



MEXICO'S NEXT PRESIDENT

CHALLENGES AND RECOMMENDATIONS

ESSAYS BY:

LILA ABED, CECILIA FARFÁN-MÉNDEZ, ALEXANDRA HELFGOTT,
ERIC MARQUEZ, ANDREW I. RUDMAN, ARIEL RUIZ,
AMBASSADOR EARL ANTHONY WAYNE, DUNCAN WOOD



Wilson
Center



Mexico
Institute

MEXICO 
ELECTIONS GUIDE

MEXICO'S NEXT PRESIDENT

CHALLENGES AND RECOMMENDATIONS

ESSAYS BY:

LILA ABED, CECILIA FARFÁN-MÉNDEZ, ALEXANDRA HELFGOTT,
ERIC MARQUEZ, ANDREW I. RUDMAN, ARIEL RUIZ,
AMBASSADOR EARL ANTHONY WAYNE, DUNCAN WOOD



Wilson
Center



Mexico
Institute



**Wilson
Center**



**Mexico
Institute**

The Woodrow Wilson International Center for Scholars was chartered by the US Congress in 1968 as the living memorial to the nation's twenty-eighth president. It serves as the country's key nonpartisan policy forum, tackling global challenges through independent research and open dialogue. Bridging the worlds of academia and public policy, the Center's diverse programmatic activity informs actionable ideas for Congress, the administration, and the broader policy community. Please visit us online at www.wilsoncenter.org.

Opinions expressed in Wilson Center publications and events are those of the authors and speakers and do not represent the views of the Wilson Center.

The Mexico Institute seeks to improve understanding, communication, and cooperation between Mexico and the United States by promoting original research, encouraging public discussion, and proposing policy options for enhancing the bilateral relationship. A binational Advisory Board, chaired by Luis Téllez and Earl Anthony Wayne, oversees the work of the Mexico Institute.

Ambassador Mark A. Green, Director, President, & CEO

Board of Trustees

*Joe Asher, Chair; Bishop Leah D. Daughtry, Vice Chair; **Private Citizen Members:** Nicholas Adams, Hon. Bill Haslam, Brian H. Hook, Lynn Hubbard, Hon. Drew Maloney, Timothy Pataki, Alan N. Rechtschaffen; **Public Members:** Hon. Xavier Becerra, Secretary, US Health and Human Services; Hon. Antony Blinken, Secretary, US Department of State; Hon. Lonnie G. Bunch III, Secretary, Smithsonian Institution; Hon. Miguel Cardona, Secretary, US Department of Education; David Ferriero, Archivist of the United States; Carla D. Hayden, Librarian of Congress; Shelly Lowe, Chair, National Endowment for the Humanities; Enoch T. Ebong, Director of the US Trade and Development Agency*

Available from:

Woodrow Wilson International Center for Scholars
One Woodrow Wilson Plaza
1300 Pennsylvania Avenue NW
Washington, DC 20004-3027
www.wilsoncenter.org

© 2023, Woodrow Wilson International Center for Scholars



CONTENTS

Introduction

Lila Abed and Andrew I. Rudman 2

Energy

Alexandra Helfgott and Duncan Wood 5

Migration

Ariel G. Ruiz Soto 13

USMCA and North America

Ambassador Earl Anthony Wayne 22

Security

Lila Abed and Cecilia Farfán-Méndez 32

Water

Eric Marquez and Andrew I. Rudman 41

Nearshoring

Andrew I. Rudman 47

Acknowledgements

..... 54



INTRODUCTION

Lila Abed and Andrew I. Rudman

Mexico's June 2, 2024, election will be the largest and most consequential in the country's history. In addition to electing a president (very possibly the country's first female president), voters will choose members of both chambers of Congress and numerous governors, state legislators, and mayors. Changes to Mexico's election law will also facilitate the ability of Mexicans living abroad to cast ballots. These elections are significant not solely due to their size nor the gender of possible victors but also because of the breadth and depth of the issues that will confront whoever takes office on October 1, 2024. All new leaders take office facing challenges and opportunities and Mexico's next president will be no different. It is worth noting, however, that this presidential transition is a full two months shorter as inauguration day was moved forward from the traditional December 1 date.

Given the panoply of issues the new president will face and the limited time available to develop strategies to address them, the Wilson Center's Mexico Institute prepared this booklet of recommendations on six of the most salient issues for consideration by the presidential candidates and their campaign teams. This booklet includes sections addressing energy, migration, USMCA and North America, security, water, and nearshoring. Each of these issues is relevant to Mexico, the Mexico-US bilateral relationship, and to citizens on both sides of the border. While there will be many other issues on the new president's agenda, success in addressing those included in this booklet will help to spur economic growth, improve the quality of life of Mexican citizens, and create an even more productive relationship with the United States. Strong collaboration with Mexico's northern neighbor and top trading partner must be a key

facet of the strategy to resolve many of the “intermestic” challenges that Mexico’s new leader will face. While this booklet does not directly or specifically address the 2024 US elections, they will impact the relationship the new Mexican president will have with her/his US counterpart following the January 20, 2025, inauguration.

Each section in this booklet offers an overview of the current status of the issues and obstacles facing Mexico’s next president followed by a series of policy recommendations. Given the complex nature of public policy, in some cases, recommendations to address one issue overlap with those provided in another section. In the interest of brevity, some aspects or elements of the selected topics were not included, which should not be understood to suggest they are not important or relevant. There are also numerous issues (e.g.: finance and budgets, climate change, health, democratic institutions), that were not covered despite their salience. We will explore these and other topics during the campaign and throughout the presidential transition period.

The section on **energy** addresses the need for new infrastructure and regulatory reform that will allow Mexico to deliver needed reliable electricity to fuel nearshoring and better integrate the southern parts of the country into the power grid. Sustainable use of fossil fuels and the energy trilemma are also covered in this section.

Migration is perhaps the consummate intermestic issue facing the next president. The section highlights Mexico’s changing role as a country of emigration, transit and destination and recommends that these three pillars, previously seen as independent of each other, be considered simultaneously.

For Mexico to capitalize on the **nearshoring** boom, it must address the issues of workforce development, energy, security, and infrastructure. This section also stresses opportunities to attract nearshoring beyond the northern part of the country. Taking steps to attract nearshoring will also improve the domestic business climate.

The section on **security** provides policy recommendations on how to prevent and effectively combat issues such as border infrastructure and cybersecurity, femicide, and violence against journalists and politicians. It also delves into the security challenges Mexico shares with the United States, including illicit arms trafficking, illicitly manufactured fentanyl and rebuilding trust between security agencies on both sides of the border.

The **USMCA** section focuses on the critical role that the USMCA should continue to play in enhancing prosperity and economic competitiveness in North America. The section emphasizes the need to fully implement the agreement to reinforce its credibility and urges all three Parties to resolve important trade disputes ahead of the agreement’s 2026 review and also identifies additional trilateral opportunities to address common challenges.

The potential for **water** to negatively impact Mexico’s development and the bilateral relationship with the United States is underappreciated. The section

on water highlights the urgent need to respond to water insecurity and climate change through infrastructure investment and improved management of the 1944 bilateral water treaty.

We do not expect that all of the recommendations will be adopted as written. We hope that the candidates and their teams will find them worthy of consideration and further exploration as they develop their own policies and that others interested in Mexican public policy and the bilateral relationship will find them equally relevant.



ENERGY

Alexandra Helfgott and Duncan Wood

Introduction

The successful candidate in Mexico's 2024 presidential elections will face a once-in-a-generation opportunity to propel the country into a period of unprecedented prosperity and competitiveness. Nearshoring is a potentially transformative phenomenon during geopolitical and geoeconomic realignment. However, to achieve the nation's full potential, access to abundant and affordable energy must be ensured and Mexico must achieve unprecedented levels of environmental sustainability in producing that energy. Balancing efficiency and equity in a sustainable way is the key to creating a long-term vision for the energy sector. This challenge, more than any other, will define the success of the new Mexican administration that takes power in October of 2024.

The energy trilemma

To be fully successful, national energy policy must provide for abundant energy supplies that are affordable and environmentally sustainable. In 2010, the World Energy Council coined the term "energy trilemma," emphasizing the need to balance three main dimensions of a nation's energy sector:

1. **Energy security:** a measure of a nation's ability to satisfy current and future energy demand, and to be resilient to systemic shocks. For most countries, this requires a combination of domestic and foreign sourcing strategies.
2. **Energy equity:** a nation's ability to ensure affordable and abundant access to energy for both residential and commercial consumers.

3. **Sustainability:** an evaluation of the environmental and climate impacts of an energy system. In the contemporary era, this includes a strong focus on decarbonization.

In 2022, Mexico stood at position number 46 in the global energy trilemma rankings, below Uruguay, Chile, Argentina, Brazil, Costa Rica, Ecuador, Panama, Peru, Colombia and El Salvador, a position that has remained barely changed for the past decade. This ranking for Mexico highlights the ongoing challenge for Mexican governments to provide the conditions for a more secure, equitable, and sustainable energy sector. Of particular concern in the 2022 rankings was the problem of energy security in Mexico, especially as it pertains to growing energy demand from the nearshoring phenomenon and rising societal aspirations.

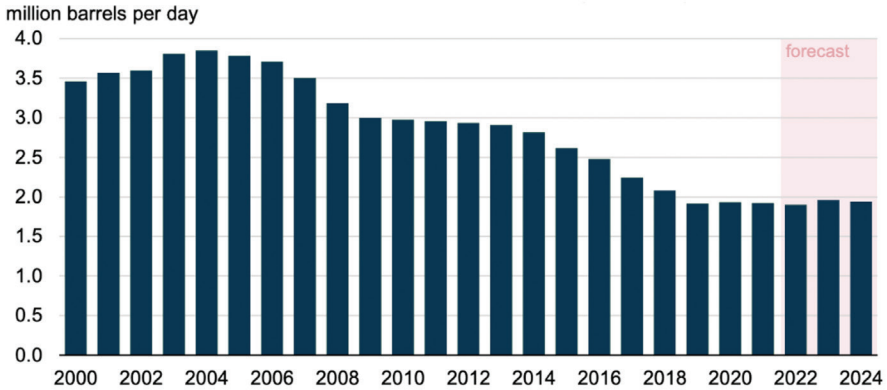
Over the past decade, Mexico has swung between two extremes in the energy policy arena. In 2013-14, the PRI government of President Enrique Peña Nieto embarked on an ambitious and audacious program of opening Mexico's previously closed energy sector to private investment, both foreign and domestic. However, President Andrés Manuel López Obrador (AMLO) challenged the impact of the energy reforms and then tried to revoke key elements of 2013 reforms. AMLO has consistently argued for an energy sector that both promotes national sovereignty and delivers concrete benefits to Mexican society, especially to those left behind by the modernization of the national economy.

The dramatic contrast between the visions of Mexico's energy sector presented by the country's two most recent presidents may seem to be a classic case of the political pendulum swinging between visions of modernization and tradition. To be successful, Mexico's energy system must combine elements of both modernity and tradition, of both liberalization and a role for the state, and it must serve the interests of the business sector and provide affordable access to energy for the broader population. Efficiency and productivity must be balanced with the concern for energy equity. Only by doing so can the next government successfully build a sustainable vision of Mexico's energy future.

State vs markets: the need for reconciliation

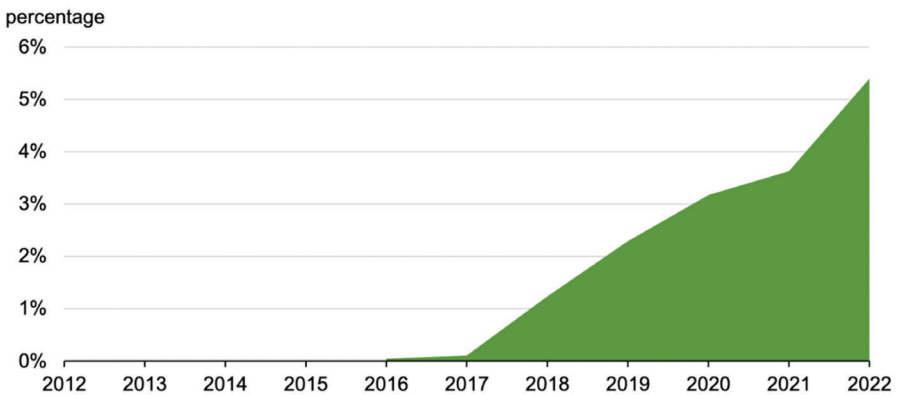
Prior to the constitutional reform of Mexico's energy sector in 2013, oil production had been suffering from an extended period of decline, dating back to at least 2004, when production peaked at 3.4 million barrels per day (bpd). Successive attempts at reforming Mexico's energy sector had failed for political reasons. However, when the government of Enrique Peña Nieto announced its intent to open the hydrocarbon sector to private and foreign investment, a flood of capital suddenly appeared likely to deluge not just the oil sector but also electricity generation, particularly from renewable sources, such as wind and solar. Hundreds of billions of dollars were

Annual total petroleum and liquid fuels production in Mexico (2000–2024)



Source: US Energy Information Administration, International Energy Statistics and Short-Term Energy Outlook (STEO). Image: US Energy Information Administration

Private company share of total petroleum production in Mexico (2012–2022)



Source: Mexico's Comisión Nacional de Hidrocarburos, Hydrocarbon Information System. Image: US Energy Information Administration

promised, with investors delighting in a level playing field, regulatory predictability, and transparency in the bidding process for auctions of Mexico's oil wealth and generation capacity.

The expected investment influx failed to materialize when newly elected president López Obrador announced that he would freeze the energy options and conduct an evaluation of the benefits of the 2013 reform. Soon after, his government withdrew funding from regulatory agencies, and intentionally slowed down the permitting process across the energy sector, generating considerable discontent and uncertainty. At the same time, AMLO decided to give Pemex huge injections of cash from the federal budget, enabling Pemex to make its debt payments (it is the most indebted oil company in the world) and helping the company stabilize its oil

production at around 1.6 million bpd. Furthermore, the president proposed legislation to the National Congress to formally establish the dominance of the national electricity utility, CFE, granting it the majority share in national generation, a move which was rejected by the Supreme Court.

The problems with both approaches should be clear. Under the Peña Nieto administration, the rapid and dramatic liberalization of the energy sector resulted in enormous wealth generation opportunities for a small percentage of the population as well as foreign investors but failed to generate any sense of legitimacy in the broader population. Moreover, the problems facing the national oil company, Pemex, (declining production, corruption, and crippling debt levels) remain unresolved. In 2019, according to the US Energy Information Administration (EIA), Mexico became a net oil importer for the first time. At the same time, the AMLO administration deterred private investment in both the hydrocarbons and electricity sectors, meaning that Mexico continues to be highly dependent on energy imports and vulnerable to the possibility of electricity shortages at exactly the moment that it needs abundant, affordable, and clean energy because of nearshoring investment and energy poverty.

The challenge, therefore, is to build the basis for an energy sector that provides for growing demand while satisfying conditions of equitable access to energy without irreparably damaging the environment. To do so, requires a vision from Mexico's president that balances energy security, equity, and sustainability.

