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The United States and Mexico: Forging a Strategic Partnership

Report of the Study Group on U.S.-Mexico Relations

Ambassador Andrés Rozental and Professor Peter H. Smith, Co-Chairs





We would like to thank Grupo Bimbo for their support of this project.

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*Ambassador Andrés Rozental and Professor Peter H. Smith, Co-Chairs
With Rafael Fernández de Castro and Andrew Selee*



Woodrow Wilson Center Mexico Institute
Consejo Mexicano de Asuntos Internacionales

2005

Executive Summary

We propose that policymakers in both countries define the bilateral relationship as a *strategic partnership*, in which both countries can achieve important benefits from cooperation for their security and competitiveness. This is a vital and complex relationship that demands constant attention at the highest levels.

We need creative approaches to old issues and to new challenges. In some cases there are *common* objectives that can be pursued; in other cases, there are *complementary* objectives that can be addressed through collaboration. There is no single issue that should dominate the bilateral agenda, but a series of very important issues that policymakers in the two countries can work on together. In most cases, efforts at cooperation can start small and scale up over time.

We propose that the Presidents of the two countries commit themselves to at least one major annual presidential summit, which would involve key cabinet officers, as a way of highlighting the importance of the relationship. The two governments also need to develop new mechanisms for ongoing cooperation that build on current arrangements.

We recommend that policymakers strengthen mutual security, by exploring areas of collaboration that respond to concerns on both sides of the border. Joint efforts around public security, which is a major concern in both countries, could help build trust, develop systems for sharing intelligence, and upgrade technology and personnel. Initiatives that help “de-border the border” by moving security enforcement away from the immediate border would also be beneficial.

We recommend that policymakers promote cooperative efforts to improve economic competitiveness in the two countries. This should include efforts to channel migration flows through a guest-worker program with a path to citizenship and enhanced visa policies. It should also recognize that long-term development requires investments in infrastructure, human capital, and productive enterprises in Mexico and policies that facilitate trade and investment flows between the two countries. Mexico has the opportunity to use future oil revenues to create a financing package for development without privatization, while benefiting the United States, which needs a secure long-term supply of oil.

This report is based on the findings of a Working Group that met on February 17–18, 2005 in Washington, D.C., several smaller meetings held over the last year, and nine background papers that were prepared as part of this study. A full list of Working Group members and background papers can be found in Appendix A and Appendix B. The report reflects a summary of the major points discussed; however, it does not assume a consensus on the part of the Working Group and individual members of the group may not agree with all the proposals presented in this report.

The steering committee that oversaw this project included the co-chairs, Peter H. Smith and Andrés Rozental; Rafael Fernández de Castro, Director of International Relations at ITAM; and Andrew Selee, Director of the Mexico Institute at the Woodrow Wilson Center.

The United States and Mexico need one another. In an age of global terrorism, the United States is extremely fortunate to have a neighbor on its southern border that is as peaceful, stable, and friendly as Mexico. And in an era of economic uncertainty, Mexico has a unique opportunity to reap substantial gains from its proximity to the largest market in the world.

Yet the U.S.-Mexican relationship stands in need of attention. Over the past several years it has essentially been left on “automatic pilot.” The U.S. government has pursued higher priorities in other parts of the globe and largely neglected its southern neighbor. Mexico, in the meantime, has displayed little diplomatic energy or political entrepreneurship in dealing with its northern neighbor. Leaders in both countries often appear to have assumed that the North American Free Trade Agreement (NAFTA) can resolve key bilateral issues, so there is no compelling justification for activist policies. We take issue with such views.

We believe that Mexico and the United States should take positive steps to construct a *strategic bilateral partnership*. This will require active political leadership. The partnership should represent a sharing of interests, outlooks, and aspirations. By pooling resources, partners accomplish more than they could on their own; by accommodating differences, they build trust and understanding. True partners work hard to maintain and strengthen the foundations of cooperation.

We present the elements of such a partnership in this report. We believe that it is time to review the U.S.-Mexican relationship, to reassess its long-term potential for both countries, and to rebuild the bases of bilateral cooperation. We emphasize two fundamental and closely related themes: economic competitiveness and national security. These are crucial questions for today, and, with proper management, they can provide building blocks for tomorrow.

Mexico and the United States have become increasingly interdependent. Trade and investment across the border are vital for the economies of both countries, and both face common challenges from abroad as part of the North American trading bloc. Migration has brought the populations of the two countries closer together and given people first-hand knowledge of each other, but it has also created new challenges for policy. Terrorism, organized crime, and public security create common threats and shared responsibilities that require creative bilateral solutions. At the border, the management of natural resources and of flows of people and goods requires innovative approaches. As a result, the two countries need a robust bilateral agenda that can take advantage of the opportunities presented by this interdependence.

On an operational level, the two governments have done a respectable job of increasing cooperation to deal with day-to-day challenges. What has been missing is political leadership at the highest level. Without a proactive agenda for the future, both countries miss opportunities to achieve the benefits of interdependence in a globalizing world, and they undermine progress made in the past in managing the relationship.

This failure also gives fodder to isolationist elements in both countries. In Mexico, this has meant an increased anti-Americanism, which wants to limit relations with the neighbor to the north; in the United States, it has meant increased anti-immigrant sentiments and negative feelings toward the neighbor to the south. Such views are held by small minorities in both countries, but the absence of a positive bilateral agenda can provide fertile ground for these sentiments to grow and spread.

We believe that the two countries have much to gain from a strategic partnership that addresses collaboration in areas that can generate positive mutual benefits. These are win/win opportunities, where cooperation can contribute to the security and well-being of citizens in both countries. Some of the opportunities involve *common objectives*, where both countries share the same interests; in other cases they have *complementary objectives*, where interests may not be identical but they are convergent.

