



Mexico's Peña Nieto Administration: Priorities and Key Issues in U.S.-Mexican Relations

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Summary

Congress has maintained significant interest in neighboring Mexico, a close ally and top trade partner that shares a nearly 2,000-mile border with the United States. On December 1, 2012, the Institutional Revolutionary Party (PRI) retook the Mexican presidency after 12 years in opposition, leaving analysts wondering how differently PRI President Enrique Peña Nieto will govern than his PRI predecessors, who ruled Mexico from 1929 to 2000. Supporters maintain that Peña Nieto heads a “new PRI” government that is free from the corruption that characterized the party in the past and is enacting bold reforms that proved elusive for the last two National Action Party (PAN) administrations. Skeptics question how Peña Nieto will remain independent from old-time PRI power brokers and how he will challenge PRI interest groups resistant to change.

President Peña Nieto has announced a reformist agenda with specific proposals under five pillars: reducing violence; combating poverty; boosting growth; reforming education; and fostering social responsibility. He signed a “Pact for Mexico” with the leaders of the PAN and leftist Party of the Democratic Revolution (PRD) that has paved the way for the enactment of education and telecommunications reforms. The Peña Nieto government has just introduced an energy reform proposal that would allow *Petróleos Mexicanos* (PEMEX) to form profit-sharing partnerships with private companies. Fiscal reforms to increase tax revenues are to follow. Both proposals could test the Pact’s ability to prevent legislative gridlock.

U.S.-Mexican relations are evolving. During his May 2013 visit to Mexico, President Obama embraced President Peña Nieto’s desire to bolster economic ties and focus on new issues, including education. U.S.-Mexican security cooperation has continued; future efforts may increasingly focus on crime prevention and judicial reform. Bilateral cooperation may have contributed to the July capture of the leader of *Los Zetas*. However, there has been friction caused by limits Mexico has placed on U.S. involvement in law enforcement and intelligence operations and the recent release of a drug kingpin imprisoned in Mexico for killing a U.S. Drug Enforcement Administration agent. If implemented, the Trans-boundary Hydrocarbons Agreement signed in February 2012 on managing oil resources in the Gulf of Mexico could create opportunities for energy cooperation. The Peña Nieto government has supported efforts to enact comprehensive immigration reform in the United States, but urged U.S. policymakers not to militarize the U.S.-Mexico border.

Key Policy Issues: This year, immigration and border security have been at the center of the congressional agenda. The Senate passed S. 744, a comprehensive immigration reform bill that includes additional funding for border security, legalization for certain unauthorized immigrants, and changes to the temporary and permanent immigration systems. In contrast, House committees have taken up a series of discrete immigration measures (H.R. 1417, H.R. 1772, H.R. 2131, H.R. 1773, and H.R. 2278). The House passed legislation, H.R. 1613, which would provide for implementation of the U.S.-Mexico Trans-boundary Hydrocarbons Agreement. The Senate has yet to consider related legislation on the agreement (S. 812). U.S.-Mexican energy cooperation and the prospects for reforming PEMEX have generated congressional interest. Congress is also examining how Mexico’s participation in the Trans Pacific Partnership (TPP) negotiations may impact U.S.-Mexico economic relations under the North American Free Trade Agreement (NAFTA). Language included in the House-passed version of the FY2013 farm bill, H.R. 2642, addresses an ongoing U.S.-Mexico water dispute.

Congress has continued oversight of the Mérida Initiative and is now examining the Obama Administration's FY2014 budget request for Mérida. The Senate and House Appropriations Committees have reported their versions of FY2014 State-Foreign Operations appropriations legislation (S. 1372 and H.R. 2855). H.Rept. 113-185 recommends providing at least \$200 million in aid to Mexico, while S.Rept. 113-81 does not recommend specific aid amounts.

Further Reading

CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*.

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

CRS Report R43097, *Comprehensive Immigration Reform in the 113th Congress: Major Provisions in Senate-Passed S. 744*.

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Introduction

Congress and the United States have a strong interest in the impact of the Enrique Peña Nieto government on economic and security conditions in Mexico and on U.S.-Mexican relations. Economically, the United States and Mexico are heavily interdependent, and the U.S. economy could benefit if Mexico is able to sustain or expand its economic growth rate (which has averaged 3% over the last three years). Similarly, security conditions in Mexico affect U.S. national security, particularly along the U.S.-Mexico border. Congress may closely monitor whether the reduction in organized-crime related violence that Mexico experienced in 2012 can be sustained without jeopardizing bilateral efforts against drug trafficking and organized crime. Maintaining strong bilateral cooperation on these and other issues, while also ensuring that U.S. interests are protected, are likely to be of keen interest to Congress.

Figure I. Map of Mexico, Including States and Border Cities



Source: Map Resources, adapted by CRS.

This report provides an overview of the Mexican administration and its priorities followed by concise assessments of some key issues of congressional interest in Mexico: migration, security, human rights, trade, energy, and water issues. The report summarizes legislative action that has occurred related to these topics and refers to other CRS products and experts that can be

consulted for further information. It will be updated to address major developments in Mexico and in Mexican-U.S. relations that are of interest to Congress.

