Instead, it is a manufacturing powerhouse that competes fiercely with the top markets in the world in key sectors, like electronics, automotive, medical devices and aerospace. In fact, Mexico now graduates more engineers per capita than the United States, and many high tech and engineering intensive companies find Mexican engineers to be among the best in the



world. It's no wonder, then, that a recent Bloomberg survey of investors found Mexico to be the most attractive emerging market globally.

Finally, thanks to its geographically privileged location, being a critical part of North America with access to Europe to the East and the Asia-Pacific region to the South and West, Mexico is a key member of multilateral institutions like the OECD, APEC, and the Pacific Alliance, where the country demonstrates important global leadership on issues like the fight against Climate Change.

But above all, Mexico is strategically located at the doorstep of the United States, the largest economy in the world, and is a critical member of the North American triumvirate that contributes to one of the most successful economic platforms in the world. Since the implementation of NAFTA, the U.S.-Mexico trade and investment relationship has literally exploded, now amounting to over a half trillion dollars in bilateral trade in goods annually, making Mexico our second largest export market and our third largest overall trading partner. To put this in perspective, the United States exports more to Mexico than we do to Brazil, Russia, India and China (the so-called BRIC nations) combined. But our relationship with Mexico is not merely one entailing the purchasing and selling of goods in traditional cross-border trade. Rather, as a result of NAFTA, and the hundreds of millions of dollars that have been invested in Mexico, the United States and Canada, *North America now represents one of the most integrated co-production platforms in the world*. We don't just trade with one another, we make things together, and in doing so we have deeply integrated our supply chains, our



production facilities and our companies. We have taken important steps to facilitate trade and investment across virtually every sector, and we have succeeded in creating what the Bush Institute has characterized as the most competitive regional market in the world.

A common reference point that illustrates the incredible degree of economic integration can be found in the fact that while 85% of all Mexican exports are sold to the United States, those exports contain, on average, about 40% U.S. content (vs. only about 4% for China, our largest overall trading partner). This means that Mexican manufacturing is heavily pulling on U.S. supply chains to source inputs for final production, much of which is sold back to the U.S. Despite complaints about our trade deficit with Mexico, the reality is, because of this dynamic, Mexican manufacturing actually helps sustain many small and mid-size American manufacturers who are integral parts of these integrated North American supply chains. Indeed, as former World Bank President and U.S. Trade Representative Bob Zoellick recently noted in the Wall Street Journal, the Manufacturers Alliance for Productivity and Innovation's calculation of the U.S.-Mexico trade deficit, which included the U.S. value added in Mexican exports to the United States, is actually a surplus for the U.S.

And this is without taking account of the nearly \$32 billion in U.S. services exports to Mexico resulting from a range of professional services provided there—from engineering and IT, to accounting and advisory work. Indeed it's often forgotten that we maintain about a ten billion surplus in services trade with Mexico, which is especially important to IP-intensive economies like the United States and California. As we speak, professional engineering and design firms



like Pasadena-based Parsons are leading major global-scale infrastructure projects like the construction of the new international airport in Mexico City.

Speaking of California and California firms, and recognizing that other witnesses will provide more detail, let me just state the obvious: Mexico is California's top export market, purchasing a staggering 15.4% of all California exports, which amounts to more than \$25 billion. Perhaps more relevantly, by some accounts, including figures provided by the Mexican Ministry of the Economy, approximately 1 in 33 jobs—or over 550,000—are the result of trade with Mexico. Comparable figures for the U.S. nationally exceed five million jobs, according to the Wilson Center.

