# PART 2: TRADE, INVESTMENT, AND COMPETITIVENESS

**Kimberly Breier** 00:00

Good morning, everyone. Good morning. So, I got the lucky job of doing double duty today, so I want to thank Milken for that, and appreciate the opportunity to cover both sides of the bilateral relationship. We focused a bit on the security and the vision and the big picture in the first panel, and I want to take advantage of having Ambassador Lazzeri and Sarah Whitten here from EXIM to talk about a little bit more of the trade and investment side of the relationship. First, I'd like to ask Ambassador Lazzeri, you, before coming into this position as ambassador, were at Bancomext and Nafin, and I wanted to get your sense of how did that experience in the banking sector impact your current role?

**Roberto Lazzeri** 00:55

Thanks so much, Kim. And pleasure to be here. Thank you for Milken Institute for the invitation, and congratulations on the amazing work they do every year in bringing this event together in Mexico City. I guess, at the end, being at a development bank, and Sarah won't let me lie, gives you constraints in what you are deciding as public policy. And the constraint is always to set up the right incentives for capital to move, to go. And when we are doing public policy, especially economic development policy, this is even tougher. And this requires even more creativity and a lot more tools to be able to set up the conditions that we can try to enact that policy. By definition, the public policy that we're doing probably would not happen only by the private sector if that was left to their abilities. We are trying, for example, the best case right now is reshoring or nearshoring regarding technology, which we know at this point, it's produced somewhere else because it has cost efficiencies. But then also that has a policy angle that has allowed for vulnerabilities of our economies, specifically our economic bloc. So, to move that, you need to be very creative, and you need to have the public balances to set up the right incentives so that that move can actually happen. That being said, we also have to be very mindful that we are basically representing our countries and our business sector. And having that background from finance allows me to basically say that or understand that at this point, we need to be very careful because we might be increasing the cost of capital in everything that we do. If we're doing a business case that has tariffs on top, then that business case worked a little bit tightening the free cash flow. And we know that free cash flow has an impact on the risk assessment, and it's going to have an impact on the credit assessment and on financing. So, also to be able to speak this language allows me to reach a little bit further of what a typical diplomat would do and try to explain my counterparts that this is a fine balance we're working with. And being in a co-production system as we are, not so much of a plainly natural two-way trade relationship, that we need to be mindful that we do everything with this in mind and with the right set of incentives or the right timing approach.

**Kimberly Breier** 03:32

And just following up on that, obviously the elephant in the room these days is the status of the talks on the USMCA, and I want to get to that. But could you walk us through what you see going on in the broader trade and investment relationship now and where you see the opportunities that are obviously tied to USMCA, but broader than that?

**Roberto Lazzeri** 03:53

Well, one of the things that keep me very optimistic every day is that we, both countries, arrive at the same diagnosis pretty much at the same time. And before Plan Mexico, there was some efforts of having an import substitution conversation with the United States. Plan Mexico is an industrial part that has an import substitution element, that has an incentive element, it has a way to how do we manage to trade with the rest of the countries, not our economic bloc. And basically, the US policies are a little towards that line of thinking. So that is happening in both countries. And what we're seeing in Mexico is that now, especially the supply side part of Plan Mexico, which is a lot of investment, public investment, that took a little bit of time to actually be able to move it forward. As any government, bureaucracy is hard to move. But now that we're seeing that, we're seeing numbers that we hadn't seen before. For example, a growth of our GDP of 1.9 percent in the second quarter of 2026. The IGAE grew 3.5 percent in August, investment 7.5 percent, private investment 9 percent, a record 35 billion FDI, and all this with a 3.45 inflation rate for the last month that is even lower than the US inflation. So, on the margins of USMCA, we see that Plan Mexico is actually having results. But of course, the big bet and the big opportunity is that we're able to do that while we have a strengthened commercial relationship with the United States.

**Kimberly Breier** 05:38

Thank you. And, Sarah, I wanted to turn to you. Could you give us kind of a refresher on EXIM, on EXIM's vision, what it does around the world, and how it thinks about operating in countries, and we can move later into what it's up to in Mexico, but maybe just a primer on sort of EXIM at the macro level.

