

PART 1: US–MEXICO RELATIONS: STRATEGIC PRIORITIES AND SHARED INTERESTS

Ricardo Pita Macedo 00:00

Buenos días.

Announcer 00:31

Welcome to the session. Please take your seat. The session is about to begin.

Ricardo Pita Macedo 00:44

[Spanish: Hello. It is an honor to join you today, this morning, on behalf of the US Department of State.] Thank you to the Milken Institute for bringing us together here today, and to the investors, founders, and business leaders who put real capital behind their trust in the potential of our region. From where I sit, few relationships are quite like ours. Its health directly impacts the lives of Americans and Mexicans alike. It goes far beyond two capitals, and as it faces, it has the deep historical bonds between our peoples and the distinct character of sovereign nations sharing a border. As such, it's a relationship with tremendous challenges as well as great opportunities. Under President Trump, America First means Americas First. Our neighbor's strength is our strength, and our neighbor's weakness is our weakness. In the context of the president's agenda and the secretary's strategy, the potential of the relationship between the United States and Mexico is boundless. And I don't use that word lightly. We see tremendous opportunity in what we can accomplish together, but we must fundamentally change how we pursue the prosperities of our peoples together. I say prosperities is plural on purpose. Two peoples, two economies, one shared effort to create the proverbial rising tide to lift us both. Much has been done. Much more must be done. Let me begin with what has been done because we're exceptionally proud of our accomplishments. Mexico is America's largest trading partner. Our trade in goods and services approached a trillion dollars last year. The United States is Mexico's largest foreign investor, accounting for nearly half of all foreign investment in the country this year. Four out of five of Mexico's exports come from the United States, and about half of Mexico's sales to the world contains American and Canadian content. Mexico is also the largest market for American farm exports and—I've recently learned—our top buyer of barley. So, if you raise a Mexican beer today, there's good odds that it was made with American grain. That is not trade in the old sense. That's co-production. We're building things together. These results remind us *[Spanish: that where there's a will, there's a way]*. And we're at an inflection point. For too long, our relationship has been largely managed from crisis to crisis, headline to headline, each government defending its own lane while great problems grew and moved freely across our borders. Cartels and terrorist organizations, dependence on actors far from this hemisphere, a gap between the rules on paper and the rules in practice, and others. The model of management that got us

here will not get us to where we need to go if we are to stick together. I wish to highlight three priorities we pursue as we work to build the next chapter of our bilateral relationship.

Ricardo Pita Macedo 03:35

First, security. Mexico has done more than ever before against cartels. It is not yet enough, and I say that as a committed partner among many voices in Washington that are supporting the very good efforts of the Mexican government. We must do more together on every front, especially against the money and influence networks that these groups use to do harm. And here's why that matters to everyone in this room. Beyond the obvious impact on your personal safety, cartels are the enemy of every investment you'll ever make. They tax, they extort, they corrupt, and they scare off the next investor before the first investor gets to break even. Security is not separate from prosperity. It's a precondition. Your role in supporting the hard choices needed to rid Mexico of this problem is critical, and we're ready to support you as you do. Second, trust. For decades, we measured this relationship on what flowed across our border. How much, in terms of volume. Now, we must also ask who we trust with what we build together. Chinese companies cannot be trusted with critical infrastructure, emerging technologies, or natural resources. We welcome the steps that Mexico has taken to protect its industry and North American supply chains. Tariffs on well over 1,000 products from countries with no other trade agreements, a wave of anti-dumping investigations, and now a proposed national security review for foreign investment. As we continue to discuss the future of North America, let us make sure that the next generation of ports, grids, and networks is built by partners that play by the rules. Third, certainty. Capital can be patient, but it cannot be blind. Investors commit where the rules are clear, where transparency is real, and accountability is not optional. That is why we care about a level playing field for American companies and Mexican companies alike. I know that USMCA and tariffs are on everyone's minds, but what I can tell you is that our expectation is for the rules to be fair, to be predictable, and to be enforced. American companies bring a tremendous value to the countries where they trust with their investments. It is our expectation that they will be treated fairly as they conduct their business. Mexico harbors tremendous ambitions for growth. It has made large investments to regain its prowess as a manufacturing hub in North America. To succeed, it needs reliable power and a modernized grid. American power companies and natural gas companies stand ready to build both. For decades, we have built cars, but the next chapter must include manufacturing of the future: computer equipment, superintelligence infrastructure, and advanced energy. American finance and the US government partners, like the DFC and EXIM Bank, here today, stand ready to finance Mexico's strategic economy of the future.

