

The United States and Mexico:

MORE THAN NEIGHBORS

Andrew Selee, Christopher Wilson, and Katie Putnam



Second edition, September 2010

ISBN: 1-933549-90-4

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Introduction: More Than Neighbors

Andrew Selee

No country in the world affects daily life in the United States more than Mexico. The two countries are deeply intertwined, and what happens on one side of the border necessarily has consequences on the other side. One in ten Americans is of Mexican descent, and a third of all immigrants in the United States today are from Mexico, while well over a half-million Americans live in Mexico. Mexico remains the second destination for U.S. exports after Canada, and millions of American jobs depend on this trade. From south to north the linkages are even greater: over three quarters of Mexico's exports go to the United States and one in ten Mexicans lives in the United States.

The challenges the two countries face are also deeply interconnected. An economic crisis in one country can wreak havoc on the other country; an economic boom can give a significant boost to the other. Migration, though probably a net benefit for both countries overall, creates significant dislocations for local communities in both countries, thanks to outdated immigration laws in the United States and insufficient employment opportunities in Mexico. The presence of the world's largest consumer market for illegal narcotics in the United States and weak law enforcement and judicial systems in Mexico have created an unusually active and often violent drug trade between the two countries that can only be addressed with coordinated efforts in both countries. Air and water pollution spread easily from one side of the border to the other creating problems for both countries.

Indeed, it is the nearly two thousand mile border that makes this relationship different from all others. While the U.S. has important relationships with other countries — the United Kingdom, France, China, India, Japan,

Israel, and Iraq, to mention just a few — those countries are all separated from the United States by an ocean or two. Mexico is an intense and complex relationship next door. This means that all the issues on the table between the two countries are not merely questions of foreign policy to be dealt with in the capital cities but highly local affairs that affect communities throughout the two countries. Millions of Americans and millions of Mexicans are stakeholders in each other's future. Questions about manufacturing jobs, immigration, drug trafficking, and air quality are local issues that states, cities, counties, and average citizens wrestle with on a daily basis.

While the intensity of the relationship is perhaps most evident closer to the U.S.-Mexico border, increasingly that border has been pushed back into other areas of the two countries. The border states of California, Arizona, New Mexico, and Texas concentrate much of their trade with Mexico, but the economies of more than a dozen other states, including Nebraska, Iowa, and Michigan, also depend heavily on exports to Mexico. Although more than three in five Mexican immigrants live in California and Texas, the fastest growing Mexican communities are actually far away from the border in states like North Carolina, Oregon, and Nevada. Still other states, like Colorado, Idaho, and Georgia, have become major transshipment points for narcotics passing through Mexico on their way to consumers in cities and towns throughout the United States.

The same is true for Mexico, where border states no longer have a monopoly on the intense and complex relationship with the United States. Migration is as often from the south of the country as the north, and Mexican export manufacturing is increasingly diversified among several

different parts of the country. Drug traffickers have a heavy presence on the border but have an equally destructive presence elsewhere in the country. Environmental and health concerns are generally more concentrated in the border region of both countries, but the outbreak of H1N1 flu in 2009 served as a reminder that epidemics can travel great distances from the interior of one country to the other. In short, the border experiences all the issues in the U.S.-Mexico relationship with heightened intensity, but it hardly has a monopoly on these interactions any more.

Intimate Strangers

Despite this growing integration, Mexico and the United States are also profoundly different countries, each shaped by different histories, cultural heritages, and levels of development. These differences and asymmetries make the increasing interdependence between them often complicated and difficult to manage. The United States is a consolidated democracy with strong, if not always perfect, political and judicial institutions; Mexico has only recently transitioned from authoritarian to democratic politics and is still building many of the institutions that are needed to sustain plural competition and ensure rule of law. The United States is a highly developed country, with average income roughly five times that of its neighbor to the south, and an economy almost fifteen times as big. Even as the world becomes increasingly multipolar, the U.S. remains the world's most important superpower, with global aspirations. Mexico, in contrast, remains a medium-sized country with regional interests that extend throughout the hemisphere but rarely beyond.

As a result, while Mexico may well be the most important country for America's future, it constantly competes for attention with numerous other countries that have important influences on the United States. In contrast, while Mexicans are deeply proud of their Latin American roots, they pay far greater attention to events north of the border than those to the south. In political affairs, Mexicans are deeply wary of the possibilities of unbridled power of the United States and vigilant against being forced to bend to the will of an uncompromising neighbor. Americans, in turn, often distrust the capacity of their partners in Mexico to follow through on commitments and pull their weight in bilateral affairs. Real differences breed real difficulties for understanding.

However, these differences and asymmetries are also changing rapidly as Mexico develops its economy and its political institutions and as the two countries increasingly have to engage with each other to solve shared problems. More than twenty-five years ago, Alan Riding penned a book about Mexico titled *Distant Neighbors* that started with the statement, "Probably nowhere in the world do two countries as different as Mexico and the United States live side by side."¹ Today, Mexico and the United States are no longer as distant as they were in the 1980s. Economic integration and migration have brought the two countries closer; shared problems have forced policymakers and citizens in both countries to work together in new ways; and new opportunities for cultural and artistic exchange have built forms of encounter that could not have been imagined two decades ago. The two countries have become intimately

¹ Alan Riding, *Distant Neighbors: A Portrait of the Mexicans*, New York: Vintage, 1989.

engaged with each other, tied together by opportunities and challenges that affect the daily life of communities in both countries.

Yet although the relationship between the two countries has become increasingly close, there is still a large gap of understanding, brought about largely by the differences and asymmetries that mark the relationship between the two countries. If we were once *distant neighbors*, who lived side by side with only limited engagement, perhaps today we are now *intimate strangers*, bound together by deep, personal ties but without the tools to fully understand how we can best manage these ties. In other words, our mutual interdependence is far ahead of our ability to work with each other or, as a consequence, to manage the relationship creatively.

Mexico's Transformation

The deepening relationship between Mexico and the United States has also coincided with a period of intense transformation in Mexico. The United States has certainly changed as well. For example, the rise of U.S. Latinos, almost two-thirds of whom are of Mexican descent, into positions of political influence in the United States has particularly helped increase U.S. policy focus on Mexico and other countries in the region. However, the changes in Mexico have been even more dramatic and have had wide-ranging effects on the bilateral relationship.

For most of the twentieth century, Mexico was ruled by a single party, which routinely won all elections for President for seventy-one years and dominated Congress and all state governorships for most of that period. Although elections were held regularly, their outcome was

rarely, if ever, in doubt. Not surprisingly, there were significant limits on public expression, including press freedom, literary and artistic production, and the right to organize for political or social causes. The economy was also largely closed and inward-oriented, with significant government direction of private enterprise.

Yet recent years have changed all this. There were always significant impulses in Mexican society to open the political system, and these gained strength in the 1980s and 1990s as Mexico weathered a series of economic crises that undermined the legitimacy of the single-party dominant system and strengthened political and civic organizations that demanded a democratic opening. In the early 1980s, opposition parties began to win a few municipalities and increase their presence in Congress. In 1989 the first opposition governor was elected in a single state. By 1997 the opposition had secured a (narrow) majority in Congress and governed over half the population in state governorships and in Mexico City. In 2000, an opposition party won the presidency for the first time and inaugurated a period of intense political competition that has lasted until today.²

This process of democratization has set in motion a series of other important changes in Mexican politics and society. Politics is now a free-for-all sport, with a variety of parties competing for influence. The Congress, once subservient to the President, has become a key player in political decision-making. So too have state and municipal governments, which were once little more than extensions of the federal government. Indeed, much of the creative energy in Mexican politics today can be

² Andrew Selee and Jacqueline Peschard, editors, *Mexico's Democratic Challenges: Politics, Government, and Society*, Washington, DC and Palo Alto, CA: Woodrow Wilson Center Press and Stanford University Press, 2010.

found in local politics, where citizens are trying to resolve everyday issues in new ways. The Supreme Court, once largely subservient to the President, has flexed its muscles by ruling repeatedly on constitutional issues, often against the federal government.

These changes have also affected Mexico's engagement with the world. Once a largely insular country, democratic Mexico has become more confident engaging other countries — especially the neighbors to the north — in new and frequently more assertive ways. These changes have also led Mexico to become increasingly engaged in the global economy. Mexico is today one of the world's most open economies, with about half of the economy linked to international trade. It is even the country with the largest number of free trade agreements abroad. Mexico now has several companies that are among the world's largest and most competitive multinational corporations with major investments in the United States, Latin America, and even Europe and Asia. Indeed, Mexican companies are now the largest suppliers of cement, baked goods, and dairy products to the U.S. market, and dominate the soft drink, beer, and telecommunications industries in Latin America.

Democratization has also generated a new kind of public debate in Mexico. The press is increasingly free and unfettered, and public discussions of almost any issue under the sun create lively comment from a variety of viewpoints. These changes have also unleashed new creative potential in movies, music, and literature that have had an impact far beyond Mexico's borders. It is hardly a coincidence that

in 2007 there were no less than three Mexican movies nominated for different awards at the Oscars, something that would have been unimaginable only a few years before.

However, these changes have not come without difficulty or contradictions. While some local governments are the locus of creative policymaking, others have become the last bastions of authoritarian rulers who wield their influence against the public good. The transition from single-party to multiparty rule has also exposed the lack of real formal institutions for policy making, since these were often not needed under one-party dominant rule where the President had ultimate decision-making authority to settle all disputes. Much more ominously, only two percent of major crimes result in any prosecution at all.³ Police and courts were created largely to serve as political tools rather than public institutions to ensure rule of law, and reforming them has proved one of the major challenges that Mexico now faces.

This challenge has become all the more difficult because during the same period that Mexico has undergone its transition to democratic politics, it has also become a major epicenter in the international narcotics trade. Mexico has long been the neighbor of the world's largest market for illegal narcotics, the United States, where demand for cocaine has remained largely stable in recent years and consumption of synthetic drugs has skyrocketed. Colombian cartels long controlled this trade, and they preferred Caribbean transshipment routes. But as the Colombian cartels were weakened, the Mexican cartels moved in to

³ Guillermo Zepeda, "Criminal Investigation and the Subversion of the Principles of the Justice System in Mexico," in Wayne A. Cornelius and David Shirk, editors, *Reforming the Administration of Justice in Mexico*, South Bend, IN: University of Notre Dame Press, 2007.

take over much of the hemisphere's cocaine trade and developed the ability to supply the new market for methamphetamines. The tragic irony is that as a democratic Mexico seeks to strengthen its police and judiciary, these are increasingly subverted by organized crime syndicates with billions of dollars at their disposal.⁴

At the same time, the global competitiveness of some Mexican industries and the country's openness to trade and investment contrast sharply with the generally closed nature of the Mexican economy internally. Several of Mexico's key economic sectors have highly restricted competition, including telecommunications, which is dominated by a single major company, and television, where only two conglomerates control the airwaves. This lack of competition is partly the result of poor regulation and oversight, an important legacy of the authoritarian system. Labor retains a similarly monopolistic structure for much the same reason, with a single set of officially sanctioned labor unions holding the right to workplace representation with opaque rules about how union representatives are elected. These unions tend to represent the politicians they deal with far more than their members.

The inability to reform the economy to be fully competitive and well-regulated has meant that Mexico's rapid democratization has not necessarily generated the same level of tangible economic benefits for most citizens that it has political freedoms. Mexico grew only slowly — at an average of 2.9% from 2000 to 2008 — in the first years of full democratic competition, and then plunged almost 7% in 2009 as a

consequence of the U.S. financial crisis. As a result, while education and health care indicators in Mexico have improved dramatically over the past two decades, and malnutrition and infant mortality have dropped, average income has risen only slightly (at least until 2008) and anywhere from a third to a half of the population continues to live in poverty. Mexico's rural population has been particularly hard-hit, and many poor farmers have slid either into subsistence production or moved elsewhere.

Sluggish economic growth and an impoverished countryside have helped fuel an exodus of Mexicans to the United States. Today over eleven million people born in Mexico live in the United States, roughly half without legal documents. Originally most Mexicans who migrated to the United States came from only one hundred or so municipalities, largely concentrated in a few states in the north and center-west of the country, and they settled overwhelmingly in California, Texas, and Illinois. Today, there is hardly a place in Mexico that does not have a significant number of residents living in the United States, and they are scattered throughout the fifty U.S. states. It is hard to imagine that migration will ever slow significantly as long as such a large wage gap exists between the two countries and Mexico's economic growth remains as slow as it has been.

If you ask any Mexican politician how the country can overcome its chronic underdevelopment, the answer will almost certainly have something to do with oil. Mexico is the world's sixth largest producer of crude oil and the second supplier to the U.S. market after Canada (with

⁴ David Shirk and Luis Astorga, "Drug Trafficking Organizations and Counter-Drug Strategies in the U.S.-Mexican Context," Working Papers Series on U.S.-Mexico Security Cooperation, Washington, DC and San Diego, CA: Woodrow Wilson Center and Trans-border Institute, May 2010. See also Robert A. Donnelly and David A. Shirk, editors, *Police and Public Security in Mexico*, San Diego, CA: University Readers, 2010.

Saudi Arabia and Venezuela close behind). Oil funds over a third of Mexico's federal budget and is the single largest source of foreign capital. Mexico's oil reserves are believed to be vast, but they are mostly hidden in deep waters in the Gulf of Mexico and under complicated rock formations inland. As current fields dry up, Mexico faces declining oil production and has now become a net importer of natural gas. How to exploit Mexico's oil reserves — and ensure that this leads to growth and development — remains one of the country's most contentious issues.⁵

A Shared Future

What Mexicans choose to do over the next two decades will change not only the course of Mexican history but also our own in the United States. If Mexico manages to generate a development boom, as Ireland, Portugal, South Korea, and Malaysia did in recent decades, it would have an important multiplier effect for the U.S. economy, reduce migration pressures, and help improve the border environment. Should Mexico find a way to tap its significant oil reserves, it would go a long way to helping the U.S. reduce its dependence on energy sources far from home. Whether democracy and rule of law become fully entrenched in Mexico will have a major effect on the narcotics trade between the two countries. Failures in each of these areas could have significant negative impacts on the United States.

Similarly, the decisions that Americans make over the next two decades will have an enormous impact on Mexico's future.

The U.S. financial crisis may well have reversed a decade of slow but steady economic growth in Mexico and helped push millions of Mexicans back into poverty. Given Mexico's dependence on the U.S. economy, whether and how the American economy grows may be as crucial to Mexico's future development as what Mexicans themselves can do. Whether the United States gets a handle on its appetite for illegal narcotics will likely have as great an effect on Mexico's efforts to ensure rule of law as any efforts the Mexican government can take to improve law enforcement. The two countries are profoundly interdependent, and decisions and actions on one side of the border necessarily have consequences on the other side.

This publication is an attempt to provide basic background on Mexico and U.S.-Mexico relations for a U.S.-based audience, although some of the facts and figures may interest people on both sides of the border. The next section provides information on Mexico's politics, economy, and society today, and the last section provides information on four major challenges for U.S.-Mexico relations: economic integration, security cooperation, migration, and border management.

We have produced this publication in hopes that Mexico and the United States can come to be far more than "intimate strangers." It is our hope that we can learn to embrace the ties that bind us, and, in doing so, more effectively manage the challenges that we confront together for the well-being of people on both sides of the border.

⁵ Rossana Fuentes-Berain with Daniel Rico, *Oil in Mexico: Pozo de Pasiones, The Energy Reform Debate in Mexico*, Washington, DC and Mexico City: Woodrow Wilson Center and Red Mexicana de Energía, 2008.

An Overview of Mexican Politics, Economy, and Society

This year, 2010, carries great significance for Mexico: it is the one-hundredth anniversary of the Mexican Revolution and the two-hundredth anniversary of Mexico's independence from Spain. After two hundred years as a country, where is Mexico today?

