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FEATURED Q&A

What Will the U.S.-Mexico Economic Talks Accomplish?



U.S. and Mexican delegations met earlier this month in Washington to relaunch the countries' High-Level Economic Dialogue. // Photo: U.S. State Department.

Q After a four-year hiatus, U.S. and Mexican officials on Sept. 9 relaunched the High-Level Economic Dialogue, or HLED, an initiative started in 2013 to advance strategic economic and commercial priorities for both countries. What does re-launching HLED indicate about the state of economic relations between the Biden and López Obrador administrations? How have the HLED's agenda and goals evolved in recent years? What are the principal tasks facing a new bilateral working group on supply chains, which the two countries plan to create? What disagreements will the group likely seek to overcome, and how much headway will the two countries make in addressing them through the HLED mechanism?

A Michael C. Camuñez, CEO of Monarch Global Strategies, former U.S. assistant secretary of commerce and a principal architect of the HLED: "The High-Level Economic Dialogue was born of the simple recognition that, despite Mexico being a critical economic and trading partner, the United States had no substantive mechanism to engage it meaningfully about issues affecting North American competitiveness. In the aftermath of the Calderón sexenio and the Mérida Initiative, the relationship was dominated principally by security concerns. Regrettably, not much has changed. The need for the platform is as compelling as it ever was. The global economy is more complex now, and the economic competition with China has intensified and degraded in dangerous ways. North America's share of global trade has decreased dramatically. And the combination of security and migration issues dominate the bilateral agenda, with the economic relationship

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POLITICAL

No Migrants Remain at Texas Border Camp: U.S. Officials

There are no migrants remaining at a border encampment in Texas where some 15,000 people, mainly from Haiti, had been holed up. The United States has sent thousands of migrants back to Haiti on several flights.

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ECONOMIC

Venezuela, Iran Reach Oil Swap Deal to Avoid Sanctions

The two countries have reached a deal to swap Venezuela's heavy oil for Iranian condensate.

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ECONOMIC

Ecuador's Lasso Proposes New Labor Regulations

Ecuadorean President Guillermo Lasso submitted legislation to the National Assembly for new labor regulations and a tax reform seeking \$700 million in additional revenue.

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Lasso // Photo: Ecuadorean Government.

POLITICAL NEWS

No Migrants Remain at Texas Border Camp: Officials

There are no migrants remaining at a border encampment where nearly 15,000 people, mainly Haitians, had gathered in Texas, just across from the U.S.-Mexico border, federal and local officials said Friday, the Associated Press reported. The number of migrants at the encampment in Del Rio, Tex., had peaked just a week earlier, the wire service reported. The United States expelled thousands of migrants, and images of border agents on horseback, appearing to use reins as whips, led to outrage. On Friday, U.S. President Joe Biden said the way agents used their horses to detain migrants was "horrible," adding that "people will pay," the AP reported. Some agents have been reassigned to administrative tasks while the Biden administration investigates the situation. "There will be consequences," Biden told reporters on Friday. "It's an embarrassment, but it's beyond an embarrassment—it's dangerous, it's wrong, it sends the wrong message around the world and sends the wrong message at home. It's simply not who we are." U.S. Homeland Security Secretary Alejandro Mayorkas said Friday that approximately 2,000 Haitians were rapidly expelled on 17 flights since the previous Sunday, the AP reported. On Saturday, the Department of Homeland Security conducted five more flights to expel migrants, three from Del Rio to Port-au-Prince and two from Del Rio to the Haitian city of Cap-Haïtien, CNN reported. Migrants are being expelled under a Trump-era pandemic-related policy that allows the United States to deny people the opportunity to seek asylum. Mayorkas said Friday that the United States has also allowed thousands of migrants to remain in the country, at least on a temporary basis, while they state their cases before an immigration judge. Mexico's government said Sunday that it would restart flights to Port-au-Prince for migrants who wanted to return to the Caribbean nation, Reuters reported. Mexico will offer the flights from Tapachula

and Villahermosa to Haitians who want to "voluntarily return to their country," Mexico's government said in a statement. Haitian Prime Minister Ariel Henry stopped short on Saturday of directly criticizing the United States over the deportations, the AP reported. However, he did say that conflict and inequalities drive migration. "We do not wish to challenge the right of a sovereign state to control the entry borders into its territory, or to send back to the country of origin those who enter a country illegally," Henry said in a recorded video address to the U.N. General Assembly. But, he added, "human beings, fathers and mothers who have children, are always going to flee poverty and conflict."