Ricardo Pita Macedo 06:24

Mexico's success is our success. We are two republics born from independence, sharing a continent, a border, and a future. This year, the United States marks 250 years of independence. The question for the next 200 is not whether we'll be neighbors—geography has decided that. The question is whether we're prepared to embrace our partnership and develop it to meet the challenges forming against it. *[Spanish: Much has been done, much remains to be done.]* Which brings me to the next conversation that follows, "US-Mexico Relations: Strategic Priorities and Shared Interests," and one couldn't ask for a better panel. Joining us today is my dear friend, Ambassador Ron Johnson, President Trump's personal representative to Mexico, whose leadership I'm very proud to support. Fernando Lopez Guerra, CEO of Grupo Mexico Transportes, whose company moves freight that keeps our integrated economies running. And moderating, the Honorable Kim Breier, senior advisor of the Torridon Group and former assistant secretary of state for Western Hemisphere Affairs. Please join me in welcoming them. Thank you very much.

Kimberly Breier 07:48

Good morning, everyone. Nice to see you. Happy to be here. And thank you for our panelists, the ambassador, and Fernando Lopez Guerra for joining us. And I also want to congratulate Milken. I've been watching this conference develop over the past three years, and Milken is really doing something quite extraordinary here and quite different. So, thank you to the Milken Institute and to the sponsors for having us. Want to jump right in because I know that we're short on time today, but we're going to have, I think, a very interesting discussion. We have Ambassador Johnson, who is obviously a leading voice in Latin America policy, long-serving US government official, and Fernando Lopez Guerra, one of the leading business voices in the bilateral relationship, who lives it every day in his business. These are two people who are really

granular on the bilateral relationship, and experience it. And I want to kick off to ask a question of both of you, that I think the answer will probably be pretty interesting, which is: tell us something that has surprised you as you have gotten into the bilateral relationship. And Ambassador Johnson, I'd like to kick off with you.

Ronald Johnson 08:54

I've had a whole life of making sure that nothing surprises me. But the comment that I would make on Mexico and on the relationship in general is, I don't think any US citizen that hasn't really worked in Mexico for a period of time understands the width, the broad spectrum of the relationship that we have, and how it affects so many people. Also, the vast size of the country. And I always tell people, for example, if you get a taco in Mexico City, it won't be the same taco you get if you get it in Laredo. Because it's such a diverse nation. And it's also diverse in terms of just the landscape, the geography, the opportunities that that geography brings in some areas, with ports, both on the Gulf side and on the Pacific side, with opportunities for rail systems, for energy, for vital minerals or critical minerals. There's just so much here, and it's such a diverse nation to work with. I think the other thing that most of us don't fully appreciate is the depth of the relationship and how integrated we already are. So, when we talk about expanding industry or business into Mexico, often we find, well, it's already there. We already have that integration. We have families that extend on both sides of the border. The relationship is so intertwined. And then finally, I would just say, there's a motto, I stole it from a movie that's about two years old, but it defines my job. *Everything Everywhere All at Once*. I deal with everything from the parasitic New World screwworm in cattle and how we can fight that, to power issues, to security issues, to we don't have enough water in the Rio Grande area, but we have too much water and it's all polluted in the Tijuana River, and we're trying to clean that up. So, it's a wide range of issues that we deal with constantly. And they're all important because they affect hundreds of millions of people. If you combine our two populations, about half a billion people. And I'll go one step further, people ask me, "Are you enjoying yourself?" My answer is, "No. I did not come here to enjoy myself. I came here to work." And the enjoyment will come when we have success. The fun comes when you go home at the end of the day knowing you did something that mattered, something that makes a difference in lives. And I think looking back on the success that I hope we have together, I will enjoy that for the rest of my life, if we can just take advantage of the opportunities that we have.

