

Hearing Transcript

Senate Foreign Relations Subcommittee on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights and Global Women's Issues Hearing on the U.S.-Mexico Relationship

March 29, 2017

RUBIO:

The Senate Foreign Relations Subcommittee on Western Hemisphere, Transnational Crime, Civilian Security, Democracy, Human Rights -- you guys know the committee. It -- it comes to order. It's a long title. We've got the longest name of anybody.

The subcommittee comes to order.

UNKNOWN:

(OFF-MIKE)

(LAUGHTER)

RUBIO:

It is. No, they're all good. They're all very good. But we've just spent too much time talking about the title of the committee or the -- the -- anyway -- and the title of this hearing is the U.S.-Mexico Relationship: Advancing Security and Prosperity On Both Sides Of the Border.

We're 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's held.

And 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'll discuss a topic that I believe is both timely and important and that is how we can continue to advance deep economic security and people-to-people ties between the United States and Mexico that have proven to be vital for the well-being 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 D.C. He's been on the job now for about three 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 is the transit point is to the United States and it's 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 dollars 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 to 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 - 64.7 percent increase.

Virtually all of Mexico sourced (ph) 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's 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 to work jointly to further advance and protect the 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 three 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's 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 isn't 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 don't have to migrate to the United States illegally, at least not at the levels we've 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 interests 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.

MENENDEZ:

Thank you, Mr. Chairman. And -- and -- there's 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. My good friend, Bill (ph) Richardson, for traveling here today. I -- 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'd like to start by outlining some facts. And while I'm 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 for 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 to addressing these children and families fleeing violence and poverty.

The United States and Mexico have a nearly \$600 billion dollar 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 dollars.

After Canada, Mexico is the most important trading partner for the second largest trading partner export market with Mexicans consuming more than \$240 billion dollars of U.S. goods.

Mexico plays a distinctive role in U.S. trade overall due to the unique nature of integrated supply chains.

Around five 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 the wall along the entire U.S.- Mexico border and the more ludicrous proposition that Mexico would somehow pay for this wall.

I'll start by noting that the last time a nation tried to wall itself off - in East Berlin in the 1940s - that didn't 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 goodwill 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 who's 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 eight to \$25 billion dollars this project would 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 doesn't 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 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 Superstorm 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 interest 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 improve 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 counternarcotic 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 authorities 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 immigration and generally more stable and resilient communities better able to (inaudible) our property 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 to 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 arrows (ph) of cooperation and growth.

I look forward to hearing both of your testimonies and engaging in a dialog Thank you, Mr. Chair.

RUBIO:

Thank you, Senator Menendez. And just as a side note, my understanding is next week there will potentially (ph) be a working coffee (ph) with the foreign minister of Mexico. He -- he was saying Mexico so I got to work that in there, too.

And -- 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's really important to establish those bonds, both with our counterparts in the Mexican senate and also in the foreign ministry.

Thank you both for being here. And Governor Richardson, thank you. Look forward to your testimony.

RICHARDSON:

Thank you, Mr. Chairman and members of the subcommittee. I'm not going to enunciate (ph) the friendship that we had with those outstanding three members of the minority.

And Mr. Chairman, I've always respected you and your knowledge of Latin American -- your excellent Spanish which I hope you try to match Senator Menendez. It's -- it's...

RUBIO:

It's not as good as Senator Kaine's but we're working -- we're both working on it.

(LAUGHTER)

RICHARDSON:

Mr. Chairman, I -- this is a very important hearing and I'm glad you're focusing on the U.S.-Mexico relationship.

I've 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've never seen the relationship in such bad shape as it is today.

It's in tatters (ph) and steps need to be taken to better one of the most important relationships we have, I think, among the top three countries that the United States has. I won't name the others but it's obvious I think Mexico is one of those.

And I'm extremely concerned that we're 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 -- and I commend Senator Menendez.

I know you did an event a couple of days ago on that issue. Eleven million potential deportations. It's just -- the government to government relationship is -- is shaky but I worry about the relationship between the American people and the Mexican people.

There is resentment. There is -- they feel insulted - the Mexican people. I -- I spent quite a bit of time there. My sister lives there. And -- and -- and I'm concerned.

And -- and I think it's important that in the course of the hearing, Ambassador Noriega and I may be -- might have some suggestions on -- on what to do about it.

My worry is that what we have is a Mexican election coming up in I think it's 16 months, but the election really starts in five 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 the -- the Senate and the House, there's great concern about funding the wall. I hope that is abandoned.

I hope the import tax discussion ends. The NAFTA negotiations -- yeah, I think the U.S. NAFTA relationship needs to be modernized. But I think the -- an acceleration of those negotiations need to take place. Otherwise they're going to head into these negotiations into the Mexican election period.

I would also add that, echoing the -- 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's health, whether it's terrorism, whether it's immigration, whether it's crime is -- 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 is -- 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's an extraordinary level of collaboration between the U.S. and Mexico to address terror threats, capture dangerous criminals -- you mention 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've got to be careful, especially with families and children.

