

U.S. – Mexico Relationship Faces Tough Challenges Ahead

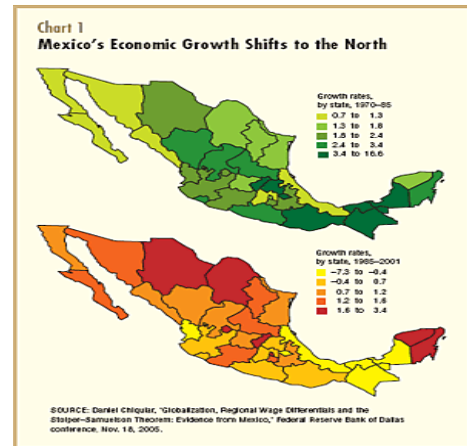
By Edgar Ruiz

Introduction

While enjoying an unprecedented level of cooperation in recent years on numerous cross-border policy issues, the U.S. and Mexico face important challenges that will affect the long-term prosperity of North America. These challenges include the need for both countries to address the contentious issue of immigration, promote a shared vision for competitiveness in the 21st century and provide government the tools to manage binational concerns along the U.S. – Mexico border.

Changing Political Environment in Mexico

As newly elected President Felipe Calderon takes the reigns of Mexico's executive branch, the country continues to be embroiled in the aftermath of the closest presidential election in its history. While Calderon is moving forward after his razor thin victory over top challenger Andres Manuel Lopez Obrador, he does so with great caution and uncertainty in a politically divided country. The election results display a great divide between northern and southern Mexican states. Northern Mexico states have benefited from cross-border trade and greater economic exchange as a result of the North American Free Trade Agreement (NAFTA). Southern states have not benefited from such trade integration and historically have seen a decline in economic competitiveness, increased unemployment and a high exodus of migrants.



Both President Calderon of the National Action Party (PAN) and Andres Manuel Lopez Obrador of the Democratic Revolutionary Party (PRD) hail from political alliances that, until most recently, did not have a strong political voice during the 70-plus years of the Institutional Revolutionary Party's (PRI) one-party rule. The newly established Mexican Federal Congress is comprised of nine political parties with the PAN holding only a slim majority.¹ Any reform or major initiative will require broad consensus among the different political parties and a strong political will for change.

As Mexico moves forward from this important election cycle that tested the validity of critical government institutions such as the independent Federal Elections Institute and the Federal Elections Tribunal, President Calderon must deal with poverty, work force and economic development, justice and energy reform, public safety and education. His administration will need to hammer out a new bilateral agenda with the U.S. to address border security, immigration and economic integration that goes beyond NAFTA.

Immigration Reform

Early in both President Bush's and former Mexican President Fox's terms a great sense of optimism loomed as an agreement on immigration reform seemed within reach. However, the September 11, 2001 terrorist attacks dramatically altered those prospects as the U.S. shifted its focus to the global war on terror and border security. Since then, the U.S. – Mexico relationship has been dominated by immigration, primarily from a security perspective. The U.S. Congress and the American public have had an intense debate over immigration, focusing on border security, the estimated 11.5 - 12 million undocumented immigrants already in the U.S. and unmet U.S. labor needs, particularly in agriculture.²

In 2004, President Bush proposed a temporary worker program to match willing foreign workers with willing U.S. employers when no Americans can be found to fill the jobs. The president also asked Congress to work with him to achieve immigration reform that controls the border; offers incentives for temporary workers to return to their home countries and protects the rights of legal immigrants, while not unfairly rewarding those who entered unlawfully.

Immigration came to the forefront of the 2006 U.S. Congress as it debated several measures, including the passage Border Fence Act which authorizes 700 of miles of additional fencing, barriers, checkpoints and lighting along the southern border. The Act also increases the use of advance technology such as cameras, satellites and unmanned aerial vehicles to reinforce security.³ Many criticized this measure as an "enforcement only" approach that did not address the root of the problem. Passage of this bill sparked criticism in the U.S. and Mexico about the negative symbolism of a border fence and compared it to past Cold War efforts to contain fears and enemies with walls.

The U.S. Congress also considered immigration reform legislation, including a bill cosponsored by Senators John McCain and Edward Kennedy that included temporary worker and earned legalization provisions. While such reform efforts were not passed in the last session, it is likely that similar versions will be reintroduced in 2007.

In addition to federal legislation, several states and local governments have attempted to curb illegal immigration using a series of laws and ordinances. These measures included denying public services to undocumented immigrants, English-only laws, giving local law enforcement authority to detain undocumented immigrants and ordinances aimed at punishing home owners that rent to undocumented immigrants.

Although the immigration debate has become polarized, pragmatic solutions need to prevail. Both countries share a responsibility to secure the border. Both must pass laws to promote secure, safe, legal and humane immigration patterns.