Mexico's Peña Nieto Administration

President Enrique Peña Nieto

Enrique Peña Nieto has been active in the PRI in his native state of Mexico since 1984, most recently serving as its governor. Peña Nieto obtained a law degree from the Panamerican University and a Master of Business Administration from the Monterrey Institute of Technology and Higher Education. An attorney, Peña Nieto began working for the government of the state of Mexico in 1993. Prior to his election as governor, he served as the secretary of administration for the state of Mexico from 2000 to 2002 and as a state congressman from 2003 to 2004. Peña Nieto became the majority leader of his party in the state legislature and speaker of that body.

From 2005 to 2011, Enrique Peña Nieto governed the state of Mexico (see **Figure 2** below), a central state that surrounds the Federal District which is home to some 15 million people and produces 9.4% of Mexico's Gross Domestic Product (GDP).¹ Peña Nieto's slogan as governor was a "government that delivers." His programs and activities were frequently covered by *Televisa*, a major national news network, as a result of a lucrative deal to buy air time that his supporters reportedly signed in 2005.² In his final state of the state report, Peña Nieto maintained that his government had created 224,000 jobs, increased investments in infrastructure without taking on additional debt, and doubled tax revenues. Analysts questioned whether Peña Nieto indeed completed all of the projects that he promised to deliver, challenged his record on human rights, and said that his administration lacked transparency. Nevertheless, Peña Nieto remained popular in his home state (his chosen successor was elected governor with 60% of the vote), while simultaneously becoming a national political figure.

In November 2011, Enrique Peña Nieto formally became the presidential candidate of the "Committed to Mexico" coalition composed of the PRI and the Green Ecological Party (PVEM). As when he was governor, Peña Nieto's team ran a media-savvy campaign that was bolstered by ties with Mexico's leading television networks. Peña Nieto led the race from start to finish, despite receiving significant criticism from the *YoSoy132* (I am 132) student protest movement³ for his close media ties and facing unexpectedly stiff competition from Andrés Manuel López Obrador of the leftist PRD. The narrow margin of Peña Nieto's victory in the July 1, 2012, election⁴ (which López Obrador never recognized), coupled with the PRI-PVEM's failure to

¹ Mexican government data as cited in JP Morgan, *Mexico Economic Comment: What to Expect From the Upcoming General Elections*, March 30, 2012.

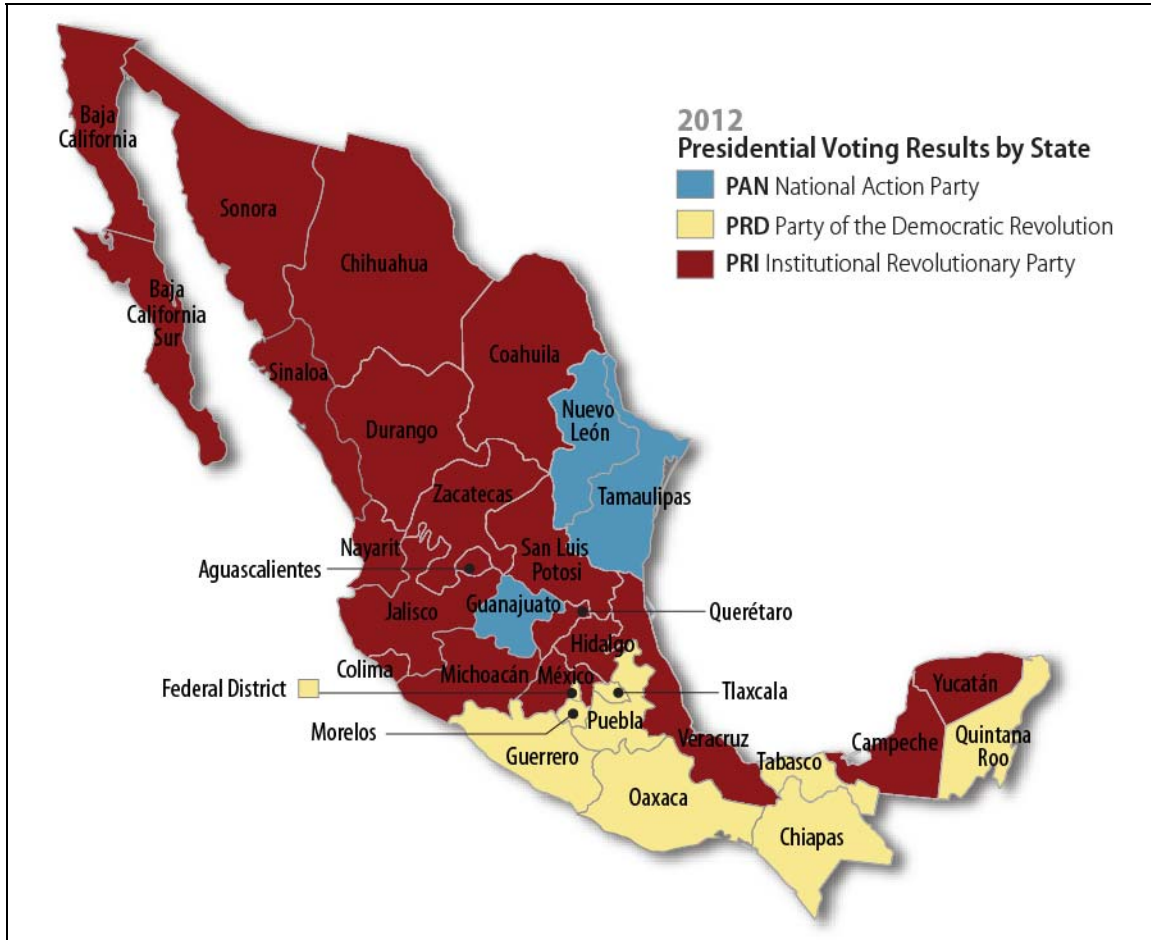
² For more information, see Duncan Wood, *The Rise of Enrique Peña Nieto and Return of the PRI*, Center for Strategic & International Studies (CSIS), October 2011.