**Sarah Whitten** 05:59

Perfect, and thanks again to the Milken Institute for having EXIM. And it's always great to sit next to an ambassador who has an extensive banker background as well. That's my personal background as well in the private sector for many, many years, cross-border trade, infrastructure financing. And now I'm here at EXIM leading origination and policy efforts. So for those of you that don't know EXIM very well, we've got $135 billion of appropriations from Congress, of which we have about $56 billion out in exposure at the moment. Now, folks often ask us, "Well, what's your strategy for the country?" Or, "What's your strategy for the group overall in terms of how you deploy capital?" Well, our chairman has come on, just over a year ago, Chairman Jovanovic, with a very clear mission and a very clear strategy that's been articulated externally on numerous occasions. And ultimately it just comes down to four things. And the idea behind this was if everything's a priority, nothing's a priority. So let's make four things a priority. The first is really going back to basics. So EXIM's a 92-year-old organization that was created to support US exporters growing into the rest of the world out of the depths of the Great Depression. So what we're looking to maximize and where we see a huge opportunity in the Mexican market is using our financing to entice US equipment, goods, and services sales into the market here. The second is energy. We really deploy a lot of capital. If you look at from a sectoral weighting perspective, our overall portfolio, the vast majority of it globally is in energy transactions. So that continues to be a big focus for us. And again, it links back to that equipment piece where we see large opportunities for fantastic technology from the United States to be sold. The third is in regards to securing supply chains. So this, of course, in DC there's been a lot of talk around critical minerals and ensuring that we have Western allied supply chains. EXIM, two years ago, we launched this facility that's very unique and very different from what we normally do, where we fund international mining projects that are selling critical minerals to the United States or through an allied country, ultimately to the United States. Excuse me. And then the last is advanced technologies. And this is sort of we're all coming off a lower base. We're talking about superintelligence. And we see a lot of opportunities for regional hubs, SI data centers, SI embedded into the exports that are coming out of the United States. And this is really where we see a great potential for a delta and for an upside. Now, when we look at the market here—at one point in time, Mexico was our largest single market in terms of our portfolio—we hope to get back up to that point. Some of the markets that I mentioned were the key anchors of that, energy, locomotives. We, last year, announced a deal with Grupo Mexico. We've got a longstanding relationship with them, that we look to continue to nurture. And so, we see a lot of different transactions

hitting those various sectors, but where we see a difference in the Mexican market is we see a lot of US content, and that's fantastic because we don't always see that, in some of our foreign competitors or foreign markets. And we see a lot of that in Mexico, and that just speaks to sort of the cross-border trade and the uptick that we're seeing there.

**Kimberly Breier** 09:52

That's great. And I want to ask you guys also a nuts-and-bolts question like on the last panel. So, if you're seeing sort of a promising cross-border project, how do you both think about getting that project from concept to over the finish line? What are the steps in between, and how should the companies out here think about interacting with both the governments and EXIM to sort of pull something over the finish line?

**Roberto Lazzeri** 10:16

I can go first if you want. So, I think the other element that I really want to reckon about Plan Mexico is that besides being an actual plan that you can go and look it up and read it, it has been a coordination tool between the private and public sector. And also it has kept our president at that level very engaged in all that is happening on the boundaries of that. And she opened an investment office in her office, which is led by Mariana Martinez, if I'm not mistaken. And us, she has asked us when we moved to DC that we basically mimic that office and that we are a one-stop shop at the embassy in DC to tend US companies that want to look at binational projects. So, the best way is that either through Mexico, through that office, or through us. And the ability to be in DC helps us a lot because we are in constant communication with the EXIM Bank, with the DFC. If there's an energy project, we'll go and touch base with DOE or DOT. And what we want to do is we try to validate the hypothesis that people are telling us. Usually, a company would come and would say, "There's this project that has interest in both sides of the border." For us, it's really easy to check on the Mexican side, but then we also have the ability to check on the US side. And when we see that sort of alignment happening, then it's very easy for us to, especially as our background as bankers, to think maybe this is interesting to be checking on and talking with our friends at EXIM Bank or at DFC. So, the embassy is open to hear about your ideas, but that's the way that we are seeing things that they could move forward.

