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Mexico: Background and U.S. Relations

Clare Ribando Seelke

Specialist in Latin American Affairs

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Summary

Congress has maintained significant interest in neighboring Mexico, a close ally and top trade partner whose political and economic situation has significant ramifications for the United States. On December 1, 2012, the Institutional Revolutionary Party (PRI) retook the Mexican presidency after 12 years in the opposition. Analysts are divided on how differently PRI President Enrique Peña Nieto will govern than his PRI predecessors who ruled Mexico from 1929 to 2000. Supporters maintain that Peña Nieto heads a “new PRI” government that is free from corruption and is enacting reforms that proved elusive for his two National Action Party (PAN) predecessors. Skeptics question the government’s commitment to transparency and human rights and whether the reforms that have been enacted will be implemented effectively.

President Peña Nieto’s first year in office has brought mixed results for Mexico. The economy faltered (GDP growth fell from 3.7% in 2012 to 1.2% in 2013) and violent crime remained elevated. Nevertheless, Peña Nieto’s “Pact for Mexico” agreement with the conservative PAN and leftist Party of the Democratic Revolution (PRD) facilitated the passage of significant financial, education, telecommunications, and fiscal reforms. Although the PRD recently withdrew from the Pact, Peña Nieto ended the year on a high note, signing historic constitutional reforms to open Mexico’s energy sector to private investment on December 20, 2013.

U.S. Policy

As Mexico has experienced a domestic shift in power, U.S.-Mexican relations have also evolved. President Obama and Vice President Biden embraced President Peña Nieto’s desire to bolster economic ties and focus on issues beyond security, including education, during their respective May and September 2013 visits to Mexico. Presidents Obama and Peña Nieto are to meet again in Mexico on February 19, 2014 for a North American Leaders’ Summit with Canadian Prime Minister Stephen Harper. U.S.-Mexican security cooperation has continued under the Mérida Initiative framework, but friction has occurred due to limits put on U.S. involvement in some law enforcement and intelligence operations and revelations of alleged U.S. spying on former President Calderón and President-elect Peña Nieto. U.S. approval of the Trans-Boundary Hydrocarbons Agreement signed in February 2012 on managing oil resources in the Gulf of Mexico and Mexico’s energy reforms could create opportunities for energy cooperation.

Legislative Action

This year, a broad range of issues in U.S.-Mexican relations have received congressional attention. The Senate passed S. 744 in June 2013, a comprehensive immigration reform bill that includes additional funding for border security; the House has passed a series of discrete immigration measures, including H.R. 1417, which would require new border security metrics. In December 2013, Congress approved the U.S.-Mexico Transboundary Hydrocarbons Agreement that is intended to facilitate joint development of oil and natural gas in part of the Gulf of Mexico (P.L. 113-67). Congress has continued oversight of the Mérida Initiative and included at least \$200 million in assistance to Mexico, subject to human rights conditions, in the FY2014 Consolidated Appropriations Act, P.L. 113-76, along with funding for additional customs inspectors and infrastructure at the border. P.L. 113-76 also requires a State Department report on how it is addressing a U.S.-Mexico water dispute in the Rio Grande Basin. The House-passed version of the 2013 farm bill, H.R. 2642, also addresses that issue.

U.S.-Mexican energy cooperation and the recent reforms that Mexico has enacted have generated congressional interest, as has how Mexico's participation in the Trans Pacific Partnership (TPP) negotiations may impact U.S.-Mexico economic relations, especially in the context of the 20th anniversary of the North American Free Trade Agreement (NAFTA).

Mexico's participation in the Trans Pacific Partnership (TPP) negotiations and the 20th anniversary of the North American Free Trade Agreement (NAFTA) has generated oversight interest in U.S.-Mexican economic relations.

Further Reading

CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*.

CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*

CRS Report R43320, *Immigration Legislation and Issues in the 113th Congress*.

CRS Report R43313, *Mexico's Oil and Gas Sector: Background, Reform Efforts, and Implications for the United States*.

CRS Report R43312, *U.S.-Mexico Water Sharing: Background and Recent Developments*.

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Introduction

Congress has maintained a strong interest in Mexico, a top trade partner and energy supplier, with which the United States shares a nearly 2,000 mile border and strong cultural and historical ties. Economically, the United States and Mexico are heavily interdependent, and the U.S. economy could benefit if Mexico is able to boost its growth rates by successfully implementing the historic reforms enacted in 2013. Similarly, security conditions in Mexico affect U.S. national security, particularly along the U.S.-Mexico border. Congress may closely monitor whether the reduction in organized-crime related violence that Mexico has experienced since 2012 can be sustained without jeopardizing bilateral efforts against transnational organized crime. Maintaining strong bilateral cooperation on these and other issues, while also ensuring that U.S. interests are protected, are likely to be of interest during the second session of the 113th Congress.

This report provides an overview of political and economic conditions in Mexico followed by assessments of some key issues of congressional interest in Mexico: migration, trade, security, human rights, energy, and water issues. The report summarizes legislative action that has occurred related to these topics and refers to other CRS products and experts that can be consulted for further information. It will be updated to address major developments in Mexico and in Mexican-U.S. relations that are of interest to Congress.

Political Situation

Over the past two decades, Mexico has transitioned from a centralized political system dominated by the Institutional Revolutionary Party (PRI) to a true multiparty democracy. Since the PRI last governed in the 1990s, presidential power has become increasingly constrained by Mexico's Congress, Supreme Court, and increasingly powerful governors.¹ Partially as a result of those constraints, two successive National Action Party (PAN) administrations struggled to enact the structural reforms needed to boost Mexico's economic competitiveness and effectively address the country's security challenges.

The PAN government of Felipe Calderón (2006-2012) pursued an aggressive anticrime strategy and increased security cooperation with the United States. Those efforts helped Mexico arrest or kill record numbers of drug kingpins, but some 60,000 people may have died as a result of organized crime-related violence during the Calderón Administration. Mexico's security challenges overshadowed some of the Calderón government's achievements, including its economic stewardship during and after the global financial crisis and expansion of access to health care.²

¹ For background, see Andrew Selee and Jacqueline Peschard eds., *Mexico's Democratic Challenges: Politics, Government, and Society* (Stanford, CA: Stanford University Press, 2010).

² See CRS Report RL32724, *Mexico and the 112th Congress*, by Clare Ribando Seelke.

Figure I. Mexico at a Glance



July 1, 2012, Elections: Return of PRI Dominance³

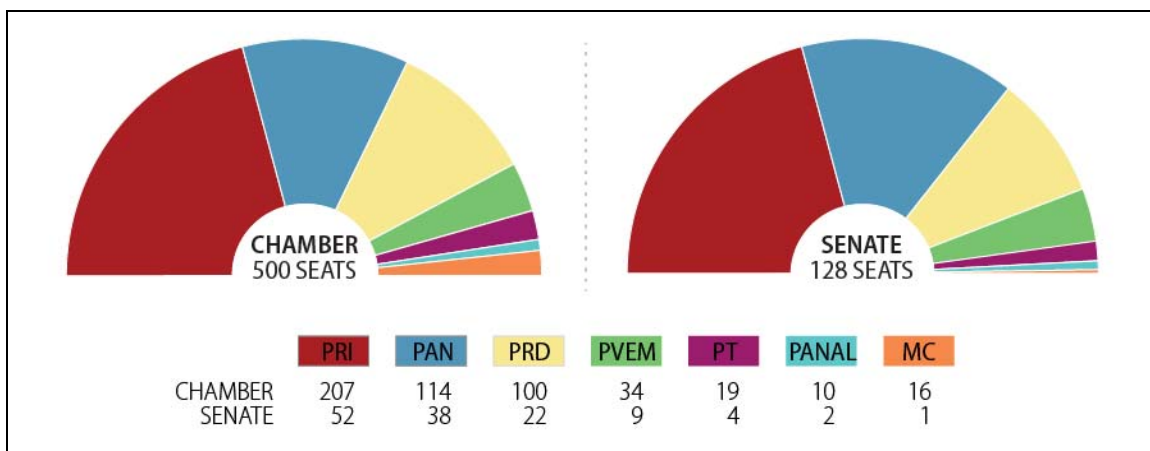
The July 1, 2012, elections occurred at a time when Mexico was experiencing modest economic growth after a severe economic crisis (in 2009) and a growing security crisis under two successive PAN administrations. As a result, economic and security issues figured as top concerns among the Mexican electorate. Voters appeared to believe that the PRI would be best equipped to

³ See CRS Report R42548, *Mexico's 2012 Elections*, by Clare Ribando Seelke.

restore order and hasten economic growth, despite uncertainty about how the party's return might impact Mexican democracy given its past reputation for corruption and undemocratic practices.⁴

Twelve years after losing the presidency for the first time in 71 years, the PRI won the presidential election, a plurality of seats in the Senate and Chamber of Deputies, and three of six gubernatorial elections held on July 1, 2012. Despite those victories, PRI/Green Ecological Party (PVEM) candidate Enrique Peña Nieto won by a relatively narrow margin (6.6% of the vote) over Andrés Manuel López Obrador of the leftist Party of the Democratic Revolution (PRD) and the PRI/PVEM failed to capture a majority in either legislative chamber (see **Figure 2** below). However, unlike his predecessor, President Enrique Peña Nieto took office with his party controlling 20 of 32 governorships.

Figure 2. Composition of the Mexican Congress



Source: Mexican Congress as adapted by CRS graphics.

Notes: PRI= Institutional Revolutionary Party, PAN= National Action Party, PRD= Party of the Democratic Revolution, PVEM= Green Ecological Party, PT= Worker's Party, PANAL= National Alliance Party, and MC= Citizen's Movement Party. The MC and the PT are part of the PRD coalition.

Pena Nieto's Administration

Structural Changes

Mexico's presidential transitions are characterized not only by a high level of turnover in government agencies, but often by a complete overhaul of governmental structures and organizational patterns. For example, President Peña Nieto has returned much of the power to the Interior Ministry that it had before the PAN took office. With congressional approval, he placed the Secretariat of Public Security (SSP, including the Federal Police⁵) and intelligence functions under the authority of the Interior Ministry. That ministry, rather than the SSP, now coordinates

⁴ Dave Graham, "Mexico's Old Rulers Bounce Back as New Start Beckons," *Reuters*, June 19, 2012.