³ For background on the movement, see Damien Cave, "In Protests and Online, a Youth Movement Seeks to Sway Mexico's Election," *New York Times*, June 11, 2012.

⁴ Peña Nieto captured 38.2% of the vote, followed by López Obrador with 31.6%, Josefina Vázquez Mota of the National Action Party (PAN) with 25.4%, and Gabriel Quadri of the National Alliance Party (PANAL) with 2.3%. Mexico's Electoral Tribunal considered a series of legal challenges put forth by the PRD-led coalition that vote-buying and other irregularities should have warranted an annulment of the results before declaring Enrique Peña Nieto President-elect on August 31, 2012. See CRS Report R42548, *Mexico's 2012 Elections*, by Clare Ribando Seelke.

capture a simple majority in the Senate or Chamber of Deputies, could complicate his ability to govern. The fact that Peña Nieto has embraced some of the anti-corruption and pro-human rights agenda of his leftist critics has been praised by some, but criticized by others as disingenuous.

Figure 2. Mexico's 2012 Presidential Election Results: Party Preferences by State



Source: Mexico's Federal Electoral Institute (IFE). Prepared by CRS Graphics.

Pena Nieto's Administration

Structural Changes

Mexico's presidential transitions are characterized not only by a high level of turnover in government agencies, but often by a complete overhaul of governmental structures and organizational patterns. President Peña Nieto, for example, has returned much of the power to the Interior Ministry that it had before the PAN took office. With congressional approval, he placed the Secretariat of Public Security (SSP, including the federal police) and intelligence functions under the authority of the Interior Ministry. That ministry, rather than the SSP, now coordinates

security efforts with the military and state and municipal authorities. While coordination may improve, some are concerned that too much power now resides in one ministry.⁵

President Peña Nieto has also vowed to revamp and modernize the Attorney General's Office (PGR). This may provide a counterweight to the increased power of the Interior Ministry, but coordination problems between the two ministries also need to be addressed. The PGR's budget increased much less during the Felipe Calderón Administration (2006-2012) than those of the Secretariat for Public Security or the military.

President Peña Nieto also sought and achieved the dissolution of the Ministry of Public Administration, Mexico's anti-corruption authority. Peña Nieto has proposed replacing that entity with an anti-corruption commission that would reside within the Treasury Department and have the power to issue administrative sanctions for corruption found in all levels and branches of government. Some experts remain concerned, however, that the proposed commission would lack independence and would still have to refer criminal cases to prosecutors who are part of the executive branch (and therefore reluctant to prosecute fellow government officials).⁶ No legislation has thus far been enacted on the proposal.

Recent Mexican presidents have also sought to create new or revamped federal police entities. President Peña Nieto is reforming, rather than dismantling, the federal police, but how it will be reconfigured to focus on investigations and combating key crimes, per his security strategy, remains to be seen. Peña Nieto's proposal to create a new militarized police entity, the National Gendarmerie, whose forces would be drawn from the military but placed under the control of the Interior Ministry, has been revised. The force will now be a unit of the federal police and will be much smaller than previously envisioned.⁷ President Peña Nieto has acknowledged that the military will remain engaged in public security efforts through at least 2015.

Leadership

Although Mexico has an unusually long transition period from one presidency to the next, its incoming leaders do not generally announce their cabinet appointments until immediately prior to assuming office. While the transition period can prove difficult, there appears to have been some degree of communication between the outgoing Calderón government and Peña Nieto's transition team. Outgoing President Calderón introduced historic labor reform legislation that the Mexican Congress approved under new fast-track provisions in November 2012, which had also been endorsed by President-elect Peña Nieto despite opposition from union leaders.⁸ U.S. officials also met regularly with Peña Nieto's transition team, albeit without knowing whether the individuals with whom they consulted would eventually receive cabinet appointments.

⁵ For more analysis, see Alejandro Hope, *Peace Now? Mexican Security Policy After Felipe Calderón*, Inter-American Dialogue Latin America Working Group paper, January 2013.

⁶ "EPN Tries to Revert 'Business as Usual' in Mexico," *Latin American Regional Report: Mexico & NAFTA*, December 2012.

⁷ Alejandro Hope, "The Pros and Cons of Absorbing Mexico's Gendarmerie into the Federal Police," *Insight Crime*, June 27, 2013.

⁸ The newly enacted labor reforms were passed as a result of a compromise between the PAN and PRI; the PRD opposed them. They include measures to make hiring and firing workers easier, regulate subcontracting and outsourcing, strengthen safeguards against child labor, and protect working women. See Stephen Johnson and Alek Suni, *Mexican Labor Reforms – What Do They Mean?*, CSIS, December 14, 2012.