But these remarkable statistics tell only a small part of the overall story of our relationship with Mexico. Indeed, as citizens of a border state, we Californians recognize just how important our shared border with Mexico is not only to our economy but also to our security. It is not lost on us that we share a nearly 2,000-mile border with Mexico, an ally, and a country deeply committed to cooperating with us on security matters. Given the dangerous state of affairs around the world, it is worth reflecting on how fortunate we are to share such a long national boundary with a western power that is not only an ally, but a country with whom we have shared values and deep and extensive national security ties ranging from counter-narcotics to counter-terrorism. Indeed, few Americans are aware of just how extensively the Mexican government actively cooperates with U.S. national security and homeland defense authorities in a range of critical tasks, from pre-clearing and pre-inspecting cargo for dangerous contraband before it ever



hits our border to banning travel *to Mexico* of designated foreign nationals identified by the U.S. as threats to our national security. It is no coincidence that despite the hysterical hyperbole emanating from Washington, the U.S.-Mexico border is one of the safest and most peaceful borders in the world. One need only look to other examples, from North and South Korea to Israel and Lebanon to Turkey and Syria, to get some much needed perspective. I often remind all who will listen just how fortunate we are, and that when it comes to security, *Mexico definitely has our back.*

And yet...

Despite having a staunch ally and economic partner to our South, we find ourselves in a moment of grave peril, with bilateral tensions as bad as they have been in decades, and with the risk that this great North American experiment may be unwound. From repeated threats to unilaterally withdraw from NAFTA, to demands for payment of an unneeded and ill-advised border wall, to a purported border tax or tariff to make America whole for its purportedly unfair losses to Mexico, the current administration has embarked on a path that has threatened to undermine and erode one of our most important and strategic relationships globally. And the consequences for this reckless approach to foreign policy with Mexico go well beyond the economic. Indeed, it is possible, if not likely, that the administration's harsh and needless rhetoric may risk destabilizing Mexican domestic politics, ushering in a new and ugly era of leftist anti-American sentiment and Mexican nationalism that is calculated to respond directly to the deeply insulting rhetoric and policy emanating from Washington. Fortunately, for the time being, the working relationships between our governments are holding and functioning quite well, but they are strained to be sure.



Mr. Chairman, recognizing that my time is very limited, let me just close by offering a few concluding recommendations for what I think this committee and this body can do to help defend and preserve the important relationship we share with Mexico.

First, we must recognize that the great State of California is uniquely situated to play an important leadership role in strengthening ties with Mexico. Not only because of our population (as you know, California is home to the largest population of Mexican nationals and people of Mexican heritage outside of Mexico itself), but because doing so is both the right thing to do and the thing that is in our own economic self-interest. Although federal foreign policy is undoubtedly managed out of Washington, the State of California must advance its own core interests in global markets with key partners like Mexico, and we must make clear what are our own shared values, including mutual respect and an unwavering commitment to the protection of our people, millions of whom share ties to both California and Mexico. We must renew our commitment to the construction of metaphorical and literal bridges, not walls, as we've recently seen at the Cross-Border Express in San Diego, and to the creation of a shared economic ecosystem that benefits both great nations.

Achieving this requires sustained engagement, not only through these kinds of public hearings, but through regular visits, trade and cultural missions, and educational and cultural exchanges. It also requires California to take seriously the need for representation in Mexico, including re-establishing representational offices not only in Mexico City but also in other key economic hubs



like Monterrey, Tijuana and Guadalajara. It is worth noting that other border states are moving well beyond California in this respect. I urge this committee to continue to support the appropriation of needed resources to support California's trade and commercial offices in Mexico, as well as continued advocacy with the current and future governor to support these missions and investments.

I also urge the State to double down on its efforts to build world-class infrastructure at the border, including providing needed state support for innovative border crossings like the newly proposed Otay Mesa East Port of Entry, which will bring enormous economic benefits to the state along with a significant reduction in environmental pollution in the border region from idling diesel trucks that routinely take two hours or more to cross what are among the busiest land ports in the world. But our aim should go well beyond infrastructure to a more robust vision of economic integration, from shared energy production to an innovation based economy that shares engineering talent, venture capital and creative entrepreneurship to address our most pressing social needs.

Finally, California must continue to provide desperately needed political leadership at all levels, from revitalizing the languishing but important Border Governors Conference to mobilizing the full power and resources of the California Legislature, Executive and our congressional delegation to push back against the rising tide of ignorance and bigotry that belies current U.S. policy toward Mexico.



Mr. Chairman, there has never been a more important time for you, this Committee, and this body to engage and lead the way toward a better and stronger relationship with Mexico. I appreciate the opportunity to share these remarks with you.

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