Author Series
June 18, 2013
Washington, DC

Shannon O'Neil
Senior Fellow for Latin America Studies, Council on Foreign Relations

Two Nation Indivisible:
Mexico, the United States, and the Road Ahead

Patricia Ellis: So, good afternoon, everyone, and welcome. I'm Patricia Ellis, president of the Women's Foreign Policy Group. We promote women's leadership, women's voices, on pressing international issues of the day. And we have many different programs going on on all different issues. We've covered Syria, Afghanistan, and we will have a program in a week or so on Pakistan with a Pakistani woman activist who's talking about fighting extremism by working with women and youth. That will be meeting right here, and I think you have an invitation right there. We have an Embassy Series, which is very active, and one of our most popular series, of course, is the Author Series. So we're very pleased to have Shannon O'Neil, who's a senior fellow for Latin America studies at the Council on Foreign Relations in New York, here with us. She just wrote a wonderful new book and it is called, *Two Nations Indivisible: Mexico, the United States, and the Road Ahead*. We did have Shannon speak to us in New York yesterday and there's a real treat in store for you. And so I just—I will not say more about Shannon, but I do want to introduce our moderator for today, Diana Negroponte, who is a member of the Women's Foreign Policy Group's Board of Directors. She's a non-resident fellow at Brookings. She works on Latin America, specializes on Mexico and Central America, and she is the editor of a new book, which has just come out, *The End of Nostalgia: Mexico Confronts the Challenges of Global Competitiveness*. This is for a future program, so please stand by—

Shannon O'Neil: Let me come back to moderate. [*Laughter.*]

Ellis: Yes, we will be in touch with you on that. And before I turn over to Diana I know we have some diplomats in the room and we give a very warm welcome. I think we have a delegate from Peru here, and I know we are supposed to have someone from Italy. Yes? Okay, wonderful. Thank you so much for joining us. And I also want to recognize members of the Corporate Advisory Council. We have representatives from CH2M HILL here with us, and also Nestle. So thank you so much, and without further ado I will turn it over to Diana Negroponte.

Diana Villiers Negroponte: Pat, thank you for inviting my very good friend Shannon O'Neil to come and share the stories and share the text of a wonderful book. I had to do a transatlantic flight, and I got into this book because the first chapter is about Shannon herself. And she relays it in such a personal and amusing way that, even though the statistics were hard to follow, I could never forget that this was her book and her impression of a changing Mexico. In 1989—what are we? 24 years ago—Alan Riding wrote a very important book called *Distant Neighbors: A Portrait of the Mexicans*. And Shannon's purpose is to rewrite that portrait because in those 24, 25 years, it has changed so much. And what a superb person to take on this task. Brilliantly clever and funny and beautiful, Shannon has her BA and MA from Yale, her PhD from Harvard, her Fulbright from Mexico. She is a financial whiz [*Laughter.*], having bought peso bonds for equity boutiques in Mexico City and in New York. And now, if you'll believe, she is a researcher, a writer, the Douglas Dillon Fellow at the Council on Foreign Relations. This is Shannon's first book. But she is also the author of multiple articles, and she has her own blog, and I must give you, but I don't have it quite yet—Shannon, what is the address of your blog?

O'Neil: You can find it at shannononeil.com.

Negroponte: Shannon manages to do all these wonderful, creative events and books at the same time as raising two young children and having a marvelously supportive husband. I know the problem of trying to write a book and raise children because the two are not always in sync. [*Laughter.*] So I want us to recognize that this remarkable woman has so many talents which she is going to share with us this afternoon. I'm going to lead her in a certain discussion; we have checked this out beforehand. Ambassador to the OAS, thank you for joining us today, and we are very honored that you are with us here. It's good to see you again.

Shannon, when the Vice President went down to Latin America two weeks ago he talked about the emerging middle class. And this is a concept which is used very frequently here in America. What is the Mexican middle class?

O'Neil: Well, thank you so much, Diana. That was a very lovely introduction. And thanks, Pat, for having me, in every city in which you reside. [*Laughter.*] You know, one of the biggest changes around the world—global changes, but particularly in Mexico, and I look at it in my book—is this rise of a middle class. And when we think of Mexico here in the United States, we often, I would say, think about the haves and have-nots. So we think about Carlos Slim and then we think about the tens of millions of Mexicans who live in poverty. And one of the biggest changes there has been this growth of a middle. You know, when you look at their economists and policy-makers and pundits, everybody argues about: what does the middle class mean? And you talk to the World Bank and they say everybody who earns more than two dollars a day is in the middle class. And so we sit here and think that—you can't even really imagine that in the United States. Is that really what the middle class is? But then other people say: in these countries, you look at what we in the United States have, what we consider middle class and the worries we have today, and that's probably not right either, when we think about emerging markets and the global middle class. So what do we really mean? And lots of different people have different measures. Actually, one of the most interesting and creative [measures] that I've seen out there is one from some Brookings scholars that—they take the poverty line in the poorest of the mature economies, so basically the poverty line of Portugal and Italy, and that is the bottom base. And then they take the wealthy line in the richest of the mature economies, so Luxembourg and others, and that's what they define as the middle class. So it's somewhere about $7,000, $8,000 a year up to around $800,000+ a year.

