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Summary

Congress has maintained significant interest in Mexico, an ally and top trade partner. In recent decades, U.S.-Mexican relations have grown closer through cooperative management of the 2,000-mile border, the North American Free Trade Agreement (NAFTA), and security and rule of law cooperation under the Mérida Initiative. Relations have been tested, however, by President Donald J. Trump's shifts in U.S. immigration and trade policies.

President Enrique Peña Nieto of the Institutional Revolutionary Party (PRI) is in the final months of his six-year term. During 2013, Peña Nieto shepherded significant structural reforms through the Mexican congress, including a reform that opened Mexico's energy market to foreign investment. Nevertheless, he became embroiled in corruption scandals and struggled to address human rights abuses and insecurity. Homicides surpassed record levels in 2017, hurting his already relatively low approval ratings. With Peña Nieto's presidency ending, his government aims to conclude a revised trade agreement with the Trump Administration before leaving office.

Political attention in Mexico is on the incoming government of Andrés Manuel López Obrador, the populist leader of the National Regeneration Movement (MORENA) party, who won 53% of the vote in the July 1, 2018, presidential elections. MORENA's coalition also won majorities in both chambers of the legislature that convened on September 1, 2018. López Obrador is a former mayor of Mexico City who ran for president in 2006 and 2012. He promised to govern differently than recent PRI and National Action Party (PAN) administrations, which have presided over periods of moderate economic growth, rising insecurity, and ongoing corruption. Some observers are concerned that López Obrador could alter Mexico's investor-friendly policies, but others predict he will govern responsibly, albeit with a more centralized, state-led development approach.

U.S. Policy

U.S.-Mexican relations remain relatively strong, but periodic tensions have emerged during the Trump Administration. In January 2017, President Trump's assertion that Mexico should pay for a border wall that it has consistently opposed led Peña Nieto to cancel a White House visit. The Mexican government continues to oppose paying for the border wall, and it has spoken out against U.S. "zero tolerance" immigration policies and is concerned about the future of the Deferred Action for Childhood Arrivals (DACA) initiative. However, bilateral security and migration management efforts continue. The Trump Administration requested $76.3 million for the Mérida Initiative for FY2019 (a 35% decline from the FY2017 enacted level). Mexico has applied retaliatory tariffs in response to recent U.S. tariffs on steel and aluminum imports. In NAFTA negotiations, the United States and Mexico reached a preliminary agreement in late August 2018. On September 30, 2018, Canada joined Mexico and the United States in announcing a new U.S.-Mexico-Canada (USMCA) free trade agreement.

Legislative Action

The 115th Congress has considered legislation affecting Mexico. The Senate passed a resolution (S.Res. 83) calling for U.S. support for Mexico's efforts to combat fentanyl. The House approved a resolution reiterating the importance of bilateral cooperation (H.Res. 336). In March 2018, Congress provided $152.6 million for Mexico in the FY2018 Consolidated Appropriations Act (P.L. 115-141), including $145 million for the Mérida Initiative. The House Appropriations Committee's FY2019 version of the State Department and Foreign Operations appropriations bill, H.R. 6385 (H.Rept. 115-829), recommends providing $125 million for Mexico. The Senate version of the bill, S. 3108 (S.Rept. 115-282) recommends $169.5 million. In September 2018, the House Foreign Affairs Committee passed a measure (H.R. 1567) to promote U.S.-Mexican

economic cooperation. It is yet unclear when Congress will consider the USMCA agreement. This report may be updated.

Further Reading

CRS In Focus IF10867, *Mexico's 2018 Elections: Results and Potential Implications*.

CRS In Focus IF10578, *Mexico: Evolution of the Mérida Initiative, 2007-2019*.

CRS In Focus IF10400, *Transnational Crime Issues: Heroin Production, Fentanyl Trafficking, and U.S.-Mexico Security Cooperation*.

CRS In Focus IF10215, *Mexico's Immigration Control Efforts*.

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

CRS Insight IN10968, *NAFTA and the Preliminary U.S.-Mexico Agreement*.

CRS Report R44981, *NAFTA Renegotiation and Modernization*.

CRS Report R44907, *NAFTA and Motor Vehicle Trade*.

CRS Report R44875, *The North American Free Trade Agreement (NAFTA) and U.S. Agriculture*.

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

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Introduction

Congress has maintained interest in Mexico, a top trade partner and energy supplier with which the United States shares a nearly 2,000-mile border and strong cultural, familial, and historical ties (see **Figure 1**). Economically, the United States and Mexico are interdependent, and U.S. policymakers are closely following ongoing efforts to renegotiate the North America Free Trade Agreement (NAFTA).[1] Similarly, security conditions in Mexico affect U.S. national security, particularly along the U.S.-Mexican border. Observers are concerned about resurgent organized crime-related violence in Mexico, which reached record levels in 2017 (see **Figure 2**).[2]

Mexican President Enrique Peña Nieto is in the final months of his six-year term. In 2013, Peña Nieto shepherded structural reforms through the Mexican congress by forming an agreement among his Institutional Revolutionary Party (PRI), the conservative National Action Party (PAN), and the leftist Party of the Democratic Revolution (PRD) (see **Table A-1** in **Appendix**). Peña Nieto's approval rating has remained relatively low since 2014, as his government has struggled to solve high-profile human rights cases, become embroiled in corruption scandals, and faced security challenges. Economic growth has averaged 2% annually, but has been hindered by uncertainty over the future of NAFTA.

The results of the July 1, 2018, presidential and legislative elections could significantly impact Mexico's political and economic trajectory, as well as its posture toward the United States. Discontent with the PRI and voters' desire for change led them to elect populist Andrés Manuel López Obrador president with 53% of the vote (see "July 1, 2018, Elections"). Although some fear that López Obrador, whose National Regeneration Movement (MORENA) coalition also captured legislative majorities in both chambers of the congress, will reverse Mexico's reforms and damage U.S. relations, others predict he will govern pragmatically. President-elect López Obrador is scheduled to be inaugurated on December 1, 2018 (see "The Incoming López Obrador Administration").

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

Political Situation

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

[1] See CRS Report R44981, *NAFTA Renegotiation and Modernization*, by M. Angeles Villarreal and Ian F. Fergusson; CRS Insight IN10968, *NAFTA and the Preliminary U.S.-Mexico Agreement*, by M. Angeles Villarreal and Ian F. Fergusson.

[2] See CRS Report R41576, *Mexico: Organized Crime and Drug Trafficking Organizations*, by June S. Beittel.

Figure 1. Mexico at a Glance

Mexico at a Glance

Size: 14th largest country in the world, slightly smaller than three times the size of Texas

Population: 125.9 million (2018, IMF est.)

Ethnic Groups: Mestizo (Amerindian-Spanish) 62%, Amerindian 28%, other 10% (mostly European)

Gross Domestic Product (GDP): $1.1 trillion (2017, current prices, IMF est.)

Real GDP Growth: 2.9% (2016, IMF); 2.0% (2017, IMF est.)

GDP per Capita: $9,304 (2017, current prices, IMF est.)

Population below Poverty Line: 43.6% (2016 estimate from Mexican government)

Key Trading Partners: United States (62.8%), China (9.7%) (2017, total trade).

Key Exports: vehicles, electrical machinery, oil and oil products, medical instruments, furniture, plastics, vegetables, fruits (2017)

Major Export Market: United States (destination for 79.8% of exports in 2017)

Key Imports: electrical machinery, nuclear reactors, vehicles and parts, oil and oil products, steel mill products

Import Partners: U.S 46.3%. , China 17.6%, Japan 4.3% (2017)

Sources: Graphic created by the Congressional Research Service (CRS). Map files from Map Resources. Trade data from Global Trade Atlas. Other data are from the International Monetary Fund (IMF).

The Calderón government pursued an aggressive anticrime strategy and increased security cooperation with the United States. Mexico arrested and extradited many drug kingpins, but some 60,000 people died due to organized crime-related violence. Mexico's security challenges overshadowed some of the government's achievements, including its economic stewardship during the global financial crisis, health care expansion, and efforts on climate change.

Twelve years after losing the presidency for the first time in 71 years, the PRI candidate Enrique Peña Nieto won the 2012 presidential election over López Obrador of the leftist PRD. López Obrador subsequently left the PRD and founded the MORENA party. In 2012, voters viewed the

PRI as best equipped to reduce violence and hasten economic growth, despite concerns about its reputation for corruption. Enrique Peña Nieto took office with his party controlling 20 of 32 governorships, but his PRI/Green Ecological Party (PVEM) coalition lacked a legislative majority. The PRI/PVEM's control over the legislature further declined after midterm elections held in 2015.

Structural Reforms: Enacted but Implemented Unevenly

In 2013, President Peña Nieto shepherded structural reforms through a fragmented legislature by forming a "Pact for Mexico" agreement among the PRI, PAN, and PRD. The reforms addressed a range of issues, including education, telecommunications, access to finance, and politics (see **Table A-1** in **Appendix**). Constitutional reforms on energy opened Mexico's oil, natural gas, and power sectors to private investment for the first time in more than 70 years but led to the collapse of the pact in late 2014, due to the PRD's opposition to the energy reform. Oil and gas companies have committed to contracts estimated to bring $160 billion in investment into the country.[3]

Many analysts praised President Peña Nieto and his advisers for shepherding structural reforms through the Mexican congress but predicted that the reforms' impact would depend on their implementation. Mexico's ranking in the World Economic Forum's Global Competiveness Index for 2017 improved, in part due to some of the reforms. Nevertheless, critics have alleged that votes in favor of the reforms "were duly purchased" by the PRI."[4]

Some of Mexico's reforms have faced problems due to issues in implementation; others have faced opposition from entrenched interest groups. Still others have faced unfavorable global conditions.[5] Fiscal reforms faced challenges in tax collection, and a 2017 Supreme Court ruling reportedly watered down the telecommunications reform.[6] Teachers unions, particularly in southern Mexico, vehemently opposed education reforms requiring teacher evaluations and accountability measures. In June 2016, 8 people died and more than 100 were injured after unions and police clashed in Oaxaca. Although Mexico's energy sector has attracted significant international investment, low global oil prices thus far have rendered shale resources and other unconventional fields unfeasible to develop.

MORENA has promised to roll back some of the 2013-2014 reforms. The legislature is considering various proposals to amend or roll back the education reform.[7] President-elect López Obrador has said that although he will respect existing oil contracts, he may halt oil auctions for two years, prompting some concerns among investors.[8]

Security Setbacks

President Peña Nieto campaigned on a promise to reduce violence in Mexico. However, six years later, insecurity has risen sharply (see **Figure 2**). Organized crime-related homicides in Mexico

[3] Duncan Wood and John Padilla, *Mexico's new Hydrocarbons Model: a Critical Assessment Four Years Later,* Wilson Center & IPD Latin America, 2018.

[4] Luis Rubio, "Corruption is Mexico's Original Sin," *Foreign Policy*, December 26, 2017.

[5] Gustavo A. Flores-Macías, "Mexico's Stalled Reforms," *Journal of Democracy*, vol. 27, no. 2 (April 2016). Hereinafter Flores-Macías, 2016.

[6] Flores-Macías, 2016; Andrea Navarro, "Slim Gets Bittersweet Court Win with Damage Already Done," *Bloomberg*, August 16, 2017.

[7] "Morena Moves Against Education Reform in Mexico's Congress," *Latin News Daily*, September 12, 2018.

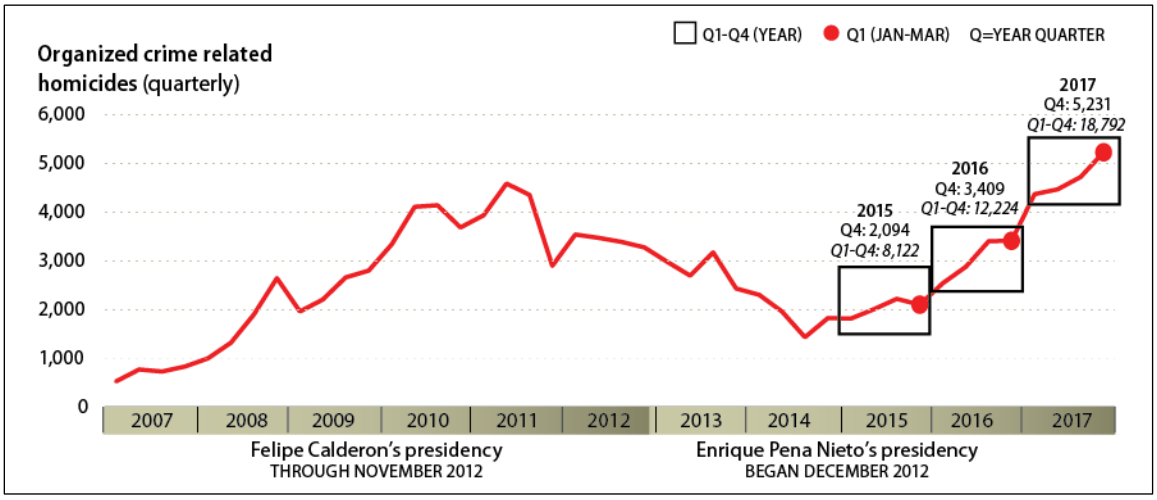
[8] Juan Montes, "Mexico's López Obrador to Halt Oil Auctions for Two Years," *Wall Street Journal*, August 24, 2018.

rose slightly in 2015 and significantly in 2016. In 2017, total homicides and organized crime-related homicides reached record levels.[9] Homicides in 2018 have continued at extremely elevated levels.[10] The State Department has warned Americans not to travel to five of Mexico's 32 states and to reconsider whether to travel to another 11 states.[11] During Mexico's 2018 campaign, more than 150 politicians reportedly were killed.[12]

Infighting among criminal groups has intensified since the rise of the Jalisco New Generation, or CJNG, cartel, a group that shot down a police helicopter in September 2016. The January 2017 extradition of Joaquín "El Chapo" Guzmán has prompted succession battles within Sinaloa and emboldened the CJNG and other groups to challenge Sinaloa's dominance. Crime groups are competing to supply surging U.S. demand for heroin and other opioids. Mexico's criminal organizations also are fragmenting and diversifying away from drug trafficking, furthering their expansion into activities such as oil theft, alien smuggling, kidnapping, and human trafficking. Although much of the crime—particularly extortion—disproportionately affects localities and small businesses, fuel theft has become a national security threat, costing Mexico as much as $1 billion a year and fueling violent conflicts between the army and suspected thieves.[13]

Figure 2. Estimated Organized Crime-Related Violence in Mexico

(2007-2017)



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

Early in his term, President Peña Nieto launched a national crime prevention plan, established a unified code of criminal procedures to cover the federal and state judiciaries, and increased funding for the country's transition to an accusatorial justice system.[14] In June 2016, Mexico transitioned from an inquisitorial, closed-door process based on written arguments presented to a

[9] Laura Calderón, Octavio Rodríguez Ferreira, and David A. Shirk, *Drug Violence in Mexico: Data and Analysis Through 2017*, Justice in Mexico Project, University of San Diego, April 2018.