⁵ Recent Mexican presidents have also sought to create new or revamped federal police entities. The Peña Nieto government is reforming, rather than dismantling, the Federal Police that were recruited, trained, and equipped by former President Calderón with significant U.S. assistance.

security efforts with the military and state and municipal authorities. The Interior Ministry is also creating a new militarized police entity within the Federal Police, the National Gendarmerie.⁶

The Attorney General's Office (PGR) is being revamped and modernized, potentially to serve as a counterweight to the increased power of the Interior Ministry. The PGR's budget increased much less during the Felipe Calderón Administration (2006-2012) than those of the SSP or the military. Per reforms enacted in December 2013, the PGR will eventually be replaced by an independent Prosecutor General's Office.

Additionally, President Peña Nieto sought and achieved the dissolution of the Ministry of Public Administration, Mexico's anti-corruption authority. Peña Nieto has proposed replacing that entity with an anti-corruption commission that would reside within the Treasury Department and have the power to issue administrative sanctions for corruption found in all levels and branches of government. The Mexican Senate approved legislation to establish the autonomous anti-corruption commission in December 2013.

Leadership

Although Mexico has an unusually long transition period from one presidency to the next – five months – incoming leaders do not generally announce their cabinet appointments until immediately prior to assuming office. President Peña Nieto selected many of his close confidantes and transition team leaders for key positions in his government. Many analysts maintain that Peña Nieto's appointments reflect his desire to reestablish a strong presidency backed by certain key ministers.

Within Peña Nieto's cabinet, two key leaders are the Ministers of Finance and the Interior. Luis Videgaray Caso, who served as the Transition Team's General Coordinator, is the Secretary of Finance, a post which he also held in the state of Mexico during Peña Nieto's governorship. Miguel Angel Osorio Chong, the Transition Team's General Coordinator for Political and Security Issues, is head of the powerful Interior Ministry. Osorio Chong served as governor of Hidalgo, which borders the state of Mexico, when Peña Nieto governed. The remainder of the cabinet consists of a combination of younger PRI leaders with technical expertise and postgraduate education abroad; senior PRI politicians, many of whom served as governors; and a few individuals from outside the party.⁷

Thus far, Peña Nieto's government has appeared to avoid the public infighting that occurred among some of former President Calderón's ministers and to manage public relations effectively. The government has tightly controlled the message it seeks to project, which has emphasized its commitment to implementing structural reforms to move Mexico forward, rather than focusing on its efforts against organized crime (as Calderón did). Many assert that this strategy has improved Mexico's image abroad. Others have criticized the government's communications strategy for seeking to quash criticism of its policies and downplaying security concerns.⁸

⁶ The size of the Gendarmerie has been significantly scaled back from what the government had originally proposed. It is reportedly scheduled to begin operating with roughly 5,000 officers in mid-2014. Many questions remain about how responsibilities will be divided between the Federal Police, the Gendarmerie, and the military. Gabriel Stargardter and Lizbeth Diaz, "Drug Strategy Unclear as Mexico Pares Back New Security Force," *Reuters*, August 27, 2013.

⁷ "Mexico's New Government: With a Little Help From My Friends," *The Economist*, December 8, 2012.

⁸ Joseph Ringoen, "The Mexican Media Blackout: Peña Nieto's War on Bad Press," Council on Hemispheric Affairs, (continued...)

Priorities

Upon his inauguration, President Peña Nieto announced a reform agenda with specific proposals under five broad pillars: (1) reducing violence; (2) combating poverty; (3) boosting economic growth; (4) reforming education; and (5) fostering social responsibility. Pillars one and three echoed Peña Nieto's core campaign pledges to prioritize violent crime reduction over combating international criminal groups and to boost Mexico's anemic growth rates (which had averaged just 2% since 2000). Those pledges have thus far proven difficult to fulfill. While organized crime-related homicides continue to trend downward as they have since 2012, extortions and kidnappings are increasingly occurring.⁹ The spread of self-defense groups throughout Mexico and the government's inability to quell unrest in Michoacán have tested the government's security strategy.¹⁰ In addition, the government's lack of investment, combined with weak demand for Mexican exports and a slowdown in the construction industry, caused GDP growth to drop to its lowest level since the 2009 recession. Peña Nieto posted a lower first year approval rating (49.7%) than his two PAN predecessors.¹¹

Despite these difficulties, investors and analysts have widely praised President Peña Nieto and his top advisors for focusing their attention and political capital on shepherding structural reforms through the Mexican Congress. Many of the reforms that Peña Nieto has prioritized have long been recommended by the Organization for Economic Cooperation and Development (OECD) and others as crucial for boosting Mexico's competitiveness. As discussed below, Peña Nieto has proven much more adept at engaging in the type of multi-party negotiations needed to enact legislation when lacking a congressional majority than former Presidents Ernesto Zedillo, Vicente Fox, or Felipe Calderón. No Mexican president has enjoyed a congressional majority since 1997.

The Pact for Mexico and Structural Reform

On December 2, 2012, leaders of the conservative PAN and leftist PRD surprised many analysts by signing on to President Peña Nieto's "Pact for Mexico" agreement containing 95 agreements on key issues facing the country. Those agreements provided a baseline for the parties to debate legislative proposals. While some opposition legislators later balked at their leaders' decisions to endorse the PRI-led pact, the Congress approved education and telecommunications reform legislation, two measures that Peña Nieto had identified as short-term priorities, as well as a long-stalled crime victim's law during its first session (February-April 2013).¹²

(...continued)

August 23, 2013.

⁹ David Shirk, *2013: The State of Security in Mexico*, Woodrow Wilson Center's Mexico Institute, December 2013, <http://www.wilsoncenter.org/publication/2013-state-of-security-mexico> (hereinafter Shirk, December 2013).

¹⁰ "Mexico: Self-defense Groups now Move in Guerrero," *Latin News Daily*, January 27, 2014.

¹¹ Roy Campos, *México: Evaluación de Gobierno de Enrique Peña Nieto: Primer Año*, Consulta Mitofsky, December 2013.

¹² The victim's law provides for government assistance to crime victims and their families. President Peña Nieto's legislative priorities, along with executive actions that have been given precedence, are summarized in Spanish at México, Presidencia de la República, "Decisiones Presidenciales Anunciadas el 1º de Diciembre," Press Release, December 1, 2012, <http://www.presidencia.gob.mx/decisiones-presidenciales-anunciadas-el-1o-de-diciembre/>

Table 1. Key Reforms Enacted During Peña Nieto's First Year

- **Education Reform:** gives the government, rather than the union, control over hiring and firing teachers; creates a new entity to evaluate teachers; and, increases funding for education, including full-day schooling.
- **Telecommunications Reform:** increases consumers' access to more affordable and reliable TV, radio, internet, and mobile phone services and creates an independent entity, the Federal Institute of Telecommunications (IFETEL), to regulate radio, television, and telecommunications companies.
- **Financial Reform:** increases access to credit, particularly for small-and medium-sized businesses and creates more competition in the banking sector.
- **Fiscal Reform:** raises additional revenue by increasing income taxes for upper income earners, upping the value added tax (VAT) to 16% in northern border states (where it had been 11% before), and creating new taxes on stock market profits, as well as sugary beverages and other snack foods.
- **Energy Reform:** creates several different types of contracts, including production-sharing and licensing; allows companies to post reserves for accounting purposes; gives *Petroleos Mexicanos* (Pemex) budget autonomy; establishes a sovereign wealth fund; creates new regulators; and removes the union from the Pemex board.
- **Political Reform:** provides for the re-election of federal deputies for up to four terms beginning in 2015 and of senators for up to two terms beginning in 2018, the reelection of mayors, and local legislators; replaces the current Attorney General's Office with an independent Prosecutor General's Office; creates a new national electoral institute, and calls for the annulment of an election if there is evidence that a party engaged in "systematic" violations of campaign finance restrictions.
- **Unified Code of Criminal Procedure (CPC):** One reform amended the Constitution so that the Congress can establish a unified CPC for the entire country. The CPC has been approved by the Senate and is awaiting consideration by the Chamber.

Source: Andres Sada, "Explainer: Mexico's 2013 Reforms," *Americas Society/Council of the Americas*, December 17, 2013.

During his first year, Peña Nieto benefitted from the fact that the PAN and the PRI agreed on many of the economic reforms that needed to be enacted. Some of the reforms passed with PAN-PRI support, such as the energy reforms, were similar to efforts that PAN Presidents had put forth in the past only to have them blocked by the PRI. Prospects for reform brightened after no party dominated the July 7, 2013, state and municipal elections. While the PRI remained the dominant party nationally, the PAN retained control of Baja California (which it has governed since 1989) and the PRD and smaller parties garnered unexpected gains in other regions of the country.

Although many of the aforementioned reforms still need to have implementing legislation passed in order to take effect, many were constitutional reforms requiring two thirds votes of both chambers of Congress and the approval of a majority of state legislatures. The PRI had to garner support from other parties to pass those reforms. The fiscal reform, passed with PRD support, increased taxes on corporations and high-wage earners rather than applying the value added tax to food and medicines. The energy reform created more avenues for private participation in the energy sector than the PRI had originally proposed (per the PAN's pressure).

This year will likely be a critical test of President Peña Nieto's ability to translate broad reforms into specific laws and regulations that will have an impact on Mexico's political and economic system. There is a real chance that some reforms enacted in 2013 may be diluted or blocked entirely due to opposition from vested interest groups. For example, even though the government arrested Elba Esther Gordillo, the formerly powerful head of the Mexican National Education Worker's Union (SNTE) on corruption charges in February 2013, protests from members of that entity and another national teacher's union proved fierce and sustained. Protesting teachers prompted the Mexican Congress to water down legislation that would have required teachers to

submit to periodic performance evaluations or face sanctions. The PRD has at least temporarily withdrawn from the Pact for Mexico, and pledged to mobilize court challenges and popular referenda against the energy reform. According to PRD leaders, some 40% of the Pact for Mexico's 95 goals remains unfilled, particularly those dealing with human rights, justice, and rural development.¹³

Security Policy, Institutional Reform, and Corruption

On December 17, 2012, President Peña Nieto outlined a strategy that aims to achieve a "Mexico in Peace" where human rights are protected by implementing a "state" security policy that involves binding commitments from all levels of government and civic participation. The six pillars of the strategy include (1) planning; (2) prevention; (3) protection and respect of human rights; (4) coordination; (5) institutional transformation; and (6) monitoring and evaluation. President Peña Nieto has said that although his government will not abandon the fight against organized crime, the primary goal of his security strategy is to reduce violent crime. The Peña Nieto government's approach has been described as more "low key" than that of Calderón, who tended to publicize kingpin arrests and drug seizures. The government's emphasis on prevention has been demonstrated by the creation of a national prevention program with a \$9 billion budget that includes socioeconomic, education, infrastructure, and drug treatment programs.