**Sarah Whitten** 11:57

And that's really important to us as well. We want the projects to be a priority of our partner nations, as well as for our embassies on the ground. And one of the things that I think is really important for us is we end up financing a lot of these large infrastructure transactions, and we aren't always the only lender at the table. And so where we can come in with a local development bank or a local commercial bank or a regional development bank, or a regional commercial bank, it really strengthens the offering and the total package. EXIM, our involvement is very clear. We need to have US equipment and US technology that is being procured by the borrower, but that's not at the expense of the project. And so, our belief is that our financing can really be used to—well, we've got two metrics, basically, that we need to report back to Congress. This is our scorecard, essentially, is are we creating good quality jobs in the United States? We always have to be able to answer that question. And then ultimately, are we crowding in private sector capital? And so we want our financing to be able to de-risk investments and bring comfort to other private sector investors that normally would not have come into a transaction. And I think what we've seen time and time again is there's no shortage of capital out there. If we look at everything from the development banks to the public sector finance institutions, to the pension funds, there's a lot of capital out there. And if you've got a good quality transaction that's bankable with credible project sponsors, the money will flow. Where we see more of a challenge is if the project is slightly earlier stage, there's some questions around, let's say, permitting or the technology's feasibility. There's some gaps in the capital stack. Matching the type of money at the right stage of the project is so important. EXIM, we're a debt provider, so we typically come in a little bit later stage. Granted, our ticket sizes can be quite a bit higher, but we do come in later stage where feasibility studies are done. It's a bankable structure transaction. Oftentimes, when things sit in our pipeline for a long time, it's because there's insufficient equity. And as much as we've been leaning into risk, we need the equity providers to come in. So this is why it's so important for us to partner with other financial institutions as well to make sure that these deals progress quickly. But one of the things that our chairman's been very focused on, as have I from a business development perspective, is that we're very clear with our counterparts. We don't want things just sitting in our pipeline for years and years. It's a disservice to you as a potential borrower if you don't know what the hurdles are to access EXIM financing. So that's something that

we've changed drastically in the last year, is to say, "These are the minimum requirements in order to access our funding, and if we can't get there for whatever reason, we'd rather tell you earlier than later so that you can source other sources of capital.

**Kimberly Breier** 15:13

And you both alluded to some examples. Can you drill down a little bit into some of the specific projects that you're seeing in Mexico or sectors? You've mentioned the infrastructure and the project with Grupo. What are the other things that are hot right now? What are you seeing day to day?

**Sarah Whitten** 15:29

Well, over the years, we had funded a lot of energy projects in Mexico, and again, that was energy generation, transmission grid, these types of projects, procuring from the blue-chip names that you would suspect, such as GE and others. And those were very successful transactions, both in terms of the level of US goods and services as well as repayment track record and things like that. Locomotives, again, that's been a big sector for us. But where we see new and exciting opportunities is other areas such as superintelligence. Us, the Development Finance Corporation, and other financing agencies are working together to see how we use our capital jointly to identify these types of projects. And there's lots of initiatives. There's executive orders that have been issued. There's initiatives to bring the US government agencies together so that we're all prioritizing similar transactions and moving those forward jointly. And so superintelligence, I would say, is a big one. Again, folks typically don't know us for this, but we've also been financing satellite transactions for the last 15 years, and we've started to fund new deals in this sector as well in the new space industry. And we're looking to capture the supply chain end to end. So whether it's financing directly to the Mexican project sponsor or to the American company in the United States off the back of the exports that they're sending here, we can fund from both angles. And so we're trying to use our capital to support that supply chain and make sure that it's interlinked.

**Roberto Lazzeri** 17:10

And I think Sarah covered most of the portfolio, but I would say two additional sectors that fall very much under our supervision, which is border crossing projects, even though we have a good set of infrastructure that has been revamped in the last few years. Given the amount of trade flows, it's still not enough. And water projects, binational water projects, which at this point, I don't think we have applied the structured finance angle to be able to actually move those from the sphere of if there's budget or no in certain years.