[10] "Mexico: Homicides up 16% in 2018, Breaking own Records for Violence," AP, July 23, 2018.

[11] U.S. Department of State, "Mexico Travel Advisory," July 16, 2018.

[12] "152 Políticos Asesinados; #Elecciones2018, las más Violentas en la Historia del País: Etellekt," *Aristegui Noticias*, July 10, 2018.

[13] "Mexico Reports Record Number of Illegal Taps Into Fuel Pipelines," AP, February 7, 2018.

[14] Octavio Rodríguez Ferreira and David A. Shirk, *Criminal Procedure Code Reform in Mexico, 2008-2016: the Final Countdown*, Justice in Mexico, University of San Diego, October 2015.

judge to an adversarial system with oral arguments and the presumption of innocence. During the new system's first year in operation, 15% of indictments occurred because of a police investigation; the rest occurred when the perpetrator was caught in the act of committing a crime (such as possessing drugs).[15] Botched investigations have resulted in judges releasing thousands of prisoners from prison; citizens have subsequently blamed the new justice system for rising criminality.[16] In addition to these problems in the criminal justice sector, the Peña Nieto government stopped funding its national prevention program in 2017 and made little headway in replacing military forces engaged in public security with a national gendarmerie (police).[17]

Criticism of Peña Nieto's security strategy has mounted since 2014. Many observers assert that Peña Nieto has maintained Calderón's reactive approach of deploying federal forces—including the military—to areas in which crime surges rather than proactively strengthening institutions to deter crime and violence.[18] In December 2017, the government enacted an internal security law to provide legal authority for continued military deployments despite harsh criticism from domestic and international human rights groups, the U.N., and others.[19] The Supreme Court is considering various challenges to its constitutionality.

High-value targeting of top criminal leaders has continued. Security forces had killed or detained at least 110 of 122 high-value targets identified by the government as of August 2018; only nine of those individuals received sentences.[20] That figure included "El Chapo" Guzmán, recaptured in January 2016 after escaping from prison in July 2015. High-value targeting has contributed to crime groups splintering and diversifying their illicit activities, but it has remained a focus of this government. In August 2018, the Mexican government and the U.S. Drug Enforcement Administration (DEA) announced a new bilateral effort to arrest the leader of the CJNG.[21] Even as many groups have developed into multifaceted illicit enterprises, government efforts to seize criminal assets have been modest ($36 million in 2016) and attempts to prosecute money laundering cases have had "significant shortcomings."[22]

Human Rights Abuses, Corruption, and Impunity

Human Rights

In addition, criminal groups, sometimes in collusion with public officials, as well as state actors (military, police, state prosecutors, and migration officials), have continued to commit incidents

[15] Arturo Angel, "Tras 8 Años, la Policía no Cambia: Solo 15% de los Detenidos cae por una Investigación," *Animal Político*, June 28, 2017.

[16] Joshua Partlow, "Mexico's Crisis of Justice," *Washington Post*, December 29, 2017.

[17] "Dejan sin un Peso al Programa para Prevenir el Delito, Aunque hay Incremento en la Violencia," *Animal Político*, November 16, 2016. The gendarmerie, originally envisioned to comprise 50,000 elements, became a small division of fewer than 5,000 officers within the federal police. "Auditor Finds Issues with Gendarmerie," *Mexico News Daily*, February 21, 2017.

[18] Vanda Felbab-Brown, "Hooked: Mexico's Violence and U.S. Demand for Drugs," Brookings Institution, May 30, 2017.

[19] "Mexico's Proposed Security Law Draws Strong Criticism," Reuters, December 13, 2017.

[20] "Mexico: Glossing Over Cracks," *LatinNews Security & Strategic Review*. Of the 122 individuals identified, another 14 were killed and three were extradited to the United States. See Victoria Dittmar, "The Mexico Crime Bosses Peña Nieto's Government Toppled," *Insight Crime*, September 24, 2018.

[21] "US and Mexico Reveal new Security Cooperation," *LatinNews Daily*, August 16, 2018.

[22] Financial Action Task Force, *Mutual Evaluation of Mexico*, January 2018.

of serious human rights violations. The vast majority of those abuses have gone unpunished.[23] Incidents such as the forced abduction and killing of 43 students in Iguala, Guerrero, in September 2014 have galvanized protests against impunity in Mexico. On average, fewer than 20% of homicides have been successfully prosecuted, suggesting high levels of impunity.[24]

Extrajudicial Killings, Torture, and Enforced Disappearances

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

Tlatlaya, State of Mexico. In October 2014, Mexico's National Human Rights Commission (CNDH) issued a report concluding that the Mexican military killed at least 15 people in Tlatlaya on July 1, 2014. The military originally claimed that the victims were criminals killed in a confrontation. The CNDH also documented claims of the torture of witnesses to the killings by state officials. The last three soldiers in custody for killing eight people that day have been released, but four state prosecutors were convicted of torture. Concerns about the adequacy of the attorney general's investigation into the case prompted a federal judge to order it reopened in May 2018.[26]

Iguala, Guerrero. The unresolved case of 43 missing students who disappeared in Iguala, Guerrero, in September 2014—which allegedly involved the local police and authorities—galvanized global protests. The government's investigation has been widely criticized, and experts from the Inter-American Commission on Human Rights (IACHR) disproved much of its findings. The government worked with those experts to reinvestigate the case in 2015-April 2016 but denied their requests to interview soldiers who were in the area of the incident. In July 2016, the government formed a follow-up mechanism with the IACHR to help ensure follow up on the experts' lines of investigation, but it made little progress. In May 2018, a federal judge ruled that the attorney general's investigation had not been "impartial or independent" and called for the creation of a creation of a truth commission to take over the case.[27] President-elect López Obrador has said that he will establish a commission to investigate the case.[28]

In 2017, 12 journalists died in Mexico, making Mexico the world's most violent country for journalists outside a war zone.[29] Thus far in 2018, more than 10 journalists have been killed.[30] Some 75% of journalists surveyed by Freedom House do not have faith in the mechanism created to protect them.[31] The budget for that mechanism, which currently provides protective measures for 727 journalists and human rights defenders, has been cut, despite rising demand.[32] That figure is likely even higher now that news outlets have reported that the Peña Nieto government has used spyware to monitor its critics, including journalists. The government acknowledged purchasing the spyware but denied using it for espionage.[33]

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[23] Open Society Justice Initiative, *Undeniable Atrocities: Confronting Crimes against Humanity in Mexico*, June 2016.

[24] Raúl Zepeda Lecuona and Paula Guadalupe Jiménez Rodríguez, "Impunidad Frente al Homicidio Doloso en México," *Impunidad Cero*, December 2016.

[25] See U.S. Department of State, *Country Report on Human Rights Practices for 2017: Mexico*, March 2018.

[26] Ibid; Michael Evans, *Tlatlaya Revealed: Archive Petition Cracks Open Investigative File on Mexican Army Massacre*, National Security Archive, March 6, 2016; "Mexico Judge Orders Fresh Investigation into Tlatlaya Killing," *LatinNews Daily*, August 13, 2018.

[27] Washington Office on Latin America (WOLA), *WOLA Explains Recent Developments in the Ayotzinapa Case in Mexico*, June 28, 2018. Resources are available at https://www.wola.org/analysis/analysis-and-information-on-mexicos-ayotzinapa-case/.

[28] César Martínez, "Da Confianza a Expertos del GIEI," *Reforma*, September 24, 2018.

[29] See CRS Report R45199, *Violence Against Journalists in Mexico: In Brief*, by Clare Ribando Seelke.

[30] Reporters Without Borders, "Tenth Mexican Journalist Murdered, After cut in Funding for Protection," September 21, 2018.

[31] Emir Olivares Alonso, "Periodistas Desconfían de Instituciones," *La Jornada*, June 27, 2017.

[32] Reporters Without Borders, op. cit.

[33] Azam Ahmed, "Mexican President Says Government Acquired Spyware but He Denies Misuse," *New York Times*,

In response to criticism of the aforementioned human rights incidents, President Peña Nieto proposed 10 actions to improve the rule of law in late 2014. Proposals that have advanced include launching a national 911 emergency line, reforming the national anticorruption system, and enacting laws against torture (in April 2017) and enforced disappearances (in October 2017).[34] Additional policy changes, including police reforms, were not implemented. Many say a botched police operation in November 2017 that resulted in the killing of four women and two children in Temixco, Mexico, illustrates the violent tactics that are still used.[35]

Corruption and Impunity

Although President Peña Nieto's proposals focused on confronting corruption at the municipal level, corruption is a major issue at the state and federal levels. At least fourteen current or former governors are under investigation for corruption, including collusion with organized crime groups that resulted in violent deaths and serious human rights violations that have gone unpunished.[36] Observers have criticized the federal attorney general's recent conviction of Javier Duarte, the former PRI governor of Veracruz who allegedly stole billions of dollars in public funds, as too lenient (Duarte received a nine-year sentence).[37] A government auditor cleared President Peña Nieto, his wife, and his foreign minister of misconduct, but reports that surfaced in 2014 of how they benefitted from ties to a firm that won many government contracts tarnished their image. A credible case against the chair of Peña Nieto's 2012 campaign (and former head of state oil company Pemex) for receiving $10.5 million in bribes from Odebrecht, a Brazilian construction firm, stalled after the prosecutor investigating the case was fired.[38]

In July 2016, Mexico's Congress approved legislation to fully implement the national anticorruption system (NAS) created by a constitutional reform in April 2015. The legislation reflected several of the proposals put forth by Mexican civil society groups. It gave the NAS investigative and prosecutorial powers and a civilian board of directors; increased administrative and criminal penalties for corruption; and required three declarations (taxes, assets, and conflicts of interest) from public officials and contractors.[39] Members of the anticorruption board maintain that the government has been "thwarting" its efforts by denying requests for information and failing to appoint an anticorruption prosecutor and judges to hear corruption cases.[40]

June 22, 2017.

[34] According to the U.N., enforced disappearances occur when "persons are arrested, detained or abducted against their will or otherwise deprived of their liberty by officials of different branches or levels of Government, or by organized groups or private individuals acting on behalf of, or with the support, direct or indirect, consent or acquiescence of the Government." See http://www.un.org/en/events/disappearancesday/background.shtml.

[35] Patrick J. McDonnell, "Mexico's 'Temixco Massacre' Left 4 Women and 2 Children Dead, Raising Questions About Police Tactics," *Los Angeles Times*, December 29, 2017.

[36] Open Society Justice Initiative, *Corruption that Kills: Why Mexico Needs an International Mechanism to Combat Impunity*, May 2018.

[37] "Controversy Over Corruption Sentence in Mexico," *Latin News Daily*, September 28, 2018.

[38] Odebrecht's former executives have admitted to paying billions of bribes in 12 countries to secure contracts. Juan Montes, "Ex-Mexican Prosecutor Says He Was Fired to Stymie Corruption Probe," *Wall Street Journal*, March 14, 2018.

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

[40] Azam Ahmed, "Mexico's Government Is Blocking Its Own Anti-Corruption Drive, Commissioners Say," *New York Times*, December 2, 2017.