When you take this kind of measure and you look at Mexico—many countries, but you look at Mexico—Mexico is much further ahead than many emerging markets, and it is about just over half of the population that's in the middle class. These are still—you know, what do these numbers mean? Well, what it means in Mexico today is that half of Mexicans own their own car. About 70% of Mexicans own their own home. That means everybody has a cell phone. Everybody has a television. Many people—most people can go out to the movies. They can go out to dinner. And one of the other big changes you see is they actually, increasingly, are sending their kids to private schools. So there's a lot of changes in the way Mexicans live that is part of this middle class. Part of it is consumption. But part is also the way—the nature of their views of the world, their aspirations for themselves and their kids—that's part of this change in the middle class. And it's fed into the economy and then it's also fed into politics and society more broadly, which I'm sure we'll be talking about.

Negroponte: You have a wonderful story about Carlos Slim, whom you've just mentioned, and a gentleman called [Antonio] Villaraigosa, who is still the mayor of Los Angeles. Now Villaraigosa comes from a very humble background, and if social mobility is difficult in Mexico, how did he get to be mayor of Los Angeles? And what happened when these two guys, Slim and Villaraigosa, met each other?

O'Neil: It's interesting: there was a big dinner party in Mexico that Carlos Slim was holding for the mayor. And, you know, he is known, but particularly at that time he was known as one of the fastest

rising Latino—especially Mexican-American—politicians in the United States. It was before he had a few setbacks that had to do with a CNN reporter and dalliances and the like. But before that people were thinking about him as governor. People were thinking about him as, maybe, president. So he goes down there and Slim just throws a small gathering of 200 for him, a lovely event. [*Laughter.*] And during the sort of discussion that they're having, Slim turns to him and he says to him, "Tell us something about your success and what it is that got you to where you are." So, Villaraigosa, who—he's second-generation, his parents came up from Mexico, and then he was born in the United States, I believe—he says, "Look, let me tell you how I got to where I am, or my story. My story is this: if my parents had stayed here in Mexico, I would be serving the meals tonight at this dinner, but because my parents moved to the United States, you are holding this dinner in my honor."

And this, of course, put Carlos Slim and all of his buddies a bit in their place that evening. But what it really tells you is one of the biggest challenges in Mexico, and that is social mobility. That for so many people at the bottom who don't have the connections, it's very hard to climb the ranks. In fact, there's an interesting study that came out in the last couple of months by an independent think tank in Mexico that looked at social mobility. And this looked at it over time. The latest release—it has some good news and some bad news. The good news is that in the middle sectors—if you have five quintiles: two, three, and four—there's some movement back and forth. But movement from the lowest and the highest is very limited. So if you're born with a silver spoon in your mouth you'll very likely stay with that silver spoon, as will your children. And if you're not born with those privileges, it is very hard to move your way up. What it does show is that what really makes a difference, they've found in Mexico, is education and access to good education.

Negroponte: I want to get to education, but, before that, can we talk about women in the workforce? The tradition of a Mexican woman with, on average, nine children in 1970 was that she was very busy at home. What's happening today?

O'Neil: You know, part of this transition and this growth of the middle class has to do with big demographic and other changes. One part is due to urbanization. Almost all of this middle class is an urban phenomenon; it's not in the rural areas. And Mexico has become an incredibly urban society now. 75% of Mexicans live in urban places. But one of the other big changes in this rise of a middle class has been the changing role of women. So a good proportion of Mexican women—something like 40–45% now—are in the workforce. That's double what it was just a couple decades ago. That's not particularly high on international comparisons, but when you think about the changes in Mexico it's a huge shift. You know, twice as many women are out there in the workforce. Many women—they have the same sort of tendency we have here, where women are better-educated, more and more are going to college. So those parities are happening more and more in Mexico. And, in fact, women are leading more and more households in Mexico. So one out of every four households is led by a woman. Some of those are sadder stories. Some of those are, the man has migrated to the United States or elsewhere, but some of them are, women have more increasing economic independence and are able to make more choices than they perhaps were several years ago or several decades ago. So we have seen a change in where women lie in the overall sort of milieu.

We've also seen some beginnings of changes in the upper ranks of the workforce—not as much as people would like. You know, we—countries around the world struggle with that, our own not excepted. In Mexico you're starting to see a bit of the movement. You've seen more movement, actually, on the political side, so more women coming into the political side, becoming elected officials and the like—and encouraged, actually, by some of Mexico's laws, to force them at least to be on the ballot, and quotas and others that Mexico has put in place in the last several years that have made a difference.