**Kimberly Breier** 17:48

It's an interesting moment. I want to ask you both also about something that's been coming up already as we've been here this morning is AI. I was really struck by the news. Growing up in the US-Mexico relationship, it was always mostly about cars, and the news that has come out now that apparently computer equipment, electronics is now our number one category. So it seems that the world is changing, and I wanted to ask you both, how does AI or SI fit into how you think about things?

**Roberto Lazzeri** 18:19

For us right now, in the latest numbers, it's the biggest driver of the exporting sector, and it's amazing. And we see a lot of Taiwanese companies wanting to come to Mexico. What I see is it turned superfast from being something that was a possibility to be now perceived as a race to the moon. And I think there's still a lot of things that we don't know how this will play in the future. A lot of people say that technology will get better and the cost of tokens will decrease, but then some other people believe that the technology should be renewed in certain days, so this CapEx could be an OpEx. So what is a reality is that this is a revolution that requires a lot of investment, a lot of capital, and a lot of leverage. And I do believe that it's one of the greatest opportunities, but I also believe that if we're setting up frictions in that trade, frictions in that sector, and we are making things more costly, then we run the risk that the price of capital tied to those projects or the price of financing will be very high, and we are actually slowing down the pacing that this can be done.

**Sarah Whitten** 19:29

Certainly, for those folks that are tracking this sector, there's been jitters in the financial markets around superintelligence recently. What I can say is we sort of saw the evolution on the telco side a couple of years ago in terms of the rollout of 5G and the discussion around trusted vendors and trusted technologies. I think a lot of those learnings can be applied in the rollout of superintelligence with one change or one difference on the US side, which is a lot of these manufacturers, these SI providers, they are actually headquartered in the United States. R&D is happening in the United States. IP is coming from the United States. And so where on the trusted vendor side, there was some manufacturing happening in the US, it is exponentially more so in the superintelligence sector. And so that's where we see an opportunity. The executive order that EXIM and other financing agencies have been tagged in is to finance the deployment of those technologies in the rest of the world. And I think taking into account ensuring that there is a trusted technologies in—there's so many unknowns about this technology and the rollout. It's important that it's coming from trusted sources. So that's the one point. And the second point is there's a lot of efforts happening back with the different US government agencies around this, right? And so the Department of Commerce is going through a certification process of US companies that are coming together that will then sell into international markets. And as soon as those designations have been declared, then we, as a financing agency, will then be tasked to fund these. And so there's going to be a speed to deployment of capital in international markets around this. And I think the last thing, and this was something Ambassador Johnson had raised in our discussion earlier this morning, was we often think of superintelligence as just data centers. It's not necessarily the case. Again, when EXIM, we were looking at our portfolio, we had funded small business transactions with AI technologies embedded in them as some of our first transactions. And so, of course, the data centers are the ones that hit the headline news. These are the multibillion-dollar deployments of capital. Very, very important, of course, but we mustn't forget sort of all of the other end uses that have also exponential benefits to the citizens that we're working with.

**Roberto Lazzeri** 22:14

If I can make a quick comment. So true what Sarah's saying, and this is going to pull a lot of tier-three and tier-four suppliers. And talking about, you said trusted vendors, and we have had discussions about how do we have our own national champions. It's going to be very important that we can solve the SME problem because these companies are a big backbone of that revolution, and we need to be able to finance them. And the other element surrounding this is that the gains that we're going to see from this revolution are especially in the service sector. The service sector is where we're going to see all these gains of productivity. So that's also to have solutions for these companies, as Sarah mentioned, that are going to basically drive the gains of this technological revolution.

**Kimberly Breier** 23:04

Yeah. And I think you both got to exactly where I was going. My next question was about any advice that you would have for small and medium-sized enterprises, where we know the big corporations can figure out how to get to EXIM and can come into the embassy, but do you have any specific advice for the small- and medium-sized companies that may be new to navigating this?