In the end, President Peña Nieto selected many of his close confidantes and transition team leaders for key positions in his government; analysts say this reflects his desire to reestablish a strong presidency backed by certain key ministers. The Transition Team General Coordinator, Luis Videgaray Caso, is now the Secretary of Finance, a post which he also held in the state of Mexico during Peña Nieto's governorship. As leader of economic policy-making, Videgaray will spearhead efforts to garner congressional approval of fiscal reforms to boost tax revenue and energy reforms to, among other things, enable *Petroleos Mexicanos* (PEMEX) to form partnerships with private companies.

Miguel Angel Osorio Chong, the Transition Team's General Coordinator for Political and Security Issues, is now head of the powerful Interior Ministry. Osorio Chong served as governor of Hidalgo, which borders the state of Mexico, when Peña Nieto governed; he then became the PRI's Secretary of Organization (third-highest post). Osorio Chong is in charge of coordinating domestic affairs and overhauling security policy. He works with General Salvador Cienfuegos Zepeda, Secretary of Defense, and Admiral Vidal Soberón Sanz, Secretary of the Navy. Cienfuegos previously served as his ministry's third-highest officer and is the past commander of four regions. Although relatively junior to be selected for his post, Soberón Sanz brings continuity, having served as chief of staff to the previous Navy Secretary.

The new cabinet consists of a combination of younger PRI leaders with technical expertise and postgraduate education abroad; senior PRI politicians, many of whom served as governors; and a few individuals from outside the party.⁹

In addition to Luis Videgaray, **technocrats with economic credentials** include

- Ildefonso Guajardo Villarreal, a former federal deputy, as Secretary of the Economy;
- Emilio Lozoya, a former Latin American Director for the World Economic Forum and hedge fund founder, as head of PEMEX; and,
- José Antonio Meade, a surprise choice for Secretary of Foreign Relations, who served in positions in finance for the Fox and Calderón Administrations including, most recently, Secretary of Finance.

Most analysts assert that this group exemplifies Peña Nieto's emphasis on implementing economic reforms and prioritizing trade and economic matters in foreign relations as well.

Along with Osorio Chong, **PRI party stalwarts** include Attorney General Jesús Murillo Karam; Energy Secretary Pedro Joaquín Coldwell; and Education Secretary Chuayffet Chemor. These leaders, all in their sixties, bring political clout and executive experiences to the cabinet, but also have deep ties to their party, causing some to doubt their commitments to reform. This may not prove to be the case, however, as Karam has already backed limits on the use of preventive detention in prisons; Coldwell is a key player in energy reform efforts; and Chuayffet Chemor is leading implementation of recently enacted education reforms opposed by Mexico's Teacher's Union, but deemed important by education experts for improving teacher quality.¹⁰

⁹ Andrew Selee, *A Few Reflections on the New Mexican Cabinet*, Woodrow Wilson Center's Mexico Institute, December 1, 2012: "Mexico's New Government: With a Little Help From My Friends," *The Economist*, December 8, 2012.

¹⁰ The education reforms give the government, rather than the union, control over hiring and firing teachers and creates (continued...)

In addition to Meade, a few cabinet officials selected from **outside PRI party circles tapped to lead key ministries** include

- Manuel Mondragón, the long-serving former Secretary of Public Security for Mexico City, as Under Secretary for Public Security;
- Rosario Robles, a former PRD party head, mayor of Mexico City, and activist on women's issues as head of the influential Secretary of Social Development; and,
- Mercedes Juan, a surgeon and leader of a public-private healthcare reform organization, as Secretary of Health.

While the work of many of these ministers has yet to generate much criticism, opposition parties called for Secretary Robles to resign in April after evidence revealed that funds for social programs in Veracruz were being diverted for electoral purposes. President Peña Nieto stood by the Secretary. However, several officials from Robles' ministry were fired and an addendum to the Pact for Mexico on addressing corruption and ensuring fair elections was devised to assuage opposition parties' concerns.¹¹

Top Priorities for the New Administration

Upon his inauguration, President Peña Nieto announced a reform agenda with specific proposals under five broad pillars: reducing violence; combating poverty; boosting economic growth; reforming education; and fostering social responsibility. Somewhat surprisingly, leaders from the conservative PAN and leftist PRD signed on to President Peña Nieto's "Pact for Mexico" containing legislative proposals for advancing that reform agenda. While some opposition legislators have since balked at their leaders' decisions to endorse the PRI-led pact, the Congress has already approved education and telecommunications reform legislation, two measures that Peña Nieto had identified as short-term priorities, as well as a long-stalled crime victim's law.¹² Financial reform to expand access to credit is also soon likely to be considered.

Analysts predict that despite the constraints discussed below, the prospects for implementing Peña Nieto's goals are good because the PAN and the PRI agree on many of the economic reforms that need to be enacted. Prospects brightened after no party dominated the July 7, 2013, state and municipal elections. While the PRI remained the dominant party nationally, the PAN retained control of Baja California (which it has governed since 1989) and the PRD and smaller parties garnered unexpected gains in other regions of the country.¹³

(...continued)

a new independent entity to evaluate teachers.

