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### Plan

#### Plan: The United States federal government should approve the Trans-boundary Hydrocarbon Agreement.

### Contention 1 Econ

#### PEMEX is declining - fields are being used up – deep water drilling and private investment from TBA is needed to diversify Mexico’s portfolio. Reforms are critical

Kerry et al. 12 (JOHN F. KERRY, Massachusetts, Chairman ¶ BARBARA BOXER, California RICHARD G. LUGAR, Indiana¶ ROBERT MENENDEZ, New Jersey BOB CORKER, Tennessee¶ BENJAMIN L. CARDIN, Maryland JAMES E. RISCH, Idaho¶ ROBERT P. CASEY, Jr., Pennsylvania MARCO RUBIO, Florida¶ JIM WEBB, Virginia JAMES M. INHOFE, Oklahoma¶ JEANNE SHAHEEN, New Hampshire JIM DeMINT, South Carolina¶ CHRISTOPHER A. COONS, Delaware JOHNNY ISAKSON, Georgia¶ RICHARD J. DURBIN, Illinois JOHN BARRASSO, Wyoming¶ TOM UDALL, New Mexico MIKE LEE, Utah¶ William C. Danvers, Staff Director ¶ Kenneth A. Myers, Jr., Republican Staff Director, “OIL, MEXICO, AND THE AGREEMENT”, December 2012, <http://www.gpo.gov/fdsys/pkg/CPRT-112SPRT77567/html/CPRT-112SPRT77567.htm>)

Progress, but can it last? A snapshot of Mexico’s oil sector Mexico has a long history of oil production and has prospects for a bright future as an oil power, but such an outcome is not guaranteed. Mexico sits atop significant amounts of oil estimated at 10.4 billion barrels of proven reserves, but that number could more than double when unconventional and deep offshore reserves are fully proven. The large unconventional Chicontopec area alone is estimated to hold up to 17.7 billion barrels. Turning Mexico’s oil resources into prosperity for the Mexican people is a tremendous challenge for PEMEX, its 100% state-owned national oil company established in 1938 after international oil companies were expelled.3 Mexican oil production relies primarily on a few major fields, the largest of which (Cantarell) is in steep decline. Oil production in Mexico peaked in 2003 at about 3.4 million barrels per day (mbd), falling to 2.6 mbd in 2010. That precipitous fall is due primarily to the estimated 75% decline in production from the massive Cantarell field from its peak. In recent years, Cantarell’s decline has been compensated for by the Ku-Maloob-Zaap (KMZ) fields; however, many analysts doubt the longevity of current production in those fields. Large increases in direct and third-party investment in recent years has enabled PEMEX to halt net decreases in production, at least temporarily. Importantly, PEMEX also now reports achieving a 100% replacement rate for reserves, improving prospects for continued production. Increased investment also has led to discoveries of large new deep water resources at Trion, Supremos, and Maximino, achievements of which PEMEX officials are justifiably proud. Several interlocutors credited energy reforms passed in 2008 for enabling those finds by giving PEMEX more flexibility to partner with international companies on a service contract basis, building on the shift to reliance on contracting services to enable investments stretching from the late 1990s. PEMEX leaders plan to raise production to 2.7 mbd in 2013 and 3 mbd by 2017, requiring up to $38 billion annually in investment. Near term growth is expected to come primarily from Chicontopec, a highly complex unconventional onshore project that is subject of great hope and scorn. Despite years of development and reportedly $5 billion in investment, the project is well behind expectations and currently only 70,000 barrels per day are produced, which puts claims of near-term growth in serious doubt. Over the longer-term PEMEX has set a goal to increase production to 3.3 mbd by 2024. Achieving that goal will require significantly more new production than the difference between the 3.3 mbd goal and today’s 2.6 mbd given expected large declines in KMZ. Field decline emphasizes the urgent need for Mexico to have several new projects in the pipeline in order to maintain and boost production. Skepticism of PEMEX’s ability to compensate for declining fields has led to some dire forecasts. The U.S. Energy Information Administration has estimated that Mexico will be a net importer of oil by 2020,4 thus also raising concerns about impacts on its balance of trade. While not investigated on this StaffDel, that situation highlights the need for more attention to demand management policies and continued reform of fuel subsidies.5 Mexico needs a diverse portfolio of future oil projects with staggered capacities over time. PEMEX leaders have identified such a set of oil development projects, including deep offshore and the Chicontopec unconventional area, each of which are complex undertakings with high potential, forming a growth strategy to complement conventional shallow offshore projects and investment in enhanced recovery at previous wells. Some observers point out that privatization of the sector would bring competition and private investment; however, that prospect is so remote as to be non-existent and not under even speculative consideration. Therefore, the ques- tion is what PEMEX can achieve on its own or in partnership with international companies. Most interlocutors are skeptical of PEMEX having the capital or expertise necessary to develop deep offshore fields, and, probably, the unconventional reserves at Chicontopec. Analysts point out that PEMEX took over 15 years and more than 20 wells to discover the most recent deep water finds. Moreover, deep water requires massive investments over many years, and even the world’s largest international oil companies (IOCs) partner with one another to generate capital and spread the risk of such investments. PEMEX’s capital limitations are further complicated by the company’s large debt burden. On the other side, proponents of PEMEX’s ability argue that they have gained expertise and dramatically lessened the risks implicit in development. PEMEX likely could develop a deep offshore project by buying technology and expertise through very generous service contracts with many of the same companies with which the IOCs contract. However, under current capital and management constraints,6 PEMEX alone is extremely unlikely to have the resources necessary to undertake multiple massive deep offshore developments while also investing in conventional oil production. Moreover, while some technology can be purchased through service contracts, project management expertise to run that type of project is not easily acquired. Therefore, the decision on whether IOCs should be granted access individually or in partnership with PEMEX to develop oil in Mexico depends on how much oil the Mexican Government wants produced and over what span of time. Interlocutors did not indicate that the expectations of either of the largest political parties or the Mexican public are conducive to the long time horizons it would take for PEMEX under current conditions to fully develop Mexico’s oil. Dealing with this challenge is complicated by the fact that PEMEX is as much a bureau of the government as it is a company. In defiance of conventional business sense (of both private companies and state oil companies), multiple Ministries and a politicallyappointed Board of Directors make key decisions, including deciding the amount and direction of investment in exploration and development of future production. It is not clear that all board members put the interests of the company, and hence future finances for the Mexican state, at the forefront of decision making. Having politicians with multiple constituencies (including the petroleum worker’s union and companies that thrive off the oil supply chain) and short-term political considerations often make essential decisions is incompatible with the long-term planning needed in the oil sector. However, precisely because PEMEX can be a useful tool for political goals, achieving fundamental structural change is very difficult. In sum, the authors agree that reform must happen to sustain and robustly grow Mexican oil production. The stakes of doing so are high for the Mexican Government. PEMEX directly provides 40% of government revenues, including significant resources transferred to the individual Mexican states. Decreased oil production has, thus far, been offset by higher than average global oil prices, but no government budget should rely so heavily on volatile commodity markets. While some commentators have argued that the budgetary pain of falling production would be useful to wean the budget from PEMEX, such a prospect could have wide repercussions on all programs funded in the Mexican budget, from poverty alleviation to the rule of law, let alone broader economic growth.

#### PEMEX and oil decline will drive Mexico into a financial crisis

Krauss and Malkin 10 Clifford Kraus and Elisabeth Malkin, Krauss is a national business correspondent based in Houston covering energy for the NYT, Malkin covers environmental and energy news especially for Mexico for the NYT, March 8, 2010, “Mexico Oil Politics Keeps Riches Just Out of Reach”, <http://www.nytimes.com/2010/03/09/business/global/09pemex.html?pagewanted=all&_r=0>.

