

A Stronger Future

Policy Recommendations for U.S.-Mexico Relations



Envisioning the Future of the U.S.-Mexico Relationship

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Top Recommendations

Elections in both countries in 2012 present an opportunity to assess and improve relations; here's how:

- Create a Joint North American Production and Export Platform by negotiating global trade agreements as a bloc and making border crossings more efficient.
- Strengthen U.S. federal, state, and civil society support of Mexico's judicial reform—training prosecutors and judges—and police professionalization. Target the operations and assets of the most violent organized crime group on both sides of the border.
- Reform the legal immigration system in the United States by focusing on the visa system. Mexico and the U.S. should work together to implement provisions of the new system and to ensure that people cross the border through legal channels.
- Strengthen business-to-business ties to revive dialogue and promote action on regional economic integration.
- Develop an ambitious public-private partnership for educational exchange to expand Mexico's access to quality graduate education and address the U.S.'s major need for cultural and language competencies.
- Create a new vision for energy cooperation in North America, based on oil and gas stimulating a significant cycle of growth and development in all three economies.
- Develop border ports of entry that ensure safety while strengthening trade by employing risk-management techniques and the latest technology. Significantly expand the use of trusted traveler and trusted shipper programs to expedite low-risk border crossers.



Background in Brief

Every twelve years the two countries go to the polls at the same time, creating the opportunity to focus on fresh ideas to take the relationship between the two countries to a new level. The Annenberg Retreat at Sunnylands and the Woodrow Wilson International Center for Scholars seized the opportunity to convene a high-level retreat of preeminent political, business, academic, and media leaders from the two countries in March 2012 to do just that.

Mexico and the United States enter this election year very different than twelve years ago. Mexico's successful transition to a fully-fledged and highly competitive democracy; a middle class swelling from sustained growth and stability; and significant successes negotiating multilateral issues such as climate change have made Mexico more willing and able to engage the United States as a partner and within the paradigm of shared responsibility.

At the same time the global context has changed. The U.S. faces post-9/11 security needs and the challenge of creating jobs after the global economic crisis. Both give the U.S. reason to work more closely with its Mexican and Canadian neighbors since together they buy nearly one-third of all U.S. exports and are partners in securing the region.

Participants in the Sunnylands Process agreed that no single issue should dominate the bilateral agenda. In the past, incoming administrations normally prioritized a single issue—whether violence, migration, or trade—as the focus for U.S.-Mexico relations. Today, however, the relationship

has matured sufficiently that the two countries are in a position to work together across a range of complex and interconnected issues that could improve the quality of life for citizens in both countries while also engaging each other on key global challenges. Achieving progress on any one issue would likely facilitate progress on the others, and a greater focus on the major opportunities for partnership on issues like trade and economic competitiveness could improve the tone of a relationship that has recently focused on addressing the challenges of security and migration.

Continued and deepened security cooperation within the framework of shared responsibility is vital as Mexico struggles to overcome the scourge of organized crime and to build the rule of law, while the U.S. depends on its neighbors as part of its homeland security strategy. Nonetheless, the economic relationship should be at the heart of bilateral relations as the United States recovers from the global financial crisis and Mexico seeks to move from a middle-income to a high-income country within a generation. Labor mobility and human capital development, integral to growth in both countries, also remain important challenges.

Both countries should engage much more on global issues, particularly trade agreements, the global financial architecture, and strengthening democracy in the hemisphere. Finally, the United States and Mexico continue to face the important challenge of building greater understanding between their people as the two countries move ever closer.

Detailed Policy Recommendations

Economic Cooperation and Job Creation

One of the most important strategic drivers in the relationship today is the economic relationship. While the other top issues on the bilateral agenda are primarily understood as problems to be solved, the economic relation is strong and growing. A greater focus on business, investment, and trade has the potential to reframe the entire U.S.-Mexico relationship, to create a discourse based as much on opportunity and mutual benefit as it is on risk and shared responsibility.

Both countries' economies depend on each other more than most citizens realize. Mexico is the United States second largest export market, and the U.S. is Mexico's largest. The two countries trade more than a billion dollars in goods each day, but as important as the volume of the trade is its quality. With a process known as production sharing, Mexico and the United States jointly manufacture goods, sending parts back and forth across the border as a final product is built. This integration of our manufacturing sectors means that to a large extent we will sink or swim together in today's fiercely competitive global economic environment.