Fernando Lopez Guerra 12:07

Sometimes, I believe we become firefighters. We are tending to things on a day-to-day basis. And Kim, going back to your question, what surprises me the most is that we're still lacking a long-term vision of North America. Where do we want to be when we grow up as a region? Not as entities. And I think that's a job not only for governments, no? You need think tanks like Milken and other think tanks.

Ronald Johnson 12:35

Yes.

Fernando Lopez Guerra 12:36

And you need everyone thinking: Where do we want to be, and what are we striving for? And I think that will help on our day-to-day challenges if we have a certain path. If not, on a day-to-day basis, yes, we, as the ambassador was mentioning, we're operating as one railroad. I think it's the most competitive network you'll find elsewhere in the world. There is no border for us. We're thinking as one, we're operating as one, and I think that should be happening across multiple industries. But we need a path to follow. What do we want in security? What do we want on migration? What do we want on the economic part? All the fronts going forward, 30 years from now.

Kimberly Breier 13:29

That's a great point. Totally agree with you. I used to call it Whac-A-Mole, where you would have the thing pop up, and you had to just [*Mimes hammering*] all day long. And I agree, we need to be thinking longer term, and to do that while things are evolving. And the second kind of issue set I wanted to get to is this idea—which is not a new idea at all, I think it's actually an old idea, but it's been reinvented, I think, since COVID, and with the geopolitical challenges that we face as

North America—which is this idea that economic security is national security, and that we have to have maybe a different frame as we're thinking about the discussions around USMCA, and trade and investment. That maybe we need a little bit of a different framework for how we view those things. And Fernando, I wanted to start with you because you run the transportation side of a company. You're a connector. You bring things from point A to point B, and you also are a huge player in critical minerals, and copper specifically, which has become a national security issue very much in the United States. So, I wonder if you could comment on this new interpretation of economic and national security.

Fernando Lopez Guerra 14:34

I think the economic security of the region—and COVID brought everyone's attention to what needs to be done. We could not bring anything from Asia into the region, not finished goods, not even a single container. We could not move between Mexico and the US because containers come from Asia. And so we started there with something as simple as that, and we brought all the rail car suppliers in Mexico, which build the rail cars for Mexico, US, and Canada. The parts come from the US, but we assemble in Mexico. And we asked them, "Who can build a container for us?" We gave them a purchase order. We put them to work, and now we're building containers in Mexico, to start. But going from something as simple as that to critical minerals. What does the region need? We have it all. We just need the rules, and we need the processes in place, the incentives in place, so that the investment starts deploying. So, I think we—I go back to the long-term vision: where do we want to be? Does it make sense, Kim?

Kimberly Breier 15:45

Ambassador Johnson, same for you. How are you seeing the national security elements play out in the discussions around the trade agreement and the broader economic relationship?

Ronald Johnson 15:54

Well, I've worked in a lot of places, I think over 50 countries in my career, and I have never seen security work without a growing economy, and I've never seen a growing economy unless we had security. So, they work hand in hand, and I really like the comments that Fernando made. Because when I look at the overall picture, we talk about Asia, at times what we really mean is China. But think about who really wants to see Mexico be successful. Who wants to see North America become the community it could and seize the opportunities that we have? Because—and Fernando mentioned this—we have everything that everybody else wants, here in North America. Between our two nations, and I will include Canada, my friend, the ambassador from Canada, is here today. We have everything that everyone else wishes they had. The border doesn't have to be a barrier. It can also be opportunities. So, I think as we look at security, we obviously want Mexico to be secure. We want the entirety of the Western Hemisphere to be secure. But we have a selfish reason for that. Mexico and the US love each other. We're intertwined. But even if we didn't care for each other, it's good for America, for the US, if Mexico is secure, prosperous, if it's a place where people can make a living. That's not true of China. If Mexico is chaotic, unsecure on the US southern border, China would be happy with that. So happy that they're willing to incentivize businesses that will actually cost them money to create a dependency and create that chaos. We criticize China a lot. And I don't criticize them in general, but I would question their sincerity of wanting to operate here so close to the United States, and take things from Mexico, when together we can turn those things into products and sell them worldwide together as a North American entity.