But you know, 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's our third largest trading partner.

Mexico's 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 U.K. 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 and the U.S. was \$52.5 billion dollars. I think those most concerned with the NAFTA negotiations, with the breakdown in trade are our agricultural people.

I know there are issues in Florida, but if you look at Midwest corn, \$2.5 billion dollars 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 -- and I am sticking to my five minutes here. I -- I see this thing glaring at me and I will observe it because I think the -- the best questions can come in a -- in a dialog

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 with crime, on issues relating to heroin addiction, issues relating to immigration was exceptional.

And the worry that I have is -- is the border states, the 12 border states -- because we're 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 -- that would be jeopardized

So my hope is that in the next few months, sooner the better. I think this subcommittee can play an important role because I see right now the executive branches 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.

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

RUBIO:

Thank you, Governor. Ambassador Noriega?

NORIEGA:

Thank you. Good morning, everyone. Mr. Chairman, Ranking Member, members of the committee. It's an honor to be with you this morning to discuss the importance of Mexico to our prosperity and security and it's potential importance in terms of foreign policy interests of the United States.

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's taking shape in Venezuela.

It's 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 and do more to realize the full potential of NAFTA and of our law enforcement cooperation. But it is precisely why a respectful dialog 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 dollar 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 -- 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 dollar 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 billion on NAFTA more generally. And Mexican companies have invested \$16 billion dollars in the U.S. economy - \$3.7 billion in manufacturing.

There's 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 terrorists.

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 legal drugs and immigrants bound for our Southwest border.

In recent years, not many folks would realize, Mexican migration authorities have interdicted 560,000 persons - mostly illegal (ph) immigrants from Central America who are headed for our border. That's half a million people who didn't 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 -- 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 track the capital it needs to build a more modern economy.

It's 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 dialog, 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 it -- 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 who's 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.

RUBIO:

Thank you both. I'll just begin with an observation and then I'm 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've heard all the facts and figures about NAFTA but -- and -- and so there are winners and losers in any arrangement.

So if you're a corn farmer in Iowa, NAFTA's been very good for you. If you're a dairy farmer in upstate New York, NAFTA's been very good. If you're a tomato grower or a strawberry grower in Florida, it's been more complicated and more difficult. And so that's the dynamic we have internally and it's important to reexamine that.

But here's the broader question that I have. Irrespective of whether that's a legitimate -- we're not complaining -- I think there are legitimate complaints about the way NAFTA's impacted certain sectors of our economy. That would be true on the Mexican side as well.

But the Mexican people are proud people. We talk about nationalism. There's nationalism in every country in the world and that includes Mexico.

And here's the broader observation that I have. We forget that Mexico is not just a democracy but a vibrant one.

It's leaders are elected and if they find themselves in the cross-hairs 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 has on the broader politics of Mexico in creating a space -- we're not going to mention anyone by name. I'm 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 of these issues we've 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 borders. Something we have never faced in modern history of this country.

I want -- obviously, it's up to Mexican people to decide what future they want and who they're going to vote for in the upcoming presidential race and we shouldn't try to influence them 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 you as policy -- what will this hearing look like in two to four years if a leader like that assumes the presidency in Mexico partially by capitalizing on -- on some of the rhetoric we see here in the United States?

RICHARDSON:

Well, Senator, you make an -- 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 five months and you want to -- 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 -- a -- a vibrant issue. You want to eliminate the -- the statements made in the presidential race and the policies that have been initiated and -- and dealing with the issue on 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 -- 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 -- 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 -- was being debated and -- and things have changed enormously.

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

Issues related to manufacturing. You know, the -- you mention Venezuela and my colleague, Roger Noriega, is an expert on Venezuela. The danger if there's an abrogation (ph) of NAFTA is China has invested \$30 billion dollars in Venezuela - \$30 billion.

And they are going to take over the vacuum if NAFTA and the United States and Canada don't reach an agreement. There's -- there's potentially a geopolitical threat, too.

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

NORIEGA:

Yes, Mr. Chairman. I -- I certainly agree that some of the rhetoric, the ill-informed characterizations of our relationships with Mexico and that Mexico's 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 to prey on our people has a very serious negative impact on the relationship between our -- our two peoples.

And most folks on both sides of the border understand that that's not true and that that -- that kind of rhetoric does not really reflect the nature of our mutually respectful relationship really -- relationship among family members, in certain ways.

Certainly, when the Mexicans reflect on -- on NAFTA, they probably have a long list of issues that they'd like to take up with us. And my guess is that those negotiations would carry on in -- in a quiet way for four or eight years, however long it takes.

And in the meantime, the decisions that the United States makes arbitrarily or unilaterally to go beyond the framework or the agreement of NAFTA would be a great relief to every Washington law firm that trades in -- in trade law. And it would be tons of disputes.