Physically, Mexico is a large country, roughly three times the size of Texas, with a diverse geography encompassing major cities, fertile farmland, deserts, mountains, and tropical rainforests. It is as varied demographically and linguistically. There are roughly 108 million people in Mexico.¹ Most Mexicans are of mixed indigenous and Spanish ancestry, but immigration from other European countries, Central and South America, Africa, the Caribbean, the Middle East, and parts of East Asia have also shaped Mexican society. Spanish is the official language, but 5.8 percent of Mexicans speak one of more than sixty indigenous languages.²

Politically, Mexico today has a competitive democratic system with three major political parties and a number of smaller parties. However, this situation is relatively new, since

Mexico has only recently emerged from seven decades of single party dominance. To a large extent, it has only been a little more than a decade since elections became highly competitive. As a consequence, Congress, state and local governments, and the judiciary have also begun to take steps towards far greater autonomy than in the past.

Mexico's economy is the thirteenth largest in the world and has grown slowly but steadily in recent years, despite a battering during the 2008–2009 financial crisis. The country's cultural scene is vibrant; talented writers, prolific artists and musicians, and Oscar-winning actors and directors both reflect and capture the diversity of Mexican society.

Despite many important advances, Mexico still faces profound challenges, including weak rule of law, poverty and inequality, and the absence of a more competitive internal economy that can generate robust economic growth. These are challenges that Mexican citizens and policymakers debate every day in a vibrant and increasingly plural dialogue about the country's political and economic future.

¹ INEGI estimates the 2009 population to be 107,550,697. Instituto nacional de Estadística y Geografía (México), Mexico at a Glance 2009, Mexico City, 2009.

² Federico Navarrete Linares, *Los pueblos indígenas de México*, Comisión Nacional para el Desarrollo de los Pueblos Indígenas, 2008.

Mexico's Politics

Mexico has a federal system, much like that of the United States. It is comprised of an executive branch, headed by the elected president who serves a single six-year term, a legislative branch, with an upper and lower chamber, and an independent judicial branch. There are thirty-one governors, one for each Mexican state, a mayor of Mexico's Federal District, and 2,438 municipal mayors.

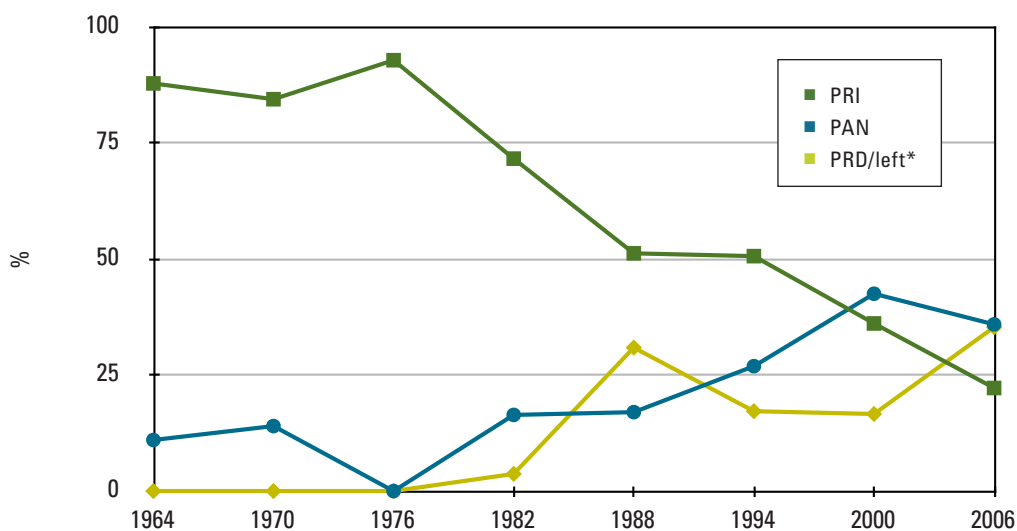
Political Evolution

Beyond the basic outlines of the formal political system, the similarities with the United States are less clear. Mexico's contemporary political dynamics can be traced to its bloody Revolution of 1910–1920. The Mexican Revolution began as a revolt in response to the 35-year dictatorship of Porfirio Diaz and evolved into a full-blown civil war with many competing factions. It claimed one million lives — six percent of the population in 1910 — and

left the country exhausted and deeply divided. To prevent further armed conflict among the factions, the new political elite created the National Revolutionary Party in 1929. This party, which would be ultimately renamed the Institutional Revolutionary Party (PRI) in 1946, governed Mexico without interruption until 2000.

The PRI, which began as a confederation of leaders from the Revolution who had reached a pact to govern together, eventually became a mass party that incorporated organizations representing all aspects of social life, which were grouped into labor, agrarian, popular, and (until 1940) military sectors in the party. The PRI became effectively synonymous with the state for seven decades. While other parties were still allowed, the PRI won all governorships until 1989, maintained an overwhelming majority in Congress until 1997, and won all presidential elections until 2000. It did so through a mixture of fraud, intimidation, and effective politics.

Presidential Elections by Percent of the Vote Received, 1964–2006



*The PRD was founded in 1989. Prior figures are an aggregate of left parties.

Source: Instituto Federal Electoral, 2006.

This single party–dominant regime had distinct advantages. Mexico was largely peaceful and stable during a period in which its fellow Latin American countries suffered frequent and often violent coups. It also secured a degree of economic growth, especially during the post-War economic boom from the 1940s to the 1960s. However, this stability and successful growth came at the price of political freedom, including freedom of the press; produced a great deal of corruption, which continues to challenge Mexico’s efforts to consolidate democracy today; and occasionally produced selective violence against opposition leaders and civic organizations.

By the early 1980s, as Mexico’s economy went into a tailspin as part of the region’s debt crisis, opposition to the single-party system had grown. The PRI responded at first by allowing the opposition parties to win elections at a local level. In 1988 a strong challenge in the presidential elections from a left-wing candidate, who had split from the official party, almost toppled the PRI. As opposition leaders won local elections and seats in the Congress and the Mexican government became more sensitive to world opinion (especially during the NAFTA negotiations), election rules were changed to ensure increasingly freer and fairer elections. By 1997, opposition parties had won a majority of seats in the Congress and the mayor’s office in Mexico City.

In 2000, an opposition candidate from the right-of-center National Action Party (PAN), Vicente Fox, won election as Mexico’s first president not from the PRI in seven decades. In 2006, Felipe Calderón, also from the PAN, became president in a highly contested and controversial election in which a candidate from the left-of-center Democratic Revolutionary Party (PRD), Andrés Manuel López Obrador, placed a close second. Elections results from the

years that have followed suggest that the political spectrum may again be altered, as the PRI reemerges as a viable political force. Mexico’s democracy is now decidedly competitive, at least at the federal level, and future elections are sure to be contested strongly by all three major parties and perhaps by several smaller ones as well.

Political Institutions and the Democratic Transition

The legacy of the Revolution has shaped the rules governing Mexico’s political institutions, as well as the evolution of their standing in relation to each other. The transition to democracy has altered these dynamics, though to varying degrees.

The Presidency: The President is elected for a six-year term through a direct popular vote, with no possibility of reelection, mandated by the Revolution’s revolt against the 35-year dictatorship of Porfirio Díaz. As long as Mexico was ruled by a single party, the president appeared to be all powerful: he could remove governors at will, select candidates for Congress, and pass almost any legislation he wanted.

With the advent of multiparty democracy, the President still remains the most important single decision-maker in the federal government, but his powers are roughly similar to that of the U.S. President and he must negotiate any policies that require legislation with Congress.

The Congress: The Congress has two chambers, the Senate and the Chamber of Deputies. Senators are elected for a six-year term and Deputies for a three-year term. Neither can be reelected to a consecutive term, though Congress is now considering changing this rule to allow for a single reelection, based on a proposal sent by President Calderón. Congress had little power as long as a single party ruled Mexico and members of Congress owed their

candidacies to the president. However, since 1997, no single party has controlled Congress and the legislature has become increasingly influential in setting policy.

Since the 2009 congressional elections, for example, when the PRI replaced the PAN as the largest party in Chamber of Deputies, President Calderón has had to negotiate with that party and its allies on all crucial pending reforms. Even before this, when the PAN was the largest party, it lacked the seats to guarantee passage of presidential initiatives and had to negotiate with either the PRI or the PRD.

The Congress still has a very limited institutional structure, with comparatively few professional staff or research capabilities. Since no reelection is allowed for any elected position in Mexico, it is not uncommon for a career politician

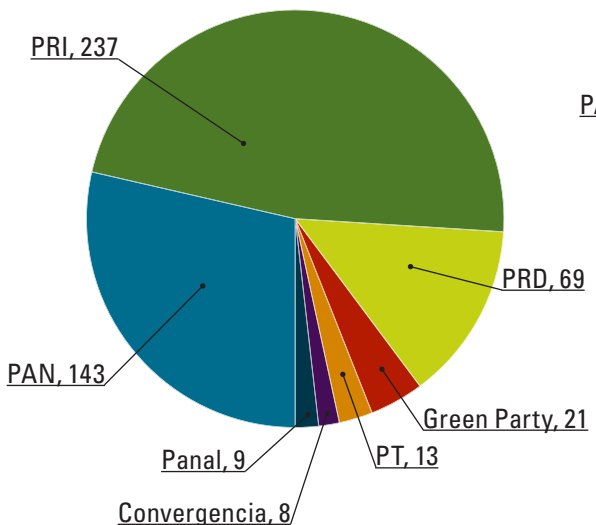
to serve in Congress, rise to be governor of his or her state, and then return to Congress again; or be a cabinet secretary and then a member of Congress. As a result, those senators and Deputies who have held other significant positions in government or within their parties tend to hold the most influence in Congress, while the rest have much less influence.

The Judicial System: Mexico's Supreme Court, with eleven justices, is the nation's highest court. After years of subservience to the President, during the period of one-party rule, it has gradually established itself as an independent arbiter of constitutional law and gained considerable credibility.

The country's remaining courts have lagged behind. The Mexican legal system was constructed for an authoritarian system and

Seats by Party

Mexican Chamber of Deputies (2009–2012)

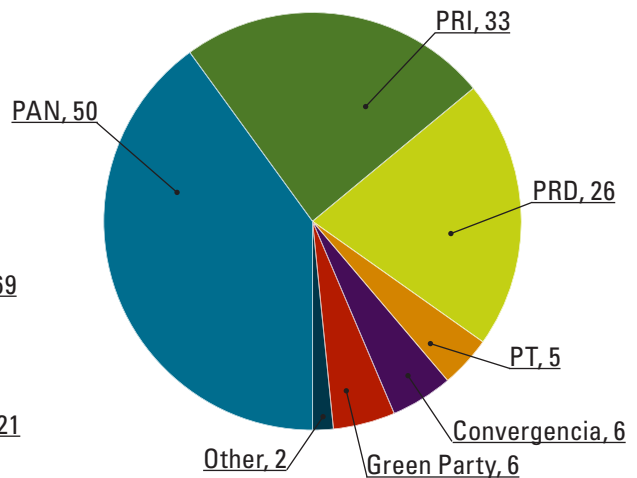


Total: 500

Source: Chamber of Deputies, www.deputados.gob.mx.

Seats by Party

Mexican Senate (2006–2012)



Other, 2

Total: 128

Source: Mexican Senate, www.senado.gob.mx.

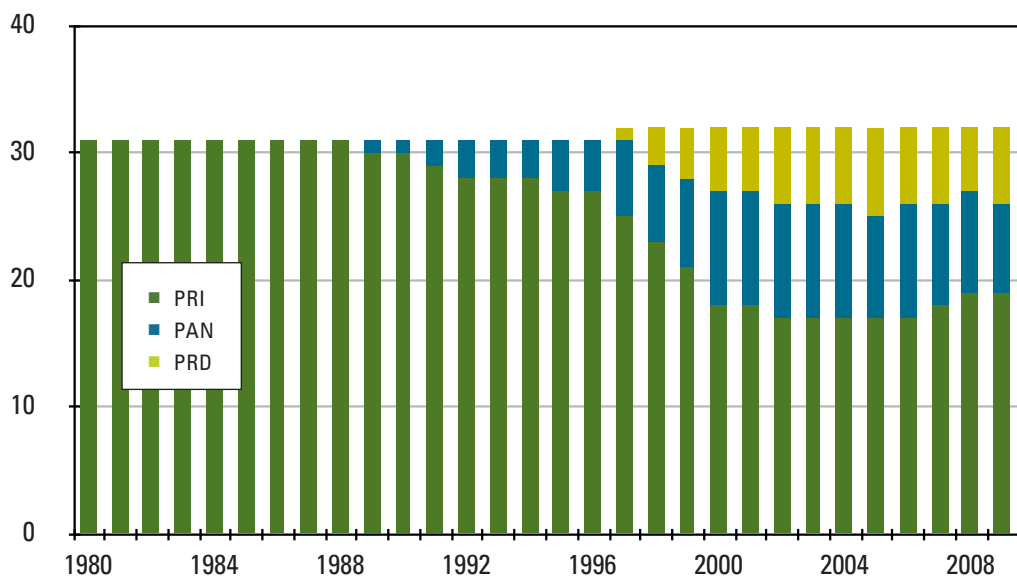
only recently, in 2008, began to fundamentally address the ambiguities of the justice system. The wide-ranging reforms of that year mandated that all states must implement public, oral trials for criminal cases in place of secretive paper trials; establish the presumption of innocence; and overhaul the system of public defenders, by 2016. States have proceeded with varying degrees of compliance with this legislation, which many experts see as one of the most important recent reforms.

State and Local Governments: Under the one-party system, state and local governments operated largely as extensions of the federal government with few resources or real powers. Since the mid-1990s, however, state and local governments have gained resources, functions,

and powers and now represent around a third of all public expenditures. Most education and healthcare has been decentralized to state governments, and municipalities are responsible for most basic city and county services. States and municipalities remain dependent on federal transfers for a majority of their budgets. While some argue for giving them more power of taxation, others worry that the vast economic inequalities would mean that poorer states and municipalities would be unable to raise sufficient tax revenue.

State governors are becoming increasingly influential actors in national politics and their association, the National Governors' Congress (CONAGO), has become a force to reckon with in national political decisions, including in debates on fiscal, education, and energy reform.

Mexicans Governors by Party, 1980–2009



Note: In 1997, for the first time in more than 50 years, Mexico City was able to elect its own governor (*jefe de gobierno*). Also, in July, 2010 gubernatorial elections were held in twelve states, although the winners have yet to take office. The PRI won nine of the races, keeping its overall portion of the governorships equal. The PAN won two races, losing one seat, and a candidate from Convergencia won the election in Oaxaca. Importantly, the PAN and Convergencia victories came through the support of Left-Right coalitions, including the PAN and PRD.

Source: Centro de Investigación para el Desarrollo, electoral data, available at www.cidac.org.

In the 2009 budget debate, for example, PRI governors successfully lobbied through their state congressmen for 96.6 billion pesos to be moved from executive branch operations, as the President's proposal had detailed, to a series of infrastructure and social program investments. Those will be overseen by the state governments, over half of which are controlled by the PRI.

The growing strength of state and local governments contrasts with important institutional weaknesses that they face. Most state and municipal police forces are highly ineffective and some, as a string of high-level arrests during the Calderón administration's effort against drug cartels have shown, have been subject to cooption by organized crime. Transparency in budgeting is often deficient, and funds can be subject to misuse. Electoral laws for municipalities are archaic and privilege local powerholders over real democratic competition. However, even with these deficiencies, many state and local governments are also increasingly becoming sites of experimentation in judicial and police reform, social policy, and economic development.

Recent Administrations and Key Policy Debates

Mexico's democratic transition has been complex. The Fox presidency (2000–2006), as the first non-PRI government since the 1920s, did not resolve many of the country's deep political, economic and social challenges, as many had hoped. Nor, opinion polls suggest, has the current administration of Felipe Calderón (2006–present) succeeded in doing so. Nonetheless, important steps have been taken. In the middle of the 2009 recession, voters handed a resounding victory to the PRI in the mid-term elections, which gave them a virtual

majority in the lower house (in coalition with the small Green Party) and a chance to influence policy significantly over the next few years.

The Fox Administration: President Fox faced a divided political landscape where the formerly all-powerful PRI and the left-of-center PRD dominated Congress and ran most state and local governments. Although Fox maintained very high popularity throughout his six-year term, he was unable to make many inroads in policy that required congressional approval. His hopes to pass a major tax reform that would raise Mexico's public sector revenue floundered in his first year, and he had little success in efforts to reform the energy sector, overhaul the public pension system, change labor laws, or implement a new regime for indigenous rights.