› **POLICY OPTION:** Create a Joint Production and Export Platform in North America by negotiating global trade agreements as a bloc, in recognition of the interdependence among Mexico, the United States, and Canada.

The United States and Mexico are among the most open economies in the world, with tariff-free access to a combined 53 countries, including the European Union, Japan, and several other major trading nations. This presents a tremendous opportunity for both countries to develop an export platform with global reach. To take advantage of this, it is necessary to strengthen regional competitiveness. North America was forged as an economic unit with the implementation of the North American Free Trade Agreement in 1994, and while this remains the central architecture of the economic relationship, the region has in many ways grown stagnant, allowing several seemingly minor issues to chip away at its competitive advantage. There appears to be little appetite for a major continental initiative to deepen economic integration, but there is certainly political space for increased momentum on several important fronts.

› **POLICY OPTION:** Strengthen business-to-business and other non-governmental ties to revive dialogue about U.S.-Mexico economic integration.





When NAFTA was being designed, the business communities of Mexico and the United States organized and worked together to get it passed. Since then, coordination between the two groups has been virtually non-existent. The business communities of the United States and Mexico are natural allies for any effort to implement the type of competitiveness enhancing policies described below. Efforts should be made to organize Mexican and American businesses so they can support the bilateral economic agenda. Other sectors, including labor unions, professional associations, and civil society groups, should also play a vital role in this dialogue.

› POLICY OPTION: *Create a new vision for energy cooperation in North America, recognizing that oil and gas may help stimulate a cycle of growth and development in all three countries that could significantly move the economies of all three forward.*

Mexico is also at a crossroads where it may be able to stimulate investment in its energy sector and make it a major global producer of oil and shale gas, reversing a long-term decline in production. If Mexico can achieve this dramatic turnaround, it would revitalize the Mexican economy, serve as a motor for growth for the next two decades, and create enormous opportunities for cooperation in North America, where Canada and the United States are also major global producers. There is also strong potential for renewable energy in the border region, an area of abundant sunshine and wind.

› POLICY OPTION: *Significantly expand the use of trusted traveler and trusted shipper programs to expedite low-risk border crossers. Minimize economic barriers by simplifying and harmonizing regulations and customs requirements.*

To take advantage of these economic opportunities, Mexico and the United States (and, in many cases, Canada) will need to work together to fix inefficient border crossings, simplify customs procedures, and harmonize production standards. Improving the basic infrastructure—physical and regulatory—that link the two countries will eliminate an unnecessary drag on trade and help create the building blocks for greater mutually beneficial integration. In a time of budgetary constraints, strategic shifts to improve efficiency and security, such as the expanded use of trusted traveler and trusted shipper programs, may be the most cost-effective way to facilitate trade at the border.

› POLICY OPTION: *Strengthen Mexico-U.S. cooperation on global financial issues, including the redesign of the global financial architecture.*

Mexico has quite successfully protected itself from domestically driven financial crises since 1995, achieving a remarkable degree of macroeconomic stability. Nonetheless, both Mexico and the United States are quite vulnerable to external shocks and, due to the extent of trade and the integration of industry in the region, business cycles of each

country are closely linked. This makes the United States and Mexico natural partners in addressing international economic issues, and both countries could do even more to coordinate their efforts in international forums such as the G-20 and the International Monetary Fund, where significant cooperation already takes place.

Migration, Labor Mobility, and Human Capital Development

With goods and capital markets increasingly integrated, there is a need to evaluate how to develop and regulate labor markets more effectively. At a time when unauthorized migration is at an all-time low and net flows of migrants between our two countries are close to zero or even negative, it is a good time to focus on legal migration between the two countries, including ways of improving education, training, and credentialing. The current dynamics open a window of opportunity to reset the national narratives on migration and to transform the way our two countries jointly deal with the issue.