VENUSTIANO CARRANZA, Mexico — To the Mexican people, one of the great achievements in their history was the day their president kicked out foreign [oil](http://www.nytimes.com/info/oil/?inline=nyt-classifier) companies in 1938. Thus, they celebrate March 18 as a civic holiday. Yet today, that 72-year-old act has put[Mexico](http://topics.nytimes.com/top/news/international/countriesandterritories/mexico/index.html?inline=nyt-geo) in a straitjacket, one that threatens both the welfare of the country and the oil supply of the United States. The national oil company created after the 1938 seizure, Pemex, is entering a period of turmoil. Oil production in its aging fields is sagging so rapidly that Mexico, long one of the world’s top oil-exporting countries, could begin importing oil within the decade. Mexico is among the three leading foreign suppliers of oil to the United States, along with Canada and Saudi Arabia. Mexican barrels can be replaced, but at a cost. It means greater American dependence on unfriendly countries like Venezuela, unstable countries like Nigeria and Iraq, and on the [oil sands](http://topics.nytimes.com/top/reference/timestopics/subjects/o/oil_petroleum_and_gasoline/oil_sands/index.html?inline=nyt-classifier) of Canada, an environmentally destructive form of oil production. “As you lose Mexican oil, you lose a critical supply,” said Jeremy M. Martin, director of the energy program at the Institute of the Americas at the [University of California, San Diego](http://topics.nytimes.com/topics/reference/timestopics/organizations/u/university_of_california/index.html?inline=nyt-org). “It’s not just about energy security but national security, because our neighbor’s economic and political well-being is largely linked to its capacity to produce and export oil.” Mexico probably still has plenty of oil, especially beneath the deep waters of the Gulf of Mexico, but Pemex lacks the technology and know-how to get it out. Inviting foreign companies into the country to help is one of the touchiest propositions in Mexican politics. As the Mexican government struggles to find a way forward, production keeps falling. The basic problem is simply that Mexico’s readily accessible oil is used up — pretty much the same thing that happened to the United States when production began falling in the 1970s. Output from Mexico’s giant Cantarell field, in shallow waters near the eastern shore, has plunged by 50 percent in recent years. Output at the country’s other large field is expected to begin falling in the next year or two. Historically, oil has supplied 30 to 40 percent of the Mexican government’s revenue. Confronting a potential calamity, President [Felipe Calderón](http://topics.nytimes.com/top/reference/timestopics/people/c/felipe_calderon/index.html?inline=nyt-per) has pushed through the strongest reforms he can defend politically, in hopes of attracting foreign investment. But he dare not do anything that would appear to reverse the 1938 nationalization. Even the modest reforms he has managed to pass are being challenged in court. Officially, the government is optimistic that Mexico can reverse its decline as an oil-producing nation. But its efforts so far have yielded more rhetoric than oil. Last year, on the day celebrating the 1938 seizure, the president’s helicopter landed in a hilly oil field outside this farming town. He announced that a new era of Mexican gushers would dawn soon. “Under this soil,” Mr. Calderón told thousands of oil workers, lay “the richness that could propel development in our country and help Mexico accelerate our path to progress and well-being.” He promised that 20 wells would be spurting crude “very soon” from the ground on which he stood. Almost a year later, only three wells were pumping on a recent afternoon. Eleven had been shut after producing little or no oil. In fact, the effort to develop the geologically challenging Chicontepec field here, near the gulf coast, is deteriorating into an embarrassing disaster for Pemex, the latest in a string of them. In all, Mexican oil output has dropped from just short of 3.5 million barrels a day in 2004 to a projected average of 2.5 million barrels this year. Mexican oil exports to the United States, now 1.1 million barrels a day, have fallen by nearly a third in the last six years. The United States Energy Department projects that Mexican production will decline by an additional 600,000 barrels a day by 2020; combined with growing domestic demand, that would probably make the country an oil importer. In the last two years, Mexico provided about 12 percent of all crude oil imports to the United States, supplying about 8 percent of the total oil used by American refineries, according to the Energy Department. Pemex — officially Petróleos Mexicanos — is the most important company in Mexico, employing 140,000 people. Oil money is used for everything from building schools to fighting the war against drug cartels. “The fact that Mexico’s production is rapidly declining could potentially cause a financial crisis not only for Pemex but for the government,” said Enrique Sira, the Mexico director of IHS Cera, an energy consulting firm. Mexican officials put the best face on the situation, hailing a reform package passed by Congress two years ago that gives Pemex more independence and leeway in negotiating service contracts with foreign firms. “There is nothing to stop us from improving,” Pemex’s director general, Juan José Suárez Coppel, said at a recent university conference. In an interview, the Mexican energy secretary, Georgina Kessel, said she expected the drop in oil production to level off this year, “and we can begin on the road back toward reversing the fall in production in the coming years.” To accomplish that, Ms. Kessel said, “Mexico is going to have to go to the deep waters of the Gulf of Mexico,” where she estimated there are at least 50 billion barrels in potential oil reserves — more than double the country’s current proven reserves. International oil executives share the enthusiasm for Mexico’s potential deepwater fields, which lie near rich new American fields. Mexico “potentially has, if not the largest, one of the largest undiscovered deepwater petroleum resources in the world,” said Jon Blickwede, a senior geologist at Statoil, a Norwegian oil company active in the Gulf. Pemex has stepped up exploration of its deep waters, but it will take specialized expertise and enormous financing to produce oil there. Just one deepwater rig can cost $365 million a year to operate, which is why even companies the size of [Chevron](http://topics.nytimes.com/top/news/business/companies/chevron_corporation/index.html?inline=nyt-org) and Shell look for partners to share the financial risk. Carlos Morales, head of Pemex production and exploration, said in an interview that the company was in advanced discussions with foreign companies to develop “new models” of contracts to share costs and technology on land and offshore that would include cash payments. “Without doubt, Pemex is in a key moment in its history,” he said.

#### Reforms are insufficient – private investment is needed

Otillar 5-1 Steven Otillar, has been representing clients in the development, finance, acquisition and divestiture of domestic and international energy projects for over 15 years, with a particular emphasis on upstream projects in emerging markets, May 1, 2013, “Outlook for Mexico's Oil Industry -- Opportunities and Obstacles”, <http://cdn.akingump.com/images/content/2/3/v2/23206/Akin-Otillar.pdf>.

The Need for Reform Production from Mexico’s shallow offshore fields, including Cantarell, continues to decline, and historically productive onshore fields in the southeast of Mexico are not expected to be a source of growth. Therefore, Mexico is looking to deepwater in the Gulf of Mexico and shale formations in the north (including a portion of the Eagle Ford shale formation that extends into Mexico) for future production growth. Deepwater and unconventional plays require substantial capital investments and/or cutting-edge technology. Given existing budget demands and limited resources for technological development, Pemex is hard pressed to pursue all of its existing prospects, let alone develop new ones. Further, Pemex is a major contributor to the general budget of Mexico and has multiple restrictions on its ability to directly reinvest its earnings in exploration and production (Mexico currently relies on the oil industry for approximately one-third of its revenue). The 2008 energy reform was a significant step in the right direction, and the early success of the Integrated Services Contracts shows that foreign investment is ready to come to Mexico. However, limiting IOC recovery to a fixed percentage of cost recovery and a fee per barrel does not provide the financial incentives for true exploration activities. Further, under existing regulations, IOCs are not able to book reserves under the existing rules of the U.S. Securities and Exchange Commission (SEC). Thus, the principal parties interested in the current contracts are oil and gas service companies and smaller privately held oil and gas companies, which tend to be less concerned with their total amount of proven reserves. A consensus seems to be building among industry observers and policymakers, including President Peña Nieto and others within the Institutional Revolutionary Party (PRI), that significant additional reforms are needed if Pemex is to take full advantage of the opportunities afforded by Mexico’s hydrocarbon resources. Some industry observers believe that President Peña Nieto will propose specific oil and gas reforms within the next year. To be successful, the reforms will need to loosen some of the restrictions on Pemex, address Article 6 of the Pemex law and head off constitutional challenges that will likely come as a result of Article 27. Article 27 and Proposed Reforms As mentioned, Article 27 of Mexico’s constitution provides that all natural resources are the property of the state and that private exploitation of natural resources must be done through concessions. As has been seen in the energy boom in the United States and Canada, the involvement of the private sector is an enormous benefit to realize the full potential of deepwater and shale finds. While some believe serious energy reform will not come until the next administration, actions already taken by President Peña Nieto, such as the proposal for a new regulator in the telecom sector and the arrest of Elba Gordillo, head of the teachers’ union and former leader of the PRI, suggest that his administration may be up to the task of dealing with the next step in the energy reform process. While the industry assumes reform is forthcoming, questions remain about what the proposed reforms will look like and, specifically, whether Mexico will allow IOCs to participate in the ownership of hydrocarbons after they are captured at the well head. On the U.S. side, the SEC requires a party to have an “economic interest” in oil and gas produced to be able to book reserves. Companies with concessions, production sharing agreements and even some service contract models, such as those in Iraq, have all been able to book reserves. If Mexico could enact a structure that could provide such rights, then publicly traded companies would likely be significantly more inclined to invest in Mexico. The “Pact for Mexico,” which was signed by the PRI and other major political parties in Mexico in December 2012, pledges to “transform energy . . . by attracting investment, developing technology and forming value chains,” but also provides that “. . . in all cases Mexico will retain ownership of all hydrocarbon production.” Earlier this year, the PRI voted unanimously to remove from its party platform language that restricted private investment in Mexico’s energy sector, but based on statements by PRI officials since then, outright privatization of Pemex appears to be very unlikely (and, in this author’s opinion, unnecessary). Some observers predict that President Peña Nieto will propose a reduction of Pemex’s tax burden to free up capital to allow Pemex to further reinvest in exploration and production. While this would certainly be a benefit and would loosen the binds on Pemex’s ability to develop national resources, Mexico’s policymakers should not stop there. Also, it makes economic sense to diversify risk and expand the pool of available capital. With Pemex as the sole operator, Mexico is taking all of the exploration risk. If IOCs were able to invest alongside or in partnership with Pemex, Mexico could exponentially expand the number, type and complexity of projects being pursued in the aggregate.

#### TBA ushers in Mexican energy reform

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The TBA further contains requirements of data sharing and notification of likely reserves between the United States and Mexico, opening the opportunity for increased government-to-government collaboration on strategic energy policy choices. Mexico and the United States are relatively less advanced in effective communication and linkages of our energy systems than we are in less politically- controversial economic areas. Improved ties can improve understanding and galvanize cooperation in often unexpected ways. In the immediate term, closer oil sector communication will be beneficial in case of accidents in the Gulf of Mexico or in case of significant disruptions to global oil supplies. On issues of environmental protection and safety, the TBA envisions that the U.S. and Mexico in the geographic area under the agreement will have common standards and that regulators from both countries will have access to oil and gas development facilities with the ability to order shutdowns in both jurisdictions if necessary. The Obama administration contends that means that Mexican environmental and safety standards, and enforcement, will have to rise to U.S. levels. There is no guarantee that passage of the TBA will precipitate systemic improvement in Mexican environmental and safety enforcement, but any improvement is welcome by the Mexican safety regulator and should be welcomed in the United States given possible impacts of a spill on U.S. economic interests and quality of life. Perhaps the most important U.S.-specific benefits of the TBA are three-fold. First, the TBA will, for the first time, allow U.S.-listed IOCs to work in partnership with PEMEX, not including service contracts. Many observers are optimistic that the TBA is the metaphorical camel’s nose under the tent, paving the way to broader reform in Mexico. There is no guarantee of such an outcome, however, failure for the U.S. to approve the TBA may put a drag on Mexican domestic energy reform momentum. The TBA helps demonstrate that Mexico’s oil patrimony can be protected in a joint production regime with U.S. companies. It was suggested by some senior officials that passage of the TBA could help prompt broader domestic energy reform in Mexico.