Fourteen months into his administration, the jury is still out on Peña Nieto's security strategy. Some analysts argue that Peña Nieto has yet to define his security priorities and how they will be achieved, while others assert that he has quietly maintained an approach similar to that of former President Calderón.¹⁴ Despite restrictions placed on U.S. security agencies working in Mexico, U.S. intelligence reportedly helped Mexican marines successfully track and arrest Miguel Angel Treviño Morales ("Z-40"), the leader of Los Zetas, in July 2013.¹⁵ Some 69 other top drug traffickers have also been arrested.¹⁶ Bilateral cooperation has suffered at times, however, including after a Mexican court has overturned the conviction of Rafael Caro Quintero, a kingpin convicted of kidnapping and murdering DEA agent Enrique Camarena in 1985.¹⁷ (See "Security and U.S. Assistance through the Mérida Initiative" below.)

Organized crime-related violence continued to decline in 2013 as it had during the last year of the Calderón government, yet serious security challenges remain in many parts of Mexico. President Peña Nieto has said that organized-crime violence declined by 30% in 2013.¹⁸ Since the government is no longer publicly releasing information on trends in organized crime-related killings as opposed to all homicides, it is difficult to analyze the security situation with precision.

¹³ Alma E. Muñoz, "Sin Cumplir, 95 Compromisos del Pacto por México: PRD," *La Jornada*, January 3, 2014.

¹⁴ Alfredo Méndez, "Peña Nieto Mantiene el Errático Plan de Seguridad de Calderón, Dicen Juristas," July 30, 2013.

¹⁵ "No Shots Fired: Leader of Mexico's Zetas Cartel Captured in Precision Operation, with U.S. Help," *Associated Press*, July 16, 2013.

¹⁶ Dudley Althaus, "Mexico 2013 Target List: Many Zetas, Little Impact," *Insight Organized Crime in the Americas*, December 23, 2013.

¹⁷ Enrique (Kiki) Camarena was kidnapped and killed in Mexico in 1985. Following Camarena's death, U.S.-Mexican counterdrug cooperation declined dramatically until the late 1990s due to U.S. mistrust of Mexican counterdrug officials and concerns about the Mexican government's tendency to accommodate drug leaders. For more on Quintero, see Alfredo Corchado, "Drug Lord's Release in DEA Agent's 1985 Death Adds Uncertainty to U.S.-Mexico Relations," *Dallas Morning News*, August 11, 2013.

¹⁸ "Mexico Poised to Take-Off, Peña Nieto Tells Davos," *Latin News Daily*, January 24, 2014.

According to Mexican government figures, all homicides fell by 16.5% as compared to 2012.¹⁹ Nevertheless, kidnappings increased in 2013, with police from all levels of government among those accused of carrying them out.²⁰

While violence has declined in some parts of northern Mexico, it has spiked in the interior of the country and along the Pacific Coast, particularly in Michoacán. The failure of past federal efforts to quell violence and reestablish state presence there have led to the development of civilian “self-defense groups” over the course of the last year that have recently engaged in violent clashes with the Knights Templar drug trafficking organization. President Peña Nieto has designated a special envoy for the state, sent in additional troops and Federal Police, and elected to absorb the self-defense groups into “rural defense corps” under the authority of the military.²¹ It remains to be seen how and whether federal forces, working in collaboration with state officials, will be able to combat drug traffickers, absorb and control the civilian groups, and establish the rule of law. If left unaddressed, some analysts fear that vigilante groups could morph into paramilitary forces whose interests do not necessarily align with those of the government, as happened in Colombia, and/or form close ties with competing criminal groups.²²

Reforming Mexico’s corrupt and inefficient criminal justice system is widely regarded as a crucial for combating criminality, strengthening the rule of law, and better protecting citizen security and human rights in the country. The Peña Nieto government has taken some steps to accelerate implementation of judicial reform, establish national police standards, and investigate cases of forced disappearances. Human rights groups and security analysts assert that much more needs to be done to bolster institutional reform, anticorruption efforts, and respect for human rights.²³ According to the *Economist Intelligence Unit*, Peña Nieto’s government has “essentially taken its eyes off ... crime and corruption to concentrate on structural reform.”²⁴

Foreign Policy

President Peña Nieto has prioritized promoting trade and investment in Mexico as a core goal of his Administration’s foreign policy. José Antonio Meade, Secretary of Foreign Relations, served in finance positions for the Fox and Calderón Administrations including, most recently, Secretary of Finance. President Peña Nieto and Secretary Meade have not only reoriented U.S.-Mexican relations to focus on economic issues, but sought to create closer trade ties with Europe, Asia, and the rest of Latin America, including Cuba. President Peña Nieto visited China early in his Administration and hosted Chinese Premier Xi Jinping for a state visit to Mexico. His government is actively involved in negotiations for a Trans Pacific Partnership²⁵ trade agreement

¹⁹ Rafael Cabrera, “Menos Homicidios y más Secuestros Durante 2013: SNSP,” *Animal Político*, January 24, 2014.

²⁰ Tim Johnson, “Kidnappings Soar in Mexico, with Police Often Among the Perpetrators,” *McClatchyDC*, October 31, 2013.

²¹ “Mexico: Vigilantes to be Drafted into Security Organs,” *Latin American Weekly Report*, January 30, 2014.

²² “Mexico’s Peña Nieto Rocked by Michoacán Mayhem,” *Latin American Weekly Report*, January 16, 2014; “Mexico: Self-defense Groups now Move in Guerrero,” *Latin News Daily*, January 27, 2014; Roberto Arnaud, “Lessons for Mexico from Colombia: Vigilantes, Paramilitaries and Proxies,” *Insight Crime*, January 22, 2014.

²³ Maureen Meyer and Clay Boggs, *One Year into Mexican President Enrique Peña Nieto’s Administration: Little Progress has Been Made on Security or Human Rights*, Washington Office on Latin America (WOLA), November 27, 2013.

²⁴ “Enrique Peña Nieto’s First Year: A Mixed Picture,” *Economist Intelligence Unit (EIU)*, December 2, 2013.

²⁵ See CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, coordinated (continued...)

as well as economic integration efforts with the pro-trade Pacific Alliance countries of Chile, Colombia, and Peru. Promoting investment opportunities that have been created by Mexico's recent energy reforms may figure prominently in Mexico's foreign policy as well.

Economic and Social Conditions

Over the last 25 years, Mexico has transitioned from a closed, state-led economy to an open market economy. While the transition began in the late 1980s, it accelerated after Mexico entered into the North American Free Trade Agreement (NAFTA) with the United States and Canada in 1994. Since NAFTA, the Mexican economy has increasingly become a manufacturing-for-export nation, with exports representing some 32% of Mexico's GDP, up from 10% twenty years ago. Mexico remains a major U.S. crude oil supplier, but its top exports to the United States have diversified to include automobiles and auto parts, television receivers, and other manufactured goods. Mexico has entered into 12 free trade agreements (FTAs) involving 44 other countries.²⁶

Despite attempts to diversify its economic ties and build its domestic economy, Mexico continues to remain heavily dependent on the United States as an export market (78% of Mexico's exports in 2012 were U.S.-bound), and as a source of tourism revenues, remittances, and investment. Economic conditions in Mexico tend to follow economic patterns in the United States. When the U.S. economy is expanding, the Mexican economy tends to grow as well. However, when the U.S. economy stagnates or is in decline, the Mexican economy tends to decline as well, often by a higher degree. In 2009, for example, GDP growth in the United States fell by 2.5% and Mexico's GDP declined by 6.5%.²⁷

Many economists have praised the sound fiscal policies of the past two PAN administrations, but faulted them for failing to address some of the structural issues that have constrained the country's growth potential. The Calderón government maintained macroeconomic stability in the face of the 2008 global economic crisis and U.S. recession, a 2009 H1N1 swine flu epidemic that damaged the tourism industry, and declining oil production.²⁸ With careful economic planning, the Mexican economy recovered from the 2009 crisis, with growth rates averaging 4.4% from 2010-2012. Despite that recovery, economists criticized the PAN's failure to address Mexico's low tax base and over-reliance on declining oil revenues, weak education system, and lack of competition in some sectors.²⁹

(...continued)

by Ian F. Fergusson.

²⁶ CRS Report R40784, *Mexico's Free Trade Agreements*, by M. Angeles Villarreal.

²⁷ CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by M. Angeles Villarreal.

²⁸ Duncan Wood, "Mexico's Elections and the Economy—Voters Face a Tough Decision," Center for Strategic & International Studies, May 2012.

²⁹ Francisco Gonzalez, "Drug Violence Isn't Mexico's Only Problem," *Current History*, February 2011; Organization for Economic Cooperation and Development (OECD), *OECD Economic Surveys: Mexico*, May 2011.

Growth: Will Reforms Bring Faster GDP Growth?

Enrique Peña Nieto and his top advisors have long stressed the importance of passing structural reforms to make the Mexican economy more competitive. During the 2012 campaign, Peña Nieto acknowledged that the PAN had maintained a stable economy, but criticized the past two administrations for failing to spur rapid economic growth. He identified several reasons why Mexico's economic growth had lagged: low productivity, insufficient access to credit, deficient investment in infrastructure, monopolies, a large and expanding informal sector, and a continued over-reliance on the U.S. market. To counter these deficiencies, Peña Nieto advocated a 10-point economic plan that included, among other measures, implementing legislation to counter monopolistic practices, passing fiscal reform, opening up the oil sector to private investment, making farmers more productive, and doubling infrastructure investments. Peña Nieto also endorsed an active international trade policy aimed at increasing Mexico's trade with Asia, South America, and other markets.

During his first year in office, President Peña Nieto shepherded historic economic reforms through the Mexican Congress (see **Table 1**), but failed to maintain the economic growth rates that Mexico had posted for the last three years of the Calderón government. Economists have variously blamed the government's failure to promote investment, natural gas shortages, weak external demand, and a slowdown in Mexico's construction industry for the country's weak 1.2% growth rate in 2013.³⁰ They predict that economic growth should pick up this year, however, since the 2014 budget will allow for increased government spending and the aforementioned structural reforms, along with labor reforms enacted in 2012, should begin to take effect.³¹

Analysts have estimated that the package of reforms that was approved in 2013 could increase annual economic growth rates by 1.0-1.5 percentage points.³² The Peña Nieto government maintains that the recently-enacted energy reforms will result in lower energy prices, create 500,000 new jobs, and boost GDP growth by 1 percentage point by the end of his term in 2018. JP Morgan has estimated that the energy reforms may increase annual growth rates in Mexico by up to 0.8% and foreign direct investment (FDI) in Mexico by \$20 billion per year by 2016 or 2017.³³ Although it is difficult to predict how increasing private participation in Mexico's oil and gas sectors will affect the country's economic development, skeptics see reason to doubt the government's positive predictions, warning of the potential for corruption and waste.