¹¹ "PRD and PAN Consider Pact for Mexico Useful, Even in Light of Veracruz Election Scandal," *Business Mexico Online*, May 2, 2013.

¹² The victim's law provides for government assistance to crime victims and their families. Other key measures Peña Nieto would like to see enacted include a unified criminal procedure code for the whole country and legislation to deal with state and municipal debt. Those legislative priorities, along with executive actions that have been prioritized, are summarized in Spanish at México, Presidencia de la República, "Decisiones Presidenciales Anunciadas el 1º de Diciembre," Press Release, December 1, 2012, available at <http://www.presidencia.gob.mx/decisiones-presidenciales-anunciadas-el-1o-de-diciembre/>

¹³ "Small Parties and Independents get a (Small) Boost," *Latin American Regional Report: Mexico & NAFTA*, August 2013.

Violence Reduction

On December 17, 2012, President Peña Nieto outlined a strategy that aims to achieve a “Mexico in Peace” where human rights are respected and protected by implementing a “state” security policy that involves binding commitments from all levels of government and civic participation. The six pillars of the strategy include (1) planning; (2) prevention; (3) protection and respect of human rights; (4) coordination; (5) institutional transformation; and (6) monitoring and evaluation. President Peña Nieto has said that although his government will not abandon the fight against organized crime, the primary goal of his security strategy is to reduce violent crime. The Peña Nieto government’s approach has been described as more “low key” than that of Calderón, who tended to publicize kingpin arrests and drug seizures. The government’s emphasis on prevention has been evidenced by the creation of a national prevention program with a \$9 billion budget that includes socioeconomic, education, infrastructure, and drug treatment programs.

Eight months into his administration, the jury is still out on Peña Nieto’s security strategy. Some analysts argue that Peña Nieto has yet to define his security priorities and how they will be achieved, while others assert that he has quietly maintained an approach similar to that of former President Calderón.¹⁴ Despite restrictions placed on U.S. security agencies working in Mexico, U.S. intelligence reportedly helped Mexican marines successfully track and arrest Miguel Angel Treviño Morales (“Z-40”), the leader of Los Zetas, in July 2013.¹⁵ Bilateral cooperation could suffer, however, now that a Mexican court has overturned the conviction of Rafael Caro Quintero, a kingpin convicted of kidnapping and murdering DEA agent Enrique Camarena in 1985.¹⁶ (See “Security, Drug Trafficking, and the Mérida Initiative” below.)

Mexico’s Interior Ministry maintains that organized crime-related violence fell 16.5% during the first six months of the Administration as compared to the same period last year.¹⁷ Experts have challenged the government’s numbers, maintaining that violence likely remained relatively stable or slightly declined.¹⁸ As violence has declined in some parts of northern Mexico, it has spiked in the interior of the country and along the Pacific Coast. Even with the deployment of some 7,000 military and federal police, the security situation in Michoacán in particular has continued to deteriorate.¹⁹

¹⁴ Alfredo Méndez, “Peña Nieto Mantiene el Errático Plan de Seguridad de Calderón, Dicen Juristas, July 30, 2013.

¹⁵ “No Shots Fired: Leader of Mexico’s Zetas Cartel Captured in Precision Operation, with U.S. Help,” *Associated Press*, July 16, 2013.

¹⁶ Enrique (Kiki) Camarena was kidnapped and killed in Mexico in 1985. Following Camarena’s death, U.S.-Mexican counterdrug cooperation declined dramatically until the late 1990s due to U.S. mistrust of Mexican counterdrug officials and concerns about the Mexican government’s tendency to accommodate drug leaders. For or more information, see http://www.justice.gov/dea/ongoing/red_ribbon/redribbon_history.html. For more on Quintero, see Alfredo Corchado, “Drug Lord’s Release in DEA Agent’s 1985 Death Adds Uncertainty to U.S.-Mexico Relations,” *Dallas Morning News*, August 11, 2013.

¹⁷ James Bargent, “Mexico Govt: Organized Crime Murders Down for May,” *InsightCrime Organized Crime in the Americas*, June 7, 2013.

¹⁸ Alejandro Hope, “Mexico’s Violent Crime Numbers Don’t Add Up,” *InsightCrime Organized Crime in the Americas*, April 24, 2013; Benito Jiménez, “Cuestionan Cifra Oficial de Muertos,” *Reforma*, June 8, 2013.

¹⁹ Damien Cave and Karla Zabłudovsky, “Navy Officer’s Killing Escalates Fight for Mexican State,” *New York Times*, July 29, 2013.

Fiscal and Energy Reform

In the economic realm, President Peña Nieto has indicated that enacting fiscal and energy reforms will be top priorities for the remainder of 2013. Both reform packages are expected to be considered by the Congress during the session that runs from September through December 2013. The government and private sector analysts argue that the need for these reforms has grown more urgent as economic growth in Mexico has slowed (GDP growth estimates have been downgraded to 2.9% for 2013).²⁰ The PRD and many social movements remain skeptical.