#### TBA enables cooperation that leads to private companies to work with Mexico

Brown and Meacham 6-5

Neil Brown and Carl Meacham, Brown is non-resident fellow at the German Marshall Fund of the United States. Meacham is director of the Americas Program at the Center for Strategic and International Studies, June 6, 2013, “Time for US-Mexico Transboundary Agreement”, <http://thehill.com/opinion/op-ed/303739-time-for-us-mexico-transboundary-agreement>.

The United States-Mexico Transboundary Agreement (TBA) would enable cooperation between our two federal governments and our companies to unlock the potential for oil and natural gas reserves that extend across our Gulf of Mexico maritime boundary. Congressional approval of the TBA would enrich U.S.-Mexico relations in the near term while laying the foundation for improved energy security and enhanced environmental protection for the Gulf Coast. Bilateral relations with Mexico have improved dramatically in recent years, yet energy cooperation has lagged. Oil holds a privileged position of national pride and constitutional protection in Mexico, historically putting it off limits for domestic reform and bilateral cooperation with the U.S. The TBA is, therefore, more than just an energy agreement. Its approval by the Mexican government is a political statement opening a window to richer relations. While the area under future jurisdiction of the TBA could provide incremental domestic oil production, a far greater prize for the U.S. oil portfolio is the prospect of more reliable oil trade with our ally Mexico. The TBA would, for the first time, allow oil majors to work in joint production arrangements with PEMEX and support the confidence building necessary to enable those arrangements more widely in Mexico. That is not only good for oil major shareholders, it is good for our nation’s energy security. Even as U.S. domestic oil production increases, the sources of our imports remain critical for economic stability and national security flexibility. Recently, Mexico was supplanted by Saudi Arabia as our second largest foreign oil source after Canada. Mexican oil production has dropped by more than a quarter over the last decade, and U.S. refiners geared for heavy oil had to look elsewhere to make up the difference. Canadian heavy crude production is increasing in the country’s oil sands region, but pipeline infrastructure is insufficient. Therefore, in effect, the U.S. has had to increase imports of Middle East crudes in order to make up for shortfalls in Mexico. The TBA alone will not structurally reverse Mexico’s oil decline, but it is likely a necessary first step along that path. Regardless of TBA approval, Mexico’s PEMEX will continue its deepwater exploration near the U.S. border. With memories of Deepwater Horizon still fresh, it is worrisome that Mexico’s oil safety regulator, known as CNH, has almost no capacity to provide independent on-site inspections. All facilities operating under the TBA would be subject to U.S. inspectors with the ability to stop operations. Moreover, U.S. and Mexican regulators would work hand in hand, offering support for more systematic improvement. Given the foreign policy, energy security, and environmental benefits of the TBA signed in February 2012, it is disappointing that the Obama administration has delayed taking steps necessary for Congress to approve the agreement. That delay does not make it any less important for Congress to approve the agreement soon. Congress has a critical role in clarifying certain provisions of this international agreement. Dispute resolution mechanisms warrant particular attention. Already, it has been mistakenly argued that the TBA requires greater secrecy in payments of oil deals, encouraging an effort to exempt the agreement from the Cardin-Lugar transparency law. No such secrecy is required by the TBA, which subordinates its confidentiality rules to domestic law. The longer the TBA sits on the shelf, the more likely it will be hamstrung as a proxy for more rancorous energy disputes. Prompt Congressional activity could be a useful vote of confidence in the upcoming domestic energy sector reform in Mexico. Mexico needs new oil production from more complex fields to counterbalance its declining fields, let alone increased production. Leaders in Mexico’s two largest political parties know that under current capital and management constraints, PEMEX alone is extremely unlikely to turn Mexico’s oil and natural gas abundance into prosperity for the Mexican people. International oil majors are needed, but that will take political courage. Congressional approval of the TBA would tangibly demonstrate that the U.S. government and our companies are willing partners. That is good for Mexico and for the U.S.

#### Independently solves Mexican growth and ensures long term US production

Kerry et al. 12

(JOHN F. KERRY, Massachusetts, Chairman ¶ BARBARA BOXER, California RICHARD G. LUGAR, Indiana¶ ROBERT MENENDEZ, New Jersey BOB CORKER, Tennessee¶ BENJAMIN L. CARDIN, Maryland JAMES E. RISCH, Idaho¶ ROBERT P. CASEY, Jr., Pennsylvania MARCO RUBIO, Florida¶ JIM WEBB, Virginia JAMES M. INHOFE, Oklahoma¶ JEANNE SHAHEEN, New Hampshire JIM DeMINT, South Carolina¶ CHRISTOPHER A. COONS, Delaware JOHNNY ISAKSON, Georgia¶ RICHARD J. DURBIN, Illinois JOHN BARRASSO, Wyoming¶ TOM UDALL, New Mexico MIKE LEE, Utah¶ William C. Danvers, Staff Director ¶ Kenneth A. Myers, Jr., Republican Staff Director, “OIL, MEXICO, AND THE AGREEMENT”, December 2012, <http://www.gpo.gov/fdsys/pkg/CPRT-112SPRT77567/html/CPRT-112SPRT77567.htm>)

The centerpiece of the TBA is the mandate to establish so-called ‘‘unitization’’ agreements by which companies licensed by the United States and Mexico’s state oil company PEMEX would jointly develop oil and gas reservoirs that have been discovered to extend across the maritime boundary. In effect, unitization agreements would work similarly to more well-known production sharing agreements (PSAs), whereby companies involved will jointly develop a project in order to spread risk given that deep water developments will cost billions of dollars each. Given PEMEX’s lack of experience in deep water, the most likely outcome is that IOCs licensed by the United States would operate the developments and utilize infrastructure based on the United States side of the border, which is more extensive than that of Mexico near to the area of operation. However, the United States does have an interest in PEMEX gaining expertise in operation in deep water in order to improve the integrity of potential PEMEX operated developments exclusively in Mexican territory. A key difference between the unitization agreements envisioned under the TBA and traditional PSAs is that physical barrels produced will be allocated to the legal jurisdictions of the United States and Mexico, presumably in proportion to the amount of reserves found on their respective sides of the border. The Mexican barrels, presumably, will be property of PEMEX as a state entity and the U.S. barrels will be treated under standard terms of U.S. licensing in the Gulf of Mexico. It is unlikely that, from the U.S. perspective, the TBA will meaningfully increase U.S. domestic oil production in the near term. The maritime border area is deep water and would require massive investments. Such investments are possible and should be encouraged by the U.S. government, however, it will take years to get through regulatory hurdles and normal project development needs. However, the TBA would unlock the maritime border region from moratoria, thereby offering long-term opportunities to increase U.S. domestic production. The TBA should be seen as a net positive to helping reduce U.S. dependence on imports from troublesome regions and boosting domestic economic activity, and therefore the TBA should be viewed as a benefit for U.S. energy security. Benefits of physical barrels of oil produced are potentially much greater in relative importance on the Mexican side of the border, which is experiencing decline in key fields, and that would be substantially beneficial to U.S. interests in Mexican economic growth. As discussed above, Mexico needs new oil production. Developing deep offshore production would help diversify the Mexican oil portfolio, providing economic benefit to the Mexican state whether that oil is sold for export markets or used domestically. Moreover, having IOCs working with PEMEX to boost domestic Mexican production will provide useful commercial opportunities and, importantly, boost confidence that Mexico will have significant oil available to export to the United States. As a reliable, proximate, and friendly neighbor, Mexican oil imports support U.S. energy security

#### Economic decline causes Mexican collapse, US intervention, and immigration

Barnes 11 Joe Barnes, the Bonner Means Baker Fellow at the James A. Baker III Institute for Public Policy, written extensively on international economics, with a focus on the geopolitics of energy, April 29, 2011, “The Future of Oil in Mexico”, <http://bakerinstitute.org/publications/EF-pub-BarnesBilateral-04292011.pdf>.

In summary. the slow decline of Mexican oil production, in and of itself, is unlikely to have a dramatic impact on international petroleum markets or prompt any dramatic response from the United States. There is, however, one set of circumstances which this decline would capture Washington's attention. That is the extent to which it contributes to significant instability in Mexico. There is already a short- to medium-term risk of substantial instability in Mexico. As noted, the country is enduring extremely high levels of drug-related violence. Even if the Mexican government eventually succeeds in its efforts to suppress this violence, the process is likely to be expensive, bloody, and corrosive in terms of human rights. A period of feeble economic growth. combined with a fiscal crisis associated with a drop in revenues from Pemex, could create a "perfect storm" south of the border. If this were to occur, Washington would have no choice but to respond. In the longer-term. the United States has a clear interest in robust economic growth and fiscal sustainability in Mexico.34 There is at least one major example of the U.S. coming to Mexico's aid in an economic emergency. In 1994. the United States extended USS20 billion in loan guarantees to Mexico when the peso collapsed. in large part to make U.S. creditors whole.35 Not least, a healthy Mexican economy would reduce the flow of illegal immigration to the United States. To the extent that prospects for such growth and sustainability are enhanced by reform of Pemex, the United States should be supportive. It might be best, in terms of U.S. economic and commercial interests, were Pemex to be fully privatized. but even partial reforms would be welcome. Not all national oil companies are created equal: Pemex's development into something like Norway's Statol would mark an important improvement.36

#### Mexican collapse causes U.S. isolationism

Haddick 8 (Robert, Managing Editor, Small Wars Journal, former U.S. Marine Corps officer, advisor for the State Department and the National Intelligence Council on irregular warfare issues, former Director of Research at the Fremont Group, <http://westhawk.blogspot.com/2008/12/now-that-would-change-everything.html>, MH)

