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Summary

Congress has maintained significant interest in neighboring Mexico, an ally and top trade partner. President Enrique Peña Nieto of the centrist Institutional Revolutionary Party (PRI) assumed the Mexican presidency on December 1, 2012, after 12 years of rule by the conservative National Action Party (PAN). Peña Nieto shepherded structural reforms through the Mexican Congress during his first year in office, but he has since struggled to implement some of those reforms and to address human rights abuses, corruption, and impunity. Some of Mexico's domestic challenges have been exacerbated by uncertainty about the future of its relations with the United States.

President Peña Nieto has made high-level Cabinet changes and prioritized anticorruption efforts, partially in response to his low approval ratings and his party's weak performance in June 2016 gubernatorial elections. Ongoing protests against education reforms by teachers' unions turned deadly in June 2016 as protestors and police clashed. Low oil prices have prompted the state-owned oil company to record significant losses. Problems in the energy sector, as well as global uncertainty, have contributed to the depreciation of Mexico's currency and led to budget cuts. A successful bidding round for Mexico's deepwater fields held in December 2016 bodes well for the future of the 2013-2014 energy reforms. The successful June 2016 adoption of a new accusatorial criminal justice system has been overshadowed by rising homicides. The government has been unable to resolve high-profile human rights cases, such as the case of 43 students who were forcibly abducted and murdered in Guerrero in September 2014.

U.S. Policy

U.S.-Mexican relations have remained strong despite periodic tensions and the emergence of immigration and trade as divisive issues in the U.S. elections. Both countries have prioritized bolstering economic ties, modernizing the border, and promoting educational exchanges through High-Level Economic Dialogues among Cabinet officials started in 2013. Those issues also figured prominently during the June 2016 North American Leaders Summit hosted by Canadian Prime Minister Justin Trudeau and a July 2016 White House meeting between Presidents Obama and Peña Nieto. Bilateral energy cooperation in hydrocarbons and renewables has accelerated. Security cooperation has continued under the framework of the Mérida Initiative, a foreign aid program for which Congress has provided some \$2.6 billion since FY2008. Mexico has stepped up efforts to stop migrants attempting to transit through its territory to the United States.

Bilateral relations could change as a new U.S. Administration takes office in January 2017. During the campaign, President-elect Donald J. Trump discussed renegotiating the North American Free Trade Agreement (NAFTA), fortifying the southwestern border, and increasing deportations. President Peña Nieto has congratulated President-elect Trump and said that he will seek a pragmatic relationship with the United States that advances the interests of both countries.

Legislative Action

The 114th Congress has considered legislation affecting U.S.-Mexican trade and security cooperation. The FY2016 Consolidated Appropriations Act (P.L. 114-113) ended the U.S. crude oil export ban, which could enhance bilateral energy trade. In response to Mexico and Canada's threats to impose retaliatory tariffs for U.S. country-of-origin labeling on meat products, P.L. 114-113 ended the labeling requirements. The act also provided \$161.2 million in aid for Mexico and carried forward reporting requirements from P.L. 113-235 related to Mexico's water deliveries in the Rio Grande Valley.

President Obama's FY2017 aid request for Mexico totaled \$133.5 million. The House Appropriations Committee's version of the FY2017 foreign operations measure, H.R. 5912,

would provide \$157.5 million for Mexico. The Senate Appropriations Committee's version, S. 3117, would fully fund the Administration's request. The 114th Congress did not complete action on FY2017 appropriations, but in December 2016 it approved a continuing resolution (P.L. 114-254) providing foreign aid funding through April 28, 2017, at the FY2016 level, minus an across-the-board reduction of almost 0.2%.

Further Reading

CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*, by (name redacted) and (name redacted) .

CRS In Focus IF10400, *Heroin Production in Mexico and U.S. Policy*, by (name redacted) and (name redacted).

CRS In Focus IF10215, *Mexico's Recent Immigration Enforcement Efforts*, by (name redacted)

CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by (name redacted) .

CRS In Focus IF10047, *North American Free Trade Agreement (NAFTA)*, by (name redacted) .

CRS In Focus IF10480, *The North American Development Bank*, by (name redacted) and (name redacted) .

CRS Report RS22955, *Country-of-Origin Labeling for Foods and the WTO Trade Dispute on Meat Labeling*, by (name redacted)

CRS Report R43313, *Mexico's Oil and Gas Sector: Background, Reform Efforts, and Implications for the United States*, coordinated by (name redacted) .

CRS Report R43312, *U.S.-Mexico Water Sharing: Background and Recent Developments*, by (name redacted), (name redacted), and (name redacted) .

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Introduction

Congress has maintained 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, familial, and historical ties. Economically, the United States and Mexico are heavily interdependent, and the U.S. economy could benefit if Mexico is able to regain currency stability, fully implement the reforms its legislature has enacted, and attract greater investment.¹ Similarly, security conditions in Mexico affect U.S. national security, particularly along the U.S.-Mexican border.² Bilateral relations are strong and well-established but could be in for some changes due to the upcoming change in U.S. Administrations (see “U.S. Relations and Issues for Congress”).

President Enrique Peña Nieto, former governor of the state of Mexico, is in the fifth year of his six-year term. During 2013, President Peña Nieto shepherded significant structural reforms through a fragmented Mexican Congress by forming an agreement among his Institutional Revolutionary Party (PRI), the conservative National Action Party (PAN), and the leftist Party of the Democratic Revolution (PRD) to pass reforms. The reforms addressed a range of issues, including education, telecommunications, politics, access to finance, and energy (see **Table 1**). Some of Peña Nieto’s reforms have been implemented, including energy reforms that enabled Mexico to auction off several deepwater fields in the Gulf of Mexico to international companies in December 2016. Many other reforms, particularly education reform, have stalled.³

President Peña Nieto’s approval rating has remained low since 2014 (24% in November 2016), as his government has struggled to solve high-profile human rights cases, become embroiled in scandals, and faced security and economic challenges. PAN and PAN/PRD alliances defeated the PRI in 7 of 12 gubernatorial contests held in June 2016, 4 of which were PRI strongholds. Following gubernatorial elections set for June 2017, attention will turn to the 2018 presidential contest. Discontent with the major parties could lead voters to support a populist, such as Andrés Manuel López Obrador.⁴ The PRI’s electoral prospects may depend on how well the government addresses domestic challenges and manages relations with the United States.⁵

This report provides an overview of political and economic conditions in Mexico, followed by assessments of select issues of congressional interest in Mexico: security and foreign aid, extraditions, human rights, trade, migration, energy, education, environment, and water issues.

¹ The Mexican peso has lost more than 15% of its value against the dollar since October 2015 due to low oil prices, rising debt, low interest rates in the United States, and uncertainty about U.S. trade and immigration policies. Because 80% of Mexico’s exports are destined for the United States, U.S. economic policies have a large impact on Mexico. Viridiana Rios, “What’s Going on with the Peso?” Woodrow Wilson Center’s Mexico Institute, November 2, 2016. See CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by (name redacted).

² See, for example, Eric Farnsworth, “America’s Very Own Mexican Standoff,” *National Interest*, October 20, 2016.

³ Gustavo A. Flores-Macías, “Mexico’s Stalled Reforms,” *Journal of Democracy*, vol. 27, no. 2, April 2016. Hereinafter, “Flores-Macías, 2016.”

⁴ Andrés Manuel López Obrador finished second in the 2006 and 2012 presidential contests as the candidate of the Party of the Democratic Revolution (PRD). He subsequently split with the PRD and started the National Regeneration Movement (Morena) party. “Is Morena Maverick Mexico’s Answer to Trump?,” *Latin American Mexico and NAFTA Report*, December 2016.

⁵ Azam Ahmed, “After Trump’s Win, an Anxious Mexico Asks: What’s Next?,” *New York Times*, November 14, 2016.

Political Situation

Over the past two decades, Mexico has transitioned from a centralized political system dominated by the PRI to a true multiparty democracy. Since the PRI last governed in the 1990s, presidential power has become more balanced with that of Mexico's Congress and Supreme Court. Partially as a result of these new constraints on executive power, the country's first two presidents from the PAN—Vicente Fox (2000-2006) and Felipe Calderón (2006-2012)—struggled to enact some of the reforms designed to address Mexico's economic and security challenges.

Figure I. Mexico at a Glance

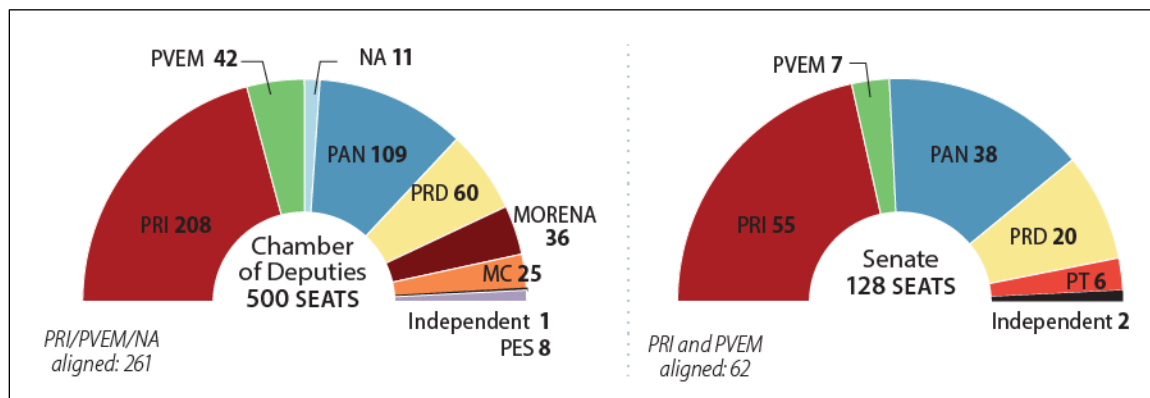


Source: Graphic created by the Congressional Research Service (CRS). Map files from Map Resources. Trade data from Global Trade Atlas. Data are from CIA, *The World Fact Book*, updated October 2016.

The Calderón government pursued an aggressive anticrime strategy and increased security cooperation with the United States. Those efforts helped Mexico arrest or kill many drug kingpins, but some 60,000 people died due to organized crime-related violence (see **Figure 4**). Mexico’s security challenges overshadowed some of the Calderón government’s achievements, including its economic stewardship during and after the global financial crisis, expansion of access to health care, and global leadership in combating climate change. In 2012, Mexico became the first developing country to adopt legislation mandating greenhouse gas (GHG) emissions reductions (30% by 2020) and to establish national renewable energy standards.

Twelve years after losing the presidency for the first time in 71 years, the PRI won the 2012 presidential election by a relatively narrow margin (6.6% of the vote) over López Obrador of the leftist PRD. Voters appeared to view the PRI as the party best equipped to reduce violence and hasten economic growth despite concerns about its past reputation for corruption. Enrique Peña Nieto took office with his party controlling 20 of 32 governorships, but his PRI/Green Ecological Party (PVEM) coalition lacked a majority in either legislative chamber.

Figure 2. Composition of Mexico’s 2015-2018 Congress by Party Affiliation



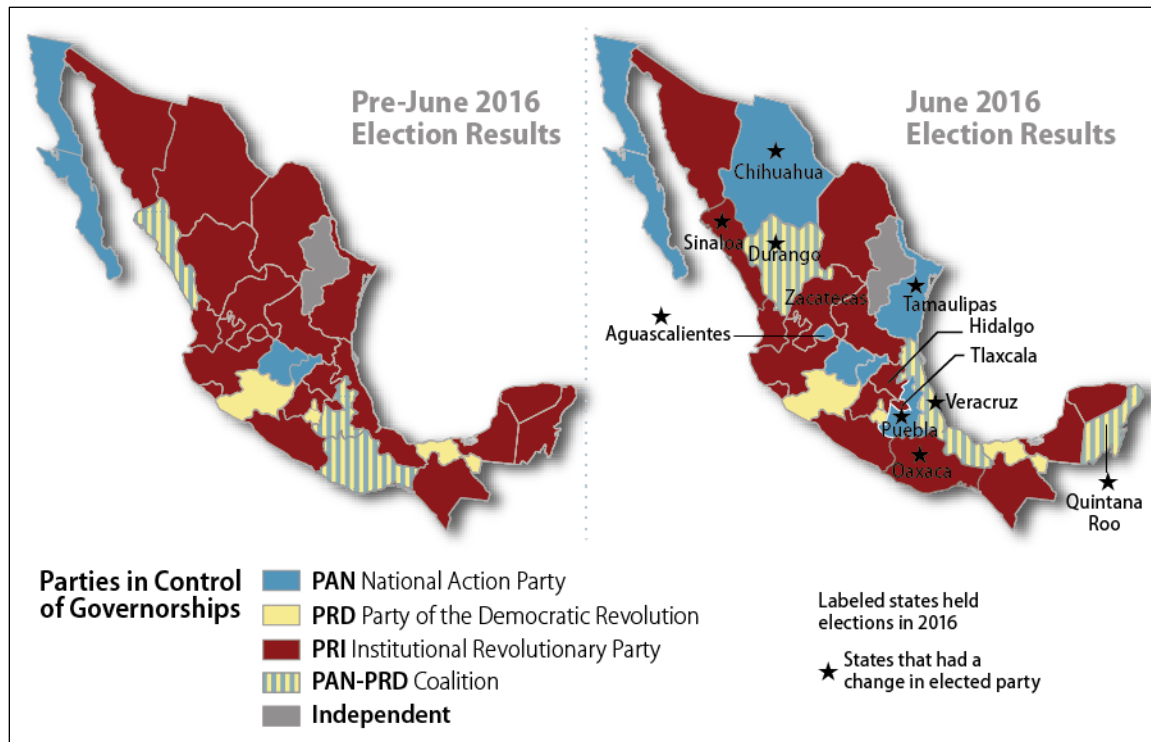
Source: Mexico’s Chamber of Deputies and Senate; prepared by CRS graphics.

