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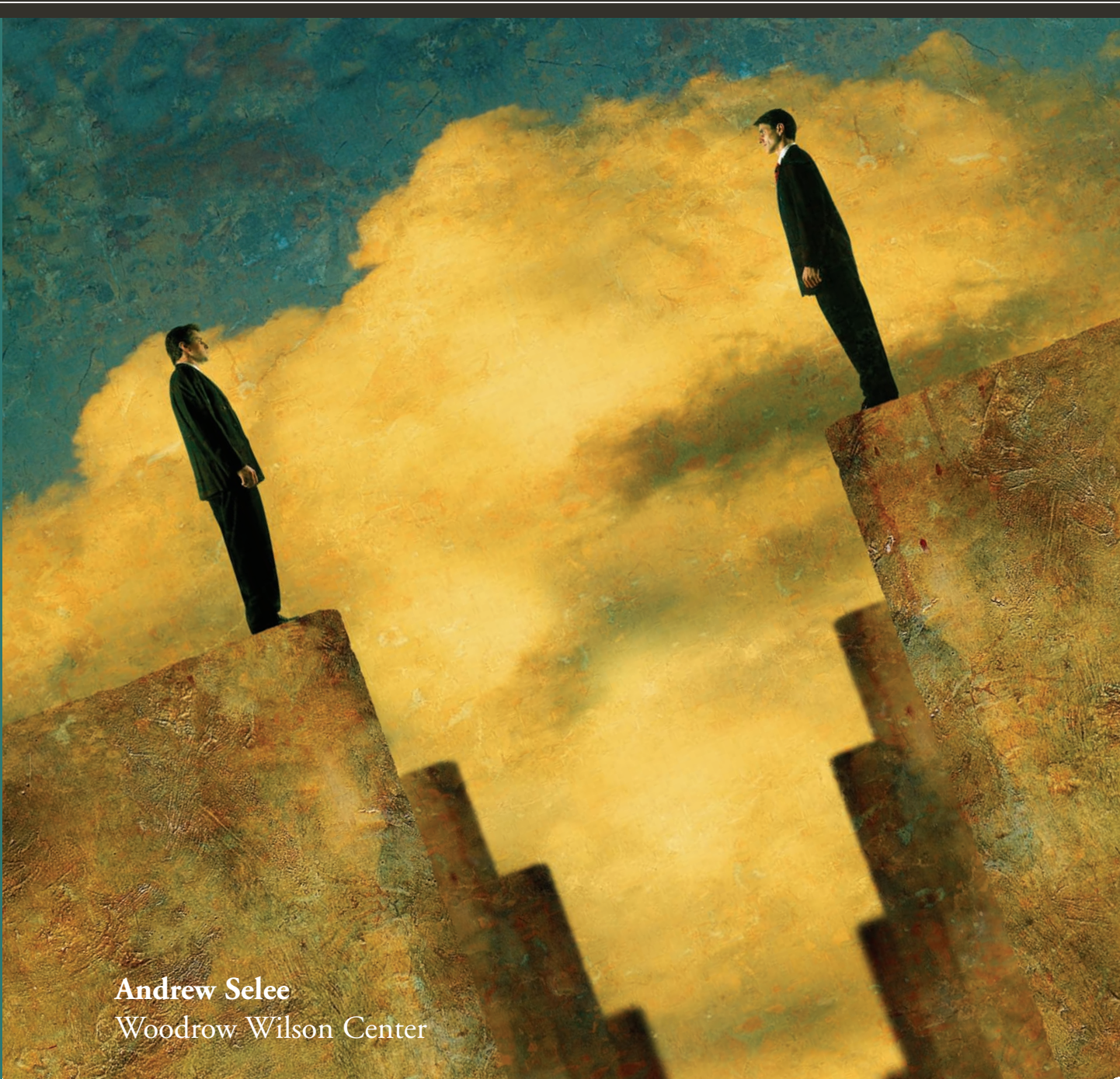
MORE THAN NEIGHBORS:
An Overview of Mexico and U.S.–Mexico Relations



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OVERVIEW

This publication is intended as a brief and accessible introduction to U.S.–Mexico relations and to Mexico's politics, economy, and society for a U.S. audience. It is meant as a quick reference guide for policymakers, civic leaders, businesspeople, journalists, students, and anyone who is not a specialist in Mexican affairs but wants to know something about our neighbor to the south and the relationship between our two countries. The first section deals specifically with issues in the bilateral relationship, while the second section provides information on Mexico specifically.Whenever possible, this publication prefers to present facts rather than take sides in controversial arguments. Despite that, there is an underlying argument that guides the volume: the economies and societies of the United States and Mexico are increasingly intertwined, and our two countries face challenges that we can only address if we find ways of cooperating. Although each country enjoys sovereignty to act as it pleases, common sense requires us to pursue joint efforts to deal with economic growth and development, security, migration, and the management of shared natural resources. To do this, we need to get to know each other better and understand the challenges we have in common. For many years, we believed that we were "distant neighbors" who had little need to bridge the historical, cultural, and political divides that separate us. Today, we have an opportunity to be strategic partners who face common challenges creatively; in other words, to be "more than neighbors."

This publication was made possible thanks to the research assistance of Katie Putnam and Alex Steffler. Cynthia Arnson, director of the Wilson Center's Latin American Program, and Kate Brick, program associate of the Center's Mexico Institute, offered helpful comments along the way. The members of the Mexico Institute Advisory Board, chaired by José Antonio Fernández Carbajal and Roger W. Wallace, and collaborators on key projects, including Jonathan Fox, Xóchitl Bada, Jacqueline Peschard, Jesús Silva-Herzog Márquez, Dolia Estevez, John Burstein, and Heidy Servin-Baez, have contributed immeasurably to the ideas that form the basis for this publication. All content, however, is the sole responsibility of the author who bears all blame for any shortcomings.

INTRODUCTION

Mexico and the United States are more than neighbors. They are two countries that are increasingly ***interdependent***. The two countries share a border of almost 2,000 miles, which has grown in importance for trade, transit, and security. Mexico is the United States' third largest trading partner, and second market for exports, while the U.S. represents over 75% percent of Mexico's trade. Over nine percent of the U.S. population is of Mexican descent (including nearly four percent born in Mexico), while ten percent of Mexico's population lives in the United States. There is hardly a person in Mexico who does not have a relative in the United States or an American who does not know someone from Mexico.

The relationship between the two countries is, however, highly ***asymmetrical***. The GDP of the United States is eighteen times greater than that of Mexico and wages in the U.S. average six times those in the neighboring country to the south. While the United States remains the world's lone superpower, Mexico plays a highly cautious role in world affairs. For many Mexicans the memories of a disastrous war with the United States (1846–48), in which Mexico lost half its territory, and several subsequent invasions remain fresh. To a large extent, Mexican nationalism has been constructed as a reaction first to the fear of invasion and later to the resistance against undue influence from the north. In contrast, for the United States, Mexico has often been afterthought. Americans register warm feelings towards the country in national surveys, but the country is only occasionally at the center of U.S. foreign policy considerations. While Mexicans are apt to worry about the United States' role in their country, Americans frequently forget about their neighbor to the south.

However, these trends have been shifting. As the two countries become more interdependent, there are an ***increasing number of U.S. and Mexican stakeholders*** in the relationship who pay close attention to issues on the other side of the border and to cooperation between the two countries. Mexicans and Americans increasingly see each other as ***strategic partners*** with common issues that they need to address through greater cooperation. These issues are generally bread-and-butter issues that affect key constituencies in each country: trade and economic growth; terrorism and drug trafficking; immigration; and, on the border, environmental and health concerns. Indeed, almost all the issues on the U.S.–Mexico bilateral agenda are actually major domestic issues in each country, which have binational dimensions. Although sometimes each country needs to pursue its own strategies on these issues, there are many aspects that can only be dealt with through bilateral cooperation.

This convergence of international and domestic agendas means that the profile of the relationship has risen considerably as policymakers seek to deal with the international dimensions of these high-profile issues. It also means that diplomatic relations between the two countries are constantly influenced by domestic politics in each country. Every agency of the federal government has some dealing with its counterpart in the other country and most U.S. politicians, including many governors, mayors, and state legislators, have positions on issues vital to the relationship. Business leaders, unions, and civic organizations all have strong opinions on issues on the bilateral agenda and often make their opinions known. It is a relationship that is both intense and complex, filled with possibilities and fraught with challenges.

PART I: AN OVERVIEW OF U.S.–MEXICO RELATIONS

THE ECONOMIC RELATIONSHIP

Mexico is one of the United States' **leading trade partners**. Both countries are increasingly interdependent economically, and this interdependence is particularly noticeable for many U.S. states.

Mexico is the United States' third largest trading partner (far after Canada but very close behind China). Mexico is the second market for U.S. exports and the third source for imports to the United States. Overall Mexico accounts for 11.5% of U.S. trade and almost 13% of exports.

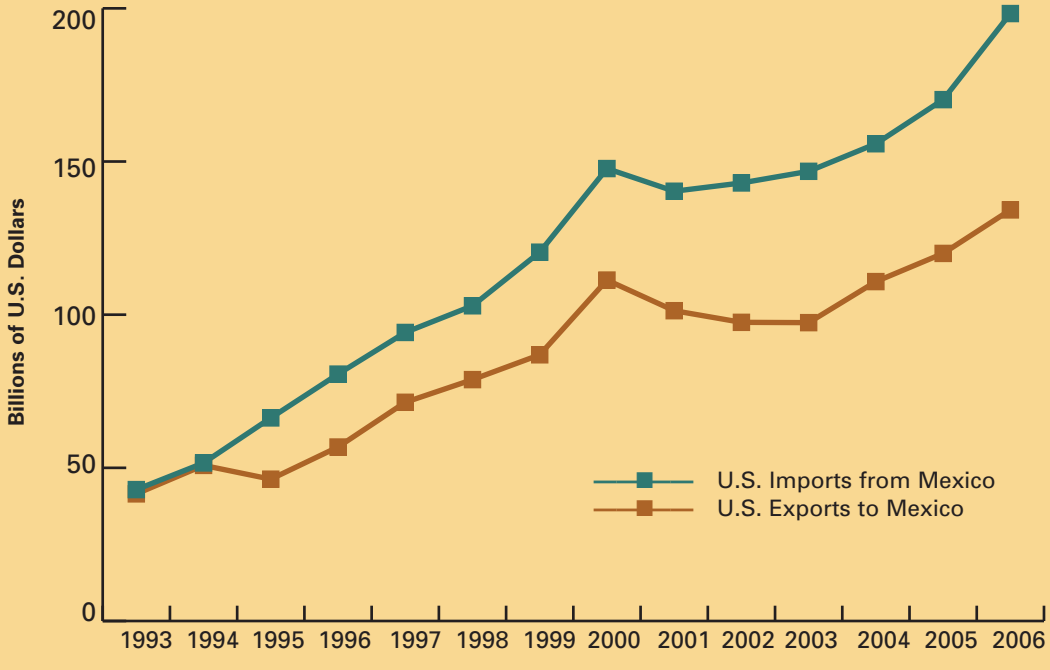
Several U.S. states depend heavily on Mexico as an export market, including Texas (36.4%), Arizona (29.4%), Nebraska (22.1%), California (15.4%), and Iowa (15.3%). Twenty-two states depend on Mexico as either the primary or secondary destination for state exports: California, Texas, Arizona, Ohio, Georgia, Pennsylvania, Illinois, North Carolina, Kentucky, Tennessee, Rhode Island, Indiana, Wisconsin, Oklahoma, Kansas, Michigan, Arkansas, Colorado, Mississippi, South Dakota, Nebraska, and Iowa.

Trade between Mexico and the United States has increased more than three times since the North American Free Trade Agreement (NAFTA) was implemented in 1994.

The United States receives roughly 85% of Mexico's exports and is the source of 51% of its imports.

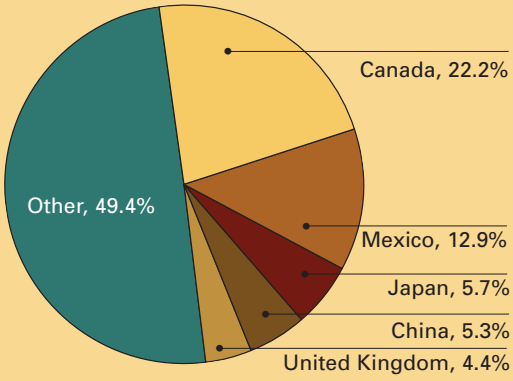
Mexico is the **second source of oil** for the United States (after Canada and narrowly ahead of Saudi Arabia) and accounted for 15.4% of all U.S. crude oil imports in 2005.

U.S. Trade with Mexico, 1993–2006



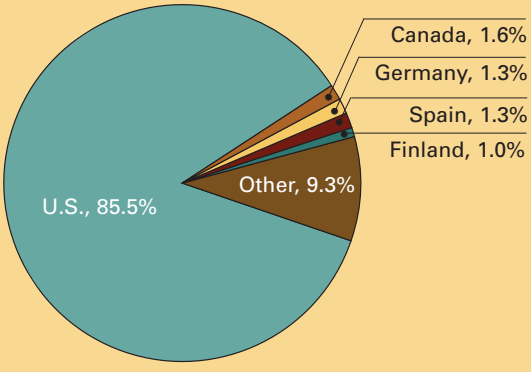
Source: U.S. Census Bureau, Foreign Trade Statistics.

Top Markets for U.S. Exports as Percent of Total Exports (January–December 2006)



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

Top Markets for Mexican Exports as Percent of Total Exports (January–December 2006)



Source: Ministry of Economy with data from Banco de México, 2006.

U.S. foreign direct investment in Mexico has increased dramatically since 1990 as well. Mexican foreign direct investment in the United States has also risen noticeably over this period, especially in cement, bakery goods, glass, and other areas where major Mexican multinationals have made entries into the U.S. market.

Several **challenges for trade and investment** remain, however:

- Insufficient border infrastructure slows cross-border trade daily and interferes with planning for just-in-time manufacturing.
- Trade disputes in trucking, sugar, high-fructose corn syrup, and other products have slowed the implementation of NAFTA.
- Different standards, including sanitary requirements, packaging regulations, and subsidies in agriculture, have limited free trade of some products.

Moreover, trade has not solved Mexico's **development challenges** as many hoped during the NAFTA negotiations.