His one major legislative reform was a transparency law to allow citizens' access to most public documents (similar to the U.S. Freedom of Information Act), a significant achievement after decades of one party rule. He also succeeded in increasing federal social programs gradually, especially the cash-transfer program *Oportunidades*, which doubled its coverage to almost one in four Mexican households by the end of his term and has served as model for social projects in places such as Brazil, El Salvador, Sri Lanka, and even New York City.

The Calderón Administration: The current administration of Felipe Calderón (2006–present), also from the PAN, has proved more successful than its predecessor in passing reforms through Congress, yet has received strong criticism for devastating economic and security problems that have beset the country. Calderón, a 42-year old former Congressman, Fox's energy secretary, and a party leader, won a highly contested election by just over a half percentage point in official returns.

The second place candidate, former Mexico City mayor Andrés Manuel López Obrador of the PRD, has claimed that fraud prevented him from winning the election, and he has refused to recognize the current government, though most elected officials of his party work closely with the federal government. The PRI suffered a devastating defeat, winning just over a fifth of the votes in the presidential count, but bounced back to win the mid-term elections.

The primary emphasis of Calderón's administration has been fighting organized crime, which he has identified as a major threat to the integrity of the state. During his term, several other major policy issues have also come to the fore, including:

- *Fiscal reform:* In 2007, Calderón won approval of a pension reform plan for government workers which limited the long-term burden for taxpayers of pension plans. His 2009 proposal to raise Mexico's value

added tax by two percent was changed by the Congress into one that raises taxes by one percent and taxes high-earning individuals and corporations at a higher rate.

Mexico collects only 10% of GDP in taxes,³ one of the lowest rates in the hemisphere. While most political leaders agree that the government will have to raise additional revenue in order to reduce poverty, improve education, and address crime, the political will has been difficult to summon, particularly in an economic recession.⁴

- *Rule of law:* In 2008, Congress passed a major constitutional reform to establish the presumption of innocence, mandate public, oral trials for criminal cases, implement alternative dispute resolution for lesser crimes and civil matters, and overhaul the system of public defenders. Several states had already started on these reforms before

Calderón's Political Reform Proposals

1. A second presidential election round if no candidate wins a simple majority in the first;
2. Immediate re-election of federal legislators for up to 12 years;
3. Immediate re-election for up to 12 years for municipal presidents and local legislators;
4. Reducing the number of federal legislators by one-fifth in the Chamber of Deputies and one-quarter in the Senate;
5. Doubling the percentage of votes political parties need to maintain legal registration, and public subsidy, from 2% to 4%;
6. Allowing independent candidates;
7. Allowing citizens a mechanism to submit legislative initiatives to Congress;
8. Allowing the Supreme Court to submit legislative initiatives on justice to Congress;
9. Allowing the president to present Congress two priority legislative initiatives in each of its two annual sessions; and;
10. Allowing the president line-item veto, particularly on revenue and budget legislation approved by Congress.

³ Sergio Aguayo Quezada, *Almanaque Mexicano*, Mexico City: Aguilar, 2008, with data from SCHP, 2007.

⁴ Katie Putnam, "Mexico's 2010 Budget," Woodrow Wilson Center Mexico Portal, November 2010.

the federal legislation, and all are expected to comply by 2016. Progress has been fairly slow on these changes at the federal level, but several states are moving quickly through their own initiatives.⁵

Congress passed a second reform in 2008 mandating changes in country's police forces, including standardizing reporting requirements on crime, creating a national police database, and developing a standard career path for police officers. The government has developed an increasingly professional federal police force of roughly 35,000 officers, including investigators and CSIs, and is investing significant resources in the country's largest state and municipal forces in hopes of achieving similar levels of professionalization. These efforts have to compete with significant existing deficiencies and the corrupting influence of organized crime.⁶

- *Energy reform:* Mexico is the world's sixth largest producer of oil but its existing reserves are dropping quickly and the state-run oil company has limited capacity in deep-water exploration, where most of Mexico's oil reserves lie. A 2008 energy reform improved Pemex's administration and accountability, but to maintain competitiveness in energy, Mexico will need to find ways to promote more effective exploration, extraction, and refining of oil and gas. There is an

ongoing debate on whether to allow private investment with risk contracts in some sectors of the oil industry.⁷

On October 10, 2009, Calderón abruptly closed the electricity provider Luz y Fuerza del Centro (LyFC), the public company that provided electricity to Mexico City and three surrounding states. The government and its supporters pointed to the overwhelming inefficiencies, unreliable service, and financial losses of the company, requiring \$1.9 billion a year in subsidies. Critics have countered that this appeared to be an attack on a union, the *Sindicato Mexicano de Electricistas*, that supported Calderón's competitor in the 2006 presidential election, Andrés Manuel López Obrador. The services previously provided by LyFC are now covered by the Federal Electricity Commission, a government company that supplies electricity in the rest of the country.⁸

- *Political reform:* In the fall of 2009, President Calderon announced a list of ten reforms that he wanted Congress to approve within a year, with special focus on re-election for mayors and members of Congress, reducing the number of seats in both the Chamber of Deputies and the Senate, and creating new mechanisms for allowing independent candidates and citizen-led legislative

⁵ David Shirk, "Justice Reform in Mexico," Working Paper Series on U.S.-Mexico Security Collaboration, Washington DC: Woodrow Wilson Center Mexico Institute and Transborder Institute, May 2010.

⁶ Daniel Sabet, "Police Reform in Mexico: Advances and Persistent Obstacles," Working Paper Series on U.S.-Mexico Security Collaboration, Washington DC: Woodrow Wilson Center Mexico Institute and Transborder Institute, May 2010.

⁷ Rossana Fuentes Berain, *Oil in Mexico: Pozo de Pasiones: The Energy Reform Debate in Mexico*, Washington DC: Woodrow Wilson Center Mexico Institute, November 2008.

⁸ Duncan Wood, "Pulling the Plug on Luz y Fuerza del Centro: Between Economic Efficiency and Political Expediency," Washington DC: Woodrow Wilson Center Mexico Portal, November 10, 2009.

initiatives. The proposals are considered by most experts to be innovative initiatives. Prospects for passage remain unclear (see box, page 13).

- *Competition policy:* In April 2010, President Felipe Calderon announced a ten-point plan to overhaul competition laws, seeking to strengthen competition among companies by levying stiffer fines on firms that act as monopolies and jail terms of up to ten years on their managers. The proposal, viewed as a positive step by many analysts, passed the lower house but stalled in the Senate.

Both the private sector and labor are dominated by monopolies and oligopolies left over from the period of one party rule. This is perhaps most evident in television where there are only two private stations (Televisa and TV Azteca) and in telephones, where a single company (Telmex) controls almost all of the market. In 2006, the Mexican Congress passed a law to regulate radio and television that appeared to consolidate the control of the two private networks; however, a 2007 Supreme Court decision overturned some elements of this law, and new legislation is still pending.⁹

The Political Future

Mexico today faces many challenges. Most political actors agree on the nature of these challenges, but differ on the right solutions to address them or the priority they should be given. In the past two administrations, the PAN has been

the leadership, with different factions exerting more influence than others at different times. This may be changing.

Mexico's next presidential election is in 2012, and the lead-up suggests it will be an interesting race. The presidential contest in 2006 was primarily between the PAN and the PRD, and the congressional and municipal elections largely followed suit. In elections since that date, the PRI has reemerged as a viable force and the PRD has lost much of its support. The PAN is also less popular, but not by as much. However, with a charismatic candidate or a powerful lead issue, any of the main parties may find that it can be viable and win the next presidential election.

The PRI, now playing within a democratic system, has benefitted from citizens' frustrations with the economic recession and the perception of insecurity. Anecdotal evidence suggests that some voters remember more stability under the PRI and have voted accordingly. Opinion polls for January through May of 2010 suggested that 39 percent of voters would choose the PRI. The PAN trailed at 17 percent and the PRD at 10 percent.¹⁰

Although the July 2010 gubernatorial elections in twelve states failed to change the overall balance of power (see chart, page 11), at least a couple of conclusions could be drawn. First, the PRI proved itself powerful yet fallible, winning nine races but failing to sweep the elections. The elections also showed that Mexicans are able to hold the ruling party accountable by voting the incumbent party out of office in six, or half, of the elections.

⁹ Santiago Levy and Michael Walton, editors, *No Growth without Equity? Inequality, Interests, and Competition in Mexico*, New York: Palgrave Macmillan and the World Bank, 2009.

¹⁰ Monitor Mitofsky, "Economía, gobierno y política," April 2010, available at <http://72.52.156.225/Docs/FusionCharts/EPG.pdf>, 15.

Mexico's Economy

The Mexican economy is the thirteenth largest in the world and one of the most open in Latin America, with strong ties to the United States and the global community. It is highly dependent on international trade and revenues from oil, remittances, and tourism. The North American Free Trade Agreement (NAFTA) paved the way for economic integration with the United States and Canada, but Mexico is also increasingly engaging in trade with China, the European Union, and other markets. Despite steady growth until this year, roughly half the population still lives in poverty.

This section provides an overview of the major factors at work in the Mexican economy, and some of the major challenges.

Mexico's Economy: Basic Statistics (2008)

Gross Domestic Product (GDP):

\$1.09 trillion

GDP per capita: \$10,232

Exports: \$294 billion

Imports: \$332 billion

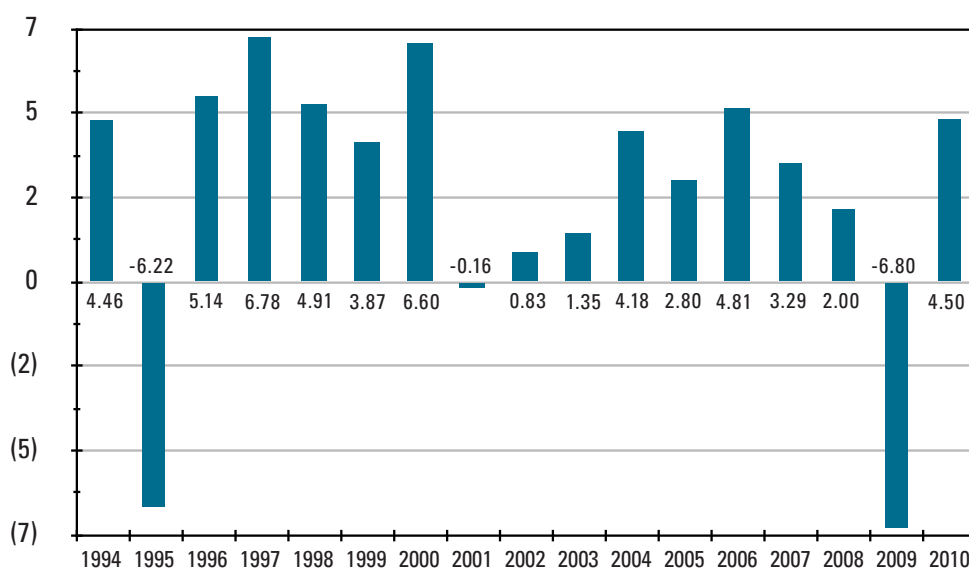
Net FDI Inflows: \$22.5 billion

Source: World Development Indicators, World Bank, <http://data.worldbank.org/data-catalog/world-development-indicators>, accessed May 14, 2010. All figures in current US dollars. FDI is net inflows BoP.

Brief Historical Overview

From the 1950s to the 1970s, Mexico's economy grew robustly, averaging over 7% annual growth, on average, during the same

Mexico GDP Growth, 1994–2010



Source: World Development Indicators, World Bank, <http://data.worldbank.org/data-catalog/world-development-indicators>, accessed May 14, 2010. 2010 data is projected GDP growth from IMF *World Economic Outlook Update*, July 7.

period as the United States' post-war economic expansion. During this period, Mexico followed a policy of Import-Substitution Industrialization (ISI) with high tariffs for imported goods and government support for domestic industries. However, despite overall growth, the country experienced repeated economic crises, often linked with the transfer of power between presidents.

In 1982, a particularly sharp economic crisis took place, driven by the drop in world oil prices and the rise in international interest rates. Mexico declared a moratorium on its debt payments. Although the government eventually reached agreements with major lenders and the IMF, the economy remained in crisis throughout most of the 1980s, with a significant deepening of poverty.

In 1990, then President of Mexico, Carlos Salinas de Gortari, hoping to stabilize the Mexican economy by attracting foreign investment, approached then U.S. President George H.W. Bush about signing a free trade agreement, similar to the one the U.S. had just completed with Canada. The Bush administration, in search of new economic policy in the hemisphere to respond to the realities of the post-Cold War world, agreed. The Canadians joined as well. The North American Free Trade Agreement (NAFTA) was negotiated throughout 1990–92, signed by the three countries in 1992, and took effect on January 1, 1994. The NAFTA negotiations initially helped jumpstart economic growth in Mexico, but insufficient

regulation and poor management led to a severe financial crisis in 1994–95.¹¹

The country began to recover after 1997 with slow but sustained growth over the subsequent years. The level of trade between Mexico and U.S. has more than tripled since the inception of NAFTA, from \$84 billion in 1993 to \$306 billion in 2009.¹² The agreement eventually eliminated tariffs on 70% of products, which helped Mexico experience an increase in employment and wages, particularly in the northern region where the majority of NAFTA development took place.

Nevertheless, not all Mexicans have benefited from this trade agreement. Small farmers have been hit the hardest as they cannot compete with cheap imports and are often forced to migrate to urban areas or the United States.¹³

Mexico's economy, due largely to its deep economic integration with the United States, suffered greatly during the 2008–2009 economic crisis. Most analysts expect robust growth in 2010, with GDP growing at around 4.5% for the year (see chart, page 16).

Major Factors in the Economy

Mexico has a diverse economy, with primary factors including:

- *Trade:* Exports were valued at 28% of gross domestic product (GDP) in 2008 and about 80 percent of Mexican exports are sent to the U.S. each year. In addition to NAFTA,

¹¹ On the NAFTA negotiations, see Frederic Mayer, *Interpreting NAFTA: The Science and Art of Political Analysis*, New York: Columbia University Press, 1998. On the effects, see Peter H. Smith and Robert Chambers, editors, *NAFTA in the New Millennium*, San Diego: University of California Press, 2002; Sidney Weintraub, *NAFTA's Impact on North America: The First Decade*, Washington, DC: Center of Strategic and International Studies, 2004; John J. Audley, Demetrios G. Papademetriou, Sandra Polaski, Scott Vaughan, *NAFTA's Promise and Reality: Lessons for the Hemisphere from Mexico*, Washington, DC: Carnegie Endowment for International Peace, 2003; and Gary Hufbauer and Jeffrey Schott, editors, *NAFTA Revisited, Achievements and Challenges*, Institute for International Economics, 2005.

¹² U.S. Census Bureau, Foreign Trade Statistics, 2010.

¹³ Jonathan Fox, editor, *Subsidizing Inequality: Mexican Corn Policy since NAFTA*, Washington, DC: Woodrow Wilson Center, forthcoming 2010.