Mexico's federal attorney general's office generally has been incapable of resolving high-profile cases, including human rights abuses allegedly committed by security forces.[41] Since 2015, federal prosecutors have secured only one federal conviction for corruption.[42] Three attorneys general have resigned in five years. Civil society groups therefore have focused their efforts on urging President Peña Nieto and the Mexican congress to create an independent national prosecutor's office to replace the attorney general's office, which is dependent on the President, and to name a respected independent person to lead the new institution.[43] President-elect López Obrador has said that the MORENA-led legislature will appoint an attorney general, as well as an anti-corruption prosecutor, before he takes office.[44]

Foreign Policy

President Peña Nieto has prioritized promoting trade and investment in Mexico as a core goal of his Administration's foreign policy. During his term, Mexico has begun to participate in U.N. peacekeeping efforts and to speak out in the Organization of American States on the deterioration of democracy in Venezuela, a departure for a country with a history of nonintervention. Peña Nieto has sought to create closer trade ties with Europe, Asia, and the rest of Latin America; these efforts could become more important should Mexican-U.S. trade decline. He has hosted Chinese Premier Xi Jinping for a state visit to Mexico, visited China twice, and in September 2017 described the relationship as a "comprehensive strategic partnership."[45]

The Peña Nieto government negotiated and signed the proposed Trans-Pacific Partnership (TPP) trade agreement with other Asia-Pacific countries (and the United States and Canada). Even after President Trump withdrew the United States from the TPP agreement, Mexico and the 10 other signatories of the TPP moved forward and concluded their own trade agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Mexico has prioritized economic integration efforts with the pro-trade Pacific Alliance countries of Chile, Colombia, and Peru and focused on expanding markets for those governments.[46] Mexico is close to concluding a modernization of a free-trade agreement (FTA) with the European Union and may seek a FTA with the United Kingdom. Mexico currently has 11 FTAs involving 46 countries.[47] Relations with Canada have improved since 2016, when Prime Minister Justin Trudeau removed a visa requirement for Mexicans visiting Canada and Mexico lifted a ban on Canadian beef imports.

Mexico is investing in Central American energy integration projects and supporting the "northern triangle" (Guatemala, El Salvador, and Honduras) governments' "Alliance for Prosperity" proposal to promote development. The Mexican and U.S. governments cohosted a conference on growth and investment in security in Central America in June 2017.

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[41] See, for example, WOLA, *Overlooking Justice: Human Rights Violations Committed by Mexican Soldiers Against Civilians are Met with Impunity*, November 7, 2017.

[42] Ernesto Aroche Aguilar, "La PGR Pierde la Batalla Contra la Corrupción," *Animal Político*, November 30, 2017.

[43] WOLA, "Resignation of Mexico's Attorney General: An important yet Insufficient Step to Ensure an Independent and Effective Institution," press release, October 18, 2017.

[44] Jorge Monroy, "AMLO Prevé Iniciar Gobierno con Fiscales," *El Economista*, September 25, 2018.

[45] Antonio C. Hsiang, "Three Reasons Why it's Time for Mexico to Pivot to China," *Mexico News Daily*, July 5, 2018.

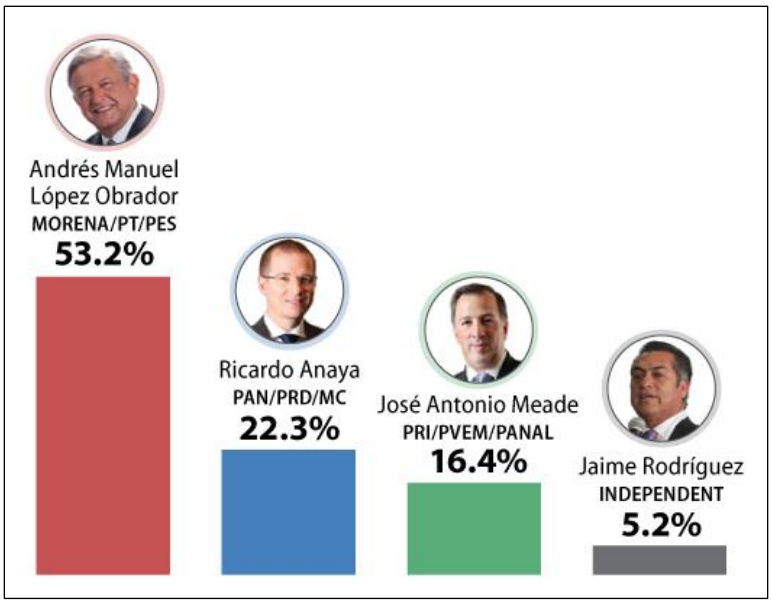
[46] CRS Report R43748, *The Pacific Alliance: A Trade Integration Initiative in Latin America*, by M. Angeles Villarreal.

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

July 1, 2018, Elections[48]

On July 1, 2018, Andrés Manuel López Obrador and his MORENA coalition dominated Mexico's presidential and legislative elections. MORENA, a leftist party, ran in coalition with the socially conservative Social Encounter Party (PES) and the leftist Labor Party (PT). López Obrador won 53.2% of the presidential vote, more than 30 percentage points ahead of his nearest rival, Ricardo Anaya, of the PAN/PRD/Citizen's Movement (MC) alliance (see **Figure 3** below).

Figure 3. 2018 Presidential Election Results



Source: Mexico's National Electoral Institute (INE).

López Obrador is a 64-year-old former mayor of Mexico City (2000-2005) who ran for president in the past two elections. After his loss in 2012, he left the center-left Democratic Revolutionary Party (PRD) and established MORENA. Although some of his advisers endorse progressive social policies, López Obrador reportedly personally opposes abortion and gay marriage.[49] In 2018, López Obrador promised to bring about change by governing differently than recent PRI and PAN administrations. He focused on addressing voters' concerns about corruption, poverty, inequality, and escalating crime and violence.

The presidential election results have prompted soul-searching within the traditional parties and shown the limits of independent candidates. Anaya's defeat has provoked internal struggles within the PAN. Meade's poor performance has similarly demonstrated voters' deep frustration with the PRI; the PVEM has since abandoned its alliance with the party. The PAN and the PRI each will still likely control 12 governorships (a recount is under way in Puebla to verify a PAN victory in that state), but MORENA won 5 governorships (including in Mexico City) and the MC won 1. One of the other two governors is from the PVEM; the other is an independent (Rodríguez).

[48] CRS In Focus IF10867, *Mexico's 2018 Elections: Results and Potential Implications*, by Clare Ribando Seelke and Edward Y. Gracia.

[49] "How Andrés Manuel López Obrador will Remake Mexico-Tropical Messiah," *Economist*, June 21, 2018.

In addition to the presidential contest, all 128 seats in the Mexican senate and 500 seats in the chamber of deputies were up for election. Senators serve for six years, and deputies serve for three. Beginning this cycle, both senators and deputies will be eligible to run for reelection for a maximum of 12 years in office.

MORENA's coalition won majorities in the Senate (69 of 128 seats) and the Chamber (308 of 500 seats), which convened on September 1, 2018. In the Chamber, the PVEM ceded five seats to MORENA, giving the ruling coalition 313 seats, close to a two-thirds majority.[50] The MORENA coalition lacks the two-thirds majority it needs to make constitutional changes or overturn reforms passed in 2013. It may be able to form alliances with the center-left PRD or others on specific issues, however. The PAN is the second-largest party in each chamber.

The Incoming López Obrador Administration

Mexican voters gave President-elect López Obrador a mandate to change the course of Mexico's domestic politics, but he will face constraints in enacting his agenda, including from governors from opposition parties who have spoken out against his proposals to expand federal power.[51] López Obrador has set high expectations for his government and promised many things to many different constituencies, some of which appear to conflict with each other. As an example, he has promised to govern austerely but has proposed a number of new social programs.[52] His future finance minister, U.S.-trained economist Carlos Urzua, has said that the incoming government will respect existing oil contracts, while his energy minister, Rocio Nahle (a chemical engineer and former MORENA legislator), has been an opponent of private involvement in the industry.[53] Some of his security proposals that may prompt concern among some U.S. officials, such as seeking to decriminalize marijuana and potentially opium production, have been put forth by his chosen interior minister, Olga Sánchez Cordero, a former supreme court justice.[54]

López Obrador has proposed the following key **domestic goals**:

- Increasing prison sentences and prohibiting bail for those accused of corruption and electoral crimes;
- Implementing an austerity plan to cut high-level government officials' salaries and benefits;
- Placing one federal representative in each state to handle all disbursements of federal funding from all agencies and liaise with the presidency;
- Establishing a universal pension for the elderly;
- Combating root causes of insecurity by giving youth stipends to study or complete internships, enacting a transitional justice law that may reduce prison time for nonviolent offenders, and revising drug policy;

[50] Economist Intelligence Unit (EIU), *Country Report: Mexico,* September 2018, accessed September 24, 2018.

[51] Benjamin Russell, "AMLO Update: The Opposition Rediscovers Its Voice," *Americas Quarterly*, August 17, 2018.

[52] Christopher Wilson, "Economic Policy and Nafta," in *Changing the Guard in Mexico: AMLO's Opportunities and Challenges,* July 2018.

[53] "Mexico's New Government Will Honor Oil Contracts if They are Clean: Top Aide," Reuters, July 4, 2018; Andrew Baker, "Obrador Energy Sector Picks Met With Skepticism," *Natural Gas Intelligence*, August 1, 2018.

[54] Eric Olson, "What Direction Will Mexico's Security Policy Take Under AMLO?" *World Politics Review*, July 18, 2018; "Mexico's Incoming Gov't Will Seek International Decriminalisation of Illicit Drugs," *Latin News Daily*, August 23, 2018: Scott Stewart, *Violence, Security, and the Next Mexican President*, Stratfor, August 14, 2018.

- Reviewing all energy contracts for irregularities and bolstering Mexico's refining capacity;
- Modifying or repealing the 2013 education reforms; and
- Boosting expenditures on infrastructure and revitalizing the domestic agricultural sector.[55]

In the area of **foreign policy**, President-elect López Obrador generally has maintained that the best foreign policy is a strong domestic policy. His future foreign minister, Marcelo Ebrard (former mayor of Mexico City), has said that a López Obrador government is likely to return to Mexico's traditional, noninterventionist approach to foreign policy (the so-called *Estrada doctrine*). As an example, Ebrard predicted that Mexico could scale back the role it has played in seeking to address the crises in Venezuela.[56] Many analysts predict that Mexico would continue to engage on global issues that it deems important, however, such as climate change.

President-elect López Obrador's position on **trade policy** and NAFTA, which he formerly criticized for hurting Mexico's agricultural sector, have evolved. His chief NAFTA negotiator, Jesús Seade (a former World Trade Organization official) and future minister of the economy, Graciela Márquez (an academic and economist) had suggested that the incoming government would accept an agreement negotiated by the outgoing administration. President-elect López Obrador reportedly urged the United States and Canada to resolve outstanding disputes to reach a revised trilateral agreement.[57] The government also is likely to continue participating in pro-trade fora, such as the Pacific Alliance, and seeking to diversify its export partners to reduce its reliance on the United States. It likely will have to balance support for NAFTA, which has benefitted northern and central Mexico, with promises to develop southern Mexico and revitalize agricultural sectors hurt by NAFTA.[58]

Economic and Social Conditions[59]

Mexico has transitioned from a closed, state-led economy to an open market economy that, as mentioned, has entered into free trade agreements with 46 countries. The transition began in the late 1980s and accelerated after Mexico entered into NAFTA in 1994. Since NAFTA, Mexico has increasingly become an export-oriented economy, with the value of exports equaling more than 38% of Mexico's gross domestic product (GDP) in 2016, up from 10% of GDP 20 years ago. Mexico remains a U.S. crude oil supplier, but its top exports to the United States are automobiles and auto parts, computer equipment, and other manufactured goods. One report estimates that 40% of the content of those exports contain U.S. value added content.[60]

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[55] These are outlined in: LatinNews, *Memo to the new President of Mexico*, July 2018.

[56] "Mexico will not Intervene in Venezuela, Nicaragua Crisis: Incoming Minister," Reuters, July 9, 2018.

[57] "Mexican President-elect Insists on Trilateral NAFTA Deal as Text of U.S./Mexico deal Awaited," Reuters, September 28, 2018.

[58] Martha Pskowski, "NAFTA Will Test López Obrador's Campaign Promises," Center for International Governance Innovation, July 31, 2018.

[59] This draws from CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by M. Angeles Villarreal.

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

Despite attempts to diversify its economic ties and build its domestic economy, Mexico remains heavily dependent on the United States as an export market (roughly 80% of Mexico's exports in 2017 were U.S.-bound) and as a source of remittances, tourism revenues, and investment. Studies estimate that a U.S. withdrawal from NAFTA, could cost Mexico more than 950,000 low-skilled jobs and lower its GDP growth by 0.9%.[61] In recent years, remittances have replaced oil exports as Mexico's largest source of foreign exchange. According to Mexico's central bank, remittances reached a record $28.8 billion in 2017. In contrast, U.S. travel warnings about security conditions in Mexico contributed to a decline in U.S. tourism arrivals to Mexico.[62] Although it has regained value since the July elections, a weakened peso helped Mexico's overall tourism industry and some export industries in 2017, but the uncertainty that has contributed to its decline in value against the dollar has weakened foreign direct investment.[63]

The Mexican economy grew by roughly 2% in 2017 and growth may reach 2.3% in 2018, buoyed, in part, by reconstruction following earthquakes that occurred in September 2017.[64] In addition to concerns about the future of NAFTA, analysts warn that growth could decline if corporations choose to invest more in the United States than in Mexico due to the new U.S. corporate tax rate of 21% (Mexico's corporate rate is 30%).[65] Some observers believe that investor sentiment and the country's growth prospects also could worsen if President-elect López Obrador rolls back recent structural reforms, increases the country's debt burden, or promotes government intervention in the economy.[66]

Economic conditions in Mexico tend to follow economic patterns in the United States. When the U.S. economy is expanding, as it is now, the Mexican economy tends to grow. However, when the U.S. economy stagnates or contracts, the Mexican economy also tends to contract, often to a greater degree. Sound macroeconomic policies, a strong banking system, and recent structural reforms backed by a flexible line of credit with the International Monetary Fund (IMF) have helped Mexico weather recent economic volatility.[67] Nevertheless, the IMF has recommended additional steps to deal with potential external shocks. These steps include improving tax collection, reducing informality, reforming public administration, and improving governance.