Exports to Mexico as Percent of State Exports, 2006

STATE	PERCENTAGE
Texas	36.4%
Arizona	29.4%
Nebraska	22.1%
California	15.4%
Iowa	15.3%
South Dakota	14.5%
Mississippi	14.4%
Colorado	12.8%
Arkansas	12.4%
Michigan	11.6%
Kansas	11.1%
Oklahoma	11.0%
Wisconsin	10.8%
Indiana	10.7%
Kentucky	10.4%
Tennessee	10.3%
Missouri	9.7%
Louisiana	9.3%
New Mexico	8.9%
North Carolina	8.4%

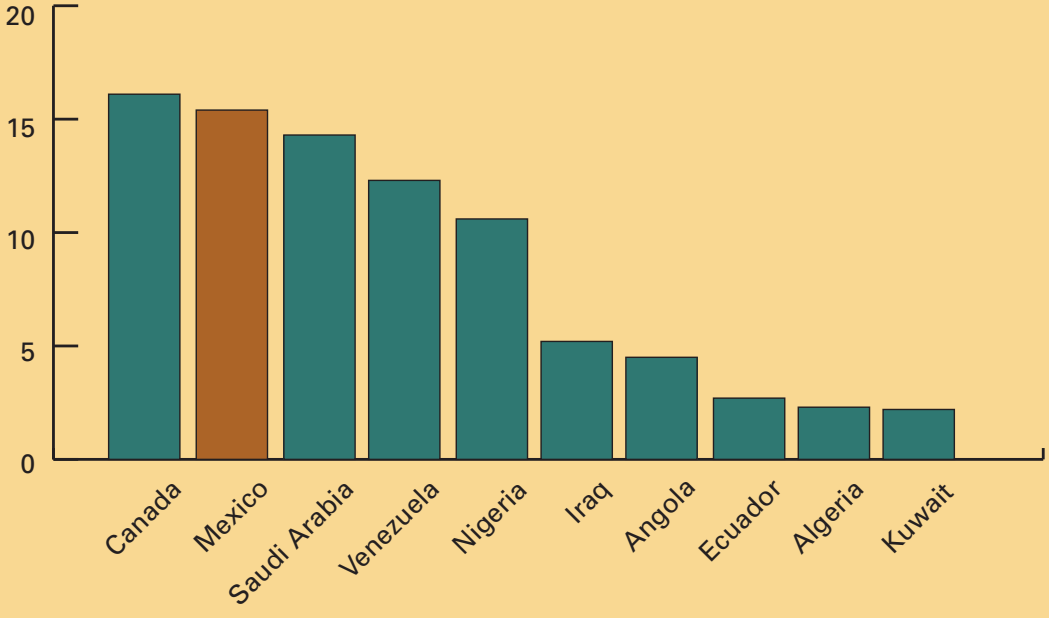
Source: U.S. Census Bureau, Foreign Trade Statistics.

- The ratio of GDP/capita between the two countries remains around six to one, only a slight improvement over the 1990 ratio.
- Some regions in Mexico, especially in the north, have seen significant growth over the past decade; others, including most of the country's south, have not.
- A lack of infrastructure and investments in human capital in many regions of Mexico has inhibited growth and development. While states in the north have taken part successfully in the export-oriented economy, those of the south have not.

Agricultural trade is a particular focus of concern for poverty alleviation:

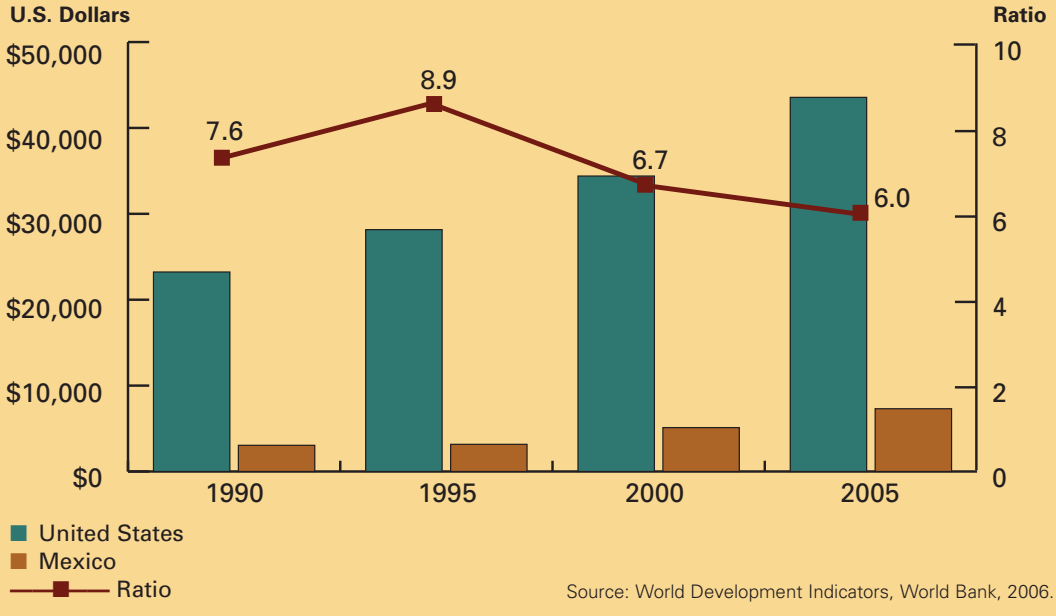
- Although only 25% of Mexicans live in rural areas, they account for 60% of those living in extreme poverty and 44% of all migrants to the United States.
- Increased imports of basic grains, especially corn, from the United States and Canada appear to have undercut producer prices for these products for small farmers. Many of Mexico's small farmers fear that the full liberalization of agricultural trade between Mexico and the United States, set to take place in January 2008, will undermine their livelihood even further, especially the 15% of Mexico's population who depend on corn production.

Imports of Crude Oil into the U.S. by Country of Origin, 2005



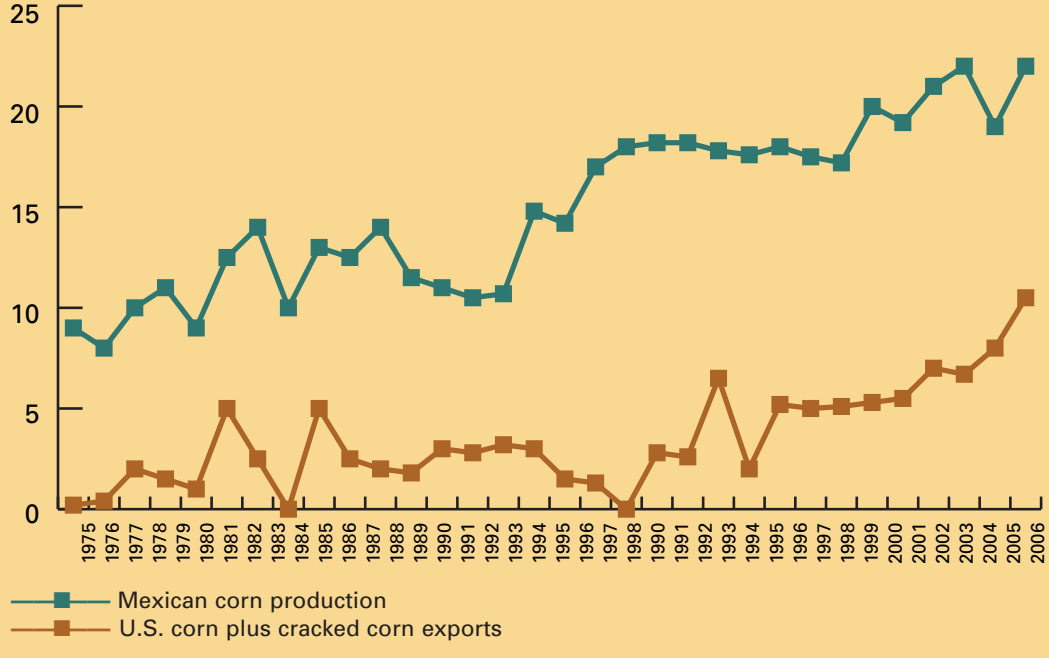
Source: U.S. Department of Energy, available at www.eia.doe.gov.

U.S. GDP per capita vs. Mexico GDP per capita, 1990–2005



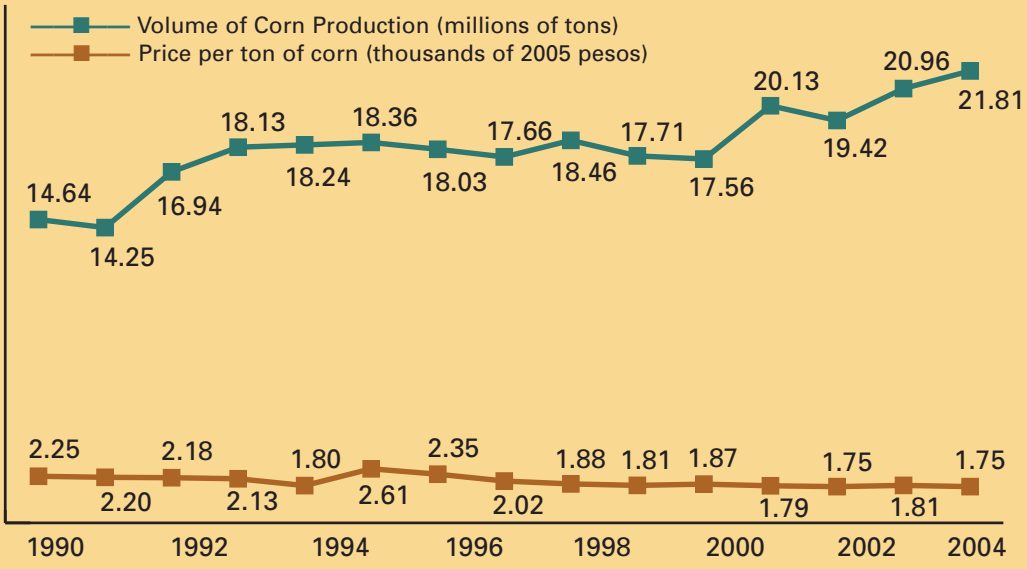
Source: World Development Indicators, World Bank, 2006.

Mexican Corn Production and Corn Imports from the U.S.



Source: John Burstein, *U.S.–Mexico Agricultural Trade and Rural Poverty in Mexico*, Washington: Wilson Center and Fundación IDEA, 2007.

Corn Production and Price per Ton in Mexico



Source: Fundación IDEA, based on OECD, *Agricultural and Fisheries Policies in Mexico,* 2006.

MIGRATION

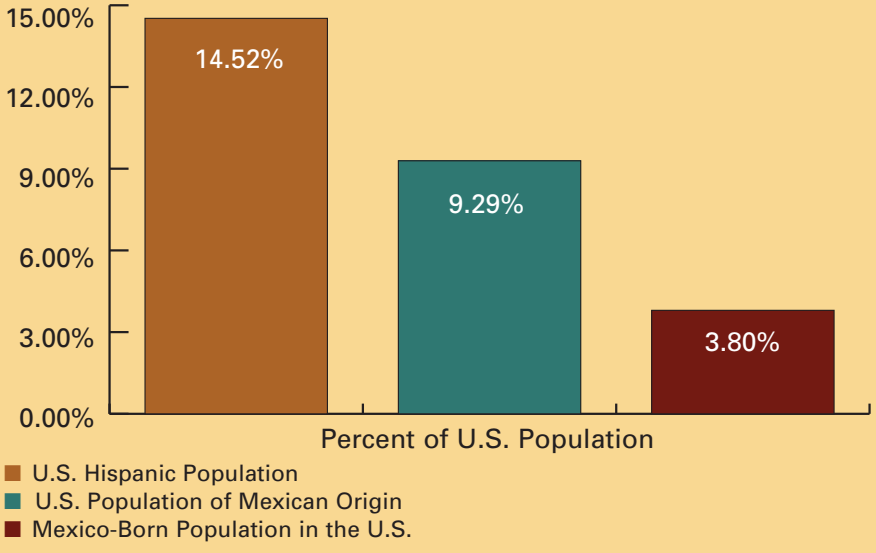
Mexicans are by far and away the **largest immigrant population** in the United States.

- Almost a third of all immigrants in the United States were born in Mexico (32%). Mexico is the source of the greatest number of both authorized (20%) and unauthorized (56%) migrants who come to the United States every year.
- There are almost 27 million people of Mexican descent in the United States (9% of the U.S. population). Roughly twelve million people in the United States were born in Mexico (3.8%).
- Since the early 1990s, Mexican immigrants are no longer concentrated in California, the Southwest, and Illinois, but have been coming to new gateway states, including New York, North Carolina, Georgia, Nevada, and Washington, in increasing numbers.
- Historically most Mexican migration to the United States came from only a handful of states in the north and center-north of Mexico; over the past ten years, migration has increased from other states, especially those in the south of Mexico.

Several factors drive Mexican migration:

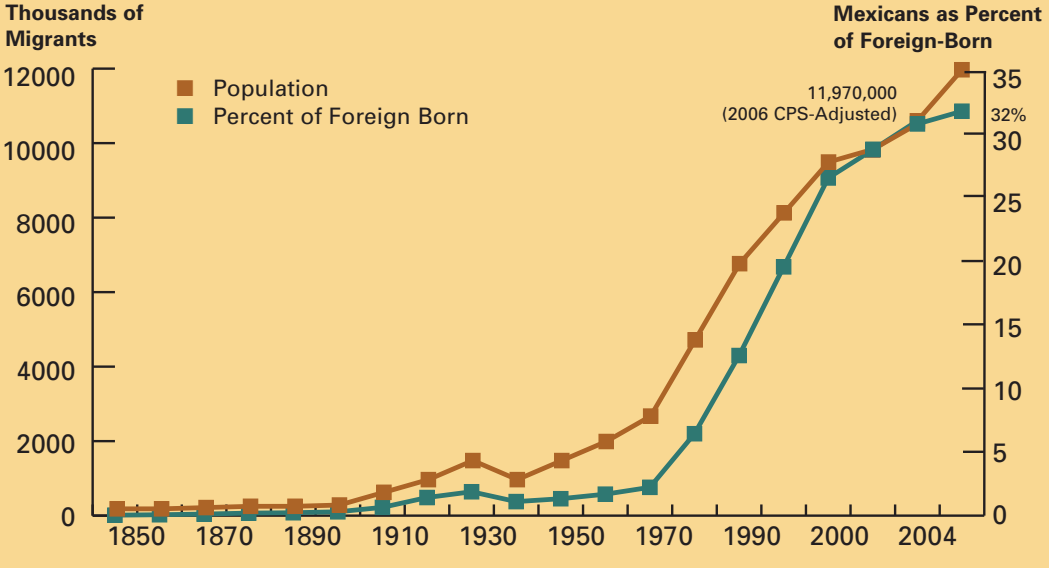
- Poverty in Mexico, especially the lack of opportunities in the agricultural sector.
- The growing demand for unskilled labor in the United States as the U.S. population grows older and more educated.
- The difference in wages between the two countries.
- The existence of established family and community networks that allow migrants to arrive in the United States with people known to them.