A strategic vision for Mexican energy

- The next Mexican president should embrace an inclusive approach to building a strategic vision for Mexico's energy sector, one that satisfies all three dimensions of the energy trilemma. Energy security must be achieved to take full advantage of the nearshoring opportunity. Energy equity is essential to legitimize national energy policy in the eyes of the electorate and to reduce energy poverty. Lastly, sustainability must be enhanced to achieve national and global climate goals and improve other environmental metrics, such as air quality.
- Ideological concerns must take a back seat to serving the interests of people and businesses. To balance the three dimensions of the trilemma, an inclusive consultation process must be undertaken that incorporates the concerns and interests of diverse groups across society and the economy.

Hydrocarbons: Oil

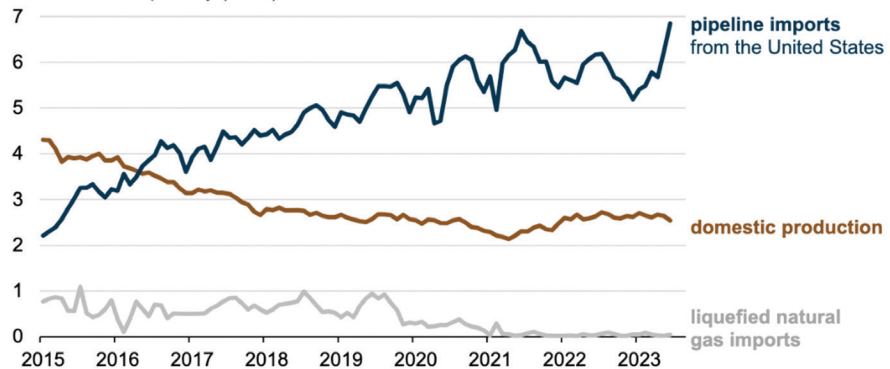
The first challenge for Mexico's next president will be to lift oil production. Though the AMLO government's promise to raise production to 2.5 million bpd by the end of its term will not be fulfilled, it has at least stabilized production. This has happened partly due to the nation's costly investment in Pemex, but also due to the private sec-

tor contracts signed during the previous administration that have begun to bear fruit, with private companies now producing over 5% of the nation's crude oil.

- **Investing in Pemex's future:** The national oil company simply does not have the bandwidth nor the expertise to be able to fully exploit Mexico's significant remaining oil reserves, particularly those in the deep waters of the Gulf of Mexico, and complex onshore fields. Allowing and encouraging Pemex to partner with private firms, as permitted by the 2013 reform, will be essential to moving the company forward both in terms of production and technical capacity. Farmouts (or joint-ventures) provide a model for sharing risk and increasing capacity that will be instrumental in enhancing energy security.
- **Raising production:** The success of private oil companies in Mexico since 2015 has been significant, despite the many obstacles placed in their way by the government and regulators and the fact that new bidding rounds have not been forthcoming under AMLO. There is still a small window of opportunity to attract foreign and private firms into Mexico's oil industry if the government is willing to reverse the currently unfriendly investment climate. If this happens, it would be reasonable to expect Mexico's oil production to grow significantly by 2035.
- **Levelling the playing field:** A crucial factor in attracting investment will be to invest in the regulatory process once again in Mexico, boosting permitting and supervisory capacity, and granting private companies equal treatment with Pemex.

Hydrocarbons: Developing Natural Gas

Mexico monthly natural gas supply by disposition (Jan 2015–Jun 2023)
billion cubic feet per day (Bcf/d)



Source: Wood Mackenzie. Image: US Energy Information Administration

One of the great achievements of the past 12 years has been the integration of the US and Mexican natural gas networks via the building of pipelines across the border and within Mexican natural territory. Mexican consumption of US-produced gas has risen from just over 2 billion cubic feet per day in 2015 to over 6.8 billion by August

2023. This stunning rise has facilitated low-cost electricity production in Mexico, thereby boosting economic competitiveness.

- To meet rising demand from nearshoring and residential consumers, Mexico must boost natural gas supplies. New pipelines from the US and within Mexico will be necessary to bring gas to where it is most needed. The north and center of the country will see the most growth, but the south must also be served. The construction of an Interoceanic Corridor across the Isthmus of Tehuantepec provides the perfect opportunity to bring gas to the south of Mexico, spurring economic development and cheaper energy prices.
- In addition to importing gas, Mexico must develop its own resources. Despite proven reserves of natural gas declining from 12 trillion cubic feet (tcf) in 2017 to 6.4tcf in 2021, Mexico is estimated to have close to 550tcf in technically recoverable shale gas reserves. Developing those reserves will require a consolidated effort by government, regulators, Pemex, and the private sector.
- The sector must take urgent measures to reduce flaring. In November 2022, Pemex committed to reducing its flaring, but in January of 2023, Reuters reported that flaring (the burning of natural gas during oil extraction) had increased dramatically after that commitment.¹ This is a case of the national oil company burning potential revenues.
- In 2016, Mexico committed to cutting methane emissions from the oil and gas sector from 40% to 45% by 2025. That agreement has not been respected but should be revisited to rapidly reduce carbon emissions, save valuable energy, and improve the sector's efficiency.

Electricity: boosting sustainable supply

The dramatic decline in investment in generation and transmission of electricity in Mexico has increased frequency and severity of power outages across the country, dramatically impacting not only the productive economy but also the most vulnerable segments of society. A power outage can mean the loss of a week's groceries, an inability to access internet for homework, and a potentially serious interruption in communication with essential services. As the legitimacy of existing generation contracts was questioned and reforms to the electricity sector were presented, interest in investment dropped drastically off.

- Mexico urgently needs to expand both generation and transmission, but the CFE has limited bandwidth and funds to do so. The private sector should be encouraged to invest in new capacity, especially in renewable sources, to boost supply, reduce costs, and increase both sustainability and national energy independence.

1 Stefanie Eschenbacher, "Exclusive: Mexico's PEMEX Increased Gas Flaring at Top Field, despite Pledge to Stop," Reuters, February 28, 2023, <https://www.reuters.com/business/energy/mexicos-pemex-increased-gas-flaring-top-field-despite-pledge-stop-2023-02-28/>.

- Mexico's enormous potential in renewable energy generation has been well-documented, and three successful auction rounds in 2016-17 doubled the country's renewable energy capacity and produced record-low prices for wind and solar power. The three rounds produced close to \$9 billion in promised investment and moved Mexico firmly toward a market-based model. A strong signal from the new president that Mexico is open for business, with a commitment to faster permitting and a level regulatory playing field would do a lot to resurrect private sector enthusiasm.
- Further developing wind and solar resources in the south of Mexico will do much to alleviate energy poverty in poorer areas. It will be an essential part of the energy solution for the Interoceanic Corridor industrial development. However, social license issues must be overcome and effective social engagement by energy companies will be vital to making future investments sustainable.

Conclusion

Mexico once again stands on the brink of a major step forward in its economic development. The opportunity presented by the realignment of supply chains and near-shoring can grow the economy, raise living standards, and create the conditions for sustainable and equitable development. To take advantage of this opportunity, however, the next Mexican president must develop a strategic vision of the energy sector that finally balances the energy trilemma. Fortunately, Mexico has enormous traditional and renewable energy reserves that can be developed if the investment climate is right. Energy security, equity, and sustainability can all be achieved if that vision is developed in an inclusive way.



RECOMMENDATIONS

- The next Mexican president should embrace an inclusive approach to building a strategic vision for Mexico's energy sector, one that satisfies and balances all three dimensions of the energy trilemma.
- Allowing and encouraging Pemex to partner with private firms, as permitted by the 2013 reform, will be essential to moving the company forward both in terms of production and technical capacity.
- The government must make the investment climate much more friendly to attract foreign and private firms into the oil industry to boost production.

- A crucial factor in attracting investment will be to invest in the regulatory process, boosting permitting and supervisory capacity, and granting private companies equal treatment with Pemex.
- Mexico must boost supplies of natural gas through imports and developing its own national resource.
- The hydrocarbons industry must take urgent measures to reduce flaring and cut methane emissions.
- Mexico urgently needs to expand both electricity generation and transmission, but the CFE has limited bandwidth and funds to do so. The private sector should be encouraged to invest in both areas.
- A strong signal from the new president that Mexico is open for business, with a commitment to faster permitting and a level regulatory playing field would do a lot to resurrect private sector enthusiasm.
- Further developing wind and solar resources in the south of Mexico will help alleviate energy poverty in poorer areas.





MIGRATION

Ariel G. Ruiz Soto

Shifts in flows of migrants across the Western Hemisphere since 2019 have underscored Mexico's central role in regional migration management, cementing its new identity as a country of emigration, transit, and destination. Where before these three migration pillars were understood separately, today they intersect and interact with each other, requiring simultaneous policy consideration.

Anchored in promoting safe, orderly, and legal migration, Mexico's migration policy framework under the López Obrador administration has sought to target the root causes of irregular migration and prioritize legal pathways from a human rights approach. But as irregular migration has increased, migration controls and enforcement have dominated new policy implementation throughout the country.

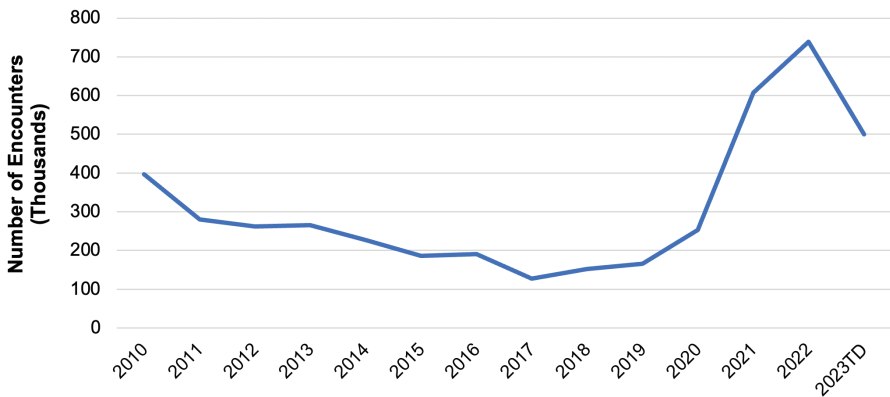
Looking forward, however, will require identifying how policies originally designed to address emigration from Mexico and immigration to Mexico can complement and amplify desired objectives of transit migration. These changes have uncovered institutional capacity and policy challenges that Mexico must face proactively and in collaboration with regional partners. Mexico is uniquely positioned to lead regional discussions and share lessons and experiences it has learned across recent policy changes.

To provide a comprehensive analysis of Mexico's migration policy framework, this section succinctly details the state of emigration, transit migration, and immigration in Mexico. The analysis matches challenges in return migration, enforcement capacity, and refugee protection to these pillars. It concludes by providing a series of near- and mid-term recommendations for each pillar to establish a proactive set of policies that lay the foundation to address current and future migration trends.

Mexican Emigration and Return Migration

Mexican emigration today looks notably different than it did just five or ten years ago. After falling consistently between fiscal year (FY) 2013 and FY 2019, irregular migration from Mexico to the United States increased sharply between FY 2019 and FY 2022 and appears to be decreasing in FY 2023 (see Figure 1). The increase is partially explained by pent-up migration demand and easing mobility restrictions after the height of the COVID-19 pandemic. US implementation of stricter penalties for unauthorized migration may have influenced the recent decrease. Additionally, rising violence and internal displacement in some Mexican states likely contributed to an increase in migration,¹ especially of those traveling in families, while demographic changes and improvements in the Mexican economy may have reduced economic pressures to emigrate.

Figure 1. Mexican Migrant Encounters between Ports of Entry at the US-Mexico Border, FY 2010–2023*

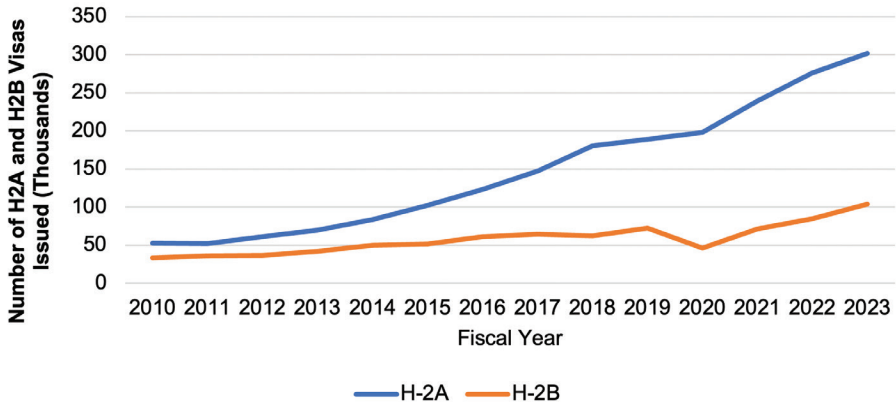


Notes: US Customs and Border Protection (CBP) uses the term “encounters” to account for apprehensions under Title 8 of the US Code and expulsions under the Title 42 public-health order that was implemented from March 2020 to May 12, 2023. Data for fiscal year (FY) 2023 include the period of October 2022 through July 2023. Sources: Migration Policy Institute (MPI) tabulations based on data from CBP, “Southwest Border Migration,” updated November 14, 2019.

At the same time, every year more Mexicans are migrating through lawful pathways to the United States, continuing a decade-long trend. Although the number of temporary H-2 visas for agricultural and non-agricultural work issued to Mexican migrants grew steadily since FY 2010, issuances have risen significantly since 2020 (see Figure 2). No other nationality receives as many H-2 visas as does Mexico. This increase in circular migration may be associated with the observed decrease in irregular Mexican migration, suggesting that as more migrants have access to lawful pathways, fewer are likely to migrate without authorization.

1 Forbes, “La percepción de inseguridad en México sube 62.3% en el segundo trimestre de 2023,” *Forbes Mexico*, July 19, 2023.

Figure 2. Number of H-2A and H-2B Visas Issued to Mexican Nationals, FY 2010–23*



Notes: Projected total for FY 2023 based on monthly average.

Source: MPI calculations based on data from the US Department of State, “Nonimmigrant Visa Issuances by Visa Class and by Nationality,” accessed September 10, 2020.

In addition to these changes in irregular and regular emigration, voluntary and involuntary return migration from Mexico to the United States has continued since 2008 after economic instability of the Great Recession sparked some migrants to return to Mexico. Since 2014, US authorities have repatriated approximately 210,000 Mexican migrants annually across 12 established ports along the US-Mexico border or to a set of airports in the country’s interior.² Many of these migrants are returned within hours or days from entering the United States without authorization. However, others are deported from the US interior after residing for years in the country. Others who return voluntarily to Mexico do so to reunite with family, including family members who have been deported from the United States.