**Roberto Lazzeri** 23:23

I could start. I think if we're seeing a revolution specifically, it's in the financial sector, and especially in the onboarding and the risk analysis. So I think, now, more than any time else in our history, we have different solutions from different companies that can look at your transactions, at your balance sheet—don't ask for real guarantees, don't ask for the usual things that have separated traditional banking from these companies. So, there's a lot of options, and companies should be actively looking and comparing options to see what better fits for them.

**Sarah Whitten** 23:58

For us, I think it's twofold, right? We've got these large infrastructure deals that we support where the main contractor might be a blue-chip name in the United States. By virtue of us financing those deals, those blue-chip names have hundreds of subcontractors around it. So that's one point. The other point is we've got a very clear congressional mandate

since 2019 to support SMEs and small businesses, and we've got a threshold that we need to hit in terms of volume of transactions that we're supporting there. And so that remains a very clear priority for us. But to the ambassador's point, the tools need to be fit for purpose, right? So, we can't provide a $3 billion CapEx facility to an SME. Where we have specific tools on the EXIM side is primarily focused on working capital-type facilities, allowing these SMEs—these US SMEs—to enter into new foreign markets. And similarly, again, to sort of split what we're looking at, on the US side, we're supporting these companies engaging through regional financial institutions, and us providing working capital solutions to, let's say, if they're entering into new markets for the first time, we mitigate that risk for them so we can step in in the event of non-payment or something like that, giving these SMEs more comfort. On the flip side, if we're supporting infrastructure deals in Mexico as an example, this is where the partnership becomes so important because we can support the US content. We'll then partner with a local financial institution to support the local labor costs and other areas that perhaps we need additional financing to get that project to fruition. And again, different financing tools needed based on what exactly the SME is looking for, and I think that's really important because there's this perception that EXIM's only looking at these mega transactions. Well, it's just because that's the deals that you hear about. We're doing hundreds and hundreds of other small deals in the background that never hit the front-page news.

**Kimberly Breier** 26:08

Thank you. I think we've just about hit our time. I want to give you both an opportunity for a last comment, and also if you have a thought on—we talked in the previous panel about trying to look ahead a little bit more and having a little bit more vision—couple of years down the road, what does success look like? If you could wave a wand, what does it look like to you?

**Roberto Lazzeri** 26:28

For us, it's to achieve—we have a pretty clear path, which is, and then, sorry, I'm going to repeat myself every time, Plan Mexico. Because Plan Mexico, also one of the best parts of it is we have actually KPIs. And we're a very pragmatic government, and we're following those KPIs, and actually we're hitting those goals either in financing of SMEs, the level, our ranking in tourism. So success would be to actually deal or achieve those results because they're going to yield shared prosperity, and that's the big bet. But also, in my specific case that we have, we're managing the US-Mexico relationship. Besides the big policy and the big policymaking, we're always stacking daily successes. And if we open one crossing for cattle after we have moved on from, or not moved on, but sort of achieved a solution for the screwworm, those little successes, we need to keep stacking them because at some point we're going to look back, and we're going to see that we have actually done a lot. And a lot is being done in offices on a daily basis. So I would not lose the sight, even though we want to achieve the big goals, that every day we can contribute to the relationship.

**Kimberly Breier** 27:45

And, Sarah, I'll give you last word.

**Sarah Whitten** 27:47

For me, I've got the banker ingrained in me, so I would just say closing deals. Right now we've got these really great quality Mexican transactions in our pipeline. To the extent that we can close them and accelerate some of the ones that are earlier stage, that would be my hope and dream in the next year. We want some wins, but we want some wins that are sustainable, that are long-term in terms of—once we finance these transactions, we're committed for 17-plus years. I mean, we're talking long-term here. When we sign those legal documents, we're not just providing these short-term facilities. And so, that commercial connective tissue, I think sort of outlasts many of us on either side, and I think that's really important. And then finally, we would just want to support the building of Mexico through using trusted and key technologies from the United States.

**Kimberly Breier** 28:46

Thank you both.

**Roberto Lazzeri** 28:47

Thank you [inaudible].

**Kimberly Breier** 28:47

Great to have you.

**Sarah Whitten** 28:48

Thank you so much.

**Roberto Lazzeri** 28:48

Thank you so much.

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