We argue that the central goals of this strategic partnership should be to:

- Ensure the mutual security of both nations, and
- Enhance the competitiveness of both economies.

And it should begin with political leadership at the highest level.

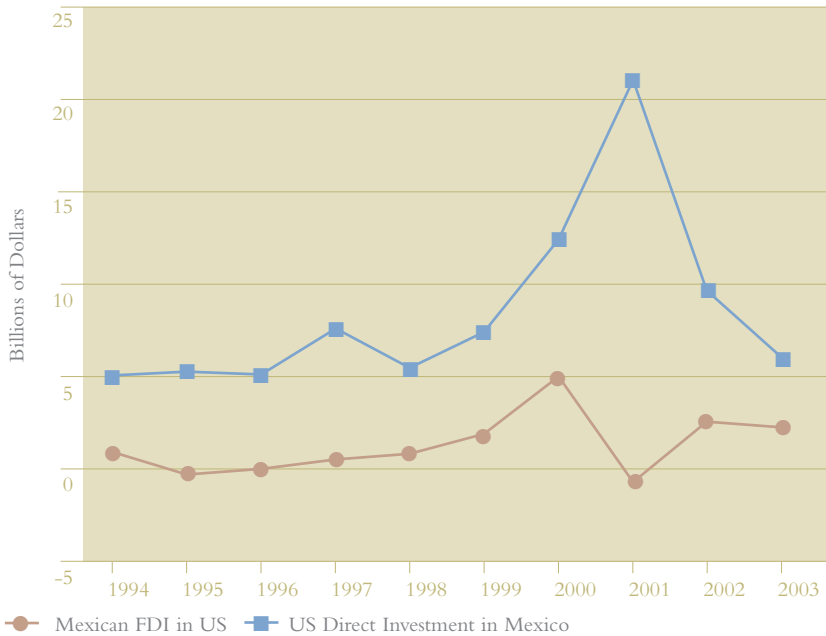
We call upon the presidents of Mexico and the United States to hold frequent bilateral meetings and at least one major annual summit that includes high-level cabinet officials.

Such gatherings, held at regular intervals, can emphasize the mutual importance of the relationship. They can set the outlines for the relationship, focus governmental attention on key bilateral issues, and offer opportunities for new



Parameters
of Partnership

Annual FDI Flows between Mexico and the U.S., 1994–2003



Source: International Economic Accounts, U.S. Department of Commerce, Bureau of Economic Analysis

1. Trilateral summits could also include Canada. Our only caveat is that three-way summits should provide ample opportunities for candid discussion of bilateral U.S.-Mexican issues. For a complementary proposal on North American integration, see the Report of the Independent Task Force on the Future of North America, "Building a North American Community," co-sponsored by the Council on Foreign Relations, Consejo Mexicano de Asuntos Internacionales, and Canadian Council of Chief Executives.

initiatives. Only meetings of this kind can ensure creative, consistent progress in U.S.-Mexican relations.¹

These summits should not respond merely to policy issues of the moment. Nor should they depend upon the interpersonal chemistry or ideological affinity of the two chief executives. On the contrary, they should provide regular, predictable, and institutionalized settings that can serve to bolster the bilateral relationship.

Presidential summits should be complemented by new bilateral mechanisms that build upon and expand existing institutions, such as the Binational Commission. The relationship has expanded at a rate and complexity that has surpassed the capacity of current arrangements for coordination.

We urge the presidents of Mexico and the United States to commit themselves and their governments to exploring creative initiatives for bilateral cooperation.

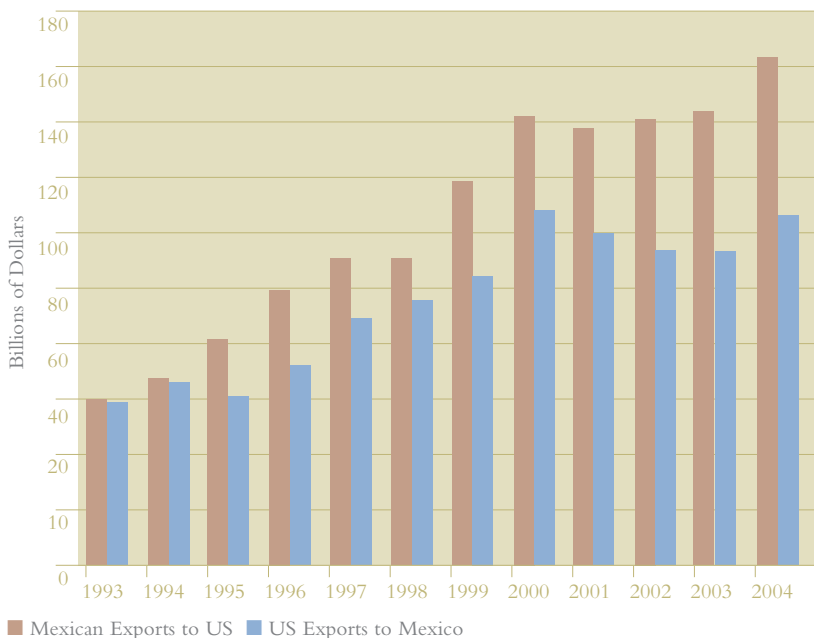
We suggest that this agenda include a number of strategies:

- Developing a joint strategy to address public security, which could include measures designed to build confidence among law enforcement agencies, upgrade technology, and make technology systems compatible.
- De-bordering the border by increasing law enforcement and inspection capabilities outside of traditional border areas, including airports and pre-clearance zones.