U.S. Population of Mexican Origin (U.S. Census, 2005 figures)



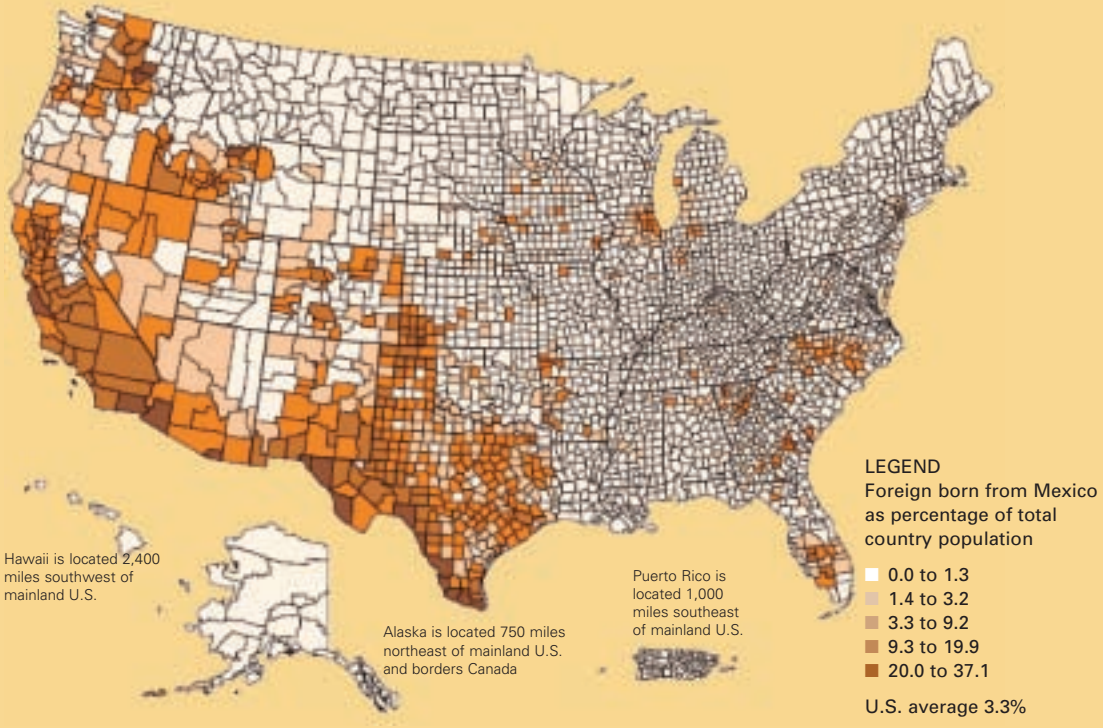
Source: U.S. Department of Commerce, Economics and Statistics Administration, U.S. Census Bureau.

Mexican-Born Population in U.S. and as Percent of Foreign-Born Population, 2006



Source: Jeffrey Passel, *Unauthorized Migrants: Numbers and Characteristics*, Washington, D.C., Pew Hispanic Center, June 14, 2005 with data from the 2004 Current Population Survey.

The Foreign Born from Mexico in the United States As Percentage of Total Country Population, 2000



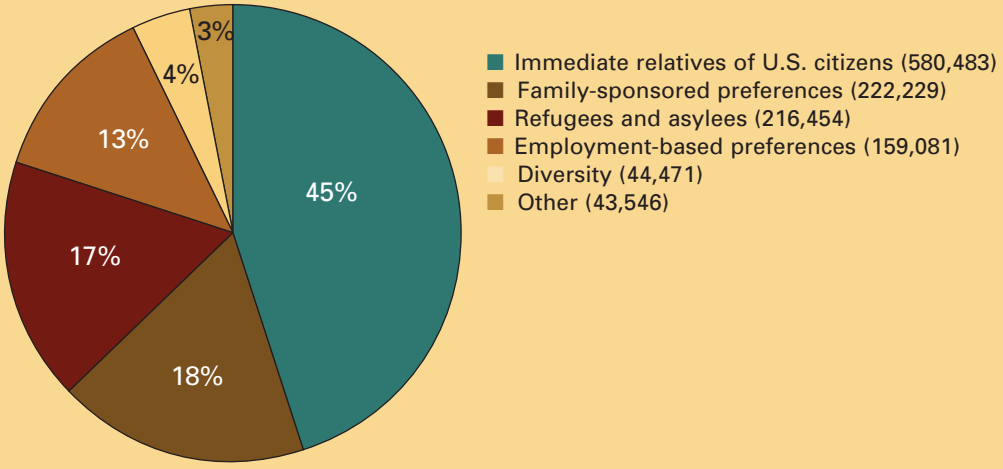
Source: Elizabeth Grieco, "The Foreign Born from Mexico in the United States," Migration Policy Institute, October 2003

The framework of **U.S. immigration law** has largely remained the same since 1965. However, both the economy and the demographics of the United States have changed over the past four decades. The U.S. economy needs both high-skilled and low-skilled immigrant workers to remain competitive and to have enough workers who continue to pay into Social Security and Medicare as the U.S. population grows older. Nonetheless, there are currently very few channels for immigration to the United States for work-related reasons under current law.[1]

- Almost two-thirds of all new legal permanent residents in the United States last year (64%, 2006) obtained residency through family ties; only 13% did so through employment-related adjustments.
- The unauthorized immigrant population in the United States has grown to close to 12 million people.
- Over half of unauthorized immigrants (57%) are believed to be Mexican.

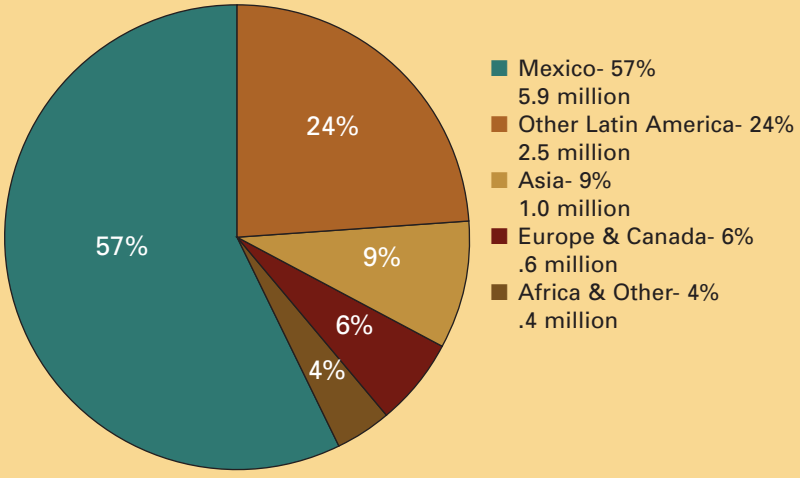
1. For an analysis of possible ways to reform the U.S. immigration system, see *Task Force on Immigration and America's Future,* Spencer Abraham and Lee H. Hamilton, co-chairs, Migration Policy Institute, Manhattan Institute, and Woodrow Wilson Center, 2006. The summary of the report and background materials are available at www.migrationpolicy.org.

Persons Obtaining Legal Permanent Resident Status by Class of Admission (Fiscal Year 2006) Total of 1,266,264



Source: Immigration Statistics and Publications, U.S. Department of Homeland Security, 2006.

Unauthorized Immigrants in U.S. by Country of Origin



Source: Jeffrey Passel, *Unauthorized Migrants: Numbers and Characteristics,* Washington, D.C., Pew Hispanic Center, June 14, 2005 with data from the 2004 Current Population Survey.

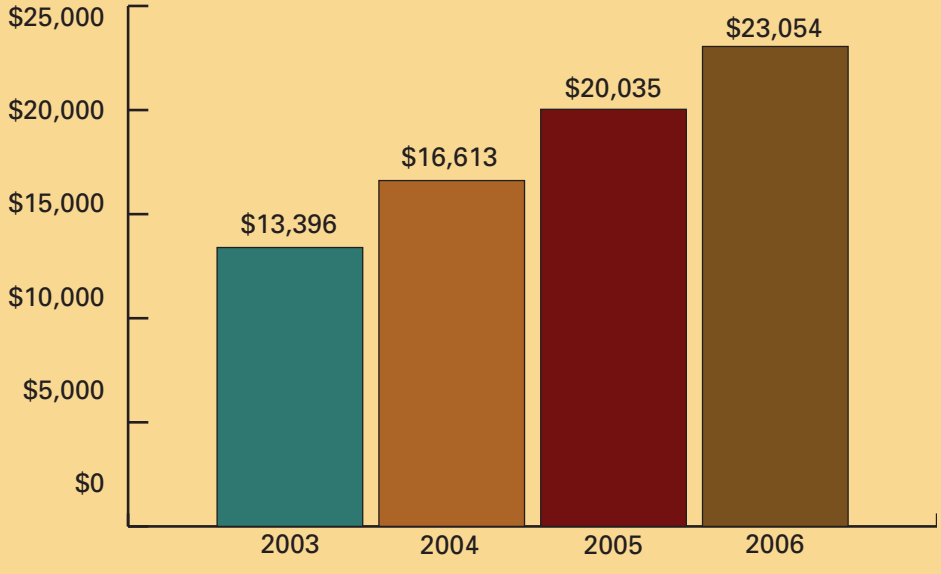
The **Mexican government position** on migration has shifted in recent years. For many years, the Mexican government showed limited interest in the issues. However, past President Vicente Fox actively sought to recognize the contribution of migrants to Mexico and to pursue, at least initially, a bilateral migration agreement with the U.S. government. The failure to reach a bilateral migration agreement led to a gradual shift in emphasis, however, to a greater focus on how the Mexican government can create opportunities in Mexico. The current administration of President Felipe Calderón, in particular, has placed an emphasis on how to create jobs in Mexico, enhance border security, and protect Mexican citizens living abroad. Since roughly half of Mexicans have relatives in the United States, this issue remains a highly sensitive one.

Mexican immigrants themselves often became deeply engaged in their new home communities in the United States and also remain connected to their communities of origin:

- Remittances from Mexican migrants now top $23 billion per year and help sustain many local communities in Mexico's poorest regions.
- Funds raised by migrant organizations also help develop local communities. One Mexican government program, known as "Three for One" provides matching funds from the federal, state, and local governments to any investments made by migrant organizations in the infrastructure of their communities of origin.
- Mexican migrants are also deeply engaged in educational, religious, and civic activities in their home communities in the United States.[2]

2. See Xóchitl Bada, Jonathan Fox, and Andrew Selee, eds., *Invisible No More: Mexican Migrant Civic and Political Participation in the United States,* Washington, DC: Woodrow Wilson Center and University of California, 2006.

Remittances to Mexico, 2003–2006



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

SECURITY

Security remains a key issue on the U.S.–Mexico agenda and produces one of the most difficult shared challenges. Mexico is a key **transshipment point for narcotics** being transported from South America and a producer of some illegal drugs that are consumed in the United States:

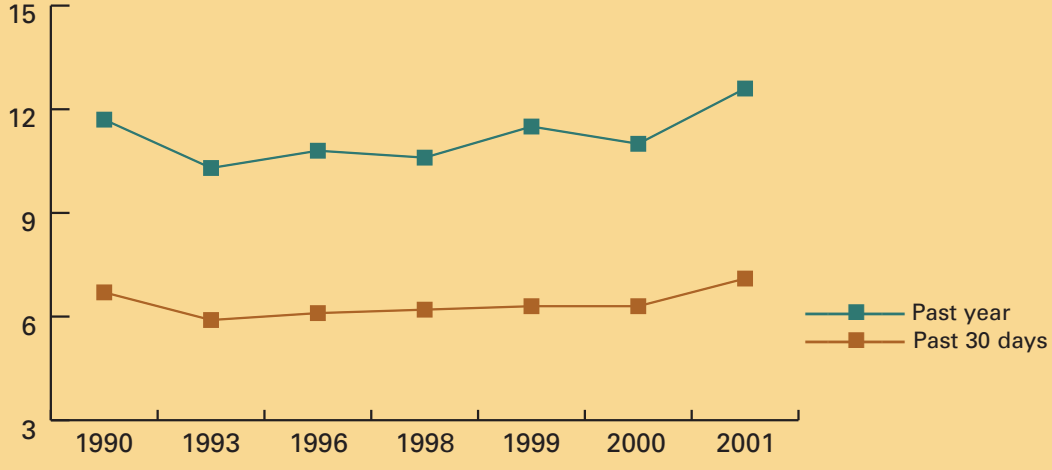
- Roughly 90% of all cocaine from South America passes through Mexico.
- Mexico is the leading foreign producer of both marijuana and methamphetamines imported to the U.S. (the U.S., however, produces more of both).
- Mexico is also the second supplier of heroine to the U.S. market (although it accounts for only a very small percentage of worldwide heroine production).
- While cocaine is handled primarily by several large cartels, other narcotics are sometimes managed by smaller operations.[3]

At the same time, **U.S. consumption, arms, and cash** fuel the drug trade:

- U.S. consumption is, of course, the principal reason why drug trafficking exists. Consumption has remained steady in the United States since the late 1980s and efforts to address this are severely deficient. Drug consumption has also increased in Mexico in recent years.
- U.S. arms dealers supply a majority of weapons smuggled into Mexico to be used by drug traffickers.
- Many of the chemical inputs for methamphetamines are either produced in the U.S. or shipped through U.S. ports to Mexico.
- U.S. financial institutions are used to launder the proceeds from drug trafficking that sustain the cartels.

3. For further information, see United States Department of State, Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report,* Volume I, Drug and Chemical Control, March 2007.

Percent of U.S. Population Consuming Drugs in Past Thirty days and in Past Year, 1990–2001



Source: Drug Use Trends, The White House Office of National Drug Control Policy (ONDCP) Information Clearinghouse, October 2002, available at http://www.whitehousedrugpolicy.gov/publications/factsht/druguse/.

Mexico

Source: Stratfor

Cooperation in fighting drug trafficking has increased dramatically in recent years:

- The Fox administration (2000–2006) had close working relations with the United States in trying to dismantle the drug cartels. Significant advances were made in intelligence sharing and joint strategies to fight drug trafficking.
- Since taking office, President Felipe Calderón has made his top priority the fight against organized crime. He has launched several high-profile law enforcement operations against the drug cartels, using joint efforts by the military and police.
- Civic organizations have raised concerns about the possibility of human rights abuses against civilians during these operations and expressed concern that extensive army involvement in law enforcement operations could have negative effects on already weak civilian oversight of the military.
- Extraditions of narcotics traffickers have increased dramatically. In late 2005 the Mexican Supreme Court overturned an existing prohibition on extraditing fugitives who could face the death penalty or life in prison. As a result, extraditions increased from 41 in 2005 to 63 in 2006. Another 150 non-Mexicans were deported to face drug charges in the United States during 2006.

- In January 2007, the new Calderón administration deported 15 top cartel leaders who were wanted in the United States, representing the highest level series of deportations to date. This appears to mark a new interest by the Calderón administration in extraditing high-level criminals to face prosecution in the United States rather than holding them in Mexican jails.[4]
- The Mexican government in 2007 decided to ban all cold medicines that use seudophedamines, because these can be used for methamphetamines.

However, most analysts agree that the only way to combat drug trafficking in Mexico in the long-term will be address **consumption** and **reforms to the police and justice system**:[5]

- A reduction in consumption in the United States would be the most effective way to combat drug trafficking. As long as demand remains high, cartels will continue to thrive.
- Police capabilities in Mexico need to be significantly upgraded. The current use of the military is only a stop-gap to reestablish order, but long-term strategies to address organized crime will require a larger and more effective federal police force, increased investigative capabilities in state police forces, greater accountability of police at all levels, and better coordination among federal, state, and local police forces.
- Mexico needs to reform its justice system dramatically to ensure effective prosecution of criminals and protection of the innocent. Proposals for reforms include oral trials, the constitutional recognition of the standard of innocence until proven guilty, professional standards for lawyers and judges, and the implementation of a professional public defender system.
- Although most of these measures will require changes within one country or the other—addressing consumption in the United States and addressing judicial and police reform in Mexico—these efforts also provide opportunities for bilateral cooperation. There are already successful examples of bilateral cooperation to promote justice reform. Any security agenda should contemplate both demand-reduction and institutional reform.