Factors Affecting Economic Growth

Over the past 30 years, Mexico has recorded a somewhat low average economic growth rate of 2.6%. Some factors—such as plentiful natural resources, a young labor force, and proximity to markets in the United States—have been counted on to help Mexico's economy grow faster in the future. Most economists maintain that those factors could be bolstered over the medium to long term by continued implementation of some of the reforms described in **Table A-1**.

At the same time, continued insecurity and corruption, a relatively weak regulatory framework, and challenges in its education system may hinder Mexico's future industrial competitiveness.

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[61] Terrie Walmsley and Peter Minor, *Reversing NAFTA: A Supply Chain Perspective*, ImpactEcon, Working Paper, March 2017, pp. 26-27.

[62] "México Reconoce que el Turismo Desde EEUU Disminuyó ante Alertas por Violencia," EFE, January 17, 2018.

[63] EIU, Country Report: Mexico, Generated August 2018.

[64] Ibid; See http://www.imf.org/en/Countries/MEX.

[65] Jorge G. Castañeda, "A Perfect Storm is Coming to Mexico," *New York Times*, January 10, 2018.

[66] Kenneth Rapoza, "The Economic Implications Of An AMLO Victory In Mexico," *Forbes*, June 15, 2018.

[67] IMF, *Mexico: 2017 Article IV Consultation-Press Release; and Staff Report*, November 13, 2017.

Corruption costs Mexico as much as $53 billion a year (5% of GDP).[68] A lack of transparency in government spending and procurement, as well as confusing regulations and red tape, has likely discouraged some investment. Deficiencies in the education system, including a lack of access to vocational education, have led to firms having difficulty finding skilled labor.[69]

Another factor affecting the economy is the price of oil. Because oil revenues make up a large, if lessening, part of the country's budget, low oil prices since 2014 have required budget cutbacks. The 2017 budget cut funding for all ministries, including the ministries of transport and education, which impact the businesses climate.[70] The government also has raised other taxes to recoup lost revenue from oil.

Many analysts predict that Mexico will have to combine efforts to implement its economic reforms with other actions to boost growth. A 2017 report by the Organisation for Economic Co-operation and Development suggests that Mexico will need to enact complementary reforms to address issues such as corruption, weak governance, and lack of judicial enforcement to achieve its full economic growth potential.[71]

Combating Poverty and Inequality

Mexico has long had relatively high poverty rates for its level of economic development (43.6% in 2016), particularly in rural regions in southern Mexico and among indigenous populations.[72] Some assert that conditions in indigenous communities have not measurably improved since the Zapatistas launched an uprising for indigenous rights in 1994.[73] Traditionally, those employed in subsistence agriculture or small, informal businesses tend to be among the poorest citizens. Many households rely on remittances to pay for food, clothing, health care, and other basic necessities.

Mexico also experiences relatively high income inequality. According to the *2014 Global Wealth Report* published by Credit Suisse, 64% of Mexico's wealth is concentrated in 10% of the population. Mexico is among the 25 most unequal countries in the world included in the Standardized World Income Inequality Database. According to a 2015 report by Oxfam Mexico, this inequality is due in part to the country's regressive tax system, oligopolies that dominate particular industries, a low minimum wage, and a lack of targeting in some social programs.[74]

Economists have maintained that reducing informality is crucial for addressing income inequality and poverty, while also expanding Mexico's low tax base. The 2013-2014 reforms sought to boost formal-sector employment and productivity, particularly among the small- and medium-sized enterprises (SMEs) that employ some 60% of Mexican workers, mostly in the informal sector. Although productivity in Mexico's large companies (many of which produce internationally traded goods) increased by 5.8% per year between 1999 and 2009, productivity in small businesses fell by 6.5% per year over the same period.[75] To address that discrepancy, the

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

[69] OECD, *OECD Economic Surveys, Mexico*, January 2018.

[70] Dainzú Patiño, "Recorte para 2017 Castigará a Todas las Dependencias," *El Financiero*, November 13, 2016.

[71] OECD, *OECD Economic Surveys, Mexico*, January 2018.

[72] This figure is from Mexico's National Council for the Evaluation of Social Development Policy (CONEVAL), in a study that is available at http://www.coneval.gob.mx/Paginas/principal-EN.aspx.

[73] Tania L. Montalvo, "A 20 Años del EZLN, Indígenas Siguen en la Pobreza," *Animal Politico*, January 2, 2014.

[74] Gerardo Esquivel Hernandez, *Concentration of Economic and Political Power*, Oxfam Mexico, 2015.

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

financial reform aimed to increase access to credit for SMEs and the fiscal reform sought to incentivize SMEs' participation in the formal (tax-paying) economy by offering insurance, retirement savings accounts, and home loans to those that register with the national tax agency.

The Peña Nieto Administration has sought to complement economic reforms with social programs and, more recently, with the establishment of special economic zones (ZEEs) with low taxes and other investment incentives in the south of Mexico.[76] It expanded access to federal pensions, started a national anti-hunger program, and increased funding for the country's conditional cash transfer program.[77] Peña Nieto renamed that program *Prospera* (Prosperity) and redesigned it to encourage its beneficiaries to engage in productive projects. Despite recent budget austerity, funding for these programs has been largely protected, but some programs have been criticized for a lack of efficacy.[78]

U.S. Relations and Issues for Congress

Mexican-U.S. relations generally have grown closer over the past two decades. Common interests in encouraging trade flows and energy production, combating illicit flows (of people, weapons, drugs, and currency), and managing environmental resources have been cultivated over many years. A range of bilateral talks, mechanisms, and institutions have helped the Mexican and U.S. federal governments—as well as stakeholders in border states, the private sector, and nongovernmental organizations—find common ground on difficult issues, such as migration and water management. U.S. policy changes that run counter to Mexican interests in one of those areas could trigger responses from the Mexican government on other areas where the United States benefits from Mexico's cooperation, such as combating illegal migration.[79]

President Trump's shifts in U.S. immigration policies have tested U.S.-Mexican relations. His repeated assertions that Mexico will pay for a border wall resulted in President Peña Nieto canceling a White House meeting in January 2017 and have continued to periodically strain relations.[80] The Mexican government expressed regret after the Administration's decision to rescind the Deferred Action for Childhood Arrivals (DACA) initiative, which has provided work authorization and relief from removal for migrants brought to the United States as children, but pledged to assist DACA beneficiaries who return to Mexico.[81] In June 2018, Mexico criticized U.S. "zero tolerance" immigration policies.[82] Despite these developments, Mexico has continued to work with the United States on migration management and border issues.

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[76] "ZEEs Ready for Lift-off Says the PRI, *Latin News Mexico & NAFTA report*, January 2018.

[77] *Prospera* is Mexico's main antipoverty program. It provides cash transfers to families in poverty (some 6.4 million people) that demonstrate that they regularly attend medical appointments and that their children attend school.

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

[79] Joshua Partlow and Nick Miroff, "Mexico's Next President Could be on a Collision Course with Trump Over Immigration," *Washington Post*, September 21, 2018.

[80] Mexican Ministry of Foreign Affairs, Press Release 326, August 27, 2017.

[81] For background on the Deferred Action for Childhood Arrivals (DACA) initiative, see CRS Report R44764, *Deferred Action for Childhood Arrivals (DACA): Frequently Asked Questions*, by Andorra Bruno. The future of the DACA initiative remains uncertain, as dueling lawsuits are under way in several federal courts to preserve DACA and to force its termination. See CRS Legal Sidebar LSB10136, *DACA Rescission: Legal Issues and Litigation Status*, by Ben Harrington. For the government statement, see Embassy of Mexico in the United States, Press Release 339, September 5, 2017.

[82] Mexican Ministry of Foreign Affairs, "Press Release 180: The Mexican Government Condemns U.S. Policy of

The Trump Administration has made NAFTA renegotiation a prominent priority of its trade policy, but it also has imposed tariffs on major trade partners (including Canada and Mexico) on grounds that imports of products such as steel and aluminum harm U.S. national security.[83] After a year of talks among the NAFTA partners, the Administration notified Congress of President Trump's intent to "sign a trade agreement with Mexico- and Canada, if it is willing" on August 31, 2018.[84] That notification, required under Trade Promotion Authority (TPA) governing expedited congressional consideration of trade agreements, is intended to permit the signing of a trade agreement before Mexico's change in government is scheduled to take place on December 1, 2018.[85] On September 30, 2018, the United States Trade Representative (USTR) announced that Canada and the United States had resolved pending differences and that the three governments would sign a revised agreement, the U.S.-Mexico-Canada agreement. [86]

State Department Assistance[87]

U.S.-Mexican cooperation to improve security and the rule of law in Mexico has increased due to the development and implementation of the Mérida Initiative, a program developed by the George W. Bush and Felipe Calderón (2006-2012) governments. As proposed, the Mérida Initiative was to provide some $1.4 billion in counterdrug and anticrime assistance to Mexico and Central America, largely in the form of equipment and training for security forces, from FY2008 through FY2010.[88] Although total U.S. appropriations for the Mérida Initiative (nearly $2.9 billion) thus far constitute only 2% of Mexico's total security budget of $10 billion per year, they have enabled the U.S. government to help shape Mexico's security policy.

In 2011, the U.S. and Mexican governments agreed to broaden the scope of bilateral efforts to focus on four pillars: (1) disrupting organized criminal groups, (2) institutionalizing the rule of law, (3) creating a 21st-century border, and (4) building strong and resilient communities. From FY2012 to FY2017, funding for pillar two—building the rule of law—exceeded funds for all other pillars and military assistance no longer formed a part of the Mérida Initiative. Although some analysts praised the wide-ranging cooperation between the governments, others criticized the increasing number of priorities included in the Mérida Initiative.

President Trump's executive orders on combatting transnational criminal organizations (TCOs; E.O. 13773) and enhancing border security (E.O. 13767) have refocused the Mérida Initiative. Trump Administration officials have held three Cabinet-level dialogues on security with the outgoing Mexican government focused on attacking the TCOs' business model. As a result,

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Separating Migrant Families," June 19, 2018.

[83] For information on NAFTA renegotiations, see CRS Report R44981, *NAFTA Renegotiation and Modernization*, by M. Angeles Villarreal and Ian F. Fergusson. For information on tariffs, see CRS In Focus IF10902, *Trade Actions and U.S. Steel Manufacturing*, by Michaela D. Platzer; CRS Legal Sidebar LSB10097, *UPDATE: Threats to National Security Foiled? A Wrap Up of New Tariffs on Steel and Aluminum*, by Caitlain Devereaux Lewis.

[84] Office of the United States Trade Representative (USTR), "USTR Statement on Trade Negotiations with Mexico and Canada," August 31, 2018.

[85] CRS In Focus IF10038, *Trade Promotion Authority (TPA)*, by Ian F. Fergusson.

[86] USTR, "Joint Statement From United States Representative Robert Lighthizer and Canadian Foreign Affairs Minister Chrystia Freeland," September 30, 2018.

[87] CRS In Focus IF10578, *Mexico: Evolution of the Mérida Initiative, 2007-2019*, by Clare Ribando Seelke; CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*, by Clare Ribando Seelke and Kristin Finklea.

[88] The Central American portion of the Mérida Initiative evolved into the Central American Regional Security Initiative (CARSI).

recent Mérida Initiative programs have focused on combating the production and distribution of opioids and other drugs, improving border interdiction and port security, training forensic experts to gather evidence and testify in criminal trials, and combating money laundering.[89] The Administration asked for $76.3 million in its FY2019 budget request for the Mérida Initiative: $56 million in International Narcotics Control and Law Enforcement (INCLE) funding to combat crime groups, improve drug interdiction, and train Mexican law enforcement and judicial personal and $20.3 million in Economic Support Funds (ESF) to strengthen the rule of law, combat corruption, bolster human rights, and prevent crime. Future budget requests are likely to reflect priorities agreed upon after negotiations with the incoming López Obrador government in Mexico.[90]

Table 1. Estimated Mérida Initiative Funding: FY2008-FY2019

($ in millions)

Account	ESF	INCLE	FMF	Total
FY2008	20.0	263.5	116.5	**400.0**
FY2009	15.0	406.0	39.0	**460.0**
FY2010	9.0	365.0	265.2	**639.2**
FY2011	18.0	117.0	8.0	**143.0**
FY2012	33.3	248.5	Not Applicable	**281.8**
FY2013	32.1	190.1	Not Applicable	**222.2**
FY2014	35.0	143.1	Not Applicable	**178.1**
FY2015	33.6	110.0	Not Applicable	**143.6**
FY2016	39.0	100.0	Not Applicable	**139.0**
FY2017	40.9[a]	90.0	Not Applicable	**130.9**
FY2018	39.0	100.0	Not Applicable	139.0
Total	***314.9***	***2,133.2***	***428.7***	***2,876.8***
FY2019 request	20.3	56.0	Not Applicable	**76.3**
FY2019 (House)	Not specified	120.0	Not Applicable	**$120.0**
FY2019 (Senate)	63.0	100.0	Not Applicable	**$163.0**

Sources: U.S. Agency for International Development (USAID) budget office, November 3, 2016; U.S. Department of State, November 18, 2016; P.L. 115-141; U.S. Department of State, *Congressional Budget Justification for Foreign Operations, FY2019*.