The combination of these trends in the United States has resulted in a net decrease in the Mexican population through 2021. About 10.7 million Mexican immigrants resided in the United States in 2021 compared to 11.7 million in 2010. Although Mexicans are still the largest national group among the 45.3 million immigrants in the United States, they stopped being the top country of *new* migration flows in 2013. Approximately 5.2 million Mexican immigrants live in the United States without legal status, including about 468,000 Mexicans who are protected from deportation and have employment authorization as beneficiaries of the Deferred Action for Childhood Arrivals (DACA) program.³

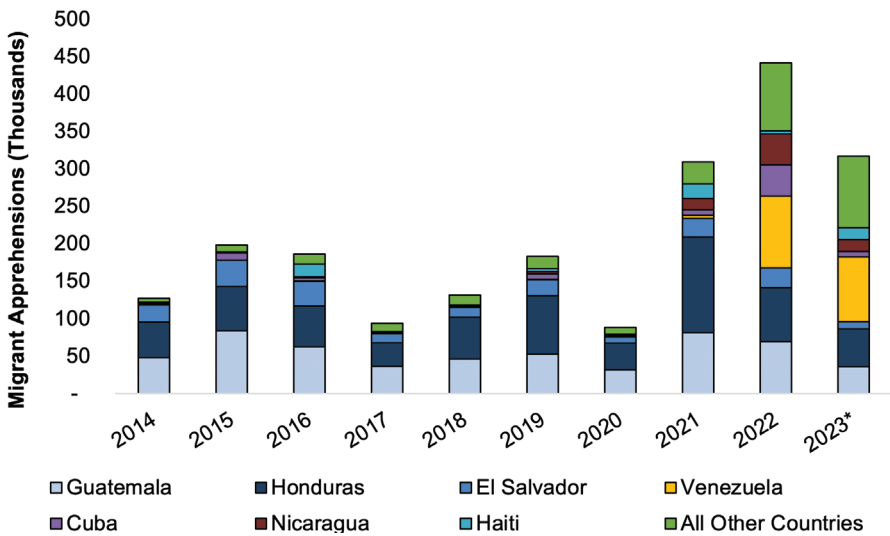
In Mexico, the fact that more Mexicans are returning than leaving the country has underscored the critical need for differentiated reception and reintegration services. The current administration overhauled reception and reintegration programs in 2021

2 Author calculations of Mexican repatriations based on data from the Interior Ministry. See, SEGOB, “Boletines Estadísticos,” accessed September 16, 2023.

3 Jennifer Van Hook, Julia Gelatt, and Ariel G. Ruiz Soto, “A Turning Point for the Unauthorized Immigrant Population in the United States,” Migration Policy Institute, September 2023.

when it established the Interinstitutional Strategy for Comprehensive Attention for Repatriated and Returned Mexican Families, aiming to coordinate existing services across a wide set of agencies.⁴ Beyond providing food and transportation assistance and basic health screenings and hygiene kits, however, the reach and efficacy of these services to reintegrate migrants into the communities over the long term is unclear. Often these reintegration services prioritize supporting migrants' entry into the labor force through employment assistance or by providing seed funding for entrepreneurial projects, and rarely do they provide follow-up care or case management for mental health and social reintegration.

Figure 3. Migrant Apprehensions by Mexican Authorities, 2014–2023*



Note: Data for 2023 accounts migrant apprehensions between January through July.

Source: MPI calculations based on data from the Mexican Ministry of Interior (SEGOB). See, SEGOB, “Boletín Mensuales de Estadísticas Migratorias,” accessed September 19, 2023.

Transit Migration and Enforcement Capacity

Among the biggest challenges Mexico’s migration policy framework faces is adapting its institutional capacity to address the needs of an increasingly diverse population that transits the country—most but not all heading to the United States. Its migration enforcement apparatus has focused for decades on apprehending and repatriating irregular migrants from Northern Central America and has therefore struggled to respond to recent changes in migration flows. Since 2022, migrants from Guatemala, Honduras, and El Salvador account for less than half of apprehensions by the National Institute of Migration (INM), outnumbered by apprehensions

4 Mexican Foreign Ministry, “Familias mexicanas migrantes en retorno y repatriadas tiene nuevas opciones de apoyo en educación, salud y desarrollos económico,” updated June 22, 2021.

of Venezuelan, Nicaraguan, and Cuban migrants (see Figure 3). Most migrants come from Latin America and the Caribbean, but growing shares of them hail from countries much farther away, like China, India, and Senegal.

To deter irregular migration, Mexico has implemented a series of policies since 2021 ranging from visa restrictions to accepting US removals of non-Mexican citizens so far resulting in uneven outcomes. It imposed visa restrictions for migrants from Brazil, Ecuador, and Venezuela and required Colombians to pre-register for travel, which reduced irregular crossings for several months before increasing again.⁵ Moreover, Mexican authorities agreed for the first time to accept formal US removals of Venezuelans, Cubans, Haitians, and Nicaraguans in May 2023.⁶ Yet, only a small fraction of non-Central Americans apprehended by Mexican authorities or returned by US authorities are repatriated from Mexico.

Rising numbers of children and families are also transiting through Mexico. To reduce the negative impacts on children, a reform of Mexico's migration law in 2021 prohibits the detention of migrant children and their family members and instead requires that they be channeled to support centers under the purview of Mexico's National System of Integral Development for the Family (DIF) while the Prosecutor Office for the Child and Adolescent Protection (PPNNA) determines the minor's best interest.⁷ However, due to lack of funding and DIF shelter space, the implementation of these reforms has been underwhelming, and reports suggest that most children (primarily Central American) are still being detained and repatriated.⁸

Not surprisingly, changes in volume and composition of irregular migrants in Mexico have placed significant pressure on the limited INM capacity to hold and process them humanely. Across its 50 detention centers, INM has an estimated capacity to hold approximately 6,000 migrants at any time. Following a tragic fire that killed 39 migrants in a detention center in Ciudad Juarez,⁹ INM closed 33 centers pending an investigation by the National Commission for Human Rights (CNDH) to certify that their conditions meet required standards.¹⁰ INM continues to operate 17 detention centers with a capacity to hold nearly 4,800 migrants, primarily located in Mexico City;

5 Muzzafar Chishti and Jessica Bolter, "Controversial US Title 42 Expulsions Policy is Coming to an End, Brining New Border Challenges," *Migration Information Source*, March 31, 2022.

6 US Department of State, "Secretary Antony J. Blinken and Secretary of Homeland Security Alejandro Mayorkas at a Joint Press Availability," updated April 27, 2023.

7 Mexican Interior Ministry (SEGOB), "Decreto por el que se reforman diversos artículos de la Ley de Migración y de la Ley sobre Refugiados, Protección Complementaria y Asilo Político, en materia de Infancia Migrante," *Diario Oficial de la Federación*, November 11, 2020.

8 Sergio Ortiz Borbolla, "Niños, niñas y adolescentes migrantes corren peligro ante falta de protección de los gobiernos de México y Estados Unidos," *Washington Office on Latin America*, updated April 13, 2023.

9 CNN Español, "¿Qué pasó en el incendio en un centro de migrantes de Ciudad Juárez?," *CNN Español*, March 29, 2023.

10 Mexican National Institute of Migration, "Suspende INM temporalmente Estancias Provisionales en el país," *Press Release*, May 10, 2023.

Tapachula, Chiapas; Acayucan, Veracruz; and Villahermosa, Tabasco.¹¹ But INM cannot detain every migrant it apprehends—about 1,500 per day so far in 2023.

Intended to increase its operational capacity, Mexican policymakers in 2019 granted INM authority to request operational support from the National Guard, garnering significant criticisms of abuse of force among immigrant organizations. The National Guard deployment has expanded INM's capacity to inspect and detain migrants at Mexico's borders, across 90 interior checkpoints, and along train routes.¹² And, as of September 2023, the Mexican government deployed approximately 34,000 National Guard and military troops across three primary transit routes and at its borders.¹³

Like the United States, Mexico is now redoubling efforts to improve regional cooperation and responsibility to better manage irregular migration, given its widening capacity challenges. So far, efforts have focused on increasing regional border controls, primarily in the Darien Gap, coupled with economic investment to address root causes of migration. Both long-term efforts require bolstering the regional institutions' infrastructure and incorporating evaluation mechanisms to understand program effectiveness.

Immigration and Refugee Protection

Mexico is increasingly becoming a destination as a mixture of immigrants and asylum seekers settle, even if temporarily, in the country. Approximately 1.2 million immigrants lived in Mexico in 2020, accounting for 1 percent of the total population. Despite its small share, the immigrant population has grown by 20 percent since 2015.

But the widest pipeline of settlement in Mexico has been the asylum process. Stricter asylum restrictions in the United States and a perception of increased access to humanitarian policies in Mexico have raised some migrants' interest in the latter. As a signatory of the Cartagena Declaration, for instance, Mexico can provide complementary protection to asylum seekers who flee generalized violence but do not meet the traditional eligibility requirements under the 1951 Convention.¹⁴ This has allowed many to find safety and refuge in parts of Mexico where they can make valuable contributions. Others have used the asylum process to regularize their status temporarily before trying to migrate to the United States.¹⁵

11 Arturo Rojas, "INM mantiene servicio en 17 estancias migratorias, con capacidad para 4,786 personas," *El Economista*, May 15, 2023.

12 Andrew Selee, Ariel G. Ruiz Soto, Andrea Tanco, Luis Argueta, and Jessica Bolter, *Laying the Foundation for Regional Cooperation: Migration Policy and Institutional Capacity in Mexico and Central America*, Washington, DC: Migration Policy Institute, April 2021.

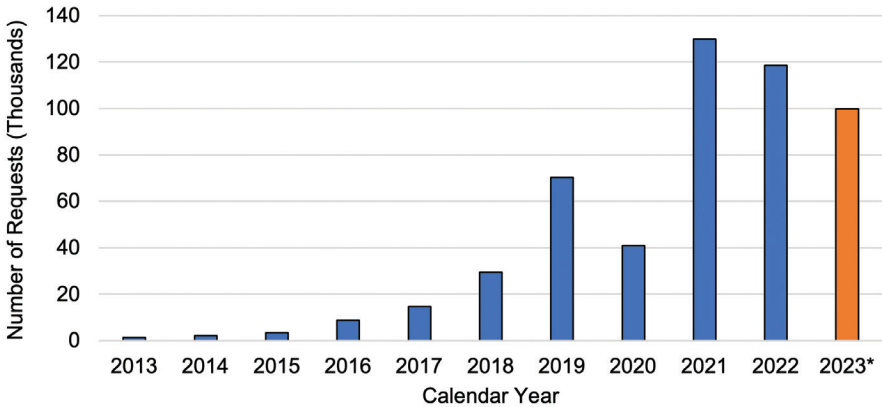
13 Ministry of Security and Citizen Protection, "Informe de Seguridad," updated September 5, 2023.

14 Under the 1951 Refugee Convention, a person is recognized as a refugee if they are unable or unwilling to return to their country of origin due to fear of being persecuted for their race, religion, nationality, membership of a particular group, or political opinion. See, UNCHR, *Convention and Protocol Relating to the Status of Refugees*, accessed September 14, 2023.

15 Andrew Selee, Valerie Lacarte, Ariel G. Ruiz Soto, Diego Chaves-González, María Jesús Mora, and Andrea

In 2021, the Mexican Commission for Refugee Assistance (COMAR) received about 130,000 asylum applications, nearly twice as many as it received in 2019 (see Figure 4), ranking Mexico the third largest in volume only after the United States and Germany.¹⁶ Mexico will likely rank third again in 2023 with a predicted 150,000 applications, according to COMAR estimates.¹⁷

Figure 4. Asylum applications submitted to Mexico's Refugee Agency, 2013–2023*



Note: Data for 2023 accounts migrant apprehensions between January through August.

Source: MPI calculations based on data from the Mexican Commission for Refugee Assistance (COMAR), “Solicitantes del reconocimiento de la condición de refugiado,” updated September 4, 2023.

While asylum seekers in Mexico increasingly hail from across the Western Hemisphere and beyond, Haitians (103,000), Hondurans (94,000), and Cubans (37,000) have consistently been the largest groups since 2021. Whether asylum seekers are granted protection—either recognized as refugees or granted complementary protection—depends largely on their nationality. Haitian asylum seekers, for example, receive protection at low rates (25 percent) compared to Venezuelans (92 percent).

Despite the dramatic increase in asylum requests, federal investment in COMAR has fallen short of proposed budget requests and severely stymied its processing capacity. Its operations largely depend on supplemental funding and staffing provided by UNHCR Mexico, making its processing capacity unsustainable with only federal funding. Only about 30 percent of COMAR’s 2023 budget of 166.4 million MX pesos (approximately 9.8 million USD) came from the federal government.¹⁸ Overwhelmed by the dramatic increase in applications, COMAR resolved approximately

Tanco, “In a Dramatic Shift, the Americas Have Become a Leading Migration Destination,” *Migration Information Source*, April 11, 2023.

16 UNHCR, *Tendencias Globales de Desplazamiento Forzado 2022*, Copenhagen, Denmark: UNHCR, June 2023.

17 Edgar H. Clemente, “Mexico on track to break asylum application record,” Associated Press, September 14, 2023.

18 Lilian Hernández Osorio, “Entrega la Acnur a la Comar más del doble de recursos que Gobernación,” *La Jornada*, May 8 2023.

38,000 cases (29 percent) of the 130,000 submitted in 2021 and 18,000 cases (18 percent) of 100,000 in August 2023.¹⁹

For immigrants and asylum seekers, like for Mexican returnees, existing institutional gaps mean most face significant structural and administrative barriers that hinder how they integrate into Mexican society. Absent comprehensive government intervention, the responsibility for addressing their needs falls mainly on a strained network of nongovernmental organizations (NGOs).²⁰

19 Author's calculations based on COMAR administrative data. See, COMAR, "Solitudes al Cierre de Agosto 2023," accessed September 14, 2023.

20 Andrew Selee, Valerie Lacarte, Ariel G. Ruiz Soto, Diego Chaves-González, María Jesús Mora, and Andrea Tanco, "In a Dramatic Shift, the Americas Have Become a Leading Migration Destination," *Migration Information Source*, April 11, 2023.



RECOMMENDATIONS

Recent changes in the volume and composition of regional migration today make it particularly timely and crucial for Mexico to consider reforming elements of its migration policy framework. The following short- and mid-term recommendations can help address existing policy gaps to proactively address future migration challenges:

Mexican Emigration and Return Migration

- Expand set of tools used by the Mexican consular network in the United States to provide migrants resources and information on mechanisms to regularize their immigration status.
- Leverage the Mexican consular network to identify, report, and assist in labor violations migrant workers experience inside and outside the H-2 program, including follow-up services if migrants return to Mexico.
- Invest in and tailor new reintegration services for Mexicans who return involuntarily *and* voluntarily that address their comprehensive needs and promote access to these services in semi-urban and rural areas—in coordination with local NGOs.

Transit Migration and Enforcement Capacity

- Raise funding for DIF and partner agencies to fully implement existing reforms that prioritize migrant children's best interests and provide shelter to them and their families.

- Expand the capacity and transparency of INM to conduct enforcement operations humanely and professionally, especially during elevated migration flows, and prevent human rights violations.
- Formalize existing agreements between INM and COMAR to provide alternatives to detention for vulnerable migrants and consider new ones for migrants who do not pose security threats given the significant lack of detention capacity.