Cooperation against **potential terrorist threats** has also increased since 9/11:

- The U.S. and Mexican governments have worked closely together to upgrade Mexico's capabilities to screen passports of people entering Mexico from third countries and check them against the U.S. terrorist watch list.
- The U.S. and Mexican governments have worked together to screen passenger lists on flights between the two countries.
- In 2002 the two governments signed the Smart Border Agreement (parallel to the similarly named agreement between the U.S. and Canada) to provide for a more secure border while facilitating the movement of people and goods. The Smart Border Agreement has helped increase the number of secure transit documents for frequent border crossers, improved sharing of intelligence on potential terrorist threats, and helped improve screening of third-party travelers.[6]

4. State Department, *International Narcotics Control Strategy Report.*
5. For proposals on how to reform the police and justice systems in Mexico, see Wayne A. Cornelius and David A. Shirk, editors, *Reforming the Administration of Justice in Mexico,* South Bend, IN: University of Notre Dame Press, 2007 and, in Spanish, www.juiciosorales.org.
6. See Deborah Meyers, *Does Smarter Lead to Safer? An Analysis of the Smart Border Accords with Canada and Mexico,* Washington, DC: Migration Policy Institute, 2003.

Smart Border Agreement: U.S.–Mexico Border Partnership Action Plan, March 2002

Secure Infrastructure	Secure Flow of People	Secure Flow of Goods
Long Term Planning	Pre-Cleared Travelers	Public/Private-Sector Cooperation
Relief of Bottlenecks	Advanced Passenger Information	Electronic Exchange of Information
Infrastructure Protection	NAFTA Travel	Secure In-Transit Shipments
Harmonize Port of Entry Operations	Safe borders and deterrence of alien smuggling	Technology Sharing
Demonstration Projects	Visa Policy Consultations	Secure Railways
Cross-Border Cooperation	Joint Training	Combating Fraud
Financing projects at the border	Compatible Databases	Contraband Interdiction
	Screening of Third-Country Nationals	

Source: White House (http://www.whitehouse.gov/infocus/usmxborder/22points.html)

- There are several additional forms of **coordination** between the two governments on security, including several working groups set up within the framework of the Security and Prosperity Partnership.

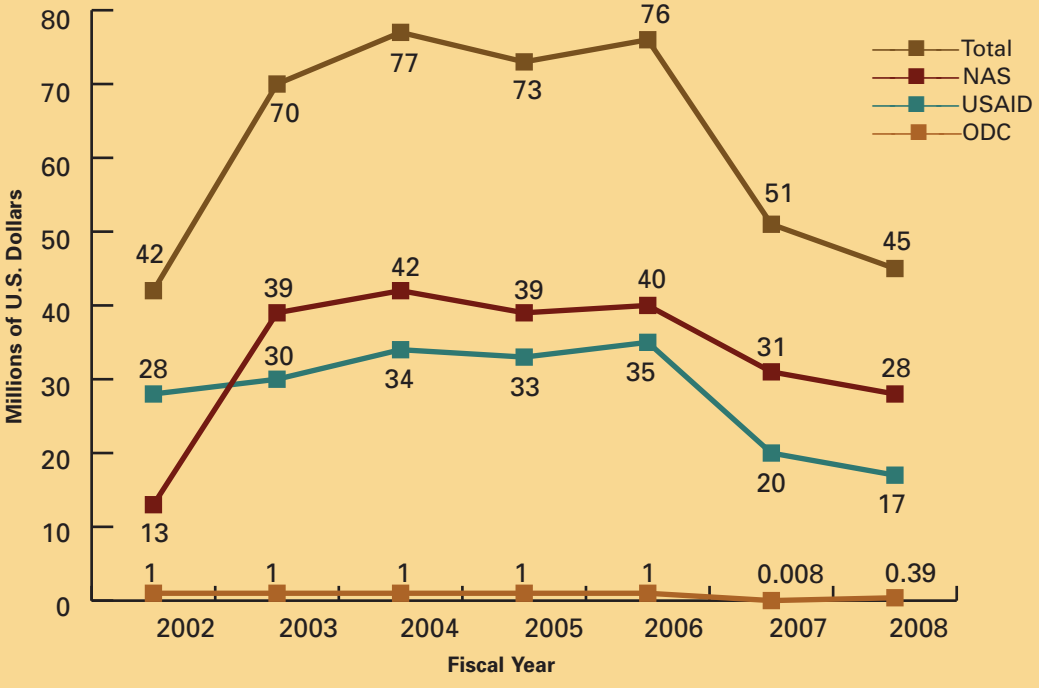
COOPERATION BETWEEN THE UNITED STATES AND MEXICO

The U.S.–Mexico relationship is unlike almost any other relationship the United States has with another country (except, perhaps, with Canada). Although the U.S. State Department and Mexican Foreign Affairs Ministry play an important role in charting a course for the official government-to-government relationship, almost every agency in both governments deals to some extent directly with its counterpart across the border. In addition, dozens of state and local governments as well as civic organizations, business associations, and other non-governmental groups deal with issues in the binational relationship and often work closely with counterparts across the border.

Coordination between the Executive Branches of the Two Countries: The Mexican Embassy in Washington is the country's largest anywhere and it has a network of 46 consulates across the United States. The U.S. Embassy in Mexico is one of the largest the U.S. government has anywhere and almost every major federal government agency has a representative there.

Several mechanisms exist to provide continuity to issues on the bilateral agenda. The Binational Commission (BNC), started in 1981, is a yearly meeting among cabinet secretaries and key agencies between the two countries. The Security and Prosperity Partnership, an initiative of the U.S., Mexican, and Canadian governments launched in 2005, brings agencies of the three governments

U.S. Foreign Assistance to Mexico, FY2002–FY2008



Source: U.S. Department of State
NAS - Narcotics Affairs Section; USAID - U.S. Agency for International Development; ODC - Office of Defense Coordination

together regularly to discuss key economic and security issues and includes occasional summits among the heads of state of the three countries. Both of these mechanisms serve to provide structure to the range of cooperative efforts carried out on a daily basis by agencies in the two (and often three) countries.

In addition, almost every agency of both governments has some dealing with the other country. Cabinet secretaries from both countries visit each other frequently. There are particularly strong relations of coordination between the U.S. Department of Homeland Security and Mexico's Interior Ministry and between the U.S. Department of Justice and Mexico's Attorney General's Office (PGR).

Despite this level of ongoing communication, U.S. foreign assistance to Mexico to support both social development and law enforcement has actually dropped in recent years.

Relations between the Two Congresses: From the 1920s until 1997 a single party dominated Mexican political life and controlled both the presidency and the Congress. As a result, Congress was largely subordinate to the executive branch and played little role in foreign policy. Since 1997, however, the Mexican Senate and Chamber of Deputies have become important players in foreign policy decisions and in the relationship with the United States.

The U.S.–Mexico Interparliamentary Group is the main formal linkage between the

XLVI United States–Mexico Interparliamentary Group

U.S. Participants	Mexican Participants
Senate	
Sen. Chris Dodd (D-CT)	Sen. Manlio Fabio Beltrones Rivera (PRI)
Sen. John Cornyn (R-TX)	Sen. Ricardo García Cervantes (PAN)
	Sen. Gustavo Madero Muñoz (PAN)
	Sen. Adriana González Carrillo (PAN)
	Sen. Rosario Green Macías (PRI)
	Sen. Eloy Cantú Segovia (PRI)
	Sen. Tomás Torres Mercado (PRD)
	Sen. Ludivina Menchaca Castellanos (PVEM)
	Sen. José Luis Lobato Campos (Convergencia)
	Sen. Josefina Cota Cota (PT)
House of Representatives/Chamber of Deputies	
Congressman Ed Pastor (D-AZ)	Dip. Antonio Valladolid Rodríguez (PAN)
Congresswoman Linda Sanchez (D-CA)	Dip. Cruz Pérez Cuéllar (PAN)
Congressman Bob Filner (D-CA)	Dip. José Jacques Medina (PRD)
Congressman Silvestre Reyes (D-TX)	Dip. Raymundo Cárdenas Hernández (PRD)
Congresswoman Hilda Solis (D-CA)	Dip. Enrique Serrano Escobar (PRI)
Congressman Ciro Rodriguez (D-TX)	Dip. Edmundo Ramírez (PRI)
Congresswoman Gabrielle Giffords (D-AZ)	Dip. Erika Larregui (PVEM)
Congressman David Dreier (R-CA)	Dip. José Luis Varela Lagunas (Convergencia)
Congressman Jerry Weller (R-IL)	Dip. Rodolfo Solis Parga (PT)
Congressman Luis Fortuño (R-PR)	Dip. Irma Piñeyro Arias (NA)
Congressman Connie Mack (R-FL)	Dip. Armando García Méndez (ASD)
Congressman Michael McCaul (R-TX)	

Congresses of the two countries and has existed since 1960. However, numerous informal linkages exist among Members of Congress and Senators of the two countries, and key committees of the two Congresses weigh in frequently on matters that affect the other country.

State and Local Governments: There are almost 13 million people in both countries who live in towns, counties, and municipalities at the shared border, and over 78 million who live in border states. As a result, border governors from both countries gather every year for the Border Governors' Conference and mayors from border communities meet occasionally as well. In addition to this, mayors and governors in neighboring towns across the border often have intense working relationships to resolve everyday issues, from planning economic development strategies to tracking stolen cars. Some partnerships, such as the Arizona-Sonora Commission, started in 1959, and the relationship between Tijuana and San Diego, have deep roots; others are more tenuous.

Increasingly governors and mayors from outside the border region are also involved in bilateral issues and visit each other's country.

Sometimes this interest stems from the desire to attract investment or open new markets for local products. In other cases, U.S. governors and mayors are responding to the interest of their constituents of Mexican origin, and Mexican governors and mayors are visiting communities in the United States where their constituents have relatives.

The North American Development Bank

In 1994 the two federal governments established, in a side agreement to NAFTA, a North American Development Bank to fund environmental projects within a narrow radius of the border. Legislation in both countries in 2004 expanded the mandate to projects within 300 km miles of the border on the Mexican side. It left the geographic limit in the United States unchanged at 100 km. To date 88 projects worth over $865 million have been funded, mostly dealing with water, wastewater, solid waste, and air quality.[7] Roughly 60% of the projects funded are in Mexican border communities and 40% in U.S. border communities.

Some analysts have suggested that the two governments should expand the mandate of the NADBank beyond the immediate border region and allow infrastructure and productive projects as well as environmental ones. This is a highly contentious issue and unlikely to advance unless the current level of fund-

7. Date from the most recent Annual Report of the North American Development Bank, available on its website www.nadbank.org.

Population of the Border States and Border Counties or Municipalities United States and Mexico, 2000

	State	Counties/Municipalities
United States		**(44 counties)**
Arizona	5,130,6321	1,159,908
California	33,871,648	2,956,194
New Mexico	1,819,046	312,200
Texas	20,851,820	2,125,464
Border Area	61,673,146	6,553,766
Mexico		**(80 Municipalities)**
Baja California	2,487,367	2,487,367
Chihuahua	3,052,907	1,363,959
Coahuila	2,298,070	387,922
Nuevo León	3,834,141	116,556
Sonora	2,216,969	607,508
Tamaulipas	2,753,222	1,387,549
Border Area	16,642,676	6,350,861
United States-Mexico Border Area	78,315,822	12,904,627

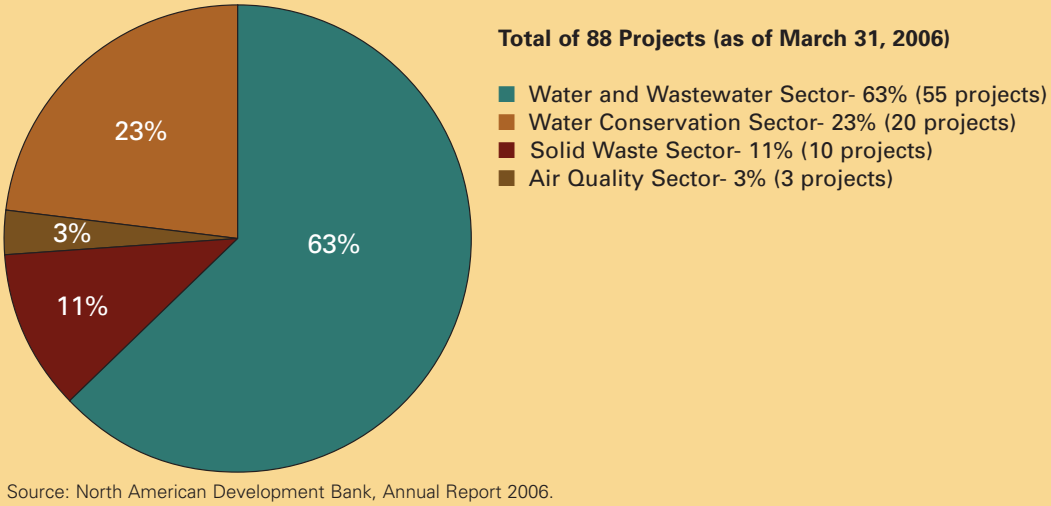
Source: United States Census Bureau: State and County QuickFacts; Instituto Nacional de Estadística, Geografía y Informática (INEGI), XII Censo General de Población y Vivienda 2000.

Recent Border Governors Conferences

	Site of Recent Border Governors Conferences	
2006	XXIV Border Governors Conference	Austin, Texas
2005	XXIII Border Governors Conference	Torreón, Coahuila
2004	XXII Border Governors Conference	Santa Fe, New Mexico
2003	XXI Border Governors Conference	Chihuahua, Chihuahua
2002	XX Border Governors Conference	Phoenix, Arizona
2001	XIX Border Governors Conference	Tampico, Tamaulipas
2000	XVIII Border Governors Conference	Sacramento, California

Source: Office of the Governor of Texas, Texas Border & Mexican Affairs

Projects with North American Development Bank Approved Financing by Type



Source: North American Development Bank, Annual Report 2006.

ing for border environmental projects is sustained since many border communities rely on access to funds to upgrade their systems. However, the NADBank is the only existing binational government effort to promote development, even within a highly limited mandate, and so the prospect of using it more broadly to promote economic development, especially in migrant-sending communities, is frequently floated.