› POLICY OPTION: *Develop an ambitious public/private partnership for educational exchange that helps Mexico significantly expand access to quality graduate education and helps the U.S. address the urgent need for cultural and language competencies.*

One opportunity is to pursue an educational partnership between the two countries to bring graduate students to each other's country at a much higher level than is currently occurring. Indeed, despite proximity, Mexico is now ninth among countries with graduate students studying in the United States. The U.S. is sending fewer and fewer students at all levels to Mexico. A partnership for education, funded as a joint public/private initiative with universities and businesses, would contribute significantly to Mexico's long-term

development and U.S. competitiveness while strengthening intercultural understanding.

› POLICY OPTION: *Reform the legal immigration system in the United States by focusing on a significant reform of the visa system. Mexico and the U.S. should work together to implement provisions of the new system and to ensure that people cross the border through legal channels.*

The two countries could benefit significantly from focusing more broadly on legal immigration. This will have to be driven by the U.S. Congress and administration, to determine the future of U.S. immigration laws, most of which date from the 1960s and have seen only modest revision since then. Reforming the regime for visas is critical. Today, the overwhelming majority of visas are family-based, with only 14% of all visas related to work. The U.S. could clearly benefit from creating a more balanced immigration system that takes advantage of willing workers to meet labor market needs in the United States and avoid the fiscal pitfalls of a greying population. Mexico, however, can play an important facilitating role by agreeing to help police its borders if the U.S. is willing to create realistic legal channels for migration.

› POLICY OPTION: *Cooperate to ensure that children whose families migrate receive the best education possible as they move between countries, including significantly enhancing the capacity for absorption in Mexico of children who return home to study.*

Both the United States and Mexico have incentives to educate and integrate young immigrants who will become important participants in the workforce. Though still a challenge, many U.S. states have made significant advances in teaching students with limited English and, despite the contentious politics of immigration in some areas of the country, most

states and municipalities have had a very pragmatic approach to this. Mexico now faces a similar challenge, as many U.S.-born children of Mexican parents return to Mexico. Mexico faces a challenge of how to educate and assimilate these children, who often come with limited Spanish skills and scant familiarity with the country.

› POLICY OPTION: *Promote cooperation to weaken the organized crime groups that traffic third-country migrants, as well as those that prey on them.*

A lower birthrate in Mexico, as well as the gradual aging of the population, is likely to lead to less pressure for migration from Mexico, but the country will continue to be a transit point for migrants from other parts of the world. Central American migrants, in particular, have been exposed to significant dangers as they transit through Mexico and attempt to cross into the United States. Finding ways to build on the current efforts to prevent unauthorized third-country migration and to weaken the criminal groups that prey on these migrants as they traverse Mexico will be important as illegal immigration from Mexico declines. Mexico and the United States have significant incentives to cooperate on managing migration flows, and to bring other countries in the region, especially those of Central America, into a dialogue about how to address these flows.

Security Cooperation and Strengthening Rule of Law

Public safety is a key pillar for other rights in a democratic society. In recent years, Mexico has faced a significant rise in transnational organized crime-related violence, together with corruption and penetration of the state by these groups. As these groups operate on both sides of the U.S.-Mexico

border and are funded principally by the sale of drugs, especially cocaine, to U.S. consumers, the United States has both a strategic and an ethical interest in working closely with Mexico to address this significant challenge to state sovereignty and the safety of its citizens.

› POLICY OPTION: *Strengthen U.S. federal, state, and civil society support of Mexico's judicial reform—training prosecutors and judges—and police professionalization.*

Mexico's central challenge is building the institutions to uphold the rule of law, including credible police, prosecutors, courts and jails. Bi-national cooperation can play an important supporting role in this effort, including exchanges at a local, as well as federal level. There are opportunities to build joint strategies to avoid witness and judicial intimidation, increase the strategic use of extradition, and eradicate corruption. Due process will be essential to any credible public security strategy.

› POLICY OPTION: *Add strength and focus to bi-national security cooperation by targeting the operations and assets of the most violent organized crime group on both sides of the border. A concentrated campaign in two countries against one crime group would send a clear message to the others.*

Moreover, the U.S. and Mexico can do much more to target violent transnational organized crime groups together. Given that law enforcement has a limited capacity, a more focused strategy with clear priorities could improve public safety while degrading criminal groups. One option would be to select the most violent groups and simultaneously dismantle their operations on both sides of the border, sending a signal that high levels of violence will lead to increased law enforcement pressure.