I don't think it's a short run exercise. I -- I think they can maybe lay the ground work for these kinds of discussions. Set up working groups between our two countries once we actually have people on our -- who can be on our side of the table in those discussions. But it would be a -- a -- a very complicated, drawn out process.

But I think it's important to note also, and I'm -- I'm sure really everyone here would probably agree with this, the anxiety among the American people about lost jobs, about illegal immigration is genuine anxiety that's 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 -- and I think there has to be an essential (ph) understanding that with global trade you can find win-wins generally in trade agreements.

And that's -- that's tough work. But it is -- it -- it makes sense in terms of improving stability in the world. In this case, economic activity and health prosperity on our borders so we can knit together mutually beneficial arrangements. That makes a lot of sense.

So the trade agreements generally are -- are -- are important, but we have to find ways to address that anxiety of the American people, that they haven't worked in our interest.

And part of that, in the short run, is better information about -- it tells the truth about the -- about the mutual benefits.

RUBIO:

Thank you. Senator Menendez?

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?

RICHARDSON:

The answer's an overwhelming 'yes', Senator. I -- I think the cooperation on extradition, on drugs, on cartels should be enhanced.

I know the Congress budgets several billion dollars for this, but I think it's important that -- not -- not just be reestablished -- but you know, what has happened since the time period of December and January, some of these visits (ph), some of this cooperation, military cooperation has -- has -- has stalled.

You know, the Mexicans are kind of waiting to see what's going to happen when the import tax, with the wall, with deportations, with a bilateral relationship with NAFTA. There's some instances where these joint visits (ph) -- just joint cooperative agreements have been...

MENENDEZ:

So shared -- shared responsibility should be a mutual goal, I would think.

RICHARDSON:

Absolutely.

MENENDEZ:

Ambassador Noriega?

NORIEGA:

Absolutely.

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 can't ultimately, unilaterally renegotiate. You can move out of NAFTA totally if that's what you think is -- I don't advocate that but if that's what you think is the right way.

But that's shared responsibility to go ahead and renegotiate in a way that would benefit the -- the three countries involved.

If you want to do a better job on stopping the flow of narcotics which ultimately comes through the 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 a Central America migration, Mexico could just say, "You know what? We're not going to do anything. Let them go over 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 -- 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 -- 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 (ph) about Mexicans, it -- it drives the poll numbers of its right-wing candidate -- 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 won't 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 -- 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 -- we -- we as a country often seek to engage other countries to have more liberalized economies, to end state-controlled entities. You know, Mexico's taken a number of practices (ph), they have 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 that says, you know, "That -- that - - that was the United States urging us to do that and they're 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?

RICHARDSON:

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

You also have the pulpit room - the bully pulpit room. What I would do in this shared responsibility is number one -- I think the -- 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 Pena Nieto for a visit in the U.S. The relationship is in bad shape. That's 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 the 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 -- to trade, issues relating to commerce across the board.

Let the Commerce and State Department lead the interagency process. Keep it out of the White House. I'm very concerned about this channel that the foreign minister and the president's son-in-law have established that kind of --forget the State Department. I mean, the foreign minister of Mexico came here, didn't even go the State Department. It think that's a mistake.

Institutionalize the relationship. I think you're 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 populous nationalism and anti-Americanism that could become part of bilateral negotiations.

You know -- and then there's the areas -- stop talking about the import tax. Stop talking about border taxes. We're 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 dollar export? Talk to American farmers. They're in Mexico all the time. They've benefited from this free trade. You know, these are the -- the not doable right away.

I'd forget about this wall. It's unworkable. It sends a terrible message. It's not going to work. Most of the illegal immigration comes in in containers. It's Central America, smuggled, deportations.

Focus on the criminals and deportation, not have blanket -- there are people in -- in New Mexico in our border states and in Colorado that are -- that are being deported, I believe, unfairly.

So Mr Chairman, the long-range issue, and -- and you've all worked on this, is comprehensive immigration reform. I -- I -- 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 a cartel violence, more to deal with the corruption issues.

I think President Pena 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 bilateral relationship that only I think a president can -- can handle at this stage.

RUBIO:

Thank you. And just as a -- I'm 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 a Mexican middle class. That's actually grown exponentially (ph) 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. And then you kind of -- because of the lower or the higher you start, the better your ultimate outcome can potentially be.

In the political world, there are consequences to taking a tough line at the start of a negotiation. And that's what both Senator Menendez and I's question was geared towards is that the impact of a tough line that you think you're 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, you know, where -- where you're only -- it's only about dollars and cents.

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 emphasizes, reinforces your point.

RUBIO:

Senator Gardner?

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 -- are very compelling. Forty eight percent of all Colorado goods that are exported -- we're a strong export state. About eight and a half billion dollars 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. 265,000 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 -- 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's a great macro argument to make.

The micro argument that some factory towns can make in the Midwest or perhaps Northeast United States is that the factory closed and they lost 20 jobs.