Kimberly Breier 18:31

Want to turn also to the security-security. So, there's a lot of headlines on the security relationship. I know we have a lot of banks here in the audience, and it's been an active couple of years in the banking industry, I think is a diplomatic way to say things. But we've seen, obviously, a series of steps from the Trump administration, including the designation of the cartels as foreign terrorist organizations. We've seen the use of new tools, new sanctions. And all of that is sort of—the headline-grabbing, obviously, the extraditions. But I wonder, Ambassador Johnson, if you could take us a little bit behind the scenes into what I think is maybe a much less sexy set of topics, but maybe more important, which is the day-to-day sort of nuts and bolts of how the US and Mexico together think about security. And I think this is really important. For the last 20 years, we have had a consensus that this is a shared responsibility. That was not the case when I was a kid and starting out

in US-Mexico relations. It was actually a much more contentious sort of set of conversations at that time, because there wasn't a shared consensus that we are in this together on the security side, and we need to figure these things out. We may not agree all the time, but we're in it together, and we share the responsibility for the situation. So, could you take us a little bit behind the scenes and sort of into the day-to-day of the nuts and bolts of this?

Ronald Johnson 19:56

Yes. Go back to the declaration of cartels as terrorist organizations. I had a conversation with President Trump before we did that, about doing it, and a lot of people are confused about why it was done. Some people think it was done so we could drop bombs on cartels, and that was not the reason behind it. The reason behind it was so that we could bring other tools to bear, financial tools, financial sanctions, support to terrorism, so that we could look at the entire network. Because cartels are not just in Mexico. They're in Europe, they're in Asia, they're in South America, they extend into the United States. And we wanted to bring legal tools to bear on the problem. And yes, you're absolutely right. We don't agree on everything. I've been married to the same woman for over 40 years, and we don't agree on everything, but we love each other, and we talk to each other, we have continuous dialogue. And I think that's the most important thing between two nations is to continue to talk. I've been told a few times there's a red line here, and I said, "There is no red line. Let's not use that term. Let's talk about how we can get in the middle of that red line and work something out that is hopefully mutually beneficial." It can't always be. Sometimes one has to give up more than the other, and sometimes we just have to share the burden. And when I look at security issues, cartel issues, illegal narcotics issues, local security issues, I think that is one of those cases where we simply have to share the burden together, and there's a lot more room for cooperation in that regard. I think if an arrest is made in Mexico, it should lead to an arrest in the United States and maybe Colombia, Ecuador, maybe even in Europe because these networks extend so far. But we're having a great deal of success, I think, in security. We're doing better than we've done in my lifetime, but I think there's still a lot more room for progress. And I always say, "Just embrace it. Let's just embrace the partnership. Let's not be afraid to say that we're partners and we have mutual interest and we're working together." And I'm not pointing a finger at one side or the other, but sometimes there's a reluctance to say that. And that would help so much if we just embrace the partnership and see what we can accomplish as North America because we have everything. We have everything everybody else wants. It's here, so let's embrace it.

Fernando Lopez Guerra 22:52

Don't you think, Ambassador, it's beyond a partnership? From a partnership, you can walk away. You can't move, so it's more like a marriage.