Experts have recommended that reforms to boost Mexico's tax revenues, currently among the lowest in Latin America, include proposals to simplify the tax code, close loopholes, make tax collection more efficient, punish evasion, and scale back exemptions and subsidies. According to Peña Nieto Administration officials, the fiscal reforms they will introduce in September include raising tax rates for corporations and high wage earners, applying the value added tax to food and medicine, and taxing capital gains.²¹ Some have predicted that Peña Nieto might also propose making PEMEX's budget more independent and/or reducing its tax burden as part of a fiscal reform package. PEMEX's budget is tightly controlled by the Finance Ministry and the company provides roughly a third of the government's revenue.

Peña Nieto has proposed reforms aimed at helping PEMEX boost production. The proposal would maintain state control over the company, but allow it to enter into profit-sharing contracts with private companies.²² The reforms would require a two-thirds vote to amend Article 27 of the Mexican Constitution, which prohibits the government from granting any private concessions for the development of oil or gas. Former President Calderón sought to reform Article 27 in 2008, but his proposal was watered down by the PRI-led Congress.²³ With the PRI and PAN now agreeing on the need for private involvement in PEMEX (the PAN favors a deeper reform than the PRI that would permit private concessions and production-sharing agreements), some argue that the prospects for enacting energy reforms are better than in the past.²⁴ Skeptics caution, however, that Mexico's deeply held nationalistic concerns about maintaining sovereignty over its hydrocarbons resources could still derail reform efforts.²⁵

Combating Poverty

Analysts maintain that President Peña Nieto intends to boost tax revenues in order to establish a universal social safety net with social security and unemployment insurance that builds upon the last two governments' provision of nearly universal access to healthcare. Mexico has long had

²⁰ "Mixed Signals Over Economic Activity," *Economist Intelligence Unit (EIU)*, July 26, 2013.

²¹ "Breaking Taboo, Mexico Government Aims to Tax Food, Medicine," *Business Recorder*, July 28, 2013; Ariadna García, "Busca PRI Más IVA y Eliminar Privilegios," *El Universal*, July 31, 2013.

²² Richard Faust and Tracy Wilkinson, "Mexico's Leader Unveils Plan to Open Industry to Foreign Firms," *Los Angeles Times*, August 12, 2013.

²³ The final legislation brought private sector experts into PEMEX's management structure, created an independent board to advise the company, and added greater flexibility to its procurement and investment processes. Most significantly, the 2008 reforms permitted Pemex to create incentive-based service contracts with private companies.

²⁴ Dave Graham, "Analysis: Mexico to Rewrite 'Sacred' Text in Long-Awaited Energy Reform," *Chicago Tribune*, July 25, 2013.

²⁵ Robert Campbell, "Mexico is a Long Way from Opening its Oil Sector," *Reuters*, July 29, 2013.

relatively high poverty rates for its level of economic development (45.5% in 2012),²⁶ particularly in rural regions and among indigenous populations. Poverty has historically been one of the factors fueling illegal emigration.

Finance Minister Videgaray has acknowledged the contributions that social programs have made to preventing Mexicans from falling into poverty in times of crisis (including the 2009 recession), but maintained that boosting GDP growth and job creation is needed to reduce poverty rates. President Peña Nieto's 2013 budget provides expanded access to federal pensions, a new life insurance program for female heads of household, and increased funding for the *Oportunidades* (Opportunities) conditional cash transfer program.²⁷ Peña Nieto has also backed initiatives aimed at bringing more workers into the formal sector and boosting rural productivity.

Constraints Facing the New Administration

Mexico had a centralized political system with a strong presidency for most of the 20th century. Since the PRI last governed in the 1990s, however, presidential power in Mexico has become increasingly constrained by Congress, the Supreme Court, and the country's governors.²⁸ An active press, independent institutions within the government (such as the Federal Institute for Access to Public Information), and a mobilized citizenry now also serve as stronger checks on executive power than in the past. Forces that will likely limit the Peña Nieto Administration's power, both positively and negatively, include:

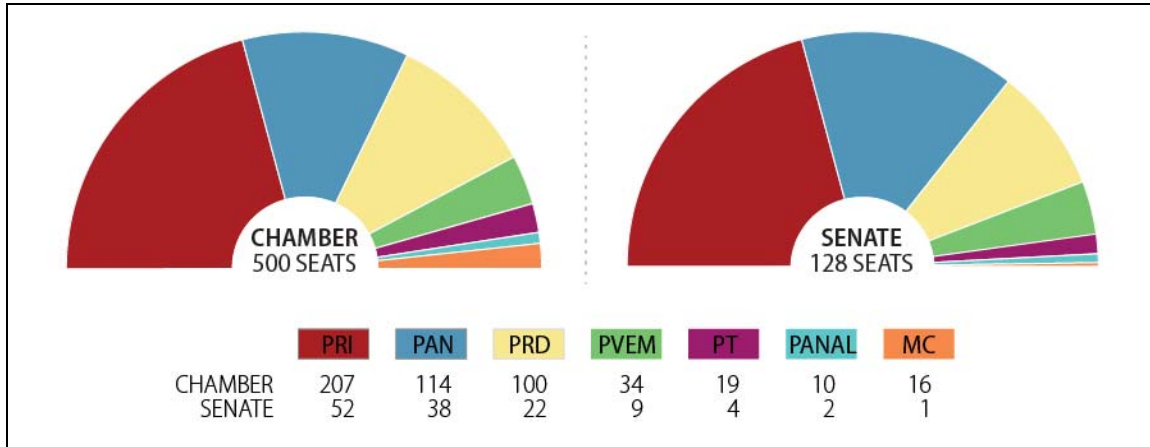
- **Congress.** Since 1997, Mexican presidents have lacked congressional majorities and seen many of their legislative proposals watered down or thwarted entirely as the Mexican Congress has become more assertive. The PRI/PVEM's failure to capture a congressional majority means that President Peña Nieto will have to form cross-party coalitions in order to pass key reforms, particularly those requiring constitutional amendments. If the PRI-PVEM coalition aligns with the National Alliance Party, or PANAL (as it has in the past), together they would have 251 of 500 seats in the Chamber of Deputies (a simple majority) and 62 of 128 seats in the Senate (just short of a simple majority). The PAN, which lost seats in the Chamber but retained a powerful bargaining position, is another possible ally. PAN leaders have pledged to support aspects of Peña Nieto's reform agenda that they believe are in the best interest of the country, even proposals previously blocked by the PRI. The PRD-led coalition, which now has more seats in the Chamber than the PAN and remains the third-largest force in the Senate, could complicate initiatives aimed at increasing private participation in the energy sector, but back reforms to strengthen human rights or fight corruption.