Negroponte: Let's come back to the issue that you started about, which is that of education and the aspirations of Mexicans. On the PISA scores, which judge the reading, science, math, Mexico is at the bottom of all the OECD countries. So where—why this aspiration if the quality is so bad? Where does it lead to?

O'Neil: You know, it's interesting. The aspiration is definitely there, and when I was doing the research for this book—well, I was living—I lived in Mexico in the mid-1990s, working in the private sector. I went back when I left the private sector and was in academia as a visiting professor in the mid-2000s, and today I go back frequently and watch Mexico and the relationship closely, and I've seen this change happen over time, with the education system. And one of the biggest, most interesting changes to me is the way people see education. When I first got there—in Mexico they use a lot of honorifics. So, you know, you'll be talking to someone and they'll say, "Oh, *licenciada*," which they like to say, which just basically means "college graduate." But it's a title and it's reserved for people with—and they'll refer to each other by *licenciado, licenciada*, it's a way of referring, and an assistant or a secretary will always use that honorific when describing his or her boss. This is the way it works. And what's interesting is—and this was reserved for a very small segment of the population that would have graduated from college—and, you know, it's actually, it's interesting, they'll either use that or they'll use "engineer," *ingeniero*. So Carlos Slim is often called *ingeniero* because he got an engineering degree. Now—

Negroponte: You are a *doctora*.

O'Neil: I'm a *doctora*, exactly. It's funny—not that [Slim] does anything to do with engineering, but people refer to him as that. It's quite important in social status there. And what's interesting is, you start seeing more and more people, people you wouldn't think of, really seeing this as an aspiration, if not for them, for their kids.

Diana and I were talking before about—there's a story in the book about a driver who drives for the US Embassy in Mexico. And, you know, a very nice guy, but he grew up as one of many children, who—he got through high school, but none of his brothers and sisters did. And he started out washing cars behind the embassy. That was his first job. And you know, he did a good job doing that, he started climbing the ranks, and now he drives a minivan for the US Embassy. He works an eight-hour shift. He has health insurance. He has good hours and a decent salary for Mexico. He makes about 15,000 dollars a year. His wife works in a tile factory and sells tiles that, you know, you put in your bathroom and the like. And they have two kids. And when I was talking with him, he says the big thing is—he has these huge aspirations for his kids and that they go on to college. And one of his—his daughter, actually, is in law school. His son has gone into a bank. And so they are *licenciados*. His daughter will go on and get a master's in law and then she'll be a *maestra*. And that is a huge change, that a driver would have this chance, have this title, have this honorific in society, and I think that is the aspiration you see. But back to some of the reality—

Negroponte: What's the reality?

O'Neil: The reality is that Mexico's public education system—you look, over the last 25 years, and the number of years that Mexican kids stay in school has doubled. The question is: what are they getting for their time? And here, as Diana says, the scores are pretty bad. One thing you've also seen, given these aspirations, given more disposable income than before with this middle class, given smaller families so there's more money to spend per kid on things—is, you have seen the rise of private education. And not just private education for the elites. And, in fact, today, one third of all educational institutions in Mexico are private. Now, some of these people also question the quality. Right, are these really good schools? You know, they don't have the accreditation systems. They don't have the sort of tests and qualifications that we have here. But it definitely attests to this desire of parents to help their kids succeed and seeing education as the investment.

And that has played out, I would also argue, in the political realm, in that candidates realize that Mexicans care deeply about education. And the most recent example of that, which—there's lots of other reasons this happened, but—has been an education reform that passed this year. So that was one of the first issues that this president pushed: a constitutional reform to change the education system. It puts in earth-shattering things like, a governor should know how many teachers are actually

supposed to be in his or her district, which they couldn't find out before. Not how many show up to work, but how many are actually supposed to be there. But it'll also introduce tests that are your accountability—the sort of performance tests and the like.

And one of the things that this government decided to do is not only pushing through this reform, but, in that process, trying to lessen the opposition from the teachers' union, which is incredibly strong. It has 1.5 million members, one of the strongest unions out there in Latin America and, indeed, the world. They put the head of the teachers' union in jail. So they accused her of—alleged, but with lots of evidence behind—of embezzling from the union. And this is a woman who has been in charge of the teachers' union for 20-plus years. She has been known, on her teacher's salary of $80,000 [or] $90,000 a year, to always carry a different Hermès bag, always—she's partial to St. John and Hermès; those are her two favorite brands. And she, according to the allegations, has several homes in San Diego and the like, and ran up a $3 million bill at Neiman Marcus last year. [*Laughter.*] So the trial is still pending; we'll see what happens. One other interesting anecdote on this is that they caught her, or the evidence against her was compiled by the federal government, using money-laundering and other financial forensics, but the software that they used to track her and then to charge her actually was part of the Mérida Initiative, the US security initiative. It was software that we had given them, as part of the Mérida Initiative, to be used against drug traffickers and organized crime, but that then was used against Elba Esther Gordillo.