Notes: PRI = Institutional Revolutionary Party; PVEM = Green Party; NA = New Alliance Party; PAN = National Action Party; PRD = Party of the Democratic Revolution; MORENA = National Regeneration Movement; MC = Citizen’s Movement Party; PT = Worker’s Party; PES = Social Encounter Party.

In June 2016, 12 of Mexico’s 32 states held elections. Eight states saw the incumbent party lose; in four—Veracruz, Quintana Roo, Chihuahua, and Durango—the PRI lost for the first time in the party’s history. At least three outgoing governors (two from the PRI) have been charged with federal corruption-related crimes; one of those governors remains at large.⁶ Although there is corruption within all the major parties, the PAN emerged stronger from the gubernatorial elections than the PRI. The PAN now controls 11 governorships, either by itself or in a coalition with the PRD.

⁶ “The Curious Case of the Mexican Former Governors,” *Latin American Regional Report*, December 2016.

Figure 3. June 2016 Gubernatorial Election Results



Source: CRS Graphics.

Leadership Changes in the Peña Nieto Administration

Mexico's presidential transitions are characterized by large overhauls in governmental structures. President Peña Nieto restored much of the power that the interior ministry (SEGOB) had before the PAN took office. With congressional approval, he placed the secretariat of public security (including the federal police) and intelligence functions under the authority of the interior ministry. That ministry now coordinates security efforts with the military and state and municipal authorities. It also commands the new militarized police entity within the federal police, the national gendarmerie.⁷ SEGOB has gotten larger and more powerful under Peña Nieto, whereas the attorney general's office has remained comparatively weak and underfunded.

Until recently, key positions in the government had been filled by the president's close confidantes, who led his presidential transition. In September 2016, Luis Videgaray Caso, the finance minister who organized the visit of then-Republican candidate for U.S. president Donald J. Trump, resigned after the visit was widely criticized in Mexico.⁸ Miguel Angel Osorio Chong, minister of the interior, is now arguably the most powerful Cabinet official. Osorio Chong served as governor of Hidalgo, which borders the state of Mexico, when Peña Nieto governed. He is a

⁷ The size of the gendarmerie has been significantly scaled back from the government's original proposal to create a 40,000-member militarized police. After several delays, the force of roughly 5,000 officers—now focused on helping reestablish security in states facing high levels of violence—became operational in August 2014.

⁸ Luis Videgaray Caso also faced criticism over a 2014 conflict-of-interest scandal, Mexico's lackluster economic growth rates, and the country's growing debt levels. See, for example, Dolia Estevez, "Minister who Masterminded Mexican President Peña Nieto's Meeting with Trump Ousted," *Forbes*, September 7, 2016.

likely PRI presidential candidate for 2018. José Antonio Meade, the former foreign minister and secretary of social development, has replaced Videgaray at the finance ministry. Meade served as finance minister under former President Calderón.

In October 2016, President Peña Nieto also replaced his attorney general, Arely Gomez—a former senator who had cooperated with U.S. officials but failed to resolve high-profile cases—with Raul Cervantes, a PRI senator and former judge who is well respected but lacks experience as a criminal prosecutor.⁹ In response to popular concern about Cervantes’s party ties, President Peña Nieto introduced a constitutional reform to establish that Cervantes will not remain in his position as the attorney general’s office transitions to a prosecutor general’s office.¹⁰ Instead, the senate will select the prosecutor general, as he or she is to lead an entity meant to have greater independence from the presidency than the attorney general’s office has had.¹¹ Arely Gomez now heads the public function secretariat that forms part of the new national anticorruption system.

Structural Reforms: Enacted but Challenges in Implementation

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. In 2013, President Peña Nieto shepherded structural reforms through a fragmented legislature by forming a “Pact for Mexico” agreement among the PRI, PAN, and PRD. The reforms addressed a range of issues, including education, telecommunications, access to finance, and politics (see **Table 1**).

Constitutional reforms on energy opened Mexico’s oil, natural gas, and power sectors to private investment for the first time in more than 70 years but led to the collapse of the pact in late 2014, due to the PRD’s opposition to the energy reform (see “Energy,” below).¹²

Analysts praised President Peña Nieto and his advisers for focusing their attention and political capital on shepherding structural reforms through the Mexican Congress but predicted that the reforms’ impact would depend on how well they were implemented. Mexico’s ranking in the World Economic Forum’s Global Competiveness Index for 2016 improved, in part due to some of the reforms. Nevertheless, although some of Peña Nieto’s reforms have begun to be implemented, many—particularly the education reform—have stalled.

Some of Mexico’s reforms have faced problems due to issues in implementation; others have faced opposition from entrenched interest groups; and still others have been hindered by unfavorable global conditions. Fiscal reforms have been inhibited by challenges in tax collection, the stalled implementation of educational reforms appears to have been influenced by electoral politics, and the decision to delay the arrival of high-definition (HD) television, which had formed part of the telecommunications reform, is likely to hurt new networks that operate solely on HD devices.¹³ Teachers unions, particularly in Mexico’s southern states, have vehemently

⁹ “Seeking to Bolster PGR and SFP Amid Persistent Corruption,” *Latin American Regional Report: Mexico & NAFTA*, November 2016.

¹⁰ Anthony Harrup and Juan Montes, “Mexican President Enrique Peña Nieto Yields to Criticism Over Independent Prosecutor,” *Wall Street Journal*, November 29, 2016.

¹¹ Ximena Suarez-Enriquez, “Three Key Points about Mexico’s New Fiscalía,” Washington Office on Latin America (WOLA), October 25, 2016.

¹² For background, see CRS Report R43313, *Mexico’s Oil and Gas Sector: Background, Reform Efforts, and Implications for the United States*, coordinated by (name redacted).

¹³ Flores-Macías, 2016.

opposed education reforms requiring teacher evaluations and accountability measures. In June 2016, 8 people died and more than 100 were injured after unions and police clashed in Oaxaca.¹⁴

Table I. Key Reforms Enacted During 2013-2016

- **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.
- **Antitrust Reform:** creates an autonomous Federal Economic Competition Commission to regulate all sectors except telecommunications and energy and gives the commission the power to oversee mergers, regulate industries, and sanction monopolistic practices.
- **Telecommunications Reform:** increases consumers' access to more affordable and reliable television, radio, Internet, and mobile phone services; increases privacy protections for consumers; 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 (SMEs), 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% from 11% in northern border states, and creating new taxes on stock market profits, as well as sugary beverages and other snack foods.
- **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. In June 2015, Mexico's Supreme Court upheld the constitutionality of removing teachers who fail evaluation exams from instructional positions.
- **Unified Code of Criminal Procedure (CPC):** replaces the procedural rules that existed in the country so that the same general rules apply to all states and the federal government; facilitates coordination between authorities; and aims to improve the efficiency of investigations. As a result of the unified code, all states will have oral, adversarial trials with the presumption of innocence and the use of alternative dispute mechanisms as required by constitutional reforms enacted in 2008.
- **Political Reform:** provides for the reelection of federal deputies for up to four terms beginning in 2015 and of senators for up to two terms beginning in 2018; provides for 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.
- **Transparency Reform:** extends the rights of citizens to seek information from all levels of government, unions, and political parties and strengthens the entity charged with managing access to information (the Federal Institute of Access to Information and Data Protection).
- **Anticorruption Reform:** a constitutional reform that establishes a national anticorruption system with a special prosecutor to handle cases of corruption. The law also gives more power to the existing federal audit office and the public administration ministry.

Source: For information on the reforms, see Government of Mexico, "Reforms in Action," at <http://reformas.gob.mx/en/reforms>.

Note: One major reform passed in 2015-2016 was the anticorruption reform.

Low oil prices initially dampened interest in Mexico's hydrocarbons sector and have caused *Petróleos Mexicanos* (Pemex)—the state oil company, which once contributed 30% of government revenue—to record huge losses that led to government bailouts.¹⁵ That, in turn, has prompted steep budget cuts, which have hindered the government's ability to invest in infrastructure and social programs. The December 2016 decision by the Organization of the

¹⁴ Eric Martin and Nacha Cattan, "An Año Horrible for Mexico's President," *Bloomberg Businessweek*, July 14, 2016.

¹⁵ Jude Webber, "Mexico Bails Out Pemex, but Is It Enough?" *Financial Times*, April 13, 2016.

Petroleum Exporting Countries (OPEC) to cut production could boost global oil prices. Despite low prices, eleven international oil companies won bids to develop Mexico's deepwater fields in December 2016.¹⁶

Security, Institutional Reform, and Human Rights

Upon taking office, President Peña Nieto made violence reduction one of his main priorities. However, four years later, rising insecurity has raised concerns about his security policies (see **Figure 4**). Peña Nieto's security strategy initially focused on (1) planning, (2) prevention, (3) protection and respect of human rights, (4) coordination, (5) institutional transformation, and (6) monitoring and evaluation. He took action on two major proposals: launching a national crime prevention plan and establishing a unified code of criminal procedures to cover judicial procedures for the federal government and the states. It is unclear whether the Peña Nieto government remains committed to that prevention plan, however, as the plan is not in the 2017 budget.¹⁷ Other key proposals, such as creating a large national gendarmerie and a strong intelligence agency, have been significantly watered down.¹⁸

In addition to enacting a unified code of criminal procedure, the Peña Nieto government allocated additional funds to support implementation of judicial reforms enacted in 2008. As per those constitutional reforms, in June 2016 Mexico transitioned from an inquisitorial, closed-door process based on written arguments presented to a judge to an adversarial system with oral arguments and the presumption of innocence. These changes are expected to make the system more transparent and impartial. Through alternative dispute resolution, the system aims to increase flexibility and efficiency. Significant work remains to be done to ensure successful implementation, including training police to gather evidence that will stand up in court; providing ongoing training for all justice-sector actors; and monitoring and evaluating the system.¹⁹

Criticism of Peña Nieto's security strategy has mounted since 2014.²⁰ Many argue that Peña Nieto has struggled to define his security priorities and how they will be achieved. Others assert that he has maintained Calderón's reactive approach of deploying federal forces—including the military—to areas in which crime surges rather than proactively strengthening institutions to deter crime and violence. The Mexican Congress is debating legislation that would provide a legal framework for the military to have a permanent role in public security.²¹

High-value targeting of top criminal leaders has continued; at least 96 of 122 high-value targets identified by the government had been detained as of early 2016.²² That figure includes Joaquín

¹⁶ Benjamin Russell, "Mexico's Energy Opening Looks like a Success. Will It Last?" *Americas Quarterly*, December 6, 2016.

¹⁷ "Dejan sin un peso al Programa para Prevenir el Delito, Aunque hay Incremento en la Violencia," *Animal Político*, November 14, 2016.

¹⁸ Vanda Felbab-Brown, *Changing the Game or Dropping the Ball? Mexico's Security and Anti-Crime Strategy Under President Enrique Peña Nieto*, Brookings Institution, November 2014.

¹⁹ Nancy G. Cortés, Octavio Rodríguez Ferreira, and David A. Shirk, *Justiciabarometro 2016*, Justice in Mexico, University of San Diego, November 2016.

