Transcending the Rio Grande

U.S.-Mexico relations need to reach beyond the border

Recommendations of our Mexico Working Group

April 2009
Political and economic relations between the United States and Mexico are at a defining moment. Exploding drug-related violence along the U.S.-Mexico border and the inability of both nations to stem the flow of drugs from the south—and lethal weaponry from the north—increasingly feeds powerful criminal groups in both countries. Add to this lethal mix the still reverberating consequences of the global financial and economic crisis and it’s easy to see why U.S.-Mexico relations are rising to the fore of U.S. foreign, economic, and national security concerns.

Indeed, 60 days into his administration, President Obama unveiled in March a new border security strategy as a central component of the $1.4 billion Merida Initiative originally signed in 2008 to address growing bilateral concerns about the increasingly devastating effect drug-trafficking organizations are having on public safety and institutional integrity in Mexico, as well as the strain these organizations are placing on U.S. law enforcement agencies. Several weeks later, Mexico said it would turn to the International Monetary Fund for a $30 billion-to-$40 billion loan under an IMF program designed to help developing nations hit hard by the global financial crisis.

Neither of these critical steps to restore political and economic stability on both sides of the border was envisioned when a working group on U.S.-Mexico relations was first convened in February 2008 by former Senior Fellow and Director of the Americas Project at the Center for American Progress, Dan Restrepo. But the members of the working group understood in no uncertain terms the broader ramifications of deteriorating working relationships between the two countries. All realized the simmering crisis along the border was rapidly penetrating ever more deeply into the interiors of both nations.

The members of the working group assembled by the Center for American Progress, representing a diverse range of expertise and ideological perspectives on the U.S.-Mexico relationship, met four times between February to May 2008 before the Center embarked upon drafting the final report now in your hands. Our working group consisted of 11 members and two congressional staff observers, with several prominent experts with experience in the most critical aspects of U.S.-Mexico relations invited to address the group. Their insights and views were particularly invaluable to informing the content of this report.
We would like to thank all of the working group’s members and observers who graciously gave their time and knowledge. Without their participation, our efforts to produce a timely report on the important U.S.-Mexico relationship would have been notably hampered. A complete list of working group members and congressional staff observers are located in the acknowledgements section at the end of the report.

A working draft of this document was completed in January 2009, at which time the conclusion of the report was handled by the Research Associate for the Americas Project, Stephanie Miller, and the Senior Vice President for National Security at the Center for American Progress, Rudy deLeon. It is important to note that this report reflects only the opinions of the authors and the Center for American Progress. The authors take full responsibility for any errors that may appear in it, and participation of members is not necessarily an endorsement of the content and opinions of this report.

This report contains concrete policy recommendations to help the Obama administration strengthen and deepen the U.S.-Mexico relationship, focusing on ways the United States can create a more progressive and robust relationship with Mexico in four critical areas:

• Improving the rule of law and judicial reform in Mexico.
• Stopping the illegal flow of arms and money from the United States to Mexico.
• Finding ways to enhance economic development.
• Promoting alternative energy cooperation and development.

We believe our policy recommendations in these four areas would go a long way toward tackling the hard issues both the United States and Mexico confront today. We hope you agree.

–Rudy deLeon and Stephanie Miller
Introduction and summary

Nearly 100 days into his term in office, President Barack Obama faces a myriad of challenges in restoring U.S. leadership in the world, chief among them the renewal of the U.S. relationship with Mexico. Although the U.S.-Mexico relationship exists in a larger context of a global economic recession and spreading drug use and drug-related violence up and down North and South America, understanding the evolving dynamics that make the bilateral relationship unique and complex is essential to formulating a strategic vision for enhanced cooperation.

Certainly President Obama and his top administration officials “get it.” On March 24, the president announced a $700 million border security strategy as part of the wider Merida Initiative, a three-year, $1.4 billion initiative originally signed by former President George W. Bush in 2008 to address growing bilateral concerns about the increasingly devastating effect drug trafficking organizations are having on public safety and institutional integrity in Mexico, as well as the strain these organizations are placing on U.S. law enforcement agencies. On March 25, U.S. Secretary of State Hillary Clinton began a two-day visit to Mexico in order to discuss the border security strategy with Mexican officials and to signal the seriousness with which the United States takes its “co-responsibility” in the violence currently engulfing Mexico’s border region.