There is one dynamic in the literature of weak and failing states that has received relatively little attention, namely the phenomenon of “rapid collapse.” For the most part, weak and failing states represent chronic, long-term problems that allow for management over sustained periods. The collapse of a state usually comes as a surprise, has a rapid onset, and poses acute problems. The collapse of Yugoslavia into a chaotic tangle of warring nationalities in 1990 suggests how suddenly and catastrophically state collapse can happen - in this case, a state which had hosted the 1984 Winter Olympics at Sarajevo, and which then quickly became the epicenter of the ensuing civil war. In terms of worst-case scenarios for the Joint Force and indeed the world, two large and important states bear consideration for a rapid and sudden collapse: Pakistan and Mexico. Some forms of collapse in Pakistan would carry with it the likelihood of a sustained violent and bloody civil and sectarian war, an even bigger haven for violent extremists, and the question of what would happen to its nuclear weapons. That “perfect storm” of uncertainty alone might require the engagement of U.S. and coalition forces into a situation of immense complexity and danger with no guarantee they could gain control of the weapons and with the real possibility that a nuclear weapon might be used. The Mexican possibility may seem less likely, but the government, its politicians, police, and judicial infrastructure are all under sustained assault and pressure by criminal gangs and drug cartels. How that internal conflict turns out over the next several years will have a major impact on the stability of the Mexican state. Any descent by the Mexico into chaos would demand an American response based on the serious implications for homeland security alone. Yes, the “rapid collapse” of Mexico would change everything with respect to the global security environment. Such a collapse would have enormous humanitarian, constitutional, economic, cultural, and security implications for the U.S. It would seem the U.S. federal government, indeed American society at large, would have little ability to focus serious attention on much else in the world. The hypothetical collapse of Pakistan is a scenario that has already been well discussed. In the worst case, the U.S. would be able to isolate itself from most effects emanating from south Asia. However, there would be no running from a Mexican collapse.

#### Hegemony prevents multiple nuclear conflicts

Brooks, Ikenberry, and Wohlforth ’13

(Stephen, Associate Professor of Government at Dartmouth College, John Ikenberry is the Albert G. Milbank Professor of Politics and International Affairs at Princeton University in the Department of Politics and the Woodrow Wilson School of Public and International Affairs, William C. Wohlforth is the Daniel Webster Professor in the Department of Government at Dartmouth College “Don’t Come Home America: The Case Against Retrenchment,” International Security, Vol. 37, No. 3 (Winter 2012/13), pp. 7–51)

A core premise of deep engagement is that it prevents the emergence of a far more dangerous global security environment. For one thing, as noted above, the United States’ overseas presence gives it the leverage to restrain partners from taking provocative action. Perhaps more important, its core alliance commitments also deter states with aspirations to regional hegemony from contemplating expansion and make its partners more secure, reducing their incentive to adopt solutions to their security problems that threaten others and thus stoke security dilemmas. The contention that engaged U.S. power dampens the baleful effects of anarchy is consistent with influential variants of realist theory. Indeed, arguably the scariest portrayal of the war-prone world that would emerge absent the “American Pacifier” is provided in the works of John Mearsheimer, who forecasts dangerous multipolar regions replete with security competition, arms races, nuclear proliferation and associated preventive war temptations, regional rivalries, and even runs at regional hegemony and full-scale great power war. 72 How do retrenchment advocates, the bulk of whom are realists, discount this benefit? Their arguments are complicated, but two capture most of the variation: (1) U.S. security guarantees are not necessary to prevent dangerous rivalries and conflict in Eurasia; or (2) prevention of rivalry and conflict in Eurasia is not a U.S. interest. Each response is connected to a different theory or set of theories, which makes sense given that the whole debate hinges on a complex future counterfactual (what would happen to Eurasia’s security setting if the United States truly disengaged?). Although a certain answer is impossible, each of these responses is nonetheless a weaker argument for retrenchment than advocates acknowledge. The first response flows from defensive realism as well as other international relations theories that discount the conflict-generating potential of anarchy under contemporary conditions. 73 Defensive realists maintain that the high expected costs of territorial conquest, defense dominance, and an array of policies and practices that can be used credibly to signal benign intent, mean that Eurasia’s major states could manage regional multipolarity peacefully without the American pacifier. Retrenchment would be a bet on this scholarship, particularly in regions where the kinds of stabilizers that nonrealist theories point to—such as democratic governance or dense institutional linkages—are either absent or weakly present. There are three other major bodies of scholarship, however, that might give decisionmakers pause before making this bet. First is regional expertise. Needless to say, there is no consensus on the net security effects of U.S. withdrawal. Regarding each region, there are optimists and pessimists. Few experts expect a return of intense great power competition in a post-American Europe, but many doubt European governments will pay the political costs of increased EU defense cooperation and the budgetary costs of increasing military outlays. 74 The result might be a Europe that is incapable of securing itself from various threats that could be destabilizing within the region and beyond (e.g., a regional conflict akin to the 1990s Balkan wars), lacks capacity for global security missions in which U.S. leaders might want European participation, and is vulnerable to the influence of outside rising powers. What about the other parts of Eurasia where the United States has a substantial military presence? Regarding the Middle East, the balance begins to swing toward pessimists concerned that states currently backed by Washington— notably Israel, Egypt, and Saudi Arabia—might take actions upon U.S. retrenchment that would intensify security dilemmas. And concerning East Asia, pessimism regarding the region’s prospects without the American pacifier is pronounced. Arguably the principal concern expressed by area experts is that Japan and South Korea are likely to obtain a nuclear capacity and increase their military commitments, which could stoke a destabilizing reaction from China. It is notable that during the Cold War, both South Korea and Taiwan moved to obtain a nuclear weapons capacity and were only constrained from doing so by a still-engaged United States. 75 The second body of scholarship casting doubt on the bet on defensive realism’s sanguine portrayal is all of the research that undermines its conception of state preferences. Defensive realism’s optimism about what would happen if the United States retrenched is very much dependent on its particular—and highly restrictive—assumption about state preferences; once we relax this assumption, then much of its basis for optimism vanishes. Specifically, the prediction of post-American tranquility throughout Eurasia rests on the assumption that security is the only relevant state preference, with security defined narrowly in terms of protection from violent external attacks on the homeland. Under that assumption, the security problem is largely solved as soon as offense and defense are clearly distinguishable, and offense is extremely expensive relative to defense. Burgeoning research across the social and other sciences, however, undermines that core assumption: states have preferences not only for security but also for prestige, status, and other aims, and they engage in trade-offs among the various objectives. 76 In addition, they define security not just in terms of territorial protection but in view of many and varied milieu goals. It follows that even states that are relatively secure may nevertheless engage in highly competitive behavior. Empirical studies show that this is indeed sometimes the case. 77 In sum, a bet on a benign postretrenchment Eurasia is a bet that leaders of major countries will never allow these nonsecurity preferences to influence their strategic choices. To the degree that these bodies of scholarly knowledge have predictive leverage, U.S. retrenchment would result in a significant deterioration in the security environment in at least some of the world’s key regions. We have already mentioned the third, even more alarming body of scholarship. Offensive realism predicts that the withdrawal of the American pacifier will yield either a competitive regional multipolarity complete with associated insecurity, arms racing, crisis instability, nuclear proliferation, and the like, or bids for regional hegemony, which may be beyond the capacity of local great powers to contain (and which in any case would generate intensely competitive behavior, possibly including regional great power war). Hence it is unsurprising that retrenchment advocates are prone to focus on the second argument noted above: that avoiding wars and security dilemmas in the world’s core regions is not a U.S. national interest. Few doubt that the United States could survive the return of insecurity and conflict among Eurasian powers, but at what cost? Much of the work in this area has focused on the economic externalities of a renewed threat of insecurity and war, which we discuss below. Focusing on the pure security ramifications, there are two main reasons why decisionmakers may be rationally reluctant to run the retrenchment experiment. First, overall higher levels of conflict make the world a more dangerous place. Were Eurasia to return to higher levels of interstate military competition, one would see overall higher levels of military spending and innovation and a higher likelihood of competitive regional proxy wars and arming of client states—all of which would be concerning, in part because it would promote a faster diffusion of military power away from the United States. Greater regional insecurity could well feed proliferation cascades, as states such as Egypt, Japan, South Korea, Taiwan, and Saudi Arabia all might choose to create nuclear forces. 78 It is unlikely that proliferation decisions by any of these actors would be the end of the game: they would likely generate pressure locally for more proliferation. Following Kenneth Waltz, many retrenchment advocates are proliferation optimists, assuming that nuclear deterrence solves the security problem. 79 Usually carried out in dyadic terms, the debate over the stability of proliferation changes as the numbers go up. Proliferation optimism rests on assumptions of rationality and narrow security preferences. In social science, however, such assumptions are inevitably probabilistic. Optimists assume that most states are led by rational leaders, most will overcome organizational problems and resist the temptation to preempt before feared neighbors nuclearize, and most pursue only security and are risk averse. Confidence in such probabilistic assumptions declines if the world were to move from nine to twenty, thirty, or forty nuclear states. In addition, many of the other dangers noted by analysts who are concerned about the destabilizing effects of nuclear proliferation—including the risk of accidents and the prospects that some new nuclear powers will not have truly survivable forces—seem prone to go up as the number of nuclear powers grows. 80 Moreover, the risk of “unforeseen crisis dynamics” that could spin out of control is also higher as the number of nuclear powers increases. Finally, add to these concerns the enhanced danger of nuclear leakage, and a world with overall higher levels of security competition becomes yet more worrisome. The argument that maintaining Eurasian peace is not a U.S. interest faces a second problem. On widely accepted realist assumptions, acknowledging that U.S. engagement preserves peace dramatically narrows the difference between retrenchment and deep engagement. For many supporters of retrenchment, the optimal strategy for a power such as the United States, which has attained regional hegemony and is separated from other great powers by oceans, is offshore balancing: stay over the horizon and “pass the buck” to local powers to do the dangerous work of counterbalancing any local rising power. The United States should commit to onshore balancing only when local balancing is likely to fail and a great power appears to be a credible contender for regional hegemony, as in the cases of Germany, Japan, and the Soviet Union in the midtwentieth century. The problem is that China’s rise puts the possibility of its attaining regional hegemony on the table, at least in the medium to long term. As Mearsheimer notes, “The United States will have to play a key role in countering China, because its Asian neighbors are not strong enough to do it by themselves.” 81 Therefore, unless China’s rise stalls, “the United States is likely to act toward China similar to the way it behaved toward the Soviet Union during the Cold War.” 82 It follows that the United States should take no action that would compromise its capacity to move to onshore balancing in the future. It will need to maintain key alliance relationships in Asia as well as the formidably expensive military capacity to intervene there. The implication is to get out of Iraq and Afghanistan, reduce the presence in Europe, and pivot to Asia— just what the United States is doing. 83 In sum, the argument that U.S. security commitments are unnecessary for peace is countered by a lot of scholarship, including highly influential realist scholarship. In addition, the argument that Eurasian peace is unnecessary for U.S. security is weakened by the potential for a large number of nasty security consequences as well as the need to retain a latent onshore balancing capacity that dramatically reduces the savings retrenchment might bring. Moreover, switching between offshore and onshore balancing could well be difªcult. Bringing together the thrust of many of the arguments discussed so far underlines the degree to which the case for retrenchment misses the underlying logic of the deep engagement strategy. By supplying reassurance, deterrence, and active management, the United States lowers security competition in the world’s key regions, thereby preventing the emergence of a hothouse atmosphere for growing new military capabilities. Alliance ties dissuade partners from ramping up and also provide leverage to prevent military transfers to potential rivals. On top of all this, the United States’ formidable military machine may deter entry by potential rivals. Current great power military expenditures as a percentage of GDP are at historical lows, and thus far other major powers have shied away from seeking to match top-end U.S. military capabilities. In addition, they have so far been careful to avoid attracting the “focused enmity” of the United States. 84 All of the world’s most modern militaries are U.S. allies (America’s alliance system of more than sixty countries now accounts for some 80 percent of global military spending), and the gap between the U.S. military capability and that of potential rivals is by many measures growing rather than shrinking. 85