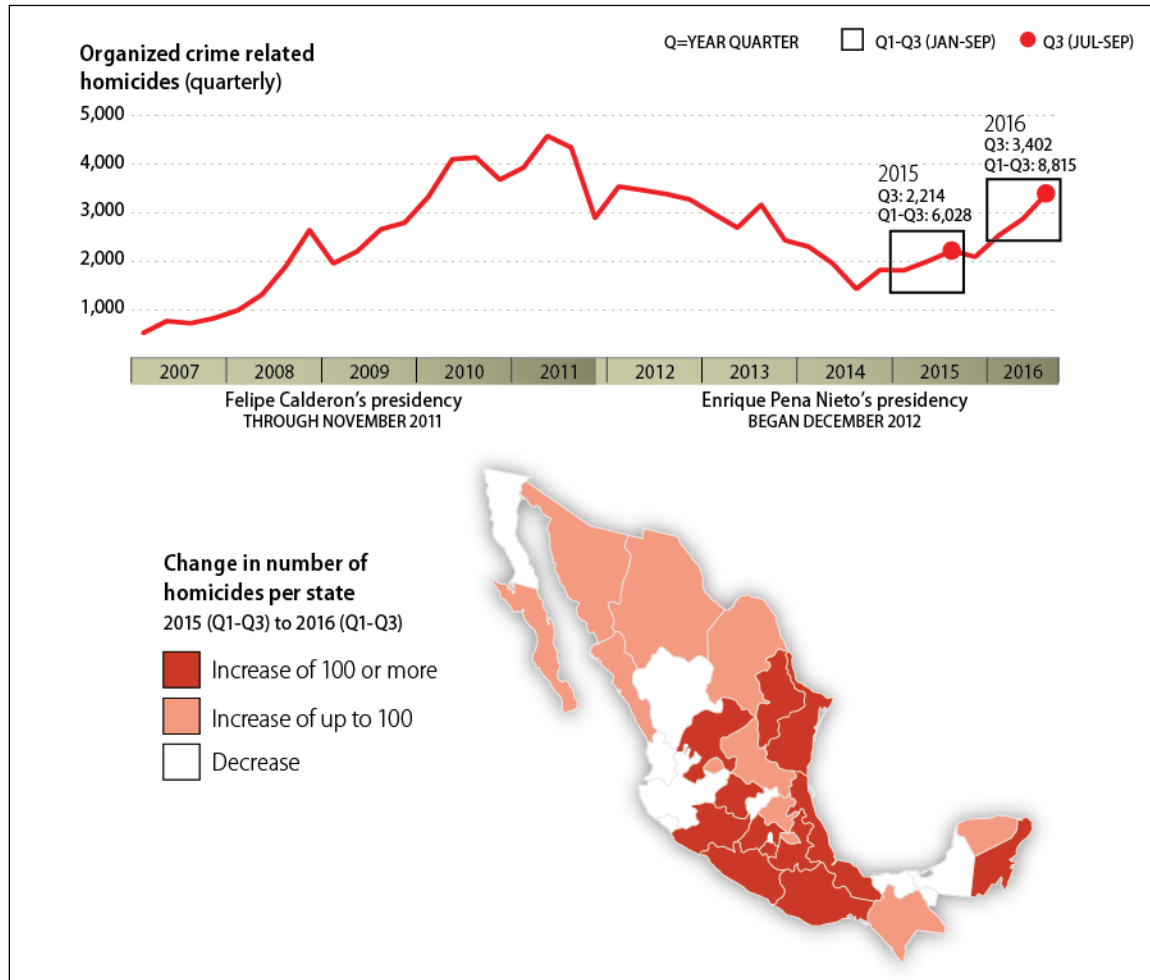
²⁰ Kimberly Heinle, Octavio Rodríguez Ferreira, and David A. Shirk, *Drug Violence in Mexico: Data and Analysis Through 2015*, Justice in Mexico, University of San Diego, April 2016. CRS Report R41576, *Mexico: Organized Crime and Drug Trafficking Organizations*, by (name redacted)

²¹ Deborah Bonello, "Proposed Law in Mexico Could Expand Military Role in Drug War," *Insight Crime*, November 25, 2016.

²² Alejandro Hope, "Embracing a 'Failed Strategy'?", *Daily Post*, March 10, 2016.

“El Chapo” Guzmán, who was recaptured in January 2016 after escaping from a maximum-security prison in July 2015. High-value targeting has contributed to crime groups splintering and diversifying their illicit activities into kidnapping, alien smuggling, and oil theft.

Figure 4. Estimated Organized Crime-Related Homicides in Mexico



Source: Lantoria Consultores, a Mexican security firm. Graphic prepared by CRS.

Organized crime-related homicides in Mexico declined each year from 2011 to 2014 but increased in 2015 and 2016 (see **Figure 4**).²³ Infighting among crime groups has intensified since the recapture of “El Chapo” Guzmán and the rise of the Jalisco New Generation cartel. Violence is particularly high in Guerrero, where opium poppy cultivation and heroin production has risen in response to U.S. demand.²⁴ A number of southern states also have seen a rise in social protests, some of which have turned violent.

²³ Tristan Clavel, “Over Half of Mexico Homicides Perpetrated by Organized Crime: Report,” *Insight Crime*, October 27, 2016; Kirk Semple, “Mexico Grapples With a Surge in Violence,” *New York Times*, December 13, 2016.

²⁴ Michael Lohmuller, “Report Documents Guerrero's Role as Mexico's Poppy Capital,” *Insight Crime*, April 20, 2016; CRS In Focus IF10400, *Heroin Production in Mexico and U.S. Policy*, by (name redacted) and (name redacted).

In addition, criminal groups, sometimes in collusion with public officials, as well as state actors (military, police, state prosecutors, and migration officials) have continued to commit incidents of serious human rights violations. The vast majority of those abuses have gone unpunished.²⁸ In December 2014, the U.N. Special Rapporteur on Torture published a report asserting that the use of torture by security forces in Mexico is widespread and is primarily employed to gather coerced statements. The attorney general's office (PGR) has secured 15 convictions for torture. The U.N. Committee on Enforced Disappearances has described a "context of generalized disappearances in a large part of Mexican territory, many of which could be described as forced disappearances." The PGR has secured six convictions for enforced disappearances since the mid-1970s.

Incidents such as the forced abduction and killing of 43 students in Iguala, Guerrero, in September 2014 have galvanized protests against impunity in Mexico. On average, fewer than 20% of homicides have been successfully prosecuted, suggesting high levels of impunity.²⁹ Prosecution rates are often even lower for other crimes. Overall, relatively few crimes—perhaps 10%—are reported and, on average, more than 90% of all reported crimes go unpunished.³⁰

In response to criticisms of these incidents, Mexican President Enrique Peña Nieto proposed 10 actions to improve the rule of law in November 2014.³¹ Proposals that have advanced include sending federal troops to Guerrero, establishing special economic zones in that and other poor southern states, launching a national 911 emergency line, and strengthening the national

Extrajudicial Killings, Torture, and Enforced Disappearances

For years, human rights groups and annual U.S. State Department human rights reports have chronicled cases of Mexican security officials' involvement in extrajudicial killings, torture, and enforced disappearances.²⁵

Tlatlaya, State of Mexico. In October 2014, Mexico's National Human Rights Commission (CNDH) issued a report concluding that at least 15 people had been killed execution-style by the Mexican military in Tlatlaya on July 1, 2014. The military originally claimed that the victims were criminals killed in a confrontation. The CNDH also documented claims of the torture of witnesses to the killings by officials from the state of Mexico. The last three soldiers in custody for killing eight people on that day were released in May 2016.²⁶

Iguala, Guerrero. The unresolved case of 43 missing students who disappeared in Iguala, Guerrero, in September 2014—which allegedly involved the local police and authorities—galvanized large protests in Mexico and around the world. Remains sent by the Mexican government to Austria to be examined have been confirmed to match one missing student's DNA. The government's investigation has been widely criticized, and aspects of it have been disproven by a group of experts from the Inter-American Commission on Human Rights (IACHR). The government worked with those experts to reinvestigate the case in 2015-2016 but denied their requests to interview soldiers who were in the area of the incident. The mandate of the experts expired in April 2016; a follow-up mechanism has been established to ensure that the experts' lines of investigation are followed by the PGR.²⁷

²⁵ See U.S. Department of State, *Country Report on Human Rights Practices for 2015: Mexico*, April 2016.

²⁶ Seven state policemen who allegedly tortured three witnesses to the crime remain under investigation. Michael Evans, *Tlatlaya Revealed: Archive Petition Cracks Open Investigative File on Mexican Army Massacre*, National Security Archive, March 6, 2016; E. Eduardo Castillo, "Court Absolves Last 3 Soldiers Charged in Tlatlaya 'Massacre,'" AP, May 14, 2016.

²⁷ "Resource Page: Analysis and Information on Mexico's Ayotzinapa Case," WOLA, November 16, 2016.

²⁸ Inter-American Commission on Human Rights (IACHR), *Situation of Human Rights in Mexico*, December 31, 2015; Open Society Justice Initiative, *Undeniable Atrocities: Confronting Crimes against Humanity in Mexico*, June 2016.

²⁹ Guillermo Zepeda, *Seguridad y Justicia Penal en los Estados: 25 Indicadores de Nuestra Debilidad Institucional*, Mexico Evalua, March 2012.

³⁰ Marguerite Cawley, "Mexico Victims' Survey Highlights Under-Reporting of Crime," *Insight Crime*, October 1, 2014.

³¹ "Estos son los 10 Puntos que Anunció Peña Nieto en Respuesta al Caso Ayotzinapa," *Animal Político*, November 28, 2014.

anticorruption system. Other measures—such as enacting laws against torture and enforced disappearances—have been introduced by President Peña Nieto but have not yet passed the Congress.³²

Additional policy changes, including police reforms, have been broadly debated in civil society and academia but have not been enacted. The federal government continues to support *mando único* (unified command)—a constitutional reform that would *require* states to remove the command of police forces from municipalities and to place it at the state level.³³ This plan aims to reduce police corruption and improve coordination with federal forces. Some experts question the notion that state forces are less corrupt and maintain that this change would not prevent abuses.³⁴ The PAN and PRD prefer other reforms, such as institutional certification for police forces at all levels, the creation of an autonomous police oversight body, and improved benefits for police.³⁵

While President Peña Nieto's proposals focus on confronting corruption at the municipal level, corruption is also a major problem at the state and federal level. Although President Peña Nieto and his wife, as well as former Finance Minister Videgaray, have been cleared of misconduct by a government auditor, allegations of how they benefitted from ties to a firm that has won lucrative government contracts tarnished the government's image.³⁶ The attorney general's inability to prosecute Humberto Moreira, who was arrested in Spain on charges of money-laundering committed when he was governor, has added to popular frustration.³⁷ Seven of the governors leaving office in 2016 have been accused of corruption; five of those are under investigation by the Mexican and/or U.S. governments.³⁸ One of those, Javier Duarte, the former governor of Veracruz, fled the country and was recently detained in Costa Rica.

In July 2016, Mexico's Congress approved secondary legislation to fully implement the national anticorruption system that was created by a constitutional reform in April 2015. Although the final legislation was somewhat altered, it reflected several of the proposals that had been pushed by a broad spectrum of Mexican civil-society groups. The reforms gave the anticorruption system investigative and prosecutorial powers and a civilian board of directors; increased administrative and criminal penalties for corruption by public officials and private companies; and required three declarations (taxes, assets, and conflicts of interest) from public officials and contractors.³⁹ Some analysts praised the reforms as a step forward for efforts aimed at combating official corruption, whereas others cast doubt on the likelihood that they would be implemented effectively.

³² Janet Cacelín, "Los Pendientes de Peña Nieto dos Años Después de su Decálogo Contra la Impunidad en México," *Univisión*, October 3, 2016.

³³ SEGOB, "Press Release: Creación del Mando Único Policial Permitirá Contar con Instituciones Fuertes: Osorio Chong," July 27, 2016.

³⁴ These experts cite the example of the January 2016 Tierra Blanca case, in which five people allegedly were taken by Veracruz state police and handed over to a criminal organization that subsequently killed them, thinking they were a rival criminal group. "Mexico's Tierra Blanca Case Sparks Fear of Second Iguala," *Latin News Daily*, March 2, 2016.

³⁵ "Mexico: Green Light to Police Reform," *Latin American Security & Strategic Review*, February 2016.

³⁶ Alexandra Alper, "Mexico President, Finance Minister Cleared in Ethics Probe," Reuters, August 21, 2015.

³⁷ The Mexican government reportedly assisted Humberto Moreira in gaining release from a Spanish prison. José María Irujo, "Misión: Salvar en Madrid a Humberto Moreira," *El País*, February 22, 2016.

³⁸ Shannon K. O'Neil, "Mexico's Corrupt Governors," *Latin America's Moment (blog)*, Council on Foreign Relations, October 11, 2016.

³⁹ Viridiana Rios, "Mexico Wins: Anti-Corruption Reform Approved," *Forbes*, July 18, 2016.