Mexico has free trade agreements with over 40 countries, from Japan and Israel to Honduras and Chile.¹⁴

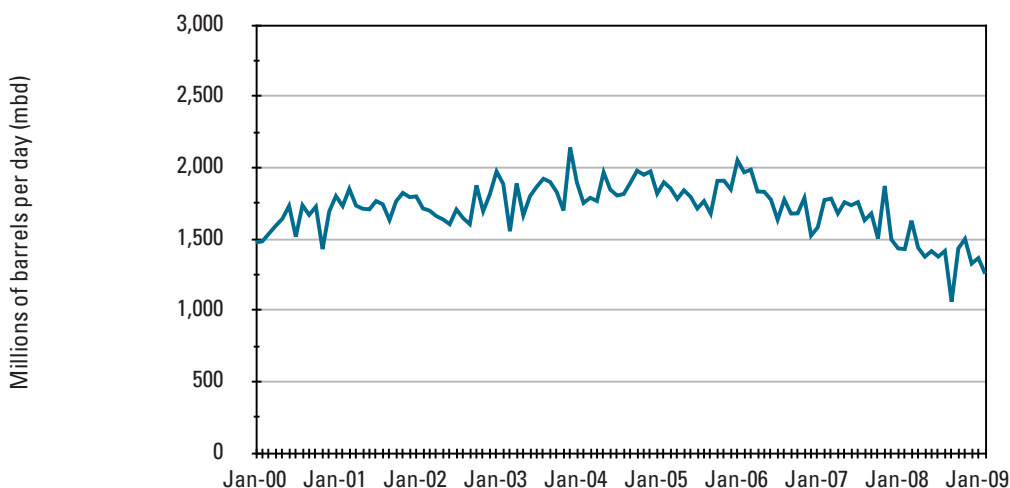
- *FDI*: Approximately 41% of FDI inflows in Mexico are from the U.S., or \$8.9 billion in 2008.¹⁵ FDI inflows increased from \$11.0 billion in 1994 to \$22.5 billion in 2008.¹⁶

However, there is significant regional variation. Whereas FDI in the highly impoverished southern state of Oaxaca increased from \$0.1 million to \$6.1 million in that period, it increased from \$227.1 million to \$883.8 million in the more prosperous northern state of Baja California Sur.¹⁷

- *Energy*: Mexico is the world's sixth largest oil producer and the second largest supplier to the United States (after Canada). However, the country's production has been unable to keep pace with demand and crude exports have been falling since 2006; Mexico is now a net importer of both gasoline and natural gas. Most experts recognize that Pemex's contribution to the government's operating expenses have often come at the expense of needed reinvestment in the company itself; 2006 legislation allowed for greater reinvestment of oil revenues within Pemex to upgrade capabilities for exploration.

The renewable energy sector in Mexico has experienced an incredible boom in the past

Mexico Crude Oil Exports, 2000–2009



Source: Rossana Fuentes-Berain with Daniel Rico, *Oil in Mexico: Pozo de Pasiones, The Energy Reform Debate in Mexico*, Washington, DC and Mexico City: Woodrow Wilson Center and Red Mexicana de Energía, 2008.

¹⁴ Travis Scott High, "The Mexican Economy in 2009," Washington, DC: Woodrow Wilson Center, August, 2009.

¹⁵ "U.S.-Mexico At a Glance: Foreign Direct Investment," U.S. Embassy, June 2009.

¹⁶ World Development Indicators, World Bank, <http://data.worldbank.org/country/mexico>.

¹⁷ Instituto Nacional de Estadística y Geografía, "Inversion extranjera directa, nueva metodología, por entidad federativa," Banco de Información Económica.

few years, and Mexico is emerging as a regional leader in the generation of renewable energy. The growth of the wind energy sector, particularly in the southern state of Oaxaca and in Baja California, has produced significant amounts of clean energy, jobs and investment in a poor, rural area. Geothermal energy in Mexico has long been an important element in the electricity supply, and the expansion of geothermal capacity by the CFE in recent years has produced excess energy for export to the U.S., to states such as California that now require a greater percentage of their energy to come from renewable sources.¹⁸

- *Remittances:* Remittances from Mexicans working abroad, primarily in the U.S., peaked at \$26 billion in 2007, and subsequently began their first decline since recordkeeping began in 1995. A large percentage of these remittances go to the largest migrant sending states of Guanajuato, Jalisco, Michoacán, San Luis Potosí, and Zacatecas (see chart, page 38).
- *Tourism:* Foreign currency from tourists contributes to development, particularly of poor coastal regions, adding \$13.2 billion to the economy in 2008. However, tourism is vulnerable to economic shocks and other factors. Tourism in Cancún alone, for example, dropped 82 percent in the first two weeks of the H1N1 flu outbreak in 2009.

Remaining Challenges

Despite the reforms that have been passed under President Calderon, key economic issues remain:

- *Poverty and inequality:* Mexico is one of Latin America's more unequal countries with zip codes as wealthy as parts of the United States and others as poor as Haiti. While it boasts several highly successful multinational corporations (e.g. Cemex, Femsas, Telmex, Bimbo, Lala, Grupo BAL) that compete globally, and at least six citizens on the list of Forbes 200 wealthiest people worldwide (including the world's wealthiest person, Carlos Slim), almost half of the population lives in or near poverty according to official statistics.¹⁹ Extreme poverty dropped from 24.1% in 2000 to 13.8% in 2006; however, due in large part to the financial crisis, the rate rose to 18.2% in 2008.²⁰

The social assistance program *Oportunidades*, initiated in 2002, has helped achieve this reduction by offering families monetary incentives for regular medical visits, nutritional support, and school attendance. The program, originally started in 1995 as Progreso, was extended from rural to urban areas under the Fox administration. As of 2006, *Oportunidades* covered five million households, almost a quarter of all Mexican families.

¹⁸ Duncan Wood, "Environment, Development and Growth: US-Mexico Cooperation in Renewable Energies," Working Paper, Washington DC: Woodrow Wilson Center Mexico Institute, 2010.

¹⁹ Forbes Richest People in the World, *Forbes* Magazine, available at <http://www.forbes.com/forbes/2010/0329/billionaires-2010-wealth-richest-people-slim-helu-gates-buffett-top-20.html>, March 29, 2010. "Reporta CONEVAL: Cifras de pobreza por ingresos 2008," Mexico City: Consejo Nacional de Evaluación de la Política de Desarrollo Social, 2008.

²⁰ "Reporta CONEVAL: Cifras de pobreza por ingresos 2008," Mexico City: Consejo Nacional de Evaluación de la Política de Desarrollo Social, 2008.

Similar programs have now been started in Brazil, Sri Lanka, and several other countries, based on the success of the Mexican model. The program is credited with reducing extreme poverty in Mexico considerably. However, it is no substitute for generating employment opportunities or stimulating investment in productive activities.

Unemployment in June 2010 was estimated to be 5.05%, higher than pre-crisis levels but lower than in 2009. Underemployment is estimated at 8.1%.²¹

- *Regional disparity:* GDP per capita in Mexico's five wealthiest states, mostly in the north, is almost four times that in the five poorest states, mostly in the south.²² The north of Mexico, which has long-standing economic ties to the United States, and fairly good infrastructure, has been able to take advantage of many of the opportunities created by NAFTA. The south, with limited infrastructure and less access to education, as well as a

large number of people who live off of subsistence or near-subsistence agriculture, has been largely unable to participate in the economic opening.

Moreover, the agricultural chapter of NAFTA, which allowed for importation of more heavily subsidized U.S. corn and beans, appears to have undermined further the farm economy in the south while stimulating export-oriented farming in the north.²³

- *Education:* Education indicators in Mexico have improved noticeably in recent years, rising from 7.45 years of education in 1974 to over 9.45 years, for the 25–34 age group, in 2004. However, these numbers are still low and college enrollment rates in Mexico in 2008 were only 27%, less than a third of the U.S. rate.²⁴ Resistance from the teacher's union, which has been built on ties to political power, as well as inertia in the system and limited funding, have prevented more successful outcomes in the educational system.

²¹ Data from the Mexican Government's National Statistics Institute, INEGI, as reported in Laurence Iliff, "Mexico's June Unemployment 5.05% Vs 5.13% In May," *Wall Street Journal*, July 23, 2010, <http://online.wsj.com/article/BT-CO-20100723-708113.html>.

²² "Producto interno bruto por entidad federativa. Participación sectorial por entidad federativa," INEGI, 2009.

²³ John Burnstein, *U.S.–Mexico Agricultural Trade and Rural Poverty in Mexico*, Woodrow Wilson Center and Fundación Idea, 2007.

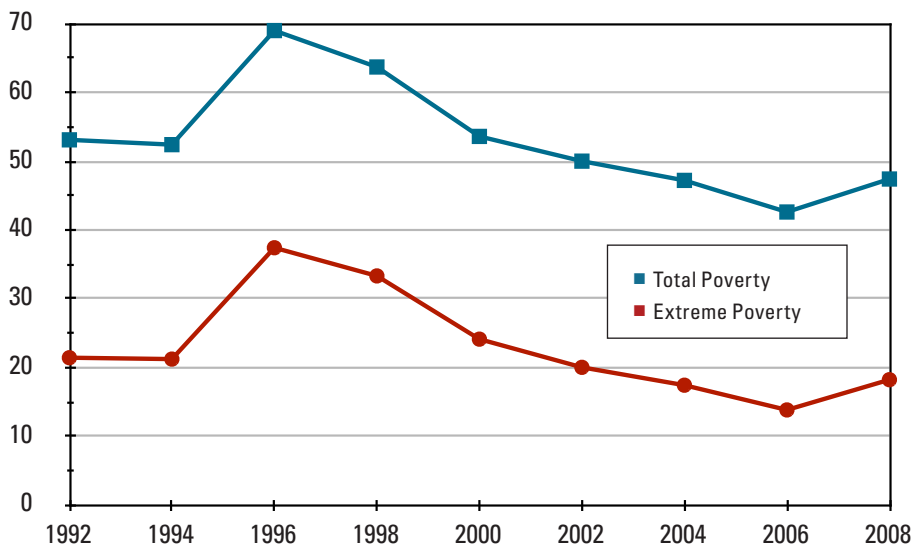
²⁴ World Bank, World dataBank, Education Statistics, <http://data.worldbank.org/>.

Regional Distribution of Poverty



Source: "Poverty in Mexico: Conditions, Trends, and Government Strategy," World Bank Poverty Assessment, 2004.

Percentage of Mexican Population in Poverty, 1992–2008



Source: Data from CONEVAL and la Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH), 2008.

Mexico's Society

Mexico's population is approximately 108 million people. The country has a rich and varied cultural heritage, with roots in indigenous and Spanish traditions, as well as those of Africa, the Caribbean, South America, and other parts of Europe. The original encounter between indigenous peoples and Spanish settlers has been augmented by centuries of immigration and contact with other parts of the world.

Today around one-tenth of Mexicans consider themselves indigenous, and many speak one of over sixty different indigenous languages. The majority of the population is considered *mestizo*, that is, of mixed indigenous and European heritage, although there are many who trace their ancestry to Africa as well as many families who have immigrated more recently from Europe, South America, or the United States. Indeed, there is a community of half to one million Americans who live in Mexico today, by far the largest in the world and almost equal to all U.S. citizens living in Europe.

Mexico has no official religion, but the population is 83% Catholic. There is much regional variation. In Guanajuato, Catholics comprise 96.4% of the population; in Chiapas they are 63.8%.²⁴ Non-Catholic Christians, especially Evangelical Protestants, Mormons, and Seventh Day Adventists, are on the rise. There are also small but important Jewish and Muslim communities largely concentrated in major urban areas.

Arts, Sports, and Culture

Mexico has a long tradition in the arts, literature and sporting worlds.

Cinema: Mexico's cinema set the standards for Latin America in the 1940s and 1950s before going into a long period of decline. In the 1990s Mexican cinema returned with three major directors dominating on the international scene: Alejandro González Iñárritu (*Babel*, *Amores Perros*), Guillermo del Toro (*Pan's Labyrinth*, *Hellboy*), and Alfonso Cuarón (*Y Tu Mamá También*, *Harry Potter and the Prisoner of Azkaban*), all of whose movies were nominated for Oscars in 2007. Mexican actors and actresses, including Salma Hayek and Gael García, have also been highly successful internationally.

Music: Mexico is home to a variety of musical styles from classical music to love ballads to punk rock. Among Mexico's most popular singers on the international scene are Juan Gabriel and Luis Miguel (romantic ballads); Paulina Rubio, Julieta Venegas, and Maná (pop/rock); and Los Tigres del Norte (*norteña*). Los Tigres del Norte actually live in San Jose, California, where they started their musical career.

Painting: Frida Kahlo is among Mexico's most celebrated painters and her work has gone through an international revival in recent years. Her husband, Diego Rivera, was among an influential group of mural painters who had a huge impact on Mexican art in the period from the 1920s through the 1950s. Other leading muralists included José Clemente Orozco and David Alfaro Siqueiros. Rufino Tamayo was one of the best known contemporary painters in Mexico. Francisco Toledo is perhaps the most influential living Mexican painter.

Literature: Mexico has a long literary tradition that spans poetry, short-stories, novels,

²⁴ Sergio Aguayo Quezada, *Mexico: Todo en Cifras*, Mexico City: Aguilar, 2008, 215.

drama, and non-fiction writing. Among the most well-known writers abroad are poet Octavio Paz, author of *The Labyrinth of Solitude*, and novelist Carlos Fuentes, author of *The Death of Artemio Cruz* and *The Crystal Frontier*.

Architecture: Mexico has had several well-known architects, but perhaps none better known than Ricardo Legorreta, who has designed the Museum of Modern Art in Monterrey and the Camino Real Hotel in Mexico City, among many other buildings in Mexico, as well as several homes in the United States.

Folk art: While many indigenous groups in Mexico have been under considerable economic and cultural stress, traditional forms of art thrive throughout the country. Mexico boasts of an extensive array of folk art, including brightly colored *alebrijes* (woodcarvings of animals) in Oaxaca, beautiful Talavera pottery in Puebla and Guanajuato, decorated carnival

masks in Guerrero, and painted clay figures from Puebla. Indigenous peoples in Chiapas produce traditional textiles, stunning for their intricate designs and beautiful colors.

Sports: Soccer is the most popular sport in Mexico. Baseball, basketball, golf, wrestling, boxing and bullfighting are also played and followed. Some of the most famous athletes include golfer Lorena Ochoa, who recently retired as the top female golfer in the world; Dallas Mavericks forward Eduardo Nájera; and Adrián Gonzalez of the San Diego Padres.

Like many Mexican athletes, Mexico's national soccer team is also very popular in the United States. Weeks of sold out crowds, including 90,000 for a game against New Zealand in Los Angeles' Rose Bowl, led a May 6, 2010 article in the *Washington Post* to argue that Mexico was the "most popular soccer team in the U.S."

Key Issues in U.S.-Mexico Relations

Christopher Wilson and Andrew Selee

Economic Integration

The economies of Mexico and the United States are highly integrated, with each country depending on the other to produce the goods it needs and to consume its exports. Trade with Mexico accounts for 12.2% of U.S. exports and 11.3% of imports. Since the North American Free Trade Agreement (NAFTA) was implemented in 1994, trade between the countries has more than tripled. Mexico is now the United States' third largest trading partner and the second largest destination of exports, accounting for roughly an eighth of all U.S. exports. The United States is an even more important market for Mexico, purchasing 81% of its exports.

But the relationship is even deeper; in addition to serving as important markets for each

other, Mexico and the United States also work together to produce goods that are then sold on the world market. Regional supply chains crisscross the border, meaning that many imports and exports are of a temporary nature as a good is being produced. For example, cars built in North America are said to have their parts cross the United States borders eight times as they are being produced.¹ In all, about half of U.S.-Mexico trade is intra-industry.² Each country has invested heavily in the other, with Mexico's investment position in the U.S. more than tripling since 1994, reaching \$7.9 billion in 2008. Mexican companies are now industry leaders in at least three areas of the U.S. market: cement (Cemex), breads and bakery goods (Grupo Bimbo), and milk and dairy products

U.S. Trade with Mexico, 1993–2009



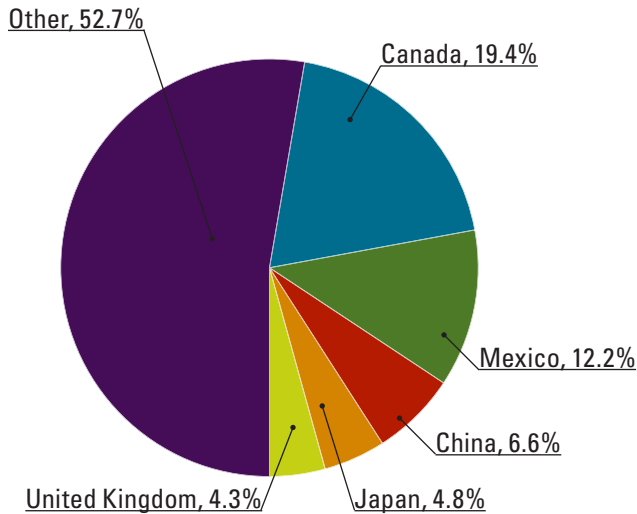
Note: Trade in Goods.