Negroponte: The last subject I want to raise with Shannon is a theme which she's a real expert on, and that's immigration. And given that we are still debating this within the Congress, I want to ask Shannon: Mexican numbers—going down? Staying the same? Why? And what's the future?

O'Neil: As we all know, especially all you living in this town rather than elsewhere, this and next week are going to be a big week on immigration reform. The Senate is hoping to, at the end of next week perhaps, vote on their side of it, and then we'll see where the House ends up. But this has obviously been a big issue for our country, and I would say there's reasons I'm more optimistic this time than the last time around, and one of them is the changes from Mexico. And here we have seen changes in the last three years—over the last three years the inflows from Mexico have been at a net zero, so there's a similar number coming in and coming out. So the huge flows, really dramatic flows, that happened in the 1990s, the early 2000s, these have ebbed, and they've ebbed for many reasons. Some are economic. You look at the 1980s, 1990s—Mexico went through many booms and busts and the United States was doing quite well. You look over the last few years—as we all know, it's been a rough ride here in the United States and Mexico has, in fact, been doing much better, over the last couple of years, at least.

But the other reason we've seen a big shift—and this is a longer-term and more permanent issue—is demographics. And we're talking about the big numbers. Even as late as the late 1970s, on average, Mexican families had seven kids. You fast-forward to today and they're having two kids, the same number as here in the United States—so just at the replacement rate, basically. And so you think about that—seven kids in the 1970s—you start looking at the demographics of that. That meant, in the '90s, there was a youth bulge coming in. All these kids were coming into the labor market. It was a time of the peso crisis elsewhere in Mexico. So you know, a desperate young population coming in was looking for a job either there or, increasingly, here in the United States. That has started to tail off and so you have two kids; that started changing. Looking forward, there will just be fewer and fewer Mexicans coming of age every year, turning 18 every year, and looking for a job on either side of the border.

You also have this increase in education. And so more kids, at 15, rather than saying, "Oh, it's time for me to start migrating to the United States," say, "I'm going to stay here and finish high school, and I'm going to actually think about going on to college." And we see, in the numbers of young people in Mexico, about a third will at least begin and complete some tertiary education, so university education. They may not finish a four-year degree, but at least they get started, which also means they're delaying [migration] or not migrating. So this is a big shift and I think it's changing—it's at least taking some of

the heat out of the rhetoric and the worries on our side, or at least the reality behind some of the heat and the rhetoric.

I do think many of our debates here in the United States, and worries about the border and this influx of people, are a decade old. They're reflecting a reality back in 2000 or in 2003 rather than 2013, in terms of what's coming from Mexico. It's funny—a decade from now, if I had to forecast going forward, and being a little bit provocative about it, I think the question in an immigration debate will be: will we have enough workers? Do we have enough workers, and where can we get them from? And why aren't the Mexicans coming here anymore? Because we actually need them as part of our economy. And the benefit Mexico has versus other places is, they have communities, they have ties here. You come and you're immediately absorbed into a community, you have a basis here, you're not alienated, and it's much easier to be a productive part of society when you have that network and base already in place.

Negroponte: At the same time, this administration has deported back to Mexico higher numbers than ever. You tell a very poignant story of Abel and Zulma, who bring their infant child, who is suffering from leukemia, to California for a cure. Tell that story.

O'Neil: I mean, this is one of these sad stories of what our immigration laws do. And so, this is a young couple, they had a young baby who had infant leukemia—child leukemia—and brought him here, and he unfortunately didn't make it, but they decided to stay. And so they got jobs here, he became an electrician and then he became a carpenter and he did a lot of different things, but always had a job. They ended up having three kids here in the United States, all US citizens. They bought a house, they lived in San Diego. They became part of the community and the like. And when their oldest daughter was 15, almost 16, they were caught and deported. And so that oldest daughter then had to take responsibility for her younger brother and then youngest sister. They stayed in the house in San Diego because that's what they knew. The parents moved down to Tijuana; they were shipped down there. So [the children] could go and visit their parents.

And for the next three years the older daughter and the brother—they managed to both work. They managed to take care of the house. And they managed—she managed to finish school and then he managed to finish school afterward. You know, there they are at their graduation, having completed what their parents had wanted for them, graduating from high school, but their parents couldn't be there because their parents were over on the Tijuana side. You know, with the deportation rules the way they work today, it will be 10 years before the parents would even be allowed to reapply to come back into the United States. And perhaps, if they're incredibly lucky, they would be able to come back and see their youngest daughter graduate from high school, who is being raised by her brother and sister rather than them. And you know, we think about—these are three US citizens, right? And you're taking their parents away. It's an incredibly sad story of how our system works.