Foreign Policy

President Peña Nieto has prioritized promoting trade and investment in Mexico as a core goal of his Administration's foreign policy, and he has signaled Mexico's willingness to participate in U.N. peacekeeping efforts, a departure for a country with a history of nonintervention. Peña Nieto has sought to create closer trade ties with Europe, Asia, and the rest of Latin America; these efforts could become more important should Mexican-U.S. trade decline.⁴⁰ He has hosted Chinese Premier Xi Jinping for a state visit to Mexico, visited China twice, and vowed to further bolster ties.⁴¹ His government negotiated and signed the proposed Trans-Pacific Partnership (TPP) trade agreement with other Asia Pacific countries (and the United States and Canada);⁴² prioritized economic integration efforts with the pro-trade Pacific Alliance countries of Chile, Colombia, and Peru;⁴³ and may seek a free-trade agreement (FTA) with the United Kingdom.⁴⁴ Relations with Canada have improved since Prime Minister Justin Trudeau removed a visa requirement for Mexicans visiting that country; both Peña Nieto and Trudeau remain committed to free trade.⁴⁵ Mexico is investing in Central American energy integration projects and supporting the "northern triangle" (Guatemala, El Salvador, and Honduras) governments' "Alliance for Prosperity" proposal to promote development.⁴⁶

Electoral Calendar: 2017-2018

The last major elections before the 2018 presidential contest are scheduled to take place on June 4, 2017. Those elections include gubernatorial contests in the state of Mexico (President Peña Nieto's home state), Nayarit, and Coahuila. If the PAN can win the state of Mexico, it could be in a strong position heading into the 2018 presidential and legislative contests. Those elections are scheduled for July 2018. Although serious campaigning is not permitted to begin until 2018, at this time, potential presidential candidates for the major parties include the following:

- **PRI:** Secretary of the Interior Miguel Ángel Osorio Chong and Eruviel Ávila Villegas (governor of the state of Mexico)
- **PAN:** Margarita Zavala (wife of former President Calderón), Ricardo Anaya (head of the party and a former legislator), and Rafael Moreno Valle (governor of Puebla)
- **PRD:** Miguel Ángel Mancera, mayor of Mexico City

Andres Manuel Lopez Obrador, a populist former Mexico City mayor who ran unsuccessfully for the PRD in 2006 and 2012, has already launched his candidacy for the Morena party.⁴⁷ There also

⁴⁰ Economist Intelligence Unit (EIU), "Mexico Faces Difficult Outlook After Trump Win," November 9, 2016.

⁴¹ Rafael Bernal, "Mexico Seeks Closer Engagement with China," *The Hill*, December 13, 2016.

⁴² See out-of-print CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, coordinated by (name redacted), available upon request.

⁴³ CRS Report R43748, *The Pacific Alliance: A Trade Integration Initiative in Latin America*, by (name redacted).

⁴⁴ EIU, *Country Report: Mexico*, Generated November 22, 2016.

⁴⁵ Alexander Panetta, "Canada, Mexico Unite in Willingness to Talk NAFTA with Trump," *Toronto Star*, November 16, 2016.

⁴⁶ CRS Report R43702, *Unaccompanied Children from Central America: Foreign Policy Considerations*, coordinated by (name redacted).

⁴⁷ "López Obrador Launches Mexican Presidential Bid," *LatinNews Daily*, November 21, 2016.

may be an indigenous candidate, possibly from the Zapatista Army of National Liberation (EZLN), as the 2018 elections will be the first to allow independent candidates.⁴⁸

Economic and Social Conditions⁴⁹

Over the last 25 years, Mexico has transitioned from a closed, state-led economy to an open market economy that has entered into FTAs with at least 47 countries. The transition began in the late 1980s and accelerated after Mexico entered into the North American Free Trade Agreement (NAFTA) with the United States and Canada in 1994. Since NAFTA, Mexico has increasingly become an export-oriented economy, with the value of exports equaling more than 36% of Mexico's gross domestic product (GDP) in 2015, up from 10% of GDP 20 years ago. Mexico remains a U.S. crude oil supplier, but its top exports to the United States are automobiles and auto parts, computer equipment, and other manufactured goods. One report estimates that 40% of the content of those exports contain U.S. value added content.⁵⁰

Despite attempts to diversify its economic ties and build its domestic economy, Mexico remains heavily dependent on the United States as an export market (roughly 80% of Mexico's exports in 2015 were U.S.-bound) and as a source of remittances, tourism revenues, and investment. Due to declines in oil prices and production, remittances have become Mexico's largest source of foreign exchange. Annual remittances increased by 5.1% in 2015 to \$24.8 billion.⁵¹ A weakened peso has helped the tourism industry and some export industries, but weakened foreign direct investment (at a time when public investment also has declined) has hurt overall growth prospects.⁵²

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. However, when the U.S. economy stagnates or contracts, the Mexican economy also tends to contract, often to a greater degree. Sound macroeconomic policies and a strong banking system, backed by a flexible line of credit with the International Monetary Fund (IMF), have helped Mexico weather recent economic downturns, but the IMF has recommended additional steps to deal with potential external shocks.⁵³ Uncertainty about the current prospects for the U.S. economy and about potential changes in U.S. trade policies has weakened growth forecasts for Mexico.⁵⁴ After modest growth in 2015, GDP is expected to grow by 1.9% in 2016 and some 2.0% annually over the coming years.⁵⁵

⁴⁸ On January 1, 1994, armed guerrillas of the Zapatista Army of National Liberation attacked several towns in the state of Chiapas, demanding attention to peasant and indigenous issues. They have largely retreated into self-governing, autonomous communities. "Mexico's Zapatista Rebels to Field a Presidential Candidate," AP, October 15, 2016.

⁴⁹ This draws from CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by (name redacted).

⁵⁰ Robert Koopman, William Powers, and Zhi Wang, et al., *Give Credit Where Credit is Due: Tracing Value Added in Global Production Chains*, National Bureau of Economic Research, Working Paper 16426, Cambridge, MA, September 2010, p. 8.

⁵¹ Dolia Estevez, "Remittances Supersede Oil As Mexico's Main Source Of Foreign Income," *Forbes*, May 16, 2016.

⁵² EIU, *Country Report: Mexico*, Generated November 22, 2016.

⁵³ International Monetary Fund (IMF), *Country Report No. 16/361: Mexico: Financial System Stability Assessment*, November 22, 2016.

⁵⁴ Economist Intelligence Unit (EIU), "Mexico Faces Difficult Outlook After Trump Win," November 9, 2016.

⁵⁵ EIU, *Country Report: Mexico*, Generated December 28, 2016.

Factors Affecting Economic Growth

Over the past 30 years, Mexico has recorded a somewhat low average economic growth rate of 2.6%. Some factors—such as plentiful natural resources, a young labor force, and proximity to markets in the United States—have been counted on to help Mexico’s economy grow faster in the future. Those factors could be bolstered by implementation of some of the reforms described in **Table 1**, assuming external conditions are favorable.

At the same time, continued insecurity and corruption, a relatively weak regulatory framework, and a substandard education system may hinder Mexico’s future industrial competitiveness. Corruption costs Mexico as much as \$53 billion a year (5% of GDP).⁵⁶ A lack of transparency in government spending and procurement has caused waste that has likely discouraged investment.⁵⁷ According to the World Economic Forum’s Global Competitiveness Index for 2016, corruption, crime, and weak institutions are the most problematic barriers for doing business in Mexico.

Another factor affecting the economy is the price of oil. Because oil revenues make up almost one-third of the country’s budget, low oil prices since 2014 have necessitated budget cutbacks. The Mexican government adopted an austere 2016 budget but had to make further cuts mid-year. In April 2016, the finance ministry transferred more than \$4 billion in capital to Pemex, which recorded record losses in 2015 and has struggled to pay its dollar-denominated debts.⁵⁸ The 2017 budget included spending cuts for all ministries, including the ministries of communication and transport, environment and natural resources, and education.⁵⁹

Many analysts predict that Mexico will have to combine efforts to implement its economic reforms with other actions to boost growth. A 2015 report by the Organisation for Economic Co-operation and Development (OECD) suggests that Mexico will need to enact complementary reforms to address issues such as corruption, weak administrative governance, and lack of judicial enforcement to achieve its economic growth potential.⁶⁰ For example, should the new anticorruption system be effective, that system, combined with the reforms, could add more than one percentage point to annual GDP growth.⁶¹

Combating Poverty and Inequality

Mexico has long had relatively high poverty rates for its level of economic development (45.5% in 2012 and 46% in 2014), particularly in rural regions in southern Mexico and among indigenous populations.⁶² Some assert that conditions in indigenous communities have not measurably improved in the 20 years since the Zapatistas launched an uprising for indigenous rights in 1994.⁶³ Traditionally, those employed in subsistence agriculture or small, informal businesses

⁵⁶ Mexican Institute for Competitiveness (IMCO), *Índice de Competitividad Internacional 2015. La Corrupción en México: Transamos y no Avanzamos*, November 2015.

⁵⁷ CIDAC, *El Ajuste Presupuestal: un Síntoma de los Vicios del Gasto Público*, February 23, 2016.

⁵⁸ Elisabeth Malkin, “Can Oil Help Mexico Withstand Trump’s Attacks on Trade? It’s Hard to See How,” *New York Times*, November 27, 2016.

⁵⁹ Dainzú Patiño, “Recorte para 2017 castigará a todas las dependencias,” *El Financiero*, November 13, 2016.

⁶⁰ OECD, *OECD Economic Surveys, Mexico*, January 2015, pp. 4-5.

⁶¹ EIU, *Country Report: Mexico*, Generated November 22, 2016.

⁶² 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>.

⁶³ Tania L. Montalvo, “A 20 Años del EZLN, Indígenas Siguen en la Pobreza,” *Animal Político*, January 2, 2014.

tend to be among the poorest citizens. Many households rely on remittances to pay for food, clothing, health care, and other basic necessities.

Mexico also experiences high income inequality. According to the *2014 Global Wealth Report* published by Credit Suisse, 64% of Mexico's wealth is concentrated in 10% of the population. Mexico is among the 25 most unequal countries in the world included in the Standardized World Income Inequality Database. According to a 2015 report by Oxfam Mexico, this inequality is due in part to the country's regressive tax system, oligopolies that have dominated particular industries, a low minimum wage, and a lack of targeting in some social programs.⁶⁴

Economists have maintained that reducing informality is crucial for addressing income inequality and poverty, while also expanding Mexico's low tax base. The 2013-2014 reforms ought to boost formal-sector employment and productivity, particularly among the small- and medium-sized enterprises (SMEs) that employ some 60% of Mexican workers, mostly in the informal sector. Although productivity in Mexico's large companies (many of which produce internationally traded goods) increased by 5.8% per year between 1999 and 2009, productivity in small businesses fell by 6.5% per year over the same period.⁶⁵ To address that discrepancy, the financial reform aimed to increase access to credit for SMEs and the fiscal reform sought to incentivize SMEs' participation in the formal (tax-paying) economy by offering insurance, retirement savings accounts, and home loans to those that register with the national tax agency.

The Peña Nieto Administration has sought to complement economic reforms with social programs. It expanded access to federal pensions, started a national antihunger program (which benefits 7 million people), and increased funding for the country's conditional cash transfer program.⁶⁶ Peña Nieto renamed that program *Prospera* (Prosperity) and redesigned it to encourage its beneficiaries to engage in productive projects. Despite recent budget austerity, funding for these programs has been largely protected, but some programs have been criticized for a lack of efficacy. For example, the antihunger program has been criticized for failing to empower its beneficiaries to play a part in designing and overseeing the program and for lacking coordination between the various levels of government involved in its efforts.⁶⁷

U.S. Relations and Issues for Congress

U.S.-Mexican relations have remained strong despite periodic tensions. President Obama embraced Peña Nieto's desire to bolster economic ties and focus on issues such as border trade facilitation, clean energy and climate change, and educational exchanges. Those issues figured prominently during the June 2016 North American Leaders Summit hosted by Canadian Prime Minister Justin Trudeau and a July 22, 2016, White House meeting between Presidents Obama and Peña Nieto.⁶⁸ Mexico, Canada, and the United States participated in negotiations for and signed the proposed TPP agreement on February 4, 2016; the future of TPP is uncertain.⁶⁹ Energy

⁶⁴ Gerardo Esquivel Hernandez, *Concentration of Economic and Political Power*, Oxfam Mexico, 2015.

⁶⁵ McKinsey Global Institute, *A Tale of Two Mexicos: Growth and Prosperity in a Two-Speed Economy*, March 2014.

⁶⁶ *Prospera* is Mexico's main antipoverty program. It provides cash transfers to families in poverty that demonstrate that they regularly attend medical appointments and can certify that their children attend school.

⁶⁷ CIDAC, op. cit.; Nayeli Roldán, "La Cruzada Contra el Hambre ha Fallado en sus Objetivos: CONEVAL," *Animal Político*, December 19, 2016.

⁶⁸ The White House, Office of the Press Secretary, "Fact Sheet: United States Key Deliverables for the 2016 North American Leaders' Summit," June 29, 2016; "Fact Sheet: United States-Mexican Relations," July 22, 2016.

⁶⁹ On November 21, 2016, President-elect Donald Trump announced his intent to withdraw from the TPP once in office. Although some countries, including Japan, are in the process of ratifying the agreement, whether they would (continued...)

cooperation has accelerated now that Mexico has opened its energy industry to private investment. U.S.-Mexican rule-of-law cooperation has continued under the Mérida Initiative framework, a security cooperation package for which Congress has provided more than \$2.6 billion since FY2008. Mexico also has stepped up efforts to stop migrants attempting to transit through the country to the United States.

Bilateral relations could be in for some changes due to the results of the recent U.S. presidential and congressional elections. During the campaign, U.S. President-elect Donald J. Trump used rhetoric in favor of renegotiating NAFTA, fortifying the U.S.-Mexican border with physical barriers, and increasing deportations.⁷⁰ To the extent that these parts of his campaign platform become the policy of his Administration and garner support in the U.S. Congress, relations with Mexico could be altered.