Combating Poverty

President Peña Nieto sought to boost tax revenues in order to establish a universal social safety net with social security and unemployment insurance that builds upon the last two governments' provision of nearly universal access to health care. Mexico has long had relatively high poverty rates for its level of economic development (45.5% in 2012),³⁴ particularly in rural regions and

³⁰ "Mexico: Country Report," *EIU*, December 2013.

³¹ "Mexico: Country Outlook," *IHS Global Insight*, December 19, 2013.

³² *Ibid.*

³³ "Mexico: Positive Surprises in Mexico Energy Reform and Implications for Fixed Income Markets," *J. P. Morgan*, December 16, 2013.

³⁴ This figure is from Mexico's National Council for the Evaluation of Social Development Policy (CONEVAL) in a study that is available at <http://www.coneval.gob.mx/Paginas/principal-EN.aspx>. According to CONEVAL, Mexico's poverty rate increased by 2.9 percentage points between 2006 and 2012, although it did decline 0.6 percentage points (continued...)

among indigenous populations. Some assert that conditions in indigenous communities have not measurably improved in the twenty years since the Zapatistas (*Ejército Zapatista de Liberación Nacional*), a leftist revolutionary group based in Chiapas, launched an uprising for indigenous rights in 1994.³⁵ Poverty has historically been one of the factors fueling illegal emigration.

Finance Minister Videgaray has acknowledged the contributions that social programs have made to preventing Mexicans from falling into poverty in times of crisis (including the 2009 recession), but maintained that boosting GDP growth and job creation is needed to reduce poverty rates. President Peña Nieto's 2013 budget provided expanded access to federal pensions, created a new life insurance program for female heads of household, and increased funding for the *Oportunidades* (Opportunities) conditional cash transfer program.³⁶ *Oportunidades* is currently being redesigned to encourage its beneficiaries to engage in productive projects; a package of agrarian reforms to bolster productivity in rural communities has also been announced.

U.S. Relations and Issues for Congress

As Mexico is experiencing a major domestic shift in power from PAN to PRI rule, U.S.-Mexican relations are also evolving. While President Barack Obama and President Peña Nieto both face a full slate of domestic challenges, analysts have urged them to work together on issues that are of critical importance to both countries, particularly those aimed at boosting trade and job creation. President Obama embraced President Peña Nieto's desire to bolster economic ties and to focus on a broad array of bilateral issues rather than focusing predominantly on security issues at meetings held in November 2012 and in May 2013.³⁷

Even as revelations of alleged U.S. surveillance of Mexican leaders and the recent execution of a Mexican national on death row in Texas³⁸ have strained relations, both governments have emphasized that cooperation has continued, particularly in the economic realm. Vice President Joseph Biden chaired the first annual High Level Economic Dialogue with Mexico in September 2013, at which both governments adopted a work plan aimed at promoting competitiveness and connectivity, fostering productivity and innovation, and partnering for regional and global leadership.³⁹ President Obama will build upon those meetings, as well as Secretary of State John

(...continued)

from 2010 to 2012 as the country recovered from the effects of the 2008-9 global financial crisis and U.S. recession.

³⁵ Tania L. Montalvo, "A 20 Años del EZLN, Indígenas Siguen en la Pobreza," *Animal Político*, January 2, 2014.

³⁶ *Oportunidades* is Mexico's main antipoverty program. It provides cash transfers to 6.5 million families in poverty who demonstrate that they regularly attend medical appointments and can certify that their children attend school.

³⁷ The White House, Office of the Press Secretary, "Remarks of President Obama and President-Elect Peña Nieto of Mexico Before Bilateral Meeting," Press Release, November 27, 2012; "Remarks by President Obama and President Peña Nieto of Mexico in a Joint Press Conference," Mexico City, Mexico, Press Release, May 2, 2013.

³⁸ The Mexican government had argued that the individual who was executed, Edgar Tamayo, had been denied access to legal assistance from consular officials as required by the Vienna Convention on Consular Affairs and asked for the state of Texas to review his case. Secretary of State Kerry had also asked for a review so that U.S. citizens would continue to be afforded similar services when imprisoned in other countries. The state of Texas denied those requests and Tamayo was executed on January 22, 2014. "Lethal Injection for Tamayo, Downer for Bilateral Relations," *Latin News Daily*, January 23, 2014. For background on this issue, see: CRS Report RL34450, *Can the President Compel Domestic Enforcement of an International Tribunal's Judgment? Overview of Supreme Court Decision in Medellín v. Texas*, by Michael John Garcia.

³⁹ The White House, Office of the Vice President, "Fact Sheet: U.S.-Mexico High Level Economic Dialogue," September 20, 2013.

Kerry's recent meeting with Secretary Meade, with another trip to Mexico scheduled for February 19, 2014, for a North American Leader's Summit with President Peña Nieto and Canadian Prime Minister Stephen Harper.

The U.S. Congress has maintained long-standing interest in a broad range of issues dealing with Mexico, a country with whom the United States shares a nearly 2,000-mile border and \$500 billion in annual trade. In recent decades, the top issues of congressional interest on the bilateral agenda have been migration/border security; trade (NAFTA implementation and disputes); and drug trafficking and security. Security issues had generally overtaken migration and trade matters since 2008 as a result of Mexico receiving U.S. foreign assistance through the Mérida Initiative, but in 2013 migration and trade again moved to the top of the bilateral agenda. The potential for greater energy cooperation with Mexico has emerged as a new issue of interest, while water disputes in the Rio Grande region have reemerged as an area of contention.

Some bilateral issues may require immediate congressional action in order to advance, while others may lend themselves more to long-term oversight. For example, migration and border security cooperation could be substantially overhauled should Congress enact comprehensive immigration reform. Congress has already weighed in on current trade and water disputes. At the same time, Congress is considering continued funding for the Mérida Initiative and related domestic initiatives aimed at combating transnational crime and strengthening the rule of law in Mexico that are well underway. Congressional concerns about improving human rights conditions and strengthening democracy in Mexico also lend themselves to long-term oversight.

Migration and Border Security

Immigration policy has been a subject of congressional concern over many decades, with much of the debate focused on how to prevent unauthorized migration. Mexico's status as the largest source of U.S. migrants and a continental neighbor means that U.S. migration policies—including stepped up border and interior enforcement—have primarily affected Mexicans.⁴⁰ As a result, immigration is a central issue in U.S.-Mexican relations.

Since 1986, the United States has taken a number of steps to tighten border security and strengthen immigration enforcement,⁴¹ while also legalizing about 3 million people. Yet the estimated number of unauthorized immigrants in the United States still has grown from about 3.2 million in 1986 to about 11.1 million in 2011.⁴² At a broad level, today's immigration debate is focused on additional steps to strengthen immigration enforcement and border security, potential legalization provisions for certain unauthorized immigrants, and possible changes to the rules governing lawful immigration flows. An overarching question is whether these three issues should be considered together as "comprehensive immigration reform or whether they should be

⁴⁰ Mexicans are by far the largest group of immigrants in the United States, accounting for about 12 million people in 2012, or 30% of all current U.S. immigrants. (Chinese immigrants are the next largest group, at 5%.) About half of Mexican immigrants are unauthorized, representing about 58% of the U.S. unauthorized population. See Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, *Net Migration from Mexico Falls to Zero—and Perhaps Less*, Pew Hispanic Center, Washington, DC, May 3, 2012. Mexicans account for an even larger share of unauthorized aliens apprehended (93% since FY1991) and aliens formally deported (72%); see CRS Report R42560, *Mexican Migration to the United States: Policy and Trends*, by William A. Kandel, Clare Ribando Seelke, and Ruth Ellen Wasem.

⁴¹ For a fuller discussion, see CRS Report R42138, *Border Security: Immigration Enforcement Between Ports of Entry*.

⁴² CRS Report RL33874, *Unauthorized Aliens Residing in the United States: Estimates Since 1986*.

taken up separately (sometimes referred to as “piecemeal reform”). Some Members of Congress have argued that legalization only should be considered—if at all—after enforcement measures have been successfully implemented.

Since the mid-2000s, successive Mexican governments have supported efforts to enact comprehensive immigration reform in the United States, while being careful not to appear to be infringing upon U.S. congressional authority to make and enforce immigration laws.⁴³ The Mexican government has pledged to enforce legal emigration, increase security along its northern and southern borders, and create opportunities for workers in Mexico so that fewer individuals will emigrate. Mexico has aggressively combated transmigration by unauthorized migrants crossing Mexico bound for the United States and worked with U.S. law enforcement to combat alien smuggling and human trafficking. Due to a number of factors, illegal emigration from Mexico is estimated to be at a 40-year low.⁴⁴ Still, corruption remains endemic within Mexico’s National Migration Institute (the entity within the Interior Ministry that enforces immigration laws);⁴⁵ Mexico’s southern border continues to be porous and insecure; and rural poverty and a dearth of formal employment opportunities persist.

President Peña Nieto, like former President Calderón, is unlikely to promise Mexicans that he can affect immigration reform efforts in the U.S. Congress or reach a bilateral accord with the Obama Administration. Both leaders saw how Former President Vicente Fox’s failure to secure a bilateral immigration accord with the United States in 2001 proved to be a major blow to his administration.⁴⁶ Nevertheless, Peña Nieto has pledged his full support for efforts to enact comprehensive immigration reform, and is likely to continue Mexico’s efforts to improve border security, enforce its migration policies in a humane way, and create jobs in order to discourage illegal emigration.

Several migration-related issues have concerned the Mexican government. Mexico has protested the alleged excessive use of force by U.S. agents on the border; defended the rights of Mexican migrants in the United States, regardless of their status; and is challenging state laws against illegal immigration.⁴⁷ Record numbers of removals (deportations) under the Obama Administration, as well as certain removal procedures, such as the treatment of unaccompanied minors and removals that release migrants into violent border regions at night, have been issues of concern.⁴⁸ Recent increases in Mexicans from some regions seeking asylum in the United

⁴³ For background, see CRS Report R42560, *Mexican Migration to the United States: Policy and Trends*.

