



Mexican Risk Overhang Remains

The narrative regarding the U.S.-Mexico deal to avert tariffs (for now) has been shaped by a misleading NY Times headline on Saturday: "[Mexico Agreed to Take Border Actions Months Before Trump Announced Tariff Deal.](#)"

The Times' spin is technically factual, in that there had been ongoing bilateral discussions regarding Mexico actions to alleviate the flow of migrants. The problem, from the Times' own admission, is that previous Mexican commitments were vague and lacking in follow through.

For instance, the Times tells us in paragraph two that:

Friday's joint declaration says Mexico agreed to the "deployment of its National Guard throughout Mexico, giving priority to its southern border." But the Mexican government had already pledged to do that in March during secret talks in Miami between Kirstjen Nielsen, then the secretary of homeland security, and Olga Sanchez, the Mexican secretary of the interior

Then in paragraph ten:

Their promise to deploy up to 6,000 national guard troops was larger than their previous pledge.

In paragraph three the Times downplays the agreement of the "Migrant Protection Protocols:"

The centerpiece of Mr. Trump's deal was an expansion of a program to allow asylum-seekers to remain in Mexico while their legal cases proceed. But that arrangement was reached in December in a pair of painstakingly negotiated diplomatic notes that the two countries exchanged.

But later they acknowledge that:

the Mexican agreement to accelerate the Migrant Protection Protocols could help reduce what Mr. Trump calls "catch and release" of migrants in the United States by giving the country a greater ability to make asylum-seekers wait in Mexico.

The new deal reiterates that Mexico will provide the "jobs, health care and education" needed to allow the program to expand.

Furthermore, the pledge of "jobs, healthcare and education" could be key to fending off court challenges to the program that argue that migrants claiming asylum are put at risk by being sent back to Mexico.

The Times also points out that:

...over the past week, negotiators failed to persuade Mexico to accept a “safe third country” treaty that would have given the United States the legal ability to reject asylum seekers if they had not sought refuge in Mexico first

If Mexico designates itself a “safe third country” most migrants from south of Mexico would lose their claim to asylum in the U.S. which, in turn, would undercut the business rationale for cartels to funnel migrants northwards towards the U.S. border. **“Safe third country” is the killer app** to alleviate the migrant influx.

The problem, of course, is that a “safe third country” designation could entail exorbitant expense for Mexico. Hence, Mexican negotiators have portrayed this as the ultimate “red line.”

The Times’ spin completely misses the key outcome here: **Mexico has begged off “safe third country” designation – for now - in favor of a 2-3 month window in which the expansion and enhanced enforcement of previous commitments will be put to a measurable, verifiable test.**

The Times itself alludes to this dynamic:

But there remains deep skepticism among some American officials — and even Mr. Trump himself — about whether the Mexicans have agreed to do enough, whether they will follow through on their promises, and whether, even if they do, that will reduce the flow of migrants at the southwestern border.

During a phone call Friday evening when he was briefed on the agreement, Mr. Trump quizzed his lawyers, diplomats and immigration officials about whether they thought the deal would work. His aides said yes, but admitted that they were also realistic that the surge of immigration might continue.

“We’ll see if it works,” the president told them, approving the deal before sending out his tweet announcing it.

Further details emerged on Monday. [This from Reuters:](#)

MEXICO CITY (Reuters) - Mexican Foreign Minister Marcelo Ebrard said on Monday that measures agreed with the United States last week to stem the flow of U.S.-bound migrants entering Mexico from Central America will be evaluated after 45 days.



There was no specific migration reduction target, Ebrard said, noting that when he began talks in Washington last week to defuse the tariff threat, the U.S. government wanted Mexico to accept a “safe third country” agreement over migration.

Ebrard noted that U.S. authorities wanted to cut the number of migrants to “zero” and said Washington would likely repeat its “safe third country” demand if Mexico was not able to bring down the number of people crossing illegally into the country.

There you have it: in 2-3 months if the flow of migrants across the U.S. Southern Border has not been sufficiently reduced Mexico will face a choice between accepting “safe third country” status or getting hit with 25% tariffs on exports to the U.S.

132,000 migrants were apprehended crossing the U.S. southern border in May, a 13-year high. Investors with exposure to Mexico should be monitoring this metric in coming weeks