- Channeling migration flows through comprehensive migration reform that regularizes those migrants already working in the United States without documents and creates legal channels for future flows, with sanctions for U.S. employers who hire undocumented workers.
- Creating a development fund backed by Mexican oil revenues that could provide Mexico needed capital to upgrade its productive capacity and generate needed investment in infrastructure and human capital in Mexico, without privatization.
- Creating joint funds for infrastructure development.
- Targeting funds for productive micro- and small enterprises and producers' associations in Mexico's migrant-sending regions.
- Improving coordination on educational exchange and facilitating collaboration among universities.
- Increasing opportunities for trade and investment by harmonizing regulations and streamlining customs transactions, while strengthening existing mechanisms to enforce labor and the environmental standards.

Most of these initiatives do not require large-scale funding or lofty public pronouncements. Rather, they require innovative thinking, risk-taking, and

Volume of U.S.-Mexico Trade, 1993–2004



Source: Mexican Secretaría de Economía, NAFTAWorks, available at www.naftaworks.org; U.S. Census Bureau, Bureau of Foreign Trade Statistics, available at www.census.gov

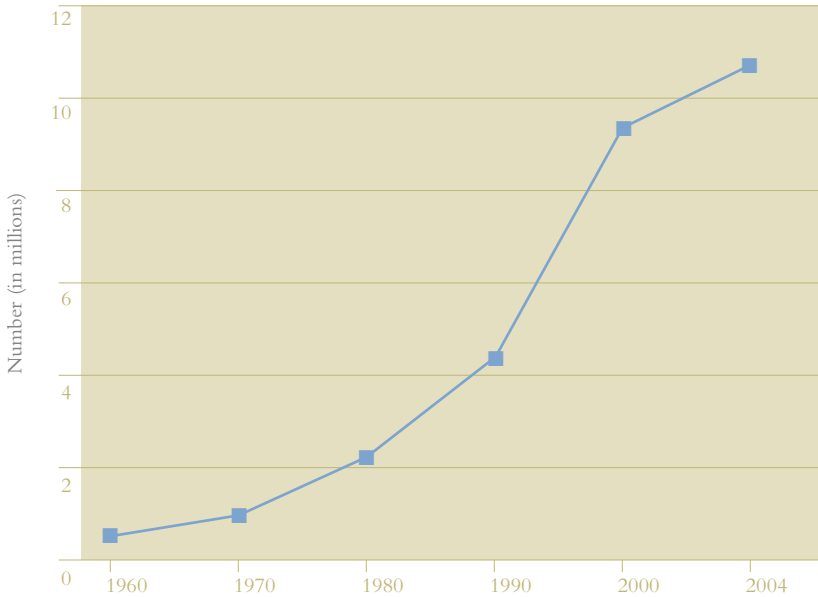
2. See Andrew Selee, ed., *Perceptions and Misconceptions in U.S.-Mexico Relations*, Washington, DC, 2005; and Guadalupe González, Susan Minushkin, Robert Y. Shapiro, and Catherine Hug, eds., *Global Views 2004: Comparing Mexican and American Public Opinion and Foreign Policy*, Mexico City: CIDE, Consejo Mexicano de Asuntos Internacionales, and the Chicago Council on Foreign Relations, 2004.

confidence-building among a range of actors on both sides of the border. This means energetic cooperation at all levels of government, as well as constructive collaboration with civil society and the business community.

Fortunately, public opinion in both countries is far ahead of political leadership. As recent research has shown, most citizens of both countries have a pragmatic view of bilateral affairs, based on their daily personal and economic interactions with people from the other country.² Mexicans largely see the future of their country as tied to the neighbor to the north, and they espouse pragmatic approaches that will bring material benefits to them and to their relatives and co-nationals in the United States. They also express a willingness to experiment with new forms of bilateral collaboration. Overall Americans show less awareness of Mexico, but their views are generally positive and supportive of further engagement with Mexico. Without doubt, any new strategy for U.S.-Mexican cooperation is likely to encounter resistance within both countries. However, if it offers real potential benefits for people in both countries and has presidential leadership behind it, new bilateral strategies are also likely to find support among the large majority of citizens in both countries.

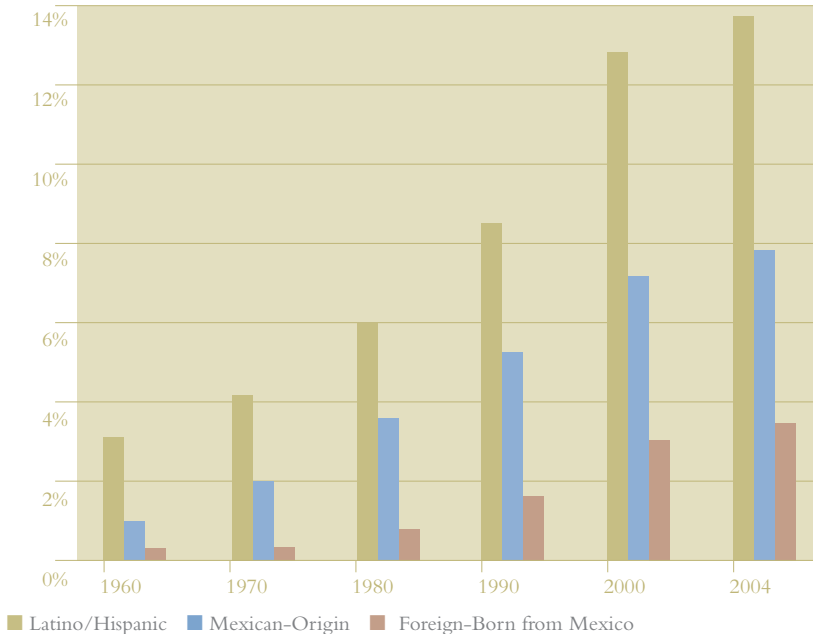
Mexicans in the United States

(Persons Born in Mexico who Reside in the United States, in Millions)



Source: Elizabeth M. Grieco, "The Foreign-Born from Mexico in the United States: 1960 to 2000," in Philippa Strum and Andrew Selee, eds., *The Hispanic Challenge?: What We Know About Latino Immigration*, Washington, D.C.: Woodrow Wilson Center and Migration Policy Institute, 2004. 2004 figures from Jeffrey Passel, "Unauthorized Migrants: Numbers and Characteristics," Pew Hispanic Center, June 14, 2005.