⁴⁴ Researchers attribute this decline to the U.S. recession, stepped-up U.S. border security and interior enforcement, increasing abuses of migrants by smugglers and transnational criminal organizations, and expanding job opportunities in Mexico, among other factors. Jeffrey Passel, D’Vera Cohn, and Ana Gonzalez-Barrera, *Net Migration from Mexico Falls to Zero—And Perhaps Less*, Pew Hispanic Center, 2012, available at <http://www.pewhispanic.org/files/2012/04/PHC-04-23a-Mexican-Migration.pdf>.

⁴⁵ Edward Fox, “Figures Show Corruption Rife in Mexico’s Migration Agency,” *Insight Crime*, January 9, 2013.

⁴⁶ President Fox and President George W. Bush met five times during the first nine months of 2001, and on September 6, 2001, the two presidents announced a framework agreement to negotiate a major bilateral migration accord. The agreement would have included a Mexico-specific temporary worker program, collaborative border enforcement, legalization for certain unauthorized Mexicans in the United States, and new investments in Mexican communities of origin aimed at reducing illegal outflows. The possibility of a U.S.-Mexico migration accord faded after the 9/11 terrorist attacks.

⁴⁷ The Mexican government has filed amicus curiae (i.e., “friend of the court”) briefs in lawsuits seeking to block the immigration laws in Arizona, Alabama, Georgia, South Carolina, and Utah.

⁴⁸ See, for example, Adam Isacson, Maureen Meyer, and Ashley Davis, *Border Security and Migration: A Report from Arizona*, WOLA, December 5, 2013, http://www.wola.org/publications/border_security_and_migration.

States due to threats of violence in their communities and a rise in Central American migrants in transit through Mexico has been a concern of both governments. Emigrants from Mexico and Central America have increasingly become victims of kidnapping and abuses by organized crime, sometimes in collusion with corrupt Mexican officials.⁴⁹

Immigration reform received substantial attention in both chambers during the first session of the 113th session of Congress. On June 27, 2013, the Senate passed the Border Security, Economic Opportunity, and Immigration Modernization Act (S. 744) by a yea-nay vote of 68-32. This comprehensive immigration reform bill would roughly double recent investments in border security; require all employers eventually to use an electronic employment eligibility verification system similar to the current E-Verify program; establish three different legalization programs designed to potentially offer lawful permanent residency to most existing unauthorized immigrants; and substantially revise rules for both permanent and temporary immigration to the United States.⁵⁰ Many unauthorized Mexicans in the United States would potentially be eligible to obtain legal status under S. 744, and Mexicans also would be among those eligible for new permanent and temporary visas that would be created by the bill. While border security is seen as a core feature of comprehensive immigration reform, some people have argued that S. 744 would devote too much money to border fencing, personnel, and surveillance, possibly to the detriment of border communities and legal cross-border flows.

In the House, five different immigration bills received committee attention in 2013.⁵¹

- In May, the House Homeland Security Committee reported favorably on the Border Security Results Act of 2013 (H.R. 1417), which would require the Department of Homeland Security (DHS) to develop a comprehensive strategy to secure the southern border, along with new border security metrics.

The House Judiciary Committee (with jurisdiction over immigration issues) marked up four bills in June 2013.

- The Strengthen and Fortify Enforcement Act (SAFE Act, H.R. 2278) focuses on interior immigration enforcement. Among other provisions, the SAFE Act would encourage states and localities to play a larger role in immigration enforcement and heighten penalties for violations of federal immigration law, including by establishing a new criminal penalty for illegal presence in the United States.
- The Agricultural Guest Worker Act (H.R. 1773) would create a new H-2C temporary agricultural worker visa designed to be more flexible than the existing H-2A visa, which eventually would be eliminated under the bill.
- The Supplying Knowledge-based Immigrants and Lifting Levels of STEM Visas Act (SKILLS Visa Act, H.R. 2131) would expand permanent and temporary visa programs for high-skilled workers, and would eliminate the existing Diversity Visa program.

⁴⁹ Latin American Working Group, *Perilous Journey: Kidnapping and Violence Against Migrants in Transit Through Mexico*, October 2013, available at <http://www.lawg.org/component/content/article/1267/1267>.

⁵⁰ For a fuller discussion, see CRS Report R43097, *Comprehensive Immigration Reform in the 113th Congress: Major Provisions in Senate-Passed S. 744*.

⁵¹ See CRS Report R43320, *Immigration Legislation and Issues in the 113th Congress*, coordinated by Andorra Bruno.

- The Legal Workforce Act (H.R. 1772) would require all employers eventually to use the E-Verify electronic employment eligibility verification system, while also creating a larger role for states in the enforcement of employment-related immigration laws.

All four Judiciary Committee bills were ordered reported on mainly party line votes, and all four bills were referred to other committees with jurisdiction over them. House Members appear to be divided about which of these bills, if any, should be brought to the House floor. Some House Members also favored a legalization program for certain unauthorized immigrants brought to the United States as children.⁵²

Enacted on January 17, 2014, the FY2014 Consolidated Appropriations Act (P.L. 113-76) provides funding for additional customs inspectors and infrastructure at the U.S.-Mexico border. Those increases may help address some of the concerns that have been raised about the need to ensure that the need for border security is balanced with the need to facilitate trade and reduce border wait times.

As part of this broader debate about immigration policy and border security, one question that may arise is the degree to which U.S. immigration policy should treat Mexico as a “special case” on certain immigration questions given the sheer size of the bilateral flow of migrants and Mexico’s status as America’s continental neighbor.⁵³ Mexico enjoyed such status during and after World War II, when the United States and Mexico negotiated a Mexico-specific temporary worker program, known as the Bracero program. In addition, Mexican President Vicente Fox and U.S. President George W. Bush reached agreement on a bilateral framework for comprehensive immigration reform in 2001, though negotiations were abandoned following the September 2001 terrorist attacks against the United States. Under S. 744 as passed by the Senate in June 2013, the U.S. Secretary of State, in coordination with DHS and in consultation with Congress, would be required to develop a strategy to address unauthorized transit migration through Mexico to the United States. The strategy would include steps to enhance the training of border and law enforcement personnel in Mexico and certain Central American states, and to educate the nationals of such countries about certain risks associated with illegal migration to the United States.

As Congress carries out its oversight function, questions that may arise include How well is Mexico fulfilling its pledges to increase security along its northern and southern borders and to enforce its immigration laws? What is Mexico doing to address the root causes of emigration? What is the current level of bilateral cooperation on border security and immigration matters, and how might that cooperation be improved? Should Mexico be treated as a “special case” on immigration questions?

⁵² See for example, U.S. Congress, House Judiciary, Subcommittee on Immigration and Border Security, *Addressing the Immigration Status of Illegal Immigrants Brought to the United States as Children*, 113th Cong., 1 sess., July 23, 2013.

⁵³ For a fuller discussion, see CRS Report R42560, *Mexican Migration to the United States: Policy and Trends*.

Figure 3. Snapshot of the U.S.-Mexico Border

Source: CRS Graphics.

Trade: North American Integration and the Trans-Pacific Partnership (TPP)⁵⁴

The bilateral trade relationship with Mexico is of key interest to Congress because of Mexico's proximity, the high volume of U.S. trade with Mexico, and the strong cultural ties between the two countries. The U.S. and Mexican economies are linked through the North American Free Trade Agreement (NAFTA), which has been in effect since 1994. Since the implementation of NAFTA, total U.S. trade with Mexico has increased by 506%, with the value of total bilateral trade reaching some \$494 billion in 2012.⁵⁵ Mexico ranks third as a source of U.S. imports, after China and Canada, and second, after Canada, as an export market for U.S. goods and services. The value of U.S. FDI in Mexico has also increased by more than 400%.⁵⁶ Most studies show that the net economic effects of NAFTA on both the U.S. and Mexican economies have been small but positive, though there have been adjustment costs to some sectors. Congress has monitored the implementation of NAFTA, the effects of NAFTA on the U.S. and Mexican economies, and the resolution of NAFTA-related trade disputes. Oversight interest in NAFTA has increased recently because of the 20th anniversary of its entry into force (January 1, 2014).⁵⁷

President Peña Nieto has put forth proposals for deepening North American integration (such as the establishment of a North American infrastructure fund) and improving efficiency at the U.S.-

⁵⁴ This section draws from CRS Report R42965, *NAFTA at 20: Overview and Trade Effects*, by M. Angeles Villarreal and Ian F. Fergusson and CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by M. Angeles Villarreal

⁵⁵ Data is from the U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb at <http://daraweb.usitc.gov>.

⁵⁶ Data is from the U.S. Department of Commerce, Bureau of Economic Analysis.

⁵⁷ See, for example, U.S. Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *NAFTA at Twenty: Accomplishments, Challenges, and the Way Forward*, 113th Cong., 2nd sess., January 15, 2014.

Mexican border. On September 20, 2013, Peña Nieto and Vice President Biden announced plans to enhance cooperation in border trade and security as part of their High-Level Economic Dialogue. Describing the U.S.-Mexican border as the “busiest in the world,” generating over \$500 billion of annual bilateral trade, President Peña Nieto stated that a goal of the initiative is to streamline trade and improve border crossing infrastructure so that the transit of both people and trade will become more efficient, faster, and safer.⁵⁸

In its legislative and oversight capacities, the 113th Congress may face numerous issues related to trade that could affect U.S.-Mexican economic relations. For example, the Obama Administration has made the proposed Trans-Pacific Partnership (TPP)⁵⁹ free trade agreement a top trade priority. The United States, Canada, and Mexico, along with nine other countries,⁶⁰ are participating in the TPP negotiations. The United States has sought to go beyond current U.S. FTAs in its proposed rules chapters for the TPP, which may have implications for NAFTA in several areas. For example, if agreement is reached on a TPP, all three NAFTA countries may need to adhere to stronger and more enforceable labor and environmental provisions and more stringent intellectual property rights (IPR) provisions.

The 113th Congress is also likely to continue monitoring NAFTA’s institutions. Those include the bilateral Border Environment Cooperation Commission (BECC), located in Ciudad Juárez, Mexico, and the North American Development Bank (NADBank), headquartered in San Antonio, Texas. In 2011, the NADBank’s mandate was broadened beyond promoting and financing environmental protection projects along the border to also include projects aimed at developing clean energy. Some U.S. and Mexican policymakers have supported broadening the functions of NADBank further to include port infrastructure. NADBank officials have offered to leverage public-private partnerships and other financial mechanisms to help fund and coordinate border infrastructure (roads and port projects among others), although under the bank’s mandate it can only support projects with an environmental focus. NADBank is in the process of doing a report for both governments regarding border infrastructure projects and potential funding mechanisms.