Educational and Cultural Exchange: For many years Mexicans have come to the United States for undergraduate and especially graduate education and U.S. citizens have spent semesters abroad in Mexico. There are also thousands of Americans who travel to Mexico for shorter periods to study Spanish, and teachers, artists, and scholars who spend periods in each other's country for professional development, research, and cultural exchange. There are several programs that facilitate these exchanges, including, mostly significantly, the joint Fulbright-Garcia Robles program funded by the two governments through Comexus. However, these efforts have

never received more than scant attention within the bilateral relationship. Today Mexico ranks seventh among countries sending students to the United States, with 13,063 in 2005, while it is the sixth destination for U.S. students, with only 9,244 in 2005. Universities and private foundations have generated new initiatives for exchange, but the two governments have not increased their investment in the Fulbright program, the flagship for bilateral cooperation, since 1995.

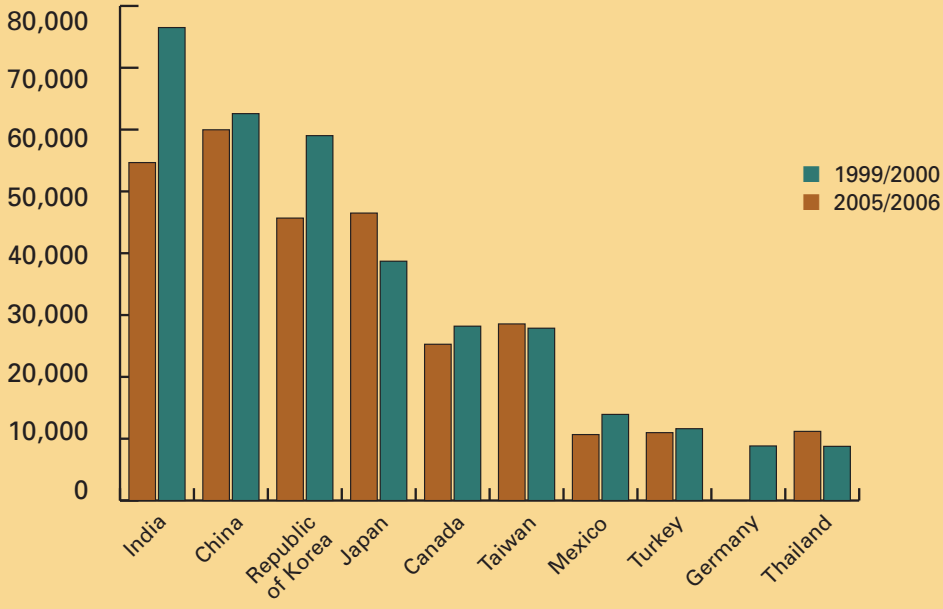
Non-Governmental Organizations: A number of civic organizations maintain close ties across the border. This is especially true of migrant-led organizations, such as hometown associations and migrant federations, which are often involved in development projects in both Mexico and the United States. A summit in 2007 in Michoacán, organized by the National Association of Latin American and Caribbean Communities, brought together hundreds of these organizations to discuss their political role in both the United States and Mexico.[8] Similarly, many border organizations maintain close working relationships, including environmental organizations. Business organizations and labor unions also weigh in on binational issues of concern to them. Churches, both Catholic and Protestant, often maintain close relationships across the border as well.

Media across the Border: The media in both countries pay attention to what happens in the other country; however, there are important asymmetries. The Mexican media pays a great deal of attention to what happens in the United States but has few resources for in-depth coverage. Only the national wire service, Notimex, the two principal television networks, and a handful of major newspapers and magazines (including *Reforma, El Universal, La Jornada,* and *Proceso*) have reporters in the United States. Most of these reporters are concentrated in Washington, DC, although a few media companies have reporters in New York, Los Angeles, or other cities (or use local stringers). The U.S. media pay far less attention to Mexico but overall devote more resources. Associated Press, CNN, NPR, and several newspapers (*New York Times, Washington Post, Dallas Morning News, Los Angeles Times, La Opinión, Chicago Tribune, Houston Chronicle*, *Wall Street Journal,* and others) have major bureaus in Mexico, some with more than one reporter. Unlike most Mexican reporters they often have budgets to travel around the country and do investigative reporting. However, the major U.S. television networks (other than CNN) maintain a limited presence on the ground in Mexico except when there is a breaking story. It is worth noting that the media in both countries tend to have relatively limited coverage of the U.S.–Mexico border despite the growing importance of this region for both countries.

Public Opinion: Citizens of both countries register warm feelings for the other; however, Americans tend to pay minimal attention to Mexico while Mexicans are circumspect in their relations with their neighbors to the North. Public opinion surveys suggest that Mexicans often distrust the intentions of their neighbors to the north and are highly nationalistic, but they are also highly pragmatic in their desire for cooperation on specific issues. Americans have overwhelmingly positive views of Mexico, but do not

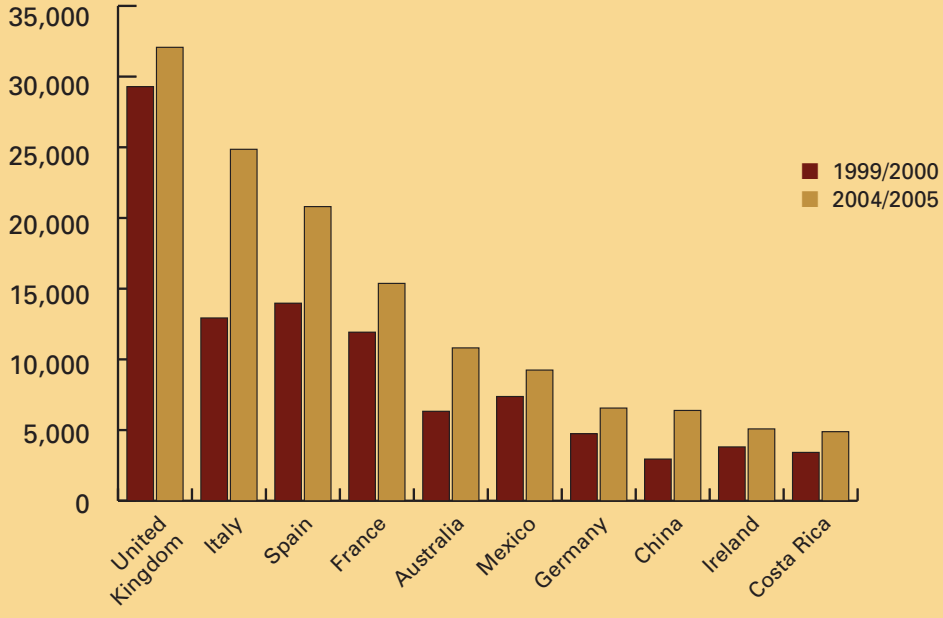
8. See information on the Latin American Migrant Community Summit, available at http://www.cumbredemigrantes.org.

Origin of International Students in the U.S.,* 1999/2000 vs. 2004/2005



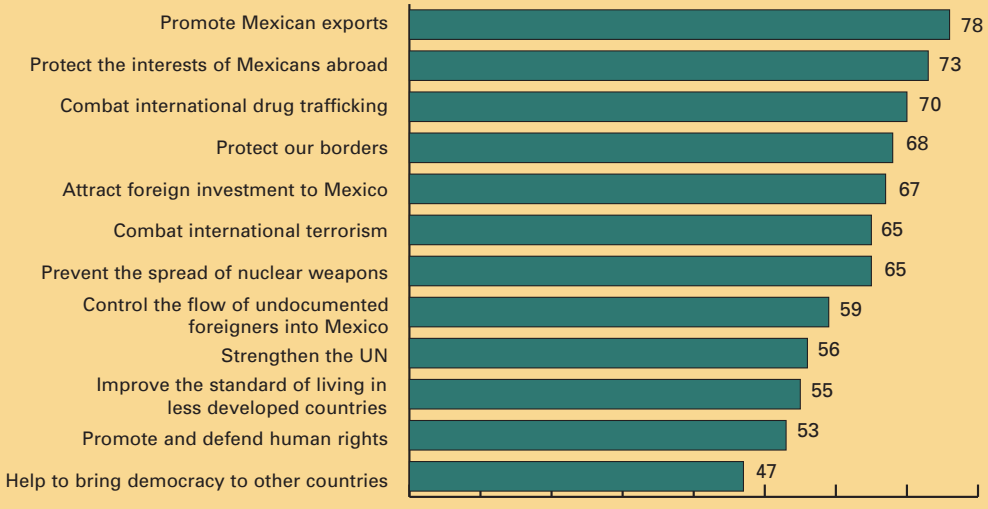
* At both undergraduate and graduate level
Source: *Open Doors*, Institute of Internation Education, 2006.

Origin of International Students in the U.S.,* 1990/2000 vs. 2004/2005



* At both undergraduate and graduate level
Source: *Open Doors*, Institute of Internation Education, 2006.

Foreign Policy Goals (Mexico)



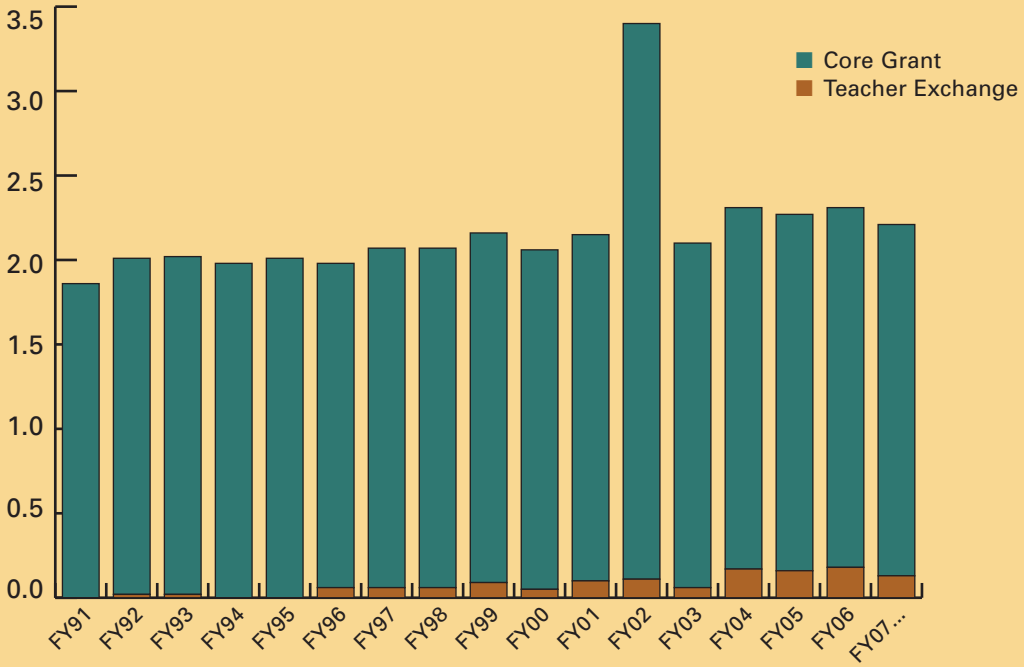
Percentages reflect those respondents who said that each goal should be a major foreign policy objective of their country.

Foreign Policy Goals (U.S.)

Percentages reflect those respondents who said that each goal should be a major foreign policy objective of their country.

Source: Guadalupe González and Susan Minushkin, editors, *Mexico and the World 2006,* Mexico City: Centro de Investigación y Docencia Económicas and Comexi, 2006, p. 49.

U.S. Government Contributions to the U.S.–Mexico Fulbright Program (in Millions of Dollars)



* In FY 02, the U.S. Government made a special contribution of $1,169,910.
Source: Comexus

PART II: AN OVERVIEW OF MEXICO'S POLITICS, ECONOMY, AND SOCIETY

A BRIEF POLITICAL HISTORY OF MEXICO

Mexico's politics have undergone a dramatic transition from a one-party dominant system that prevailed from the late 1920s until 2000 to a highly competitive multiparty system. This gradual transition, which took most of the 1990s, has left Mexico stronger and better poised to face the future, but also created new challenges as Mexican political leaders learn to govern in a pluralistic society and address the challenges of development and growth.

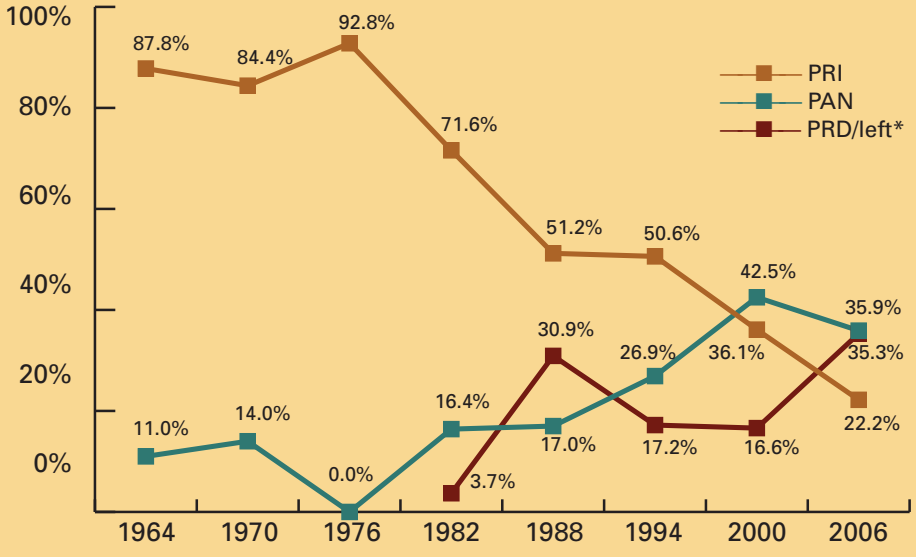
From One-Party Rule to Democracy: For 71 years Mexico was governed by a single party, the Institutional Revolutionary Party (PRI), which was formed in the aftermath of the ten-year civil war known as the Mexican Revolution (1910–20). Formed in 1929, the party brought together most of the different sides that had fought in the war and helped forestall further armed conflict. While other parties were still allowed, the PRI won all presidential elections from its creation in 1929 through the 1990s, maintained an overwhelming majority in the Congress (until 1997), and controlled all governorships (until 1989) and most municipalities. It did so through a mixture of fraud, intimidation, and effective politics.

The single-party system proved useful in several ways: it avoided another civil war, subjected the military to civilian authority, and shared the wealth of a growing economy among competing local leaders. Mexico avoided the frequent coups and military dictatorships that took place in other countries in the region and achieved a degree of economic growth (especially from the 1940s through the 1960s). However, this stability came at the price of political freedom, produced a great deal of corruption among leaders of the PRI, and allowed for selective violence against opposition leaders. By the early 1980s, as Mexico's economy went into a tailspin, opposition to the single-party system had grown.

The PRI responded at first by allowing the opposition parties to win elections at a local level. In 1988 a strong challenge in the presidential elections from a left-wing candidate, who had split from the official party, almost toppled the PRI. As opposition leaders won local elections and seats in the Congress and the Mexican government became more sensitive to world opinion (especially during the NAFTA negotiations), election rules were changed to ensure increasingly freer and fairer elections. By 1997 opposition parties had won a majority of seats in the Congress and the mayor's office in Mexico City; in 2000, an opposition candidate, Vicente Fox, won election as Mexico's first President not from the PRI since the 1920s.