Percentage of the U.S. Population of Latino/Mexican Origin



Source: Frank D. Bean and Gillian Stevens, *America's Newcomers and the Dynamics of Diversity*, New York: Russell Sage Foundation, 2003, pp. 22, 53–54, and "Hispanics: A People in Motion," Pew Hispanic Center, January 2005.

Foreign Policy Priorities of Americans and Mexicans Compared

Percentage who say the following should be a “very important” goal of their country’s foreign policy			
	Mexico		US
Protecting the interests of Mexicans in other countries	88%	Protecting the jobs of American workers	78%
Promoting the sale of Mexican products in other countries	85%	Preventing the spread of nuclear weapons	73%
Stopping the flow of illegal drugs in the United States	83%	Combating international terrorism	71%
Combating international terrorism	78%	Securing adequate supplies of energy	69%
Preventing the spread of nuclear weapons	77%	Stopping the flow of illegal drugs into the United States	63%
Promoting and defending human rights in to other countries	71%	Controlling and reducing illegal immigration	59%
Helping to improve the standard of living of less developed countries	66%	Maintain superior military power worldwide	50%
Strengthening the United Nations	60%	Improving the global environment	47%
Bringing Mexico's disputes with other countries to international tribunals	60%	Combating world hunger	43%
Helping bring democracy to other countries	55%	Strengthening the United Nations	38%
		Protecting the interests of American business abroad	32%
		Protecting weaker nations against foreign aggression	18%
		Helping to improve the standard of living of less developed nations	18%
		Helping to bring a democratic form of government to other nations	14%

Source: Guadalupe González, Susan Minushkin, Robert Y. Shapiro, and Catherine Hug, eds., *Global Views 2004: Comparing Mexican and American Public Opinion and Foreign Policy*, Mexico City: CIDE, Consejo Mexicano de Asuntos Internacionales, and the Chicago Council on Foreign Relations, 2004.

Security has become a cornerstone of the relationship, and it is fraught with risks and misunderstandings. During the 1990s, security cooperation revolved around the issue of drug trafficking. After 9/11 the prevention of possible terrorist attacks acquired paramount importance; at the same time, public security became a leading issue on Mexico's public agenda.

To deal with these challenges, the two countries have implemented major institutional reforms. Mexico's National Security Law, passed in 2004, creates a new National Security Council and provides rules and regulations for the functioning of the agencies involved in fighting crime and collecting intelligence. In the United States, the creation of the Department of Homeland Security in 2002 and of a National Intelligence Director's office in 2005 seeks to streamline the flow of intelligence and to consolidate the various agencies involved in protecting the country against terrorist attacks.

Yet the concept of "security" has substantially different meanings in the two countries. The U.S. government is primarily concerned with external threats to national security, especially terrorism and, to a lesser extent, drug trafficking. In contrast, the Mexican government is primarily concerned with domestic threats to public security, including organized crime, gangs, and street violence. Emphasizing terrorism or drug trafficking alone does little to address Mexican concerns about public security and creates a one-sided approach to the issue that generates little sympathy among the people of Mexico.

The answer is not to de-emphasize the importance of the security issue. Instead, we need to find new approaches that address legitimate concerns of citizens and policymakers in both countries.

Here the interests of two countries can be complementary. Mexico has little direct interest in international terrorism, other than as a collegial neighbor, and the United States has little direct interest in public insecurity within Mexico, except as it relates to drug trafficking and criminality at the border (no minor matters, of course). Yet much of the infrastructure and procedures that are needed for combating one form of insecurity are the same ones that are needed for combating the other. This convergence can produce significant collateral benefits in addressing the challenges each country is facing.

Public Security: A Shared Concern with Collateral Benefits

We suggest that strengthening law enforcement capabilities in Mexico and cooperation between the two countries in dealing with organized crime (including drug smuggling and arms trafficking) could lead to long-term cooperation against all forms of crime, including terrorism.

We propose that the governments of Mexico and the United States undertake a major program to expand and strengthen bilateral cooperation on public security.

In addition to current joint efforts against terrorism, which have received very little public attention, the governments should develop a parallel empha-



Ensuring
Mutual Security

sis on dealing with public security, including organized crime, in a much more visible and coordinated way. A joint campaign against crime would likely be seen by citizens and politicians of both countries as in their best interests and it could thus provide a useful nucleus around which to build other efforts related to security.

Special attention should focus on the development of channels and procedures for sharing information around common objectives and ensuring the compatibility of intelligence systems. Cooperation should also upgrade Mexico's infrastructure for dealing with security threats, including improved technology at the border to identify threats and facilitate security without hindering the legitimate movement of people and goods. In all likelihood, this program would require additional resources to recruit, train, vet, and retain competent personnel who could work between the two countries. It could also present significant opportunities to integrate and share databases on everything from terrorism to arms trafficking.

There is also a need to increase communication between U.S. and Mexican armed forces in ways that do not imperil the national security of either nation. Since the armed forces of both countries are extensively engaged in disaster relief operations, this may be the appropriate place to begin efforts at cooperation and information sharing.