Experts have proposed ideas that Congress might consider to make North American industries more competitive and hasten regional integration. Some proposals that have emerged include calls for rethinking the current trade relationship under NAFTA by broadening the scope of North American integration and cooperation. One idea, for example, is to develop a North American Investment Fund to help close the income gap between Mexico and its northern neighbors. Others include setting up a Customs Union in North America, similar to that of the European Union, with a common external tariff to facilitate trade and deepen North American integration; developing a cooperative approach on immigration; and promoting regulatory convergence.⁶¹

Finally, Congress may play a significant role in determining when and how outstanding trade disputes with Mexico are resolved. The U.S. and Mexican governments resolved a long-standing trade dispute in 2011 involving NAFTA trucking provisions⁶² and settled a tomato trade dispute in

⁵⁸ Maja Wallengren, “Biden, Mexico’s Peña Nieto Inaugurate new Initiative to Enhance Trade, Cooperation,” *International Trade Reporter*, September 24, 2013.

⁵⁹ See CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, coordinated by Ian F. Fergusson.

⁶⁰ Those countries include Australia, Brunei, Chile, Japan, Malaysia, New Zealand, Peru, Singapore, and Vietnam.

⁶¹ See Robert A. Pastor, *The North American Idea, A Vision of a Continental Future*, Oxford University Press, 2011.

⁶² For an update on how that dispute has been resolved, see CRS Report R41821, *Status of Mexican Trucks in the United States: Frequently Asked Questions*, by John Frittelli.

early 2013. However, pending disputes include issues related to dolphin-safe tuna labeling and meat labeling, among other issues.

In the trade realm, potential questions for congressional consideration include how U.S.-Mexican trade and economic ties can be deepened, how efficiency on the border can be improved without compromising security, and how weaknesses in NAFTA can be addressed.

Security and U.S. Assistance through the Mérida Initiative⁶³

Violence perpetrated by warring criminal organizations has threatened citizen security and governance in parts of Mexico and overwhelmed the country's justice sector institutions. Although the violence has declined since late 2011, it likely claimed more than 60,000 lives during the Calderón Administration.⁶⁴ According to government estimates, at least 6,000 additional organized crime-related deaths occurred during the first six months of the Peña Nieto Administration.⁶⁵ This violence has increased congressional concerns about stability in Mexico and about the possibility of violence spilling over into the United States.

U.S.-Mexican security cooperation increased significantly as a result of the development and implementation of the Mérida Initiative, a bilateral security partnership announced in 2007 that has involved U.S. assistance to Mexico. From FY2008 to FY2013, Congress appropriated \$2.1 billion in Mérida assistance for Mexico, roughly \$1.3 billion of which has been delivered. The Obama Administration asked for \$183 million in its FY2014 request. Final FY2014 aid amounts are not yet available, but P.L. 113-76 recommends providing at least \$200 million in aid to Mexico subject to human rights conditions.⁶⁶ It also requires a report within 45 days of the bill's enactment, which occurred on January 17, 2014, assessing progress made in Mérida implementation and examining how criminal groups in Mexico have evolved and the best ways to combat them, including their illicit financing activities.⁶⁷

Whereas U.S. assistance initially focused on training and equipping Mexican counterdrug forces, it now places more emphasis on addressing the weak institutions and underlying societal problems that have allowed the drug trade to flourish in Mexico. The current Mérida strategy focuses on four pillars: (1) disrupting organized criminal groups, (2) institutionalizing the rule of law, (3) building a 21st century border, and (4) building strong and resilient communities. While bilateral efforts have yielded some positive results, the weakness of Mexico's criminal justice system has hindered the effectiveness of some anti-crime efforts.

Peña Nieto has vowed to continue U.S.-Mexican security cooperation, albeit with more emphasis on reducing violent crime in Mexico. Peña Nieto has begun to adjust the process and priorities of

⁶³ For further information, see CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*.

⁶⁴ Cory Molzahn, Octavio Rodriguez Ferreira, and David A. Shirk, *Drug Violence in Mexico: Data and Analysis Through 2012*, Trans-Border Institute (TBI), February 2013.

⁶⁵ F. Martinez, "Hubo en el País 6,247 Homicidios Dolosos en el Primer Semestre de Peña," *La Jornada*, June 7, 2013.

⁶⁶ According to the Rules Committee Print, 113-32 that accompanies P.L. 113-76, the human rights conditions included in S.Rept. 113-81 accompanying S. 1372, the Senate version of the FY2014 State-Foreign Operations appropriations bill, apply to the funds provided to Mexico.

⁶⁷ That reporting requirement originally appeared in H.Rept. 113-185 accompanying the House Appropriations Committee's version of the FY2014 State-Foreign Operations appropriations bill, H.R. 2855.

U.S.-Mexican efforts, adjustments which President Obama has pledged to support.⁶⁸ The Interior Ministry is now the primary entity through which Mérida training and equipment requests are coordinated and intelligence is channeled. The Mexican government is requesting increased assistance for judicial reform and prevention efforts, but limiting U.S. involvement in some law enforcement and intelligence operations.⁶⁹ Peña Nieto's security strategy appears to dovetail well with pillars two and four of the Mérida strategy, and his economic plans embrace pillar three's goals for border modernization, but the path forward for efforts under pillar one remains somewhat unclear.

President Peña Nieto may also call the U.S. government to report on progress in meeting its domestic pledges under the Mérida Initiative to address drug demand and the illicit trafficking of firearms and bulk currency to Mexico. His government supports efforts to enact gun control and to combat gun trafficking from the United States to Mexico. It has identified money laundering as an area in which bilateral efforts could be intensified.

The 113th Congress has held hearings⁷⁰ examining how the Mérida Initiative is being adjusted to align with the Peña Nieto government's priorities and is withholding \$95 million in Mérida aid pending further information from the Obama Administration on that topic.⁷¹ Congressional consultation will be needed should the State Department seek to reprogram some of the funding in the pipeline for Mérida, or seek new funding to align with Mexico's new priorities. Should differences occur between Mexican and U.S. priorities, Congress may choose to weigh in on how those differences should be resolved. While the Peña Nieto government's capture of the leader of Los Zetas may have assuaged some concerns about his commitment to combating organized crime, a Mexican court's reversal of the conviction of Rafael Caro Quintero raised U.S. concerns.⁷² Mexico has issued a warrant for him to be re-arrested. For its part, the Mexican government continues to be concerned about the adequacy of U.S. efforts to respond to the allegations of National Security Agency spying on its leaders.⁷³

Possible questions for oversight may include the following.

- What have been the results of the Mérida Initiative thus far?
- How is the State Department measuring the efficacy of Mérida programs?
- How are Mérida programs being affected by the Peña Nieto government's new security strategy?
- How is coordination going with the new government?

⁶⁸ White House, Office of the Press Secretary, "Remarks by President Obama and President Peña Nieto of Mexico in a Joint Press Conference," Mexico City, Mexico, Press Release, May 2, 2013.

⁶⁹ CRS interviews with State Department officials in Mexico City, May 2013.

⁷⁰ U.S. Congress, Senate Foreign Relations, Subcommittee on Western Hemisphere and Global Narcotics Affairs, *Security Cooperation with Mexico: Examining the Next Steps in the U.S.-Mexico Security Relationship*, 113th Cong., 1st sess., June 18, 2013; U.S. Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *U.S.-Mexico Security Cooperation: An Overview of the Merida Initiative 2008–Present*, 113th Cong., 1st sess., May 23, 2013.

⁷¹ Jonathan Broder, "Citing Oversight Concerns, Leahy Holds Up Aid to Mexico," *CQ Roll Call*, August 1, 2013. This hold remains in place. CRS phone interview with State Department official, January 2, 2014.

⁷² Alfredo Corchado, "Drug Lord's Release in DEA Agent's 1985 Death Adds Uncertainty to U.S.-Mexico Relations," *Dallas Morning News*, August 11, 2013.

⁷³ Iván Saldaña, "Mexico: Inconforme con Respuesta de Estados Unidos," *Excelsior*, January 10, 2014.

- To what extent is the Mexican government moving judicial and police reform efforts forward, and how is U.S. assistance supporting those reforms?

Human Rights and Judicial Reform

Congress has expressed ongoing concerns about human rights conditions in Mexico. These concerns have intensified as U.S. security assistance to Mexico has increased under the Mérida Initiative. Congress has continued monitoring adherence to the “Leahy” vetting requirements that must be met under the Foreign Assistance Act (FAA) of 1961 as amended (22 U.S.C. 2378d)⁷⁴ and annual Department of Defense (DOD) appropriations⁷⁵ in order for Mexican security forces⁷⁶ to receive U.S. support.⁷⁷ Congress has also conditioned U.S. assistance to the Mexican military and police on compliance with certain human rights standards, while simultaneously providing funding to support human rights training for security forces and to protect groups vulnerable to human rights abuses (such as the press and human rights defenders). The primary goal of these efforts has been to ensure that U.S.-funded anticrime efforts are carried out in a way that respects human rights and strengthens the rule of law in Mexico.

U.S. assistance to Mexico has increasingly focused on supporting the Mexican government’s efforts to reform its corrupt and inefficient judicial system, both as a means to make anticrime efforts more effective and to strengthen the rule of law in Mexico.⁷⁸ Congress has targeted money to support Mexico’s transition from an inquisitorial justice system to an oral, adversarial, and accusatory system that should strengthen human rights protections for victims and the accused. Congress has also increased funding for rule of law (ROL) programs in Mexico, asked the State Department to report on how U.S. programs are helping to achieve judicial and police reform in Mexico (H.Rept. 112-331), and expressed support for future ROL funding (H.Rept. 113-185).⁷⁹ U.S. policymakers are likely to follow how the Peña Nieto government moves to fulfill its pledges to enact a federal criminal procedure code to hasten reform at the federal level and increase support to states transitioning to the new system.

Human rights groups initially expressed satisfaction that President Peña Nieto had adopted a pro-human rights discourse and promulgated a law requiring state support for crime victims and their families.⁸⁰ They have since been underwhelmed with his government’s efforts to promote and

⁷⁴ The codified Leahy law (22 U.S.C. 2378d) prohibits the furnishing of assistance authorized by the FAA and the Arms Export Control Act, as amended, (AECA) to any foreign security force unit that is credibly believed to have committed a gross violation of human rights.