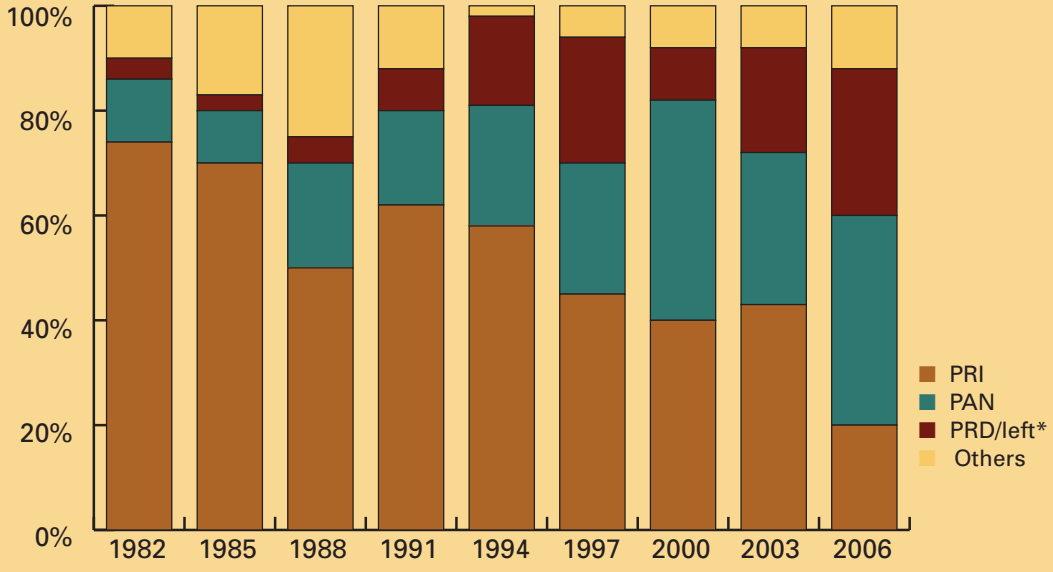
Vicente Fox (2000–2006): Vicente Fox, a former governor, won election as a candidate from the right-of-center National Action Party (PAN) thanks to a mix of his own charisma, modern campaign techniques, and growing citizen frustration with the PRI. As President, he faced a divided political landscape where the formerly all-powerful PRI and the left-of-center Democratic Revolutionary Party (PRD) dominated Congress and ran most state and local governments. Although Fox maintained very high popularity throughout his six-year term, he was unable to make many inroads in policy that required congressional approval. His hopes to pass a major tax reform that would raise Mexico's public sector revenue floundered in his first year, and he had little success in efforts to reform the energy sector, overhaul the public pension system, change labor laws, or implement a new regime for

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



Source: Instituto Federal Electoral, 2006

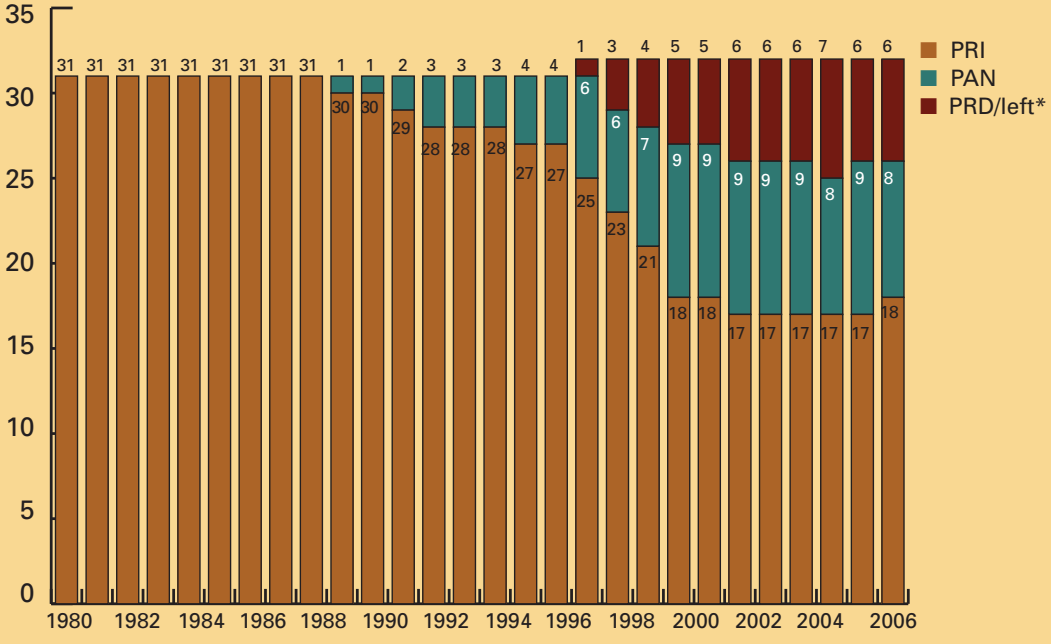
Composition of the Chamber of Deputies, 1982–2006



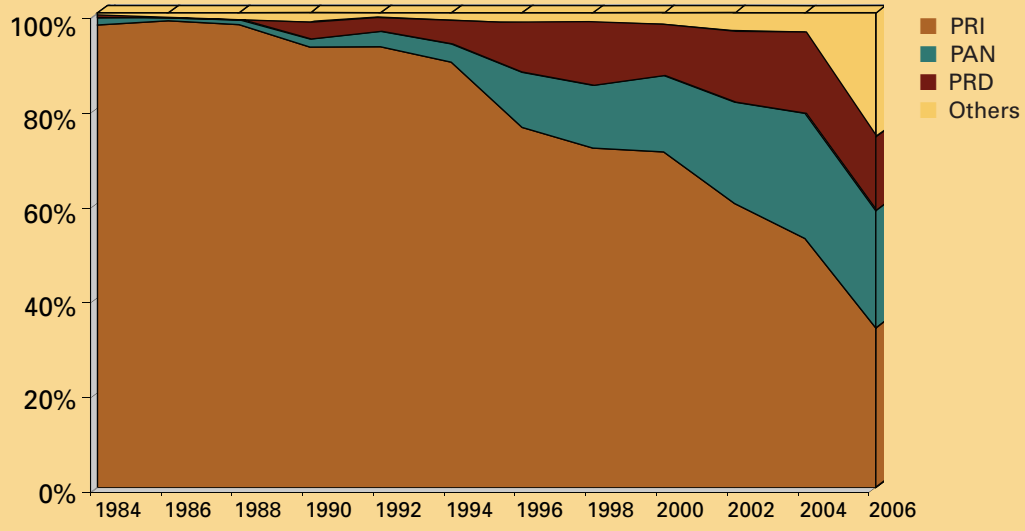
Note: In 1988, the size of the Chamber was increased from 400 to 500 deputies. The PRD was founded in 1989; percentages for the "left" in previous years refer to an aggregate of several parties on the left that later joined the PRD.

Source: Cámara de Diputados, 2006

Mexicans Governors by Party, 1980–2007



Municipal Mayors by Party, 1984–2004



Source: CIDAC, "Elecciones municipales, 1980–2004," available at www.cidac.org., and Sergio Aguayo Quezada, *Almanaque Mexicano*, Mexico City: Aguilar, 2007, with data from Instituto Nacional para el Federalismo y el Desarrollo Municipal, 2006.

indigenous rights. His one major legislative reform was a *transparency law* to allow citizens' access to most public documents (similar to the U.S. Freedom of Information Act), a significant achievement after decades of authoritarian rule. He also succeeded in increasing federal social programs gradually, especially the cash-transfer program *Oportunidades*, which doubled its coverage to almost one in four Mexican households by the end of his term.

2006 Elections: Close and Disputed: President Fox's inability to get legislation through Congress was often contrasted with the successes of the Mayor of Mexico City, *Andrés Manuel López Obrador*, whose six-year term coincided with Fox's. López Obrador of the left-leaning PRD, succeeded in creating a pension program for seniors and improving the capital city's infrastructure. President Fox unsuccessfully sought the mayor's impeachment on charges of disobeying a court order, a highly unpopular move that increased the mayor's popularity even further. It was hardly surprising when López Obrador became his party's presidential nominee for the 2006 elections and the leading candidate in all early polls. In Fox's PAN, *Felipe Calderón*, a 42-year old former Congressman and party leader, won the party's presidential nomination in a surprise come-from-behind primary election victory. Largely unknown outside the party, Calderón was seen as a long-shot to win the presidency but gained support throughout the months prior to the election, while López Obrador's support weakened.

Official results indicate that Calderón won the election by just over a half percentage point, roughly 233,000 votes. López Obrador claimed electoral fraud and demanded a recount. The electoral court conducted a partial recount, which produced no significant change in results, and ruled that Calderón had won the

2006 Presidential Election States by Party

election. López Obrador refused to recognize the election results without a full recount and formed his own parallel government.

The Calderón Administration and Politics Today (2006–Present): Felipe Calderón became President on December 1, 2006. He faces a Congress where his party holds 41% of the seats, with the possibility of building occasional coalitions with the once powerful PRI and several smaller parties to pass legislation. The PRD, the largest opposition party, controls slightly less than a third of seats (together with its two coalition partners) and is willing to negotiate on specific issues, but significant tensions remain over different interpretations of the election results.

Mexico today faces several challenges. Most political actors agree on the nature of these challenges but frequently differ on the right solutions to address them or the priority they should be given:

- *Fiscal policy:* Mexico collects only 11% of GDP in taxes, one of the lowest rates in the hemisphere. This is supplemented by oil revenues, but the total, roughly 19% of GDP, is still very low compared to other countries in the region. Most political leaders agree that the government will have to raise additional revenue in order to reduce poverty, improve education, and address crime.
- *Reducing Poverty:* Around half of all Mexicans live in poverty and almost a fifth live in extreme poverty, according to official figures. Political leaders differ on how best to approach this, but all agree that there is an urgent need to generate employment, improve access to credit, support rural producers, invest in infrastructure, and ensure social safety nets for the poorest citizens.
- *Energy policy:* Mexico is the world's fifth largest producer of oil but its existing reserves are dropping quickly and the state-run oil company has limited capacity in exploration. To maintain competitiveness in energy, Mexico will need to find ways to promote more effective exploration, extraction, and refining of oil and gas. There is an ongoing debate on whether to allow private investment in some sectors of the oil industry.
- *Regulatory and Labor Reform:* Both the private sector and labor are dominated by monopolies and oligopolies left over from the period of one party rule. Better regulations are needed to promote both competition in the private sector and the creation of a modern labor movement.
- *Rule of Law:* Mexico's police and judiciary have a limited capacity to deal with the challenges they face. Mexico has a confusing maze of federal, state, and municipal police forces, with low wages, limited investigative capacity, anachronistic rules that govern jurisdictional authority, and perverse incentives to violate citizens' basic rights to extract confessions. The court system is plagued by inefficiency, a lack of autonomy (except for the Supreme Court), and the lack of standards for the presumption of innocence.
- *Political Reform:* With the transition from a one party system to a multiparty democracy, many political rules and institutions need to be updated. These include the rules that set the relationship among the federal, state, and municipal governments; the rules that govern relations between the legislative and executive branch; procedures for the budget process; and even state and municipal electoral rules and institutions.

MEXICO'S POLITICAL SYSTEM

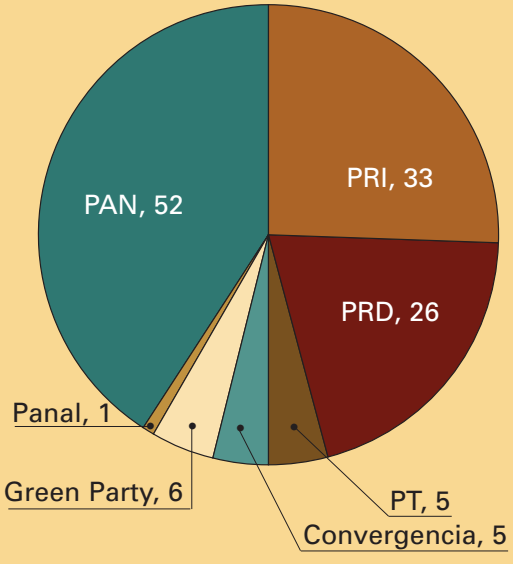
Mexico, like the United States, has a federal system. It includes the federal government, 31 states, 2,416 municipalities, and one large federal district where the capital of Mexico City is located. The federal government itself has three branches (executive, legislative, and judiciary), modeled on the U.S. system, along with several autonomous federal agencies.

The Presidency: The President is elected for a six-year term, with no possibility of reelection, through direct popular vote. As long as Mexico was ruled by a single party, the President appeared to be all powerful: he could remove governors at will, select candidates for Congress, and pass almost any legislation he wanted. With the advent of multiparty democracy, the President still remains the most important single decision-maker in the federal government, but his powers are roughly similar to that of the U.S. President and he must negotiate any policies that require legislation with Congress.

The Congress: The Congress has two chambers, the Senate and the Chamber of Deputies. Senators are elected for a six year term and Deputies for a three year term. Neither can be reelected to a consecutive term. Congress had little power as long as a single party ruled Mexico and Members of Congress owed their candidacies to the President. However, since 1997 no single party controls Congress and the legislature has become increasingly influential in setting policy.