So while Colorado made have added thousands of jobs, their small town lost 20 jobs. So it's a -- a difficult argument that we have to make. This is a -- a macro benefit and how do you make sure that even at the micro level, it's understood?

So I appreciate the chance to have this discussion. United States is unique around the world and a strong relationship with Canada and Mexico, we're 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 dissemination 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. Making sure that we have a rising tide in every nation that -- around the globe and particularly in North America.

The better Mexico does, the better Canada does, the better we do. And so this opportunity gives a chance to have that discussion and I appreciate that.

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

And secondly, just a couple of the Merida Initiatives. Which do you believe have shown the most promising results so far?

So either one of you could take this question.

NORIEGA:

You want to take the NAFTA part?

RICHARDSON:

Yeah. On -- on the NAFTA issues -- and Senator, by the way, one statistic that -- that I -- 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 dollars.

And I'd like you to share a little of those tourists that go to Colorado with us and New Mexico. You're getting a little too much of (inaudible).

GARDNER:

I was going to say they're -- they're skiing up -- I don't know what they're doing in New Mexico - - they're skiing, I don't know, in Colorado.

RICHARDSON:

I think the process has to be, Senator -- look, you're intimately involved. NAFTA - I was around - - I think I'm the only human being around when this passed in the '90s.

I was the Democratic whip. And it was a bipartisan effort, by the way, the House and the Senate. Newt Gingrich was the Republican whip and I was the Democratic whip to get the votes.

And it was '93 and -- and Congress had to approve -- I think it depends on the scope of the changes to NAFTA -- whether it comes back. If they're considered technical. It might not but you're going to have a role regardless.

What first has to happen is that 90-day consultation period. That has to be triggered by all sides and I think Mexico's concerned that the U.S. hasn't triggered that. That it hasn't happened.

The secretary of commerce said it's 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.

So you wanted to do this?

NORIEGA:

Certainly, certainly. Senator, also adding this. I mean, the U.S. public law would have very specific expectations of the administration pre-consulting with the Senate Finance Committee and the House of Ways and Means Committee and 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 -- were to bring any agreement back.

But I think those will be sort of long-term objectives. Perhaps the two countries, two leaders could make some broad statements indicating what's on the table to initiate this process.

But I think that the -- the negotiations would be very technical at the working level and would have -- would be sort of a very low profile exercise, I think, which would probably be helpful.

And I wanted to just comment, Senator, that I think it's -- that your very positive way of looking at this relationship and the benefits from trade generally is extraordinary -- is really extraordinarily helpful and constructive that -- 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.

But Senator Rubio used the expression that was running through my head this morning thinking about this: it's not all dollars and cents.

I was in Colombia yesterday and we have to understand that these agreements aren't just about trade. Yes, we want to -- 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 since NAFTA increasing -- tripling since NAFTA was passed and in point of fact, five-fold trade among our countries since NAFTA was passed. And that's a positive macro economic good.

But it's also fortified Mexico's move toward representative of democracy. It's cemented its commitment to the rule of law, to where they're a partner with us in addressing 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 heat. And there are hundreds of thousands of Mexicans dead today that weren't five or six years ago, precisely because Mexico decided -- Mexican authorities decided to stop that flow.

There are some people in Mexico and -- and not so intelligent people who say that the United States should step aside -- I'm sorry; Mexican authorities should step aside and if the Americans want their cocaine or their heroin they should have it, but why should we pay -- Mexican people pay a price, in very serious terms for -- for standing with us and fighting -- 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're more competitive economically with our -- our real competitors in Asia and -- and Europe.

Being able to have those -- that -- that intimated, integrated relationship benefits us in broad ways, as well, and -- and -- and having a good ally in fighting drugs is really -- is indispensable.

GARDNER:

Mr. Chairman, I see I'm out of time.

I, las year, had the opportunity to visit Mexico, visit the foreign minister, and would love to continue our conversation on the Merida Initiative because it was something I'd like to follow on.

Thanks.

RUBIO:

Thank you.

Senator Udall.

UDALL:

Thank you very much, Chairman Rubio.

And -- and let me just say to Senator Gardner, we -- we do everything we can as those skiers move through -- from Mexico, through New Mexico, to keep as long as we can. We've extended our ski areas just this -- say extended the opening, so we're going to do everything we can to -- to keep them from going to Colorado.

Governor Richardson and -- and Ambassador Noriega, wonderful to be with you here, and this has been an excellent discussion. I think one of the points that you've made that I think is -- is very important is treating Mexico like an equal. And I think the -- what we've seen in this relationship with the President and the President of Mexico is that hasn't been the case.

It's been a very kind of condescending approach and I -- I -- 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'm wondering what both of 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?

RICHARDSON:

Well, the -- 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 -- just they considered some of those measures a bit intrusive, but nonetheless, I think they -- they're -- they've been resolved, a lot of those problems.