Source: U.S. Census Bureau, Foreign Trade Statistics.

¹ Robert Pastor, "The Future of North America," *Foreign Affairs*, July/August, 2008, 89.

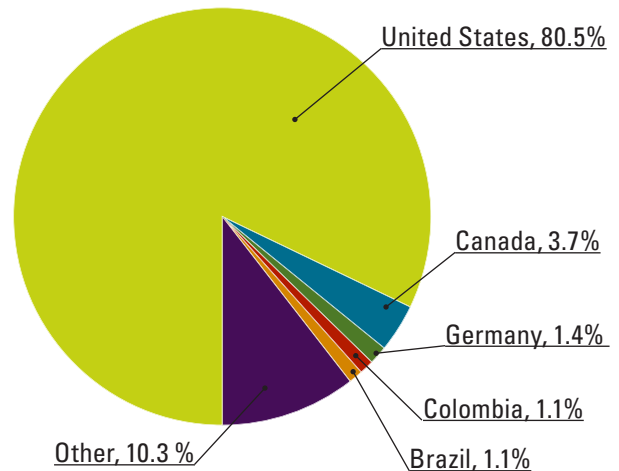
² Jesus Cañas, Roberto Coronado and Robert W. Gilmer, U.S., Mexico Deepen Economic Ties, *Southwest Economy*, Federal Reserve Bank of Dallas, January/February 2006, 12.

Top Markets for U.S. Exports as Percent of Total Exports, 2009



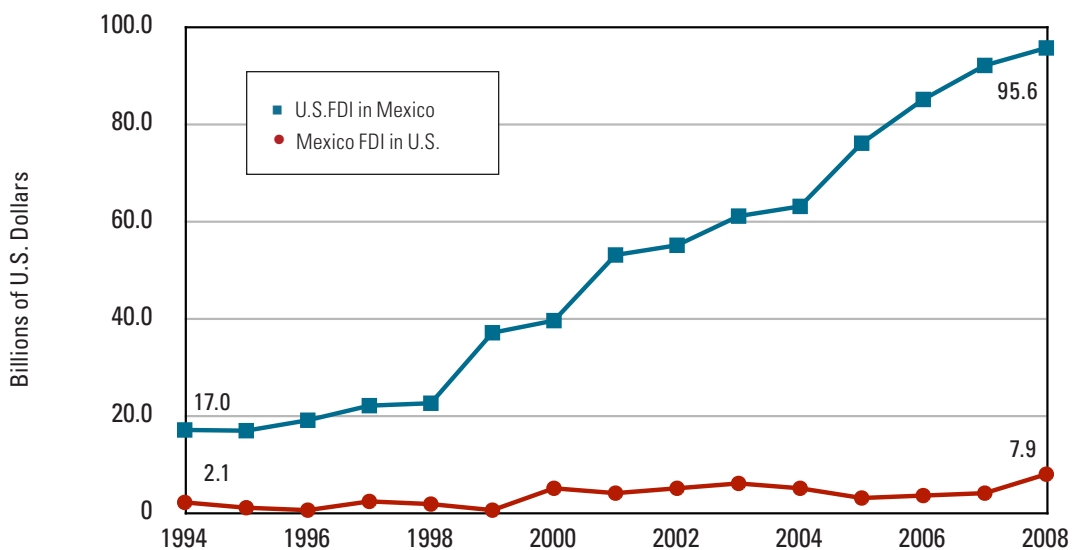
Source: U.S. Census Bureau, Foreign Trade Statistics.

Top Markets for Mexican Exports as Percent of Total Exports, 2009

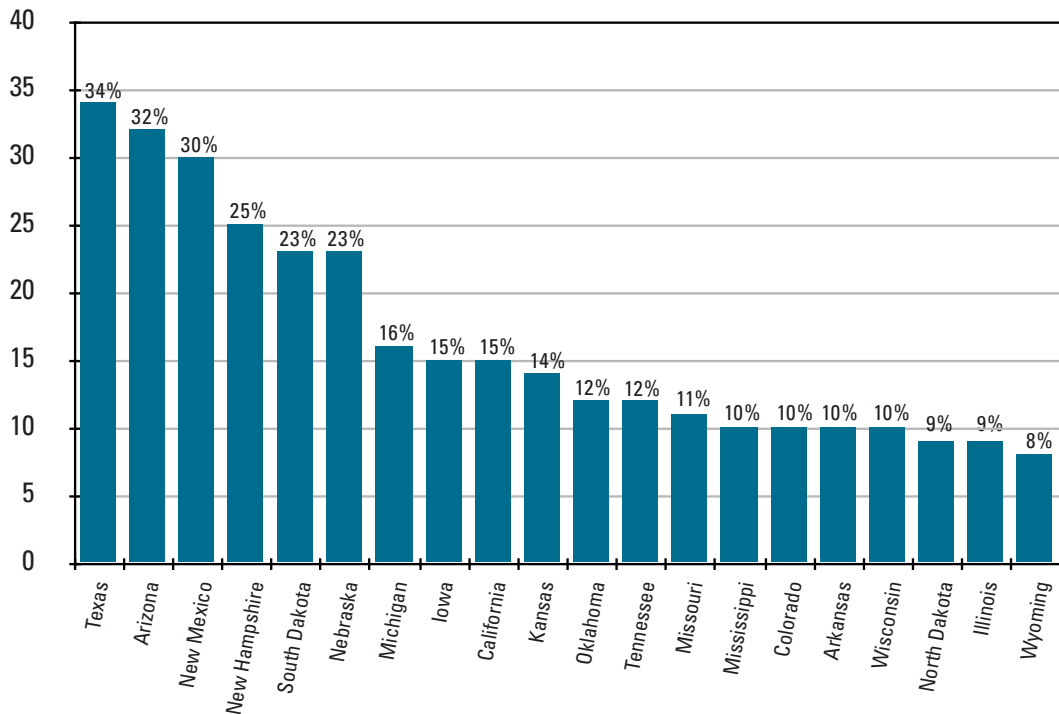


Source: Ministry of Economy with data from Banco de México.

U.S. -Mexico Foreign Direct Investment Positions, 1994–2008 — Historical Cost Basis



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

U.S. State Exports to Mexico, 2009 (as a percentage of total exports)

Source: U.S. Census Bureau, Foreign Trade Statistics, 2009 data, <http://www.census.gov/foreign-trade/statistics/state/>.

(Lala). U.S. investment in Mexico has grown even faster and, at \$95.6 billion in 2008, it is now more than five times its 1994 level.

The Southwest Border states are especially integrated with Mexico, but states throughout the country trade intensely with Mexico. Mexico is the top export market for five states: California, Arizona, New Mexico, Texas, and New Hampshire, and is the second most important market for seventeen other states all across the country.³

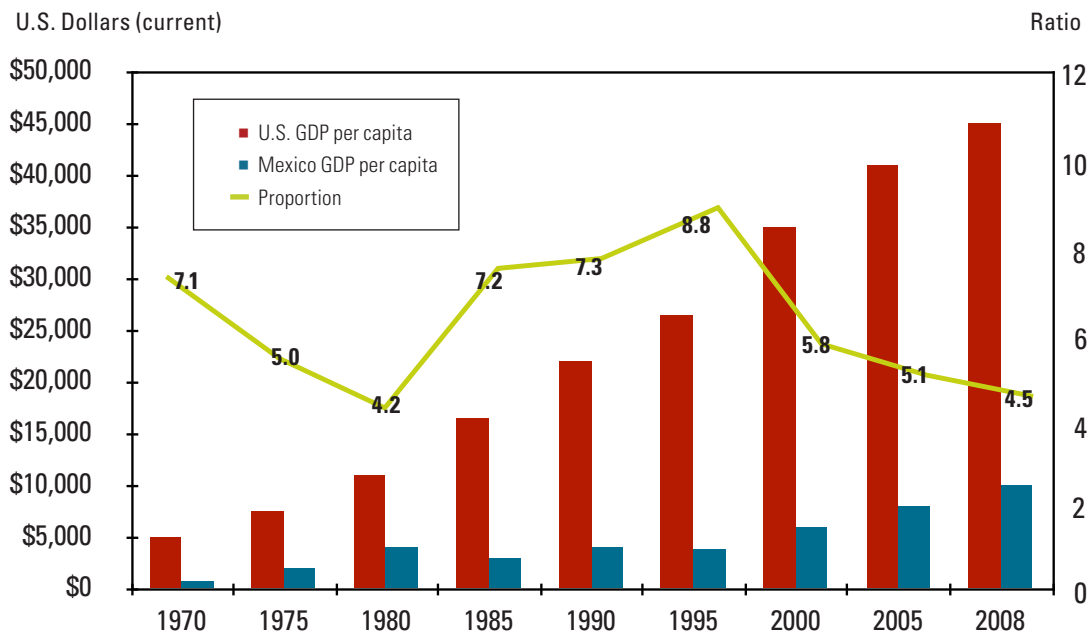
While NAFTA succeeded in its central goal of facilitating the flow of goods and increasing investment, since 2001 the growth in trade

has slowed dramatically. From 1993–2000, bilateral trade grew 207%, but since 2000 it has only grown 18%. While part of the decline is attributable to the slower rates of overall economic growth in both countries in recent years, there are several barriers to trade that inhibit further growth:

- Insufficient infrastructure at the border
- Long and often unpredictable crossing times
- Differences in regulatory frameworks
- Trade disputes
- The inability of trucks to deliver cargo across the border

³ U.S. Census Bureau, Foreign Trade Statistics, 2009 data, <http://www.census.gov/foreign-trade/statistics/state/>.

U.S. GDP per capita vs. Mexico GDP per capita, 1970–2008



Source: Development Data Group, World Development Indicators, World Bank, 2008.

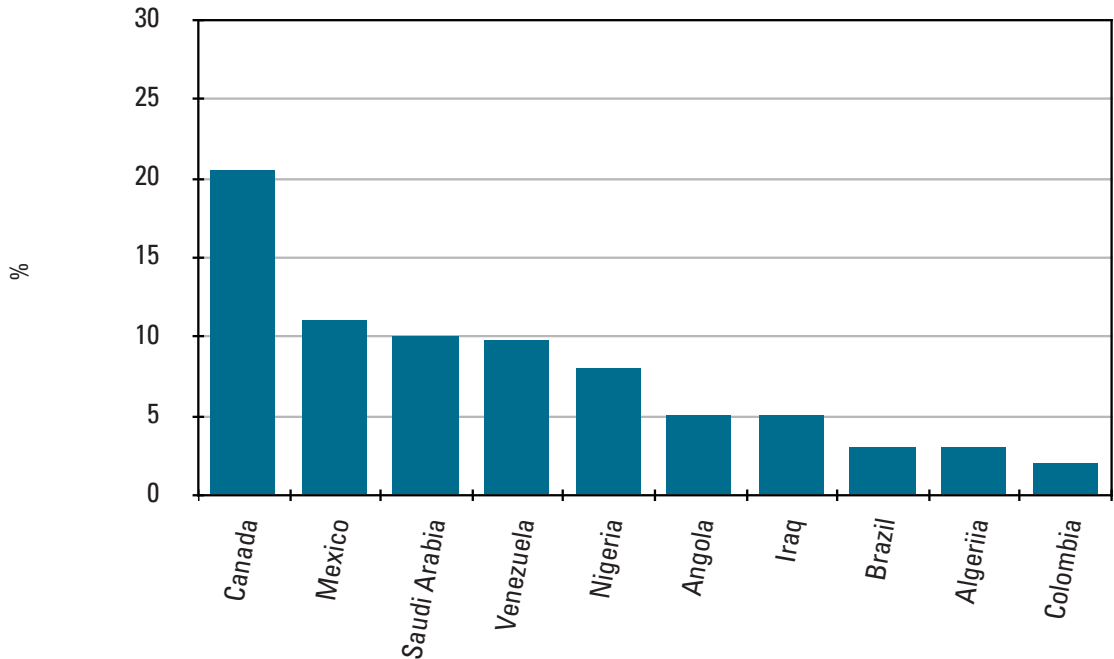
These barriers have hindered North America's competitive position vis-à-vis other economic regions such as Europe or East and Southeast Asia, and NAFTA has not established a broader agenda for stimulating the type of economic development needed to address job creation and close the income gap between Mexico and its two trading partners.

The United States' NAFTA partners are also its most important sources of foreign oil, with Mexico second only to Canada as a source of U.S. imports of crude oil. In 2009, Mexico provided 12.1% of the United States imported crude oil. However, Mexico's declining oil production suggests that this trend may not continue far into the future. (see pages 14 and 18 for more information on Mexico's energy sector.)

Mexico's close integration with and dependence on the United States for trade and foreign investment are both Mexico's strength and weakness. Mexico harnesses the power of the massive U.S. economy during periods of growth but is exposed to risk beyond its control during times of recession. The Mexican economy has been severely affected by the U.S. recession, suffering from a fall in U.S. imports, declining remittances and reduced levels of tourism.

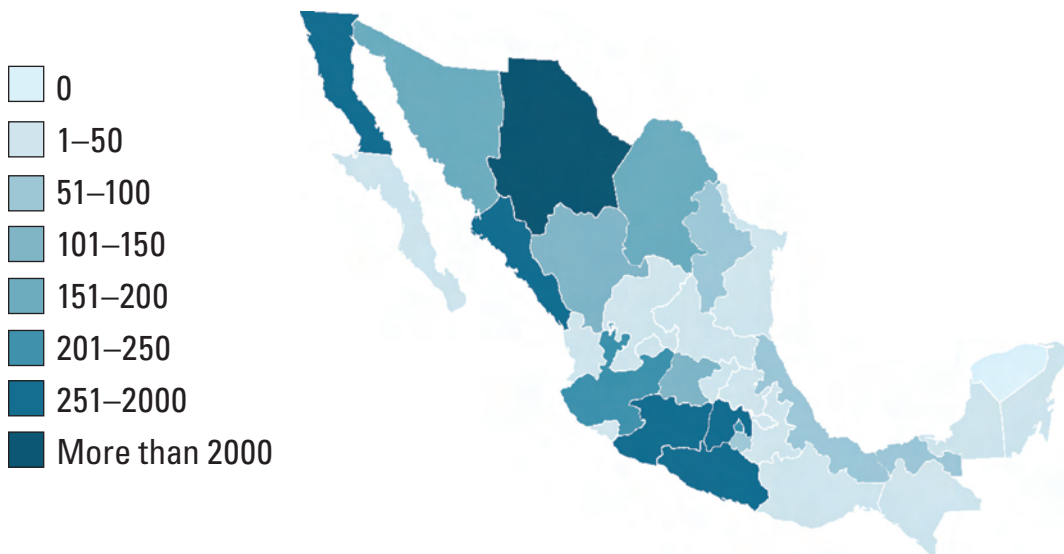
Many hoped that NAFTA would help Mexico converge towards income levels closer to those of the United States and Canada. At least before the 2008–9 economic crisis, there was some evidence this was happening, but only very slowly and in recent years. It remains to be seen if this will be a long-term trend or not.

Imports of Crude Oil into the U.S. by Country of Origin, 2009



Source: U.S. Department of Energy, available at www.eia.doe.gov.