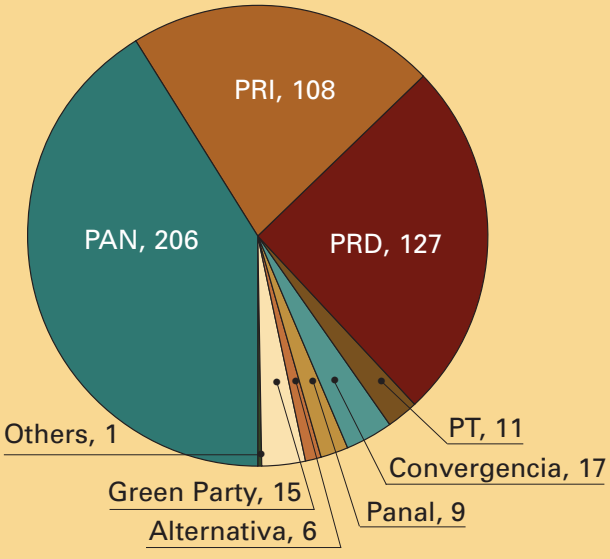
The Congress still has a very limited institutional structure, with comparatively few professional staff or research capabilities. Since no reelection is allowed for any elected position in Mexico, it is not uncommon for a career politician to serve in Congress, rise to

Mexican Senate by Party and Number of Seats Held, 2006–2009



Source: Senado, 2006

Mexican Chamber of Deputies by Party and Number of Seats Held, 2006–2009



Source: Cámara de Diputados, 2006

Mexican Cabinet Officials

Francisco Javier Ramírez Acuña	Secretariat of the Interior (SEGOB)
Patricia Espinosa Cantellano	Secretariat of Foreign Affairs (SRE)
Agustín Carstens Carstens	Finance and Public Credit Secretariat (SHCP)
General Guillermo Galván Galván	Secretariat of National Defense (SEDENA)
Admiral Mariano Francisco Saynez Mendoza	Secretariat of the Navy (SEMAR)
Eduardo Sojo Garza-Aldape	Economy Secretariat (SE)
María Beatriz Zavala Peniche	Secretariat of Social Development (SEDESOL)
Eduardo Medina-Mora Icaza	Attorney General's Office (PGR)
Genaro García Luna	Secretariat of Public Safety (SPP)
Germán Martínez Cazares	Department of Civil Service (SFP)
Luis Téllez Kuenzler	Communications and Transport Secretary (SCT)
Javier Lozano Alarcón	Secretariat of Labor and Social Security (STPS)
Juan Rafael Elvira Quesada	Secretariat of the Environment and Natural Resources (SEMARNAT)
Georgina Kessel Martínez	Secretariat of Energy (SENER)
Alberto Cárdenas Jimenez	Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)
Josefina Vázquez Mota	Secretariat of Public Education (SEP)
José Ángel Córdoba Villalobos	Secretariat of Health (SSA)
Rodolfo Elizondo Torres	Secretariat of Tourism (SECTUR)
Abelardo Escobar Prieto	Secretariat of Agrarian Reform (SRA)
General Jesús Javier Castillo Cabrera	Chief of Presidential Staff (EMP)
Carlos Gutiérrez Ruiz	National Housing Commission
Sergio Vela Martínez	National Council for Culture and the Arts (CONACULTA)
Maximiliano Cortázar Lara	Media and Communications Director
Gerardo Ruiz Mateos	General Coordination of Cabinets and Special Projects
Juan Francisco Molinar Horcasitas	Mexican Social Security Institute
Jesús Reyes-Heroles González Garza	Petróleos Mexicanos (PEMEX)
Miguel Ángel Yunes Linares	Institute of State Workers, Social Security and Services
Alfredo Elías Ayub	Federal Electricity Commission (CFE)
Jorge Gutiérrez Vera	Luz y Fuerza del Centro
Alonso García Tamés	National Bank of Public Works and Services (BANOBRAS)
Mario Martín Laborín Gómez	Banco Nacional de Comercio Exterior (BANCOMEXT)
Enrique de la Madrid Cordero	Rural financing department
José Luis Luege Tamargo	National Water Commission (CNA)
Miguel Gómez-Mont Urueta	National Fund for the Promotion of Tourism (FONATUR)
María Cecilia Landerreche Gómez Morín	DIF
Ignacio Loyola Vera	PROFEPA
Víctor Manuel Borrás Setién	Institute of the National Housing Fund for Workers (INFONAVIT)
Gilberto Calvillo Vives	National Institute of Statistics, Geography and Informatics (INEGI)
Luis Héctor Álvarez Álvarez	National Commission for the Development of Indigenous Peoples
Carlos Manuel Hermosillo Goytortua	National Sports Commission (CONADE)
Ernesto Velasco León	Airports and Auxiliary Services (ASA)
Juan Camilo Mouriño Terrazo	Head of the President's Office
Cesar Nava Vazquez	Private Secretary
Alejandra Sota Mirafuentes	General Coordination of Public Opinion and Image
Daniel Francisco Cabeza de Vaca Hernández	President`s Legal Counsel
Dionisio Pérez-Jácome Friscione	Coordination of Advisers
Patricia Flores Elizondo	General Administration Coordinator
Antonio Morales de la Peña	Federal Consumers Bureau (PROFECO)

Source: http://www.presidencia.gob.mx/en/cabinet/
Note: Accurate as of September 2007.

be Governor of his or her state, and then return to Congress again; or be a Cabinet Secretary and then a Member of Congress. As a result, those Senators and Deputies who have held significant other positions in government or within their parties tend to hold the most influence in Congress, while the rest have much less influence.

Currently the PAN (Calderón's party) is the largest party in the Congress with just over 40% of the seats. The left-of-center PRD is the second largest party and forms a bloc with the smaller Workers' (PT) and Convergencia (PC) Parties. The PRI, which ruled Mexico for 71 years, now has only a fifth of the seats, but it has maintained considerable influence by becoming the deciding vote on key issues. Several smaller parties also have seats and occasionally succeed in exerting influence on specific issues.

The Judicial System: Mexico's Supreme Court, with eleven justices, is the highest court in the land. After years of subservience to the President, during the period of one-party rule, it has gradually established itself as an independent arbiter of constitutional law and gained considerable credibility. Not so for the country's remaining courts. The Mexican legal system was constructed for an authoritarian system and retains many of the same ambiguities it has for decades. Most court decisions can be stayed by judicial orders in other courts, with low standards of proof, and most citizens express limited confidence in the courts, other than the Supreme Court. Mexico has both federal courts and state courts with separate jurisdiction.

Several states have been innovating in ways to improve the justice system, including allowing oral arguments for the first time, providing legal services in indigenous languages, and hiring public defenders. However, judicial reform remains one of Mexico's most important future challenges.

State and Local Governments: Under the one-party system, state and local governments operated largely as extensions of the federal government with few resources or real powers. Since the mid-1990s, however, state and local governments have gained resources, functions, and powers and now represent around a third of all public expenditures. Most education and healthcare has been decentralized to state governments, and municipalities are responsible for most basic city and county services. States and municipalities remain dependent on federal transfers for a majority of their budgets. While some argue for giving them more power of taxation, others worry that the vast economic inequalities would mean that poorer states and municipalities would be unable to raise sufficient tax revenue.

Composition of the Supreme Court

Chief Justice
Guillermo I. Ortiz Mayagoitia
Justices
Mariano Azuela Güitrón
José de Jesús Gudiño Pelayo
Juan N. Silva Meza
Olga María del Carmen Sánchez Cordero de García Villegas
José Ramón Cossío Díaz
Margarita Beatriz Luna Ramos
Sergio Armando Valls Hernández
Genaro David Góngora Pimentel
Sergio Salvador Aguirre Anguiano
José Fernando Franco González Sala

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

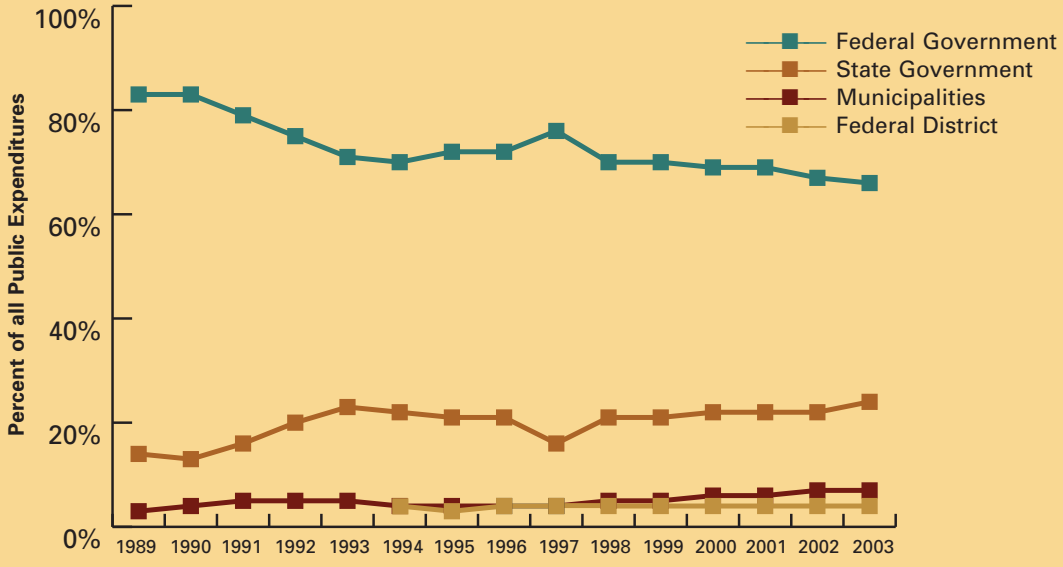
The growing strength of state and local governments contrasts with important institutional weaknesses that they face. Most state and municipal police forces are highly ineffective and some have been subject to cooption by organized crime; transparency in budgeting is often deficient and funds can be subject to misuse; and electoral laws for municipalities are archaic and privilege local powerholders over real democratic competition. However, even with these deficiencies, many state and local governments are also increasingly becoming sites of experimentation in judicial and police reform, social policy, and economic development.

MEXICO'S ECONOMY

Brief Historical Overview: Mexico's economy has gradually become one of the most open in Latin America with sustained growth in recent years. However, roughly half the population still lives in poverty and inequality appears to be increasing.

From the 1950s to the 1970s, Mexico's economy grew robustly, averaging over 7% annual growth, on average, during the same period as the United States' post-war economic expansion. During this period, Mexico followed a policy of Import-Substituting Industrialization (ISI) with high tariffs for imported goods and government support for domestic industries. However, despite overall growth, the country experienced repeated economic crises, often linked with the transfer of power between Presidents. In 1982, a particularly sharp economic crisis took place, driven by the drop in world oil prices and the rise in international interest rates. Mexico declared a

Public Spending by Level of Government, 1983–2003



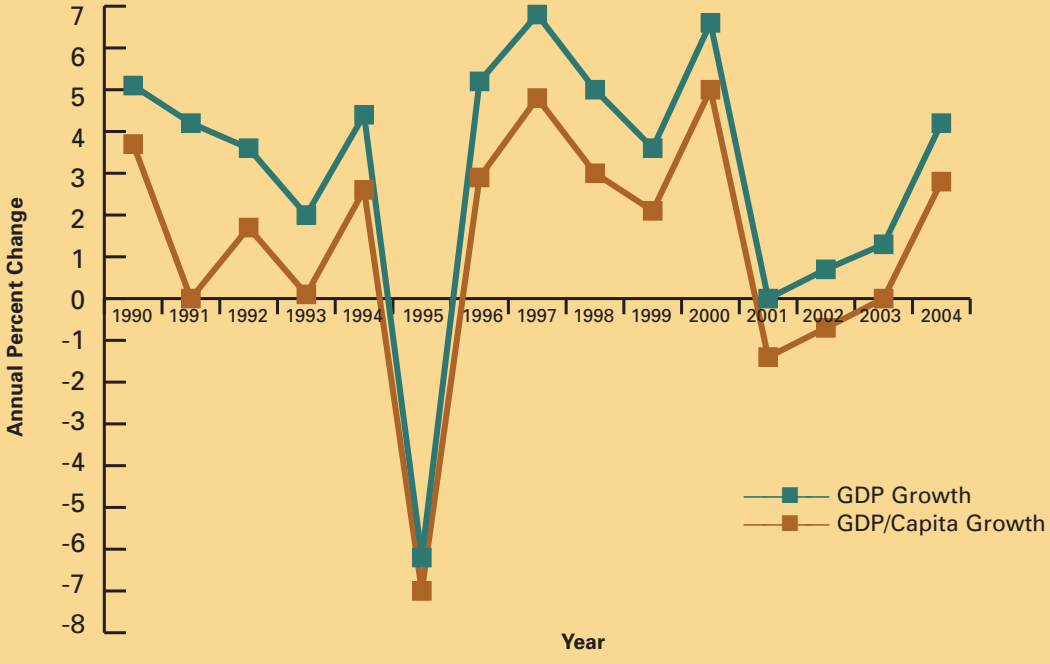
Source: Author's calculation from INEGI public finance statistics.

moratorium on its debt payments. Although the government eventually reached agreements with major lenders and the IMF, the economy remained in crisis throughout most of the 1980s, with a significant deepening of poverty.

In 1990, then President of Mexico, Carlos Salinas de Gortari, hoping to stabilize the Mexican economy by attracting foreign investment, approached then U.S. President George H.W. Bush about signing a free trade agreement, similar to the one the U.S. had just completed with Canada. The Bush administration, in search of new economically-based policies in the hemisphere to respond to the realities of the post-Cold War world, agreed. The Canadians joined as well. The North American Free Trade Agreement (NAFTA) was negotiated throughout 1990–92, signed by the three countries in 1992, and took effect on January 1, 1994. The NAFTA negotiations initially helped jumpstart economic growth in Mexico, but insufficient regulation and poor management led to a severe financial crisis in 1994–95. The country began to recover after 1997 with slow but sustained growth over the subsequent years.

Poverty and Inequality: Mexico is one of Latin America's more unequal countries with zip codes as wealthy as parts of the United States and others as poor as Haiti. While it boasts several highly successful multinational corporations (e.g. Cemex, Femsa, Telmex, Vitro, Grupo BAL) that compete globally and six citizens on the list of Forbes 200 wealthiest people worldwide (including the world's wealthiest person, Carlos Slim), almost half of the population lives in or near poverty according to official statistics.

Growth in GDP and GDP/Capita, 1990–2004

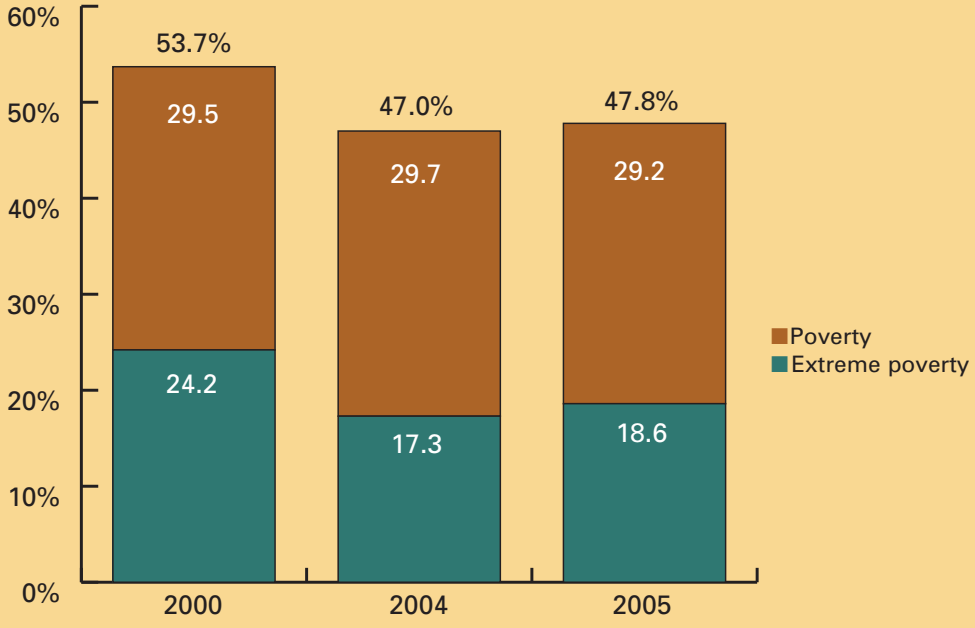


Source: World Development Indicators, World Bank, 2006.