Immigration and Refugee Protection

- Raise COMAR's federal budget to match the significant operational need to process the increasing number of asylum applications fairly and promptly, which can build migrants' confidence in case resolution and outcomes.
- Leverage existing regional instruments, like the Los Angeles Declaration on Migration and Protection, to foster new lawful pathways across the region, starting by creating new labor programs with protections for migrants before they transit Mexico irregularly.
- Invest in and establish a clear integration policy framework across federal, state, and local governments that allows Mexico to capitalize on migrants' significant potential socio-economic contributions by adopting best practices for Mexican returnees.





USMCA AND NORTH AMERICA

Ambassador Earl Anthony Wayne

The fourth anniversary of the United States-Mexico-Canada Agreement (USMCA) will arrive just after Mexicans elect their new President and Congress and four months before Americans do the same. USMCA should continue to be an essential framework and tool to enhance prosperity and economic competitiveness. However, the three countries must work hard to develop its potential and reinforce its credibility.

Mexico's new President and government should prioritize continued progress. The certainty provided by USMCA's rules and the persistent efforts of the US, Mexico, and Canada to implement the agreement well since its July 2020 start date have been important in North America's impressive trade growth.

USMCA has much potential still to develop, however. Member countries have important disputes to resolve, and the outcomes will reinforce or undermine USMCA's credibility. Importantly, in 2026, the three countries will review USMCA's performance, consider changes, and debate the agreement's longevity.¹

Following the 2024 elections, Mexico, the US, and Canada should supercharge engagement to realize USMCA's potential. Mexico, the US, and Canada should begin discussing how to improve USMCA and deepen collaboration, what, if any, changes might be needed, and if USMCA should be opened to participation by others in the hemisphere. This work should be fueled by expanded input from the millions of stakeholders and better inform the public about the USMCA's benefits.

1 Secretaría de Relaciones Exteriores, Gobierno de México, "United States-Mexico-Canada Agreement (USMCA), Sunset Clause, Review and Term Extension," accessed October 11, 2023, https://embamex.sre.gob.mx/eua/images/stories/economicos/nafta_chapters/Sunset_.pdf

USMCA is not an all-encompassing solution to North America's prosperity, however. The three North American neighbors are and must continue to act individually, bilaterally, and trilaterally beyond USMCA in, for example, the ambitious North American Leaders Summit Action Agenda (NALS) and the US-Mexico High Level Economic Dialogue (HLED).²

The vast agenda pursued by the three governments includes strengthening and diversifying supply chains, promoting development of cutting-edge technologies, securing critical minerals, attracting job-creating nearshoring and reshoring, upskilling workers, and making North America's physical and digital infrastructure, including borders, as modern as possible to build the continent's competitiveness.

The US has made major investments via legislation with substantial funding. It has encouraged Canada and Mexico to undertake their own initiatives to supplement bilateral and trilateral collaboration. The most evident trilateral and bilateral initiatives promote semi-conductor production, which if successful will bolster economic security and prosperity, as well as upskill workforces.³

USMCA's role is vital. New presidents in the United States and Mexico and the possibility of elections in Canada provide a great opportunity to add new ambition and energy to USMCA's work.

Impressive Trade Growth

In 2022, the total value of trade within North America exceeded \$1.5 trillion, equivalent to nearly \$3 million per minute in goods and services and the result of double-digit growth in trade over the past plus two years. A joint Brookings-Wilson Center analysis of "USMCA at 3" underscores how impressive trade growth has made Mexico and Canada the US' top trading partners. 2022 trade volumes are 44 percent higher than US goods trade with China.⁴

- 2 "FACT SHEET: Key Deliverables for the 2023 North American Leaders' Summit," The White House, January 10, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/01/10/fact-sheet-key-deliverables-for-the-2023-north-american-leaders-summit/>; "Fact Sheets. Fact Sheets pertaining to the US-Mexico High-Level Economic Dialogue (HLED)," International Trade Administration, accessed October 11, 2023, <https://www.trade.gov/hled-fact-sheets>
- 3 "Fact Sheets pertaining to the US-Mexico High-Level Economic Dialogue (HLED)," International Trade Administration; "Joint Statement on the Launch of the North American Semiconductor Conference and North American Ministerial Committee on Economic Competitiveness," The White House, May 24, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/05/24/joint-statement-on-the-launch-of-the-north-american-semiconductor-conference-and-north-american-ministerial-committee-on-economic-competitiveness/>
- 4 Joshua P. Meltzer and Diego Marroquín Bitar, "USMCA Insights," Brookings newsletter, accessed on October 11, 2023, https://connect.brookings.edu/the-trade-and-investment-trends-to-watch?ecid=AC-sprvt-EFUIx3T6gQpPox0igFlAUomHSbl23caXtcvYYUQ5cGZNzLyNnd_xLX3tsm-vzMMvGdj&utm_campaign=brookings-comm&utm_medium=email&utm_content=260636018&utm_source=hs_email; Joshua P. Meltzer, Earl Anthony Wayne, and Diego Marroquín Bitar, "USMCA at 3: Reflecting on impact and charting the future," Brookings, July 19, 2023 <https://www.brookings.edu/articles/usmca-at-3-reflecting-on-impact-and-charting-the-future/>

USMCA Trade Performance
Three-Year Growth in Total Goods Trade
 JULY 2020-JULY 2023

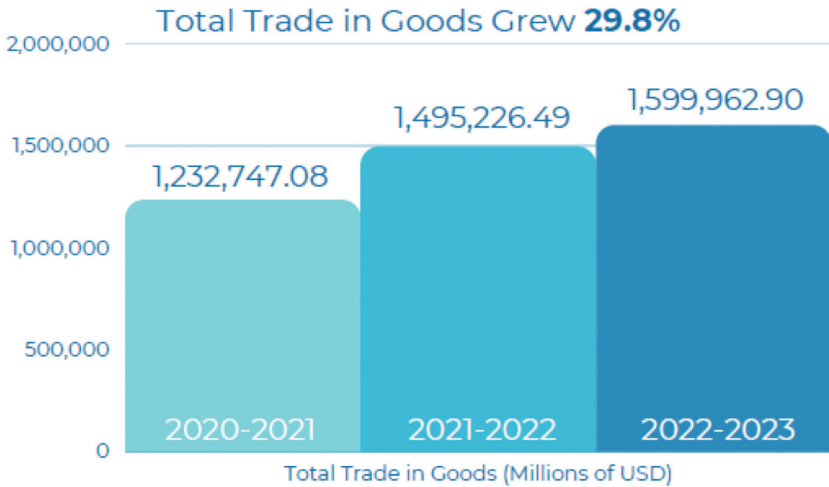
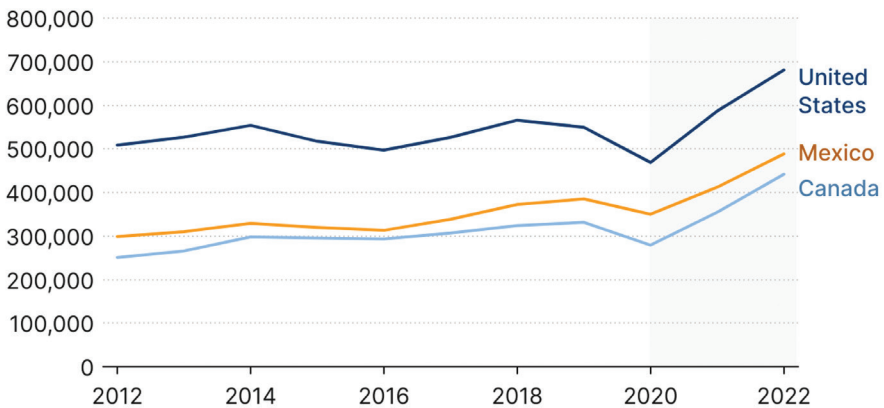


Chart does not include services

Trade within North America has grown under USMCA

Intraregional exports by country, 2012-2022



Source: Banco de Mexico (2023), US Census Bureau (2023), Statistics Canada (2023). Image: Brookings

Trade grew well over 30% from July 2020 to July 2023. Combined, the three countries account for almost a third of global GDP. Intra-regional trade supports an estimated 9.5-13 million jobs across North America.⁵

5 Joshua P. Meltzer, Earl Anthony Wayne, and Diego Marroquín Bitar, "USMCA at 3: Reflecting on impact and charting the future," "Trade with Canada and Mexico," Business Roundtable, accessed on October 11, 2023, <https://www.businessroundtable.org/policy-perspectives/trade-international/trade-with-canada-and-mexico>

Mexico took over as the US' top trade partner in 2023 with Canada in the number two slot. As part of this growth, Mexico achieved an all-time high for investment in heavy machinery in early 2023, while capital investment has jumped across USMCA countries. Both partners accounted for 31% of US total goods trade as of July 2023.⁶

All three governments are using USMCA, NALS and bilateral initiatives to support trade growth and build more resilient supply chains, an electric vehicle industry, expand semiconductor production, develop other emerging technologies, renew infrastructure, and confront environmental challenges. Sustaining and deepening such policies and investments will encourage the private sector to increase nearshoring and reshoring to North America. Many observers see significant room for improvement in Mexico's actions in these areas (see nearshoring section).

The US is pursuing domestic investments and is attracting significant new manufacturing investments with work under the Bipartisan Infrastructure Bill, the CHIPS and Science Act, and the Inflation Reduction Act (IRA). US National Security Advisor Jake Sullivan argues these efforts could generate \$3.5 trillion in investment for the United States over the next decade.⁷

The ambitious North America action agenda and bilateral initiatives are designed to work in harmony with these massive US investment programs. Canada has taken some modest domestic policy steps but faces calls for more action. While Mexico is attracting foreign direct investment (FDI), Mexico's government is criticized for failing to implement policies to capitalize on the great potential for much more FDI (see nearshoring section).⁸

USMCA is essential to these efforts by offering clear, reliable, and efficient rules, norms and mechanisms that build certainty and confidence across North America's marketplace. But the range of individual country actions and bilateral and trilateral initiatives are needed to significantly enhance global competitiveness.

6 "Monthly US International Trade in Goods and Services, August 2023," United States Census Bureau, October 5, 2023, <https://www.census.gov/foreign-trade/current/index.html>; Maya Averbuch and Leda Alvim, "Mexico's Moment: The Biggest US Trading Partner Is No Longer China," Bloomberg, September 12, 2023, <https://www.bloomberg.com/graphics/2023-mexico-china-us-trade-opportunity/#xj4y7vzkg>; Joshua P. Meltzer, Earl Anthony Wayne, and Diego Marroquín Bitar, "USMCA at 3: Reflecting on impact and charting the future," "Top Trading Partners - August 2023," United States Census Bureau, accessed on October 11, 2023, <https://www.census.gov/foreign-trade/statistics/highlights/topyr.html>

7 Rebecca Bellan, "Tracking the EV battery factory construction boom across North America," Tech Crunch, August 16, 2023, <https://techcrunch.com/2023/08/16/tracking-the-ev-battery-factory-construction-boom-across-north-america/>; "Remarks by National Security Advisor Jake Sullivan on Renewing American Economic Leadership at the Brookings Institution," The White House, April 27, 2023, <https://www.whitehouse.gov/briefing-room/speeches-remarks/2023/04/27/remarks-by-national-security-advisor-jake-sullivan-on-renewing-american-economic-leadership-at-the-brookings-institution/>

8 "FACT SHEET: Key Deliverables for the 2023 North American Leaders' Summit," The White House; Robert Asselin, "Canada needs a bold industrial strategy," Business Council of Canada, December 8, 2022, <https://thebusinesscouncil.ca/publication/canada-needs-a-bold-industrial-strategy/>

The 2026 USMCA Review and Energizing the Agreement's Potential

Mexico, Canada, and the US are obligated to review the USMCA's performance in 2026. The 2026 review will discuss the operation of USMCA, assess recommendations submitted by the governments, and decide on any needed appropriate actions, which could include an extension of the agreement for another 16 years. This review will discuss how well differences over the treaty's implementation have been resolved. It also should include assessing how well the governments are taking advantage of USMCA's provisions to improve and facilitate trade and investment.⁹

In preparation, the governments and the agreement's stakeholders must grapple with how to measure USMCA's success. Each government should have carefully tracked progress and problems, engaged seriously with their publics and legislatures, and established government-wide objectives and strategies. This should include plans to respond if one country says it does not want to confirm the extension of USMCA.¹⁰

USMCA's competitiveness committee has a broad mandate to identify projects and policies, including infrastructure, that will improve trade of goods and services and thus should play a key role in all of this work.¹¹

USMCA Dispute Settlement

All governments have utilized USMCA dispute settlement mechanisms, including state-state disputes and the labor chapter's rapid response mechanism (RRM). Disputes are expected. Channeling trade into dispute settlement processes that work is essential for USMCA's credibility. Failure to use the mechanisms, to achieve workable solutions in a timely fashion, or to achieve compliance with findings of dispute settlement panels will reduce confidence in USMCA and introduce uncertainty for the private sector.

Before the review, Mexico, the US and Canada should act boldly to resolve the biggest disputes underway. These relate to a) Mexico's energy policies, treatment of investors and use of regulation; b) Mexico's policy and regulatory approach to genetically modified corn; c) the failure of the US to respond to a USMCA dispute panel finding that it must alter its method of calculating the rules of origin for vehicles; and d) Canada's dairy policies.¹²

9 "United States, Mexico, Canada Agreement (USMCA)," Chapter 34, Final Provisions, opened for signature November 30, 2018, https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/34_Final_Provisions.pdf

10 Earl Anthony Wayne and Diego Marroquín Bitar, "USMCA at Two: How to measure North American success?," Wilson Center, June 16, 2022, <https://www.wilsoncenter.org/article/usmca-two-how-measure-north-american-success>

11 "United States, Mexico, Canada Agreement (USMCA)," Chapter 26, Competitiveness, opened for signature November 30, 2018, https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/26_Competitiveness.pdf

12 Earl Anthony Wayne, "USMCA can ensure North America's success, if a few disputes are resolved," Pulse News Mexico, June 19, 2023, <https://pulsenewsmexico.com/2023/06/19/the-usmca-trade-pact-can>

Solutions will bolster USMCA's standing. Not doing so will harm stakeholders' assessment of the agreement's value and, depending on the issue, significantly impact private sector calculations about the cost of doing business. Mexico has much to gain from outcomes that build confidence before the 2026 review.