#### Mexican economic decline causes a flood of refugees, resulting in terrorism.

Michael Brown 9, Undersecretary of Emergency Preparedness and Response in the Department of Homeland Security, “Border Control: Collapse of Mexico Is A Homeland Security & National Security Issue,” 1/14, <http://michaelbrowntoday.com/journal/2009/1/15/border-control-collapse-of-mexico-is-a-homeland-security-nat.html>

By failing to secure the borders and control immigration, we have opened ourselves up to a frightening scenario. The United States could face a flood of refugees from Mexico if it were to collapse, overwhelming state and local governments along the U.S.-Mexico border. During a time of economic duress, the costs would be overwhelming and would simply add to the already burgeoning costs at the federal level. Immigration and border control never was nor should it ever be about racism. Immigration and border control are national security and homeland security issues. Sleeper cells from numerous terrorist groups could, and probably already have, infiltrated the United States, just laying in wait to attack at an appropriately vulnerable time.

#### US-Mexican border terrorism results in bioterror attacks

Ken Timmerman 10, Newsmax correspondent, “FBI Director Mueller: Al-Qaida Still Wants Nuclear Bomb,” 3/18, <http://newsmax.com/Newsfront/mueller-fbi-alqaida-nuclear/2010/03/18/id/353169>

FBI Director Robert Mueller warned Congress on Wednesday of ongoing al-Qaida efforts to acquire weapons of mass destruction to attack the United States. “Al-Qaida remains committed to its goal of conducting attacks inside the United States,” Mueller told a House appropriations subcommittee. “Further, al-Qaida’s continued efforts to access chemical, biological, radiological, or nuclear material pose a serious threat to the United States.” To accomplish its goals of new attacks on the American homeland, al-Qaida “seeks to infiltrate overseas operatives who have no known nexus to terrorism into the United States using both legal and illegal methods of entry,” Mueller said. In February, Sheikh Abdullah al-Nasifi, a known al-Qaida recruiter in Kuwait, boasted on al Jazeera television that Mexico’s border with the United States was the ideal infiltration point for terrorists seeking to attack America. “Four pounds of anthrax – in a suitcase this big – carried by a fighter through tunnels from Mexico into the U.S., are guaranteed to kill 330,000 Americans within a single hour if it is properly spread in population centers there,” al-Nasifi said.

#### Bioterror leads to extinction

Anders Sandberg 8, is a James Martin Research Fellow at the Future of Humanity Institute at Oxford University; Jason G. Matheny, PhD candidate in Health Policy and Management at Johns Hopkins Bloomberg School of Public Health and special consultant to the Center for Biosecurity at the University of Pittsburgh Medical Center; Milan M. Ćirković, senior research associate at the Astronomical Observatory of Belgrade and assistant professor of physics at the University of Novi Sad in Serbia and Montenegro, 9/8/8, “How can we reduce the risk of human extinction?,” Bulletin of the Atomic Scientists,<http://www.thebulletin.org/web-edition/features/how-can-we-reduce-the-risk-of-human-extinction>

The risks from anthropogenic hazards appear at present larger than those from natural ones. Although great progress has been made in reducing the number of nuclear weapons in the world, humanity is still threatened by the possibility of a global thermonuclear war and a resulting nuclear winter. We may face even greater risks from emerging technologies. Advances in synthetic biology might make it possible to engineer pathogens capable of extinction-level pandemics. The knowledge, equipment, and materials needed to engineer pathogens are more accessible than those needed to build nuclear weapons. And unlike other weapons, pathogens are self-replicating, allowing a small arsenal to become exponentially destructive. Pathogens have been implicated in the extinctions of many wild species. Although most pandemics "fade out" by reducing the density of susceptible populations, pathogens with wide host ranges in multiple species can reach even isolated individuals. The intentional or unintentional release of engineered pathogens with high transmissibility, latency, and lethality might be capable of causing human extinction. While such an event seems unlikely today, the likelihood may increase as biotechnologies continue to improve at a rate rivaling Moore's Law.

### Contention 2: PEMEX

#### The US gas glut causes Mexican energy sector collapse – PEMEX can’t expand now

**Rodriguez, Reuters, ’12** (Carlos Manuel, “U.S. Shale Glut Means Gas Shortage for Mexican Industry: Energy,” 9-4-12, <http://www.bloomberg.com/news/2012-09-03/u-s-shale-glut-means-gas-shortage-for-mexican-industry-energy.html>, accessed 3-18-13)

The bottleneck in Latin America’s second-largest economy is the latest energy whiplash stemming from the U.S. shale gas boom. **Mexican gas prices are tied to rates in its northern neighbor**, where soaring supplies from shale fields drove gas to a 10-year low and reduced Mexico’s wholesale price 32 percent in the past year. **Manufacturers can’t get enough of the energy.**¶ **“The shortage of natural gas is affecting companies economically and technically**,” Octavio Rangel, the Mexico Steel Chamber chief, said without naming any, in a written response to questions. **“In some plants, gas supply has been reduced 40 percent to 45 percent of what was originally agreed.”**¶Pemex contacted all clients last month for the 15th time this year to recommend they cut consumption or face incomplete deliveries, compared with 18 times in all of 2011.¶ The pinch illustrates how the global supply balance was rocked by advanced extraction techniques that have buyers in the U.S. paying about one-eighth the price Asian nations are charged for gas. At the same time, nations like Mexico that link prices to the U.S. Henry Hub benchmark are seeing rapid demand growth compared with Europe, where most rates are tied to oil.¶ ‘Pricing Problem’¶ “The problem is about pricing, not about reserves, not even about pipelines,” David Shields, a Mexico City-based independent energy analyst and publisher of Energia magazine, said in an Aug. 22 interview. “Companies want the same prices here than those in the U.S. when the supply reality is different in Mexico.”¶ On Aug. 29, Energy Minister Jordy Herrera met with executives from Concamin, an umbrella group representing Mexico’s multiple industrial chambers, to discuss boosting imports of liquefied natural gas, or LNG, from South America and Africa in exchange for higher rates to customers.¶ A deal wasn’t reached. The companies rejected any plan that will pass the increased costs to the industrial customers, two people familiar with the meeting said. They asked not to be identified because the information isn’t public. Officials at the press offices of the Ministry and Concamin declined to comment.¶ Largest Consumers¶ The steel industry is the largest private consumer of gas, with ArcelorMittal, Ternium and Altos Hornos de Mexico SA being the biggest producers. Officials at Ternium and ArcelorMittal, both based in Luxembourg, declined to comment from Mexico, as did those from Altos Hornos.¶ Of all the so-called critical alerts issued since 1998, when customers are asked to cut usage, about a third occurred in the past 18 months, Pemex said in an e-mailed statement.¶ The longer Mexico is short of supply, the more likely U.S. companies such as Apache Corp. (APA) and Cheniere Energy Inc. (LNG), both based in Houston, will benefit. Cheniere, seeking to increase shipments to countries with U.S. free trade agreements, in April won federal approval to build the largest U.S. natural-gas export plant.¶ While Pemex has projects to add pipelines from other points in the U.S., they won’t come into service until at least 2014. The bulk of its supply, from domestic gas fields, has likewise lagged demand growth.¶ Idle Gas¶ Pemex’s monopoly for gas production is leaving fields with as much as 1 trillion cubic feet of gas reserves to sit idle as cheap North America prices deter investments. At the same time, Mexico’s constitution prevents private companies from developing such projects.¶ Output is restrained by decades-old equipment and a strategy of prioritizing investments in crude oil projects. Mexico’s domestic natural-gas sales have risen 70 percent in the past decade, outpacing a 46 percent increase in production, according to Energy Ministry data.¶ The nation, operator of the world’s ninth-longest pipeline grid and the second-biggest importer from the U.S., is increasing its 6,000-mile gas network 40 percent. The $10 billion of projects are largely getting financed by private developers.¶ U.S. exports by pipeline to Mexico reached an all-time high of 52.2 billion cubic feet in May as yields from shale formations drove U.S. output.¶ Rationing Effects¶ Despite the gas boom in the U.S., some Mexican plants have delayed projects “to switch their equipment to cleaner gas amid the shortage,” Rangel said, without identifying the companies. **Any rationing of gas supplies will prompt “production losses for the companies and for the supply chain.”** Rangel said.¶ Gas emits about 50 percent less carbon dioxide than coal.¶ “There’s no uncertainty,” Deputy Energy Minister Mario Gabriel said by telephone from Mexico City on Aug. 20. “It’s a short-term problem, and the industrial sector knows that by 2014, 2015 and 2016 the gas will be arriving where they want it for its new projects.”¶ **Thirty percent of Mexico’s energy consumption is natural gas**, the U.S. Energy Department said on its Mexico Country Analysis Brief. Mexico produced 2.1 trillion cubic feet of gas in 2010, while consuming 2.2 trillion, according to the department.¶ LNG Imports¶ Gabriel said that Mexico will boost imports of LNG to offset the shortages and will delay some projects to replace the use of fuel **with natural gas at its power plants and refineries run by Pemex** oil and Comision Federal de Electricidad, the state-owned power company known as CFE.¶ Mexican companies are moving away from fuel oil, which trades at $17.301 per million of British thermal unit, to use natural gas, which settled at $2.850 per million Btu on the New York Mercantile Exchange. Gas fell to a 10-year low of $1.902 per million Btu on April 19.¶ Mexico regulates natural-gas prices by linking them to the futures delivered to the Henry Hub in Louisiana and adding a transportation fee.¶ LNG is gas chilled to minus 260 degrees Fahrenheit (minus 162 Celsius) so it can be transported by ship.¶ CFE and Pemex, which uses gas to boost output from aging crude fields and to power some refineries, will need to trim their demand in the short-term to balance the natural-gas market, Gabriel said.