Drug Related Killings in Mexico, 2009



Source: Map created by Theresa Firestone, in David Shirk, "Drug Violence in Mexico: Data and Analysis from 2001–2009," San Diego: University of San Diego, Trans-Border Institute, January 2010

Security Cooperation

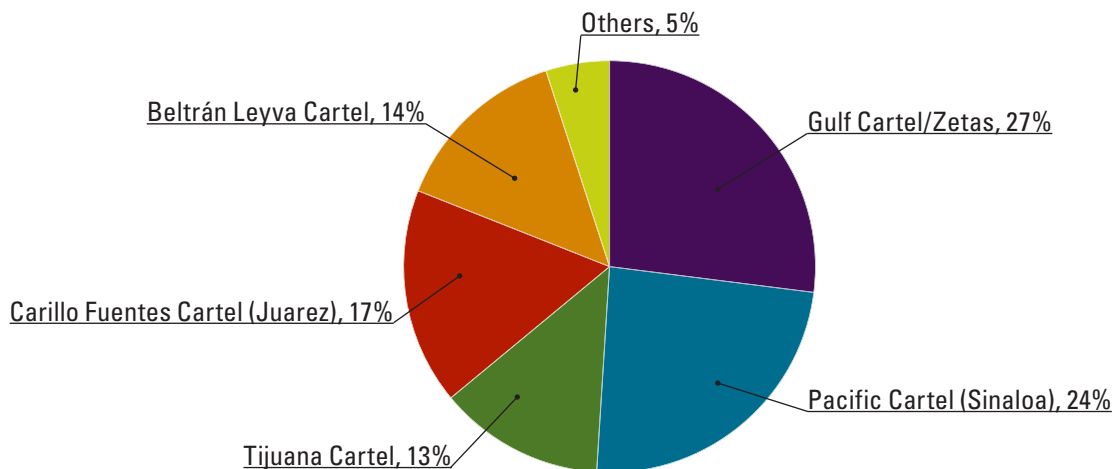
When President Calderón took office in late 2006 one of his highest priorities was to aggressively confront the drug cartels that were increasingly violent and powerful in important areas of the country, especially along the northern border with the United States and a handful of coastal states. The President's strategy was to mobilize Mexico's federal security forces in targeted areas to either dismantle the cartels or force them to operate outside of Mexico. In the ensuing months, Mr. Calderón mobilized about 45,000 military and additional federal police to several key points around the country.

While drug seizures and arrests of those involved in the drug trade are at an all-time high,

so is violence linked to the trade. The Mexican government estimates that 22,700 people have died from drug-related violence since President Calderón took office, with 9,635 of those deaths occurring in 2009.⁴

Still, the violence is not as widespread and indiscriminate as it often appears. Much of the bloodshed occurs in key trafficking corridors, notably in the states of Sinaloa, Chihuahua, Tamaulipas, and Guerrero. In Ciudad Juárez, the most violent city in Mexico, more than 2,600 people were killed in 2009.⁵ Although Mexico's overall murder rate (11.6 per 100,000 population) is nearly twice that of the United States (5.2), it is less than half that of Honduras (60.9), El Salvador (51.8), Colombia (38.8), or Venezuela (52).⁶

Detentions Made During the Calderón Administration, by Drug Trafficking Organization



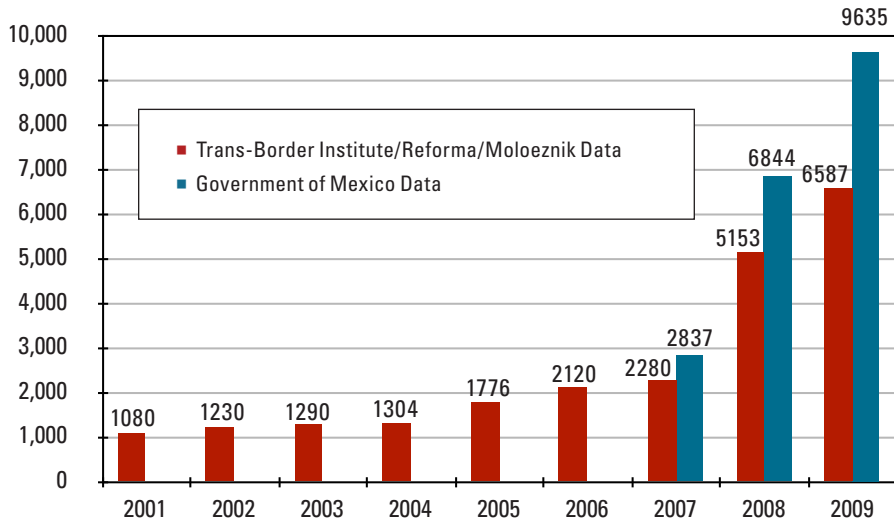
Source: Data from confidential government document obtained by several newspapers. Zemi Communications, *Mexico: Politics and Policy*, No. 195: April 19, 2010.

⁴ For a detailed analysis of drug-related violence, see David Shirk, "Drug Violence in Mexico: Data and Analysis from 2001–2009," San Diego: University of San Diego, Trans-Border Institute, January 2010; data from confidential government document obtained by several newspapers. Zemi Communications, *Mexico: Politics and Policy*, No. 195: April 19, 2010.

⁵ Tim Johnson, "In Mexico's Ciudad Juárez, murder is a way of life," Miami Herald, April 20, 2010, http://www.miamiherald.com/2010/04/20/1589618_p2/danger-zone-crime-in-juarez-drives.html.

⁶ Based on UN homicide statistics from criminal justice sources, 2008. United Nations Office on Drugs and Crime, <http://www.unodc.org/unodc/en/data-and-analysis/homicide.html>.

Drug-Related Killings in Mexico, 2001–2009



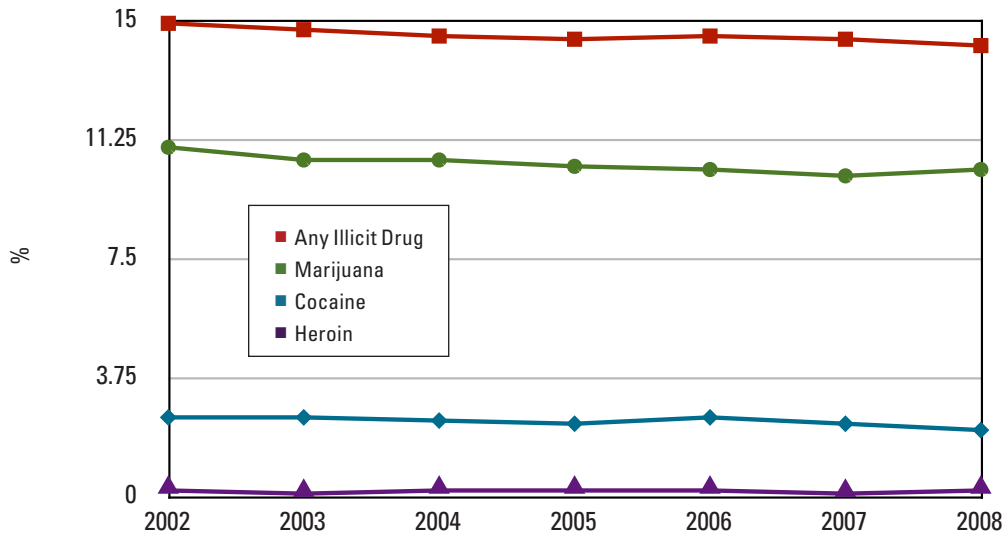
Sources: “Drug Violence in Mexico: Data and Analysis from 2001–2009,” San Diego: University of San Diego, Trans-Border Institute, January 2010, 4; and data from confidential government document obtained by several newspapers, *Zemi Communications, Mexico: Politics and Policy*, No. 195, April 19, 2010.

Major Mexican Drug Trafficking Organizations

1. **Sinaloa Cartel:** As Mexico’s largest cartel, its operations stretch from Chicago to Buenos Aires, but its power base is in Mexico’s so-called golden triangle where much of the marijuana and poppy is grown: Sinaloa, Durango and Chihuahua. It is also fighting for more control of routes through Chihuahua, and Baja California. At the top of the organization is Joaquin “El Chapo” Guzman, who escaped federal prison in 2001 and has evaded Mexican security forces since.
2. **Gulf Cartel:** This organization operates in the Eastern states of Nuevo Leon and Tamaulipas. However, its former armed wing, known as the Zetas, which was formed by former Mexican special forces, has broken ranks and created its own cartel. The two are now disputing its traditional strongholds.
3. **Zetas:** Formerly the armed wing of the Gulf Cartel, this organization is considered the most disciplined and ruthless of Mexican DTOs. Drawing from their military background, this cartel has systematically obtained new territory throughout Mexico and Central America.
4. **Juarez Cartel:** Centered in this northern city, the organization is at the heart of the battle against the Sinaloa Cartel for control of the surrounding border region and continues to be a major purchaser of cocaine in source countries such as Colombia.
5. **Tijuana Cartel:** Fractured in recent years by arrests and infighting, this organization remains a force in this important border city.
6. **Beltran-Leyva Organization:** After numerous arrests, authorities killed its top leader, Arturo Beltran-Leyva in December 2009. The organization has subsequently split with its former armed wing fighting for control over its territory in the central and western states of Morelos and Guerrero.
7. **La Familia Michoacana:** Originally a paramilitary force designed by the Zetas to fight the Sinaloa Cartel in Michoacan, this disciplined and ruthless organization now operates in numerous northern and southern states.

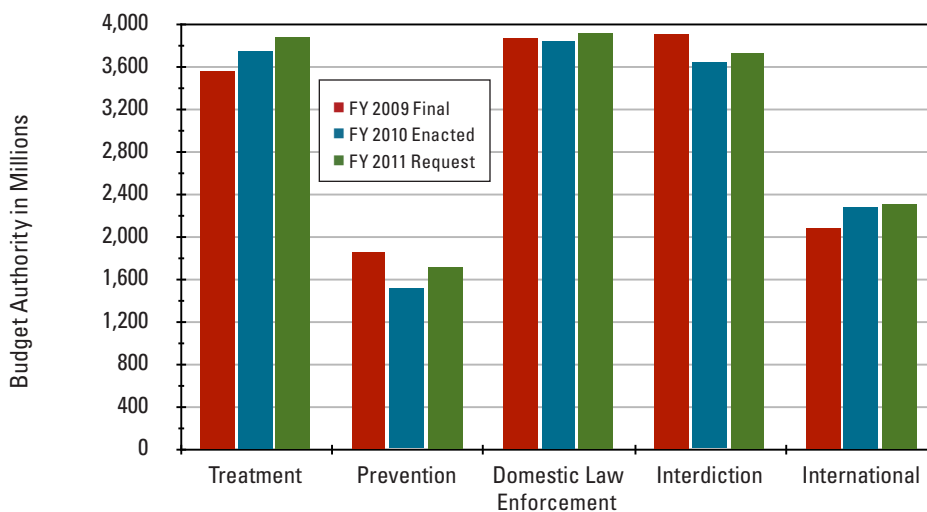
Source: Adapted from Stephen S. Dudley, “Drug Trafficking Organizations in Central America: Transportistas, Mexican Cartels and Maras,” Working Paper Series on U.S.-Mexico Security Collaboration Woodrow Wilson International Center for Scholars: May, 2010.

Percent of U.S. Population Aged 12 or Older Consuming Drugs in Past Year, 2002–2008



Sources: *National Survey on Drug Use & Health*, Office of Applied Statistics, SAMHSA, U.S. Department of Health and Human Services, 2008.

Drug Control Resources by Function, 2009–2011



Source: The White House, "National Drug Control Strategy, 2010."

U.S. Drug Consumption

Drug violence and the drug trade in Mexico, while facilitated by corruption and an inadequate law enforcement and justice system in Mexico, are ultimately fueled by drug consumption in the United States. To the extent that guns and money are flowing south out of the U.S., it will be that much more difficult for both countries to prevent the flow of drugs to the north.

The number of people reporting drug use in the U.S. in surveys has remained relatively stable in recent years. While the number of users is important, overall demand is strongly affected by the level of consumption of heavy users, and reliable statistics measuring such demand do not exist. Still, the National Drug Intelligence Center ventures to draw some conclusions about the current state of the national drug market.⁷ They find that the “prevalence of four out of the five major drugs—heroin, methamphetamine, marijuana, and MDMA—was widespread and increasing in some areas,” cocaine being the only exception.⁸ Cocaine use has declined significantly in recent years (according to both survey data and the number of people testing positive in the workplace), but the United States remains the world’s largest market for cocaine nonetheless.⁹ Increased Mexican production of heroin,

marijuana and methamphetamine has contributed to the trend.

The U.S. Government strategy to control domestic consumption has relied most heavily on interdiction and law enforcement, spending \$3.9 billion on each in FY 2009, more than was spent on either prevention or treatment. The recently released 2010 National Drug Control Strategy proposes a modest rebalancing of these priorities, with proposed funding for treatment overtaking interdiction. Still, the overall ratios between the major categories of spending remain largely intact.

The Merida Initiative

In March 2007 President Bush met with President Calderón in Mérida, Mexico, and they agreed to significantly increase cooperation in the hemispheric fight against drug trafficking. The so-called Merida Initiative included a U.S. commitment to provide \$1.4 billion in equipment, training, and technical assistance to Mexico over three years. Congress has so far appropriated \$1.3 billion of the original package. While almost all of the first round of assistance has been appropriated, a much smaller amount, \$159 million in equipment and training, has actually been dispersed.¹⁰

While the majority of U.S. funding in the first phase of the Merida Initiative went to expensive equipment, particularly aircraft and

⁷ U.S. Department of Justice, National Drug Intelligence Center, “National Drug Threat Assessment,” February, 2010.¹⁰ Ibid.¹¹ United Nations, “World Drug Report 2009.”

⁸ Ibid.

⁹ United Nations, “World Drug Report 2009.”

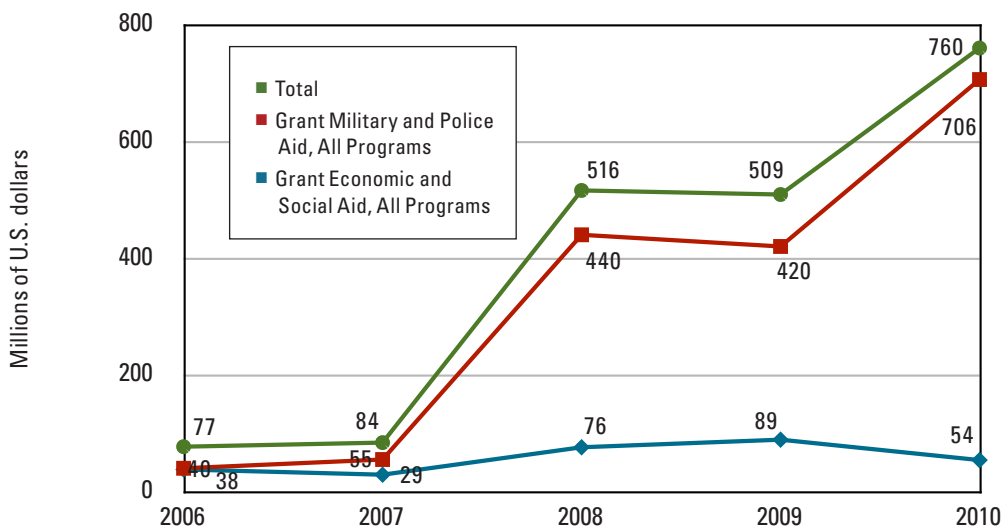
¹⁰ U.S. Senate, Committee on Foreign Relations, “Common Enemy, Common Struggle: Progress in U.S.-Mexican Efforts to Defeat Organized Crime and Drug Trafficking,” One Hundred Eleventh Congress, Washington, DC: U.S. Government Printing Office, 2010.

helicopters, the new approach to security cooperation being developed this year shifts the focus toward institution-building.¹¹ The new strategy is based on four pillars, the first two of which represent a refinement of previous efforts, while the final two represent a new and expanded approach to anti-drug efforts.

The four pillars are:

1. Disrupting and Dismantling Criminal Organizations
2. Institutionalizing the Rule of Law
3. Building a 21st Century Border
4. Building Strong and Resilient Communities¹²

Foreign Assistance to Mexico, 2006–2010



Source: Just the Facts, a joint project of the Center for International Policy, the Latin America Working Group, and the Washington Office on Latin America, <http://justf.org/Country?country=Mexico&year1=2006&year2=2011>.

¹¹ This shift is most clearly seen in the huge reduction in Foreign Military Financing requested in the FY 2011 budget request, falling from an estimated 2.6 million in 2010 to 8 million requested for 2011. Department of State, Congressional Budget Justification: Foreign Operations, Annex: Regional Perspectives, Fiscal Year 2011, <http://www.state.gov/documents/organization/137937.pdf>.

¹² Eric L. Olson and Christopher E. Wilson, "Beyond Merida: The Evolving Approach to Security Cooperation," Woodrow Wilson International Center for Scholars, April, 2010, <http://www.wilsoncenter.org/topics/docs/Beyond%20Merida.pdf>.