So, yes, the Merida Initiative I believe should be continued. It involves helicopters, military cooperation, cartels. You -- look what Mexico did right after our election. They sent El Chapo. They extradited. They continue with these extraditions, as you mentioned a number of statistics that -- that are so important.

On - 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've done a lot on our border to enhance ties, 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 -- that needs strengthening.

But I think you hit the nail on the head. You know, the United States and Mexico, we're bound together by geography, by trade, by family, by culture, by affinity. We're -- you've got several million Mexicans that are in the United States, that are voters, that are -- that the Hispanic -- growing Hispanic community.

And then you've got the 11 million that are worried about deportation, that -- that are -- it's a very tense situation. They're scared. This is not America. I think -- and -- and we've mentioned the economic ties. U.S. and Mexico economies, they don't compete with each other. We complement each other. We make each other more competitive in the global market.

And, you know, across the board, let me just say something about some of the immigrants that are (ph) in all of our states. They're not violent criminals. They're patriotic. They -- they want to work. They're hard-working. They make enormous contributions to the American economy.

I mean what's 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, the Albuquerque Journal yesterday basically said that the New Mexico economy is dependent on immigrants. It's 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 -- 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's not happening...

(CROSSTALK)

NORIEGA:

May I just jump in real quickly, Senator.

I'm one of those, and I -- I suspect Governor Richardson is as well, who sees the border as where our two nations are -- is -- are joined, not where they're 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.

UDALL (?):

Yeah.

NORIEGA:

And so -- I mean that's -- that's -- that kind of -- and so how do we make it safe for people on both sides, for commerce on both sides, and there's all -- all sorts of -- sort of private sector cooperation, as well as government cooperation, which will be -- which will be -- fortify the relationship in terms of security and -- and opportunity to prosper.

UDALL:

Thank you.

And may (ph) -- 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 -- the Mexican federal entity. You -- you travelled a lot there. You were -- you were a real presence and I think that's the kind of cooperation that's needed.

And -- 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've done a lot of reforms and they've made great strides there.

So, I -- I think there's a much better approach than this accusatory approach that they're using -- that the President's using. So I thank you both. It's been a very good discussion, and I'm hoping that Senator Kaine's going to ask you some questions in Spanish.

RUBIO:

All right, Senator Kaine.

KAINE:

Oh, I -- I welcome -- and thanks, Mr. Chair, for doing this great hearing. (SPEAKING IN SPANISH).

But I do want to say this.

(CROSSTALK)

RUBIO:

It's very good -- very good Portuguese.

(LAUGHTER)

KAINE:

Sadly, I am now up against a hard stop and so all I'm 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've ever met that my children thought was cool.

And (inaudible) start right there. Here are my two questions, one for Governor Richardson and Ambassador Noriega.

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

And then, second, Ambassador Noriega, you had a wonderful point in your written testimony, quote, on page three, "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.

I'm on the budget committee too. We're 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've got the best part of me by having my staffers listening to those two answers, if you would -- if you wouldn't mind.

RICHARDSON:

Senator, I know -- I know you're on your way out, but what you didn't mention is when I worked for Governor Linwood Holton, he was -- he's a Republican -- moderate Republican. So I stated my career working for Republicans.

I've since come to my senses...

(LAUGHTER)

RICHARDSON:

No, I'm just kidding.

But -- but he was a wonderful, wonderful human being and I -- I appreciate your kind words. So I'll give a good answer now that you're leaving.

(LAUGHTER)

RICHARDSON:

You know, I -- 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. The Secretary of the Economy, Ildefonso Guajardo has said the -- you know, we'll retaliate on -- on the \$2.5 billion corn from the Midwest.

You don't want a trade war. It doesn't make sense. It would hurt both countries, possible violation of NAFTA. I think that should be taken off the table. And initially I think it was put in there as a way to pay for the wall.

But that -- that should be totally taken off the table, because I mean we've all outlined the -- the commercial relationships that -- that exist today between the United States and Mexico, across the board, the statistics that show that Mexico's our third-largest trading partner.

In other words, Mexicans buy the 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 a border or an import tax, besides ruining, I believe, a very productive bilateral relationship in these areas where we have, Senator Menendez (ph), a shared interest; cartel cooperation, security cooperation, immigration cooperation, endemic disease, environmental issues, issues relating to extraditions, to the DEA, across the board.

NORIEGA:

Well, if I could just follow up on the issue of -- of the drug cooperation.

Obviously both countries are impacted, as I mentioned before, by transnational organized crime attacks already weak institutions in Mexico and the inability of the state of -- at least at the federal level, to deal effectively with that, and at the -- at the state level, a lack of political will.

And previous President of Mexico Felipe Calderon initiated a frontal assault against these organized crime organizations and managed to splinter them. But you didn't have the kind of coherent, comprehensive strategy sustained by him, or for -- for that matter, certainly by his successor to deal with the splinters that were left over.