⁷⁵ A provision in the annual DOD appropriations legislation prohibits the use of DOD funds to support any training program involving a unit of a foreign security or police force if the unit has committed a gross violation of human rights. P.L. 113-76 expands that prohibition to cover DOD equipment assistance programs as well.

⁷⁶ There is no FAA definition for the term “security force.” DOD defines the term as “duly constituted military, paramilitary, police, and constabulary forces of a state.”(DOD Dictionary of Military and Associated Terms, DOD Joint Publication 1-02, <http://www.dtic.mil>.)

⁷⁷ CRS Report R43361, “Leahy Law” Human Rights Provisions and Security Assistance: Issue Overview, coordinated by Nina M. Serafino

⁷⁸ CRS Report R43001, *Supporting Criminal Justice System Reform in Mexico: The U.S. Role*, by Clare Ribando Seelke.

⁷⁹ See also: U.S. Congress, Majority Staff Report, *Judicial and Police Reforms in Mexico: Essential Building Blocks for a Lawful Society*, prepared for Sen. John Kerry, Chairman, U.S. Senate, Committee on Foreign Relations, 112th Cong., 2nd sess., July 9, 2012, S. Prt. 112-36.

⁸⁰ Human Rights Watch, *Letter to President Enrique Peña Nieto*, December 11, 2012.

protect human rights.⁸¹ Some have therefore urged U.S. policymakers to closely monitor the Peña Nieto government's compliance with conditions on Mérida assistance and to continue rigorous vetting of Mexican individuals and units slated to receive U.S. training and equipment.⁸² How the Peña Nieto government moves to improve the ability of Mexico's civilian institutions to investigate and prosecute cases of human rights abuses by security forces, enhance enforcement of prohibitions against torture and other mistreatment, and strengthen protection for human rights defenders, the media, and other vulnerable groups is likely to be closely scrutinized.

The 113th Congress may choose to augment Mérida Initiative funding for human rights programs, such as ongoing training programs for military and police, or newer efforts, such as support for human rights organizations. Human rights conditions in Mexico, as well as compliance with conditions on Mérida assistance, are also likely to continue to be important oversight issues. The State Department submitted a report in August 2012 that met the statutory requirements for FY2012 and FY2013 funding to be released, but withheld \$18 million as a matter of policy pending further progress in key areas.⁸³ The FY2014 Consolidated Appropriations Act (P.L. 113-76) includes several human rights provisions regarding aid to Mexico. Those provisions withhold 15% of assistance to the Mexican military and police until the State Department reports that progress has been made in meeting four human rights conditions.⁸⁴ They also require a report from the State Department within 60 days of the measure's enactment (January 17, 2014) on progress made in meeting the human rights conditions included in the FY2012 and FY2013 appropriations legislation (P.L. 112-74 and P.L. 113-6).⁸⁵

U.S. policymakers may question how the Peña Nieto Administration is moving to punish past human rights abuses, how it intends to prevent new abuses from occurring, and how the police and judicial reforms being implementing are bolstering human rights protections.

⁸¹ José Miguel Vivanco, *Mexico: President's Disappointing First Year on Human Rights*, Human Rights Watch, November 26, 2013.

⁸² Restrictions on certain aid to Mexico's military and police have been included in each of the Mérida appropriations measures since P.L. 110-252. See CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*.

⁸³ Those areas include improving the ability of Mexico's civilian institutions to investigate and prosecute cases of human rights abuses; enhancing enforcement of prohibitions against torture and other mistreatment; and strengthening protection for human rights defenders.

⁸⁴ Those conditions require the Secretary of State to report that the Mexican government (1) has reformed its military justice system to require that military abuses against civilians are investigated and prosecuted in the civilian justice system; (2) is enforcing prohibitions against torture and the use of testimony obtained through torture; (3) is ensuring that military and police are immediately transferring detainees to the custody of civilian judicial authorities and are cooperating with such authorities in such cases; and, (4) is searching for the victims of enforced and involuntary disappearances and prosecuting those responsible for such crimes. They are outlined in S.Rept. 113-81 accompanying the Senate version of the FY2014 State-Foreign Operations appropriations bill (S. 1372).

⁸⁵ The reporting requirement originally appeared in H.Rept. 113-185 accompanying the House Appropriations Committee's version of the FY2014 State-Foreign Operations appropriations bill, H.R. 2855.

Mexico's Energy Reforms and U.S. Approval of the Transboundary Hydrocarbons Agreement⁸⁶

The future of oil and gas production in Mexico is of great importance for Mexico's economic development and for U.S. energy security, a key congressional interest; Mexico is consistently a top U.S. crude oil supplier. Mexico's state oil company, *Petroleos Mexicanos* (Pemex), established in 1938 as the world's first major national oil company, remains an important source of government revenue, but is struggling to counter the country's declining oil production.

On December 20, 2013, President Enrique Peña Nieto signed into law constitutional reforms related to Mexico's energy sector aimed at reversing those declines. The reforms create several different types of contracts, including production-sharing and licensing, allow companies to post reserves for accounting purposes, give Pemex budget autonomy, establish a sovereign wealth fund, create new regulators, and remove the union from the Pemex board. The Mexican Congress has 120 days to draft the secondary legislation to implement the historic reforms to open Mexico's oil and natural gas sector to international companies.

The U.S. Congress has legislative and oversight interests in examining the potential implications of Mexico's oil and natural gas reforms on U.S. hydrocarbons imports and exports, bilateral trade and investment, and economic conditions in Mexico. Congress recently approved the U.S.-Mexico Transboundary Hydrocarbons Agreement⁸⁷ that is intended to facilitate joint development of oil and natural gas in part of the Gulf of Mexico (P.L. 113-67), the Bipartisan Budget Act of 2013). Other legislation has been introduced dealing with U.S. approval processes for North American energy infrastructure, including oil and gas pipelines (H.R. 3301). The opening of Mexico's oil and natural gas sector could expand U.S.-Mexico energy trade and provide opportunities for U.S. companies and investors involved in the hydrocarbons sector, as well as infrastructure and other oil field services. If these reforms accelerate growth in Mexico (as the government has promised) they could also benefit North American competitiveness.

Oversight questions may focus on how the Transboundary Hydrocarbons Agreement is being implemented; the extent to which Mexico is developing independent and capable energy sector regulators, particularly for deep water drilling; and the fairness of the terms Mexico offers to private companies interested in investing in its hydrocarbons industry.

Water Sharing⁸⁸

Management of shared water resources is significant for U.S. and Mexican interests in the border region, as well as a contributing factor to the level of cooperation or tension between the two countries. Multiple rivers cross or form the U.S.-Mexico border. The two principal rivers are the Colorado River, which is predominantly in the United States but passes through Mexico on its way to the Gulf of California (see **Figure 4**); and the Rio Grande, which forms the U.S.-Mexico

⁸⁶ For background on Mexico's recently enacted energy reforms, see CRS Report R43313, *Mexico's Oil and Gas Sector: Background, Reform Efforts, and Implications for the United States*, coordinated by Clare Ribando Seelke.

⁸⁷ See CRS Report R43204, *Legislation Proposed to Implement the U.S.-Mexico Transboundary Hydrocarbons Agreement*.

⁸⁸ See CRS Report R43312, *U.S.-Mexico Water Sharing: Background and Recent Developments*, by Nicole T. Carter, Clare Ribando Seelke, and Daniel T. Shedd.

border in Texas (see **Figure 5**). These rivers are covered by long-standing international water sharing agreements. Starting in 1906, agreements emerged to allocate the rivers' water between the two countries. In 1944, the two countries entered into a comprehensive water treaty, the "Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande" (Treaty).⁸⁹ The 1944 Treaty reconfigured an existing entity into the International Boundary and Water Commission (IBWC),⁹⁰ which is responsible for managing water in accordance with the Treaty and resolving water-sharing disputes through amendments, called "minutes." Recent experiences of international water management in the two basins have contrasted, with advances in cooperation in the Colorado River basin and increased tensions in the Rio Grande basin.

Colorado River

The Colorado River flows through seven U.S. states (Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming) and into Mexico before emptying into the Gulf of California. Some 97% of the basin is in the United States (see **Figure 4**).⁹¹ The 1944 Treaty requires that the United States provide Mexico with 1.5 million acre-feet (AF) of Colorado River water annually,⁹² roughly 10% of the river's average annual flow. Binational disputes have arisen over water quantity, quality, and conservation.

Recent U.S.-Mexico water sharing discussions have coalesced around the need for better management and conservation of both the Colorado River itself and the Colorado River Delta. As a result, both governments, along with state officials and conservation groups from both countries, worked with the IBWC to develop an agreement that would allocate water to Mexico based on whether there is a surplus or drought and allow for joint investments to create greater environmental protection, as well as greater water conservation (i.e., ability to store water) for Mexico. These discussions culminated in the signing of Minute 319 on November 20, 2012.

⁸⁹ Treaty between the United States of America and Mexico Respecting Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande, U.S.-Mex., Feb. 3, 1944, 59 Stat. 1219 (hereinafter Treaty).

⁹⁰ The IBWC is an international body consisting of a United States and a Mexican section, which are overseen by the State Department and Mexico's Foreign Ministry, respectively.

⁹¹ When the 1994 Treaty was signed, Colorado River flows were estimated at 16.8 million acre-feet (AF) per year; current flows are closer to 14.4 million AF annually. "U.S., Mexico: The Decline of the Colorado River," *Stratfor Global Intelligence*, May 13, 2013.

⁹² Treaty, *supra* note 80, art. 10.

Figure 4. Colorado River Basin

Source: The Earth Institute at Columbia University (with minor modification by CRS), at <http://blogs.ei.columbia.edu/wp-content/uploads/2012/12/CO-River-Basin-REVISED.jpg>, and modified by CRS.