ECONOMIC NEWS

Ecuador's Lasso Proposes New Labor Regulations

Ecuadorean President Guillermo Lasso on Friday submitted to the National Assembly new labor regulations and a tax reform seeking \$700 million in additional revenue as part of his government's broad economic reactivation plan, Reuters reported. His proposals will require approval from the legislature, where Lasso's party does not have a majority. Ecuador's oil-dependent economy has struggled for years under low crude prices, a situation exacerbated by the Covid-19 pandemic, which left 5.8 million people without a permanent job. Lasso recently renegotiated a financing agreement with the International Monetary Fund worth \$6.5 billion for earlier disbursements. "The proposal I am leaving in your hands today is of an urgent economic nature, and it is unpostponable," Lasso, who came into office in May, said when outlining the so-called Creating Opportunities plan to the legislature. "What we are presenting is reasonable," he added. The new labor laws would seek to stimulate telecommuting and allow more flexible work hours. Meanwhile, the tax overhaul would raise income taxes for citizens who earn more than \$24,000 annually, or about 3.5 percent of the

NEWS BRIEFS

Nicaragua's Presidential Election Season Begins Without Opponents

Nicaragua's presidential election season officially began Saturday with no opponents to President Daniel Ortega, Agence France-Presse reported. Since a widespread crackdown that began in late May, several candidates who would seek to unseat Ortega have been placed under arrest. Ortega, who has been Nicaragua's president since 2007, has again chosen his wife, Rosario Murillo, the country's vice president, as his running mate.

Brazil Schedules 5G Auction for November

Brazil's government has scheduled its long-awaited 5G mobile spectrum auction for Nov. 4, government officials announced on Friday, Reuters reported. The government expects to raise around 10 billion reais (\$1.87 billion) based on the minimum bids allowed, the officials said. The highest bidders will be required to invest about 40 million reais in 5G infrastructure, the government said, with the level of capital expenditures part of the bid value. Full rules for the tender are expected to be published today.

Natural Gas Firms Will Face Higher Taxes: Peruvian Prime Minister

Peruvian Prime Minister Guido Bellido on Sunday said that firms that exploit natural gas in the Andean nation will be required to pay higher taxes or else face nationalizations, Reuters reported. Peruvian President Pedro Castillo softened the rhetoric some after Bellido's comments sparked investor concerns. "Any renegotiation will take place with unrestricted respect for the rule of law and to ensure national interests," Castillo said on Twitter. "The state and the private sector working together for a better Peru," he added.

economically active population, Lasso said. The plan would also create a two-year tax for people with more than \$500,000 in assets and a one-time tax for firms with more than \$1 million in assets that registered a profit in 2020, Reuters reported. In addition to the labor and tax reforms, Lasso's administration has focused on bringing in private investment and slashing the country's fiscal deficit by half next year in a bid to stimulate the economy. [Editor's note: See related [Q&A](#) in the Sept. 17 issue of the Advisor.]

Venezuela, Iran Reach Oil-Swap Deal to Avoid Sanctions

Venezuela has reached a deal with Iran to swap the Andean nation's heavy oil for Iranian condensate that Venezuela can then use to improve the quality of its own crude, with the first cargoes due as soon as this week, Reuters reported Saturday, citing five people with knowledge of the matter. The deal between Venezuelan state oil company PDVSA and the National Iranian Oil Company, or NIOC, snubs U.S. sanctions imposed on both countries. One of the sources said the swap agreement is set to last for six months in the first phase, and then possibly be extended. Neither the oil ministries of Venezuela and Iran nor PDVSA and NIOC responded to the wire service's request for comment. Any "transactions with NIOC by non-U.S. persons are generally subject to secondary sanctions," the Treasury Department told Reuters in an email about the deal. Venezuelan President Nicolás Maduro has been looking for alternative buyers of Venezuelan oil since the administration of U.S. President Donald Trump slapped sanctions on the country's oil sector in 2019. PDVSA "has been able to deal with high-cost sanctions and has managed to increase crude production modestly, selling crude to a high-risk offtaker [and] ensuring significant cash flow," Antero Alvarado, managing director of Gas Energy Latin America, told the Energy Advisor in a [Q&A](#) published Aug. 6.

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again lagging. The original architects had a clear vision: not a forum to address simple trade irritants but rather a platform where senior leaders from both governments could together chart a course for the 21st century economy. So while the return of the HLED is welcome news, whether it can live up to its vision, and the lofty rhetoric that accompanies it, is to be determined. It is not clear, honestly, whether Mexico, under AMLO, sees in the United States a true partner with which it wants to cast its lot. It's equally unclear if the United States sees in Mexico a strategic ally or a demographic threat to be managed. No official, in either nation, has yet to show the kind of inspired public leadership to suggest otherwise. The HLED could and should be a critical weapon in the fight not just to build back better, but to ensure North American leadership for decades to come. Achieving that will require a commitment and political will we have yet to see."