There's one other from the book, let me share, too, on the sadness of immigration. I had a student when I was at Harvard, and I taught at Harvard and then I was also a tutor in one of the houses there—so, in their dorms. So I got to know lots of the students, and I watched this girl from sophomore year until senior year, and I watched her choose her classes, and she was incredibly smart. She was from Chicago. And [I] watched her go to a dance, and watched all the—her life over these three years. And she came to me three weeks before graduation from Harvard, where she'd had a full scholarship and done incredibly well. And she said—you know, she was in tears—and I said, "Maria, what is wrong?" She was like, "I'm undocumented. All my friends are getting these great jobs at McKinsey and they're going off to do this, and they're doing a fellowship there, and I have no prospects. I don't know what to do. What can I possibly do? I've looked into it and if I go back to Mexico I can't come back for 10 years. I don't know anyone in Mexico. You know, I speak Spanish with my parents, but this is my—I came here when I was six. I don't know anyone there. What am I going to do?" She ended up doing two master's degrees. She ended up working as an off-the-books nanny.

Her brother—she had won this full scholarship—her brother won a full scholarship to Cornell. Brilliant kid as well. And his sophomore year at Cornell he was pulled off a bus when he was going back from Chicago, stopped by the police, and was then in deportation proceedings, and was saved from having to move to Mexico—where he had come [from] when he was one year old and knew no one—by the DREAMers, because he was one of them. And so she's this amazing woman who grew up here and has so much to contribute to our society, and until [the DREAM Act] was passed, and these stays [of deportation were implemented], they were living these lives in limbo and not able to contribute to our society.

Negroponte: I'm sure we could all listen to stories and anecdotes and more than that from Shannon, but you need a chance to pitch in. So I know President Ellis wants to start. [*Laughter.*]

Ellis: Oh, I always have a few questions. What can I say? Okay, well, I would like to talk about Mexico today in the context of policy, a little bit. And there's been a new president; he's been in power six months. So I would like to know how things have changed on the global stage, particularly vis-à-vis relations with the United States, Canada, but also with China. The Chinese president visited right before he was going to meet Obama. That's one thing.

And I'd also like to know about how things have changed on the security front, which is an issue that people have focused on and continue to focus on, and you'll be speaking about today on Capitol Hill. The new president came in saying he would be doing things differently.

And lastly, on the economic front, how will these—how will corruption hold Mexico back? And, also, don't they have to open their energy sector? So just a few things to start off. [*Laughter.*]

O'Neil: So let me take a stab at all of these parts. You know, we're six months into a six-year term under a new president. So where are we? And where might this government go on a lot of these issues? You know, if I had to characterize these first six months, I would say, in many ways, it's a tale of two governments. On the one side you have the economic team. This is a team that is incredibly cohesive. It's incredibly ambitious and they've already made some progress. So they passed a labor reform just in the transition period with the old government. Then they passed an education reform we talked about. Then they passed a telecommunications reform. Now they have a financial reform in the works, going through Congress. And President Peña Nieto came out yesterday talking to all the papers saying, "An energy reform is up next, we're going to do it," and starting to lay out the idea of a constitutional reform and what it might look like. And they've mentioned they're going to do tax reform. This is all within one year. I mean, think about your colleagues here in the United States; could we get one thing done in a year? [*Laughter.*] Here, they want to get five or six things done and they're already halfway there. So it's pretty impressive what this team has already been able to do, and what they aspire to do in the next several months.

On the other side, the other government you have is the part of the government running security. Here you have a much less clear vision. It's mostly generalities, rather than specifics. Some of the key players, actually, when they've come out and spoken in public, have even, at times, contradicted themselves about what they plan on doing and what particular things are going to be for. For instance, they've mentioned that they're going to create a new federal police force, a gendarmerie. It's going to be a 40,000-person force. But when you ask different people in the government what it's actually going to be for, they come up with different answers. So there's a question: is it going to fill the rural spaces and be sort of a rural police, the way perhaps the Italian *carabinieri* is, or is it going to be a sort of special-ops SWAT team that's going to come into places and go after…? It's unclear what it might be. It's also unclear where the budget for this would actually come from and the like. So there's a lot of questions on the security front and they haven't seemed to be able to make progress. And to your point of, the killings have not actually declined. They've stabilized and plateaued, so that's a step. But we haven't really seen any decreases and so—

Ellis: Aren't there more kidnappings? It seems like we hear about them—

O'Neil: Well, many of the other crimes have been growing as well. So Mexico, it's not just—we think about deaths or murders, right, that's usually the metric that we often use, but many measures and surveys of other types of crimes have continued to increase as well. So Mexico as a dangerous place in itself has continued. Why do I see this gap? Why do we think this gap is there? You know, in part it's the particular teams. It's the people that have been chosen. One group is—they've known each other for a long time. They're incredibly cohesive. They've all been trained in the United States; they're quite open to the United States and the like. The other is chosen more from the political side of the PRI, that part of the wing, and so have a different basis, a different understanding, and probably a different direction or agenda.