Migration and Migrants

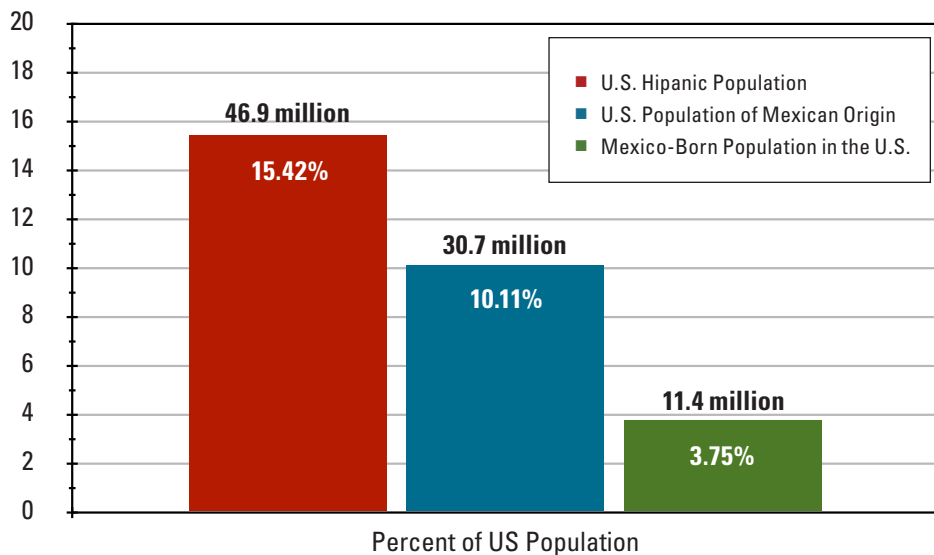
Mexican immigrants are by far the largest immigrant population in the United States. The Mexican born population in the U.S. is nearly 11.5 million, which means that more than five times as many migrants come to the United States from Mexico as from any other country. In addition to being the largest source of authorized immigrants, Mexico is also the source of approximately 6 million unauthorized immigrants, 59% of the total.

U.S.-Mexico migration is driven by a series of factors, including poverty in Mexico, the difference in wages between the two countries, and the existence of family and community networks that facilitate the arrival of new immigrants.

The Hispanic and Latino population in the U.S. is also large, currently 46.9 million, and growing. They represent 15.4% of the total U.S. population, and while Latinos and Hispanics include a mix of immigrants and U.S.-born Americans, they are also a growing political force. The percentage of Hispanic voters among the total electorate has grown from 3.8% in 1992 to 7.4% in 2008.¹³ Roughly 66% of all Hispanics in the United States are of Mexican origin.¹⁴

Despite the large number of Mexican immigrants and growing numbers of Hispanics and Latinos, in recent years, the number of Mexican immigrants has actually decreased, at least temporarily reversing a long period of sustained growth. The number of Mexican

U.S. Population of Mexican Origin (U.S. Census, 2008 figures)

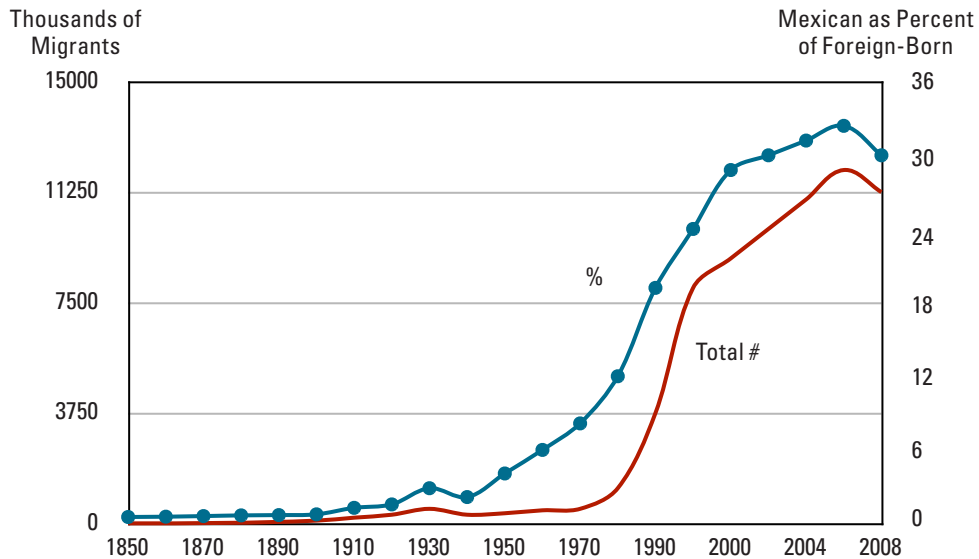


Source: U.S. Department of Commerce, U.S. Census Bureau, 2008 American Community Survey.

¹³ Mark Hugo Lopez and Paul Taylor, *Dissecting the U.S. Electorate, the Most Diverse in U.S. History* Washington, DC: Pew Research Center, 2009, 1.

¹⁴ Pew Hispanic Center, Fact Sheet, April 22, 2010, <http://pewhispanic.org/files/factsheets/not59.pdf>. The data presented in this paragraph is all derived from the U.S. Census Bureau, which uses the terms Hispanic and Latino interchangeably.

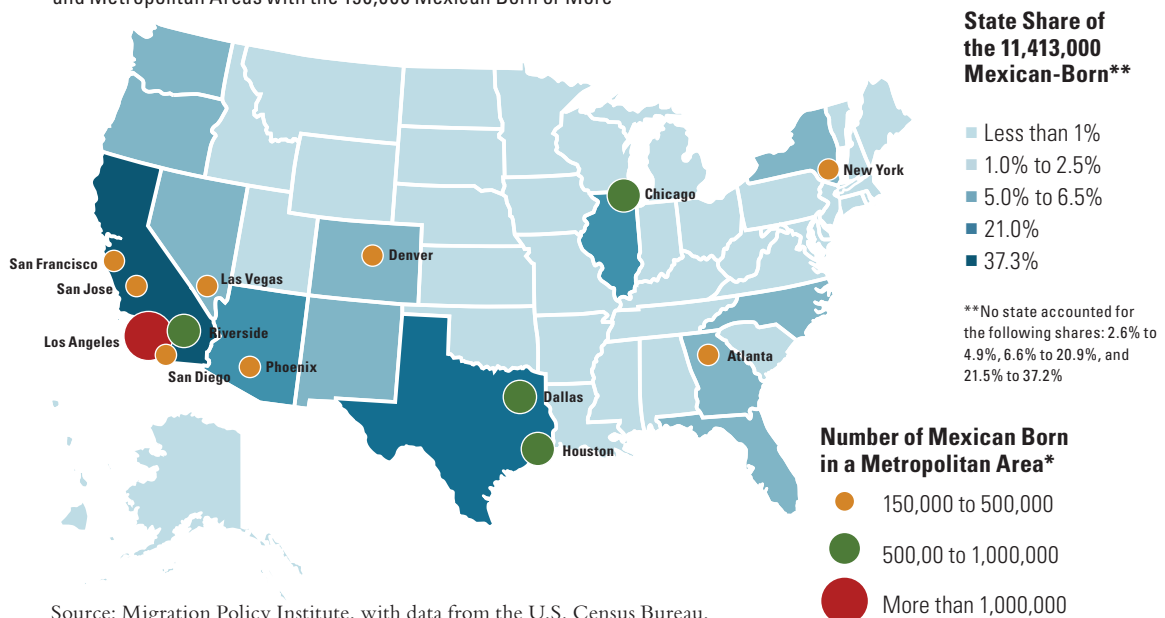
Mexican-Born Population in U.S. and as Percent of Foreign-Born Population, 1850–2008



Sources: Jeffery Passel, *Unauthorized Migrants: Numbers and Characteristics*, Washington, DC: Pew Hispanic Center, June 14, 2005 with data from the 2004 Current Population Survey; and 2008 American Community Survey.

State Proportion of the Mexican-Born Population in the United States

and Metropolitan Areas with the 150,000 Mexican Born or More



Source: Migration Policy Institute, with data from the U.S. Census Bureau, American Community Survey, 2008. This map was originally published on the Migration Policy Institute Datahub, www.migrationpolicy.org/datahub.

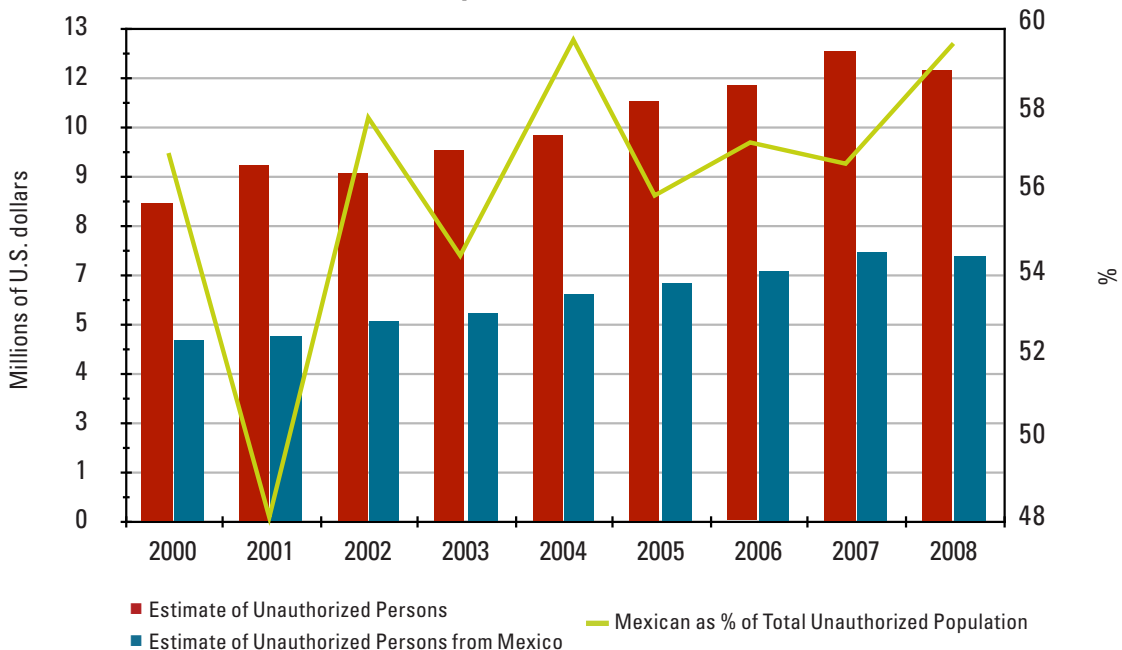
*Refers to Metropolitan Statistical Area

immigrants had reached 12 million in 2006, but fell to 11.4 in 2008 and, although the numbers are not yet available, has likely fallen even further since then. The data on remittances suggests as much, having fallen from a high point of \$26.1 million in 2007 down to \$21.2 million in 2009.

The driving force behind the decline is the recession, as employment opportunities are one of the main forces driving U.S.-Mexico migration. When housing prices began to fall in 2006, immigrant unemployment rose, likely due to a decline in residential construction jobs.¹⁵

The framework of U.S. immigration law has largely remained the same since 1965. Meanwhile, the economy and the demographics of the United States have changed. The U.S. economy needs both high-skilled and low-skilled immigrant workers to remain competitive and to have enough workers to continue who continue to pay into Social Security and Medicare as the U.S. population grows older. Nonetheless, there are currently very few channels for immigration to the United States for work-related reasons under current law. In 2009, 66% of all new legal permanent residents obtained residency

Growth in Unauthorized Immigrant Population in United States, 2000–2008



Source: Jeffrey Passel and D'Vera Cohn, "Trends in Unauthorized Immigration," Washington, DC: Pew Hispanic Center, October 2, 2008.

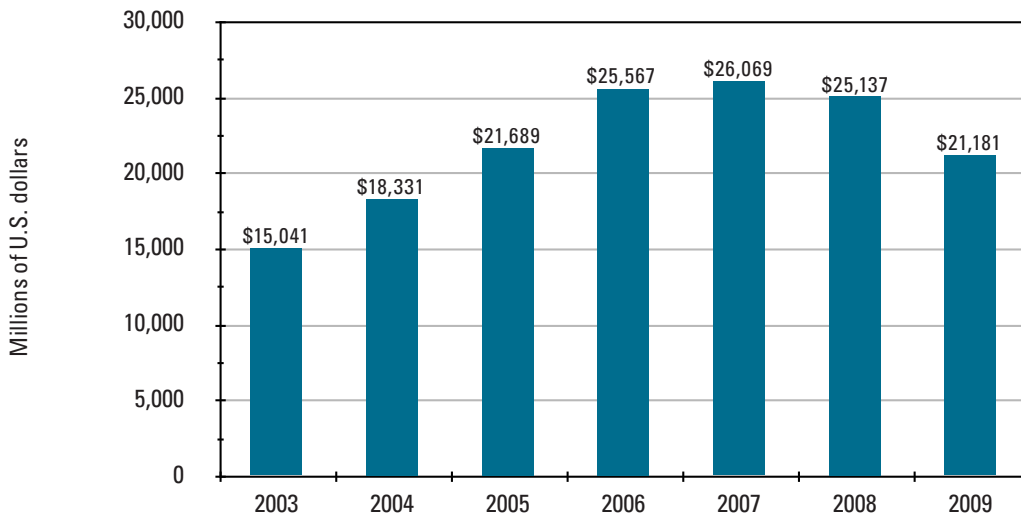
¹⁵ Pia M. Orrenius and Madeline Zavodny, "Tied to the Business Cycle: How Immigrants Fare in Good and Bad Economic Times," Washington, DC: Migration Policy Institute, November 2009, <http://www.migrationpolicy.org/pubs/orrenius-Nov09.pdf>, 1.

based on their family ties while only 13% did so through employment-based preferences.¹⁶

Although both the United States and Mexico view policies on migration as essentially domestic issues, clearly the sheer number of Mexicans who leave their home country to settle in the United States means that this is also a binational issue that requires ongoing dialogue and consultation, even if many of

the specific policy decisions are taken through domestic channels. While Mexico has been relatively quiet on U.S. immigration since President Fox failed to negotiate a bilateral agreement with President Bush in 2001, the passage of a controversial anti-immigrant law in Arizona in April provoked a strong Mexican reaction, including a travel warning for the state of Arizona.

Remittances to Mexico, 2003–2009



Source: INEGI, Estadísticas Económicas, with data from Banco de México.

¹⁶ Randall Monger, U.S. Legal Permanent Residents: 2009, Department of Homeland Security, Office of Immigration Statistics, 2010, 3.

The U.S.-Mexico Border

The U.S.-Mexico border must be understood in its multiple dimensions. It is both a line that divides our two nations and the region in which they are most integrated, tied together through trade, social bonds, and the pursuit of joint solutions to transnational problems. It is the area in which the two most asymmetrical, contiguous economies are joined and in places perhaps even overlap.

The border region is dynamic and diverse, a group of distinct sub-regions. It is home to more than 90 million people in four U.S. and six Mexican states and extends nearly 2,000 miles from the Gulf of Mexico to the Pacific Ocean. Its combined annual GDP is over \$3.6 trillion and the bulk of U.S.-Mexico trade passes through its many land crossings; yet the

region's comparative advantages in the global economy remain largely untapped.