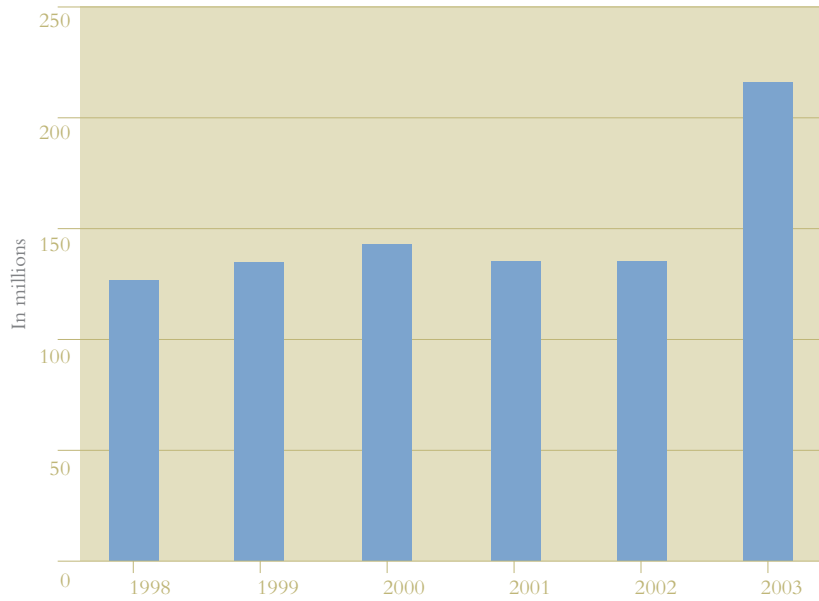
"De-Bordering the Border"

While the 2,000-mile U.S.-Mexican border often captures public and political attention, it is rarely the underlying source of bilateral problems—or the site of the most effective policy solutions. The U.S.-Mexico Smart Border Accord offers a promising start by gradually moving security strategies away from border enforcement towards addressing security threats where they originate. Interior customs inspections, pre-clearance airports and in other areas interior to the two countries, and information-sharing are critical elements of this new strategy.

There is also an urgent need to harmonize criteria for visas and improve systems for sharing information to help identify potential threats entering either country. Regularizing migration flows can also help in this regard, since creating legal channels for temporary workers to enter the United States (and regularizing those already there) would free up scarce resources that can be used for detecting potential terrorist threats.

European Union countries honor each other's arrest warrants without requiring separate hearings on the merits. Although ambitious, it should be determined whether the United States and Mexico (possibly together with Canada) could do something similar. This would be a major step in building confidence among law enforcement personnel in the two (or three) countries and send a powerful signal of mutual cooperation and respect.

Border Crossings from Mexico into the United States (Incoming Vehicles)



Data Extracted from the U.S. Department of Transportation, Bureau of Transportation Statistics.
<http://www.transtats.bts.gov>. Figures measure individual crossings by all vehicles, including buses, trucks, and personal vehicles.

The United States and Mexico have a vital interest in each other's economic competitiveness. They also need to maintain North American competitiveness vis-à-vis other competing trading blocs and countries. This interest is heightened by mounting challenges from China, India, and the European Union.

Other interests are complementary. These include the need to regularize migration flows; the desire to achieve more secure sources of energy for North America and greater investments in energy infrastructure in Mexico; and the possibility of increasing educational exchange. Further, we believe that joint strategies to encourage investment in Mexican infrastructure, human capital, and employment generation serve the interest of both countries by ensuring long-term stability and growth in North America.



Strengthening Competitiveness

Regularizing Migration

Regularizing migration is a matter of mutual interest. In the short- and medium-term, the United States will need foreign workers and Mexico will have a labor surplus. The current status—a *de facto* guest worker program that lacks legal protection on the U.S. side, and serves as a safety valve for the consequences of slow growth on the Mexican side—limits productivity, creates an underclass with few labor rights, and undermines the rule of law. Both countries would be served by regularizing a population that is currently working in the United States without documents and by finding ways to create legal and limited channels for migration in the future. This is the only true path towards creating truly enforceable immigration laws in the United States and providing plausible incentives for migrants to return to their communities of origin in Mexico.

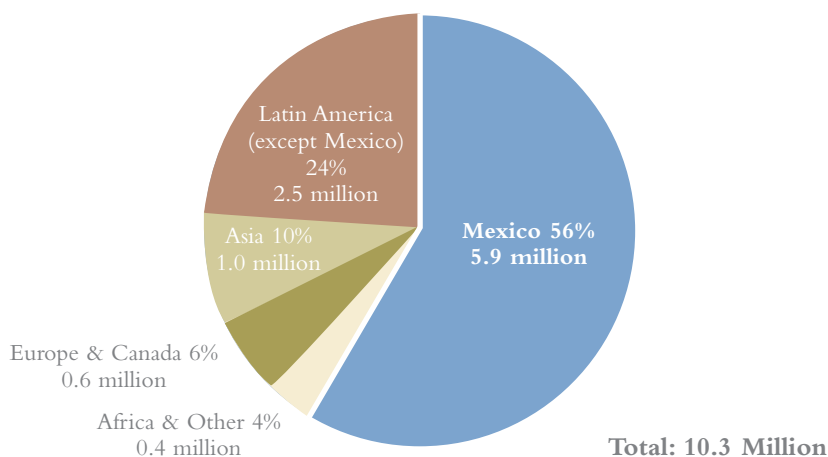
We urge the U.S. government to approve legislation to create a targeted guest-worker program with a clear path to legalization for those already working in the United States without official documents.

Any legislation would have to create meaningful enforcement mechanisms. This would mean both an effective tracking system to ensure those working have legal documents and meaningful sanctions on employers hiring undocumented workers.