[89] See CRS In Focus IF10400, *Transnational Crime Issues: Heroin Production, Fentanyl Trafficking, and U.S.-Mexico Security Cooperation*, by Clare Ribando Seelke and Liana W. Rosen.

[90] CRS In Focus IF10867, *Mexico's 2018 Elections: Results and Potential Implications*, by Clare Ribando Seelke and Edward Y. Gracia.

Notes: ESF = Economic Support Fund; INCLE = International Narcotics Control and Law Enforcement; FMF = Foreign Military Financing. FY2008-FY2010 included supplemental funding.

a. For FY2017, Mérida programs administered by the U.S. Agency for International Development (USAID) were funded through the Development Assistance account rather than ESF.

b. In the FY2019 budget request, the Trump Administration proposes a new aid account to merge the Economic Support and Development Fund accounts. It is to be known as the Economic Support and Development Fund account, or ESDF.

Although budget requests for the Mérida Initiative have been declining, there has been bipartisan support in Congress for sustaining level funding for the initiative (see **Table 1**). The House and Senate Appropriations Committees have approved their respective FY2019 State Department, Foreign Operations, and Related Programs appropriations measures. H.Rept. 115-829 to the House committee bill (H.R. 6385) recommends providing $120 million in INCLE for Mexico; it does not specify an ESF amount. S.Rept. 115-282 to the Senate committee bill (S. 3108) recommends providing $163 million ($100 million in INCLE and $63 million in ESF).

Department of Defense Assistance

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

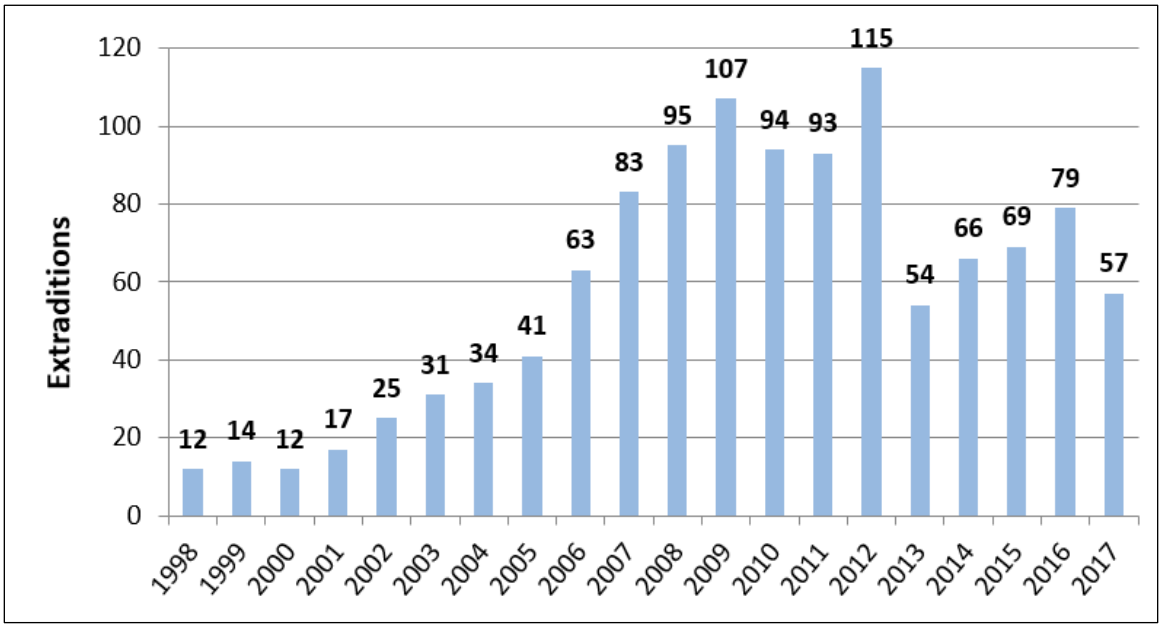
A variety of funding streams support DOD training and equipment programs. Some DOD equipment programs are funded by annual State Department appropriations for FMF, which totaled $5.0 million in FY2018. International Military Education and Training (IMET) funds, which totaled $1.5 million in FY2018, support training programs for the Mexican military, including courses in the United States. Apart from State Department funding, DOD provides additional training, equipping, and other support to Mexico that complements the Mérida Initiative through its own accounts. Individuals and units receiving DOD support are vetted for potential human rights issues in compliance with the Leahy Law. DOD programs in Mexico are overseen by U.S. Northern Command, which is located at Peterson Air Force Base in Colorado. DOD counternarcotics support to Mexico totaled approximately $63.3 million in FY2018.

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

Extraditions

During the Calderón government, extraditions were another indicator that the State Department used as an example of the Mérida Initiative's success. During the final years of the Calderón government, Mexico extradited an average of 98 people per year to the United States, an increase over the prior Administration. When President Peña Nieto took office, extraditions fell to 54 in 2013 but rose to a high of 79 in 2016 (see **Figure 4**, below).

Figure 4. Extraditions from Mexico to the United States: 1998-2017



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

Human Rights[91]

The U.S. Congress has expressed ongoing concerns about human rights conditions in Mexico. Congress has continued to monitor adherence to the Leahy vetting requirements that must be met under the Foreign Assistance Act (FAA) of 1961, as amended (22 U.S.C. 2378d), which pertains to State Department aid, and 10 U.S.C. 2249e, which guides DOD funding. DOD reportedly suspended assistance to a brigade based in Tlatlaya, Mexico, due to concerns about the brigade's potential involvement in the extrajudicial killings previously described.[92] From FY2008 to FY2015, Congress made conditional 15% of U.S. assistance to the Mexican military and police until the State Department sent a report to appropriators verifying that Mexico was taking steps to comply with certain human rights standards. In FY2014, Mexico lost $5.5 million in funding due to human rights concerns.[93] For FY2016-FY2018, human rights reporting requirements applied to FMF rather than to Mérida Initiative accounts.[94]

U.S. assistance to Mexico has supported the Mexican government's efforts to reform its judicial system and to improve human rights conditions in the country.[95] Congress has provided funding

[91] See, for example, CRS Report R45199, *Violence Against Journalists in Mexico: In Brief*, by Clare Ribando Seelke.

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

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

[94] The State Department reportedly did not submit a human rights progress report for Mexico for FY2016. See WOLA, *As U.S. Withholds Conditioned Aid to Mexico, Members of Congress Call for Investigation into Spyware Attacks*, December 7, 2017. Mexico did receive $5 million in FMF in FY2017.

[95] See CRS In Focus IF10160, *The Rule of Law in Mexico and the Mérida Initiative*, by Clare Ribando Seelke. While the Department of Justice (DOJ) supports reform efforts at the federal level, USAID programs are in 12 states. See USAID, "Mexico: Rule of Law," March 2018.

to support Mexico's transition from an inquisitorial justice system to an oral, adversarial, and accusatory system that aims to strengthen human rights protections for victims and the accused. The State Department has established a high-level human rights dialogue with Mexico. The U.S. Agency for International Development (USAID) has supported Mexico's 2014-2018 human rights plan, including the development of legislation in compliance with international standards, prevention efforts, improved state responses to abuses, and expanded assistance to victims.[96] One current project addresses the way the Mexican government addresses cases of torture and enforced disappearances, whereas others aim to help the government protect journalists and resolve crimes committed against them.[97] In many of these areas, U.S. technical assistance to the government is complemented by support to think tanks and civil society organizations.

Despite these efforts, the Mexican government continues to be criticized for not investigating and punishing serious human rights abuses committed by security forces and for not adequately protecting journalists, migrants, and other vulnerable groups.[98] Observers are particularly concerned about cases of torture, extrajudicial killings, and enforced disappearances, particularly since the Mexican congress enacted a law in late 2017 to make the military's involvement in public security permanent.[99] Some urge the U.S. government to stop funding Mexico's military-led approach to public security.[100] Others recommend increasing U.S. support for judicial and police reform (particularly accountability and anticorruption programs).[101] Many others recommend working with nongovernmental organizations to strengthen communities' abilities to exert oversight over the police and to report human rights abuses.

Congress may choose to augment Mérida Initiative funding for human rights programs, such as ongoing training programs for military and police, or to fund new efforts to support human rights organizations. Human rights conditions in Mexico, as well as compliance with conditions included in the FY2018 Consolidated Appropriations Act (P.L. 115-141), are likely to be closely monitored.[102] Some Members of Congress have written letters to U.S. and Mexican officials regarding human rights concerns, including allegations of extrajudicial killings by security forces, abuses of Central American migrants, and the use of spyware against human rights activists.

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

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[96] USAID, "Mexico: Human Rights," March 2018.

[97] The United States is supporting Mexican government efforts to protect journalists and bringing together journalists, media outlet owners, civil society, and the private sector to play a role in monitoring and improving protection and prosecution efforts. USAID has provided at least $6.6 million to support freedom of expression and protection for journalists in Mexico, and it plans to invest at least another $4.2 million through September 2019.

[98] See, for example, U.S. Department of State, *Country Reports on Human Rights Practices: Mexico*.

[99] In response to the passage of the Internal Security Law, ten international organizations formed an International Observatory on Mexico to document the human rights situation in the country. Robert F. Kennedy Human Rights, "International Groups Form Coalition to Address Rampant Impunity in Mexico," December 19, 2017.

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

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

[102] WOLA, *U.S. Must Prioritize Human Rights in its Bilateral Relationship with Mexico and Withhold Conditioned Security Assistance*, July 24, 2018.

Economic and Trade Relations[103]

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

Nevertheless, U.S.-Mexican trade has increased rapidly since NAFTA. The United States is Mexico's leading partner in merchandise trade, and Mexico is the United States' third-largest trade partner, after China and Canada. Mexico ranks second among U.S. export markets, after Canada, and is the third-leading supplier of U.S. imports. Total trade (exports plus imports) amounted to $525.2 billion in 2016 and $368 billion in 2017. Much of the bilateral trade between the United States and Mexico occurs in the context of supply chains, as manufacturers in each country work together to create goods. The expansion of trade has resulted in the creation of vertical supply relationships, especially along the U.S.-Mexican border. The flow of intermediate inputs produced in the United States and exported to Mexico and the return flow of finished products increased the importance of the U.S.-Mexican border region as a production site.

Foreign direct investment (FDI) is also an integral part of the bilateral economic relationship. The stock of U.S. FDI in Mexico increased from $17 billion in 1994 to $87.6 billion in 2016.[104] Mexican FDI in the United States is lower than U.S. investment in Mexico but also has increased in recent years. In 2016, Mexican FDI in the United States totaled $16.8 billion.

The Obama Administration engaged in bilateral efforts with Mexico to balance border security with facilitating legitimate trade and travel, promote economic competitiveness, and pursue energy integration. The U.S.-Mexican High-Level Economic Dialogue, launched in 2013, was a bilateral initiative to advance economic and commercial priorities through annual Cabinet meetings. The High-Level Regulatory Cooperation Council launched in 2012 helped align regulatory principles. Trilateral (with Canada) cooperation occurred under the aegis of the North American Leadership Summits. While those mechanisms have not continued, the bilateral Executive Steering Committee (ESC), guiding broad efforts along the border and the Bridges and Border Crossings group on infrastructure have continued to meet.[105]

Mexico, Canada, and the United States participated in negotiations for the Trans-Pacific Partnership (TPP) agreement, a proposed FTA with nine other Asia-Pacific countries that was signed on February 4, 2016.[106] On January 23, 2017, President Trump directed the USTR to

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[103] This section draws from CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by M. Angeles Villarreal; CRS Report R42965, *The North American Free Trade Agreement (NAFTA)*, by M. Angeles Villarreal and Ian F. Fergusson.

[104] U.S. Bureau of Economic Analysis, accessed: January 18, 2018.

[105] The Executive Steering Committee (ESC) coordinates efforts with Mexico in three areas: infrastructure, secure flows, and law enforcement/security. This group last met in Nov 2017. At a working level, the U.S.-Mexico Bridges and Border Crossings group convenes an annual plenary meeting of federal officials from both countries and representatives from the border states in both countries to discuss infrastructure and other issues.

[106] CRS In Focus IF10000, *TPP: Overview and Current Status*, by Brock R. Williams and Ian F. Fergusson.

withdraw the United States as a signatory to the TPP agreement; the acting USTR gave notification to that effect on January 30, 2017. In November 2017, Mexico and 10 other former TPP countries agreed to the core elements of a new agreement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) to replace the TPP. Mexico signed onto the CPTPP in March 2018 and the Mexican senate approved the agreement the following month.[107]

Trade Disputes

Despite positive advances on many aspects of bilateral and trilateral economic relations, trade disputes continue to arise. The United States and Mexico have had a number of trade disputes over the years, many of which have been resolved. Some of them have involved: country-of-origin labeling, tomato imports from Mexico, dolphin-safe tuna labeling, and NAFTA trucking provisions.[108] In 2017, Mexico and the United States concluded a suspension agreement on a U.S. antidumping and countervailing duty investigation on Mexican sugar exports to the United States in which Mexico agreed to certain limitations on its access to the U.S. sugar market.[109] On January 24, 2018, President Trump announced new tariffs on imported solar panels and washing machines under the Trade Act of 1974 that would include products coming from Mexico, a move that Mexico is likely to dispute.[110]

The Trump Administration has imposed tariffs on U.S. imports of steel and aluminum under Section 232 of the Trade Expansion Act of 1962, as amended.[111] In response, Mexico applied retaliatory tariffs of 5% to 25% on U.S. exports valued at approximately $3.6 billion on pork, apples, potatoes, and cheese, among other items. Most of Mexico's tariffs went into effect on June 5, 2018, and on July 5, 2018.