A more focused strategy could also concentrate law enforcement capacity on punishing, and therefore preventing, the most violent and high-social-impact crimes, like mass killings or attacks on police. These do not require any new legislation, but do entail getting federal and state agencies to coordinate their support of Mexico's designated priorities. Much more could be done to expand intelligence cooperation between the two countries, and both governments should be as open as possible about the nature of their collaboration, which public opinion in Mexico strongly supports.

The importance of sound anti-money laundering policy coordination is a fundamental component in the fight against Transnational Criminal Organizations (TCOs). Both countries have made significant strides in sharing financial intelligence, but there is much more room for collaboration. Weapons trafficking also remains a major challenge for both nations. The increase in violence in Mexico has been exacerbated by the large volume of weapons criminal groups smuggle into Mexico from the United States. Clearly a bilateral issue, fighting weapons trafficking requires coordinated efforts. Mexico and the U.S. have reached unprecedented levels of cooperation and exchange of information on the subject, but more needs to be done. Within a context of respect for the different legal frameworks regarding weapons possession in each country, both the United States and Mexico could strengthen domestic and cooperative efforts to target arms trafficking.

At the same time, the United States faces a major challenge in ensuring the safety of its citizens against terrorist attacks, and it depends significantly on intelligence sharing and law enforcement cooperation from its two neighbors, Mexico and Canada. Indeed, this cooperation has been one of the untold stories of engagement between U.S. and Mexican federal agencies over the past decade, with the result that the U.S.-Mexico border has not yet been used for terrorist activities. However, continued vigilance and more sophisticated forms of cooperation will be needed to avoid the evolving threats from terrorist organizations.

› POLICY OPTION: *Develop border ports of entry that ensure safety and strengthen trade by employing risk-management techniques and the latest technology.*

Indeed, one of the greatest opportunities for bi-national cooperation on security, which would help address both Mexican concerns about transnational organized crime and U.S. concerns about terrorism, would be to develop more sophisticated approaches to managing ports of entry at the border. By using risk management techniques and the latest technology, the two countries could develop more effective ways of detecting potential threats, ranging from drugs to firearms to bombs, and simultaneously facilitate commerce and the exchange of people across the border. While much attention has been focused on beefing up security between ports of entry, the reality is that most of the real threats to the two countries are at the ports of entry rather than between them. A new focus on these could be a win-win for both countries and for both security and trade.

Cooperation on Global Issues and Foreign Policy

For the United States, Mexico is a key partner in international affairs. Mexico works hard to protect the United States from terrorist threats and to weaken transnational organized crime groups. It is a middle income country, currently holds the presidency of the G-20, and is expected to grow steadily for many years to come. Jim O'Neil of Goldman Sachs, for example, expects Mexico to have the seventh largest economy in the world by 2020. Mexico has long served as a bridge between the developed and developing worlds, and the U.S. can take advantage of this fact by working closely with Mexico on issues of common interest.

› POLICY OPTION: *The United States, Mexico, Canada, and Colombia should all coordinate support for Central America as it seeks to enhance public safety and safeguard democracy.*

Mexico, too, has much to gain from working in partnership with the United States. Despite significant success in its role as host of the recent United Nations Climate Change Conference in Cancun, Mexico has punched below its weight on foreign policy for several years. To increase international clout, Mexico must become even more active in international institutions, perhaps getting involved in UN peacekeeping operations, among other things. Mexico has an opportunity to reclaim its role as a regional leader by working with other hemispheric partners to help Central America fight transnational organized crime and strengthen the rule of law. The United States, with its strong capabilities and weighty voice, should support Mexico's desire to take on more leadership on the regional and global stages.

› POLICY OPTION: *Mexico and the United States could work together to restore the vitality of the Organization of American States, a struggling but critically important regional institution.*

Such a foreign policy partnership does not mean that Mexico must adopt U.S. positions; it just entails recognition that on many issues the countries have shared interests and objectives. A more active support of mutual goals, such as the consolidation of democracy in the Americas, could benefit both nations. The best forum for joint regional efforts may often be the Organization of American States.