Labor

USMCA's labor chapter and rapid response mechanism (RRM) are key innovations the US Congress supported by appropriating significant assistance to Mexico to boost Mexico's labor reform and creating an independent US monitoring board. The Biden Administration regularly highlights their worker-centric trade policy. The RRM has successfully resolved most US complaints, but recently, US-Mexico disagreements led the US to seek a dispute panel over a long-standing labor complaint at a Mexican mine. Demonstrating that the RRM and US assistance can deliver results supporting labor rights in Mexico will be important for how US congressional and union stakeholders assess USMCA.¹³

Digital Trade

Cooperation on digital trade policies has enormous potential for all three countries, given the increasing use of digital technology and services across all economic sectors. This potential should only grow, with artificial intelligence (AI) deployment. USMCA has one of the most comprehensive sets of commitments governing digital trade. As the US International Trade Commission wrote, "The Commission estimates that USMCA is likely to have a significant, positive impact on the many US industries that rely on cross-border data flows and digitally enabled trade, including e-commerce" (P.177). To date, however, there has not been notable progress, and reports flag US internal debates over digital policy. The USMCA countries, however, should double down on using USMCA as a foundation to create the world's most advanced digital marketplace. Progress could be pursued under USMCA's Competitiveness Committee.¹⁴

[ensure-north-americas-success-if-we-can-resolve-a-few-disputes/](#); Juan Montes, "Mexico's President Stumbles on His Sweeping Agenda," *The Wall Street Journal*, October 9, 2023, <https://www.wsj.com/world/americas/mexicos-president-stumbles-on-his-sweeping-agenda-489c200e>

13 "USMCA: Labor Provisions," Congressional Research Service, updated January 12, 2023, <https://crsreports.congress.gov/product/pdf/IF/IF11308>; "United States Requests First Ever USMCA Rapid Response Labor Mechanism Panel at Grupo Mexico Mine," Office of the United States Trade Representative, August 22, 2023, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/august/unit-ed-states-requests-first-ever-usmca-rapid-response-labor-mechanism-panel-grupo-mexico-mine>

14 Janos Ferencz, Javier López-González and Irene Oliván García, "Artificial Intelligence and International Trade. Some Preliminary Implications," OECD, April 12, 2022, <https://www.oecd.org/publications/artificial-intelligence-and-international-trade-13212d3e-en.htm>; Miranda Alamilla and Gabriela Cabañas, "Digital Trade under the USMCA: A Modern Opportunity for North American Economic Growth," Wilson Center, March 21, 2022, <https://www.wilsoncenter.org/article/digital-trade-under-usmca-modern-opportunity-north-american-economic-growth>; Serge Shikher and Mihir Torsekar, coord., "US-Mexico-Canada Trade Agreement: Likely Impact on the US Economy and on Specific Industry Sectors, (with Errata)," United States International Trade Commission, April 2019, <https://www.usitc.gov/publications/332/pub4889.pdf>; Frank Schweitzer, Ian Saccomanno and Naoto Saika, "The Rise of Artificial Intelligence, Big Data, and the Next Generation of In-

Small and medium enterprises (SMEs)

Fostering additional SME participation in USMCA should remain a priority because of the enormous economic and job potential that tens of thousands of additional SMEs would bring to USMCA commerce. The second USMCA SME Dialogue in September 2023 covered such important topics as the experiences of women-owned businesses in North American trade; digitalization of SMEs and e-commerce; SME financial inclusion in export financing, and processes and procedures for exporting within USMCA's region. Expanding SME participation will help grow commerce and understanding of USMCA.¹⁵

Regulatory alignment

Enhanced regulatory cooperation should be a high priority. As USTR puts, “good regulatory practices are fundamental to transparent governance and fair trade.” In USMCA, however, not much progress is evident under Chapters 12 and 28, which address regulatory issues. The three governments are not actively using the Committee on Good Regulatory Practices (Chapter 28) that could serve as a central coordinating body for enhancing dialogue, collaborating on Regulatory Impact Assessments (RIAs), improving transparency, and setting priorities for collaboration. The agreement's Chapter 12 contains sectoral annexes covering chemical substances, cosmetic products, ICT, energy performance standards, medical devices, and pharmaceuticals. In these areas “enhancing regulatory compatibility” could bring many benefits over the next few years.¹⁶

Workforce development

Support for workforce development is a priority for USMCA's implementation, the US-Mexico HLED, and the NALS agenda. The North American workforce suffers from serious skills gaps, which weigh heavily on efforts to build resilient supply chains, deploy new technologies, and meet the challenges of global competition. USMCA's

International Rules Governing Cross-Border Data Flows and Digital Trade,” White & Case, September 14, 2023, <https://www.whitecase.com/insight-our-thinking/rise-artificial-intelligence-big-data-next-generation-international-rules#5-modern-trade-agreement-disciplines-on-digital-trade>

15 “The Office of the US Trade Representative, Small Business Administration and Department of Commerce Convene the Second USMCA Small and Medium-Sized Enterprise Dialogue,” Office of the United States Trade Representative, September 21, 2023, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/september/office-us-trade-representative-small-business-administration-and-department-commerce-convene-second>

16 Inu Manak, “Increasing North American Competitiveness through Regulatory Cooperation,” Wilson Center, September, 2022, <https://www.wilsoncenter.org/publication/increasing-north-american-competitiveness-through-regulatory-cooperation>; “USTR Announces New Declaration on Good Regulatory Practices,” Office of the United States Trade Representative, June 9, 2022, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/june/ustr-announces-new-declaration-good-regulatory-practices>; “United States, Mexico, Canada Agreement (USMCA),” Chapter 12, Competitiveness and Chapter 28, Good Regulatory Practices, opened for signature November 30, 2018, https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/12_Sectoral_Annexes.pdf, https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/28_Good_Regulatory_Practices.pdf

Ministers and Competitiveness Committee have organized a series of workforce development events in 2021-23. The tripartite semi-conductor ministerial meetings in May 2023 agreed on collaborative workforce development efforts in the semi-conductor sector as did the recent HLED meeting. But projections suggest a shortfall of needed workers without more concerted efforts. Within USMCA, ministers could lead efforts to:

- Identify and track successful examples of private and public collaboration to strengthen USMCA value chains, highlighting how companies invest in worker reskilling and upskilling.
- Identify successful approaches that encourage companies to collaborate with educational institutions, trade unions, sub-federal governments, and others to align curricula with the evolving labor market needs.
- Create tri-national spaces to share best practices that better train and skill workers facing technological change.¹⁷

Emergency Planning

In February 2023, the USMCA partners established a special subcommittee to enable timely cooperation during emergencies, recognizing the serious disruptions that arose during the COVID-19 pandemic. Officials should agree on proposed areas for action and implement them before 2026. This should be done by complementing investments and bilateral work to modernize border infrastructure (physical, digital and communications).¹⁸

Environment

Solid work on environmental issues will be important for the trade deal's credibility during the 2026 review. USMCA's environmental chapter does not cover climate change commitments, and the committee has not produced impressive results to date, except for pressuring Mexico to protect the endangered vaquita porpoise. Most work on promoting clean/green energy and conservation is taking place bilaterally

17 Katherine Tai, "Commentary. USMCA priorities for the United States in 2022," Brookings, February 28, 2022, <https://www.brookings.edu/articles/usmca-priorities-for-the-united-states-in-2022/>; "Fact Sheets. Fact Sheets pertaining to the US-Mexico High-Level Economic Dialogue (HLED)," International Trade Administration; "FACT SHEET: Key Deliverables for the 2023 North American Leaders' Summit," The White House; Earl Anthony Wayne and Sergio M. Alcocer, "Successful Workforce Development is Vital for a Competitive and Prosperous North America," in *North America 2.0, Forging a Continental Future*, eds. Alan D. Bersin, and Tom Long, (North American Institutes at the Woodrow Wilson, International Center for Scholars, 2022), https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/Long-North-finaltext%5B7%5D_0.pdf; Greg Wright and Emma Berman, "Industrial policy will require immigration reform," Brookings, September 29, 2023, https://www.brookings.edu/articles/industrial-policy-will-require-immigration-reform/?utm_campaign=Brookings%20Brief&utm_medium=email&utm_content=276537911&utm_source=hs_email

18 "Statement from Ambassador Katherine Tai on USMCA Free Trade Commission Decision on North American Competitiveness," Office of the United States Trade Representative, February 23, 2023, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/february/statement-ambassador-katherine-tai-usmca-free-trade-commission-decision-north-american>

or in the NALS work agenda. There will be scrutiny from US stakeholders about how effective USMCA's new environmental chapter has been. The 2026 review should consider whether USMCA needs to better support climate goals. Mexico's failure to decarbonize its electricity supply at pace with the US and Canada could well generate significant criticism.¹⁹

Transparency and Outreach

In preparation for the 2026 review, the three governments together and individually should more regularly seek stakeholder and public input and be more transparent about the ongoing USMCA implementation. The three governments should better coordinate outreach efforts to educate their publics about the progress under USMCA. The three governments must keep improving messaging that explains the connections and synergies between USMCA and the other bilateral and trilateral work streams supporting economic competitiveness. They might establish a tripartite public outreach committee.²⁰

Broadening USMCA

The three parties should consider opening USMCA to ascension by other regional countries that are ready to adopt its high standards. Several members of the US Congress have raised this idea. Advocates argue that such an effort could ignite a regional race to the top and reinforce efforts to build resilient supply chains and enhance competitiveness based on the USMCA's norms and practices. While many will be wary about this path, the pros and cons of broadening should be explored in the context of the 2026 review, as should other potential paths for expanding trade and commercial inclusion of others in the Americas.²¹

19 "Update from the Third Meeting of the Environment Committee under the United States-Mexico-Canada Agreement (USMCA)," Office of the United States Trade Representative, September 28, 2023, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/september/update-third-meeting-environment-committee-under-united-states-mexico-canada-agreement-usmca>; "USTR Announces USMCA Environment Consultations with Mexico," Office of the United States Trade Representative, February 10, 2022, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2022/february/ustr-announces-usmca-environment-consultations-mexico>; Al Jazeera English, "Brink of extinction: Scientists try to save the vaquita mammal" July 9, 2023, explainer video, 3:00, <https://www.youtube.com/watch?v=sABbGcSM-sw>; "FACT SHEET: Key Deliverables for the 2023 North American Leaders' Summit," The White House, January 10, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/01/10/fact-sheet-key-deliverables-for-the-2023-north-american-leaders-summit/>

20 John Burzawa, Sophie Egar and Earl Anthony Wayne, "Tough Work Ahead to Unlock USMCA's Potential," Wilson Center, November 28, 2022, <https://www.wilsoncenter.org/article/tough-work-ahead-unlock-usmcas-potential>

21 Jason Asenso, "Senate Finance Subcommittee Eyes Expanding, Replicating USMCA in Latin America," AS/COA, May 18, 2023, <https://www.as-coa.org/articles/senate-finance-subcommittee-eyes-expanding-replicating-usmca-latin-america>; Eric Fansworth, "The Western Hemisphere Is in Play," Barron's, September 8, 2023, <https://www.barrons.com/articles/the-western-hemisphere-americas-trade-197efd79>



RECOMMENDATIONS

1. Use the time between now and the USMCA review to double down on solving problems and developing the potential evident in USMCA, especially energizing work following 2024 elections.
2. Start preparing soonest for the 2026 review, identifying how to measure success, engaging with stakeholders and legislatures, and beginning to establish national objectives and strategies.
3. Resolve outstanding disputes using USMCA procedures in and respect any dispute settlement findings.
4. Demonstrate good progress in respect for labor rights in Mexico, using USMCA mechanisms and supplementary cooperation.
5. Energize work to use USMCA's digital trade chapter to build the world's most advanced digital marketplace.
6. Greatly expand dialogue with SMEs and their participation in USMCA commerce.
7. Supercharge public-private-academic efforts to upskill and reskill workers focusing on key USMCA sectors and in coordination with HLED and NALS workforce initiatives.
8. Complete and practice emergency action procedures to deal with cross-border emergencies in coordination with efforts to modernize physical, digital and communications infrastructure around the border.
9. Demonstrate significant achievements under USMCA's environmental chapter and consider how to better address climate related issues.
10. Expand outreach to stakeholders and the public, addressing misunderstandings, educating on USMCA's importance, and partnering in preparation for the 2026 review.
11. Prepare for discussion in the run-up to 2026 of potential broadening of USMCA or other ways to better include other countries in the Americas.





SECURITY

Lila Abed and Cecilia Farfán-Méndez

Mexico and the United States face interconnected violence and overdose epidemics. The costs in human lives and deterioration of citizens' security in both countries cannot be overstated. The US and Mexico must deepen their commitments to strengthening security cooperation including reducing high levels of violence and economic inequality, improving the rule of law, enhancing border and cybersecurity, and bringing criminals to justice. To be successful, both nations need to rebuild a partnership based on mutual trust and shared responsibility, while respecting each other's sovereignty and domestic political debates.

Inaction will continue to claim lives on both sides of the border. Preliminary data from the US shows that nearly 110,000 people died of a preventable drug overdose in 2022, and two-thirds of those (over 75,000) involved a synthetic opioid.¹ While in 2022, the homicide rate in Mexico declined compared to 2021, going from 28 per 100,000 to 25 per 100,000, it remains significantly high compared to the average of 19 for the Americas and the global rate of 6, with egregious violence frequently reported by local and international media.² Excess mortality through homicides and preventable overdoses have pushed illicit firearms trafficking and fentanyl to the top of the

1 CDC, "Fighting Fentanyl: The Federal Response to a Growing Crisis" CDC, Centers for Disease Control and Prevention, July 26, 2022, <https://www.cdc.gov/washington/testimony/2022/t20220726.htm>

2 INEGI. "Defunciones por Homicidio, Enero a Diciembre de 2022 (Preliminar)." Comunicado de Prensa Núm. 418/23, July 25, 2023, <https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2023/DH/DH2022.pdf>; Global Health Observatory, "Estimates of rate of homicides (per 100 000 population)," World Health Organization, accessed October 3, 2023, <https://www.who.int/data/gho/data/indicators/indicator-details/GHO/estimates-of-rates-of-homicides-per-100-000-population>

bilateral agenda. The urgency to save lives, however, is encouraging some to call for actions that reflect the worst policy failures of the so-called war on drugs in both countries with little attention to evidence-based solutions and joint actions.

Rebuilding Trust

Mexico denies illicitly manufactured fentanyl is produced in the country and has characterized accidental overdoses as a US problem with seemingly little empathy for the loss of life. Disagreement on facts (whether fentanyl is illicitly produced in Mexico or not) has caused additional irritation among many US actors who increasingly question Mexico's partnership and the political will of Mexico's leaders to seriously confront cross border criminal organizations.

Mexico needs to demonstrate that it is serious about collaborating to reduce illicitly manufactured fentanyl production and trafficking and dedicate meaningful resources in D.C. and subnational levels to change the perilous perception of Mexico's lack of commitment to improve cross border security. At minimum, this should include knowledge exchange events with the US Congress, including staffers, governors, and mayors and support for civil society and scholars working on bilateral issues.