We recognize that, in the near term, legislation on migration is likely to result from a domestic U.S. debate that seeks to create a more mobile labor market. It will probably not be Mexico-specific but it will have significant ramifications for U.S.-Mexican relations.

The proposal made by President Bush in January 2004, and echoed in a half dozen congressional proposals, implies a partial shift from an immigration control paradigm, dominant in the past, to a new labor market paradigm that would privilege the mobility of workers who come to the United States. A more robust U.S. immigration reform—such as the one that we espouse, including

Country or Region of Birth for Undocumented Migrant Population in the United States (March 2004)



Source: Jeffrey S. Passel. "Estimates of the Size and Characteristics of the Undocumented Population." Pew Hispanic Center Report, March 21, 2005, pp. 7–8. Estimates based on March 2004 Current Population Survey, with an allowance for persons omitted from the CPS.

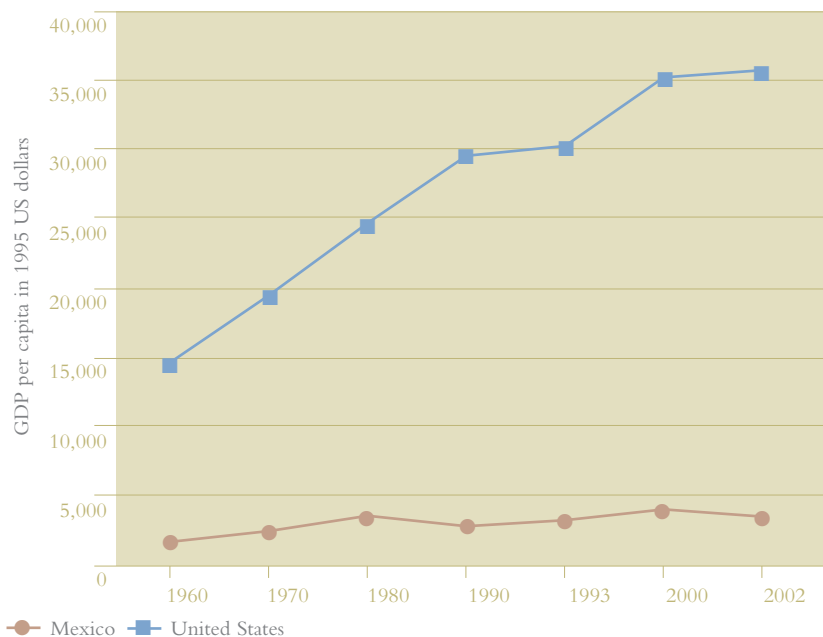
both a guest worker program and a pathway to citizenship for those already in the country—would in fact enable labor migration to respond to market demands with greater efficiency. At the same time, it should be recognized that a guest-worker program with legalization might depress the wages of lower-paid workers and would only partially address the abuse of labor laws.

Although the debate on major migration reform will take place primarily in the United States, both the Mexican and U.S. governments have very large stakes in maintaining a fluid dialogue about migration issues as a means to build confidence, to think through possible complementary strategies that are bilateral in nature, and explore innovative alternatives to migration in the absence of comprehensive legislation. Among issues that could be on the table are how to deal with migrant smugglers; how to ensure security on Mexico's southern border; the creation of a special visa or border pass for frequent travelers within North America; and the exemption of Mexico and Canada from the U.S. visa quota system. Although progress may be difficult and slow, these issues merit ongoing, open-minded exploration.

Investing in Basic Infrastructure

Mexico needs basic infrastructure—roads, seaports, airports, and railways—to take full advantage of increasing trade and investment. In the long term, economic development in Mexico serves basic U.S. interests: it strengthens North America as a trading bloc, contributes to stability throughout the region, and sets a model for comparable efforts elsewhere around the world. Even modest investments in repairing and maintaining roads can pay huge dividends in increased competitiveness and ultimately improve growth rates in both Mexico and the United States.

The Expanding Development Gap



Source: Robert A. Pastor, ed., “The Paramount Challenge for North America: Closing the Development Gap” Center for North American Studies. March 14, 2005, p.33. Based on World Bank Development indicators.

The experience of the European Union offers two key policy lessons: first, that structural changes begin at home, and, second, that targeted investments of external resources can reinforce good domestic development strategies. Ultimately a combination of these two strategies proved beneficial for all EU member nations. In the case of the U.S.-Mexico relationship (and perhaps North America), there is a vital need to develop creative approaches for investment in infrastructure.

One approach, which we endorse, would be to create a North American Development Fund that involves all three countries in NAFTA.³ Another approach might be to expand the substantive and geographic mandate of the North American Development Bank or to create targeted funds for infrastructure development through other multilateral institutions. The two governments could also explore joint backing of municipal and state bonds in Mexico and other incentives to encourage private investment in public endeavors.

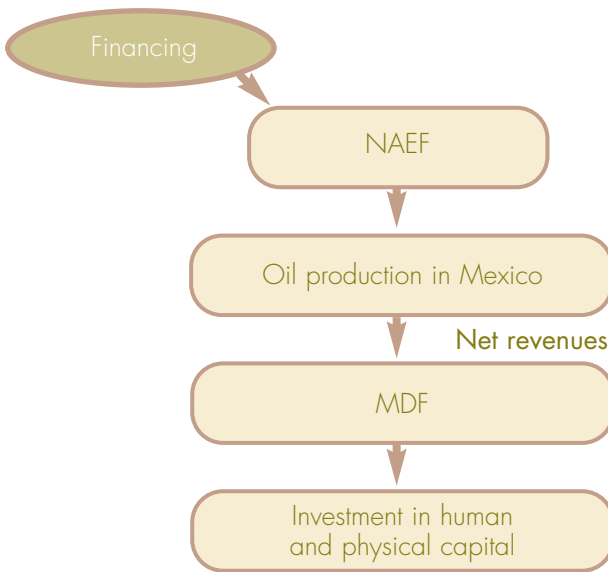
Using Energy Resources to Leverage Development

Still another approach could entail an energy-for-infrastructure “swap.” Just as Mexico needs infrastructure, the United States needs energy—and Mexico happens to have one of the largest and most secure energy supplies in the world. Instability in the Middle East has created an opportunity borne out of convenience for a two-step strategy that could benefit both countries.