On May 23, 2018, the Trump Administration initiated a Section 232 investigation into the imports of motor vehicles and automotive parts (83 FR 24735) to determine if those imports threaten to impair U.S. national security.[112] Automobiles and parts are important exports for Mexico and Canada. The Administration may be using the threat of tariffs on these products to create U.S. leverage for ongoing NAFTA negotiations.

NAFTA Renegotiations and the Preliminary U.S.-Mexico Agreement[113]

The Trump Administration has made NAFTA renegotiation and modernization a prominent priority of its trade policy. President Trump has described the agreement as the "worst trade deal"

[107] "Mexico's Senate Ratifies Sweeping Asia-Pacific Trade Deal," Reuters, April 24, 2018.

[108] Elizabeth Gonzalez, "Explainer: A Look at NAFTA's Biggest Trade Disputes," *Americas Society/Council of the Americas,* May 3, 2017.

[109] U.S. Department of Commerce, "U.S. and Mexico Strike Deal on Sugar to Protect U.S. Growers and Refiners, Ensure Supply to Consumers," June 6, 2017.

[110] Patrick Gillespie, "The NAFTA Talks Just Got Even Harder," *CNN,* January 23, 2018.

[111] CRS Insight IN10943, *Escalating Tariffs: Timeline*, coordinated by Brock R. Williams; CRS Insight IN10971, *Escalating Tariffs: Potential Impacts*, coordinated by Brock R. Williams; CRS In Focus IF10902, *Trade Actions and U.S. Steel Manufacturing*, by Michaela D. Platzer.

[112] CRS In Focus IF10971, *Section 232 Auto Investigation*, coordinated by Rachel F. Fefer.

[113] CRS Insight IN10968, *NAFTA and the Preliminary U.S.-Mexico Agreement*, by M. Angeles Villarreal and Ian F. Fergusson; CRS Insight IN10962, *Agricultural Trade with Mexico and the Preliminary U.S.-Mexico Agreement in NAFTA Negotiations*, by Jenny Hopkinson.

and has stated that he may seek to withdraw from the agreement, including in September 2018.[114] He has focused on the trade deficit with Mexico as a major reason for his critique. On May 18, 2017, the Trump Administration sent a 90-day notification to Congress of its intent to begin talks to renegotiate NAFTA, as required by the 2015 Trade Promotion Authority (TPA). Negotiations started August 16, 2017.

This notification and an announcement on August 27, 2018, that the United States and Mexico had reached a preliminary agreement in principle—subject to finalization and implementation—served as the culmination of a year of talks among the NAFTA partners. Talks with Canada have not concluded, and it is unclear whether Congress would support an agreement that does not include Canada. The United States and Mexico stated that they would like to sign the agreement before Mexico's president-elect is scheduled to take office on December 1, 2018. The Mexican president can submit the agreement to the senate for consideration as soon as it is signed and the accompanying paperwork required by Mexico's law on international treaties related to economic matters is prepared.[115]

Migration and Border Issues

Mexican-U.S. Immigration Issues

Immigration policy has been a subject of congressional concern over many decades, with much of the debate focused on how to prevent unauthorized migration and address the large population of unauthorized migrants living in the United States. Mexico's status as both the largest source of migrants in the United States and a continental neighbor means that U.S. migration policies—including stepped-up border and interior enforcement—have primarily affected Mexicans.[116] Beginning in FY2012, foreign nationals from countries other than Mexico began to comprise a growing percentage of total apprehensions, even as total apprehensions declined to 40-year lows.[117] Due to a number of factors, more Mexicans have been leaving the United States than arriving.[118] Nevertheless, protecting the rights of Mexicans living in the United States, including those who are unauthorized, remains a top Mexican government priority.

Since the mid-2000s, successive Mexican governments have supported efforts to enact immigration reform in the United States, while being careful not to appear to be infringing upon U.S. authority to make and enforce immigration laws. Mexico has made efforts to combat transmigration by unauthorized migrants and worked with U.S. law enforcement to combat alien smuggling and human trafficking.[119] In FY2017, the Trump Administration removed (deported)

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[114] Phil Levy, "Trump's NAFTA Withdrawal Threat Is Real," *Forbes*, January 22, 2018; Javier E. David and Jacob Pramuk, "Trump Takes a new Shot at Canada, Threatens to end NAFTA if Congress Intervenes," *CNBC*, September 1, 2018.

[115] See http://www.diputados.gob.mx/LeyesBiblio/pdf/271.pdf.

[116] Mexicans are by far the largest group of immigrants in the United States, accounting for about 11.4 million people in 2016, or 26% of the U.S. foreign born population. Jynnah Radford and Abby Budiman, *Statistical Portrait of the Foreign-Born Population in the United States*, Pew Research Center, September 14, 2018.

[117] For more information, see CRS Report R42988, *U.S. Immigration Policy: Chart Book of Key Trends*, by William A. Kandel.

[118] Ana Gonzalez-Barrera, *More Mexicans Leaving Than Coming to the U.S.*, Pew Research Center, November 19, 2015.

[119] As a result of a U.S.-Mexican Bilateral Human Trafficking Enforcement Initiative, which began in 2009, more than 170 individuals have faced U.S. federal indictments. See U.S. Congress, House Committee on Homeland Security, Subcommittee on Border and Maritime Security, *Federal Efforts to Stop Human Trafficking*, 115th Cong., 2nd sess.,

some 128,765 Mexicans, as compared to 149,821 removals in FY2016.[120] During the Obama Administration, some of Mexico's past concerns about U.S. removal policies, including nighttime deportations and issues concerning the use of force by some U.S. Border Patrol officials, were addressed through bilateral migration talks and letters of agreement.[121]

Donald Trump made promises of restricting immigration, which he variously described as a threat to U.S. security and to economic prosperity, a central component of his campaign.[122] Within days of taking office, President Trump signed a series of executive orders on immigration. Of those, executive orders focused on hastening construction of a border wall (E.O. 13677) and increasing interior enforcement (E.O. 13678) likely have had the most direct impact on Mexican citizens living unlawfully in the United States.[123] The Trump Administration's September 2017 announcement to rescind the DACA program beginning in March 2018 barring legislative action also would disproportionately affect Mexicans (80% of all DACA recipients).[124]

Congress has considered the amount and type of funding to provide for border infrastructure (e.g., what President Trump has described as a border wall). The Trump Administration asked for $1.4 billion in FY2017 supplemental appropriations for U.S. Customs and Border Protection (CBP), including $1 billion "for planning, design, and construction of the first installment of the border wall."[125] Congress responded to the request in the FY2017 Consolidated Appropriations Act (P.L. 115-31), which provided a total of $533 million for border assets and infrastructure, including funding for repairs and upgrades to existing border barriers.[126] The Administration asked for some $1.6 billion for construction of border infrastructure in its FY2018 Department of Homeland Security budget request. Congress met that request in the FY2018 Consolidated Appropriations Act (P.L. 115-141). The Administration is seeking $5 billion for border infrastructure in FY2019.

In E.O. 13678, the Trump Administration broadened the categories of authorized immigrants prioritized for removal. According to the Migration Policy Institute, U.S. Immigration and Customs Enforcement (ICE) arrested 42% more individuals (including Mexicans) from January 20, 2017, through the end of September 2017 and removed 37% more individuals from the interior of the United States than in the same period in 2016. Of those arrested, almost 30% reportedly had no criminal conviction.[127] Those trends have since continued, according to ICE data for FY2017.[128] As a result, the profile of Mexican deportees now include more individuals

September 26, 2018.

[120] Department of Homeland Security (DHS), Immigration and Customs Enforcement (ICE), Office of Enforcement and Removal, *FY2017 ICE Enforcement and Removal Operations Report*.

[121] Maureen Meyer, et al., *Not a National Security Crisis: the U.S.-Mexican Border and Humanitarian Concerns, Seen from El Paso,* WOLA, October 27, 2016.

[122] Sarah Pierce and Andrew Selee, *Immigration Under Trump: A Review of Policy Shifts in the Year Since the Election*, MPI, December 2017.

[123] The White House, "Executive Order 13767: Border Security and Immigration Enforcement Improvements," January 25, 2017; "Executive Order 13768: Enhancing Public Safety in the Interior of the United States," January 25, 2017.

[124] For background on DACA, see CRS Report R44764, *Deferred Action for Childhood Arrivals (DACA): Frequently Asked Questions*, by Andorra Bruno.

[125] The White House, *FY2017 Defense and Other Matters Supplemental Request,* March 14, 2017, p. 3.

[126] *Congressional Record,* daily edition, May 3, 2017, pp. H3810, H3823.

[127] Sarah Pierce, Jessica Bolter, and Andrew Selee, *Trump's First Year on Immigration Policy: Rhetoric vs. Reality*, MPI, January 2018.

[128] DHS, ICE, *FY2017 ICE Enforcement and Removal Operations Report*.

who have spent many decades in the United States than in recent years (when the Obama Administration had focused on recent border crossers and those with criminal records).[129]

The potential for large-scale removal of Mexican nationals present in the United States without legal status is an ongoing concern of the Mexican government that reportedly has been expressed to Trump Administration officials.[130] Mexico's consular network in the United States has bolstered the services offered to Mexicans in the United States, including access to identity documents and legal counsel.[131] It has launched a 24-hour hotline and mobile consultants to provide support, both practical and psychological, to those who may have experienced abuse or are facing removal. The Mexican government also criticized U.S. "zero tolerance" immigration policies implemented in May 2018 that resulted in family separations at the U.S. Southwest border.[132]

The Mexican government has expressed hope that the U.S. Congress will develop a solution to resolve the phased ending of the DACA initiative and has said that it would welcome and provide support to any DACA enrollees that may be deported.[133] As of July 2018, some 561,400 Mexicans brought to the United States as children had received work authorizations and relief from removal through DACA.[134] Many DACA recipients born in Mexico have never visited the country, and some do not speak Spanish.

Dealing with Unauthorized Migration, Including from Central America[135]

In 2014, the United States and Mexico experienced a surge in the unauthorized migration of unaccompanied children and family units from Central America. More recently, increasing numbers of apprehensions of Central American family units are occurring within the context of relatively low historical levels of total apprehensions. Since FY2012, the composition of family unit apprehensions by origin country has shifted from mostly Mexican (80%) to mostly El Salvadoran, Guatemalan, and Honduran (97%).[136] Many of those families are seeking asylum.

In July 2014, Mexico announced a new Southern Border Plan. The plan aimed to increase security at 12 ports of entry from Guatemala and Belize and along migration routes. It prioritized (1) regular and ordered migration, (2) infrastructure improvements, (3) protection of migrants, (4) regional shared responsibilities (including cooperation with Central America), and (5) interagency

[129] Joseph Tanfini, "Immigration Enforcement Under Trump: Fewer People Caught at Border, More Arrested in U.S. Interior," *Washington Post*, December 5, 2017.

[130] Steve Herman, "Mexican Leaders Tell U.S. Cabinet Members About 'Worry, Irritation.'" *Voice of America*, February 23, 2017.

[131] For information on the services offered by Mexican consulates, see https://consulmex.sre.gob.mx/nuevayork/index.php/en/departments/protection-dept.

[132] In May 2018, DOJ implemented a zero tolerance policy toward illegal border crossing. Under the policy, DOJ prosecuted all adults apprehended while crossing the border illegally, with no exception for asylum seekers or those with minor children. This policy resulted in up to 3,000 children being separated from their parents. After a federal judge mandated that all separated children be reunited with their families in late June 2018, DHS reverted to some prior immigration enforcement policies. For information on those policies, see CRS Report R45266, *The Trump Administration's "Zero Tolerance" Immigration Enforcement Policy*, by William A. Kandel. For the Mexican government statement, see https://www.gob.mx/sre/prensa/the-mexican-government-condemns-u-s-policy-of-separating-migrant-families.

[133] Embassy of Mexico in the United States, Press Release 339, September 5, 2017.

[134] See information on DACA from USCIS: https://www.uscis.gov/tools/reports-studies/immigration-forms-data.

[135] This section draws from CRS In Focus IF10215, *Mexico's Immigration Control Efforts*, by Clare Ribando Seelke.

[136] See the Appendix of CRS Report R45266, *The Trump Administration's "Zero Tolerance" Immigration Enforcement Policy*, by William A. Kandel.

coordination. The Mexican government has stated that the best way to stop illegal immigration from Central America is to address the insecurity and lack of opportunities fueling recent migration flows.

Mexico has established 12 naval bases on the country's rivers, three security cordons north of the Mexico-Guatemala and Mexico-Belize borders, and a drone surveillance program. Mexico does not have a border police. Instead, its National Institute of Migration (INM) is the only agency with legal authority to detain migrants. These unarmed agents have worked to increase immigration control along known migration routes, including northbound trains and at bus stations. INM has improved the infrastructure at border crossings and created mobile highway checkpoints. With U.S. support (discussed below), INM is seeking to professionalize its workforce and to improve coordination and communication with the federal police, navy, army, and customs agencies. Many human rights groups have expressed concerns that the Southern Border Plan does little to address corruption among police and migration officials and that it has made migration routes more clandestine and dangerous.