President Peña Nieto has congratulated President-elect Trump on his victory and said that he will seek dialogue with the new U.S. Administration based on “optimism, pragmatism, and respect.”⁷¹ At the same time, Mexico’s foreign minister, Claudia Ruiz Massieu, has expressed Mexico’s opposition to “walls,” either real or metaphorical, between the two countries and pledged to defend the rights of Mexicans at home and abroad.⁷² Some analysts predict that President-elect Trump will work collaboratively with Mexico, whereas others expect disputes on trade and migration to occur.⁷³

Security, the Mérida Initiative, and U.S. Assistance⁷⁴

State Department Assistance

U.S.-Mexican cooperation to improve security and the rule of law in Mexico has increased significantly as a result of the development and implementation of the Mérida Initiative, a program developed by the George W. Bush and Felipe Calderón (2006-2012) governments. As proposed, the Mérida Initiative was to provide some \$1.4 billion in assistance to Mexico and Central America, largely in the form of equipment and training for security forces, from FY2008 through FY2010.⁷⁵ Between FY2008 and FY2016, Congress appropriated more than \$2.6 billion

(...continued)

seek to continue the accord without the United States is unclear. CRS In Focus IF10000, *TPP: An Overview*, by (name redacted) and (name redacted) .

⁷⁰ For President-elect Trump’s campaign positions, see <https://www.donaldjtrump.com/positions>. For information on legal authorities regarding border barriers, see CRS Report R43975, *Barriers Along the U.S. Borders: Key Authorities and Requirements*, by (name redacted) .

⁷¹ Mexico, Presidencia, “Diálogo, el Camino para la Nueva Etapa en la Relación de México y Estados Unidos,” November 17, 2016.

⁷² “Mexican Foreign Secretary: ‘No Negotiating’ on the Wall,” *PBS News Hour*, November 20, 2016; Mexico, Foreign Ministry, November 14, 2016.

⁷³ Vanda Felbab-Brown, “The United States and Mexico: Moving Beyond the Election’s Vitriol and Strengthening a Multifaceted Partnership,” Brookings Institution, November 16, 2016; Dave Graham, “Backs Against the Wall: Trump Victory Casts Pall Over Mexico,” Reuters, November 9, 2016.

⁷⁴ CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*, by (name redacted) and (name redacted) .

⁷⁵ The Central American portion of the Mérida Initiative evolved into the Central American Regional Security Initiative (CARSI). See CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by (name redacted) and (name redacted) .

for the Mérida Initiative in Mexico, of which more than \$1.6 billion has been expended (see **Table 2**, below).⁷⁶

As part of the Mérida Initiative's emphasis on *shared responsibility*, the U.S. government pledged to address domestic drug demand and the illicit trafficking of firearms and bulk currency to Mexico. The Mexican government pledged to tackle crime and corruption. Both governments have struggled to fulfill some of those commitments.

As part of the FY2011 budget preparation process, the Obama Administration and Calderón government officials revised the strategy behind the Mérida Initiative. After months of consultations, the governments agreed to broaden the scope of bilateral efforts to include economic development and community-based social programs, a focus on institution building over technology transfers, and assistance for states and municipalities (especially on the U.S.-Mexican border). As announced in March 2010, the Mérida Initiative now has four pillars: (1) disrupting organized criminal groups, (2) institutionalizing the rule of law, (3) creating a 21st-century border, and (4) building strong and resilient communities.

Upon taking office in December 2012, Mexican President Peña Nieto initially sought to scale back U.S. involvement in some law enforcement and intelligence-gathering operations and to perhaps scale back the Mérida Initiative. By May 2013, however, President Peña Nieto was ready to reaffirm Mexico's commitment to the Mérida Initiative's four-pillar strategy during President Obama's trip to Mexico. In August 2013, the two governments agreed to focus on justice-sector reform, money laundering, police and corrections professionalization at the federal and state levels, border security along both of Mexico's borders, and piloting approaches to address root causes of violence. Since then, the governments also have focused on addressing opium production, heroin trafficking, and U.S. heroin demand.

Congressional appropriations for the Mérida Initiative have reflected this shift in priorities. From FY2011 onward, the amount of Foreign Military Financing (FMF) provided to Mexico declined; it is no longer considered part of the Mérida Initiative. Funding for pillar two—institutionalizing the rule of law—has exceeded assistance for all other pillars.

The 114th Congress has held hearings examining how the Mérida Initiative and related Department of Defense (DOD) assistance have been used, including the extent to which this assistance has prioritized heroin interdiction and strengthening immigration enforcement in Mexico.⁷⁷ It has been difficult for Congress to ascertain the success or failure of the Mérida Initiative due to the lack of publicly available data on its impact. In the absence of publicly available performance measures, the State Department has pointed to a number of developments as indications of the Mérida Initiative's success, including

- cooperation among law enforcement and intelligence officials that has led to the capture of top criminal leaders, including “El Chapo” Guzmán (set to be extradited in 2017);
- increased extraditions from Mexico (see Figure 5);
- Mexico's transition to an accusatorial justice system with oral trials in June 2016;

⁷⁶ U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs (INL), “Mérida Status Update for CRS,” November 2016.

⁷⁷ See, for example, U.S. Congress, Senate Caucus on International Narcotics Control, *Drug Trafficking Across the Southwest Border and Oversight of U.S. Counterdrug Assistance to Mexico*, 114th Cong., 1st sess., November 17, 2015.

- improvements in infrastructure and policies that helped more than 40 Mexican correctional facilities achieve international accreditation; and,
- the Mexican government's apprehension of more than 150,000 Central American migrants in FY2015 and FY2016 (according to SEGOB figures).

Despite these achievements, Mexico continues to face considerable security challenges. The Peña Nieto government has been criticized for its security policy failures, particularly the escape of “El Chapo” Guzmán from a prison that had been internationally accredited.⁷⁸ Mexico's human rights record has been widely criticized, as has the continued corruption and impunity in its justice system. As previously discussed, Mexico's attorney general's office has failed to solve emblematic cases, even with support from international experts.

Congress is likely to face decisions about FY2017 funding for the Mérida Initiative, as well as FY2018 funding. President Obama's FY2017 budget request included \$129 million for the Mérida Initiative. The House Appropriations Committee's version of the FY2017 foreign operations measure, H.R. 5912, would provide \$157.5 million for Mexico, some \$24 million above the request. The Senate Appropriations Committee's version, S. 3117, would fully fund the request, with \$3 million in FMF subject to withholding requirements. The 114th Congress did not complete action on FY2017 appropriations, but in December 2016 it approved a continuing resolution (P.L. 114-254) providing foreign aid funding through April 28, 2017, at the FY2016 level, minus an across-the-board reduction of almost 0.2%.

Department of Defense Assistance

In contrast to Plan Colombia, DOD did not play a primary role in designing the Mérida Initiative and is not providing assistance through Mérida accounts. However, DOD oversaw the procurement and delivery of equipment provided through the FMF account. Despite DOD's limited role in the Mérida Initiative, bilateral military cooperation has been increasing. DOD assistance aims to support Mexico's efforts to improve security in high-crime areas, track and capture suspects, strengthen border security, and disrupt illicit flows.

A variety of funding streams support DOD training and equipment programs. Some DOD equipment programs are funded by annual State Department appropriations for FMF, which totaled \$7.0 million in FY2016. For their part, International Military Education and Training (IMET) funds, which totaled \$1.5 million in FY2016, support training programs for the Mexican military, including courses provided in the United States.

Apart from State Department funding, DOD provides additional training, equipping, and other support through its Drug Interdiction and Counterdrug Activities account, which complements the Mérida Initiative. DOD funding is not subject to the same human rights withholding provisions as State Department appropriations, but individuals and units receiving DOD support are vetted for potential human rights issues in compliance with the Leahy Law. DOD programs in Mexico are overseen by U.S. Northern Command, which is located at Peterson Air Force Base in Colorado. DOD support to Mexico totaled approximately \$64.2 million in FY2016.

Policymakers may want to receive periodic briefings on DOD efforts to guarantee that DOD programs are being adequately coordinated with Mérida Initiative efforts, complying with U.S. vetting requirements, and not reinforcing the militarization of public security in Mexico.

⁷⁸ Dolia Estevez, “Five Facts That Suggest Drug Kingpin El Chapo Guzmán Was Let Out Of Prison,” *Forbes*, July 22, 2015.

Table 2. Estimated Mérida Initiative Funding: FY2008-FY2017 (Request)

(in millions of current U.S. dollars)

Account	FY2008 ^a	FY2009 ^a	FY2010 ^a	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	Totals	FY2017 Request
ESF	20.0	15.0	9.0	18.0	33.3	32.1	35.0	33.6	39.0	235.0	49.0
INCLE	263.5	406.0	365.0	117.0	248.5	190.1	143.1	110.0	100.0	1,943.2	80.0
FMF	116.5	39.0	265.2	8.0	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	428.7	Not Applicable
Total	378.5	414.0	558.2	143.0	281.8	227.2	194.2	143.6	139.0	2,606.9	\$129.0

Source: U.S. Agency for International Development (USAID) budget office, November 3, 2016; U.S. Department of State, November 18, 2016. U.S. Department of State, *Congressional Budget Justifications for Foreign Operations: FY2010-FY2013*.

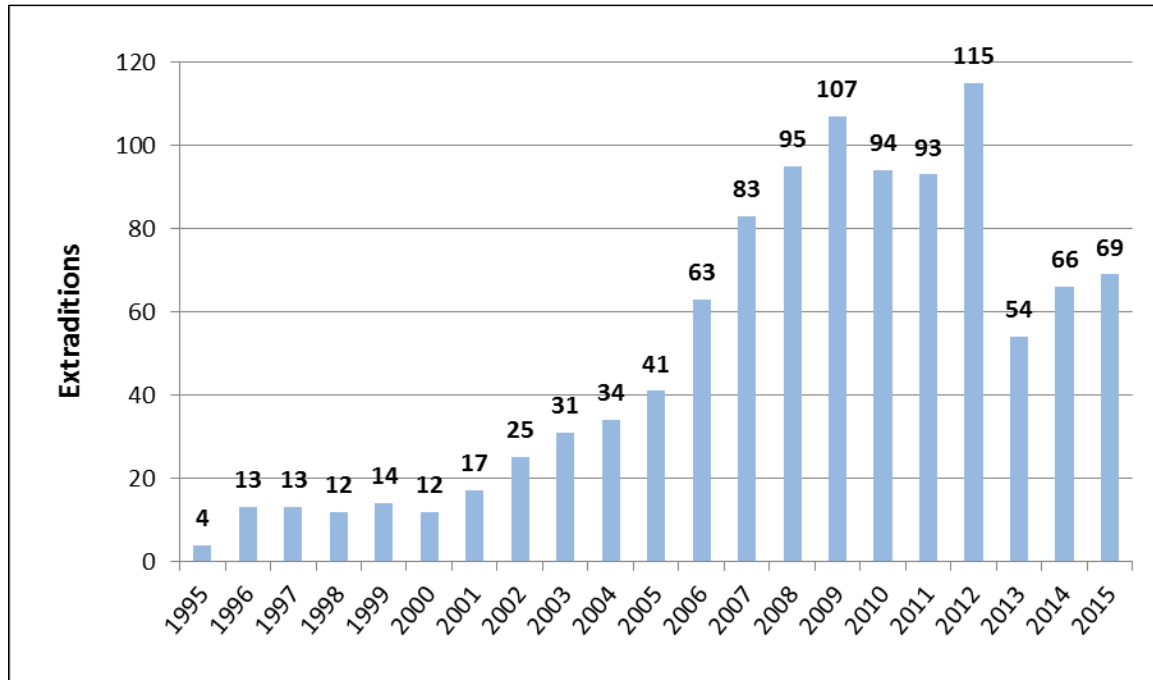
Notes: ESF = Economic Support Fund; INCLE = International Narcotics Control and Law Enforcement; FMF=Foreign Military Financing. ESF figures in this table include only those amounts that USAID dedicated to Mérida Initiative programs.

a. These fiscal years included supplemental appropriations.

Extraditions

Some U.S. policymakers are hoping that “El Chapo” Guzmán’s July 2015 prison escape has definitively changed the Peña Nieto government’s position on extraditions. Under the Calderón government, Mexico extradited more than 100 individuals per year to the United States, on average. When President Peña Nieto took office, extraditions fell to 54 in 2013 but have since risen to 69 in 2015 (see **Figure 5**, below).

Figure 5. Extraditions from Mexico to the United States: 1995-2015



Sources: U.S. Department of Justice and U.S. Department of State.

Although Mexico resisted pressure to extradite Guzmán to the United States (where he faces multiple charges) following his capture in 2014, the Mexican government has demonstrated more willingness to approve U.S. extradition requests in the past year. Mexico extradited 13 top drug traffickers to the United States in September 2015 and quickly initiated procedures to extradite Guzmán following his January 8, 2016, recapture. He may be extradited in 2017.⁷⁹

Congress may increase pressure on the Department of Justice and the State Department to push harder for extraditions in the future due to concerns about the security of Mexico’s prisons and general corruption in its criminal justice system.