Importantly, Secretary Clinton acknowledged the United States’ “insatiable” demand for drugs was part and parcel of the violence engulfing Mexico, making clear the Obama administration intends to work with its Mexican counterparts with renewed cooperation and mutual respect. These initial steps were in prelude to president Obama’s first trip to Latin America, beginning with a one-day trip to Mexico on April 16 followed by a trip to Trinidad and Tobago from April 17-19 to attend the Summit of the Americas, where the president is expected to reiterate and possibly elaborate on U.S.-Mexico policy considerations.

The U.S.-Mexico relationship affects us in countless ways. More than 25 million of the 38 million Hispanics in the United States trace their heritage back to Mexico. More than 1 million U.S. citizens, increasingly retirees, live south of the Rio Grande. Mexico is the third most important producer of petroleum and crude oil to the United States, and is the United States’ third most important trading partner, as well as the third-biggest purchaser of U.S. exports. The value of combined trade between the United States and Mexico exceeded
$300 billion in 2007. And more than $24 billion in remittances is sent to Mexico a year from the United States—roughly 3 percent of Mexico’s gross domestic product.

Through the Merida Initiative, the United States is committed to investing more than $1 billion over the next three years on security cooperation with Mexico. This initiative couldn’t be more timely: Roughly 90 percent of all cocaine that enters the United States is shipped across the U.S.-Mexico border, which is equally plagued by the vast quantity of guns, military weaponry, and cash being smuggled into Mexico from the United States.

Despite these deep levels of healthy and unhealthy interconnectedness, U.S. policy toward Mexico has remained, at best, largely static over the past decade. U.S. policymakers have simply failed to treat the U.S.-Mexico relationship with the seriousness and strategic vision it requires. This must come to an end. The United States must understand its relationship with Mexico in strategic terms and act accordingly to advance core U.S. interests. Doing so will not only strengthen and deepen our bilateral relationship, but it will also pave the way to fortify the North American relationship in an evolving spirit of cooperation, and would represent an important first step to improving U.S. relations with and standing in the Americas.

A bilateral relationship built upon a complicated history of conflict and significant asymmetries can serve to magnify past and recent missteps. To place the U.S.-Mexico relationship on the proper strategic footing, the United States must work to capitalize on the opportunity presented by a more democratic Mexico and pursue policies that enrich the relation-
ship and tackle some of most intractable issues the two countries face." As such, this report argues that the Obama administration should pursue the following policy recommendations to reach a more progressive and mutually beneficial relationship with Mexico:

- Improving the rule of law and judicial reform in Mexico.
- Stopping the illegal flow of arms and money from the United States to Mexico.
- Finding ways to enhance economic development.
- Promoting alternative energy cooperation and development.

In the main body of this report we elaborate in detail on how these four arenas of mutual bilateral concern require sustained policy focus to help untangle the seemingly intractable issues that confront the two countries today. Briefly, however, we present here the overarching recommendations of this report.

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**Rule of law and judicial reform**

Our core recommendation here is for the United States to provide more funding for drug demand reduction programs in the United States, and in particular to strengthen the country’s addiction treatment system. Compared to other policy options for reducing drug consumption, treatment has shown itself to be especially cost-effective. In 1994, a landmark study by the RAND Corporation found treatment for heavy cocaine users to be 23 times more effective than drug crop eradication and other source-country programs, 11 times more effective than interdiction, and seven times more effective than domestic enforcement at reducing cocaine consumption. Improving access to high-quality treatment services would multiply the important benefits that treatment already delivers.