Studies by the U.N. High Commissioner for Human Rights (UNHCR) and others have found that half of all children and a sizable proportion of women fleeing the northern triangle may need international protection. Mexico has a broader definition of *refugee* than the United States. Migrants' rights activists have claimed that INM agents inform very few migrants of the right to request asylum, as required by law, and that asylum, if granted, would enable them to stay in Mexico permanently. Even with support from UNHCR, Mexico's Commission for the Aid of Refugees (COMAR) has insufficient capacity to process claims. COMAR granted refugee status to 1,426 individuals from northern triangle countries in 2017, up from 880 in 2015.[137] The agency processed 30% of the asylum applications it received in 2017. In July 2018, the Mexican government announced a 150% budget increase and 84% staffing increase for COMAR.[138]

The U.S. State Department has allocated more than $100 million in Mérida Initiative funding to support Mexico's southern border efforts.[139] As of July 2018, the State Department had delivered $32 million of that assistance, mostly in the form of nonintrusive inspection equipment, mobile kiosks, canine teams, vehicles, and training. By late 2018, U.S. funds are expected to have helped build a secure communications network for Mexican agencies in the southern border region. By 2019, U.S. funds aim to help Mexico collect biometric information that can interface with U.S. databases, at all of its migration stations. It is unclear whether Mexico will accept $20 million offered by the Trump Administration to pay for removing U.S.-bound migrants.[140]

In addition to Mérida Initiative funds, the State Department has provided funding through the Migration and Refugees Assistance foreign aid account to UNHCR to help strengthen Mexico's humanitarian protection system. UNHCR estimates that it has used roughly $8.8 million in unrestricted U.S. funds in FY2016 and $8 million in FY2017 for programs in Mexico.[141] These funds have helped to improve access to asylum, give legal assistance to asylum seekers, provide alternatives to detention to asylum seekers, and increase the asylum capacity at COMAR. The Senate version of the FY2019 State, Foreign Operations, and Related Programs appropriations

[137] These statistics are available in Spanish from Mexico's Secretary of the Interior, Commission for the Aid of Refugees, at https://www.gob.mx/comar/articulos/estadisticas-2013-2017?idiom=es.

[138] ACNUR, "ACNUR Saluda las Medidas Anunciadas por México en Favor de las Personas Refugiadas y Solicitantes de Asilo, July 21, 2018.

[139] Electronic communication from the State Department, July 27, 2018.

[140] "U.S. Migration Proposal Produces Divisions in Mexico," *Latin News Daily*, September 14, 2018.

[141] UNHCR, "UNHCR Mexico: Day 1 Briefing," May 8, 2018.

measure, S. 3108, stipulates that $18 million of the ESF provided should be "transferred to, and merged with" funds appropriated under the Migration and Refugees Assistance account to UNHCR to help process the asylum applications of Central Americans in Mexico.

Mexico has reportedly resisted signing a "safe third country agreement" with the United States, which could require asylum seekers who transit through Mexico to seek asylum there rather than in the United States.[142] Mexico will not accept non-Mexican nationals who illegally entered the United States via the U.S.-Mexican land border (as DHS had reportedly proposed).[143]

Modernizing the U.S.-Mexican Border

Since the terrorist attacks of September 11, 2001, there have been significant delays and unpredictable wait times at the U.S.-Mexican border.[144] The majority of U.S.-Mexican trade passes through a port of entry along the southwestern border, often more than once, due to the increasing integration of manufacturing processes in the United States and Mexico. The bilateral efforts discussed below have contributed to reductions in wait times at some points of entry, but infrastructure and staffing issues remain on both the U.S. and Mexican sides of the border.[145]

On May 19, 2010, the United States and Mexico declared their intent to collaborate on enhancing the U.S.-Mexican border as part of pillar three of the Mérida Initiative.[146] A Twenty-First Century Border Bilateral Executive Steering Committee (ESC) has met annually since then, most recently in November 2017, to develop binational action plans and oversee implementation of those plans. The plans set goals within broad objectives: coordinating infrastructure development, expanding trusted traveler and shipment programs, establishing pilot projects for cargo preclearance, improving cross-border commerce and ties, and bolstering information sharing among law enforcement agencies. In 2015, the two governments opened the first railway bridge in 100 years at Brownsville-Matamoros and launched three cargo pre-inspection test locations where U.S. and Mexican customs officials are working together.[147] A Mexican law allowing U.S. customs personnel to carry arms in Mexico hastened these bilateral efforts.

As Congress carries out its oversight function on U.S.-Mexican migration and border issues, questions that may arise include the following: How well is Mexico fulfilling its pledges to increase security along its northern and southern borders and to enforce its immigration laws? What is Mexico doing to address Central American migration through its territory? What is the current level of bilateral cooperation on border security and immigration and border matters, and how might that cooperation be improved? How well are the U.S. and Mexican governments balancing security and trade concerns along the U.S.-Mexican border? To what extent would the construction of a new border wall affect trade and migration flows in the region?

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[142] "Exclusive: Mexico Opposes U.S. Plan to Make it Take Asylum Seekers-Document, Source," Reuters, July 12, 2018.

[143] "Mark Hensch, "Mexico 'Will Not Accept' Trump Deportation Guideline," *The Hill*, February 22, 2017.

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

[145] CRS Report R43356, *Border Security: Immigration Inspections at Ports of Entry*, by Audrey Singer, and CRS Report R43014, *U.S. Customs and Border Protection: Trade Facilitation, Enforcement, and Security*, by Vivian C. Jones and Lisa N. Sacco.

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

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

Energy[148]

The future of energy production in Mexico is important for Mexico's economic growth and for the U.S. energy sector. Mexico has considerable oil and gas resources, but its state oil company, *Petroleos Mexicanos* (Pemex), has struggled to counter declining production and has postponed needed investments due to fiscal challenges. Mexico's 2013 constitutional reforms on energy opened up oil, electricity, gas, transmission, production, and sales to private and foreign investment while keeping ownership of Mexico's hydrocarbons under state control, as established in its 1917 constitution.

The 2013 reforms created opportunities for U.S. businesses in exploration, pipeline construction and ownership, natural gas production, and commercial gasoline sales. Although the reforms did not privatize Pemex, they did expose the company to competition and hastened its entrance into joint ventures. Because of the reforms, Mexico has received more than $220 billion in promised investment. [149] However, the reforms ended subsidies that kept gasoline prices low for Mexican consumers and failed to reverse production declines and ongoing problems within Pemex.

The United States has sought to help lock in Mexico's energy reforms through the ongoing NAFTA renegotiations. NAFTA includes some reservations for investment in Mexico's energy sector. The proposed U.S.-Mexico free trade agreement announced on August 27, 2018, reportedly would reinforce Mexico's 2013 constitutional reforms and the current legal framework for private energy projects in Mexico.[150] It also would apply similar investor-state dispute settlement mechanisms that currently exist in NAFTA to the oil and gas, infrastructure, and other energy sectors. Additionally, the free trade agreement would allow for expedited exports of U.S. natural gas to Mexico, which have increased about 130% since the 2013 reforms.

Private sector trade, innovation, and investment have created a North American energy market that is interdependent and multidirectional, with more than 25 cross-border gas pipelines on the U.S.-Mexican border alone.[151] Some experts estimate that the United States, Mexico, and Canada represent 20% of global oil and gas supply, as well as 20%-25% of the expected additions to international supply over the next 25 years. They believe that deepened energy cooperation with Mexico will give North America an industrial advantage.[152]

There is some uncertainty regarding López Obrador's plans for Mexico's energy sector. Although López Obrador once opposed the 2013 reforms, he and his future Cabinet officials have said that his government will honor existing contracts that do not involve any corruption.[153] It is unclear, however, whether the incoming government will seek to scale back the reforms or the pace of their implementation. In July 2018, López Obrador announced an energy plan that included $2.6 billion to upgrade six existing refineries and $8.6 billion to construct a new refinery in Tabasco.[154]

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[148] For background on Mexico's energy reforms, seeCRS Report R43313, *Mexico's Oil and Gas Sector: Background, Reform Efforts, and Implications for the United States*, coordinated by Clare Ribando Seelke, and CRS Report R44747, *Cross-Border Energy Trade in North America: Present and Potential*, by Paul W. Parfomak et al.

[149] Duncan Wood et al., *Changing the Guard in Mexico: AMLO's Opportunities and Challenges*, July 2018.

[150] CRS Insight IN10968, *NAFTA and the Preliminary U.S.-Mexico Agreement*, by M. Angeles Villarreal and Ian F. Fergusson.

[151] Katherine Blunt, "Mexican Energy Sector Overhaul Could Reduce U.S. Export Demand," *Houston Chronicle*, August 6, 2018.

[152] Earl Anthony Wayne and David Shedd, *Assuring Energy Security with a Modern NAFTA*, Wilson Center Mexico Institute, May 9, 2018.

[153] "Mexico's new Government Will Honor oil Contracts if They are Clean: top Aide," Reuters, July 4, 2018.

[154] Steven Mufson, "The Energy 202: AMLO Seeks to Rejuvenate Mexico's Pemex," *Washington Post*, August 1, 2018.

His plan also includes a significant focus on revitalizing Pemex, although the person he has appointed to head the company lacks experience in the sector. The plan also includes a focus on renewable energy; Mexico already has attracted significant investment in its wind and solar sectors.

Opportunities exist for continued U.S.-Mexican energy cooperation in the hydrocarbons sector, but the future of those efforts may depend on the policies adopted by the López Obrador government. Leases have been awarded in the Gulf of Mexico under the U.S.-Mexico Transboundary Agreement, which was approved by Congress in December 2013 (P.L. 113-67). Bilateral efforts to ensure that hydrocarbon resources are developed without unduly damaging the environment could continue, possibly through collaboration between Mexican and U.S. regulatory entities. Educational exchanges and training opportunities for Mexicans working in the petroleum sector could expand. The United States and Mexico could build upon efforts to provide natural gas resources to help reduce energy costs in Central America and connect Mexico to the Central American electricity grid, as discussed at a June 2017 conference on Central America cohosted by both governments.[155] Analysts also have urged the United States to provide more technical assistance to Mexico—particularly in deepwater and shale exploration.

In addition to monitoring energy-related issues as they pertain to NAFTA, oversight questions may focus on how the Transboundary Hydrocarbons Agreement is implemented, the extent to which Mexico is developing capable energy-sector regulators, and the effects of transnational crime groups and violence on Mexico's energy industry and the safety of foreign workers employed in the energy sector. An emerging issue for congressional oversight may involve the fairness of policies adopted by the incoming Mexican government toward foreign investors.

Water and Floodplain Issues[156]

The United States and Mexico share not only a border but also multiple rivers. These shared rivers have long presented complex issues leading to cooperation and conflict in the U.S.-Mexican border region and between the United States and Mexico.

The future of U.S.-Mexican border water relations depends on hydrologic conditions (e.g., drought, hurricanes), as well as the political environment and leadership. An acting official is functioning as the U.S. commissioner of the International Boundary and Water Commission (IBWC), the official responsible for compliance on a range of boundary and water treaties. President Trump may affect the context through his appointment of a U.S. IBWC commissioner and his interactions with Mexican officials. President-elect López Obrador is scheduled to assume office on December 1, 2018; his positions on border water issues remain undefined.

IBWC and Water-Related Border Treaties. A binational water treaty in 1944 (referred to herein as the 1944 Water Treaty) established a framework to address border water-related disputes and developments, allocated water between the United States and Mexico in the Colorado River and the Rio Grande below Fort Quitman, TX, and established the IBWC. The commission develops, with approval by the executive branches of both nations, interpretations of the 1944 Water Treaty, called *minutes*. Treaty minutes often are used to enhance bilateral cooperation and guide treaty

[155] Mexico's Secretariat for Foreign Relations, "Conference on Prosperity and Security in Central America Foreign Ministry - Interior Ministry Joint Press Release," June 16, 2017.

[156] This section was authored by Nicole M. Carter, Specialist in Natural Resources Policy. See also CRS Report R43312, *U.S.-Mexican Water Sharing: Background and Recent Developments*, by Nicole T. Carter, Stephen P. Mulligan, and Clare Ribando Seelke.

compliance. The IBWC is a binational entity with a U.S. Section that operates under foreign policy guidance from the U.S. Department of State.

Under the 1944 Water Treaty, the United States is required to provide Mexico annually with 1.5 million acre-feet (AF) of Colorado River water. U.S. deliveries to Mexico in the Rio Grande basin near El Paso/Ciudad Juárez occur annually under a 1906 binational convention, whereas Mexico's deliveries downstream of Fort Quitman, TX, are established in the 1944 Water Treaty. Mexico is to deliver to the United States a minimum amount during a five-year cycle. IBWC also administers other binational boundary and water-related agreements and projects for flood control and sanitation (principally wastewater treatment facilities) and binational reservoirs.

Recent Developments in the Colorado River Basin. Minute 323, signed on September 21, 2017, is a set of binational cooperative measures in the Colorado River basin. It provides for more cooperative basin water management, including environmental flows to restore riverine habitat. Minute 323 also provides for Mexico to share in cutbacks during shortage conditions in the basin; such cutbacks are not required under the 1944 Water Treaty. Minute 323 designates a "Mexican Water Reserve," through which Mexico can delay its water deliveries from the United States and store its delayed deliveries upstream at Lake Mead, thereby increasing the lake's elevation. Lake Mead elevation is the baseline used for determining shortage conditions and associated water delivery cutbacks for the lower Colorado River basin states of Arizona, California, and Nevada. For the Colorado River basin, issues before Congress may be largely related to oversight of Minute 323 implementation and water management associated with potential shortage conditions.