Enforcement-only approaches have been ineffective in reducing undocumented immigration. For instance, operations along the California and Texas border in the 1990s provided more border patrol agents and illegal immigration control operations. While initially successful, these efforts eventually lead to rerouting migration flows overland through dangerous desert and mountain areas such as Arizona and New Mexico, as well as underground through sophisticated tunnel systems.⁴ Since then, the federal government has continued to increase border enforcement with little success in stopping

undocumented immigration as demonstrated by the presence of 11 million unauthorized residents in the U.S.⁵

Moreover, enforcement-only measures have had the unintended consequence of increasing criminal smuggling networks. The harder it is for undocumented immigrants to cross the border, the more they rely on professional smugglers and organized criminals to enter the country.⁶ An Associated Press analysis of a recent survey found the use of smugglers on the rise among illegal border crossers, up to 55 percent in 2005 from 18 percent in 2000.⁷ Border enforcement tragically has increased immigrants' exposure to greater physical risks and deaths.

Mexico, which loses a significant number of young and productive employees to migration, must create an environment that promotes job opportunities and investments, particularly in rural areas and southern states. In the long run, such approaches will stem migration. Moreover, Mexico must invest heavily in education to prepare its labor force for the jobs of the future. However, promoting economic growth in Mexico will not reduce undocumented immigration overnight, and it will not address the legal status of undocumented immigrants already in the U.S. As such, the president and the U.S. Senate must seek legal solutions, like a temporary guest worker program.⁸

A New Vision to Meet Competitiveness Challenge of the 21st Century

As the world has become more interconnected, U.S. and Mexico stakeholders have begun discussions to enhance regional, continental competitiveness. The issue has captured considerable attention in North America as numerous manufacturing jobs continue to be lost to overseas competition.

The Maquiladora industry, which is the most visible demonstration of the U.S. – Mexico trade relationship, has been impacted by global competition and outsourcing. Maquiladoras are manufacturing plants that process and assemble components imported into Mexico that are, in turn, exported, usually to the U.S. The industry uses relatively inexpensive Mexican labor to perform a range of manufacturing operations including assembly and processing. In recent years, these types of operations have moved to lower cost locales in Central America, Southeast Asia and China. Plants with the simplest production practices, such as textile, clothing and furniture manufacturing, are among the first to leave. The continued exodus of industries in these sectors to lower-cost countries such as China have made it clear that Mexico can no longer compete on the basis of cheap labor.

However, Mexico's proximity to the U.S., the world's largest consumer market, gives it a unique advantage over other countries. Its location is ideal for designing and producing items for which proximity to the end user matters. The long-term prosperity of Mexico's manufacturing sector will depend on its ability to capitalize on this advantage with rapid-fire turn around that Asia and other countries can't match. Meanwhile, this sector, along with the support of government from both countries, must seek to produce more complex, valued added products that are not as dependent on low-end manufacturing skills.

Regional partnerships can promote collaboration and joint marketing of assets in both countries. For example, in 2004, Texas and the four Mexican Northeastern states of Nuevo Leon, Tamaulipas, Coahuila, and Chihuahua signed the historic Agreement for Regional Progress to create new jobs and economic opportunities along the border.⁹ Under the agreement, states in the Northeast Mexico – Texas region agreed to establish technical cooperation programs. The agreement offers an integrated vision on how the region can take advantage of the region’s 30 million inhabitants, its dynamic growth and border crossings which account for more than 50 percent of the total crossings between Mexico and the U.S.

In a similar fashion, government and the private sector along the Arizona – Sonora and California – Baja California border have been working to enhance economic growth through a series of projects such as the CANAMEX Corridor Project and the proposed Silicon Border project.

The CANAMEX Corridor Project extends from central Mexico to Alberta, Canada and promotes tourism, communications, transportation investments and streamlined international clearance at land border ports of entry. The Silicon Border proposal was conceived by semiconductor industry executives concerned about the over dependence and concentration in Asia. It would create a 10,000 acre High-Tech Science Park along the border between Baja California and California.¹⁰

Enticing and maintaining valued-added manufacturing operations in North America not only increases the standard of living for both countries, but also offers unique advantages. A case in point is Motorola. Motorola transferred its manufacturing operations to China because of low labor costs. Now the company is moving those operations back to the Arizona – Sonora border region. In China, late deliveries, decreased product quality, high manufacturing turnover rates, as well as cultural and language differences were resulting in rising production costs. Now relocated to Nogales, Sonora, Motorola has established a close working relationship between engineering centers and manufacturing sites, and production is closer to customers and within the same trade zone.

Need for a Seamless Border

Most recently the Border Legislative Conference, a CSG binational program of state legislators comprising the 10 U.S. – Mexico border states, convened a series of regional border economic development forums. These forums brought together border stakeholders to identify ways to promote economic competitiveness. One of the biggest priorities is to create a seamless border that integrates the concepts of “fast, secure, and smart” to expedite the crossing of legitimate people and commerce at U.S.–Mexico ports of entry. In addition the program recommended tax incentives for defense related manufacturing, high-priority transportation corridors, high technology systems at ports of entry and workforce training investments to prepare for high skilled jobs.