The US and Mexico have experience working under a bilateral security agreement. The Mérida Initiative (2007-2021), established by Presidents Bush and Calderón, offers important lessons on promising practices and areas for improvement that should be used for the successful implementation of the Bicentennial Framework for Security, Public Health, and Safe Communities, entered into by the Biden and López Obrador's administrations.³

While the Bicentennial Framework and the High-Level Security Dialogue are important institutional mechanisms, tangible results will only occur when measurable outcomes for success are established. This includes reactivating technical trainings and working with subnational partners that continue to improve capacity for law enforcement and the criminal justice system. Capacity building should be accompanied by strengthening transparency policies and making public information more readily available to Mexican citizens and its US security counterparts. Mexico needs to reallocate funds to the National Institute for Transparency, Access to Information and Personal Data Protection (INAI), which has suffered a 24% reduction in its budget from 2018 to 2023.⁴ Of the 12,570 government databases that should publish important information to the public, 71% are currently abandoned

3 Secretaría de Relaciones Exteriores, "FACT SHEET The Mexico-US Bicentennial Framework for Security, Public Health, and Safe Communities," Gobierno de México, October 8, 2021, <https://www.gob.mx/sre/documentos/fact-sheet-the-mexico-u-s-bicentennial-framework-for-security>

4 Unidad de Investigación Aplicada, "Sin otros datos. El legado de la política de transparencia de AMLO y el abandono de la información pública," Mexicanos Contra la Corrupción y la Impunidad, August 9, 2023, <https://contralacorrupcion.mx/sin-otros-datos-el-legado-de-la-politica-de-transparencia-de-amlo-y-el-abandono-de-la-informacion-publica/>

and have not been updated in the last 24 months. In addition to increasing transparency efforts, technical training between security agencies on both sides of the border should continue to track, arrest and bring to justice both high-level and mid-level operators within criminal networks.

Illicitly Manufactured Fentanyl:⁵

Arrests alone will do little to save lives in Mexico and the US. However the stigma against substance users will continue causing preventable deaths on both sides of the border. One of the goals of the Bicentennial Framework is to achieve safer communities. Evidence-based drug policies can help achieve this goal. Given the low costs of producing fentanyl, it is unlikely that a supply-side intervention alone could raise costs to the point of dissuading production. However, understanding supply is essential for implementing public health programs that can provide necessary services to users of fentanyl and generate relevant information for law enforcement agencies without targeting users. Justice processes, therefore, should focus on middlemen/women on both sides of the border who profit from drug trafficking instead of users who are better served by public health approaches.

Mexico should remove naloxone, an overdose reversal medication, from its list of controlled substances. The shortage of methadone in Mexico, a safe and effective treatment for opioid use disorder, should also be addressed immediately. The shortage is pushing patients into the black market causing preventable deaths for individuals who were in treatment. Effective drug policies should also consider the environmental impacts of illicit drug production. Meth and synthetic opiate production in Mexico are damaging the environment, impacting the health of local populations as well as ecosystems.⁶ If the incoming government seeks to preserve and/or expand the program “Sembrando Vida”—the government’s reforestation program providing monthly stipends and technical training to approximately half a million beneficiaries—then it must consider environmental degradation from illicit drug production, which also aligns with Mexico’s stated goals in multilateral drug policy fora.

The fentanyl crisis has produced an important window of opportunity for the Mexican government to provide licit economic alternatives in areas previously sustained through opium gum income.⁷ The collapse of the price in heroin has left

5 Mexico Institute, “Understanding the Fentanyl and Opioid Crisis: US-Mexico Solutions,” Wilson Center, September 18, 2023, <https://www.wilsoncenter.org/event/understanding-fentanyl-and-opioid-crisis-us-mexico-solutions>

6 Victoria Dittmar, “Methamphetamine Production in Mexico Is Toxic for the Environment,” Insight Crime, November 3, 2022, <https://insightcrime.org/news/methamphetamine-production-mexico-toxic-environment/>

7 The Center for US-Mexican Studies and the Mexico Program of the Global Initiative against Transnational Organized Crime have identified this window and are actively working with key stakeholders to think about how to provide services in these areas.

communities in Mexico in need of an economic alternative that can provide subsistence to farmers who previously sold opium gum to intermediaries who profited from heroin production.⁸ In a potential collaboration with international partners, government actors need to offer viable solutions tailored to each area's geographic and socioeconomic profile. Equally important, government actors should not assume that introducing licit activities automatically reduces violence. The Mexican context shows that the legal commodities of avocado and limes can also produce high levels of violence through protection rackets.

Illicit Firearms Trafficking

In 2022, an estimated 67.6% of homicides committed in Mexico were perpetrated with a firearm of which the Foreign Ministry estimates 200,000 illegally enter Mexico every year from the US. According to the ATF, 70% of firearms recovered in Mexico between 2014 and 2018 and submitted for tracing were linked to the United States, though the Mexican government believes the estimate to be closer to 90%.⁹ In addition to improving its border controls, Mexico should pay close attention to the implementation of the Bipartisan Safer Communities Act (BSCA), passed by the Biden administration.¹⁰ Among other provisions, the BSCA established federal criminal offenses for straw purchasing (any purchase in which a second person agrees to acquire a firearm for someone else) and trafficking. Mexican agencies should seek meaningful cooperation with US counterparts by exchanging intelligence and liaison units that help prosecutors and the ATF in the successful implementation of the BSCA.

Changing violence dynamics—Gender, Journalism, and Democracy

Illicit activities have expanded in Mexico, but it is misguided to attribute all violence to “*narcos* fighting for territorial control.” It is imperative to consider how violence has shifted in the last fifteen years in Mexico and how policies need to respond to these changes. For instance, femicide rates continue to soar in the country, since 2018, an average of 10 women are killed every day because of their gender and according to official figures, this crime increased by 137% between 2015 and 2021.¹¹

8 These dynamics have been extensively documented by the Mexico Opium Project. Learn more at <https://norria-research.com/mxac/opium-project/>

9 “In the United States District Court for the District of Massachusetts, *Estados Unidos Mexicanos v. Smith & Wesson Brands, Inc., et al., Complaint*,” Courthouse News Services, August 4, 2021, <https://www.courthousenews.com/wp-content/uploads/2021/08/mexico-smith-wesson-complaint.pdf>; US Department of Justice, Bureau of Alcohol, Tobacco, Firearms and Explosives, Office of Strategic Intelligence and Information, “Mexico Data Source: Firearms Tracing System, January 1, 2014–December 31, 2019 (As of March 10, 2020),” ATF, accessed October 3, 2023, <https://www.atf.gov/file/144886/download>

10 US Executive Office of the President, Office of Management and Budget, “Statement of Administration Policy, S.2938—Bipartisan Safer Communities Act, (Sen. Murphy, D-CT, and Sen. Cornyn, R-TX),” June 23, 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/06/Bipartisan-Safer-Communities-Act-SAP-1.pdf>

11 Andrés Mendoza, “Pese a alerta, feminicidios aumentan 137%; en algunos estados el alza es de 2,100%,” *Excelsior*, April 24, 2022, <https://www.excelsior.com.mx/nacional/pese-a-alerta-feminicidios-aumentan-137-en-algunos-estados-el-alza-es-de-2100/1511449>

Budget cuts to the social safety net including subsidies for child care and funding for shelters for those escaping domestic violence have also increased the vulnerability of women.¹²

As of May 2022, more than 100,000 people are missing or have disappeared in Mexico with their whereabouts still unknown.¹³ As reported by families, disappearances cannot be exclusively attributed to criminal actors but also occur in collusion with or are perpetrated by state actors.¹⁴ The lack of identification of human remains has also produced an officially recognized forensic crisis where US collaboration remains important for identifying missing individuals.¹⁵ Mexico should take advantage of the forensic experts trained by US authorities to identify and locate the remains of the disappeared in Mexico and return them to their families.

Credible threats of lethal and non-lethal forms of violence are also deteriorating Mexico's democracy by targeting journalists, public officials and/or individuals running for office. Today, Mexico is the deadliest country for journalists outside of a war zone, with 13 killed for their work in 2022, 8 murdered so far in 2023, and the majority of these cases remain unresolved.¹⁶ According to the Survey on the Quality of Mexican Democracy (ENCADE per its Spanish acronym), 57% of Mexicans believe criminal groups can influence federal elections.¹⁷ A report by Etellekt documented the murder of 91 politicians in the 2021 midterm elections, of which 22 were aspiring candidates and another 14 of whom had officially registered their campaigns. It was the second most violent electoral process since 2000 and exceeded only by the 2018 midterm elections that left 152 politicians (48 aspiring or registered candidates) dead.¹⁸ In addition, according to a Global Witness Report, Mexico has become one of the deadliest places in the world for environmental and land defense activists, with 54 activists killed in 2021.¹⁹

12 Cecilia Farfán-Méndez, "Why Gender Violence in Mexico Persists-And How to Stop It," *Americas Quarterly*, May 17, 2022, <https://www.americasquarterly.org/article/why-gender-violence-in-mexico-persists-and-how-to-stop-it/>

13 Stephanie Brewer, "Mexico: 100,000 Disappeared and Missing People," *WOLA - Advocacy for Human Rights in the Americas*, May 16, 2022, <https://www.wola.org/analysis/mexico-disappeared-and-missing-people/>

14 See <https://hastaencontrarles.com> and A dónde van los desaparecidos <https://quintoelab.org/investigaciones>

15 Michael Lettieri, "Forensic Crisis," *Mexico Violence Resource Project*, accessed October 3, 2023, <https://www.mexicoviolence.org/resource/Forensic-Crisis>

16 Catherine Monnet, ed., "2022 Round-Up. Journalists detained, killed, held hostage and missing," *Reporters Without Borders*, accessed October 3, 2023, https://rsf.org/sites/default/files/medias/file/2022/12/RSF_Bilan2022_EN.pdf

17 Mexican Democracy, "Security and Armed Forces," *Mexican Democracy*, accessed October 3, 2023, <https://mexicandemocracy.org/en/security-and-armed-forces/>

18 Rubén Salazar Vázquez, "Sexto Informe de Violencia Política en México 2021," *Etellekt*, June 5, 2021, <https://www.ettelkt.com/informe-de-violencia-politica-en-mexico-2021-J5-ettelkt.html>

19 Global Witness, "Decade of Defiance: Ten years of reporting land and environmental activism worldwide," September 2022, file:///C:/Users/Lila.Abed/Downloads/Decade_of_defiance_EN_-_September_2022.pdf

Border Infrastructure and Cybersecurity

Since October 2022, Mexico registered more than 85 billion attempted cyberattacks, making it the country with the highest numbers of attacks in the Western Hemisphere.²⁰ According to the American Chamber of Commerce of Mexico, cybercrime generates losses of between \$3 to \$5 billion in Mexico annually.²¹ Mexico's vulnerabilities were exposed in late 2022 by the hacktivist group Guacamaya that leaked 4 million emails from Mexico's Secretariat of National Defense (Sedena).²² Guacamaya exploited a well-known vulnerability in Microsoft servers and a switch to cheaper but less secure servers than a national security institution should use.

The USMCA's Chapter 19 on Digital Trade includes a section on Cybersecurity (Article 19.15) that presses all Parties to not only build the capabilities of their respective national entities to respond to cyberattacks but also to encourage enterprises within their jurisdictions to adopt best practices to identify, protect, and recover from cybersecurity incidents.²³ The High-Level Economic Dialogue has proven helpful in strengthening bilateral cybersecurity cooperation efforts. Both countries have exchanged best practices in the implementation of new technologies in telecommunications and ICT infrastructure.²⁴ Ensuring proper implementation and adoption of these measures to strengthen Mexico's cybersecurity capacities will be critical in enhancing coordination efforts at the US-Mexico border. NALS and HLED also call for cybersecurity cooperation.

Both countries need better communication systems between law enforcement agencies on either side of the border. That will require deploying emerging technologies, such as AI, to reduce waiting times at ports of entry and the environmental impacts they produce, make cross-border trade more efficient, and improve border security. Mexico must remain committed to reinforcing its cybersecurity capabilities and its ability to prevent and recover from cyberattacks before its counterparts share smarter and innovative technologies. To actively

20 IDC, "México registra más de 85 mil millones de Intentos de Ciberataques en lo que va del 2022," IDC, October 12, 2022, <https://www.idc.com/getdoc.jsp?containerId=prLA49766122>

21 American Chamber of Commerce of Mexico, "Estrategia de Ciberseguridad en México," American Chamber of Commerce of Mexico, accessed October 3, 2023, [https://www.amcham.org.mx/sites/default/files/publications/VF_Estrategia%20de%20Ciberseguridad%20en%20Me%CC%81xico%20\(1\).pdf](https://www.amcham.org.mx/sites/default/files/publications/VF_Estrategia%20de%20Ciberseguridad%20en%20Me%CC%81xico%20(1).pdf)

22 Cecilia Farfán-Méndez, "Latin American Hackers Seek Accountability for State-Sponsored Violence," World Politics Review, January 5, 2023, <https://www.worldpoliticsreview.com/guacamaya-hackers-latin-america-hacktivism-mexico-sedena/>

23 "United States, Mexico, Canada Agreement (USMCA)," Chapter 19, Digital Trade, opened for signature November 30, 2018, <https://ustr.gov/sites/default/files/files/agreements/FTA/USMCA/Text/19-Digital-Trade.pdf>

24 Office of The United States Trade Representative, "FACT SHEET: 2023 US-Mexico High-Level Economic Dialogue," Office of The United States Trade Representative, accessed October 6, 2023, <https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2023/september/fact-sheet-2023-us-mexico-high-level-economic-dialogue>

prevent becoming the weakest link in North America, Mexico must work with its partners, invest more resources, train a new generation of experts, and implement a strategy to effectively combat cybersecurity threats and guarantee a secure and reliable Internet and a stable cyberspace.



RECOMMENDATIONS

Rebuilding Trust:

- Work with US counterparts to address illicit flows and those profiting from criminal activities on both sides of the border.
- Lobby key partners in Washington D.C. and state actors focused on Mexico's commitment to a safe North American region.
- Establish a vetting system for law enforcement officials that is acceptable and effective for both countries to promote bilateral cooperation, transparency, and increase information sharing.
- Foster political will and reactivate inter-agency collaborations and trainings that foster a sense of camaraderie to enhance collaboration and trust.
- Promote and allocate resources for sub-national levels of collaboration both in the US and Mexico.
- The US and Mexico must establish clear definitions for shared challenges and reach an agreement on how to best approach each of them.
- Establish a mutually agreed upon mechanism for evaluating and measuring joint efforts and operations results.

Synthetic Opioids:

- Remove naloxone from the list of controlled substances in Mexico.
- Remedy methadone shortage in Mexico. Invest in a supply chain analysis including distributors in the United States.
- Produce evidence-based messaging on the medical uses of fentanyl and its key differences with illicitly manufactured fentanyl.
- Use the window of opportunity that the increased demand for fentanyl has generated in opium-growing regions.

Illicit Firearms Trafficking:

- Improve border controls including meaningful assessment of how different technology providers could impact the relationship with the US.
- Improve data collection and sharing with stakeholders including civil society and academia.
- Monitor the implementation of the Bipartisan Safer Communities Act (BSCA).
- Cooperate with US counterparts and reestablish liaison units that can assist the ATF and prosecutors with implementing of the BSCA regarding straw purchases and trafficking.
- Revert to a decentralized form of cooperation that allows state actors to work with US counterparts in the Department of Justice. This decentralization could include firearms tracing.