Recent Development in the Rio Grande Basin. Mexico was 15% below its deliveries for the 2010 to 2015 period; Mexico made up that deficit by early 2016. The October 2015 to October 2020 cycle is under way; deliveries below the annual target for the first year were offset by additional deliveries made in the second year. In recent years, IBWC reportedly has been working toward a binational model for water management in the Rio Grande and obtaining input from binational working groups with the objective of improved predictability and reliability in water deliveries and treaty compliance. To date, Congress has been primarily involved in conducting oversight through reporting requirements for the U.S. Department of State. For FY2018, H.Rept. 115-253 included the following direction from the House Appropriations Subcommittee on State, Foreign Operations, and Related Programs:

> The Committee notes the treaty obligations of Mexico to supply water deliveries to the Rio Grande and recognizes the importance of transparency concerning such matters. The Committee directs International Boundary and Water Commission (IBWC) to regularly publish water delivery data on its Web site, including projections for the balance of water deliveries. The Committee expects IBWC to hold quarterly meetings with interested stakeholders to inform them of IBWC activities and receive feedback.

Pursuant to the various reporting requirements, various reports have been delivered to various committees of Congress, including as recently as March 2018. The 2014 farm bill (P.L. 113-79) reporting requirement remains in effect; it requires an annual report from the Secretary of State on efforts by Mexico to meet its treaty deliveries of water to the Rio Grande. The 115th Congress is considering various bills that have accompanying reports with references to reporting on Rio Grande water topics. For example, the Senate report for FY2019 Department of State appropriations—S.Rept. 115-282 accompanying S. 3108—would continue the reporting requirement.[157] The House report—H.Rept. 115-829 accompanying H.R. 6385—for FY2019

[157] The language states: "Not later than 45 days after enactment of the act, the Secretary of State, in consultation with the IBWC Commissioner, shall submit to the Committee an update to the

appropriations—would continue report language requiring the publishing of data and holding of stakeholder meetings, similar to H.Rept. 115-253.

Recent Development in Wastewater and River Pollution. On border wastewater issues, congressional appropriators have shown interest in increasing oversight through statements and reporting requirements related to the pollution in the Tijuana River. Authorizing committees have engaged on issues related to wastewater management near Nogales, AZ.

Border Floodplain Encroachment. Discussion of increased U.S. security measures along the border, particularly the border between Texas and Mexico, may revive concerns regarding compliance with treaty provisions related to the construction of structures in the binational floodplain that increase flood risk.[158] In 2012, Minute 319 established a set of binational cooperative measures in the Colorado River basin.

Environment and Renewable Energy Policy

In addition to the water management and conservation issues addressed by the IBWC, the U.S. and Mexican governments have worked together on broader environmental issues in the border region since signing the La Paz Agreement in 1983.[159] Led by the U.S. Environmental Protection Agency (EPA) and the Mexican secretary of environmental resources, the agreement committed the two governments to regularly consult and review environmental concerns. Federal funding and interest in border environmental issues peaked in the 1990s during the negotiations for and implementation of the environmental side agreement to NAFTA that created the North American Development Bank (NADB) and the Border Environment Cooperation Commission (BECC).[160]

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report required in section 7045(g)(3) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2015 (division J of P.L. 113-325) detailing efforts to establish mechanisms to improve transparency of data on, and predictability of, water deliveries from Mexico to the United States to meet annual water apportionments to the Rio Grande, in accordance with the 1944 Treaty between the United States and Mexico Respecting Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande, and actions taken to minimize or eliminate future water deficits to the United States."

[158] Article IV of the 1970 Treaty to Resolve Pending Boundary Differences and Maintain the Rio Grande and Colorado River as the International Boundary, U.S.-Mex, included the following language

> Both in the main channel of the river and on adjacent lands to a distance on either side of the international boundary recommended by the Commission and approved by the two Governments, each Contracting State shall prohibit the construction of works in its territory which, in the judgement of the Commission, may cause deflection or obstruction of the normal flow of the river or its flood flows.

It further describes that any works causing adverse flood effects shall be removed or modified and that repair or compensation for damages provided. In the late 2000s and early 2010s during construction of border fencing, particularly in the lower Rio Grande Valley of Texas, various stakeholders, including representatives from the Mexico section of the IBWC according to news reports, raised concerns related to construction of security works within the shared U.S.-Mexico floodplain (S. Nicol, "New Border Walls Designed to Flood Texas Towns," *Texas Observer*, July 11, 2012; C. Sherman, "U.S., Mexico disagree over border fence plan in Texas," *Houston Chronicle*, July 24, 2012).

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

[160] CRS In Focus IF10480, *The North American Development Bank*, by Rebecca M. Nelson and Martin A. Weiss. In 2017, the BECC and NADB announced that they would merge.

Even after federal funding for border environmental projects decreased post-2000, the U.S. and Mexican governments have continued to design and implement binational environmental programs.[161] The current 10-year border program, Border 2020, is focused on cooperation in five areas: (1) reducing air pollution; (2) improving access to clean water; (3) promoting materials and waste management; (4) enhancing joint preparedness for environmental response; and (5) enhancing environmental stewardship. The Trump Administration's FY2019 budget request would zero out funding and staff for the U.S.-Mexican border programs run by the EPA.[162] In FY2018, the Administration did not requested any funding for the programs, but Congress provided $3.0 million in EPA funding.

In 2009, President Obama and then-President Calderón announced the Bilateral Framework on Clean Energy and Climate Change to jointly develop clean energy sources and encourage investment in climate-friendly technologies. Among others, its goals included enhancing renewable energy, combating climate change, and strengthening the reliability of cross-border electricity grids. USAID and Mexico also expanded cooperation through the Mexico Global Climate Change (GCC) Program, which began in 2010 and provided $50 million in funding through FY2016, although bilateral efforts on climate change began around 1990.[163] By 2016, environmental protection and clean energy became a priority for North American cooperation.[164]

Mexico, Canada, and the United States all became parties to the Paris Agreement, which entered into force on November 4, 2016,[165] under the U.N. Framework Convention on Climate Change. The Mexican congress and the Canadian parliament ratified the Paris Agreement.[166] In contrast, U.S. executive branch officials stated that the Paris Agreement is an executive agreement not requiring Senate advice and consent to ratification.[167] President Obama signed an instrument of acceptance on behalf of the United States on August 29, 2016, without submitting it to Congress.

On June 1, 2017, President Trump announced his intention to withdraw from the Paris Agreement.[168] The Administration's FY2018 budget request, released on May 23, 2017, proposed to "eliminate U.S. funding for the Green Climate Fund (GCF) in FY2018, in alignment with the President's promise to cease payments to the United Nations' climate change programs." The dFY2018 budget request also eliminates funding for Global Climate Change programs run by USAID, the Department of State, and the Department of the Treasury. Congress did not provide funding for those programs in FY2018. Given these developments, it is unlikely that trilateral efforts on advancing clean energy and meeting the aforementioned emissions targets will continue under the Trump Administration.

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

[162] U.S. Environmental Protection Agency, *FY2019 Justification of Appropriation Estimates for the Committee on Appropriations*, February 2018, p. 238.

[163] Part of the GCC program helped Mexico design its climate change strategy, reduce emissions from the energy sector, manage its forest resources, and put together long-term, low emissions development planning. USAID, "Mexico: Global Climate Change Fact Sheet," November 2016.

[164] At the June 2016 North American Leaders' Summit, the leaders set a target to increase clean power to 50% of the electricity generated across North America by 2025. The White House, Office of the Press Secretary, "Fact Sheet: United States Key Deliverables for the 2016 North American Leaders' Summit," June 29, 2016.

[165] The remainder of this section draws from CRS Report R44609, *Climate Change: Frequently Asked Questions About the 2015 Paris Agreement*, by Jane A. Leggett and Richard K. Lattanzio.

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

[167] CRS Report RL32528, *International Law and Agreements: Their Effect upon U.S. Law*, by Stephen P. Mulligan.

[168] CRS Report R44870, *Paris Agreement: U.S. Climate Finance Commitments*, by Richard K. Lattanzio.

Educational Exchanges and Research

Educational and research exchanges between the United States and Mexico have been occurring for decades, but they rose higher in the bilateral agenda during the Obama Administration as part of the High-Level Economic Dialogue. In 2011, President Obama established a program called "100,000 Strong in the Americas" to boost the number of U.S. students studying in Latin America (including Mexico) to 100,000 (and vice versa) by 2020. Similarly, President Peña Nieto has implemented Proyecta 100,000, which aims to have 100,000 Mexican students and researchers studying in the United States by 2018. Together, the U.S. and Mexican governments launched a Bilateral Forum on Higher Education, Innovation, and Research (FOBESII) in May 2013, which has led to more than 80 partnerships between U.S. and Mexican universities.[169] Both programs are still being implemented.

Country and bilateral efforts face continued challenges. In 2015-2016, the number of U.S. students studying in Mexico increased by 6% compared to 2014-2015, but the number of Mexicans studying in the United States decreased by 1.9%.[170] Mexico ranks 10th on the Institute of International Education's list of countries with students studying in the United States. China is number one, and Brazil is number eight. A lack of scholarship funding and a lack of English language skills have been barriers for many Mexican students.

Outlook

President Peña Nieto began his Administration focused on enacting economic reforms. By 2014, it appeared that Peña Nieto's economic agenda could not be successful without addressing the country's rule-of-law challenges. Four years later, President Peña Nieto's approval ratings are at historic lows for a Mexican president, largely due to his government's inability to tackle those issues. Numerous former PRI governors are facing criminal charges, and President Peña Nieto is fending off allegations of corruption within the PRI and his 2012 campaign, as well as charges that his government used spyware to illegally spy on its critics. His government has been criticized for not defending Mexican interests more vigorously vis-à-vis the positions of President Trump, but Peña Nieto has been careful not to use rhetoric or take tough positions that could alienate the U.S. administration and risk a U.S. withdrawal from NAFTA.

As Mexico's July 1, 2018, elections approach, observers predict that the election is likely to be extremely close, particularly given the participation of independent candidates. Some analysts are concerned that Mexicans may elect López Obrador, a leftist who may be less inclined to continue close bilateral cooperation with the United States in some areas than others candidates.[171] López Obrador's supporters maintain that he is a progressive who wants to take on corruption within Mexico and maintain good relations with the United States, while his opponents denounce him as a populist who would implement socialist policies and antagonize the United States.[172] Whoever wins the Mexican presidency is likely to inherit a difficult security and economic situation that will be influenced, at least in part, by developments in the United States and U.S. trade, drug, and immigration policy.

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

[170] This data is available at https://www.iie.org/Research-and-Insights/Open-Doors/Data/International-Students.

[171] Stratfor, "Staying the Course Against Mexico's Cartels," March 11, 2017.

[172] "A Progressive Reformist Is Leading Mexico's Presidential Polls—and Washington Is Freaking Out," *The Nation,* January 25, 2018; "Mexico's Presidential Front-Runner a Wildcard for US Ties," AP, December 23, 2017.

Appendix. Structural Reforms

Table A-1. Key Reforms Enacted During 2013-2014

- **Energy Reform:** Creates several different types of contracts, including production-sharing and licensing; allows companies to post reserves for accounting purposes; gives Petroleos Mexicanos (Pemex) budget autonomy; establishes a sovereign wealth fund; creates new regulators; and removes the union from the Pemex board.
- **Antitrust Reform:** Creates an autonomous Federal Economic Competition Commission to regulate all sectors except telecommunications and energy and gives the commission the power to oversee mergers, regulate industries, and sanction monopolistic practices.
- **Telecommunications Reform:** Increases consumers' access to more affordable and reliable television, radio, Internet, and mobile phone services; increases privacy protections for consumers; and creates an independent entity, the Federal Institute of Telecommunications (IFETEL) to regulate radio, television, and telecommunications companies.
- **Financial Reform:** Increases access to credit, particularly for small- and medium-sized businesses (SMEs), and creates more competition in the banking sector.
- **Fiscal Reform:** Raises additional revenue by increasing income taxes for upper-income earners, upping the value added tax (VAT) to 16% from 11% in northern border states and creating new taxes on stock market profits, as well as sugary beverages and other snack foods.
- **Education Reform:** Gives the government, rather than the union, control over hiring and firing teachers; creates a new entity to evaluate teachers; and increases funding for education, including full-day schooling. In June 2015, Mexico's Supreme Court upheld the constitutionality of removing teachers who fail evaluation exams from instructional positions.
- **Unified Code of Criminal Procedure (CPC):** Replaces the procedural rules that existed in the country so that the same general rules apply to all states and the federal government; facilitates coordination between authorities; and aims to improve the efficiency of investigations. As a result of the unified code, all states will have oral, adversarial trials with the presumption of innocence and the use of alternative dispute mechanisms as required by constitutional reforms enacted in 2008.
- **Political Reform:** Provides for the reelection of federal deputies for up to four terms beginning in 2015 and of senators for up to two terms beginning in 2018; provides for the reelection of mayors and local legislators; replaces the current attorney general's office with an independent prosecutor general's office; creates a new national electoral institute; and calls for the annulment of an election if there is evidence that a party engaged in "systematic" violations of campaign finance restrictions.
- **Transparency Reform:** Extends the rights of citizens to seek information from all levels of government, unions, and political parties and strengthens the entity charged with managing access to information (the Federal Institute of Access to Information and Data Protection).

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

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