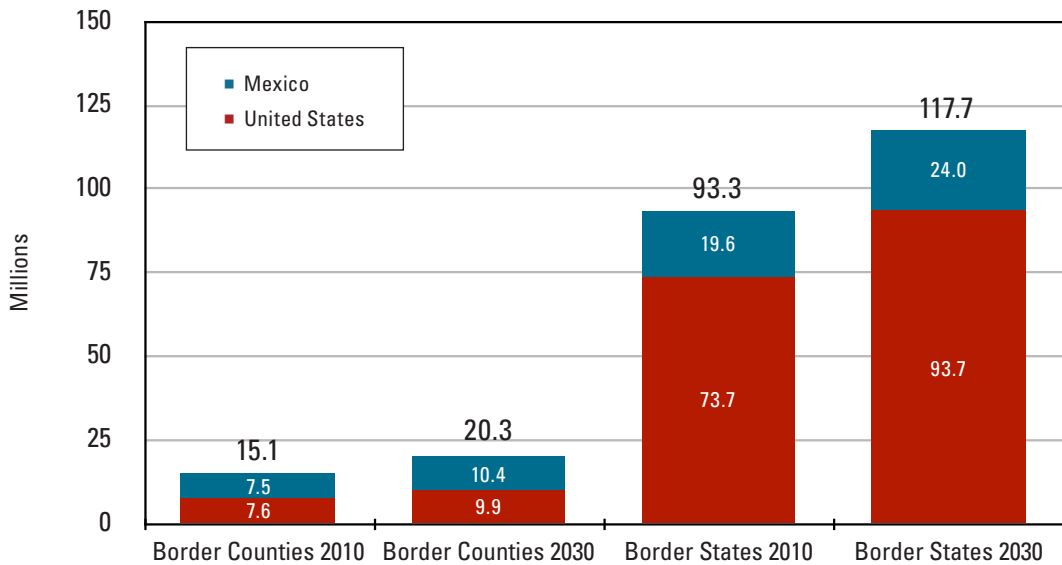
While the impact of U.S.-Mexico relations is felt throughout both countries, much, if not most, of bilateral policy is actually implemented in the border region. Cooperation, especially on issues of shared importance, such as transportation infrastructure and the environment, is ongoing. The border is also where the bulk of law enforcement efforts to counter transnational crime happen on a large scale, emphasizing the need for enhanced binational coordination on issues of common security. The transnational nature of the border region ecosystem necessitates meaningful cooperation between the two countries to protect shared natural resources and habitats.

Population in Border Counties, 2010 and 2030

State	2010		2030	
	Border Counties	Border States	Border Counties	Border States
Arizona	1,485,780	6,999,810	2,017,336	10,347,543
California	3,389,381	39,135,678	4,234,450	49,240,891
New Mexico	250,113	2,162,331	333,865	2,864,796
Texas	2,461,260	25,373,947	3,277,445	31,197,014
Baja California	3,252,690	3,252,690	5,074,986	5,074,986
Chihuahua	1,497,910	3,422,047	1,852,440	3,838,176
Coahuila	344,404	2,655,187	405,910	3,054,774
Nuevo Leon	17,544	4,502,035	14,004	5,398,387
Sonora	619,152	2,532,639	769,760	2,841,311
Tamaulipas	1,744,681	3,230,307	2,297,292	3,824,091

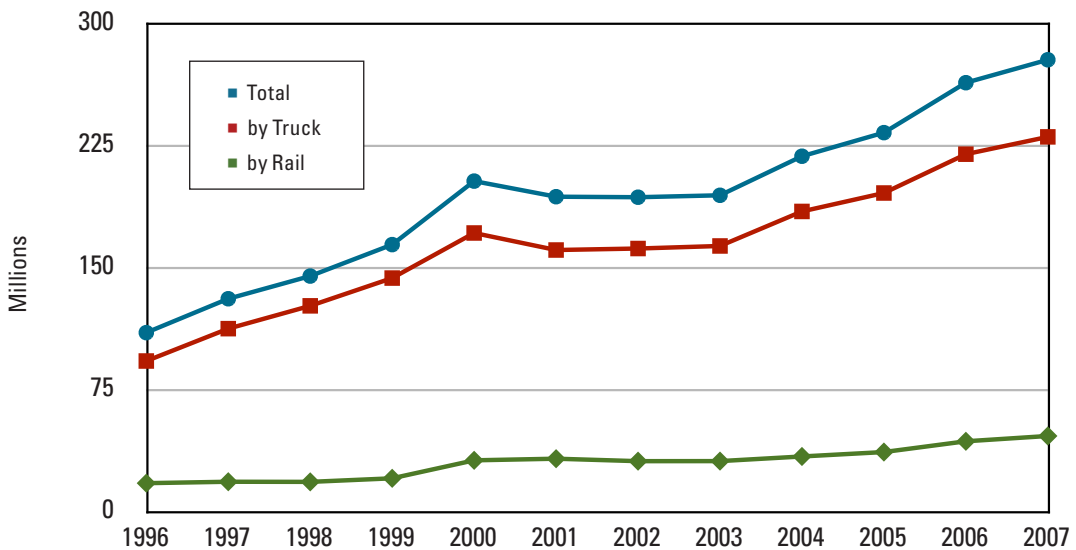
Source: *Strategic Guidelines for the Competitive and Sustainable Development of the Transborder Region*, Nuevo León: Border Governors Conference, COLEF, and Woodrow Wilson Center, 2009, 102–103.

Population Projections, Border States and Counties, 2010 and 2030



Source: *Strategic Guidelines for the Competitive and Sustainable Development of the Transborder Region*, Nuevo León: Border Governors Conference, COLEF, and Woodrow Wilson Center, 2009, 102–103.

U.S. Surface Trade with Mexico, 1996–2007



Sources: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, TransBorder Freight Data, available at <http://www.bts.gov/ntda/tbscd/prod.html>.

The economies of the U.S. and Mexican border states, as measured by GDP, represent 24% of the national economies of the U.S. and Mexico combined. Only the United States, Japan, China and Germany have a GDP larger than the border region. What's more, the region is growing faster than the rest of either country. Both Mexican and U.S. border states experienced GDP growth at an annual average rate of 4.2% from 1993–2006, while the national economies grew at 3.4% (U.S.) and 3% (Mexico).¹⁷ At these rates, the GDP of each nation's border states will double each 17 years, significantly faster than the 20 and 23 years that it will take the United States and Mexico, respectively.

Unfortunately, the failures of bilateral cooperation are also often most evident at the border. Insufficient infrastructure and political decisions, such as the U.S. decision not to follow through with the NAFTA agreement to allow limited cross-border trucking, slow commercial and personal travel across the border. The San Diego Association of Governments, for example, estimates that inadequate border infrastructure between San Diego and Baja California cost the two nations \$6 billion and more than 51,000 jobs in 2005.¹⁸ The effects of unauthorized immigration and drug trafficking are similarly concentrated in the region, affecting residents on both the U.S. and Mexican sides.

Gross Domestic Product of the Border Region, 2008

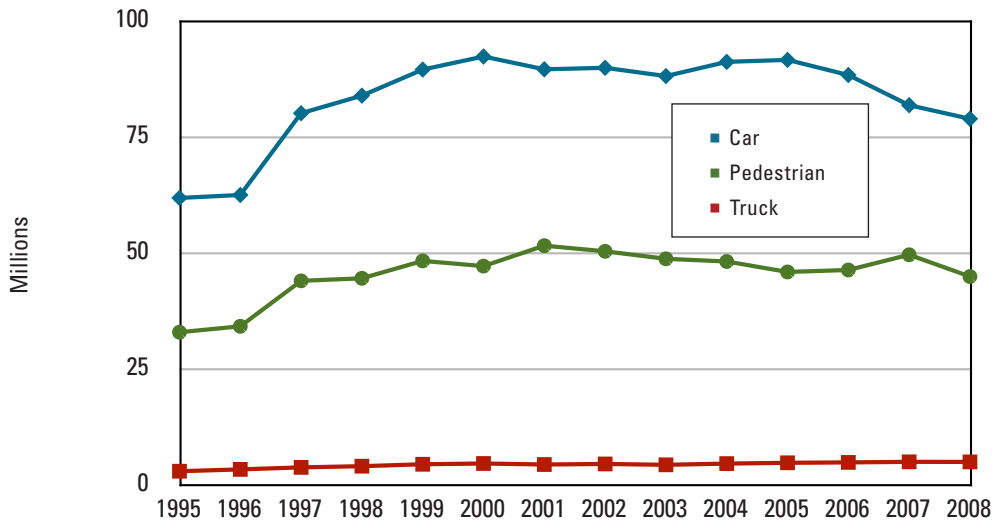
Country	State	2008 GDP in millions of US\$
Mexico	Baja California	29,218
	Coahuila	32,933
	Chihuahua	32,482
	Nuevo Leon	78,406
	Sonora	25,519
	Tamaulipas	35,864
	National Total	1,042,699
United States	Arizona	248,888
	California	1,846,757
	New Mexico	79,901
	Texas	1,223,511
	National Total	14,165,565
Border Region Total		3,633,479

Sources: Bureau of Economic Analysis, U.S. Department of Commerce. Gross Domestic Product by State; and INEGI. Sistema de Cuentas Nacionales de México, Banco de Información Económica.

¹⁷ *Strategic Guidelines for the Competitive and Sustainable Development of the Transborder Region*, Nuevo León: Border Governors Conference, COLEF, and Woodrow Wilson Center, 2009, 35.

¹⁸ San Diego Association of Governments, California Department of Transportation, District 11, "Economic Impacts of Wait Times at the San Diego–Baja California Border, Final Report," January 19, 2006.

Southwest Border Entries, 1995–2008



Source: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, Border Crossing/Entry Data; based on data from U.S. Department of Homeland Security, Customs and Border Protection, OMR database, <http://www.transtats.bts.gov/BorderCrossing.aspx>.

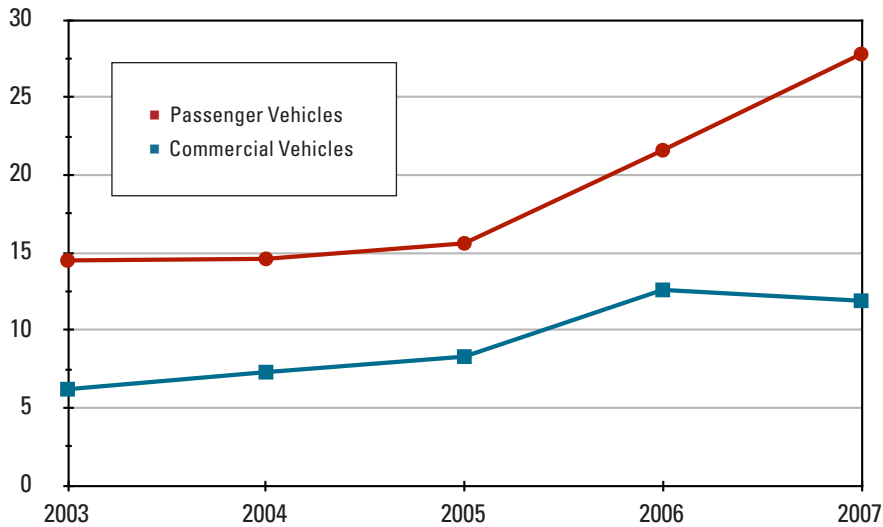
Number of Annual Entries at the Busiest Southwest Border Ports of Entry, 2009

	Trucks	Pedestrians	Personal Vehicles
AZ: Nogales	276,877	4,038,356	2,990,497
CA: Calexico East	276,894	33,930	2,953,733
CA: Calexico	...	3,904,913	4,839,287
CA: Otay Mesa	684,425	1,979,982	4,106,276
CA: San Ysidro		6,188,126	13,354,887
TX: Brownsville	189,588	2,546,720	5,512,863
TX: El Paso	644,272	7,637,649	10,529,485
TX: Hidalgo	419,426	2,257,385	6,177,838
TX: Laredo	1,382,319	4,090,191	5,452,111

Note: The table includes the top 7 busiest ports on the SW Border from each category.

Source: U.S. Department of Transportation, Bureau of Transportation Statistics, <http://www.transtats.bts.gov>.

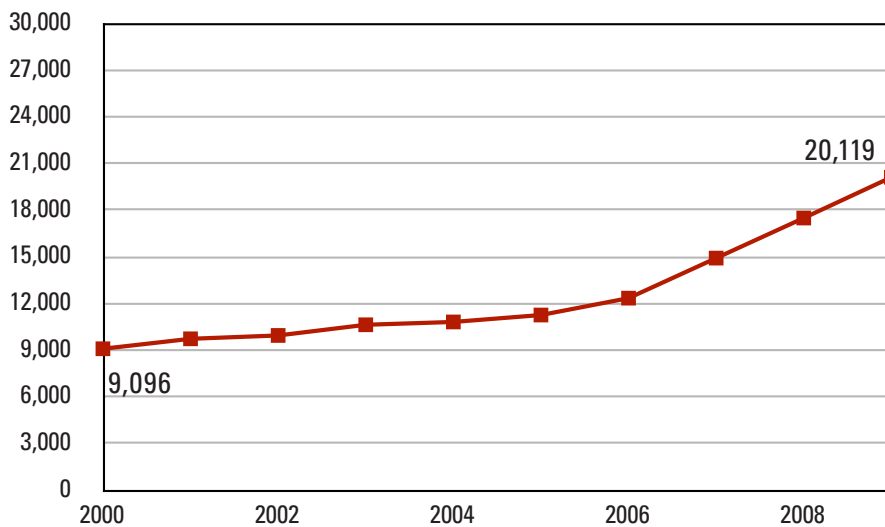
Average Wait Times at Select Major Southwest Border Ports of Entry, 2003–2007



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, "Transportation Statistics Annual Report," 2008.

Note: Average daily wait times (8am–6pm) for 17 commercial ports of entry and 29 passenger ports.

Number of Border Patrol Agents, FY 2000–2009



Source: Department of Homeland Security, Budget-in-Brief, FY 2010 and FY 2011; and Department of Homeland Security, FY 08 Budget Priorities, http://www.dhs.gov/xabout/budget/gc_1170797368531.shtm.

There has been widespread concern that the high levels of drug-related violence in northern Mexico may spill across the border into the United States, but while levels of illegal activity are high in the border region due to extensive illicit traffic, levels of violence have remained remarkably low. In fact, the four major U.S. cities with the lowest rates of violence, El Paso, San Diego, Phoenix, and Austin, are all located in Southwest Border States.¹⁹ Along similar lines, a study done by the Congressional Research Service analyzing the rates of violent crime from 1999–2008 found no statistically significant increase in violent crime in cities and towns where Mexican drug trafficking organizations are known to operate, either along the border or in any part of the United States.²⁰

The current approach to border security and the prevention of illegal migration has been heavily concentrated on the border itself. Since 2000, over 10,000 agents have been added to the Border Patrol, more than doubling its size. The limited effectiveness and immense costs associated with a strategy of fortifying the Southwest Border have led officials to consider a new approach.

21st Century Border

In response to both security and commercial concerns, members of the Obama administration, in conjunction with their counterparts in Mexico, have begun to develop a new approach to border management that is being called the “21st Century Border.” Building a 21st century border involves more than infrastructure; it means changing the very concept of the border from simply being a geographic line to one of secure flows. This project involves moving security and customs infrastructure away from the actual border to sites like Guadalajara, Monterrey, or even other parts of border cities like Juárez, and then creating mechanisms to ensure that goods checked at those points arrive in the United States without tampering. As a result officials working at the border would be able to focus more attention on preventing the entrance of dangerous illicit flows. Additionally, trusted traveler programs may be expanded in an effort to separate out very low risk travelers and cargo so that officials can spend more time with those who present a higher level of risk.

¹⁹ Data from FBI, reported in: Martha Mendoza, “Government study finds U.S. side of Mexico border area low on violent crime,” Dallas Morning News, June 4, 2010, http://www.dallasnews.com/sharedcontent/dws/news/world/stories/DN-border_04int.ART.State.Edition2.294bf61.html.

²⁰ Jennifer E. Lake, Kristin M. Finklea, et al., Southwest Border Violence : Issues in Identifying and Measuring Spillover Violence, Congressional Research Service, February 16, 2010, 22.

About the Authors

Andrew Selee

is director of the Woodrow Wilson Center's Mexico Institute and an adjunct professor of Government at Johns Hopkins University's Advanced Academic Programs. He is the co-editor of *Mexico's Democratic Challenges* and many other publications on Mexico and U.S.-Mexico relations.

Christopher E. Wilson

is a research assistant at the Woodrow Wilson Center's Mexico Institute. He completed his M.A. in International Affairs at American University and has previously worked with IQOM, Inteligencia Comercial, in Mexico City and the Center for North American Studies at American University.

Katie Putnam

is the program assistant for the Mexico Institute at the Woodrow Wilson Center. She previously worked as a research assistant with Professor Roderic Camp at Claremont McKenna College and with Professor Rafael Fernández de Castro at ITAM. She is the co-author of "Mexico's 2009 Midterm Elections: Winners and Losers," published by the Wilson Center.

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1300 Pennsylvania Ave., N.W.
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