Femicide Crisis in Mexico:¹

- Restore funding for social safety net programs that improve women's financial independence and ability to escape domestic violence.
- Establish a single legal framework and criminal categorization for determining gender-based crimes in all Mexican states.
- Create a sex offenders register open to the public.
- Pass a bill that grants women the right to know about their partner's history of violence.
- Establish the definitive loss of custody or guardianship for perpetrators of femicide nationally.
- Implement gender education programs in schools geared towards students and teachers.
- Train first responders, all police, expert witnesses, judicial police, and prosecutors, and equip them with the necessary resources to assist victims with a gender perspective.

1 Lila Abed, "First National Forum on Femicide: Visions and Solutions | 2023 Report," Wilson Center, accessed October 3, 2023, <https://www.wilsoncenter.org/publication/first-national-forum-femicide-visions-and-solutions-2023-report?collection=111032>

Border Security:

- Reach agreement on the deployment of innovative and smarter technologies to enhance border security measures that will tackle drug and arms trafficking and detect other illicit goods.
- Mexico should bolster its efforts to search for firearms coming from the US.
- Establish better coordination and communications systems between law enforcement agencies on both sides of the border.

Cyber-Security:

- Develop a national cybersecurity strategy in coordination with multilateral organizations.
- Establish a cyber prosecutor with sufficient resources to counter transnational organized crime. Update and adopt new laws to establish a cybersecurity framework and ensure compliance.
- Strengthen collaboration between institutions in all three levels of government, the private sector, and civil society to reduce cyber risk and better respond to cyber-attacks.
- Enact counterterrorism actions at the US-Mexico border such as enhanced intelligence-sharing, continuous strategic analysis, and assessment of potential threats.
- Invest in digital and critical infrastructure and training programs to build a cybersecurity workforce capable of preventing, responding, and recovering from cyberattacks.
- Implement educational programs to train security personnel and individual users on safe online practices.





WATER

Eric Marquez and Andrew I. Rudman

Water insecurity on both sides of the 2,000-mile US-Mexico border has long been a strain on the bilateral relationship. Today, increasing climate threats, higher agricultural and industrial demand, poor infrastructure, and a rapidly growing population will exacerbate the insecurity if steps are not taken to reconcile available supply with growing demand.

Water insecurity in Mexico

Mexico faces an imbalance between regions in terms of availability of and demand for water. Central, North, and Northeast Mexico have access to roughly 33% of the nation's renewable water while the Southeast has access to the remaining 67%.¹ In terms of demand, the disparity is reflected in the reverse as the south represents only 22% of Mexico's territory and 23% of its total population.

Supply

According to data from the National Water Commission (CONAGUA), Mexico's average per-person water supply reached its lowest level in at least 24 years in 2020,² with the average person receiving only 240 liters per day—a 31.1% decrease over the 1996 level of 348.3 liters per day.³ In fact, only 58% of Mexico's population has daily access to water.⁴ Additionally, there are 6 million people with no access

1 Red del Agua UNAM, *Perspectivas del Agua en México: propuestas hacia la seguridad hidrica*, (2022).

2 Mexico News Daily, *Mexico's per capita water supply dropped over 30% since 1996*, (2023).

3 Ibid.

4 Red del Agua UNAM, *Perspectivas del Agua en México: propuestas hacia la seguridad hidrica*, (2022).

to potable drinking water and 11 million people lacking access to basic sanitation.⁵

The border region presents additional water supply challenges given the differing approaches and regulations between the United States and Mexico. Groundwater in Mexico is managed by CONAGUA as a public good, while in the United States, groundwater can be publicly or privately owned. In Texas, uniquely, groundwater can be privately owned under the 'rule of capture', meaning that any owner with groundwater on their property is free to extract it at the expense of their neighbors. Furthermore, much like almost all international water agreements, groundwater is not addressed within the 1944 Water Treaty or any of its minutes.

A recent study from geologists at Texas A&M confirmed the existence of 72 hydro-geological units (HGU—subterranean water sources) that span across the border. Of these, 60% are within the US and the remaining 40% are within Mexico; additionally, only 50-55% are considered to be of 'good to regular quality'.⁶

Consumption

Roughly three-quarters of Mexico's water consumption is allotted to its vital agricultural sector⁷. Yet the efficiency (and likely some illicit use⁸) of the infrastructure required to provide water to fields (and for urban consumption) is such that roughly 50% of the water carried does not reach its intended recipient.⁹ CONAGUA projects that to feed Mexico's growing population (projected to increase by 25% by 2050), food production will need to increase by 70%, requiring a 55% increase in water demand.¹⁰ An increase of this magnitude is completely unsustainable, with extraction rates quickly resulting in complete depletion. Out of Mexico's 653 groundwater aquifers, which account for 20% of Mexico's renewable water, at least 157 are already overexploited.¹¹ The remaining 80% of Mexico's renewable water comes from the 757 surface-level basins where rivers and streams converge to create bodies of water, 8 of which are shared with the US.

It is important to note that renewable water does not signify an infinite water source; overextraction diminishes the potential for replenishment. Renewable water within surface bodies of water and subterranean aquifers naturally recycles itself through the water cycle.¹² Therefore, high rates of overextraction will prevent the replenishment of surface and groundwater at its natural rate, inevitably leading to a permanent depletion of Mexico's aquifers.

5 Ibid.

6 MDPI, *Transboundary Aquifers between Baja California, Sonora and Chihuahua, Mexico, and California, Arizona and New Mexico, United States: Identification and Categorization*, (2021).

7 Comisión Nacional del Agua, *Programa Nacional Hídrico: 2020-2024*, (2019).

8 Courthouse News, *Illicit trade worsening water crisis in state of Mexico*, (2023).

9 Ibid.

10 Ibid.

11 Red del Agua UNAM, *Perspectivas del Agua en México: propuestas hacia la seguridad hídrica*, (2022).

12 Environmental Protection Agency, *Getting Up to Speed: The Water Cycle and Water Conservation*.

Within Mexico, 60%¹³ of these surface-level basins have had a long history of contamination due to agricultural, industrial, urban, and residential runoff.¹⁴ This reduces the supply of clean water for urban use, especially for drinking as the water will carry a multitude of bacteria and viruses.

Likewise, shared watersheds in the border region suffer from a similar pollution issue. Stormwater runoff filled with garbage, sediment, and other bacterial matter moves downhill through the Tijuana Valley watershed which is shared by both countries. This threatens key infrastructure and creates environmental, as well as public health concerns.¹⁵ Causes vary from lack of heavy metal pre-treatment and inefficient or deteriorating sewage infrastructure/maintenance within Mexico and the United States.¹⁶ As of August 2022, the International Boundary and Water Commission/Comisión Internacional de Límites y Agua reached an agreement to allocate \$474 million in sanitation improvements to be carried out in San Diego and Tijuana which, according to the EPA, will reduce transboundary wastewater flows by up to 90%.¹⁷ The projects seek to address the large quantity of untreated sewage that flows through the Tijuana River.¹⁸

The 1944 Water Treaty

The *Treaty Between the United States of America and Mexico for the Utilization of the Waters of the Colorado and Tijuana Rivers and of the Rio Grande*, more commonly known as the 1944 US-Mexico Water Treaty, created the International Boundary and Water Commission (IBWC) or Comisión Internacional de Límites y Agua (CILA), which form a single international body headed by two engineer commissioners, with foreign policy oversight from the US Department of State and the Ministry of Foreign Relations of Mexico, respectively.

The joint authority is responsible for management and conservation of the Rio Grande and Colorado rivers, construction, operation, and maintenance of storage dams, reservoirs, and hydroelectric generation, as well as preservation and resolution of border water quality issues—all for the mutual social and economic welfare of both countries.

Water from the Rio Grande is shared between the countries. Each year Mexico must deliver to the US one third of the flow reaching the main channel of the Rio Grande, meeting an average minimum volume of 350,000 acre-feet (431,721,000

13 Red del Agua UNAM, *Perspectivas del Agua en México: propuestas hacia la seguridad hídrica*, (2022).

14 Comisión Nacional del Agua, *Programa Nacional Hídrico: 2020-2024*, (2019).

15 US Government Accountability Office, *International Boundary and Water Commission: Opportunities Exist to Address Water Quality Problems*, (2022), 45.

16 US Government Accountability Office, *International Boundary and Water Commission: Opportunities Exist to Address Water Quality Problems*, (2022), 70.

17 Environmental Protection Agency, *US and Mexico agree to invest \$474M to address Tijuana River sewage problem*, (2022).

18 US IBWC, @usibwc, X Post: *Its estimated volume is 3.7 billion gallons. Sept. 21, 2023.* <https://twitter.com/usibwc/status/1704890318808645960>

cubic meters) per year over a five-year water delivery cycle. Under the treaty, the United States must reciprocate by providing Mexico with 1,500,000 acre-feet of water each year from the Colorado River. The 5-year cycle for Mexico's Rio Grande water deliveries provides flexibility to reflect the greater flow variability of a monsoon-fed river versus the snow-fed Colorado River.

Stressors Exacerbated by Climate Change

Strains on Mexico's access to water—more formally described as hydrological scarcity—have been caused by several intertwined issues.

First, Mexico's national urban population growth has skyrocketed in the past five decades. By 2030, 86.2 million Mexicans will be living in large metropolitan zones, approximately 62.7% of the national population.¹⁹ By 2050, this figure is expected to reach 70-80% of the population as metropolitan zones continue to expand and eventually connect.²⁰ More specifically, the population at the border has more than quadrupled,²¹ totaling about 11 million Mexican citizens. When added to the 19 million American citizens²² living on the US side of the shared border, this growth increases demand for water.

Second, Mexico's hydrological infrastructure is simply outdated and inefficient. Agriculture and urban use generate significant water losses with leaking water pipes nationwide accounting for the loss of 40% of total volume of water that would have been used for drinking.²³ Additionally, only 50% of water collected by sewage systems receives any sort of treatment.²⁴ Not only is there a lack of potable tap water—especially at the border—but Mexicans also face exposure to raw wastewater discharges which carry pathogens and viruses producing infectious diseases which disproportionately impact vulnerable and impoverished communities.²⁵

Third, Mexico's hydrological inefficiency lies in its city planning and unnatural grey infrastructure. Urban zones across Mexico, especially in the North, are sprawling concrete masses; according to UNAM, 50% of the nation's territory has lost its vegetational coverage and suffered damage to natural and hydrological systems as a result.²⁶ Impervious surfaces such as highways, parking lots, and roofs contaminate and lose rainfall runoff while continued expansion eliminates natural systems and runoff patterns. Consequently, these urbanized areas experience high-velocity

19 Red del Agua UNAM, *Perspectivas del Agua en México: propuestas hacia la seguridad hidrica*, (2022).

20 Ibid.

21 Anabel Sánchez, *1944 Water Treaty Between Mexico and the United States: Present Situation and Future Potential*, (2006).

22 Southern Border Communities Coalition, *The Southern Border Region at a Glance*, (2023).

23 Red del Agua UNAM, *Perspectivas del Agua en México: propuestas hacia la seguridad hidrica*, (2022).

24 Red del Agua UNAM, *Perspectivas del Agua en México: propuestas hacia la seguridad hidrica*, (2022), 6.

25 Irasema Coronado, Francisco Lara-Valencia, Stephen Mumme, *Water Management on the US-Mexico Border: Achieving Water Sustainability and Resilience through Cross-border Cooperation*, (2022).

26 Red del Agua UNAM, *Perspectivas del Agua en México: propuestas hacia la seguridad hidrica*, (2022), 28.

stream flows due to a lack of natural buffer zones. These high-velocity flows can overwhelm streets and pumping systems which cause severe floods, property and infrastructure damage, social disruption, and even loss of life.²⁷ Erosion and sewage overflow of human, industrial, and other toxic waste seeping into groundwater are other consequences of grey infrastructure.

To make matters worse, Mexico's unique geographical location is a breeding ground for incredibly varied climate phenomena such as hurricanes, floods, and most importantly, droughts. These disastrous events are amplified by global climate change, leaving Mexico to manage reduced supply and poorer water quality. The Northern and Northeast regions of Mexico are the most vulnerable to the effects of climate change, particularly droughts and decreased rainfall.

There are roughly 4.5 million Mexican citizens living in the five Mexican border states of Sonora, Chihuahua, Coahuila, Nuevo Leon, and Tamaulipas that currently live under drought conditions.²⁸ These droughts further undermine the natural efficiency of the hydrological cycle upon which the replenishment of Mexico's surface water and groundwater sources rely. Another way in which climate change counter-intuitively impacts the arid border is the threat of intermittent severe flooding which ravages urban areas, showing undeniably that the consequences of climate change are exacerbating the stressors and subpar infrastructure.

27 Irasema Coronado, Francisco Lara-Valencia, Stephen Mumme, *Water Management on the US-Mexico Border: Achieving Water Sustainability and Resilience through Cross-border Cooperation*, (2022).

28 North American Drought Monitor, *Mexico*, (2023).



RECOMMENDATIONS

Water Insecurity

- Incorporate a 'hydrological cycle' approach with adaptive strategies to address insufficiency of the system to meet demand.
- Promote incorporation of high-water efficiency technologies in irrigation and production chains from farm to table.
- Instruct CONAGUA to conduct a macro-analysis of grey infrastructure. This analysis should focus on identification of leaks and inadequacies. Repairs/replacement should prioritize those projects with the greatest impact on loss reduction with an emphasis on incorporating nature-based, green infrastructure.¹

1 Environmental Protection Agency, *What is Green Infrastructure?*, (2023).

1944 Water Treaty

- Conserve existing water sources under Minute 323 of the Treaty.²
- Promote additional relationships in the academic, scientific, private, and public sectors to support more effective solutions for binational water efforts.³
- Incorporate additional individuals with expertise in the use of water technology and those with specialized water knowledge to strengthen the data/reasoning behind solutions and proposals.⁴
- Continue establishing a science advisory group to enhance IBWC/CILA's efficacy.

Climate Change

- Allocate sufficient additional resources to CONAGUA, including and as appropriate, from the NADBank to fund necessary infrastructure upgrades to enhance resilience in response to climate change.
- Implement a recovery of water rights program to balance supply and demand.
- In IBWC/CILA, prioritize incorporation of scientists with climate change expertise to foster the design and implementation of climate-based water-management strategies.

2 International Boundary and Water Commission, *Minute No 323*, (2017).

3 Irasema Coronado, Francisco Lara-Valencia, Stephen Mumme, *Water Management on the US-Mexico Border: Achieving Water Sustainability and Resilience through Cross-border Cooperation*, (2022).

4 Ibid.





NEARSHORING

Andrew I. Rudman

Mexico is currently experiencing a boom driven by a phenomenon often interchangeably called nearshoring, friend-shoring, and ally-shoring. This trend began in response to the tariffs and other trade restrictions imposed on China by the Trump administration (and largely maintained by the Biden Administration) and picked up steam when the COVID-19 pandemic exposed the considerable risks inherent in the supply chains for numerous critically important products and intermediate goods for which there was often a single supplier.