Rio Grande

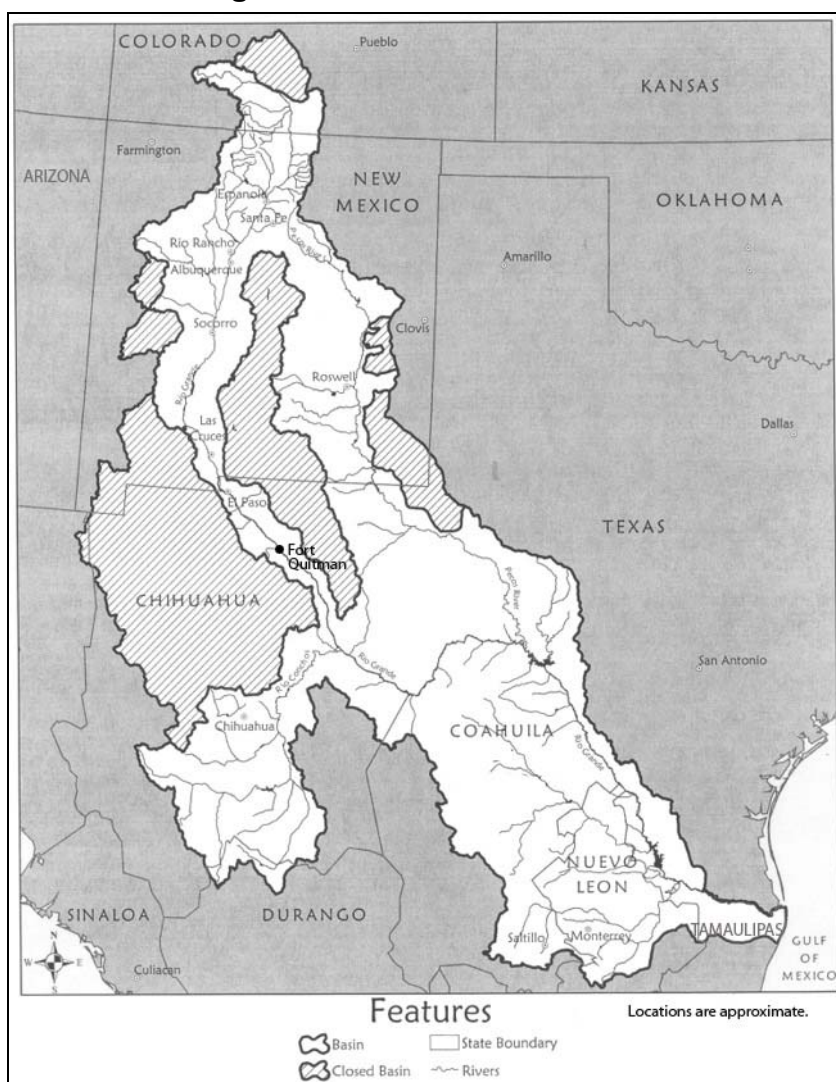
While Colorado River Basin relations have been increasingly collaborative, the delivery of water from Mexico to the United States in the Rio Grande basin has been a source of tension. The Rio Grande is divided into two basins: the western El Paso-Juárez Rio Grande basin and the eastern basin, which encompasses an area from Ft. Quitman to the Gulf of Mexico (see **Figure 5** below). For that eastern portion of the basin, under article 4 of the 1944 Treaty, Mexico's water delivery from designated tributaries must average at least 350,000 AF per year, measured in five-year cycles.⁹³ If Mexico fails to meet its delivery obligations for a five-year cycle because of

⁹³ The 1944 Treaty also establishes Mexico's right to two-thirds of the flows that feed into the Rio Grande from the six major tributaries that enter from Mexico (Id. art. 4(A)(c)), and the United States' right to all flows from Rio Grande tributaries in the United States side and one-third from the six Mexican tributaries (Id. art. 4(B)).

“extraordinary drought”—a term not defined in the Treaty—it must make up the deficiency during the next five-year cycle.

As both the U.S. and Mexican portions of the basin have experienced drought conditions since 2011, deliveries from Mexico per the 1944 Treaty have slowed, raising concerns in Texas about a water debt. The current delivery cycle started October 25, 2010, and will end October 24, 2015. In October 2013, the first three years of the current cycle ended with Mexico roughly 288,000 AF (27%) behind in deliveries, based on a total target delivery for those three years of 1,050,000 AF. Mexican interests maintain that “extraordinary drought” conditions hamper deliveries, while Texas interests assert that the drought is easing in the Mexican portion of the basin and its deliveries should therefore increase.

Figure 5. Rio Grande River Basin



Source: CRS modified New Mexico Museum of Natural History and Science figure, available at http://www.nmnaturalhistory.org/BEG/BEG%20Images/MAP_RGB_pg48.jpg as edited by CRS Graphics.

The concern is that low deliveries, as occurred in the 1990s and early 2000s, reduce water available for agriculture and communities in the U.S. counties along the Texas-Mexico border.

Historically, Mexico met its deliveries within the five-year cycles until the 1994 to 2003 drought. During that drought, Mexico accrued a water debt through two water cycles. Diffusion of tensions over the debt was the result of presidential intervention, negotiation of Minutes under the 1944 Treaty, and investments in improved water efficiency; hurricane-induced wet conditions cleared the water debt in 2005.⁹⁴

The U.S. and Mexican sections of the IBWC have met regularly since late 2012 to discuss Mexico's water deliveries; bilateral discussions since May 2013 also have involved high-level State Department and Mexican government officials. Between the end of July 2013 and October 2013, the two sections had eight formal bilateral meetings, including a meeting attended by the U.S. Ambassador to Mexico and the Mexican Foreign Ministry's Under Secretary for North America. Among the outcomes has been an exchange of technical data to assist in options for future water management in the basin. Mexico delivered more than the 350,000 AF during the third year of the cycle and reduced its water debt.⁹⁵

Members of Congress have written letters to the Administration and introduced legislation related to the Rio Grande water dispute.⁹⁶ Members of Congress have also introduced legislation that seeks to address the water shortages in Texas. H.R. 1863, introduced in April 2013, would require the State Department to report 120 days after the enactment of the bill and annually thereafter on efforts by Mexico to meet its Treaty deliveries of water to the Rio Grande and the benefits to the United States occurring as a result of Minute 319. H.R. 2307 and S. 1125, introduced in May 2013, would require the State Department to report 45 days after the enactment of the legislation and quarterly thereafter on Mexico's water deliveries and to provide annual reports on the benefits of Minute 319. H.R. 2307 and S. 1125 would also prohibit the Secretary of State from continuing to implement Minute 319 if the Secretary fails to comply with the reporting requirements included in the act.

On January 28, 2014, the House passed a new version of the 2013 farm bill (H.R. 2642). Section 11320 of the conference report (H.Rept. 113-333) accompanying H.R. 2642 would require the State Department to submit a report within 120 days of the bill's enactment on efforts by Mexico to meet its Rio Grande Treaty deliveries.

On January 17, 2014, President Obama signed the FY2014 Consolidated Appropriations Act into law (P.L. 113-76). The law requires The Secretary of State, in consultation with the IBWC Commissioner, to report to the appropriate congressional committees within 60 days of the measure's enactment on actions taken to ensure that the water deficits owed by Mexico to the United States do not increase and that allocations comply with existing bilateral water treaties.

In addition to proposed legislation, questions that Congress may confront related to the Rio Grande basin include what are the most effective mechanisms and approaches for achieving a Mexican water delivery regime that provides more benefit to Texas water users, and whether interventions and investment like those employed to manage the previous water debt would be necessary or effective. For the Colorado River basin, issues before Congress may be largely related to oversight of the impacts and implementation of Minute 319.

⁹⁴ Ibid.

⁹⁵ Letter from Edward Drusina, IBWC Commissioner, to various Senators and Representatives, October 23, 2013.

⁹⁶ Letter from Reps. Cuellar, Gallego, Hinojosa, O'Rourke, and Vela, to the Honorable U.S. President Barack Obama, April 11, 2013.

Outlook

As Enrique Peña Nieto begins his second year in office, many questions remain about Mexico's future. How effective will President Peña Nieto be in securing congressional approval of the secondary legislation needed to enact the reforms he signed into law in 2013? Will Peña Nieto's legislative agenda continue to advance even though the PRD has left the Pact for Mexico and joined with other leftist parties and social movements to challenge energy reform and other government actions? To what extent will the reforms that have been enacted actually be implemented? How long will it take for average Mexicans to see benefits from the reforms?

As the 2015 mid-term elections approach, Mexicans will be increasingly concerned about whether President Peña Nieto and the PRI have delivered on their promises to reduce crime and bolster economic growth. Will the Peña Nieto government be able to reduce violent crimes that affect average citizens, such as kidnapping and extortion, while still combating organized crime and associated killings? Will the Mexican economy perform better in 2014 under the PRI? How might this government support efforts to enact comprehensive immigration reform in the United States?

Answers to some of these questions will depend largely upon the actions of President Peña Nieto himself, others will depend upon external factors, while still others will be decided by a mix of domestic and external factors. For example, Mexico would benefit immensely if certain immigration reforms were enacted in the United States, but there is little that the Peña Nieto government can do to support their enactment beyond pledging to reduce illegal emigration and bolster border security. In contrast, Enrique Peña Nieto's domestic policies can have a significant impact on security and economic conditions in Mexico, as well as bilateral efforts in those areas.

Mexico and U.S.-Mexican relations are experiencing a time of transition. This transition may bring about advances in some areas of the bilateral relationship, while setbacks may occur in others. Analysts are hopeful, for example, that even as bilateral attention focuses more on trade and energy than in the recent past, intense U.S.-Mexican security cooperation can continue. Throughout this process, the 113th Congress is likely to closely monitor conditions in Mexico, as well as U.S.-Mexican cooperation on key issues as part of its legislative and oversight capacities.

Author Contact Information

Clare Ribando Seelke
Specialist in Latin American Affairs
cseelke@crs.loc.gov, 7-5229

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Marc Rosenblum, former CRS Specialist in Immigration Policy, contributed to the section on Migration and Border Security. Nicole Carter, Specialist in Natural Resources Policy, contributed to the section on Water Sharing.

Key Policy Staff

Area of Expertise	Name	Phone	E-mail
Border Security and Immigration Enforcement	Lisa Seghetti	7-4669	lseghetti@crs.loc.gov
Immigration (General)	Ruth Ellen Wasem	7-7342	rwasem@crs.loc.gov
Mexican Drug Trafficking Organizations (DTOs)	June S. Beittel	7-0613	jbeittel@crs.loc.gov
DTOs in the United States/Spillover Violence	Kristin Finklea	7-6259	kfinklea@crs.loc.gov
Firearms Trafficking	William Krouse	7-2225	wkrouse@crs.loc.gov
Economics and NAFTA	Angeles Villarreal	7-0321	avillarreal@crs.loc.gov
Mexican Trucks in the United States	John Frittelli	7-7033	jfrittelli@crs.loc.gov
U.S.-Mexico Energy Issues	Michael Ratner	7-9529	mratner@crs.loc.gov
U.S.-Mexico Transboundary Hydrocarbons Agreement	Curry L. Hagerty	7-7738	chagerty@crs.loc.gov
Water Issues	Nicole T. Carter	7-0854	ncarter@crs.loc.gov