Also, Mexican institutions are too weak. They don't have a sufficient number of -- they don't have a sufficient criminal justice system, either prosecutors, you know, prison staff to deal effectively. So if -- 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 an internal -- internal affair, for it to get its arms around this criminality, they have to make a serious commitment to -- to those kind -- that kind of criminal justice reform and fighting corruption, which is -- which is endemic.

And I think it -- 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've really fallen far short of any of our objectives.

And it's fair to say we need to -- to -- to -- to renovate that and also consult with the Mexicans about what more we can do to attack transnational organized crime using asymmetrical tools like 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 to -- because these guys are not in the drug business for pharmacology. They're in it for the dollars.

And -- and it's one thing for this activity to be taking place overseas where maybe we can't 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.

RUBIO:

And, Ambassador Noriega, you mentioned the institutions that are -- the 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 -- this is the good news in sort (ph) of institution is the Mexican Navy. The Mexican Navy's been an extraordinary partner -- liaison to the United States. They've proven not just capable, but willing of confronting many of the challenges that are going on.

And in fact they've taken on increasing law enforcement responsibility and there's opportunity there. No, Mexico's not destitute. They can afford to buy a lot of this equipment. But there are sales and -- 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.

Then that liaison relationship with the Navy of Mexico is a phenomenal relationship and -- and it's one of the institutions that -- that I hope we'll continue to work closely with.

Senator Shaheen.

SHAHEEN:

Thank you, Mr. Chairman, and thank you both for being here. Governor Richardson, it's nice to see you again.

I just wanted to respond to both of your focus on the economic relationship with -- between Mexico and the United States, because as governor I took a trade mission to Mexico because that's 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's important to point out that, as you all have suggested, it's 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. And the big -- it's 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 -- what would potential cuts that we're hearing about for the State Department, and we haven't 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?

NORIEGA:

I must say that, you know, Mexicans are already asking themselves why they're still in this fight, when they see drugs being legalized in the United States, not to take a position on that subject. But they -- the fact is, they are asking that question, you know, even just -- even just the marijuana.

But why are we in this if the Americans are -- are -- are not -- don't have the resources behind, fight or -- or are actually changing their public loss to -- to -- to minimize criminality -- or decriminalize, I should say. So that's, you know, where we are in the discussion.

And in terms of the cooperative -- cooperative agreements that we have and the resources -- the material resources that we provide, the training, technical advice, money to -- to -- to -- to fully field these activities, it's really essential. It shows a level of -- of commitment and whether we're -

- we're going to be in -- engaged in a serious way, because they're running serious risks by engaging with us. And they do have alternatives, which is, you know, 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, you know, speaking out against those things.

And -- and -- and the people that think they're engaging in, sort of quote, unquote, recreational drug use are sowing mayhem and chaos up and down the -- our continent. The -- when -- and when -- when unaccompanied minors throwing themselves over the U.S. border, part of that is that their economies -- their agricultural economies have -- and their societies in general have been decimated by criminality sown by this -- this trade in these illegal drugs.

The Mexicans are -- are -- are going to -- you know, they're concerned about their own consumption problems too, so I think they're going to continue to carry -- carry that fight forward. But I think it's very important that the United States do two things.

Sit down with them and -- and other consumer and producer countries and have a serious discussion about an overall strategy. And one of the things they're going to want to know is why do we insist on this kind of coercive strategy.

You know, I -- I've been a hawk on this for a long, long time, from when I worked for Congressman Ben Gilman on the House side and, you know, 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 these state resources to interdict drugs instead of looking at other ways of dealing with -- with the market.

SHAHEEN:

Thank you.

RICHARDSON:

Senator, I -- I - I -- I remember when you made that delegation trip to Mexico. I think I had -- I was Secretary of Energy and you wanted to do some...

SHAHEEN:

I think that's right.

RICHARDSON:

... 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 -- in New Hampshire. I spent some time in the northeast recently. And -- 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 the DEA (ph) agents to operate on the ground in Mexico and extradite these drug dealers and dangerous fugitives to the U.S.

Now I think you -- your specific question was on the budget. I think the Homeland Security budget -- some of this would be under Homeland Security.

SHAHEEN:

Right.

RICHARDSON:

It would not be under the State Department, which I hear is maybe 40 percent cut. I hope that doesn't happen and you can stop that.

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

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

SHAHEEN:

That's right. Thank you.

RICHARDSON:

Not just Canada. Good for you.

SHAHEEN:

And we had a great trip and we brought back lots of business.

RICHARDSON:

Yeah.

RUBIO:

Well, Senator Flake has just arrived and I know he's got some questions.

I want to make two points though, and you talk about the Mexican middle class and -- and I mentioned that earlier as well. And -- and that is an important development, in addition to expanding their market, the ability -- I think it really does strengthen both sides of the -- of the country.

But -- but the -- the broader point I would make, and as I've discussed people in Mexican government, the issue of migration. It's of growing concern to them, because they are in many -- they are largely a transit point.

But when people are unable to enter the United States, as is -- 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 become a responsibility on the Mexican to house migrants and -- and others who are coming through the country.