3. For further discussion of this, see the Report of the Independent Task Force on the Future of North America.

In a first step, the United States would foster the creation of a North American Energy Fund (NAEF) which would issue \$75 billion dollars of securities backed by oil revenues (not by the oil itself) to finance Pemex's investments in the development and production of oil and natural gas. This additional output would lessen the United States dependence on Middle East oil. In the second step, the net revenues from this added production would be used to finance the Mexican Development Fund (MDF), which would in turn invest in infrastructure development to increase productivity.⁴

For the plan to be successful it would need to be consistent with Mexico's current political constitution; be carried out by PEMEX; and include an independent control system to guarantee that funds are dispensed in a manner that is transparent and exempt from conflicts of interest.



All three processes—the NAEF securing funds and financing additional oil production, as well as the MDF investments—should be transparent and supervised by Mexican and North American stakeholders alike to insure that all investments are carried out with the highest standards, that all operations are subjected to benchmarking and that risks are minimized. Accountability to the international community is a condition *sine qua non* to bring financial institutions to the table.

We recommend that the governments of Mexico and the United States commission a bilateral task force to study and design an energy-for-infrastructure strategy along these general lines.

Such an approach would secure investment in the petroleum sector without privatization, direct additional revenues to productive purposes in Mexico,

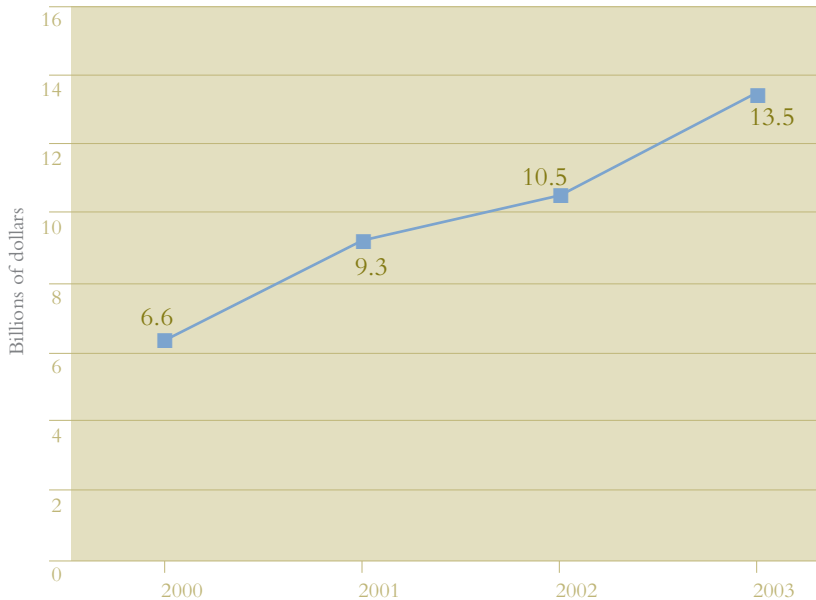
4. Text and graph for this section taken from José Luis Alberro, "A U.S.-Mexico Partnership in Energy: A Policy of Convenience," background paper prepared for this study, also published as U.S.-Mexico Policy Bulletin number 4, April 2005, by the Woodrow Wilson Center, and available at www.wilsoncenter.org/mexico. It should be noted that this approach does not begin to address many of the internal issues in Mexican energy, which do not lend themselves to a bilateral discussion.

and ensure that the United States has a long-term supply of oil from its southern neighbor.

Investing in Employment Generation

Stemming migration flows requires employment generation in migrant-sending communities. Young workers will stay in their home communities, or at least within their country, only if they have meaningful opportunities for decent jobs and wages.

Remittances to Mexico



Source: Manuel Orozco. "The Remittance Marketplace: Prices, Policy And Financial Institutions." Pew Hispanic Center, June 2004.

We urge the governments of Mexico and the United States to promote the production and marketing of goods by micro- and small enterprises and producers' associations, especially in rural Mexico.

Together, the two countries could set up joint programs to invest in employment generation through existing institutional mechanisms in the World Bank, the Inter-American Development Bank, the Inter-American Foundation, and USAID, among others. Special efforts should be made to channel funds to local governments and existing social organizations with strong track records in achieving sustainable growth and promoting employment.

Investing in Human Capital

Mexico is the United States' second trading partner but ranks seventh in the number of students who attend American universities. The United States has

an expanding need for teachers who are familiar with Latin American cultures and conversant in Spanish. Mexico needs specialists with advanced training in science and technology, as well as knowledge of the workings of U.S. society. Both countries have resources that could be put at the disposal of the other for improving each other's educational opportunities.

Much of the initiative for these projects could come from universities and school systems themselves, but the two governments can play a decisive role in providing financial incentives for collaboration, facilitating visas, and creating databases of information on available opportunities. They can also provide scholarships for higher education, especially in sectors of priority interest, and invest in research centers that strengthen bilateral understanding.

We urge educational leaders and local, state, and national officials in Mexico and the United States to undertake joint efforts to facilitate and support programs of educational exchange and institutional collaboration.