Secondly, the U.S. Senate must ratify the Inter-American Convention Against the Illicit Manufacturing of and Trafficking in Firearms, Ammunition, Explosives, or CIFTA, which was signed by former President Bill Clinton in 1997 but has yet to be ratified by the U.S. Senate. CIFTA aims to “prevent, combat, and eradicate the illicit manufacturing of and trafficking in firearms, ammunition, explosives, and other related materials; [and] to promote and facilitate cooperation and exchange of information and experience among States Parties to prevent, combat, and eradicate the illicit manufacturing of and trafficking in firearms, ammunition, explosives, and other related materials.”

While CIFTA is consistent with current U.S. laws and regulations and would place no new requirements or obligations on the United States, ratifying this important regional convention would be an important expression of U.S. interest in playing a key role in the regional effort to address weapons trafficking.

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*Renewing the bilateral U.S.-Mexico relationship is by definition not something U.S. actors can do alone. Creating a truly strategic relationship must be the shared work of U.S. and Mexican governmental and nongovernmental actors. The focus here, however, is on U.S. actors and what they should do to strengthen this crucial relationship.*
Third, the United States must increase the sharing of information by the U.S. Drug Enforcement Agency and other entities within the Department of Justice to assist Mexico in the apprehension of criminals and their assets. This cooperation should include mechanisms to ensure that the information provided is being adequately used by Mexican authorities to investigate and prosecute individuals responsible for crimes. In tandem, the United States should consider additional funding for Mexico to support judicial reform undertaken at the federal and state levels. Possible support could include funding for revamping law school curriculums and textbooks, exchange programs for judges and lawyers to countries experiencing similar changes, programs to strengthen Mexico’s judicial work in the areas of evidence handling and chain of custody and for equipment and training for expert services (ballistics, criminology), and Victim and Witness Protection and Restitution programs as an essential component for effective criminal investigations.

Finally, the Obama administration should work toward reaching an agreement with its Mexican counterparts to establish an annual bi-national review panel to assess progress in meeting the objectives of both countries in areas of reducing organized crime violence, strengthening judicial and law enforcement cooperation, and reduce demand for illegal drugs in both countries. The review panel would be made up of state and federal authorities, representatives of national legislatures, as well as academic and civil society experts from both countries. The panel would evaluate progress and make recommendations for enhanced cooperation and further reforms to strengthen institutions and the rule of law.

Reduce arms trafficking

The United States needs to define a comprehensive strategy aimed at disrupting the traffic of arms to Mexico. This strategy must emphasize preventive initiatives on both sides of the border alongside effective controls on the sale of weapons at gun shows in the United States. Renewing the U.S. ban on assault weapons would help curb some of the movement of these lethal military weapons to Mexico.

The United States should also examine more southbound traffic, and in turn Mexico must examine a lot more of what is coming into the United States. Right now Mexico barely stops any cars coming into Mexico from the United States. Just as Mexico often says the United States has a drug-demand problem and needs to address it, the same can now be said for Mexico’s firearms-demand problem, and can do more at the points of entry.

To improve the effective and timely exchange of intelligence on major U.S.-based trafficking of weapons handled by organizations with links to Mexican and Central American criminal organizations, the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives needs increased resources to investigate straw purchasers and rogue licensed firearms dealers in the United States. Many of Mexico’s guns seem to be coming from a combination of small minority of rogue gun dealers, legitimate gun dealers who unknowingly sell to non-prohibited purchas-
ers who then intend to give the guns to a third party—so-called "straw purchases"—and sales at gun shows. More resources would greatly help investigations at these places.

In addition, the ATF needs to increase its presence in Mexico at our consulates and work more closely with Mexico law enforcement to trace weapons back to U.S. dealers. Much of this has already begun in the form of Spanish eTrace and Project Gunrunner, which were established to disrupt firearms trafficking between the United States and Mexico by allowing the ATF to identify drug trafficking firearm trends by facilitating the paperless exchange of gun crime data in a secure web-based format. But more can be done. The Department of Homeland Security, however, should remain the lead on these efforts and should direct the ATF to work closely with other law enforcement agencies, such as U.S. Immigration and Customs Enforcement, in operations to:

- Interdict weapons crossing U.S. borders.
- Devise new programs to share tracing capabilities with the appropriate Mexican authorities.
- Close off trafficking corridors.
- Expand actionable, real-time intelligence cooperation.
- Aggressively pursue prosecutions, interdictions and arrests of individuals seeking to move firearms across the border.
- Establish a specific program to trace and disrupt the trafficking to Mexico of high-powered, military grade weaponry.