But I would also say it's, in some ways, the nature of the issues. You look at Mexico and after 10 or 15 years of fairly slow—stable but slow—growth, there's a rough consensus out there about what Mexico needs to do to grow. So you know, nine out of ten economists in Mexico agree that you need to open up the monopolies and oligopolies; you need to lower the economic concentration. Nine out of ten economists agree that you need to provide financing to a broader set of the economy. Most people agree you need to change the energy sector, reform the energy sector, and open it up so production increases. Nine out of ten economists agree you need to work on Mexico's infrastructure and education systems. People agree on what needs to be done, and the question is: can you form the political coalitions to get reform passed?

You turn to the security side and there's not this set blueprint that people agree on: how do you reduce violence in a place like Mexico? It's much less clear what the path forward is. And the things that people do agree—things like, you need to clean up your cops, you need to clean up your courts, you need to invest in communities and youth-at-risk programs and the like—you know, the last government did those things. You can argue that he [Calderón] didn't do it or they didn't do it well, or they didn't prioritize it, or it wasn't organized enough, or—you can argue the way, but for a group that came in saying, "We're going to change the policies because the last strategy wasn't working." The only thing people agree works are the things the last government was doing. So it's hard to differentiate yourself politically.

That said, going forward, this government came in promising that they could get things done and so they will be judged—and particularly what they want to do is stay in power and win the midterm elections and the next presidency—they will be judged on what they can get done. So a big part will be continuing the economic reforms, and particularly the thorny ones of energy and tax reform, which are harder, perhaps, than the previous ones. And then bringing down the violence, so how are you going to do that? And I do think this government will get around to continuing many of the policies of the last government, i.e., pushing on justice reform, making sure it's completed by 2016, which is a big issue for Mexico today, working to clean up the local and state-level police forces, still training, doing some of this professionalization, because it's really the only direction out.

Question: I'm the Italian Ambassador to the OAS. And I have two questions, concerning US cooperation in the field of education and in the field of security. You mentioned the education reform and also the strengths of the unions in the field of education. I think that that is a major obstacle that the union has, probably, a huge political influence and so it can be easily corrupted. It probably doesn't do its job, being making the teacher's career attractive. So probably teachers are not interested to succeed and so in general terms education—public education—is probably pretty poor, yeah? So I'm just guessing, but I was wondering if the US is trying to cooperate to enact—to design and enact this reform in order to make the teacher's career more attractive and maybe also convince the unions to follow certain guidelines?

The other question that I—and this is, I think, important also to avoid that the kids end up dropping out from schools and joining *pandillas* [gangs] because, maybe, joining some drug traffickers can be easier

to make money, so it would be more attractive to kids. And so I don't know if there is this connection between the two things, but maybe there is?

The other thing is in security. You mentioned that there is this idea of the *carabinieri* which Italy is, of course, proposing, but there is something that is worrying me. I'm wondering if it won't be more difficult for the US to cooperate with Mexicans in the field of security because they've decided to centralize all contacts between the US security forces and police with a new federal organism. While before there were contacts also at the local level, at all levels, and the security system of Mexico looks pretty much like the US; it's really decentralized. So before, I guess, local contacts are more useful. Of course, the Mexican system has its flaws as well as the US. We can discuss about that, because probably the US system is quite expensive. My question is, simply: don't you think that it will be more difficult for the US to cooperate with the Mexicans on security matters?

O'Neil: So the first question on education: the unions have been a big obstacle in reforming the system. I mean, the Mexican education—it's been so centralized, and you even have cases in Mexico, many cases in Mexico, where you inherit your position, you can sell your position. So, depending on who is willing to pay, it doesn't matter what your formation has been or the like; it's who is willing to buy the position. And so those sorts of things would be done away with in the new law. What you've seen in Mexico over the last several years is the teachers' union leader, this woman Elba Esther Gordillo, she had been part of the PRI. She left the PRI in 2006, when there was a schism over who would be nominated as the presidential candidate, and she lost and left. But she took with her the vast majority of her union, and so it ended up being about 3% of the vote, and you saw very close elections in 2006. And so she was able to throw her weight; her weight made the difference in Calderón becoming the president of Mexico, and so it was—it's very hard with that much of a—3% of the vote can make a difference, especially in a three-party system. So she has been able to maintain her independence, autonomy, and power, in many ways. What happened this last time around is that Peña Nieto didn't need her. He won without her. And she was no longer an official part of the PRI—unlike, say, the leader of the Pemex [Petróleos Mexicanos] union, who *is* an official part of the PRI. And so, in some ways, she was left more vulnerable than she had been in the past, just because of politics and the way it works.