There has been little systematic use of the Professional Service and Temporary Entry provisions of NAFTA to create joint educational programs or enhance the flow of professional workers between the two countries. Under the Professional Service provisions, schools in the two countries can develop degree programs that are recognized in both countries. The Temporary Entry provisions allow for workers in certain sectors (e.g. healthcare) to gain visas to work in the other country. Using these NAFTA provisions creatively would allow higher education institutions to educate professionals who are culturally aware and can take advantage of training opportunities on both sides of the border.

With regards to healthcare, one bilateral initiative that could produce significant investments in the Mexican healthcare system would be to allow U.S. Medicare recipients to be reimbursed for treatment in Mexican hospitals. Given the large number of Americans who live in Mexico—over one million

Mexican and U.S. Students Abroad

Mexican Students in the US	12,518
Mexican Students as a Percentage of All Foreign Students in the US	2.1%
Percentage of Mexican Students Abroad in the U.S.	68.3%
US Students in Mexico	830
US Students as a Percentage of All Foreign Students in Mexico	43.9%
Percentage of US Students Abroad who Study in Mexico	2.1%

Note: Mexican students in the United States include 7,345 undergraduate students (58.7%) and 4,389 graduate students (35.1%) and 784 “other” (6.3%).

Source: Eduardo Andere, “Education in the U.S.-Mexico Relationship,” background paper prepared for this study; figures based on UNESCO and OECD studies; figures for the number of graduate/undergraduate students from Hey-Kyung Koh Chin, ed., *Open Doors: Report on International Educational Exchange*. New York: Institute of International Education, 2002.

by some estimates, many of whom are retirees—this change might allow for a considerable influx of funds into the Mexican healthcare system that could be used to upgrade facilities and treatment capacity.

Facilitating Trade

Both countries have a shared interest in increasing the volume of trade between them, avoiding costly disputes, and developing—together with Canada—joint strategies for competitiveness vis-à-vis other trading blocs. Many of the necessary strategies for facilitating trade need to be dealt with in a North American context, following the framework set out in NAFTA, although they often can be addressed in binational discussions as well. These include harmonizing regulations in key trade sectors, unifying and expanding criteria for defining rules of origin, and facilitating customs transactions. The recently signed Security and Prosperity Partnership of North America is a good place to start with many of these initiatives, but it should not be an ending point. Measures also need to be taken to resolve outstanding trade disputes between the two countries (e.g. tuna, cement, avocados) and avoid future disputes whenever possible. These measures should be accompanied by strengthening and giving a higher profile to the institutions that monitor labor and environmental compliance with NAFTA.

In addition, both countries need to pay attention to internal policies that have an impact on the bilateral relationship. For Mexico, this means carrying out needed fiscal reforms and pension reform for public sector employees, and providing necessary support to allow rural producers to compete in newly liberalized markets. For the United States, this includes addressing fiscal deficits that could lead to adverse conditions throughout North America and eliminating subsidies in agriculture that create unfair competition. While these are not strictly bilateral issues, they are issues that have profound bilateral implications and need to be addressed frankly in discussions between the two countries.

Concluding Remarks

Spurred by demographic and economic changes over the past two decades, Mexico and the United States have undergone a process of increasing integration. However, policymakers in the two countries have yet to rise fully to the resulting challenge. Despite periods of intense attention by both governments, the relationship between the two countries now appears to be on autopilot. There is little creative thinking about how to manage this process of integration or take advantage of the opportunities it presents. A strategic, well-designed approach to Mexico–U.S. cooperation could yield significant benefits for the security and well-being of citizens in both countries and for the competitive future of their economies.

The first step in a strategic partnership is for the presidents of the two countries to commit themselves to meeting regularly, and at least once a year holding a major binational summit that involves significant high-level officials. The second step is to develop a series of targeted joint efforts that can build cooperation along a range of mutually beneficial areas.

There is no single issue that is a magic bullet for U.S.–Mexico cooperation; rather, strategic efforts are needed in a number of different areas that can contribute to the competitiveness and security of the two countries. Those initiatives that could be part of a shared agenda for cooperation include joint strategies to address public security; the flow of people and goods across the border; investments in infrastructure and employment generation; the channeling of migration flows; cooperation in education; and the facilitation of trade.

Mexico and the United States have a historic opportunity to renew their commitment to their bilateral relationship. Now is the time to reaffirm this commitment and to launch a strategic partnership that will ensure greater prosperity and security for both nations—a partnership that does not depend on the vagaries of national or international politics, but on a solid belief that together as neighbors they can resolve many of the key issues that affect citizens in the two countries.

Participants in the Study Group

Note: This report is a summary of the discussion of the Study Group and subsequent comments by participants; however, it is not a consensus report. Participation does not imply endorsement of all conclusions.

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Background Papers Prepared for this Study

(Available upon request or at www.wilsoncenter.org/mexico)

Overview of the Parameters of Partnership

Andrés Rozental

“Parameters of Partnership: Taking a New Look at the U.S.-Mexico Relationship”

Peter H. Smith

“Bilateral Cooperation in a Globalizing World: The United States and Mexico”

Mutual Security

Peter Andreas

“U.S. -Mexico Border Control in a Changing Economic and Security Context”

Luis Herrera-Lasso

“Security and Intelligence in U.S.-Mexico Relations”

John Bailey

“Nontraditional Security Threats in the U.S.-Mexico Bilateral Relationship: Overview and Recommendations”

Shared Competitiveness

José Luis Alberro

“A U.S.-Mexico Partnership in Energy: A Policy of Convenience”

T. Alexander Aleinikoff

“No Illusions: Paradigm Shifting in Mexican Migration to the United States in the Post-9/11 World”

Eduardo Andere

“Education in the U.S.-Mexico Relationship”

Raúl Rodríguez

“Challenges in Competitiveness: Infrastructure Development”