› POLICY OPTION: *Mexico and Canada have each joined the Trans-Pacific Partnership negotiations, and the United States should work closely with its North American partners as negotiations proceed.*

Mexico, the United States, and Canada have each begun to reorient their foreign policy to focus more attention on the Asia-Pacific region. The question now is whether they will pivot individually or do so as members of a North American strategic and economic partnership. In efforts to strengthen relationships with nations throughout Asia, grow trade, or push nations to respect their WTO

obligations, the countries of North America are more competitive and convincing when working together. North American cooperation brings together three distinct and important voices: Canada, the consummate multilateralist; Mexico, a large and important growth market; and the United States, still the world's top superpower. The Trans-Pacific Partnership is an obvious place to begin to articulate and enact such a stance. The TPP has the potential to strengthen North America's own integration while taking steps forward toward the strategic goals of both the United States and Mexico.

Building Ties and Developing Cultural Understanding

While many of the opportunities described above require action by the federal governments of the two countries, others are far more dependent on what states, municipalities, businesses, and civic groups choose to do. It is important to develop strong linkages among these groups. Business to business ties, for example, must be redoubled. Cooperation and joint problem solving is vital to achieve success on environmental issues, particularly the transborder issues that affect U.S. and Mexican communities alike. Like environmental issues, communicable diseases have little respect for national boundaries. Public health and access to care in the border region are best addressed cooperatively. The U.S.-Mexico relationship would benefit from new and strengthened mechanisms for linkages between mayors, governors, and members of congress. Mayors and governors, who are focused on practical matters and often able to find common ground with their counterparts across the border, could become more important conduits

› POLICY OPTION: *The Inter-Parliamentary Group, which links both nations' Congresses, could be revitalized; with more focus and pre-conference agenda building, the Border Governors Conference could be a key driver of bilateral relations.*

for government-to-government relations over time. However, existing bodies, like the Inter-Parliamentary Group and the Border Governors Conference, need to achieve greater institutional solidity and planning capacity.

› POLICY OPTION: *Strengthen cooperative efforts to prevent weapons trafficking and money laundering.*

The foundations for all of these institutionalized links are found in culture and society. The ties between average citizens of the two countries, whether through tourism, migration, art, or popular culture, are immense and growing. Nonetheless, there is still a huge need for increased understanding. On both sides of the border, images of the other are too often grounded in misguided stereotypes that gloss over the richness and complexity of each society. Changing perceptions will largely be driven by real accomplishments in the relationship, but it is no less important to think about how we can promote greater awareness and appreciation of each other's society through cultural and educational exchange.

› POLICY OPTION: *The exchange of U.S. and Mexican art and cultural treasures deepens intercultural understanding. Changes are needed to the current regulatory framework to encourage bilateral museum lending.*

Many vehicles exist, and there are examples of extraordinary work underway in each category. Both Mexico and the United States have great cultural riches that ought to be shared with one another. Documentaries and other story-telling media have the power to humanize and add complexity to our understanding of the other society. Educational exchange and university partnerships open spaces to develop personal and intellectual relationships that span careers and lifetimes. The Fulbright Program, which is co-funded by the U.S. and Mexican governments

and successfully promotes mutual understanding and the creation of binational professional communities, could be strengthened.

› POLICY OPTION: *The United States and Mexico could pursue a joint-bid to host the World Cup, recognizing the power of sports to bring our societies together while projecting to the world a sign of true partnership.*

One ambitious idea to strengthen understanding between the two countries would be to host a binational World Cup, something that has already been done by South Korea and Japan, which would allow Mexico and the United States to work together in the terrain of sports. Some work has already been done to lay the foundations for such an ambitious effort.

Conclusions and the Way Forward

The U.S.-Mexico relationship is among the most important and complex bilateral relationships in the world. The plethora of issues, actors, and stakeholders add political challenges to what at times appear to be common sense, win-win solutions. Such complexity should not lead to fatalism, but rather creative and intensive joint problem solving. Within the broad array of voices that take interest in the relationship, there exists the potential for alliances and coalitions powerful enough to overcome opposition and to achieve significant advances.

Right now, during the recovery from joint economic crises, cooperation to create jobs and strengthen the competitiveness of regional manufacturers offers a tremendous opportunity and should be at the center of the bilateral agenda. Prioritizing measures to enhance trade and reactivating the alliance between the private sectors of the United States and Mexico could change the tone and politics of the relationship.