#### PEMEX is critical to the Mexican economy

Samples and Vittor 12 (Tim R. and Jose Luis, associate and partners at Hogan Lovells US LLP, “Energy Reform and the Future of Mexico’s Oil Industry: The Pemex Bidding Rounds and Integrated Service Contracts”, Texas Journal of Oil, Gas, and Energy Law, 6-21-12, http://tjogel.org/wp-content/uploads/2012/07/Samples-Formatted\_Final\_June13.pdf, accessed 3-18-13)

In recent years, Latin America has seen an uptick in interest as a destination for companies seeking new opportunities in the exploration and production of oil and gas.1¶ From the discovery of massive pre-salt oil ¶ fields off the coast of Brazil to unconventional plays in Argentina and ¶ Colombia, the region is generating renewed interest for the international ¶ energy industry. Four countries in particular—Brazil, Colombia, Mexico, ¶ and Peru—are moving forward with bidding rounds for significant ¶ exploration and production contracts with hopes of attracting technology, ¶ expertise, and capital from the private sector. ¶ **The case of Petróleos Mexicanos (Pemex) and Mexico is especially** ¶ **compelling.** As a state-controlled monopoly, **Pemex is the sole producer** ¶ **of crude oil, natural gas, and refined products in Mexico**.2¶ **Pemex, the** ¶ **most important company in Mexico, is simultaneously referred to as the** ¶ **“cash cow” and a “sacred cow” of Mexico**.3¶ As Mexico’s cash cow, ¶ Pemex provides over a third of the federal government’s revenues.4¶ As ¶ Mexico’s sacred cow, Pemex has immense and symbolic national ¶ importance, which is deeply rooted in Mexico’s sense of sovereignty and ¶ independence.5¶ **Increasingly, these two roles are in tension as Pemex** ¶ **struggles to remain a cash cow while subject to the legal and political** ¶ **constraints of a sacred national** treasure.

#### Makes collapse inevitable – uncertainty and lack of planning

**MarketWatch 12** Laurence Iliff, Pemex declares critical natural gas shortage, 8/22, <http://www.marketwatch.com/story/pemex-declares-critical-natural-gas-shortage-2012-08-22?reflink=MW_news_stmp>

Mexico's state-owned oil company Petroleos Mexicanos, **or Pemex**, said Wednesday that equipment failure caused a **critical shortage of natural gas** in its pipeline system and declared a 24-hour alert beginning at noon that will restrict industry's access to the fuel.¶ **The alert was another in a series of natural-gas alerts that has sparked complaints from industries that rely on the gas for their operations.**¶Pemex said in a statement that an electrical discharge during heavy rains in the Gulf Coast state of Veracruz forced the shutdown of a natural gas supply station, which reduced pipeline pressure in the oil company's central and eastern regions.¶ When critical alerts are announced, industry and distributors must halt or limit their use of natural gas since falling pressure can cause damage to the pipelines. Pemex said the critical alert applied just to the central and eastern parts of the country.¶ Earlier this month, the industrial association Concamin said the natural gas alerts are not only causing losses in the millions of dollars**, but that the rationing of the fuel is preventing industry from planning future growth, and from building their own power plants to reduce costs and become more competitive.**¶"In a country where half the people are poor, we cannot allow a halt to the incipient growth that we have been registering in recent years," Concamin said in a press release. The industry group called on the government for long-term solutions to Mexico's energy needs.¶ Mexico's Energy Ministry has said that additional natural gas will have to come through a liquefied natural gas terminal--meaning it will be much more expensive than the cheap natural gas supplies coming in from the U.S. through a limited pipeline network--and that industry will have to agree to pay the higher price.¶ **While Pemex is a major exporter of pricey crude oil, it is a net importer of natural gas and has been producing less natural gas in recent years as prices have fallen on booming U.S. supplies of shale gas.** Cheap natural gas has also ratcheted up demand for the fuel in Mexico and Pemex's imports of the fuel have risen sharply in recent months to try and meet demand.

#### PEMEX decline will trigger instability throughout Mexico – timeframe is 10 years

**Kohl**, Energy and Capital, **12** (Keith, “Crisis of Consumption,” 11-27-12, http://www.energyandcapital.com/articles/mexican-oil-crisis/2833, accessed 3-18-13)

Of course, we all know the story behind the Cantarell field's downfall. Once production started to decline, Pemex began injecting nitrogen to boost output. But this strategy was short-lived, and production at the field has been dropping sharply since — roughly 14% each year for the last six years.¶ Cantarell's decline marked the beginning of the end for Mexican oil production.¶ **The country's new finds have also proven underwhelming**. The recent discovery by Pemex in Southern Mexico is a perfect example. According to Pemex, the new field holds up to 500 million barrels of crude oil, a trifle compared to the billions of barrels Cantarell once held.¶ **But these days, Mexico will take whatever it can get... and pray it can hold off the decline.**¶Crisis of Consumption¶ Mexico's declining oil production means there's less oil available for export.¶ Those 2.5 million barrels flowing from Pemex's wells daily are crucial to the country's stability.¶ **When almost 40% of your government budget is paid from oil revenue, exporting less oil is not an option — but that's exactly what's happening** (click charts to enlarge):¶ During the first eight months of 2012, Mexican oil exports to the United States were slightly above one million barrels per day. Last May oil exports fell below one million barrels per dayfor the first time in 27 years.¶ Barring some miracle taking place in Mexico's oil industry, I believe **the country will be a net oil importer within ten years.**

#### Pemex success key to fight drug cartels

**O’Sullivan,** professor of international affairs at Harvard's Kennedy School of Government, **12** (Meghan, served on the National Security Council from 2004 to 2007, and was deputy national security advisor for Iraq and Afghanistan, “Mexican Oil Reforms Are Vital on Both Sides of the Border”, reprinted from CFR at Bloomberg, 7-30-12,http://www.bloomberg.com/news/2012-07-30/mexican-oil-reforms-are-vital-on-both-sides-of-the-border.html, accessed 3-18-13)

In recent days a coalition of Mexican advocacy groups has been protesting in front of Televisa, the country’s largest TV network, to contest the legitimacy of President-elect Enrique Pena Nieto’s July 1 victory. These protests are the second in a string of such demonstrations scheduled before Pena Nieto takes office in December. They bode ill for Mexico’s near-term political future, pointing to a rocky transition at a time when the challenges facing the country are anything but modest. Americans might assume that tackling the drug trade that has resulted in more than 47,000 deaths since 2006 would top the agenda. But a strong case can be made that energy reforms are at least as urgent, for if Mexico can’t stem its sharply deteriorating energy situation, its ability to tackle other systemic problems will be severely compromised. Despite some recent progress in diversifying its economy, Mexico still relies on oil for 30 percent of its fiscal revenue. Yet oil production has plummeted from 3.4 million barrels a day in 2004 to 2.5 million in 2011, with most experts predicting a continuing decline over the next decade. Absent changes, Mexico could be a net importer of oil by 2020, ceasing exports to the U.S. altogether.