There are important regional and state-to-state differences, however. GDP per capita in Mexico's five wealthiest states, mostly in the north, is three times that in the five poorest states, mostly in the south. The north of Mexico, which has long-standing economic ties to the United States, and fairly good infrastructure, has been able to take advantage of many of the opportunities created by NAFTA. The south, with limited infrastructure and less access to education, as well as a large number of people who live off of subsistence or near-subsistence agriculture, has been largely unable to participate in the economic opening. Moreover, the agricultural chapter of NAFTA, which allowed for importation of more heavily subsidized U.S. corn and beans, appears to have undermined further the farm economy in the south while stimulating export-oriented farming in the north. It was perhaps not surprising that President Calderón won almost all of the northern states of Mexico, which were anxious to continue his predecessors' policies of market opening, while almost all of the southern states voted for López Obrador, who promised more active state intervention in the economy.

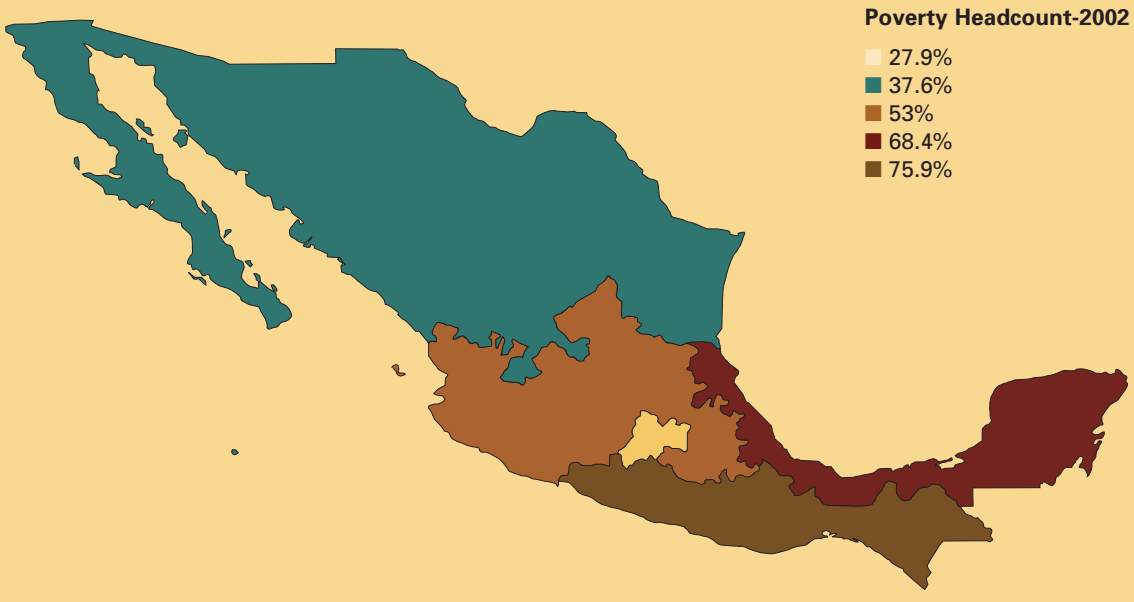
One of the government's most effective social policies has been *Oportunidades*, a cash-transfer program for the country's poorest households. Families that qualify receive monthly payments for their minor children on condition that they remain in school and participate in regular medical check-ups. The program, originally started in 1995 as *Progresa,* was extended from rural to urban areas under the Fox administration.

Percent of Mexicans Living in Poverty and Extreme Poverty, 2000–2005



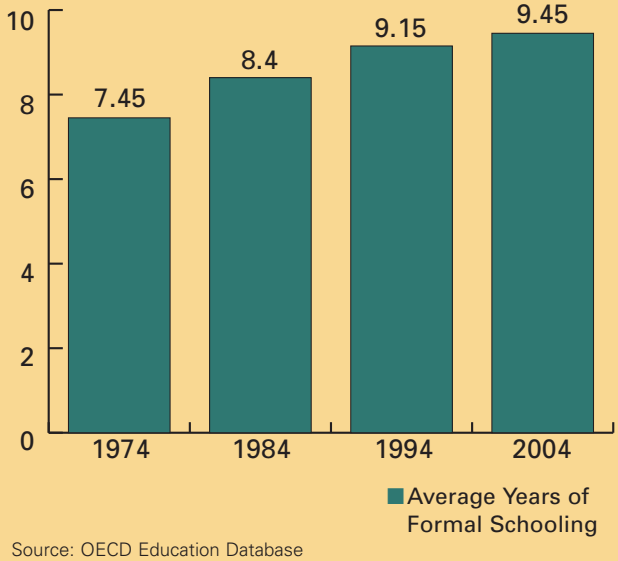
Source: Secretaria de Desarrollo Social , 2006.

Mexico Poverty Headcount-2002



Data from "Poverty in Mexico: Conditions, Trends, and Government Strategy" World Bank Poverty Assessment, 2004

Average Number of Years of Successfully Completed Formal Education, 25–34 year olds

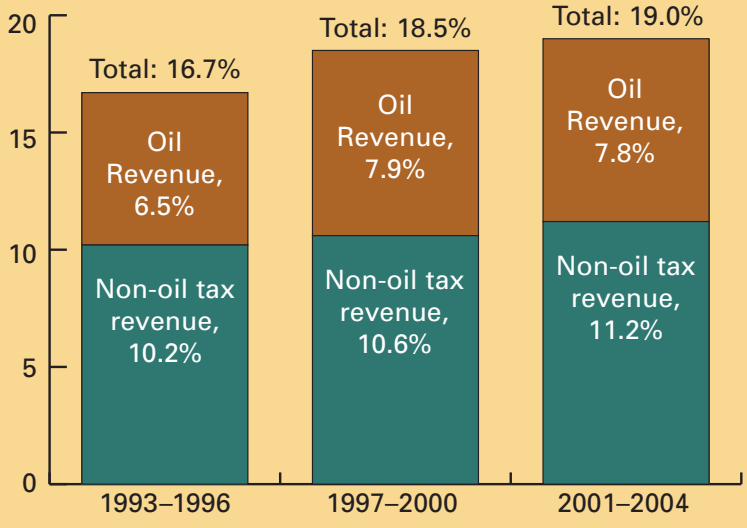


Source: OECD Education Database

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

Education: Education indicators in Mexico have improved noticeably in recent years, rising from 7.45 years of education in 1974 to over 9.45 years in 2004. However, these numbers are still low and only 14% of the population completes college. Resistance from the teacher's union, which has strong ties to political power, as well as inertias in

Tax Revenue as a Percent of GDP in Mexico: Oil vs. Non-Oil Revenue 1993–2004



Source: Secretaría de Hacienda y Crédito Público, 2005; Organization for Economic Cooperation and Development, 2005.

the system and limited funding, have prevented more successful outcomes in the educational system.

Telecommunications: Many Mexican industries remain dominated by only a handful of companies. This is perhaps most evident in the telecommunications industry where there are only two private television stations (Televisa and TV Azteca) and in telephones, where a single company (Telmex) controls almost all of the market. In 2006 the Mexican Congress passed a law to regulate radio and television that appeared to consolidate the control of the two private networks; however, a 2007 Supreme Court decision may overturn some elements of this law.

Energy: Mexico is the world's fifth largest oil producer and the second largest supplier to the United States (after Canada). However, the country's production has been unable to keep pace with demand, and it is now a net importer of both gasoline and natural gas. Since the Mexican government expropriated all energy production and marketing from private companies in the 1930s, these functions have remained a monopoly of Mexico's government-controlled oil company, Pemex. Both the Fox and Calderón administrations have been interested in encouraging private investment in some aspects of oil exploration, without giving up overall control; however, this remains a highly controversial issue, with a vast majority of Mexicans opposing significant private investment.

Revenues from Pemex also supply over a third of the federal budget. Most experts recognize that Pemex's contribution to the government's operating expenses have often come at the expense of needed reinvestment in the company itself. Taking advantage of high oil prices, the Mexican Congress passed legislation in 2006 to allow for greater rein-

vestment of oil revenues within Pemex to upgrade capabilities for exploration.

Fiscal Policy: Due in large part to the availability of oil revenues for public expenditure, Mexico has one of the lowest tax rates of any major country in the Western Hemisphere. Taxes comprise only 11.2% of GDP, although high international oil prices have increased overall public revenues in recent years to around 19% of GDP. Low public finances have meant a limited ability to engage in needed investments in education, infrastructure, social development, and the modernization of the police and judicial systems.

CULTURE AND SOCIETY IN MEXICO

Mexico's population is around 103 million people. The country has a rich and varied cultural heritage, with roots in indigenous and Spanish traditions, as well as those of Africa, the Caribbean, South America, and other parts of Europe. The original encounter between indigenous peoples and Spanish settlers has been augmented by centuries of immigration and contact with other parts of the world.

Today around 7–12% of Mexicans are indigenous, and they speak over sixty different indigenous languages. Most of the rest of the population is considered *mestizo,* that is, of mixed indigenous and European heritage, although there are many who trace their ancestry to Africa as well as many families who have immigrated more recently from Europe, South America, or the United States. Indeed, there is a community of several hundred thousand Americans who live in Mexico today (somewhere between 300,000 and one million).

Mexico has a long tradition in the arts and literature.

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

Music: Mexico is home to a variety of musical styles from classical music to love ballads to punk rock. Among Mexico's most popular singers on the international scene are Juan Gabriel and Luis Miguel (romantic ballads); Paulina Rubio (pop); Maná (rock); Maldita Vecindad (hard rock), and Los Tigres del Norte (*norteña*).

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

Literature: Mexico has a long literary tradition that spans poetry, short-stories, novels, drama, and non-fiction writing. Among the most well-known writers abroad are poet

Octavio Paz, author of *The Labyrinth of Solitude,* and novelist Carlos Fuentes, author of *Artemio Cruz* and *The Crystal Frontier.*

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

Folk art: Mexico boasts of an extensive array of folk art, including brightly colored *alebrijes* (woodcarvings of animals) in Oaxaca, beautiful Talavera pottery in Puebla and Guanajuato, decorated carnival masks in Guerrero, and painted clay figures from Puebla. Indigenous peoples in Chiapas produce traditional textiles, stunning for their intricate designs and beautiful colors.

FURTHER READING AND WEB RESOURCES

A list of readings and useful websites in English for those who wish to do additional research on the issues in this volume:

THE DYNAMICS OF U.S.–MEXICO RELATIONS

Ventana a México: a Web Resource on U.S.–Mexico Relations, www.wilsoncenter.org/mexico

Jorge Dominguez and Rafael Fernández de Castro, *The United States and Mexico: Between Partnership and Conflict,* New York: Routledge, 2001.

Jeffrey Davidow, *The Bear and the Porcupine,* Princeton: Markus Wiener Publishers, 2004.

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Andrew Selee, ed., *Perceptions and Misconceptions in U.S.-Mexico Relations,* Washington, DC: Woodrow Wilson Center and Letras Libres, 2005. Available at www.wilsoncenter.org.

Josefina Vázquez and Lorenzo Meyer, *The United States and Mexico*, Chicago: University of Chicago Press, 1987.

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Rossana Fuentes-Berain, Andrew Selee, and Heidy Servin Baez, eds., *Journalism beyond Boundaries,* Washington, DC: Woodrow Wilson Center and Foreign Affairs en Español, 2005.

Jonathan Fox and David Brooks, eds., *Cross-Border Dialogues: U.S.–Mexico Social Movement Networking,* San Diego: Center for U.S.–Mexican Studies, University of California, 2002

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Sidney Weintraub, ed., *NAFTA's Impact on North America: The First Decade,* Washington, DC: Center of Strategic and International Studies, 2004.

John J. Audley, Demetrios G. Papademetriou, Sandra Polaski, Scott Vaughan, *NAFTA's Promise & Reality: Lessons for the Hemisphere from Mexico,* Washington, DC: , Carnegie Endowment for International Peace, 2003. Available at http://www.carnegieendowment.org.

Gary Clyde Hufbauer and Jeffrey J. Schott, *NAFTA Revisited: Achievements and Challenges,* Washington, D.C.: Institute for International Economics, 2005.

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John Burstein, *U.S.-Mexico Agriculture and Rural Poverty*, Washington, DC: Woodrow Wilson Center, 2007.

A Strategy for Building Competitiveness Within North America, Washington, DC: Council of the Americas, 2005. Available at http://www.americas-society.org.

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Migration Policy Institute and Migration Information Source, www.migrationpolicy.org

Task Force on Immigration and America's Future, *Immigration and America's Future: A New Chapter,* Washington, DC: Migration Policy Institute, Manhattan Institute, and Woodrow Wilson Center, 2006.

Jeffrey Passel, *Unauthorized Migrants: Numbers and Characteristics*, Washington, D.C.: Pew Hispanic Center, 2005.

Víctor Zúñiga and Rubén Hernández-León, eds., *New Destinations: Mexican Immigration in the United States*, New York: Russell Sage, 2005.

Douglas S. Massey, Jorge Durand, and Nolan J. Malone, *Beyond Smoke and Mirrors: Mexican Immigration in an Era of Economic Integration,* New York: Russell Sage Foundation, 2002.

Xóchitl Bada, Jonathan Fox, and Andrew Selee, eds., *Invisible No More: Mexican Migrant Civic Participation in the United States,* Washington, DC: Woodrow Wilson Center and UCSC, 2006.

SECURITY AND RULE OF LAW

Transborder Institute, University of San Diego, www.tbi.org

Raúl Benítez-Manaut, *Mexico and the New Challenges of Hemispheric Security,* Washington, DC: Woodrow Wilson Center, 2004. Available at www.wilsoncenter.org/mexico.

Wayne A. Cornelius and David Shirk, eds., *Reforming the Administration of Justice in Mexico,* Notre Dame: University of Notre Dame Press, 2007.

Mexico Security Memos, Stratfor Consulting Intelligence Agency. Available at http://www.stratfor.com.

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Jonathan Fox, *Accountability Politics: Power and Voice in Rural Mexico,* Oxford University Press, 2007.

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Nora Lustig, *Mexico: The Remaking of an Economy, 2nd Edition*, Washington DC: Brookings Institute Press, 1998.

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Pamela Starr, *Challenges for a Postelection Mexico: Issues for U.S. Policy*, Washington, DC: Council on Foreign Relations Press, 2006. Available at www.cfr.org.

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Letras Libres magazine (in Spanish), www.letraslibres.com

Octavio Paz, *The Labyrinth of Solitude,* New York: Grove Press, 1985.

Carlos Fuentes, *The Crystal Frontier,* New York, Farrar, Straus & Giroux, 1997.

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ABOUT THE AUTHOR

ANDREW SELEE has been director of the Woodrow Wilson Center's Mexico Institute since its founding in 2003. The Institute seeks to build dialogue and communication between Mexico and the United States in a plural and non-partisan environment and to promote a greater understanding of Mexico in the United States.

Selee is an Adjunct Professor of Government at Johns Hopkins University and a former visiting scholar at El Colegio de México. He serves on the board of Comexus, the Mexico–U.S. Fulbright Commission and is a term member of the Council on Foreign Relations. He has worked in the U.S. House of Representatives and on development projects in Mexico and South America.

He is the editor or co-editor of several publications including *Perceptions and Misconceptions in U.S.–Mexico Relations* and *Mexico's Politics and Society in Transition.* He is also a contributing editor to the Library of Congress's Handbook of Latin American Studies.

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