A **Gerónimo Gutiérrez Fernández, senior advisor at Covington & Burling and former Mexican ambassador to the United States:**

"I would describe the relaunching of the HLED as the beginning of a conversation on economic issues—beyond USMCA—between the López Obrador and Biden administrations. I am pleased that the governments are relying on institutions to manage their relationship. Over the years, this has proven to be the right approach. Notwithstanding the fact that the meeting is a positive and welcomed step, the usefulness of the HLED will depend on three factors: the extent to which both administrations actually share an economic vision for the future—something that thus far is not clear—effectively articulating work with the private sectors and having diligent follow up after the meetings. The HLED's central pillars that were announced are appropriate, but the work program needs to be further fleshed out. The HLED has always been about implementing trade and investment facilitation policies

that help us take advantage of our commercial agreements (previously NAFTA and now USMCA). Similarly, having sufficient and modern infrastructure, including land border crossings and ports, is key for our overall competitiveness. All of this makes even

“Energy cooperation is no longer part of the agenda because it is an area of disagreement...”

— Gerónimo Gutiérrez Fernández

more sense in the present context of supply chain reconfiguration and resiliency. Promoting development in Southern Mexico and Central America is now part of the HLED's agenda. This is certainly an important objective, but it will prove challenging unless Mexico can present specific projects that are well thought out. By the same token, energy cooperation is no longer part of the agenda because it is an area of disagreement. I think this is a mistake, because the HLED is precisely intended to facilitate dialogue. Finally, I think that both administrations should consider that time is of the essence. Most of the things we are talking about are not easy to accomplish and will require a lot of work in order to get results, especially in the short and medium terms."

A **Myriam Rubalcava, economist at Citibanamex:** "The relaunch of the HLED is a welcome shift toward re-establishing cooperation and diplomacy as the main guiding principle of the economic relationship between the United States and Mexico. However, the original goals set up in 2013 when the HLED was first created have changed. While efficiency gains and productivity enhancement were at the top of the agenda, the Covid-19 pandemic made evident that there are some major flaws that make the North American

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manufacturing system very fragile. Building reliable supply chains is now a strategic priority to the United States. It aims to achieve it by expanding domestic production of critical goods, but also by engaging with its main partners to bring consistency within their own supply chains. For Mexico, this is also a desirable goal, as Mexico has struggled in recent years to attract new investment, and a joint agenda to develop priority sectors for the United States and Mexico should help to rebuild investors' trust. The alignment of interests for Mexico and the United States is evidenced by the fact that the only tangible outcome from the recent HLED meeting in Washington was the Bilateral Supply Chain Working Group. There are clear incentives for the two countries to cooperate and build resilience in face of future challenges from climate events or geopolitics. However, there are also some major misalignments that will need to be addressed. The most obvious one is energy: while the U.S. administration aims to develop a sustainable supply chain, AMLO will continue to push for hydrocarbons. Since the HLED involves other stakeholders such as NGOs, the private sector, academia and workers' representatives, a consensual view may help to advance on the most polarizing topics."

A **Tara Hariharan, director of global macro research at NWI Management LP:** "The HLED has been revived as a 'strategic, measurable and goal-oriented platform' for the United States and Mexico to jointly tackle regional economic and social priorities such as growth, jobs and reduction of inequities. It currently envisions four pillars: 'building back together' with economic integration to boost regional competitiveness, sustainable development in Southern Mexico and Central America to stem the causes of migration, compatible regulatory policies for digital communication and building an

inclusive, competitive work force. These pillars echo the original HLED's intentions to promote regional competitiveness, foster growth and productivity and develop human capital. Additionally, the HLED now creates a Bilateral Supply Chain Working Group focused on making regional supply chains less vulnerable to disruptions and more

“ U.S.-Mexico supply chain integration will likely be gradual, not a quick fix...”

— Tara Hariharan

competitive (to nearshore activity away from China amid U.S.-China tensions). This could entail further U.S.-Mexico supply chain integration and complementarity, especially in semiconductors and electric vehicles. Building modern, safe border infrastructure is also key. While the renewed HLED is a welcome rapprochement between Mexico and the United States, its potential is tempered by discordance on some trade and economic issues. Under the USMCA, the United States has increased its scrutiny of Mexican labor rights, and Mexico opposes strict U.S. requirements on regionally made content in tradable products. The United States is concerned that Mexico's 'Fourth Transformation' push for sovereignty includes policies that may shut Mexico's energy sector to private and foreign companies. Furthermore, U.S.-Mexico supply chain integration will likely be gradual, not a quick fix to address pandemic-era supply bottlenecks or replace well-entrenched, competitive Chinese supply chains."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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