#### Drug cartels cause instability – spreads trough the region

Bonner 10 (Robert C., senior principal of the Sentinel HS Group, former administrator of the U.S. Drug Enforcement Administration, “The New Cocaine Cowboys”, Foreign Affairs, July/August 2010, <http://www.foreignaffairs.com/articles/66472/robert-c-bonner/the-new-cocaine-cowboys>)

The recent headlines from Mexico are disturbing: U.S. consular official gunned down in broad daylight; Rancher murdered by Mexican drug smuggler; Bomb tossed at U.S. consulate in Nuevo Laredo. This wave of violence is eerily reminiscent of the carnage that plagued Colombia 20 years ago, and it is getting Washington's attention. Mexico is in the throes of a battle against powerful drug cartels, the outcome of which will determine who controls the country's law enforcement, judicial, and political institutions. It will decide whether the state will destroy the cartels and put an end to the culture of impunity they have created. Mexico could become a first-world country one day, but it will never achieve that status until it breaks the grip these criminal organizations have over all levels of government and strengthens its law enforcement and judicial institutions. It cannot do one without doing the other. Destroying the drug cartels is not an impossible task. Two decades ago, Colombia was faced with a similar -- and in many ways more daunting -- struggle. In the early 1990s, many Colombians, including police officers, judges, presidential candidates, and journalists, were assassinated by the most powerful and fearsome drug-trafficking organizations the world has ever seen: the Cali and Medellín cartels. Yet within a decade, the Colombian government defeated them, with Washington's help. The United States played a vital role in supporting the Colombian government, and it should do the same for Mexico. The stakes in Mexico are high. If the cartels win, these criminal enterprises will continue to operate outside the state and the rule of law, undermining Mexico's democracy. The outcome matters for the United States as well -- if the drug cartels succeed, the United States will share a 2,000-mile border with a narcostate controlled by powerful transnational drug cartels that threaten the stability of Central and South America.

That causes extinction

Manwaring 5 – adjunct professor of international politics at Dickinson (Max G., Retired U.S. Army colonel, Venezuela’s Hugo Chávez, Bolivarian Socialism, and Asymmetric Warfare, October 2005, pg. PUB628.pdf)  
President Chávez also understands that the process leading to state failure is the most dangerous long-term security challenge facing the global community today. The argument in general is that failing and failed state status is the breeding ground for instability, criminality, insurgency, regional conflict, and terrorism. These conditions breed massive humanitarian disasters and major refugee flows. They can host “evil” networks of all kinds, whether they involve criminal business enterprise, narco-trafficking, or some form of ideological crusade such as Bolivarianismo. More specifically, these conditions spawn all kinds of things people in general do not like such as murder, kidnapping, corruption, intimidation, and destruction of infrastructure. These means of coercion and persuasion can spawn further human rights violations, torture, poverty, starvation, disease, the recruitment and use of child soldiers, trafficking in women and body parts, trafficking and proliferation of conventional weapons systems and WMD, genocide, ethnic cleansing, warlordism, and criminal anarchy. At the same time, these actions are usually unconfined and spill over into regional syndromes of poverty, destabilization, and conflict.62 Peru’s Sendero Luminoso calls violent and destructive activities that facilitate the processes of state failure “armed propaganda.” Drug cartels operating throughout the Andean Ridge of South America and elsewhere call these activities “business incentives.” Chávez considers these actions to be steps that must be taken to bring about the political conditions necessary to establish Latin American socialism for the 21st century.63 Thus, in addition to helping to provide wider latitude to further their tactical and operational objectives, state and nonstate actors’ strategic efforts are aimed at progressively lessening a targeted regime’s credibility and capability in terms of its ability and willingness to govern and develop its national territory and society. Chávez’s intent is to focus his primary attack politically and psychologically on selected Latin American governments’ ability and right to govern. In that context, he understands that popular perceptions of corruption, disenfranchisement, poverty, and lack of upward mobility limit the right and the ability of a given regime to conduct the business of the state. Until a given populace generally perceives that its government is dealing with these and other basic issues of political, economic, and social injustice fairly and effectively, instability and the threat of subverting or destroying such a government are real.64 But failing and failed states simply do not go away. Virtually anyone can take advantage of such an unstable situation. The tendency is that the best motivated and best armed organization on the scene will control that instability. As a consequence, failing and failed states become dysfunctional states, rogue states, criminal states, narco-states, or new people’s democracies. In connection with the creation of new people’s democracies, one can rest assured that Chávez and his Bolivarian populist allies will be available to provide money, arms, and leadership at any given opportunity. And, of course, the longer dysfunctional, rogue, criminal, and narco-states and people’s democracies persist, the more they and their associated problems endanger global security, peace, and prosperity.65

### CONTENTION 3: RELATIONS

#### US-Mexico relations are at a *pivotal* point --- failure to ratify the THA erodes trust and *collapses* Mexican relations

**Kerry et al. 12** (JOHN F. KERRY, Massachusetts, Chairman ¶ BARBARA BOXER, California RICHARD G. LUGAR, Indiana¶ ROBERT MENENDEZ, New Jersey BOB CORKER, Tennessee¶ BENJAMIN L. CARDIN, Maryland JAMES E. RISCH, Idaho¶ ROBERT P. CASEY, Jr., Pennsylvania MARCO RUBIO, Florida¶ JIM WEBB, Virginia JAMES M. INHOFE, Oklahoma¶ JEANNE SHAHEEN, New Hampshire JIM DeMINT, South Carolina¶ CHRISTOPHER A. COONS, Delaware JOHNNY ISAKSON, Georgia¶ RICHARD J. DURBIN, Illinois JOHN BARRASSO, Wyoming¶ TOM UDALL, New Mexico MIKE LEE, Utah¶ William C. Danvers, Staff Director ¶ Kenneth A. Myers, Jr., Republican Staff Director, “OIL, MEXICO, AND THE AGREEMENT”, December 2012, http://www.gpo.gov/fdsys/pkg/CPRT-112SPRT77567/html/CPRT-112SPRT77567.htm)

Perhaps the most important U.S.-specific benefits of the TBA are three-fold. First, the TBA will, for the first time, allow U.S.-listed IOCs to work in partnership with PEMEX, not including service contracts. Many observers are optimistic that **the TBA is the metaphorical camel's nose under the tent,** paving the way to broader reform in Mexico. There is no guarantee of such an outcome, however, **failure for the U.S. to approve the TBA may put a drag on Mexican domestic energy reform momentum**. The TBA helps demonstrate that Mexico's oil patrimony can be protected in a joint production regime with U.S. companies. It was suggested by some senior officials that passage of the TBA could help prompt broader domestic energy reform in Mexico. ¶ **Second, it is unlikely that the U.S. maritime border areas would be developed without the TBA**, whereas a PEMEX official indicated desire to begin exploration on the Mexican side of the border. Potential U.S. opponents of the TBA may argue that given PEMEX's limited ability to explore in deep water, the real effect of the TBA will be to reduce IOCs' competitive advantages. In other words, the opposition argument could state, the U.S. should simply move forward with exploration since our companies have the capital and technology to move more quickly than PEMEX. That criticism neglects the reality that, over the long-term, the IOCs have a greater interest in investing throughout Mexican territory than they do in a sliver of U.S. area along the maritime border. Therefore, those IOCs would not risk enraging the Mexican government by, potentially, draining Mexican resources from U.S. territory. Thus, U.S. interests in increased safe and secure domestic oil production along the border will be best met with the TBA. ¶ Finally, passage of the TBA would boost U.S.-Mexico relations on energy issues, which have traditionally lagged. Mexican officials roundly expressed support for the TBA and expectation for U.S. ratification in conversation with the authors. **The political impact of not approving and implementing the TBA would** set back U.S.-Mexican relations on energy specifically and more broadly. Each of our countries has hot button domestic political issues that take courage for political leaders to address. In Mexico, oil is one such issue, and members of both the PAN and PRI put their political weight behind ratification in Mexico. **The U.S. not fulfilling its side of the agreement would, therefore,** be seen as a violation of trust and could erode confidence**.** In the extreme, although unlikely, if Mexico proceeds with domestic energy reforms, U.S. companies could be shut out of certain opportunities until the TBA is ratified.

#### It’s the *key* issue --- energy is leads to broader cooperation

**Pascual 13** (Carlos, Vice president and Director of Foreign policy, the Brookings Institution, “U.S. – Mexico Transboundary Hydrocarbon Agreement and Steps Needed for Implementation”, April 25th, 2013, http://naturalresources.house.gov/uploadedfiles/pascualtestimony04-25-13.pdf)//moxley

The Transboundary Agreement is an important step in our national efforts to better ¶ secure our energy future and at the same time promote **a stronger and long-term** ¶ **cooperative relationship** with Mexico in meeting each country’s energy security ¶ goals. We believe the agreement would help facilitate the safe and responsible ¶ management of offshore petroleum reservoirs that straddle our maritime boundary ¶ and **strengthen overall our bilateral relations**. ¶ The Agreement would enable meaningful energy sector collaboration between the ¶ U.S. and Mexico (and in particular between U.S. operators and PEMEX). We ¶ anticipate that this collaboration under the Agreement would provide U.S. ¶ operators with the ability to demonstrate the benefits of their participation in the ¶ Mexican energy market, potentially **leading to deeper and more meaningful** ¶ **collaboration over time.**

#### Drug violence --- it’s only increased

**Mastangou 6/10/13** (Elizabeth, Global Risk Insights, Peña Nieto Policies to Change Mexican-US War on Drugs”, June 10th, 2013, http://globalriskinsights.com/2013/06/10/pena-nieto-policies-to-change-mexican-us-war-on-drugs/)

To the devastation of all parties involved in this tragic story, not only has the US-Mexican war on drugs not achieved its objectives, it has made matters worse. Since 2006, the brutality of drug related violence has reached unparalleled levels with a total number of deaths estimated between 40,000 and 70,000 (different reports give significantly varying figures). The Mexican supply of drugs into the US has not subsided, it has not even been slightly reduced; it has grown substantially, as has the US’s ever increasing demand.¶ A success that stands alone in the US-Mexican joint venture is their removal of the majority of cartel leaders within Mexico, with 25 out of the 37 most wanted now either dead or in prison. This fact may be noteworthy; **however its consequences have been disastrous and badly unanticipated.** The elimination of these individuals has caused the **fragmentation of the cartels into smaller groups**, each vying for a place at the top of the hierarchy. Despite the presence of US trained Mexican soldiers which still patrol the streets, **the power vacuum has resulted in violent outbursts, multiple cases of torture, murder, and outright lawlessness.**