²⁶ This figure is from Mexico's National Council for the Evaluation of Social Development Policy (CONEVAL) in a study that is available here: <http://www.coneval.gob.mx/Paginas/principal-EN.aspx>. According to CONEVAL, Mexico's poverty rate increased by 2.9% between 2006 and 2012, although it did decline 0.6% from 2010 to 2012 as the country recovered from the effects of the 2008-9 global financial crisis and U.S. recession.

²⁷ *Oportunidades* is Mexico's main antipoverty program. It provides cash transfers to 6.5 million families in poverty who demonstrate that they regularly attend medical appointments and can certify that their children attend school.

²⁸ For background, see Andrew Selee and Jacqueline Peschard, eds., *Mexico's Democratic Challenges: Politics, Government, and Society* (Stanford, CA: Stanford University Press, 2010).

Figure 3. Composition of Mexican Congress by Party Affiliation



Source: Mexican Congress as adapted by CRS Graphics.

Notes: PRI= Institutional Revolutionary Party, PAN= National Action Party, PRD= Party of the Democratic Revolution, PVEM= Green Ecological Party, PT= Worker's Party, PANAL= National Alliance Party, and MC= Citizen's Movement Party. The MC and the PT are part of the PRD coalition,

- **The Supreme Court.** During the 1990s, President Ernesto Zedillo (1994-2000) implemented reforms to increase the power and autonomy of the Supreme Court. Since that time, the Supreme Court has begun to denounce executive overreach and to issue important decisions, including in the area of human rights. The court is in the process of establishing legal precedent for requiring cases of military human rights abuses committed against civilians to be tried in civilian courts, which could spur President Peña Nieto to address the issue of military impunity. Military prosecutors have opened thousands of investigations into allegations of human rights abuses as a result of complaints filed with the National Human Rights Commission, with few having resulted in convictions.
- **Governors:** Unlike former President Calderón, President Peña Nieto may be able to draw upon the PRI's strength at the state and local level to garner support for his policies, particularly in the security realm. The PRI controls 20 of 32 governorships. Should Peña Nieto's national agenda run counter to state interests, however, he could have to choose between maintaining party unity and challenging PRI governors. Analysts will also be closely monitoring how vigorously federal officials investigate former governors that have been accused of corruption and whether cases involving PRI officials are handled any differently than those involving PRD or PAN officials.²⁹
- **Vested Interest Groups.** Mexico's powerful public sector unions, monopolies, and oligopolies are likely to oppose any measures aimed at restricting their power, even if they are proposed by a PRI Administration. As an example, opposition from labor union leadership prompted PRI legislators to strip some of

²⁹ "Corruption Allegations Emerge Right on Cue Ahead of July Polls," *Latin American Mexico & NAFTA Report*, July 2013.

the provisions aimed at democratizing unions from the labor reform enacted in November 2012 that Peña Nieto had himself supported.

- **The Press and Civil Society.** Mexican media outlets are more independent than in the past, and civil society has become more organized and vocal. The *Yo.Soy132* protest movement and the Movement for National Regeneration (Morena), López Obrador's social movement that is seeking to become a political party, are likely to provide particularly close scrutiny of this government. Their members likely participated in the protests that erupted on inauguration day. The resurgence of the Zapatistas (*Ejército Zapatista de Liberación Nacional*), a leftist revolutionary group based in Chiapas that launched an uprising in 1994 at the beginning of the last PRI government, could also present challenges.

In addition to these checks on the Peña Nieto government's power, Mexico's powerful criminal organizations could derail his goal of reducing violent crime.³⁰ The violence that Mexico has recently experienced has resulted from increasing numbers of criminal groups battling each other and the government for control over illicit U.S.-bound trafficking routes, as well as domestic drug distribution. The homicide rate declined in Mexico in 2012 for the first time since 2007, but could still rise again. Even if the Mexican government were to pull back or reorient its forces in an attempt to reduce the violence, trafficker-on-trafficker violence could continue unabated.