And then in another way you see voters, and especially this rising middle-class set of voters—they care about education. They care a lot about it, when you look at survey polls. And so, in part, this is a very politically popular thing to do, to go after the teachers' union, to try to reform the system. I think what matters here—what will matter—is: so you've got a big constitutional reform to change the system, but you have to do legislation that will implement it. So, yes, now you're going to have tests in Mexico for teachers, but you still have to write the legislation of what that means, i.e., if you fail the test, what happens to you? Nothing? Something? Lose your job? We don't know, right? And that has to be written at a—not a constitutional level, but a legislative level, and that's where it's possible these vested interests, these unions, could also push back. And so, yes, they have to take a test, but it might not matter. And that could perhaps also vary a bit state by state. And so there we'll see some of the politics and the power of the teachers' union, even without Elba Esther Gordillo at the head of it. We'll see where they end up. So education's vital there, and I think it's going to be a very long process.

You know, the United States hasn't been particularly involved in this. And I think this really is a domestic issue for Mexico to figure out. I mean, Mexican—different scholars in Mexico and different think tanks have been looking at education systems around the world. How might you design things? How might you think about these things? They've looked at the United States, but the US hasn't been way in there in terms of the design itself, in the way they have been, say, on the security issue, which is the next one I'd turn to.

The centralization of information has both its good and bad points. Talking with officials from the previous Calderón administration who dealt with the decentralized approach on a day-to-day basis—many of them felt there were real problems to it. And you know, the fact that the left and the right hand of the Mexican government never knew what each were doing, the fact that there were operations

going on in conjunction with the United States on this side and people over here on this side never knew what was happening, led many times [to] parallel operations, at times actually counterproductive operations, where people were crossing lines.

But it also, I would say, inhibited a strategic approach to security. So while there were a lot of things happening, there wasn't a coherent strategy behind a lot of it. I think that is a justifiable critique of Calderón's *sexenio* [six-year term] on the security side. This centralization would, at least, make sure this information flows, people know what's going on. But the drawback of it is—particularly on the intelligence side, with sensitive intelligence, active cases or the like—you're much more likely to want to share that information with someone you work with side by side, that you've gotten to know, that you trust, than sending it to an office in Mexico City and hoping it comes back to the person that would actually act on that information. And so I do think some of that intelligence sharing will be lost with the centralization. But there's—I would say there's good and bad of it.

And the last thing I would say is, I also think this is not the last word on where US-Mexico security cooperation's going to go during this *sexenio*. It's the beginning of a conversation about the evolution of this relationship.

Negroponte: Amy Glover, who worked with the American Chamber of Commerce in Mexico City for many years.

Question: Yes, thank you. I now work for McLarty Associates in Washington. Shannon, I wanted to ask you—getting back to, kind of, the crux of the book of: *Two Nations Indivisible*. How do we convince Americans that Mexico is as critically important as it, in fact, is for our own country? And have you gone to other cities beyond the—I don't know—New York and Washington, where this message may be—

Negroponte: Akron, Ohio tomorrow.

O'Neil: Yes, exactly. [*Laughter.*]

Question: Just, it would be interesting, I don't know, if you have any additional feedback, or how you are going to emphasize that point in front of those kinds of audiences.

O'Neil: I have, actually, over the last two and a half months, done a pretty wide circuit around the United States. I've been to probably 14 or 15 different cities, visiting, and the questions are different in California, versus Texas, versus Chicago, versus Florida, versus here—they are quite different.

You know, I think the biggest challenge I would see in our relationship with Mexico, in understanding how important the relationship with Mexico [is], is the economic ties. I don't think Americans understand the economic links. In fact, last fall I helped as an advisor on a private poll that was done of US attitudes towards Mexico, and I helped them design some of the questions. And, as far as I know, it's probably the most in-depth survey that's been done of US attitudes. Gallup does one or two questions a year, but this did about 35 or 40 questions of, sort of, the perceptions. One of the questions that was asked was do you see our economic relationship—is it a good thing? Is it a bad thing? How do you see the economic relationship with Mexico? The largest category said they saw it as a negative. But the second largest category—that was almost the same, one was 32%, one was 30% or 31%—the second largest category was, the answer was: I don't know. And so there's a huge lack of information about how closely we are tied to Mexico economically: the millions of US jobs that depend on ties to Mexico, exports to Mexico. The thousands of companies in the United States that are able to competitively export to the world because they have some links to Mexico. The many companies here in the United States that are actually owned by Mexicans, and the like.