#### Increased US-Mexico relations key to stop the spread of organized crime drug trafficking

**Olson 9** (Eric L., M.A., International Affairs, American University; B.A., History and Secondary Education, Trinity College, Associate Director of the Latin American Program at the Woodrow Wilson International Center for Scholars in Washington, as a Senior Specialist in the Department for Promotion of Good Governance at the Organization of American States, January 2009, <http://www.wilsoncenter.org/sites/default/files/The%20U.S.%20and%20Mexico.%20Towards%20a%20Strategic%20Partnership.pdf>)

It is time to strengthen the U.S. relationship with Mexico. There are few countries—if any—which ¶ are as important to the United States as Mexico. We ¶ share more than just a two-thousand mile border. ¶ Our economies and societies are deeply interwoven ¶ and what happens on one side of our shared border ¶ inevitably affects the other side. As the United ¶ States seeks to redeﬁne its role in the world, it is ¶ vital to start at home, with our neighbors.¶ **Today is a time of great opportunity in our** ¶ **relationship with Mexico**, **but also a time of** severe ¶ challenges.While the two governments have taken ¶ important steps to limit the risk that terrorists ¶ will use the shared border as a launching pad ¶ for attacks, drug trafficking organizations have ¶ developed a lucrative and deadly cross-border trade ¶ that creates signiﬁcant vulnerabilities for both ¶ countries. Mexican drug trafficking organizations ¶ have become increasingly violent in recent years, ¶ with over ﬁve thousand deaths tied to narcotics ¶ trafficking in 2008 alone, and they have gradually ¶ penetrated the institutional framework of the ¶ Mexican state, especially local law enforcement ¶ authorities. These organizations are fueled by ¶ persistent demand in the United States: over ¶ twenty million Americans use illegal drugs each ¶ month and roughly 15 to 25 billion dollars in ¶ proﬁts from U.S. drug sales are pumped back into ¶ to the Mexican economy each year in cash and ¶ weapons. The violence and corruption wrought by ¶ drug trafficking organizations are felt particularly ¶ strongly in border communities, but the effects of ¶ the trade run deep throughout cities and towns in ¶ both countries. Policymakers in the two countries ¶ have a shared interest in working together to ¶ develop a comprehensive and bilateral approach ¶ that limits the reach of organized crime

#### Mexico drug violence leads to oil shocks and economic collapse

Moran 9 (7/31/09, Michael, executive editor and policy analyst, Council on Foreign Relations, “Six Crises, 2009: A Half-Dozen Ways Geopolitics Could Upset Global Recovery,” http://fbkfinanzwirtschaft.wordpress.com/2009/08/07/six-crises-2009-a-half-dozen-ways-geopolitics-could-upset-global-recovery/)

Risk 2: Mexico Drug Violence:¶ At Stake: Oil prices, refugee flows, NAFTA, U.S. economic stability¶ A story receiving more attention in the American media than Iraq these days is the horrific drug-related violence across the northern states of Mexico, where Felipe Calderon has deployed the national army to combat two thriving drug cartels, which have compromised the national police beyond redemption.¶ The tales of carnage are horrific, to be sure: 30 people were killed in a 48 hour period last week in Cuidad Juarez alone, a city located directly across the Rio Grande from El Paso, Texas. So far, the impact on the United States and beyond has been minimal. But there also isn’t much sign that the army is winning, either, and that raises a disturbing question: What if Calderon loses?¶ The CIA’s worst nightmare during the Cold War (outside of an administration which forced transparency on it, of course) was the radicalization or collapse of Mexico. The template then was communism, but narco-capitalism doesn’t look much better.¶ The prospect of a wholesale collapse that sent millions upon millions of Mexican refugees fleeing across the northern border so far seems remote. But Mexico’s army has its own problems with corruption, and a sizeable number of Mexicans regard Calderon’s razor-thin 2006 electoral victory over a leftist rival as illegitimate. With Mexico’s economy reeling and the traditional safety valve of illegal immigration to America dwindling, the potential for serious trouble exists.¶ Meanwhile, Mexico ranks with Saudi Arabia and Canada as the three suppliers of oil the United States could not do without. Should things come unglued there and Pemex production shut down even temporarily, the shock on oil markets could be profound, again, sending its waves throughout the global economy. Long-term, PEMEX production has been sliding anyway, thanks to oil fields well-beyond their peak and restrictions on foreign investment.¶ Domestically in the U.S., any trouble involving Mexico invariably will cause a bipartisan demand for more security on the southern border, inflame anti-immigrant sentiment and possibly force Obama to remember his campaign promise to “renegotiate NAFTA,” a pledge he deftly sidestepped once in office.

#### Nuclear war

Islam Yasin Qasem 7, a doctoral candidate in the Department of Politics and Social Sciences at the University of Pompeu Fabra (UPF) in Barcelona, MA in International Affairs from Columbia, July 9, 2007, “The Coming Warfare of Oil Shortage,” online: http://www.opednews.com/articles/opedne\_islam\_ya\_070709\_the\_coming\_warfare\_o.htm

Recognizing the strategic value of oil for their national interests, superpowers will not hesitate to unleash their economic and military power to ensure secure access to oil resources, triggering worldwide tension, if not armed conflict. And while superpowers like the United States maintain superior conventional military power, in addition to their nuclear power, some weaker states are already nuclearly armed, others are seeking nuclear weapons. In an anarchic world with many nuclear-weapon states feeling insecure, and a global economy in downward spiral, the chances of using nuclear weapons in pursues of national interests are high.

#### Econ decline causes war

**ROYAL 10** Director of Cooperative Threat Reduction at the U.S. Department of Defense

[Jedediah Royal, 2010, Economic Integration, Economic Signaling and the Problem of Economic Crises, in Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-215]

Less intuitive is how periods of economic decline may increase the likelihood of external conflict. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent stales. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level. Pollins (20081 advances Modclski and Thompson's (1996) work on leadership cycle theory, finding that rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next. As such, exogenous shocks such as economic crises could usher in a redistribution of relative power (see also Gilpin. 19SJ) that leads to uncertainty about power balances, increasing the risk of miscalculation (Fcaron. 1995). Alternatively, even a relatively certain redistribution of power could lead to a permissive environment for conflict as a rising power may seek to challenge a declining power (Werner. 1999). Separately. Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level. Copeland's (1996. 2000) theory of trade expectations suggests that 'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states. He argues that interdependent states arc likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, if the expectations of future trade decline, particularly for difficult to replace items such as energy resources, the likelihood for conflict increases, as states will be inclined to use force to gain access to those resources. Crises could potentially be the trigger for decreased trade expectations either on its own or because it triggers protectionist moves by interdependent states.4 Third, others have considered the link between economic decline and external armed conflict at a national level. Mom berg and Hess (2002) find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn. They write. The linkage, between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict lends to spawn internal conflict, which in turn returns the favour. Moreover, the presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other (Hlomhen? & Hess. 2(102. p. X9> Economic decline has also been linked with an increase in the likelihood of terrorism (Blombcrg. Hess. & Wee ra pan a, 2004). which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. "Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect. Wang (1996), DcRoucn (1995), and Blombcrg. Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force arc at least indirecti) correlated. Gelpi (1997). Miller (1999). and Kisangani and Pickering (2009) suggest that Ihe tendency towards diversionary tactics arc greater for democratic states than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked lo an increase in the use of force. In summary, rcccni economic scholarship positively correlates economic integration with an increase in the frequency of economic crises, whereas political science scholarship links economic decline with external conflict al systemic, dyadic and national levels.' This implied connection between integration, crises and armed conflict has not featured prominently in the economic-security debate and deserves more attention.

#### Independently, US commitment is uniquely key --- prevents spillover and instability in Latin America

**Shirk 11** (David A., Associate Professor, Political Science, and Director, Trans-Border Institute, University of San Diego, “The Drug War in Mexico Confronting a Shared Threat”, March 2011, pg. 26-27)

**The opportunity for effective U.S.-Mexico cooperation to address these shared concerns has grown,** thanks to the resolve of Mexican leaders to embrace the fight against transnational organized crime. The United States clearly has a vested interest in helping Mexico improve its governance, national security, economic productivity, and quality of life, which are integral to making Mexico a better neighbor and trade par ner in the longer term. Mexico is also eager to continue working toward these ends, and it has embraced unprecedented levels of collaboration.¶ Over the next five years, the best-case scenario will bring a turning point in which authorities gain the upper hand against organized crime, violence dies down to pre-2006 levels, and illicit drug flows diminish dramatically. This would require continued progress in disrupting organized crime groups, with the reduction in drug-related violence the primary metric of policy success. For now, at least, the nightmare scenarios of government collapse, widespread political insurgency, or sudden military takeover are as unlikely in Mexico as they are in Brazil and Colombia, which have even higher levels of violence. **Still, without progress** on the noted recommendations, Mexico’s drug war will drag onward and downward indefinitely, with greater and more geographically dispersed violence, more direct political influences by organized crime, rising instability and fear, growing human and capital flight, and increasing spillover effects to neighboring countries, including the United States.¶ **Challenges and setbacks are inevitable, and building greater trust and cooperation will require sustained efforts.** Events in late 2010 and early 2011, such as WikiLeaks’ disclosure of persistent skepticism within the U.S. embassy in Mexico City of Calderón’s government and military performance, and the death of a U.S. immigration and customs agent at the hands of drug traffickers, **led to an unexpected nadir in U.S.-Mexico relations.** The surprise Obama-Calderón summit of March 2011 reflects both countries’ desire to move past short-term diplomatic disruptions. **The United States can help shift the balance in Mexico’s battle against organized crime and prevent the further spread of violence within Mexico and to its neighbors.** **This will require a serious commitment to U.S. responsibilities** at home, long-term investments to make Mexico a more secure and prosperous neighbor, greater multilateral coopera- tion throughout the region, and a more sensible policy for managing the harms associated with drugs.

#### Latin America instability causes extinction – cross apply Manwaring 5 from the PEMEX flow