The desire to bring production back to the United States and its neighbors and allies has resulted in a dramatic increase in US-Mexico bilateral trade (as well as increases with other allies and partners). Since 2019, trade between the United States and Mexico has significantly increased while U.S.-China trade has decreased. As of July 2023, US year-to-date trade with Mexico reached \$461.9 billion¹, a 24% increase over the July 2018 figure of \$351.5 billion.² During the same time period, US trade with China has fallen to 322.3 billion dollars³, a small yet meaningful 13% decrease from \$371.1 billion dollars in July 2018.⁴

To escape the punitive tariffs on Chinese-made goods, firms began moving operations to factories elsewhere in Asia and/or to Mexico.⁵ Doing so provided “a

1 United States Census, *Top Trading Partners—July 2023*. <https://www.census.gov/foreign-trade/statistics/highlights/top/top2307yr.html>

2 United States Census, *Top Trading Partners—July 2018*. <https://www.census.gov/foreign-trade/statistics/highlights/top/top1807yr.html>

3 United States Census, *Top Trading Partners—July 2023*.

4 United States Census, *Top Trading Partners—July 2018*.

5 Bloomberg, *Chinese Firms Skip Over US Tariffs by Setting Up Shop in Mexico*, (2022).

solution for Chinese manufacturers” and a further, lucrative source of foreign investment for Mexico’s manufacturing industry. It is worth noting that the boost in investment is not solely from China as manufacturers in other countries have also sought access to the North American market. Nevertheless, by June 2023, Mexico’s trade deficit with China reached US \$8.89 billion, reflecting a 40% increase in imports from China compared to its lowest level in 2018.⁶ This surely reflects efforts by Chinese firms to retain access to the US market through final assembly in Mexico, especially in the northern part of the country. Trade between the United States and the Association of Southeast Asian Nations (which does not include China) is up 46% from 2018 levels, reflecting shifts in the manufacture of intermediate and finished goods away from China.⁷

Mexico’s inherent advantages, which include, *inter alia*, a large internal market, an extensive network of free trade agreements, and comparatively low labor costs, have contributed to the influx of nearshoring investment. Proximity to the largest consumer market⁸ in the world and its long-established commercial relationships fostered under the NAFTA and now the USMCA make Mexico an attractive investment location. In addition, the interest in gaining access to this market is borne out by data related to investment in industrial parks, primarily in the north and Bajío region, with occupancy rates nearing 100%. In fact, in 2022, Mexico received US \$35.3 billion of foreign direct investment (FDI), of which more than 36% went towards advanced manufacturing industries such as automobiles, electronics, and aerospace.⁹ The trend continued through the first half of 2023, when Mexico attracted an additional \$29 billion in FDI.¹⁰ According to the Secretariat of Economy, roughly 90% of this sum is reinvested profits, with the remaining 10% split between new investment and intra-company transfers.¹¹

The challenge facing Mexico’s next president will be to ensure that the increase in nearshoring investment is not a one-off bubble but rather the start of a consistent wave of investment, greenfield and intracompany, that leads to true economic growth and greater prosperity for the country. To date, the top five state recipients of FDI account for more than half of the total and 15 states claim 83.5% of the total, leaving very little to Mexico’s other 17 states.^{12 13} Yet, the benefits of nearshoring need not be viewed as applicable solely to the northern part of the country. Concerted

6 Secretaría de Economía, *China: Foreign trade, investment, migration, and remittances*.

7 United States Trade Representative, *US-ASEAN-10 Trade and Investment Facts*, (2019).

8 World Bank, *Households and NPISHs Final consumption expenditure (current US\$)*.

9 AMPIP, *Mexico in Brief: 2023*, (2023).

10 Reuters, *Mexico reports \$29 bln in foreign direct investment for first half of 2023*, (2023).

11 Secretaría de Economía, *Comisión Nacional De Inversiones Extranjeras*, (2023).

12 Statista, *Foreign Direct Investment (FDI) in Mexico in 2022, by state*, (2023).

13 It is important to note what while Mexico City is credited with substantial investment flows based on the location of company headquarters, company operations often occur elsewhere in the country which likely accounts for the demand for industrial park space, especially in the other high-investment states.

design and implementation of targeted policies can allow the new administration to enhance the attractiveness of investment in less prosperous areas of the country such as the south/southeastern region. A mid-July decree issued by the López Obrador administration that offers tax and administrative incentives for investment related to the Interoceanic Corridor project in Southern Mexico marks the first such effort to promote investment and reduce inequality.¹⁴ A mid-October decree provides similar incentives country-wide in ten key sectors.¹⁵

While the potential for sustained investment exists, several issues and challenges may discourage continued investment or undermine Mexico's comparative advantages.

Workforce

Private sector leaders often lament the lack of skilled workers. Firms are often reluctant to provide training for workers who will then move to a competitor offering a higher wage. Mexico's maquila sector, which could be viewed as the first wave of nearshoring, initially provided low-cost assembly of products invented elsewhere. Completion of basic, often repetitive tasks, such as vehicle or television assembly required comparatively low-level skills. The industries of the future such as electric vehicles, renewable energy technologies (including recycling/reuse), and inputs such as semiconductors and batteries require workers able to provide more than basic assembly. Targeted training will be necessary to permit workers to operate increasingly complex machinery and to work with new technologies such as AI-driven manufacturing. Because firms are more likely to invest where the skilled workers are available rather than in areas where training would be required to create the needed talent pool, governments (federal, state, and local) must develop training programs in concert with industry and academia. Absent such coordination, even those who graduate from high schools and colleges may lack immediately employable skills. Guanajuato's State Training Institute (IECA) offers a good example of an effort to work with industry to identify necessary skills and to develop courses specifically designed to provide workers with these skills. Arizona State University's recently announced "English Course for the Semiconductor Industry," which was specifically developed with experts in the fields of semiconductors and teaching methodology, is another such example. The key elements of successful training programs are the direct engagement with industry to ensure that their needs are being met and an honest assessment of a state or region's comparative advantages. Not every state can host a semiconductor fab, but efforts can be made to move production up the value chain. One concrete example would be the production of ethanol from sugar cane grown in the southeast. The joint statement following the September 2023 meeting of the US—Mexico High-Level

14 El Economista, *Corredor transístmico: sólo son beneficios fiscales, no varitas mágicas*, (2023).

15 Mexico News Daily, *What are Mexico's new tax incentives to promote nearshoring?* (2023)

Economic Dialogue touched on the issues of workforce development for sectors including semiconductors, ICT, automotive, and others.¹⁶

Energy

The availability of cleaner, reliable energy is paramount for global firms as they consider where to invest. Indeed, many have noted that Mexico has not yet been able to capture the “nearshoring” opportunity because of the need for a steady supply of reliable power (see energy section). Not only do they need to be certain that a factory built today will have access to electricity in a decade or more, but this electricity must also be derived from cleaner sources. Firms with global emissions reduction commitments, for example, must offset production with “dirty” energy with clean production elsewhere. To respond to this demand, while continuing to grow its economy, Mexico will need to have a diversified baseload supply of energy available. Mexico could realize substantial gains in clean energy production, specifically as much as 28,590 GW of clean energy, more than enough to meet electrical demands.¹⁷ Doing so would not only enhance Mexico’s competitiveness but also contribute to efforts to meet its Paris Climate Agreement commitments. The ongoing energy transition from fossil fuels to renewables will not occur overnight, however. As Mexico develops and installs renewable technologies, it will also be necessary to enhance the efficiency of its fossil fuel industry. This is especially important for development in the southern and southeastern portions of the country. The ample potential for renewable energy, such as hydro, cannot be fully realized unless connectivity to the national electricity grid is enhanced. Further, access to natural gas (essential for the foreseeable future despite the ongoing energy transition) will require infrastructure investment so that potential investors in the region are assured of access to reliable electricity.

Security

Mexico’s security-related challenges are well known (and addressed in greater detail in the security section). Potential investors in Mexico will be concerned about the safety and quality of life of their employees in a particular area. It is difficult to recruit senior management, whether external or internal company candidates, for positions in areas perceived to be dangerous. It is important to distinguish between issues related to drug trafficking and the smuggling of persons and goods from issues of domestic security. While organized criminal groups tend to avoid attacks on foreign-owned facilities (which would draw international attention), this nuance is not well understood within company boardrooms located in the United States, Europe, or Asia. Further, as organized criminal groups expand their reach into new geographic areas previously considered safe, such as San Pedro Garza Garcia

¹⁶ US Department of Commerce, *Joint Statement Following the 2023 US-Mexico High Level Economic Dialogue*, (2023).

¹⁷ International Trade Administration, *Mexico—Country Commercial Guide: Renewable Energy*, (2022).

in Nuevo Leon and new business areas not directly related to drug trafficking, the ability of legitimate business to remain profitable is significantly diminished. The rising frequency of cargo truck hijackings poses an additional impediment to increased investment.¹⁸ High rates of impunity for domestic crimes (e.g.: robbery, assault, and murder) contribute to the image of lawlessness and undermine investor confidence. Enhanced community policing practices have proven to reduce crime and impunity in jurisdictions like the State of Mexico. They can be replicated elsewhere to improve quality of life and employee security. Further, increasing salaries for law enforcement officers will likely lead to higher professionalism and dedication within the ranks.¹⁹

Infrastructure

Ensuring Mexican competitiveness into and beyond the next *sexenio* will require multi-faceted investment in infrastructure. Bottlenecks at the US-Mexico border hinder the flow of goods, necessitating frequent bilateral meetings, at the federal, state, and local levels, such as the US-Mexico Bridges and Border Crossing Group (BBBXG). Engagement with users of these crossings—from diverse, productive sectors with unique needs such as cold storage for produce to tech-driven logistics—is crucial. Modern commercial international bridges, integrated with Logistechs (the application of exponential technologies in logistics, supply chain, and transportation sectors), can revolutionize this landscape, making systems adaptive to real-time trade demands and enhancing both competitiveness and security.²⁰ The use of advanced monitoring technologies like facial recognition and RFID can augment border control and traceability while US and Mexican Customs continue to pursue seamless digital connectivity. Innovations such as intelligent routing systems significantly reduce commercial truck idling times, aligning with sustainability goals. This high-tech approach mitigates delays and reduces unpredictability which has driven a shift from “just in time” to “just in case” operations. Streamlining the movement of goods will preserve Mexico’s comparative advantage for production while reducing costs and boosting agility.

In the south, enhancing the region’s infrastructure will be the key to achieving durable economic growth and development. Facilitating the movement of goods from their locus of production (whether factory or field) will enhance the appeal of this region for investors considering new production facilities for domestic or export markets. Improving roads, rail, and port infrastructure, perhaps through the Inter-oceanic Corridor, will facilitate access to markets in Mexico, North America, Europe and Asia. Improved access to the US East Coast has often been cited as an important incentive for greater investment in ports along the Gulf of Mexico, for example.

18 Borderless Coverage, *Analysis of Cargo Truck Hijacking in Mexico*, (2023).

19 Mexico Evalúa, *Mejorar la Vida de los Policías municipales es una prioridad ciudadana*, (2023).

20 Daniel Covarrubias, *Modernizing Cross-Border Trade Infrastructure: A North American Imperative for Growth and Security*.

As noted above, access to reliable and affordable clean energy is also essential to Mexico's ability to capitalize on the region's potential. It is also important to note that developing a skilled workforce will take time, even if global best practices are implemented with maximum support from the government.



RECOMMENDATIONS

Creating an environment more conducive to economic growth and development in general will also allow Mexico to further capitalize on the current nearshoring trend. Hence, implementing the following recommendations (among other policy improvements) would lead to enhanced investment, economic growth, and job creation, regardless of the origin of the capital.

Workforce

- Promote tripartite (government/academia/industry) training programs designed to develop required skills for industries of the future and industries in particular regions.
- Revise public school curricula to include an emphasis on new and emerging technologies, including artificial intelligence (which will first require upskilling of educators).
- Support state-level efforts to identify areas/industries of comparative advantage and opportunities to advance along the value chain such as a shift from sugarcane to ethanol.

Energy

- Connect south/southeastern Mexico to a gas pipeline from the North and improve Pemex's capacity to capture and utilize gas extracted in the south.
- Integrate south/southeastern Mexico into national electricity grid to enhance power availability and reliability.
- Facilitate public-private partnerships to develop renewable energy projects through appropriate public policy changes.
- Work with US and Canadian partners to establish a North American emissions reduction target to support Paris Agreement commitments and to respond to investor requirements for clean energy.

Security

- Forcefully combat organized crime through an aggressive strategy to eliminate incursions into legitimate commercial activities.
- Promote expanded community policing practices and increased law enforcement salaries and training opportunities to enhance trust and confidence in law enforcement.

Infrastructure

- Enhance Mexican customs and law enforcement coordination with US counterparts to ensure compatible/comparable screening technology standards and equipment to reduce delays and improve efficiency of scarce resources.
- Explore use of artificial intelligence to augment human capacity to enhance the efficiency of inspections.
- Consider joint development of specialized cross-border facilities (such as closed, refrigerated inspection points) at appropriate POEs to facilitate trade.
- Dedicate specific resources (financial and personnel) to the comprehensive development of roads, rail, and ports in the south/southeast to foster development and integration of the sub-region.
- Develop integrated cross-border planning processes with US at federal, state, and local levels to maximize impact and efficiency of investments.





ACKNOWLEDGMENTS

This policy recommendations booklet could not have been possible without the insight and support of countless individuals. The Wilson Center's Mexico Institute would like to thank and recognize the authors of this booklet for their patience and collaborative spirit, and, in addition: Jaime Arredondo, Juan Carlos Baker, Eugenio Barrios, Gretchen Bergman, Edward Burrier, Daniel Ciccarone, Daniel Covarrubias, Victoria Dittmar, David Enriquez, Ambassador John Feely, Rafael Garcia, Marya Hynes, Gemma Kloppe-Santamaría, Jeremy Martin, Celina Realuyo, Francisco Rivas, Ruben Pedro Rodriguez, Daniel Sainz, Ambassador Arturo Sarukhan, Andrew Selee, David Shirk, Kenneth Smith Ramos, and many others who participated in roundtables and meetings over the past year to address these topics..

Their valuable insights, edits and suggestions helped strengthen the sections though the ultimate responsibility for the content remains with the authors.

Chartered by Congress, the Wilson Center provides nonpartisan counsel and insights on global affairs to policymakers through deep research, impartial analysis, and independent scholarship.



**Wilson
Center**

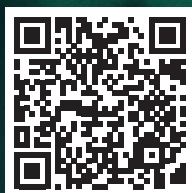


**Mexico
Institute**

Woodrow Wilson International Center for Scholars

One Woodrow Wilson Plaza
1300 Pennsylvania Ave NW
Washington, DC 20004-3027

wilsoncenter.org



Mexico Institute

🌐 wilsoncenter.org/mexico
mexicoelections.wilsoncenter.org

f [mexicoinstitute](https://www.facebook.com/mexicoinstitute)

X [@mexicoinstitute](https://twitter.com/mexicoinstitute)

📷 [@mexicoinstitute](https://www.instagram.com/mexicoinstitute)