Human Rights⁸⁰

The U.S. Congress has expressed ongoing concerns about human rights conditions in Mexico. Congress has continued to monitor adherence to the Leahy vetting requirements that must be met

⁷⁹ Christopher Woody, “Mexico Says it Wants to Rid Itself of Cartel Kingpin ‘El Chapo’ Guzmán by the Start of 2017,” *Business Insider*, October 14, 2016.

⁸⁰ See CRS Report R43001, *Supporting Criminal Justice System Reform in Mexico: The U.S. Role*, by (name redacted) , and CRS In Focus IF10160, *The Rule of Law in Mexico and the Mérida Initiative*, by (name redacted) .

under the Foreign Assistance Act (FAA) of 1961, as amended (22 U.S.C. 2378d), which pertains to State Department aid, and 10 U.S.C. 2249e, which guides DOD funding. DOD reportedly suspended assistance to a brigade based in Tlatlaya, Mexico, due to concerns about the brigade's potential involvement in the extrajudicial killings previously described.⁸¹ From FY2008 to FY2015, Congress made conditional 15% of U.S. assistance to the Mexican military and police until the State Department sent a report to appropriators verifying that Mexico was taking steps to comply with certain human rights standards. In FY2014, Mexico lost \$5.5 million in funding due to human rights concerns.⁸² For FY2016, human rights reporting requirements pertained to FMF rather than to Mérida Initiative accounts.

U.S. assistance to Mexico has increasingly focused on supporting the Mexican government's efforts to reform its often corrupt and inefficient judicial system and to improve human rights conditions in the country. Congress has provided funding to support Mexico's transition from an inquisitorial justice system to an oral, adversarial, and accusatory system that aims to strengthen human rights protections for victims and the accused. The U.S. Agency for International Development (USAID) has some \$35 million in human rights programming that is part of the Mérida Initiative and planned to run through 2018, including training for self-protection and digital security for journalists and a national campaign against torture.

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. They also welcomed the historic April 2014 approval of reforms to the military code of justice requiring cases of military abuses against civilians to be tried in civilian courts. However, even before the high-profile incidents in Tlatlaya and Iguala, some criticized the government's lack of concrete efforts to promote and protect human rights.⁸³

More recently, the Peña Nieto government has been faulted for failing to advance police reforms and for not investigating and punishing serious human rights abuses committed by government officials. Observers are particularly concerned about cases of torture, extrajudicial killings, and enforced disappearances. Some urge the U.S. government to stop funding Mexico's military-led approach to public security.⁸⁴ Others recommend increasing U.S. support for judicial and police reform (particularly accountability and anticorruption programs) under pillar two of the Mérida Initiative.⁸⁵ Many others recommend working with nongovernmental organizations to strengthen communities' abilities to exert oversight over the police and to report human rights abuses under pillar four of the Mérida Initiative. Human rights groups generally welcomed the State Department's decision not to submit a report on human rights progress in Mexico for FY2014 but questioned its decision to submit a report for FY2015.⁸⁶

⁸¹ Michael Evans, *US: Mexico Mass Graves Raise "Alarming Questions" About Government "Complicity" in September 2014 Cartel Killings*, NSA Archive Electronic Briefing Book No. 515, May 2015.

⁸² As a result of the State Department's decision not to submit a report for Mexico, some \$5 million in FY2014 International Narcotics Control and Law Enforcement (INCLE) assistance was reprogrammed by the State Department to Peru. Mexico lost close to \$500,000 in Foreign Military Financing (FMF), as well.

⁸³ José Miguel Vivanco, *Mexico: President's Disappointing First Year on Human Rights*, Human Rights Watch, November 26, 2013.

⁸⁴ Christy Thornton, "Stop Arms Sales to Pressure Mexico," *New York Times*, December 2, 2014.

⁸⁵ Maureen Meyer and Jenny Johnson, *The Disappearance of 43 Mexican Students: WOLA & LAWG Analysis*, Washington Office on Latin America and Latin America Working Group, December 4, 2014.

⁸⁶ *New York Times Editorial Board*, "2 Years After Mexican Students Vanished," October 6, 2016.

The U.S. Congress may choose to augment Mérida Initiative funding for human rights programs, such as ongoing training programs for military and police, or to create new efforts to support human rights organizations. Human rights conditions in Mexico, as well as compliance with conditions included in the FY2016 Consolidated Appropriations Act (P.L. 114-113), are likely to be closely monitored. Some Members of Congress have written letters to U.S. and Mexican officials regarding human rights concerns, including emblematic cases and concerns about abuses of Central American migrants transiting Mexico, and may continue to do so.

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 implemented are bolstering human rights protections.

Economic and Trade Relations⁸⁷

The United States and Mexico have a strong economic and trade relationship that has been bolstered over the past 20 years through NAFTA. Since 1994, NAFTA has removed virtually all tariff and nontariff trade and investment barriers among partner countries and provided a rules-based mechanism to govern North American trade. Most economic studies show that the net economic effect of NAFTA on the United States and Mexico has been small but positive, though there have been adjustment costs to some sectors in both countries. Further complicating assessments of NAFTA's benefits, not all trade-related job gains and losses since NAFTA can be entirely attributed to the agreement. Numerous other factors have affected trade trends, such as Mexico's trade-liberalization efforts, economic conditions, and currency fluctuations.

Nevertheless, U.S.-Mexican trade has increased rapidly since NAFTA. The United States is Mexico's leading partner in merchandise trade, and Mexico is the United States' third-largest trade partner, after China and Canada. Mexico ranks second among U.S. export markets, after Canada, and is the third-leading supplier of U.S. imports. Total trade (exports plus imports) amounted to \$531.1 billion in 2015. Much of the bilateral trade between the United States and Mexico occurs in the context of supply chains, as manufacturers in each country work together to create goods. The expansion of trade has resulted in the creation of vertical supply relationships, especially along the U.S.-Mexican border. The flow of intermediate inputs produced in the United States and exported to Mexico and the return flow of finished products greatly increased the importance of the U.S.-Mexican border region as a production site.

Foreign direct investment (FDI) is also an integral part of the bilateral economic relationship. The stock of U.S. FDI in Mexico increased from \$17.0 billion in 1994 to \$92.8 billion in 2015. Mexican FDI in the United States is much lower than U.S. investment in Mexico but also has increased in recent years. In 2015, Mexican FDI in the United States totaled \$16.6 billion.

The Obama Administration has engaged in bilateral efforts, both with Canada and with Mexico, to increase North American regulatory cooperation, maintain border security while facilitating legitimate trade and travel, promote economic competitiveness, and pursue energy integration. The aforementioned U.S.-Mexican High-Level Economic Dialogue, launched on September 20, 2013, is a bilateral initiative to advance economic and commercial priorities through annual meetings at the Cabinet level. These meetings also include leaders from the public and private

⁸⁷ This section draws from CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by (name redacted). See also CRS In Focus IF10047, *North American Free Trade Agreement (NAFTA)*, by (name redacted), and CRS Report R42965, *The North American Free Trade Agreement (NAFTA)*, by (name redacted) and (name redacted).

sectors. After the January 2015 High-Level Economic Dialogue meeting, both governments pledged their support for a \$3 billion capital increase over five years for the North American Development Bank (NADB). Any capital increase for the NADB would have to be approved by both the U.S. and Mexican Congresses to take effect.⁸⁸

Other bilateral efforts with Mexico include the High-Level Regulatory Cooperation Council launched in February 2012 to help align regulatory principles. In addition, the two countries have a bilateral initiative for improving border management under the Declaration Concerning Twenty-First Center Border Management, which is part of pillar three of the Mérida Initiative.

Mexico, Canada, and the United States participated in negotiations for the Trans-Pacific Partnership agreement (TPP), a proposed free-trade agreement with nine other Asia-Pacific countries that was signed on February 4, 2016.⁸⁹ The agreement must be ratified by at least six countries to take effect. President-elect Trump has stated his intention to withdraw from the TPP.⁹⁰ However, if the TPP were to be considered by Congress at a future date, the agreement would alter some of the rules that have governed North American trade since NAFTA entered into force. Changes would impact intellectual property rights protection, investment, services, rules of origin, government procurement, workers' rights, and the environment.

Despite positive advances on many aspects of bilateral and trilateral economic relations, trade disputes continue to cause tension in some areas. Over the years, the United States and Mexico have had several trade disputes under NAFTA or the World Trade Organization. Disputes on trucking, sugar, tomatoes, and meat labeling requirements have been largely resolved.⁹¹

More recently, debates have arisen within Congress and the public about the extent to which trade agreements such as NAFTA have contributed to U.S. job losses and the increase in the U.S. trade deficit with Mexico.⁹² Some argue that NAFTA could be revised by renegotiating certain chapters, possibly to include some of the updated standards that were agreed on during the TPP negotiations.⁹³ Others support exploring a possible U.S. withdrawal from NAFTA, despite the potential economic ramifications.⁹⁴

⁸⁸The North American Development Bank (NADB) is a binational financial institution created under the auspices of NAFTA in 1994 and capitalized by Mexico and the United States. The NADB provides loans and grants to public and private entities for environmental and infrastructure projects on both sides of the U.S.-Mexican border. Mexico has already allocated funds for the capital increase. For FY2017, the Administration again requested authorization for U.S. participation in the NADB capital increase, as well as funds for the second installment of the U.S. portion. The Senate Appropriations Committee's version of the FY2017 State and Foreign Operations appropriations bill (S. 3117) includes the authorization language, \$45 million for paid-in capital, and \$255 million for callable capital. The House Appropriations Committee's version (H.R. 5912) includes \$10 million for paid-in capital and \$255 million for callable capital but does not include the authorization language. In March 2016, stand-alone legislation was introduced in the House to authorize participation in the NADB capital increase (H.R. 4834). See CRS In Focus IF10480, *The North American Development Bank*, by (name redacted) and (name redacted) .

⁸⁹ CRS In Focus IF10000, *TPP: An Overview*, by (name redacted) and (name redacted) .

⁹⁰ See <https://www.donaldjtrump.com/policies/trade/>.

⁹¹ CRS In Focus IF10034, *New Era Dawns in U.S.-Mexico Sugar Trade*, by (name redacted) ; CRS Report RS22955, *Country-of-Origin Labeling for Foods and the WTO Trade Dispute on Meat Labeling*, by (name redacted)

⁹² CRS Report R42965, *The North American Free Trade Agreement (NAFTA)*, by (name redacted) and (name redacted) .

⁹³ "William Mauldin and David Luhnow, "Donald Trump Poised to Pressure Mexico on Trade," *Wall Street Journal*, November 21, 2016; Alexander Panetta, "Canada, Mexico Unite in Willingness to Talk NAFTA with Trump," *Toronto Star*, November 16, 2016.

⁹⁴ Tal Kopan, "Trump Transition Memo: Trade Reform Begins Day 1," *CNN*, November 22, 2016. See CRS Report R44630, *U.S. Withdrawal from Free Trade Agreements: Frequently Asked Legal Questions*, by (name redacted) .

Congress is likely to continue monitoring how the United States, Mexico, and Canada might work bilaterally and trilaterally to advance North American industrial competitiveness and resolve trade disputes. In addition, Congress may face broader questions about the proper approach to the U.S. trade relationship with Mexico and Canada.

Migration and Border Issues

Mexican-U.S. Immigration Issues

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 both the largest source of migrants in the United States and a continental neighbor means that U.S. migration policies—including stepped-up border and interior enforcement—have primarily affected Mexicans.⁹⁵ Due to a number of factors, more Mexicans have been leaving the United States than arriving,⁹⁶ and apprehensions are at 40-year lows.⁹⁷ Nevertheless, protecting the rights of Mexicans living in the United States, including those who are unauthorized, remains a top concern of the Mexican government.⁹⁸

Since the mid-2000s, successive Mexican governments have supported efforts to enact immigration reform in the United States, while being careful not to appear to be infringing upon U.S. authority to make and enforce immigration laws.⁹⁹ Mexico has aggressively combated transmigration by unauthorized migrants and worked with U.S. law enforcement to combat alien smuggling and human trafficking. In FY2015, the most recent year available, the Obama Administration removed (deported) some 146,132 Mexicans.¹⁰⁰

In recent years, progress has been made in addressing some of Mexico's concerns about U.S. removal policies, including nighttime deportations, and use-of-force issues by U.S. Border Patrol through bilateral migration talks and new letters of agreement.¹⁰¹ Nevertheless, the potential for increased, possibly large-scale removals (deportations) is now a primary concern of the Mexican government.¹⁰² Mexico's consular network in the United States has bolstered the services offered to Mexicans in the United States, including access to identity documents and legal counsel.¹⁰³ It

⁹⁵ Mexicans are by far the largest group of immigrants in the United States, accounting for about 11.3 million people in 2014, or 27.7% of the U.S. foreign born population. Anna Brown and Renee Stepler, *Statistical Portrait of the Foreign-Born Population in the United States*, Pew Research Center, April 19, 2016.