And I think that is an angle where it would be useful for so many players. Of course, I'm out there trying to tell people about this, but so many other people who are involved—people who, you know, own a

small-, medium-, or big-size factory, that actually export to Mexico, to let their workers know: "You know what? Your job, or two months out of every 12 months' salary, actually depends on our exports to Mexico," if that's the case. And the same with—I think the Mexicans, personally, have fallen down on this as well—the private sector in Mexico. They did a great job of being active and engaging their colleagues here in the private sector, as well as people in the political realm, when NAFTA was on the docket; they really put a good foot forward. Since then, they've checked out and they haven't been involved, and in that space, I think, they've lost a lot of traction. And some of the tougher issues in the US-Mexico relationship, immigration or security, have overwhelmed the positive side. That makes it vitally important that we solve the tougher issues, because the good issues depend so much on this relationship between the two countries.

Question: Hi, I'm Gaby Finkel. I work for MSI. We are currently implementing the rule-of-law project in Mexico through the Mérida Initiative. As you touched on the Mérida Initiative, particularly, there's all this aid that has been reaching Mexico one way or another, and the different US agencies that have been—either it's police professionalization, with the law enforcement, or it's human rights; I'm thinking of trafficking. Whatever we've been doing, we've been kind of taking small pieces of the cake within these different agencies. I find now, even—I don't know if you are aware of the new follow-on, the big follow-on to this rule-of-law project that is pending, that will be pending, from my point of view, and probably canceled.

We had more of a receptiveness from the Calderón administration, and I'm worried that with this new administration, because of the fact that it is the PRI, and they are more eager on focusing on control and sovereignty—so despite that fact that there's the—either being more centralized, which is something that doesn't worry me as much, if they're actually going to do it in an intelligent way, because we had many agencies in Mexico requesting support and it has not been coordinated or organized. I'm worried now that, because of the history with the PRI and the US government, that they will not be accepting aid in a certain way because of the sovereignty issue and more of the control. And I think that when *El Secretario de la Gobernación* [the Secretary of the Interior, Miguel Ángel Osorio Chong] was here, he would have made it very clear that we will not be as eager—we're equals as a result. When they asked him, "What are you expecting from President Obama's visit to Mexico?" and he said, "The first thing that he has to understand: that we're equals," and although it might be true in a certain way—like, who has more importance than the other—how do you find that this new road—talking about *road ahead*—will there be collaboration and cooperation between the two governments on a more open basis, or are we going to find that the PRI's going to be holding the sovereignty card and not allow? And because of the resources—because they want resources—

O'Neil: You know, I do think the PRI came back in, and the people they put in the security side—when I was talking about these two different teams—are much more old-school PRI, much more about centralization, less—I wouldn't say suspicious of the United States, but less open to the United States. They've spent less time here in the United States. You know, they came back, and they kind of looked under the hood of where security was, after being out of the executive branch for 12 years, and they saw all these programs going on, decentralized programs, Americans involved in a lot of ways, and they just said, "Whoa, let's pull back. We need to figure out what our security strategy is and then we will present to the Americans what our security strategy is, and then see if there's places they want to help," but it's not a joint formation of the strategy. It is a joint—perhaps—joint implementation of the strategy. And so, where I see them today is: one, they still haven't quite figured out what the strategy is going to be, in a real tactical sense, and the Americans will only be let in once they figure that out. They're not part of the creative process; they're part of the implementation. And two, I do—as I sort of mentioned before—I think this is going to be an evolution in the relationship. They pulled back significantly at the start. They've centralized it. They have held many agencies, including many programs like your own—they've put it on hold.

But they also have, in the background, this electoral imperative. And the electoral imperative is that they need to show that they've brought down violence. They need to show a benefit by the midterm

election, and particularly by the next presidential election, if they want to remain in power, which they desperately want: to remain in power. I mean, that's what the PRI is about, right? That is the unifying ideology of the PRI, if you can say one, because they have people on the left and the right and the center and everywhere in between—[it] is that they want to maintain themselves in power. And so, to do that, they need to really show results. And in where the United States can help them in [achieving] results, I think they will end up being more open to the United States. But there is, in my view, going to be a tap dance, or a courtship, or whatever the metaphor is, for the next several months as they try to figure out how to maintain control of it, how to set the agenda themselves, but then also benefit from the aid, resources, and other support the United States might have for them given this objective, which is to reduce violence in their country.

Negroponte: There are books outside, and I'm sure a lot of you would like Shannon to actually sign the book or maybe dedicate it to you or someone that you know. So I would like, on behalf of all of us gathered this afternoon, to thank you, Shannon, for writing this book, for remaining as involved and committed to Mexico, and for sharing with us and helping us understand the new Mexico. Thank you. [*Applause.*]