So they have a -- a -- 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 can't ultimately get into the United States, obviously wind up being -- staying in Mexico and becoming a burden to them as well.

So I do think there's the opportunity to work in partnership with them on the issue of their southern border and -- and -- and the broader point of migration.

Senator Flake.

FLAKE:

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

As a 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's.

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 -- alley that runs from the Great Lakes to the Gulf of Mexico.

Obviously the -- the talk of renegotiating NAFTA -- first it was -- talked about tearing it up and then renegotiating; that obviously has an impact, just the talk of it. And -- and I -- I'm concerned about that.

With regard to -- to -- to Mexico, I'd just like to ask the question of Mr. Noriega. Do you believe that just the -- 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 -- is there a problem just by talking down our trade relationship?

NORIEGA:

Well I -- I think -- certainly think there -- there is a problem with that. And -- and for -- and even the idea of being able to muscle certain companies into not relocating their plants, you know, there are Mexican -- Mexican investors who invest in -- in the United States as well.

You know, what if the Mexican government were to turn around and say you can't -- you can't create jobs in -- in Michigan, for example? The -- a company named Rassini is a Mexican company that makes the brakes for Tesla and makes -- has a new contract with Ford.

That's a Mexican company with Mexican engineers and Mexican technology, you know, that's contributing in the long run to our economy. You know, the big winner if we were to, quote, tear up NAFTA would be -- would be China, right here in our backyard.

Not only does NAFTA make us more competitive vis-a-vis China, but the Chinese are, you know, fully prepared to move into Mexico and to use Mexico as a platform, and all of its workers, the industrial base that our -- our relationship helped create to then export China products to the United States or to the rest of the world and to our natural market in Latin America.

There's literally a case in recent days of a -- of a Chinese investment to make automobiles in -- in Mexico, for export into Latin America. So that agreement, obviously, as you know, really better than almost anyone around, because of your -- because of your home state, is good for our -- our - - our interests and -- and the idea of -- of -- 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. That has a real impact on the lives of folks and -- and -- and that's sort of -- and it's really sort of a shame that we sow these kinds of doubts among our -- our very best partners.

FLAKE:

Well, thank you.

RICHARDSON:

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

In addition to that, I -- China would be the main beneficiary. I -- I didn't mention this in my comments, but what we also did -- which I think was short-sighted, although, you know, I seem to be a minority in my own party and -- and everywhere is one of the first steps that was taken in the new administration was canceling the Trans-Pacific Partnership.

That's 11 countries. That involved Mexico. That involved Peru. That involved Canada. I think it was a terrible mistake. China's going to fill that vacuum. We don't want a NAFTA diminishing or a NAFTA derailment or a delay in NAFTA for other countries to move in.

And, you know, I'm just going to give you one example. China, that doesn't have a trade agreement with Mexico, would step in. Days after the President talked about the Ford plant canceling the opening of a factory in Mexico, a company called JAC, Jack, a Chinese automobile manufacturer, announced that it would be opening its first plant in that country.

You know, so there's -- there's -- there's movement that, unless we move fast, we're going to hurt ourselves. And, you know, we're going to hurt Arizona and New Mexico and Colorado and Florida and -- and -- 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, you know, this is -- this is an economic security issue too.

FLAKE:

If you'll indulge for just a minute.

Let me talk for a second about 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, you know, that's the reason we need to renegotiate or retool this relationship, when prior to NAFTA, 1993 I think total trade was about \$60 billion. Now it tops \$500 billion, but we still have a persistent trade deficit, largely because of energy, of only about \$50 billion.

Is there too much fixation on trade deficit?

NORIEGA:

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

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

So there isn't that - that -- that exaggerates -- exaggerates the story.

FRANK:

Thank you.

Thank you, Mr. Chairman.

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 energy -- I know this is a big issue for you; Mexico has energy reform so it's permitting American investment for the first time. And I think that's good for both -- 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, interconnectivity with Mexico's grid is -- is very important. Growing market for U.S. energy exports to Mexico is \$20.2 billion in 2016 and the value of U.S. energy imports from Mexico to us is \$8.7 billion, so we're doing pretty well.

FLAKE:

Thank you.

RUBIO:

And -- and just as an aside, just a 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're thinking about making something and it's at -- even if 40 percent of the content is -- 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's something a lot of people don't realize.

One of things that is -- yes, their labor costs are lower and they actually have very high-skilled labor for the labor cost differential. But one of the advantages 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 -- and expanding, according to what you pointed out.

I don't think we've pointed to that enough, but it is one of the drivers that most people would (ph) say I want the final product to say Made in Mexico, 'cause 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 and a significantly less percentage of global GDP.

And so when we talk about this free trade stuff and undoing some of it, we're almost, in many ways, cutting off our nose to spite our face in regards to -- to -- to -- with -- with Mexico and that comparative advantage that they've built.

Yes, Senator Shaheen.