⁹⁶ Although Mexicans still comprise roughly 49% of the U.S. unauthorized population, the number of unauthorized Mexicans living in the United States declined from roughly 6.9 million in 2007 to an estimated 5.6 million in 2014. Ana Gonzalez-Barrera, *More Mexicans Leaving Than Coming to the U.S.*, Pew Research Center, November 19, 2015.

⁹⁷ For more information, see CRS Report R42988, *U.S. Immigration Policy: Chart Book of Key Trends*, by (name redacted).

⁹⁸ "Mexican Foreign Secretary: 'No Negotiating' on the Wall," *PBS News Hour*, November 20, 2016; Mexico, Foreign Ministry, November 14, 2016.

⁹⁹ For recent legislation, see CRS Report R44230, *Immigration Legislation and Issues in the 114th Congress*, coordinated by (name redacted).

¹⁰⁰ Information provided by the Department of Homeland Security (DHS), Immigration and Customs Enforcement, Office of Enforcement and Removal.

¹⁰¹ Maureen Meyer, et. al., *Not a National Security Crisis: the U.S.-Mexican Border and Humanitarian Concerns, Seen from El Paso*, WOLA, October 27, 2016. For more information on U.S. removal policies, see CRS Report R43892, *Alien Removals and Returns: Overview and Trends*, by (name redacted).

¹⁰² "Mexico: Bracing for Deportations," *Latin American Weekly Report*, November 17, 2016.

¹⁰³ "Mexican Gov't Offers Support for Immigrants in the US," *LatinNews Daily*, November 17, 2016.

also has launched a 24-hour hotline and mobile consultants to provide support, both practical and psychological, to those who may have experienced abuse or be facing removal.

Dealing with Central American Migration, Including Unaccompanied Children¹⁰⁴

In FY2014, the number of Central Americans apprehended on the southwestern border exceeded the number of Mexicans apprehended for the first time.¹⁰⁵ Among those apprehended, U.S. authorities encountered approximately 52,000 unaccompanied minors from the northern triangle countries (El Salvador, Guatemala, and Honduras), a more than 1,200% increase compared to FY2011. This unexpected surge of children strained U.S. government resources and created a complex crisis with humanitarian implications. It resulted in U.S. domestic policy changes, a new strategy for engagement with Central America, and increased support for the Mexican government's efforts to bolster its immigration enforcement.¹⁰⁶

Mexico's Southern Border Plan, announced in July 2014, includes increased security at 12 ports of entry into Guatemala and Belize and increased immigration enforcement along known migration routes, including northbound trains and bus stations. Mexico's National Institute of Migration (INM) has created more than 100 mobile highway checkpoints and increased the number of cases it refers to prosecutors for crimes against migrants. Implementation of the Southern Border Plan has coincided with a sharp increase in apprehensions and deportations of Central Americans by Mexico. In FY2015, Mexico apprehended nearly 167,000 migrants from the northern triangle countries, up from 102,000 in FY2014. Mexico's apprehensions from those countries decreased to just under 151,900 in FY2016. Mexico also apprehended record numbers of Africans, Asians, and Haitians between January and September 2016.¹⁰⁷

Since FY2012, the State Department has allocated \$117 million of Mérida Initiative assistance for border security in Mexico, more than half of which is intended to support southern border efforts. As of November 2016, the State Department had delivered \$24 million of assistance for Mexico's southern border region, mostly in the form of nonintrusive inspection equipment, mobile kiosks, canine teams, and training in immigration enforcement. Additionally, two new projects are getting under way to support a national, automated biometrics system and to develop a secure communications network for Mexican agencies, beginning in the southern border region.¹⁰⁸ The two countries also work together closely to ensure that immigrants arriving from Africa, Asia, and the Middle East are screened for potential terrorist linkages.¹⁰⁹

Human rights advocates have voiced concerns regarding Mexico's Southern Border Plan, asserting that the plan has led migrants to take more dangerous routes that expose them to new

¹⁰⁴ CRS In Focus IF10215, *Mexico's Recent Immigration Enforcement Efforts*, by (name redacted) .

¹⁰⁵ U.S. Customs and Border Protection, "United States Border Patrol Southwest Family Unit Subject and Unaccompanied Alien Child Apprehensions Fiscal Year 2017," at <https://www.cbp.gov/newsroom/stats/southwest-border-unaccompanied-children/fy-2017>. For more information, see CRS Report R43599, *Unaccompanied Alien Children: An Overview*, by (name redacted) .

¹⁰⁶ CRS Report R43702, *Unaccompanied Children from Central America: Foreign Policy Considerations*, coordinated by (name redacted)

¹⁰⁷ "Mexico Sees Surge of Migrants from Haiti, Africa, and Asia," AP, September 26, 2016.

¹⁰⁸ INL, "Mérida Status Update for CRS," November 2016.

¹⁰⁹ Eleanor Dearman, "Risk of Terrorists Crossing U.S. border into Texas is Real—but Low," *Texas Tribune*, December 1, 2016.

vulnerabilities and hinder their access to shelters and humanitarian assistance.¹¹⁰ In 2015, complaints of human rights violations by Mexican migration agents to the National Human Rights Commission increased 53% as compared to the previous year. Migrants' rights proponents also maintain that Mexico has not sufficiently increased its capacity to screen apprehended migrants for protection concerns.¹¹¹ The U.S. and Mexican governments have agreed to develop a training program for INM to begin in early 2017 aimed at improving INM's capacity to identify and interview vulnerable populations.¹¹²

Modernizing the U.S.-Mexican Border

Since the terrorist attacks of September 11, 2001, there have been significant delays and unpredictable wait times at the U.S.-Mexican border.¹¹³ Concerns about those delays have increased in recent years as the majority of U.S.-Mexican trade is passing through a port of entry along the southwestern border, often more than once, as manufacturing processes between the two countries have become deeply integrated. Due to bilateral efforts discussed below, reductions in wait times at some points of entry have been achieved, yet infrastructure and staffing issues remain on both the U.S. and Mexican sides of the border.¹¹⁴

On May 19, 2010, the United States and Mexico declared their intent to collaborate on enhancing the U.S.-Mexican border as part of pillar three of the Mérida Initiative.¹¹⁵ A Twenty-First Century Border Bilateral Executive Steering Committee (ESC) has met annually since then to develop binational action plans and oversee implementation of those plans. The plans are focused on setting measurable goals within broad objectives: coordinating infrastructure development, expanding trusted traveler and shipment programs, establishing pilot projects for cargo preclearance, improving cross-border commerce and ties, and bolstering information sharing among law enforcement agencies. In 2015, the two governments opened the first railway bridge in 100 years at Brownsville-Matamoros and launched two cargo pre-inspection test locations where U.S. and Mexican customs officials are working together.¹¹⁶ A Mexican law allowing U.S. customs personnel to be armed in Mexico has hastened these bilateral efforts.

¹¹⁰ Adam Isacson, Maureen Meyer, and Hannah Smith, *Increased Enforcement at Mexico's Southern Border: An Update on Security, Migration, and U.S. Assistance*, WOLA, November 2015.

¹¹¹ *Ibid.*

¹¹² The White House, Office of the Press Secretary, "Fact Sheet: United States-Mexican Relations," July 22, 2016.

¹¹³ Christopher E. Wilson, Erik Lee, et al., *The State of the Border Report: a Comprehensive Analysis of the U.S.-Mexico Border*, Woodrow Wilson Center, COLEF, and North American Center for Transborder Studies, May 2013.

¹¹⁴ CRS Report R43356, *Border Security: Immigration Inspections at Ports of Entry*, by (name redacted), and CRS Report R43014, *U.S. Customs and Border Protection: Trade Facilitation, Enforcement, and Security*, by (name redacted) and (name redacted)

¹¹⁵ White House, "Declaration by the Government of the United States of America and the Government of the United Mexican States Concerning Twenty-First Century Border Management," press release, May 19, 2010. As mentioned, U.S.-Mexican security cooperation along the border did not begin with the Mérida Initiative.

¹¹⁶ The White House, Office of the Vice President, "Joint Statement: 2016 U.S.-Mexico HLED," February 25, 2016.

Figure 6. U.S.-Mexican Border

Source: U.S. Department of State data. CRS graphics.

Note: San Ysidro is one of the crossings near San Diego and Tijuana.

As Congress carries out its oversight function on U.S.-Mexican migration and border issues, questions that may arise include the following: 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 Central American migration through its territory? What is the current level of bilateral cooperation on border security and immigration and border matters, and how might that cooperation be improved? How well are the U.S. and Mexican governments balancing security and trade concerns along the U.S.-Mexican border?

Energy¹¹⁷

The future of oil and natural gas production in Mexico is important for Mexico's economic growth, as well as for the U.S. energy sector. As previously mentioned, Mexico's state oil company, *Petroleos Mexicanos* (Pemex), has struggled to counter declining oil production and been forced to postpone investments due to fiscal challenges that have been exacerbated by low oil prices.¹¹⁸ Mexico has significantly increased natural gas imports from the United States due to its inability to meet rising domestic demand for gas. According to the U.S. Department of Energy, Mexico's demand could more than double by 2020, as long as cross-border pipelines continue to be built and energy trade is allowed to continue unimpeded.¹¹⁹

Mexico's energy reforms were designed to transform Pemex into a "productive state enterprise" with more autonomy and lower taxes that is subject to competition with private investors. The reforms created different types of contracts for private companies interested in investing in

¹¹⁷ For background on Mexico's energy reforms, see CRS Report R43313, *Mexico's Oil and Gas Sector: Background, Reform Efforts, and Implications for the United States*, coordinated by (name redacted).

¹¹⁸ Duncan Wood, "What's Next for Pemex?" *Forbes*, February 9, 2016; Elisabeth Malkin, "Can Oil Help Mexico Withstand Trump's Attacks on Trade? It's Hard to See How," *New York Times*, November 27, 2016.

¹¹⁹ James Osborne, "Mexico's thirst for U.S. gas on the line; Uncertainty hits market in wake of election," *Houston Chronicle*, November 25, 2016.

Mexico, including production sharing and licensing; allowed companies to book reserves for accounting purposes; established a sovereign wealth fund; and created new regulatory agencies.

Most analysts maintain that the reforms were generally well designed but that the way they are implemented—and the price of oil—will determine their impact. With global oil prices much lower than they were in 2014, many companies have cut their capital investment budgets. Should oil prices remain at current levels, shale resources and other unconventional fields may not be feasible to develop.

On July 15, 2015, Mexico’s Energy Ministry announced the bidding results for the first round of public bidding for shallow-water offshore exploratory blocks. The results were deemed disappointing by energy analysts: only two of the 14 available blocks were awarded.¹²⁰ The government then altered the terms offered, including the amount of investment required by companies and its share of the profits, to attract more interest. Subsequent bidding rounds held in 2015 proved more successful and earned praise for the transparent way in which they were conducted.¹²¹ Mexico just auctioned off 44 blocks of deepwater resources; several major international oil companies won bids.¹²²

The reforms also opened Mexico’s electricity sector to private generators.¹²³ U.S. companies are increasingly moving into Mexico’s electricity market; some participated in Mexico’s first electricity auction, held in March 2016.¹²⁴ If power-sector reforms reduce Mexico’s electricity costs, then Mexico’s manufacturing sector, which is highly integrated with U.S. industry, should become more competitive. Additionally, much of the U.S. natural gas exports to Mexico, mentioned previously, are for use in electric power generation.

In terms of energy trade, enactment of P.L. 114-113 allows U.S. crude oil to be marketed and sold to international buyers by repealing Section 103 of the Energy Policy and Conservation Act of 1975 (EPCA; P.L. 94-163).¹²⁵ By removing crude oil export restrictions, U.S. oil exports to Mexico can occur more efficiently. Shippers and buyers will not need to arrange an oil-for-oil exchange, nor will they have to apply with the U.S. Department of Commerce for approval. Instead of having to arrange an exchange transaction with counterparty, exporters from the United States can sell and export crude oil to Mexico without restriction.

Opportunities may exist for greater U.S.-Mexican energy cooperation in the hydrocarbons sector. The first leases already have been awarded in the Gulf of Mexico under the U.S.-Mexico Transboundary Agreement, which was approved by Congress in December 2013 (H.J.Res. 59/P.L. 113-67).¹²⁶ Bilateral efforts to ensure that hydrocarbon resources are developed without unduly damaging the environment could expand, possibly through collaboration between Mexican entities and U.S. federal or state regulatory entities. In terms of capacity building, the University of Texas system has expanded educational exchanges and training opportunities for Mexicans

¹²⁰ “First Phase of Mexico’s ‘Round 1’ Oil Concessions Disappoints,” *Latin News Daily*, July 16, 2015.

¹²¹ “Mexican Oilfield Auction Thrives Despite Low Prices,” *Financial Times*, December 15, 2015.

¹²² Benjamin Russell, “Mexico’s Energy Opening Looks Like a Success. Will It Last?” *Americas Quarterly*, December 6, 2016.