Ronald Johnson 23:01

Absolutely. And that was my first conversation with President Sheinbaum. She said exactly that. We can't separate, so we have a marriage where there can be no divorce. And I said, "Yes, ma'am. And as someone that's been married for a long time, let me tell you, the key is we talk. We don't go to sleep angry. We talk." So, you're absolutely right. She was absolutely right. We have to care because we are together, and we can't move ourselves.

Fernando Lopez Guerra 23:29

Yes, sir.

Kimberly Breier 23:31

Fernando, if you could jump in. I mean, your business is at the crossroads, right? I mean, in moving cargo across the border, you live the security issues every day, customs. Can you talk a little bit about how you think about it and how the company lives this, really?

Fernando Lopez Guerra 23:47

I think we've improved on both sides of the border, on the authorities with the US side and with the Mexican side. But the more we simplify this and the more we talk between the two authorities, the better for the actual region, no? For us, we can deliver anything that's being built in Mexico within 48 hours to Chicago, and it clears customs in the Bajío and it clears customs in Chicago. If there's a red flag along the way, it will be unloaded at the border. But it's basically as if you would put something on an airplane. You can't put it—and it has full traceability. I think that should be happening across the board. And to do that, you need to have also—not only the borders, but the ports are safe. We need to be able to have either joint inspections or a bilateral CBP, something of that sort. So, if you walk into North America, you know you're walking into a space, a region, that it's already clear. Something similar happens in the EU, in the European Union.

Kimberly Breier 24:58

Absolutely. And speaking of talking between us and having the interaction, one of the questions I wanted to ask you is that the two of you have developed a relationship over these years, and the interaction between everyone in this audience, and public policy has been coming up all morning in all of the different conversations, and making sure that the policymakers get the policy right to allow the private sector to go about—how do you all think about your interactions among—as a business working with the embassy? And I know, Ambassador Johnson, you spend an enormous amount of time with business people and trying to be a connector. What are the best practices for companies that may be looking at Mexico for the first time, looking at expanding? How should they interact with the public policy piece?

Ronald Johnson 25:43

I have to deal with the private sector and with business because the government is a bureaucracy, and we can't do anything fast enough, and my clock is ticking. I want to get things done. The way to get things done is to talk to the private sector. It is a partnership. We have a great team at the embassy. We're willing to do anything legally that we can do to help any business that wants to strengthen this partnership. But bottom line for me is these relationships are how you get things done. I always tell people at the embassy, your title, your position will get you in the door, but you won't get anything done based on that. You get things done based on personal relationships. So, these kinds of meetings are so important. And people always ask me, "Well, what can we do?" And I always say, "Tell the truth, be concise, and tell it consistently to as many people as you can," because it can't just be me calling the White House to tell them news. People have to tell senators, congressmen, their constituents, mayors, governors. People have to talk to the Mexican government here. We have to consistently get good messages out and get messages out about what the risk is to investment, what your concerns are, how you could build your businesses. Because we need the private sector to do well.

Kimberly Breier 27:15

And Fernando, from your perspective, how do you see the sort of partnership with the public policy piece? Obviously, if we get something wrong on policy, your trains might stop, right? So, I mean, this is existential for a company like yours.

Fernando Lopez Guerra 27:26

I guess the more channels that are open and the more we can talk to each other on both sides so that the rules are there, the processes are there, and the conditions are there. At the end, governments enable. We execute, but we need the conditions to go and execute. So, we need to be really, really close. And the ambassador and his team have been very, very helpful on helping us with that—how do you say?—the translation of what's happening over here and what we need from the other end. And, of course, our government has been very supportive on getting things done as well. We're moving very fast in these past couple of years, and we need to continue in that direction.

Kimberly Breier 28:21

That's great. And I want to ask just sort of one last set of questions, which is to Fernando's point from the beginning that sometimes it's very hard for us to have a vision for where we want to go, and 25 years is one thing, but how about even four or five? And these sort of bigger concepts, should we have a security perimeter about North America? We've been

talking about that for 25 years. I mean, it's been on the table. So, I want to ask you both, looking ahead, let's just do five years. Five years from now, what does success look like? Either one, who wants to jump in?