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 and you were talking about the -- the proposal to build a wall along the border with Mexico.

And -- and I would just ask you. I've -- I've been down to our southern border. I've 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 -- what you think is a better way for us to be dealing with the illegal immigration that we're seeing in this country.

RICHARDSON:

Well first, Senator, my observation, you get up pretty early, 'cause that was very early. I'd just come in from New Mexico so I commend you for getting up that early and listening to me.

I didn't think anyone listened but several very educated members of your staff mentioned the same thing that the wall is a huge mistake. It's a geopolitical mistake. It's unworkable. It's going to cost \$15 billion. Mexican's 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's not through a wall. A wall is also a symbol of rejection, that, you know, we're -- we're saying to Mexico, you're not welcome.

When our immigrants -- and I said this before you came; are hard-working. They -- 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 can not fund that wall. Mexico's not going to pay for it.

Just find other ways to deal with border security; data collection, technology, maybe some of the drone. If you went to the border, some of those are -- work. Increase border patrol agents. Increased 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's kind of dormant. You know, I don't think they've met in a couple years. I think that makes a lot of sense for border governors, U.S. and Mexico to -- to start meeting again.

It' because of this hostility that has happened, so...

(CROSSTALK)

NORIEGA:

Let me -- let me just jump in, if I could.

Now one thing we haven't said explicitly, but which we all understand is how do you stop illegal immigration. The most effective way is economic development. It's NAFTA, quite frankly, and that's why you have a net negative migration of Mexicans out of this country.

And the increase, on the other hand, is -- why? Because Mexico's average wages is now about 60 percent of our wages and the theory always was for -- 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 -- to Central America, where these countries are -- 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 than do -- to do to -- 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 potential -- economic potential to create jobs so people can stay in their own homes.

(CROSSTALK)

SHAHEEN:

Well, you're -- you're absolutely right and we also need comprehensive immigration reform in the United States.

RICHARDSON:

Right.

Now, on that, Senator, you're absolutely right. Border security, yes. A path to legalization, that's needed. That's the -- I -- realistically, I don't know if you -- you should do it, but I don't know if it'll 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's not be in search of a problem. Let's focus on the security issues, on -- on the path -- people say don't say legalization or citizenship. I'm 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're here illegally, embrace American values. Many conditions before it happens and I think that's the most sensible root.

NORIEGA:

I think I -- I think I would be remiss if I didn't raise one point, and -- 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.

SHAHEEN:

I understand.

NORIEGA:

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've created this expectation. And that's just too high a human cost to pay.

I'm -- I'm totally supportive of the idea of immigration reform to modernize all of that. But, you know, let's face it. If you're a Central American, Central America's a pretty nice place to -- to live, grow up, to -- to -- to raise your family.

And they'll do that, of course, if they have economic opportunity and that's something where we can play an indispensable role.

MENENDEZ:

The...

SHAHEEN:

Thank you. Thank you, Mr. Chairman.

MENENDEZ:

The -- the chairman had to leave, but let me close by saying a couple things and then we'll -- we'll close the hearing up.

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 to that which is expressed by the administration.

I'm very heartened to hear Republicans and Democrats alike showing 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'm really heartened by the remarks made by my colleagues here today.

I just want to make one observation. You know, we got something that's impossible these days to get in the United States Senate on controversial issues; 68 votes for comprehensive immigration reform. Senator Flake was part of the Gang of Eight, as I was.

And 68 votes is -- is -- 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 one of the -- some of the most outstanding numbers I've 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've 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 -- I would just say that I'm not sure that I agree with you, Ambassador, that DACA was the driver. I think that violence in Central America, Llamadas, the gangs, the narco traffickers. If, at the end of the day, your choice is to stay and die or flee and possibly live, even if you're caught, you're 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 policies so that we can deal with this.

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

(CROSSTALK)

RICHARDSON:

If I can just...

MENENDEZ:

Yes, Governor.

RICHARDSON:

... amplify on your excellent remarks, I read the paper this morning. It said the...

(CROSSTALK)

MENENDEZ:

.... (inaudible) you can go on forever.

(LAUGHTER)

MENENDEZ:

I'm just kidding.

(LAUGHTER)

RICHARDSON:

I -- I -- in reading the paper, and -- 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 healthcare issue. I'm glad. I think Democrats and Republicans on comprehensive immigration and U.S. relations with Mexico can -- can forge some sensible policy.

So I -- I urge you, on the Mexico issue, to -- to get involved, to put your voices and your appropriation strength on behalf of a relationship that -- I'm going to say it again.

We kind of danced around it. I know the peso's 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 -- we need to cool this relationship down and -- and -- and get it straight again, 'cause it's one of our most important.

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

MENENDEZ:

Well, thank you.

On -- on behalf of the Chairman, let me thank both of you for some incredibly important, enlightening testimony. It's really helped the process here, the debate and the insights.

The record remains open for 48 hours and, with that, the hearing is adjourned.