¹²³ Lisa Viscidi and Paul Shortell, *A Brighter Future for Mexico: The Promise and Challenge of Electricity Reform*, Inter-American Dialogue, June 2014, at http://archive.thedialogue.org/uploads/IAD9603_MexicanEnergyFINAL.pdf.

¹²⁴ Harry L. Webber, “Cash-hungry U.S. Power Producers Lured by Mexico Energy Reforms,” *Dallas Morning News*, March 23, 2016.

¹²⁵ CRS Report R44403, *Crude Oil Exports and Related Provisions in P.L. 114-113: In Brief*, by (name redacted), (name redacted), and (name redacted).

¹²⁶ “BOEM Awards Leases in US-Mexico Transboundary Area to ExxonMobil,” *Oil & Gas Journal*, May 30, 2014.

working in the petroleum sector. The United States and Mexico also are working together to provide natural gas resources to help reduce energy costs in Central America and connect Mexico to the Central American electricity grid. Analysts have urged the United States to offer more technical assistance to Mexico—particularly in deepwater and shale exploration—and to ensure that new cross-border pipelines are approved expeditiously.¹²⁷

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 deepwater drilling; and the fairness of the terms Mexico offers to private companies interested in investing in its hydrocarbons industry. Policymakers also are likely to follow the effects of security conditions in Mexico, on the one hand, and global energy prices, on the other, both of which affect the attractiveness of Mexico’s energy sector.

Water Sharing¹²⁸

Management of shared water resources is significant for U.S. and Mexican interests in the border region, and it is a contributing factor to the level of cooperation or tension between the two countries. Multiple rivers cross or form the U.S.-Mexican 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, and the Rio Grande, which forms the U.S.-Mexican border in Texas. The sharing of these rivers is covered by long-standing international agreements. Starting in 1906, agreements emerged to allocate the Rio Grande’s water between the two countries.

In 1944, the two countries entered into a surface water treaty related to multiple rivers in the border region.¹²⁹ The 1944 treaty reconfigured an existing entity into the International Boundary and Water Commission (IBWC),¹³⁰ 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 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.¹³¹ The 1944 treaty requires that the United States provide Mexico with 1.5 million acre-feet (AF) of Colorado River water annually, roughly 10% of what was estimated at the time to be the river’s average annual flow. When the 1944 treaty was signed, Colorado River flows were estimated at 16.8 million AF per year; current flows are closer to 14.4 million AF annually. Binational disputes have arisen over water quantity, quality, and environmental conservation.

¹²⁷ David L. Goldwyn et al., *Mexico’s Energy Reform: Ready to Launch*, Atlantic Council, August 2014.

¹²⁸ This section draws from CRS Report R43312, *U.S.-Mexico Water Sharing: Background and Recent Developments*, by (name redacted), (name redacted), and (name redacted).

¹²⁹ 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., February 3, 1944, 59 Stat. 1219 (hereinafter, “1944 Treaty”).

¹³⁰ The International Boundary and Water Commission (IBWC) is an international body consisting of a United States section and a Mexican section, which are overseen by the State Department and Mexico’s Foreign Ministry, respectively.

¹³¹ “U.S., Mexico: The Decline of the Colorado River,” *Stratfor Global Intelligence*, May 13, 2013.

The most recent changes in Colorado River water-sharing arrangement are the result of Minute 319, which was signed on November 20, 2012. The minute was the result of negotiations between both governments, with input from affected state officials and nongovernmental groups from both countries. Minute 319 allows for temporary adjustments to water deliveries to Mexico based on drought or surplus water conditions, joint investments to create greater environmental protection, measure to incentivize water conservation, and greater water storage for Mexico in upstream reservoirs in the United States. Minute 319, when taken together with two prior and related minutes, has been viewed as recognizing environmental uses as a beneficial use for the basin's treaty waters.¹³² Minute 319 is set to expire on December 31, 2017; it may be renewed or replaced. Given many basin stakeholders' support for the activities allowed by Minute 319 and that remaining uncertainty over water management during drought conditions, U.S. and Mexican negotiators have been trying to negotiate a more comprehensive minute.¹³³

For the Colorado River basin, issues before Congress may be largely related to oversight of the implementation of Minute 319, as well as developments in negotiations for a potential new minute.

Rio Grande

Whereas Colorado River Basin relations have been more collaborative since 2010, Mexico's approach to delivering water to the United States in the Rio Grande basin has remained a persistent source of frustration for some Texas interests; the timing and amount of these deliveries have at times complicated bilateral relations. 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. 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.¹³⁴ If Mexico fails to meet its delivery obligations for a five-year cycle because of "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 experienced drought conditions in 2011-2012, deliveries from Mexico slowed, raising concerns in Texas about water deliveries. The concern is that low deliveries reduce water available for agriculture and communities in the U.S. counties along the Mexico border. Mexican interests maintained that "extraordinary drought" conditions hampered deliveries in the early part of the 2010-2015 cycle but that deliveries subsequently picked up. According to the IBWC, Mexico made up its water debt from the 2010-2015 cycle, which ended in October 2015, by January 2016. However, Mexico is behind the average annual delivery rate needed to meet its 2015-2020 delivery target.¹³⁵

Texas interests remain concerned about the predictability of future deliveries (i.e., they would like Mexico to maintain deliveries at the target annual delivery rate). P.L. 114-113 required a report within 45 days of the bill's enactment "detailing efforts taken to establish mechanisms to improve

¹³² Stephen P. Mumme, "Enhancing the U.S.-Mexico Treaty Regime on Transboundary Rivers: Minutes 317-319 and the Elusive Environmental Minute," *The Journal of Water Law*, vol. 25, no. 1, 2016.

¹³³ Gary Pitzer, "Two Countries, One River: Crafting a new Agreement," *Western Water*, 2016.

¹³⁴ 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. Article 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)).

¹³⁵ IBWC U.S. Section, "Mexico Pays Rio Grande Water Debt in Full," February 24, 2016; CRS electronic correspondence with IBWC, November 1, 2016.

transparency of data on, and predictability of, the water deliveries from Mexico to the United States to meet annual water apportionments to the Rio Grande, and actions taken to minimize or eliminate the water deficits owed to the United States.” That report was submitted in February 2016. Similar reporting requirements are included in the Senate Appropriations Committee’s version of the FY2017 foreign operations measure (S. 3117).

Questions that Congress may confront related to water sharing in 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.

Environment and Renewable Energy Policy

In addition to the aforementioned water management and conservation issues addressed by the IBWC, the U.S. and Mexican governments have been working together on broader environmental protection issues in the border region since signing the La Paz Agreement in 1983.¹³⁶ Led by the U.S. Environmental Protection Agency and the Mexican secretary of environmental resources, the agreement committed the two governments to regularly consult and review environmental concerns. Federal funding and interest in border environmental issues peaked in the 1990s during the negotiations for and early implementation of the environmental side agreement to NAFTA that established the North American Development Bank (NADB) and the Border Environment Cooperation Commission.

Even after federal funding for border environmental projects decreased post-2000, the U.S. and Mexican governments have continued to design and implement binational environmental programs that have yielded some positive results.¹³⁷ The current 10-year border program, Border 2020, is focused on cooperation in five areas: (1) reducing air pollution; (2) improving access to clean and safe water; (3) promoting materials and waste management; (4) enhancing joint preparedness for environmental response; and (5) enhancing compliance assurance and environmental stewardship. On April 16, 2009, President Obama and then-Mexican President Calderón announced the Bilateral Framework on Clean Energy and Climate Change to jointly develop clean energy sources and encourage investment in climate-friendly technologies. Among others, its goals included enhancing renewable energy, combating climate change, and strengthening the reliability of cross-border electricity grids. There is particular interest on both sides in overseeing projects related to wind and solar energy that the NADB has financed.¹³⁸

USAID and Mexico also have expanded cooperation through the *Mexico Global Climate Change (GCC) Program*, which began in 2010, although bilateral efforts on climate change began around 1990. Part of the recent program has helped Mexico design its climate change strategy, reduce emissions from the energy sector, manage its forest resources, and put together long-term, low emissions development planning.¹³⁹ From FY2010 to FY2016, Mexico received \$79 million in USAID funds for the GCC program.

¹³⁶ This agreement is also known as the United States-Mexico Agreement on Cooperation for the Protection and Improvement of the Environment in the Border Area. For an assessment of progress since then, see Steve Mumme and Kimberly Collins, “The La Paz Agreement 30 Years On,” *The Journal of Environment & Development*, August 2014.

¹³⁷ For the results of Border 2012, see <https://www.epa.gov/border2020/border-2012-bi-national-success-story>. For current efforts under Border 2020, see <https://www.epa.gov/border2020>.

¹³⁸ For information on U.S.-Mexican cooperation in renewable energy in the border region, see BECC-NADB, at http://www.becc.org/uploads/files/oct_2015_renewable_energy_rev_eng.pdf. The NADB has provided more than \$1 billion in loans for wind, solar, and biogas programs in the U.S.-Mexican border region.

¹³⁹ USAID, “Mexico: Global Climate Change Fact Sheet,” November 2015.

Supporting environmental protection and advancing clean energy also has become a priority for North American cooperation.¹⁴⁰ At the June 2016 North American Leaders' Summit, the leaders set a target to increase clean power to 50% of the electricity generated across North America by 2025. They also pledged to reduce methane emissions by 40%-45% by 2025.

Mexico, Canada, and the United States all have become parties to the Paris Agreement, which entered into force on November 4, 2016,¹⁴¹ under the United Nations Framework Convention on Climate Change. To become parties, the Mexican Congress and the Canadian Parliament ratified the Paris Agreement.¹⁴² In contrast, U.S. executive branch officials stated that the Paris Agreement is an executive agreement not requiring Senate advice and consent to ratification.¹⁴³ President Obama signed an instrument of acceptance on behalf of the United States on August 29, 2016, without submitting it to Congress; some Members of Congress disagreed with that decision. Nevertheless, Congress continues to exercise its powers on global environmental issues through authorizations, appropriations for, and oversight of related federal actions.

Educational Exchanges and Research

Educational and research exchanges between the United States and Mexico have been occurring for decades, but they have risen to the top of the bilateral agenda relatively recently as part of the High-Level Economic Dialogue. President Obama has established a program called “100,000 Strong in the Americas” to boost the number of U.S. students studying in Latin America (including Mexico) to 100,000 (and vice versa) by 2020. Similarly, President Peña Nieto has implemented *Proyecto 100,000*, which aims to have 100,000 Mexican students and researchers studying in the United States by 2018. Together, the U.S. and Mexican governments launched a Bilateral Forum on Higher Education, Innovation, and Research (FOBESII) in May 2013, which has led to more than 80 partnerships between U.S. and Mexican universities.¹⁴⁴

Country and bilateral efforts have begun to bear fruit. In 2015, the number of U.S. students studying in Mexico increased by 19% and the number of Mexicans studying in the United States increased by 15%, as compared to 2014. Many of the Mexican students coming to the United States have done so for short-term language-acquisition programs. Mexico ranks 10th on the Institute of International Education's list of countries with students studying in the United States. China is number one, and Brazil is number six. A lack of scholarship funding and a lack of English language skills have been barriers for many Mexican students.

Outlook

President Peña Nieto began his Administration focused on enacting economic reforms. By 2014, it had become clear that his economic agenda likely could not be successful without addressing the rule-of-law challenges that have long held back the country. Moreover, Peña Nieto's reported mishandling of several high-profile cases of human rights abuses allegedly involving security officials increased pressure on him and his government to strengthen Mexico's criminal justice

¹⁴⁰ The White House, Office of the Press Secretary, “Fact Sheet: United States Key Deliverables for the 2016 North American Leaders' Summit,” June 29, 2016.

¹⁴¹ The remainder of this section draws from CRS Report R44609, *Climate Change: Frequently Asked Questions about the 2015 Paris Agreement*, by (name redacted) and (name redacted).

¹⁴² See https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=en.

¹⁴³ CRS Report RL32528, *International Law and Agreements: Their Effect upon U.S. Law*, by (name redacted).

¹⁴⁴ The White House, Office of the Vice President, “Joint Statement: 2016 U.S.-Mexico HLED,” February 25, 2016.

institutions and demonstrate the political will necessary to address crime and corruption. President Peña Nieto's legacy and the 2018 prospects for his party may rest on his ability to avoid lame-duck status and work with other parties to address Mexico's domestic challenges and to develop a positive working relationship with the incoming Trump Administration.

Mexican-U.S. relations have generally grown closer over the past two decades. Common interests in encouraging trade flows and energy production, combating illicit flows (of people, weapons, drugs, and currency), and managing environmental resources have been cultivated over many years. A range of bilateral talks, mechanisms, and institutions have helped the Mexican and U.S. federal governments—as well as stakeholders in border states, the private sector, and nongovernmental organizations—find common ground on difficult issues, such as migration and water management. Policy changes that run counter to Mexican interests in one of those areas could trigger responses from the Mexican government on other areas where the U.S. benefits from Mexico's cooperation, such as combating transmigration or illicit drug production.

Author Contact Information

(name redacted)
Specialist in Latin American Affairs
redacted@crs.loc.gov7-....

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