Fernando Lopez Guerra 28:57

I think we should start with putting it on paper. At least know what do we want, as a region, again. And that's the best first milestone to get there. Where do we want to be? Because the other regions of the world, they know where they're going to be in 100 years. They've known for the past 100 years where they're going to be. So, we need to be at least humble enough to put it on paper and define it.

Ronald Johnson 29:35

I like that idea. I'm not a policymaker. If I make a policy, it's like the dress code for the embassy. But I inform policymakers, and that's where I need help. I inform the policymakers, try to make sure they have the right information so that when they make a decision, they understand all the implications, good and bad. And I do that for both governments. I try to make sure both sides understand. Where will we be in five years? I would like to say we wouldn't be afraid to say we're partners. We wouldn't be afraid to say that we are working together as one to improve security, to combat problems, or fight against problems that affect our population on both sides of the border. And I think it's possible. I think that opportunity is there. But again, I would just say, let's please just embrace the relationship. I grew up in a place where we say, "Yankee, go home." In Alabama, in the South. Actually, I didn't grow up, but that's where I was raised. But that's fine. But we would defend each other, and I think we would fight for each other. To this day, I think Mexico and the US needs to embrace a little bit more of that. A little bit more of we're all in this together, and we should build the Western Hemisphere and this relationship in such a way that the rest of the world would envy what we have. And we've just, at times, been reluctant to do that.

Kimberly Breier 31:21

Agreed. I want to give you both the opportunity to make any last comments or thoughts or things that we haven't covered this morning. On the vision part, I will note, there was a book at one point, and it was called *North America 2025*. And when it was written, I remember thinking that it seemed like it was 100 years ahead, and people were really thinking ahead. It was a Center for Strategic and International Studies project that I was a part of many years ago. And I was actually thinking the other day, I've got to pull that book off the shelf and see what we thought where we were going to be in 2025. And if you want to make a closing comment, one thought I was having too is about AI. Because when we think about the next five years—or SI—that's going to be one of the things. How is that changing how we think about where we're going to be in a few years?

Ronald Johnson 32:08

That's interesting because in 2026, if you tell some young person, "I've pulled a book off the shelf," they don't even know what you're talking about. The words are important. The thoughts are important. But our world is changing so fast. And I know when I go to the border now and visit, I look at some of the application of SI or AI. And it's pretty amazing to see computing finally get to the point where it delivers what it told us it would do decades ago. People have heard me say this before, but I'm like, when I first got my home computer, I was told it was going to make me more efficient, smarter, faster. And instead, it seemed like it made me a slave to the computer. I was always there typing and trying to look up things, and it just didn't deliver what I expected. I think now with SI, we're finally getting to a point where it can actually do all the things it initially promised. And the border is an area where I think it can make us a lot faster and a lot more efficient. Ports, railroads, ground transportation, it's going to help a great deal. And of course, with all of that comes the need for infrastructure, consistent, dependable energy to power it. And I don't think we've even begun to understand how much it can do in our lives. My wife's in the medical profession, and we were talking about virtual medicine. People in remote areas that maybe can't get to a hospital or get a doctor, and they have an emergency. You can pull that up if you have the infrastructure to do it, and you could have a medical professional actually talk you through an emergency medical situation online. I've done it in other countries, so it's possible. And I think it's just we're getting better and better at that, and it will change our world in ways we have not yet imagined.

Kimberly Breier 34:09

Fernando, I'll give you the last word.

Fernando Lopez Guerra 34:11

I think a region without a border. For some, few, there is no border. And we've started in Mexico, we started in the US. We pay Mexico taxes. We pay taxes in the US. We generate jobs in Mexico. We generate jobs in the US. We create together. We help US partners in Mexico for more than 30 years. That should be for everyone. And we need to create a region that's open for everyone.

Kimberly Breier 34:41

Thank you. Thank you very much. Appreciate it.

Ronald Johnson 34:44

Thank you.

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