U.S. – Mexico at a Glance

| | U.S. | MEXICO |
|----------------------------|---|---|
| POPULATION | *290,809,777 in 2003 (U.S Census Bureau 2003) 281,421,906 (U.S: Census Bureau, 2000) | *101,000,000 in 2002 (World Bank, "World Development Report 2004") 97,483,412 (INEGI*** 2000 Census) |
| POPULATION GROWTH | 0.92% per year (2001 est.-CIA World Factbook) | 1.5% per year (World Bank, "World Development Indicators 2003") |
| NOMINAL GDP 2003 | \$10,987.9 billion (Bureau of Economic Analysis, 2001) | \$637.2 billion (World Bank, "World Development Indicators") |
| GDP per CAPITA 2002 | \$35,060 (World Bank, "World Development Report 2004") | \$5,910 (2001)(World Bank, "World Development Report 2004") |
| AREA | 3,717,792 mi ² | 758,445.2 mi ² |

*INEGI = National Statistics and Geography Institute

**CONAPO = Mexican Population Council

Source: Source: U.S. Embassy in Mexico, <http://mexico.usembassy.gov>

Governance Reforms

Today, as a result of recent government reforms and increased political plurality, Mexico's federal Congress and individual states wield greater influence in politics than ever before. Ongoing efforts to decentralize authority in specified policy areas have given legislatures, governors and other agencies greater standing in the policy-making process. Further reforms will be needed to continue Mexico's continued democratic advancement.

State executive and legislative branches remain challenged and limited due to the primacy of the federal government over domestic policy issues in Mexico. As a result of the federal government's dominance over public revenues, state and local governments continue to be dependent on federal resources to meet their citizens' basic needs and deliver public services. State institutions in Mexico need to be strengthened so they can be effective change agents.

Differences in governmental structures, as well as very restrictive term limits challenge the continuity of binational cooperation. In Mexico, state legislators, mayors, city councils and federal representatives in Mexico's Chamber of Deputies are allowed to serve a single three-year term. Governors, federal senators and the president serve a single, six-year term.

These challenges are compounded by the minimal coordination between governments and the private sector on both sides of the border. However, the long-term health of the U.S. – Mexico relationship, and their shared border region, will depend on finding common goals and benefits.

Legislatures Increased Level of Engagement

Over the last decade, the legislatures of the southern border region have increased their level of engagement in U.S.-Mexico relations. They have developed linkages with their regional border counterparts through the creation of border affairs committees. Of the six Mexican states bordering the U.S., five have active border affairs committees. These states include Baja California, Sonora, Chihuahua, Coahuila, and Tamaulipas.

Likewise, in the U.S. border states of California, Arizona, and Texas, legislative committees have been established to address cross-border issues and promote greater collaboration with Mexico. While their influence is limited by the purview of the federal government, these committees have had success in voicing local concerns in the areas of the environment, health, regional transportation planning and public safety. Additionally, through their oversight and budget functions, the committees have been successful in promoting funding for border specific projects.

U.S. and Mexican border state legislatures continue to expand their cooperative relationships. Because of their unique understanding of the complex issues affecting the border region, border legislators can provide community-based approaches to benefit the region. Border lawmakers can serve as effective critics and advocates of federal proposals in Washington DC and Mexico City so that national strategies correlate to practical realities. As Mexico continues to change politically, state legislatures are becoming breeding grounds for new political leadership. State legislatures will be the innovators in public education, regional planning and fiscal reform, among other things.

Conclusion

The U.S.–Mexico relationship faces complex challenges that require practical solutions. As the relationship between the U.S. and Mexico evolves from friends to strategic allies, leaders from both countries must work on a hemispheric strategy that fosters economic prosperity and security.

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¹ Congreso de la Union, Camara de Diputados, <http://www.diputados.gob.mx>

² Pew Hispanic Center website, "Estimates of the Unauthorized Migrant Population for States Based on the March 2005 CPS."

³ White House Fact Sheet: The Secure Fence Act of 2005, www.whitehouse.gov/news/releases/2006

⁴ Newsweek, interview with border expert David Shirk, October 12, 2006

⁵ Newsweek, interview with border expert David Shirk, October 12, 2006

⁶ Newsweek, interview with border expert David Shirk, October 12, 2006

⁷ Sacramento Bee, "U.S. crackdown is lucrative for guides," January 3, 2007

⁸ Newsweek, interview with border expert David Shirk, October 12, 2006

⁹ Texas Secretary of State's Website; <http://www.sos.state.tx.us/border/arr.shtml>

¹⁰ Presentation by Daniel Hill, "Silicon Border" at the 2nd Regional Border Economic Development Forum in San Diego, California, February 24, 2006