The security challenges faced by each country are real and unavoidable. They should be prioritized, yet balanced with an agenda based on economic opportunity and shared prosperity. The definition and implementation of new, more focused security strategies designed to reduce violence and strengthen the rule of law, within a framework of shared responsibility, may bring new energy and popular support to a difficult ongoing issue.

Political spaces may be opening for each nation to tackle what are in political terms primarily domestic issues, despite their significant regional implications. The major decline in illegal immigration and corresponding improvement in border security in the United States presents a new starting point for discussions of comprehensive immigration reform. Along similar lines, a burgeoning pragmatism toward the development of petroleum resources in Mexico could change the parameters of the debate on energy reform. Progress in either Mexico or the United States on these seemingly intractable issues could breathe new energy into the bilateral relationship, and each side should seek to capitalize on any potential developments.

Partisan politics generally loom large in election years, and 2012 is no different for the United States or Mexico. The truth is that there will be real political limitations on what the winner of

each election can do, but if there is a lesson from the history of U.S.-Mexico relations, it is that an inclusive process of strategic planning can generate sound ideas and strengthen the political will to seek real advances. This is precisely why the Wilson Center and The Annenberg Retreat at Sunnylands came together: to stimulate this process. The ideas presented in this document are based on the observation that Mexico, the United States, and the global context have all undergone major transformations since the last time the two countries had simultaneous election years in 2000.

Examination and improvements to our bilateral relationship can and should take place constantly, but the twelve-year dual-election cycle represents a special opportunity to take the relationship to the next level. By calling on us to look back twelve years, we are reminded just how much potential there is for change and progress. By looking forward twelve years, we can imagine a significantly more sophisticated, mature, and strategic relationship between two neighbors that could grow enormously in their partnership. When used to its fullest, the twelve year cycle is a tremendous opportunity for reflection, for new ideas, and the creation of a stronger partnership. The time is now for significant and mutually beneficial progress in the U.S.-Mexico relationship.



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The Annenberg Foundation Trust at Sunnylands was founded in 2001 to address important issues facing the nation and the world. The Trust established The Annenberg Retreat at Sunnylands to serve as a sanctuary for generations of high-level national and world leaders seeking the privacy, the peace, and “the pause” needed to address the most pressing issues of the day.

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Walter and Leonore Annenberg were explicit and prescient in their direction for the future use of The Annenberg Retreat at Sunnylands for generations to come, setting forth a range of permitted programs. The Declaration of Trust, signed by Ambassador and Mrs. Annenberg on May 14, 2001, directs that The Annenberg Retreat at Sunnylands be used for the following purposes:

- For the President of the United States and the Secretary of State to bring together world leaders to promote world peace and facilitate international agreement
- For the President of the United States, the Cabinet, the Supreme Court, and the bipartisan leadership of the Congress to meet to focus on ways to improve the functioning of the three branches of government or to discuss important issues facing these institutions
- For leaders of major educational and charitable institutions, government agencies, and other important public bodies to meet to address and determine how these institutions can better serve the public good
- For the schools and other charitable or educational institutions created or funded by The Annenberg Foundation to conduct programs that advance important educational and social issues
- To host programs of learned societies and meetings of leaders and distinguished practitioners in education, philanthropy, the arts and culture, and science and medicine to promote and facilitate the exchange of ideas and provide opportunities for high-level interaction and communication to advance these fields and for the common good
- For the Annenberg Foundation to conduct meetings to formulate policy and programs
- For the public to learn about the historical significance of Sunnylands

Taking advantage of the once-every-twelve-year phenomenon of simultaneous presidential elections in the United States and Mexico, a binational group of top opinion leaders and policymakers were convened by the **Wilson Center** and **The Annenberg Retreat at Sunnylands** to craft a new agenda for U.S.-Mexico relations. Throughout three days of intensive discussion, a series of fresh ideas and recommendations for a stronger bilateral partnership emerged and now form the contents of this report. The discussion was lively, and while consensus was not found around every detail, broad agreement existed in identifying the main priority issues and overarching policy strategies.