Manage economic integration by linking trade and development

The United States, along with Mexico and Canada, need to redesign the North American Security and Prosperity Partnership. SSP working groups such as the Manufactured Goods & Sectoral and Regional Competitiveness working group, Movement of Goods working group, and Business Facilitation working group all have initiated some laudable efforts to improve infrastructure at the border and streamline regulations that make trade costly and difficult. Yet because the SPP effort only includes representatives of government and large corporations, it lacks the sweep of players needed to get the job done right. A redesigned and renamed SPP should include representatives of small- and medium-sized businesses and give priority to trade elements that allow these types of businesses to take advantage of trade opportunities. It should also include representatives of labor, environmental organizations, and other key stakeholders so that the SPP process is more fully representative for all stakeholders in an improved U.S.-Mexico trade.

In addition, the three countries should reopen a dialogue to share perspectives on the North American Free Trade Agreement 15 years after it came into effect, including a discussion to strengthen the labor and environmental commissions. These two side agreements to NAFTA created commissions designed to oversee concerns on workers’ rights and the environment but have never had either sufficient funding or a sufficiently strong
mandate to pursue their stated goals. The agreements should be renegotiated to give these commissions greater authority to resolve cases effectively in a way that elevates labor and environmental standards in Mexico, the United States and Canada.

Critical to improving labor and environmental conditions in all three countries would be a new investment fund to promote development. The United States can begin discussions with the Mexican government—and ideally with the Canadian government—on the possibility of creating a joint investment fund to bring Mexico’s development closer to that of the United States and Canada. Ultimately, progress on achieving this would depend on a commitment by the Mexican government to make significant investments and to make progress on a series of domestic policies to promote development, including:

- Competition policy to reduce monopolies.
- Labor laws to democratize unions.
- Energy policy to promote sound management, including access to credit and technology, of Pemex, the government-owned oil company.
- Taxation policy to raise fiscal revenue to 18 percent of gross domestic product from current 11 percent levels.

If these conditions exist, then the U.S. government should consider one of several options for an investment fund that would make priority investments in human capital (education and training) and in infrastructure for roads, ports, and airports that link poorer regions to the global market.

**Investing in renewable energy opportunities in Mexico**

The United States needs to explore ways to make investing in alternative energy projects in Mexico more economically viable and profitable, including possible subsidies and tax breaks for companies looking to invest in alternative energy both within the United States and abroad. One way to do this is to make use of The Department of State, Foreign Operations and Related Programs Appropriations Act of 2008 (H.R. 2764) to finance renewable energy projects in Mexico. H.R. 2764 was passed in the 110th U.S. Congress in June 2007 and signed into law by former President Bush in December 2007 and encourages the Export-Import Bank of the United States to invest 10 percent of its financing capacity in promoting the export of clean energy products and services.

In addition, the United States must become a signatory of the Kyoto Protocol and any new international climate change initiatives on the horizon. The United States should take advantage of substantial financing opportunities in Mexico through the Kyoto Protocol’s Clean Development Mechanism. The Clean Development Mechanism allows emission-reduction—or emission-removal—projects in developing countries to earn certified emission-reduction credits, which can then be traded and sold and used by industrialized
countries to meet a part of their emission-reduction targets under the Kyoto Protocol. As of January 2008, Mexico accounted for 100 of the nearly 900 CDM projects registered worldwide, having been awarded with 2.3 million carbon emission reduction credits, making Mexico the second-largest creator of carbon credits in Latin America.

In the pages that follow, this report will first examine the key economic and political trends and issues affecting the U.S.-Mexico relationship before exploring in more detail the policy recommendations presented above. We believe policymakers who come to grips with the importance of this bilateral relationship will then understand why our recommendations would put us on the road to a more engaging and mutually beneficial relationship on both sides of the border.
The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”