President Peña Nieto's goal to increase economic growth and formal sector employment in Mexico could also be thwarted by external economic conditions, particularly the performance of the U.S. economy. Mexico has an extremely open economy that depends on the U.S. market as a destination for some 80% of its exports. Should the U.S. recovery falter, Mexico may be unable to maintain GDP growth rates above 3%, as it has for the last three years, much less improve its economic performance.

Key Issues of Congressional Interest in the Bilateral Relationship

As Mexico is experiencing a major domestic shift in power from PAN to PRI rule, U.S.-Mexican relations are also evolving. While President Barack Obama and President Peña Nieto both face a full slate of domestic challenges, analysts have urged them to work together on issues that are of critical importance to both countries, particularly those aimed at boosting trade and job creation. President Obama embraced President Peña Nieto's desire to bolster economic ties and to focus on a broad array of bilateral issues rather than focusing predominantly on security issues at meetings held in November 2012 and in May 2013.³¹

The U.S. Congress has maintained long-standing interest in a broad range of issues dealing with Mexico, a country with whom the United States shares a nearly 2,000-mile border and \$500

³⁰ For background, see CRS Report R41576, *Mexico's Drug Trafficking Organizations: Source and Scope of the Violence*, by June S. Beittel

³¹ The White House, Office of the Press Secretary, "Remarks of President Obama and President-Elect Peña Nieto of Mexico Before Bilateral Meeting," Press Release, November 27, 2012; "Remarks by President Obama and President Peña Nieto of Mexico in a Joint Press Conference," Mexico City, Mexico, Press Release, May 2, 2013. Hereinafter White House, May 2013.

billion in annual trade. In recent decades, the top issues of congressional interest on the bilateral agenda have centered upon migration/border security; trade (NAFTA implementation and disputes); and drug trafficking and security. Security issues had generally overtaken migration and trade matters for the last five years or so as a result of Mexico receiving U.S. foreign assistance through the Mérida Initiative, but this year migration and border security have again moved to the top of the bilateral agenda. The potential for greater energy cooperation with Mexico has emerged as a new issue of interest, while water disputes in the Rio Grande region have reemerged as a bone of contention.

Some bilateral issues may require immediate congressional action in order to advance, while others may lend themselves more to long-term oversight. For example, migration and border security cooperation could be substantially overhauled should Congress enact comprehensive immigration reform. Congressional action is also required in order for the U.S.-Mexico Trans-boundary Hydrocarbons Agreement on managing oil resources in the Gulf of Mexico that was signed in February 2012 to take effect. Congress has weighed in on current trade and water disputes. At the same time, Congress is considering continued funding for the Mérida Initiative and related domestic initiatives aimed at combating transnational crime and strengthening the rule of law in Mexico that are well underway. Congressional concerns about improving human rights conditions and strengthening democracy in Mexico also lend themselves to long-term oversight.

Migration and Border Security³²

Immigration policy has been a subject of congressional concern over many decades, with much of the debate focused on how to prevent unauthorized migration. Mexico's status as the largest source of U.S. migrants and a continental neighbor means that U.S. migration policies—including stepped up border and interior enforcement—have primarily affected Mexicans.³³ As a result, immigration is a central issue in U.S.-Mexican relations.

Since 1986, the United States has taken a number of steps to tighten border security and strengthen immigration enforcement,³⁴ while also legalizing about 3 million people. Yet the estimated number of unauthorized immigrants in the United States still has grown from about 3.2 million in 1986 to about 11.1 million in 2011.³⁵ At a broad level, today's immigration debate is focused on additional steps to strengthen immigration enforcement and border security, potential legalization provisions for certain unauthorized immigrants, and possible changes to the rules governing lawful immigration flows. An overarching question is whether these three issues should be considered together as “comprehensive immigration reform” (CIR), or whether they should be taken up separately (sometimes referred to as “piecemeal reform”). Some Members of

³² Marc R. Rosenblum, Specialist in Immigration Policy, drafted this section.

³³ Mexicans are by far the largest group of immigrants in the United States, accounting for about 12 million people in 2012, or 30% of all current U.S. immigrants. (Chinese immigrants are the next largest group, at 5%.) About half of Mexican immigrants are unauthorized, representing about 58% of the U.S. unauthorized population. See Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, *Net Migration from Mexico Falls to Zero—and Perhaps Less*, Pew Hispanic Center, Washington, DC, May 3, 2012. Mexicans account for an even larger share of unauthorized aliens apprehended (93% since FY1991) and aliens formally deported (72%); see CRS Report R42560, *Mexican Migration to the United States: Policy and Trends*, coordinated by Marc R. Rosenblum.

³⁴ For a fuller discussion, see CRS Report R42138, *Border Security: Immigration Enforcement Between Ports of Entry*, by Marc R. Rosenblum.

³⁵ CRS Report RL33874, *Unauthorized Aliens Residing in the United States: Estimates Since 1986*, by Ruth Ellen Wasem.

Congress have argued that legalization only should be considered—if at all—after enforcement measures have been successfully implemented.

Since the mid-2000s, successive Mexican governments have supported efforts to enact comprehensive immigration reform in the United States, while being careful not to appear to be infringing upon U.S. congressional authority to make and enforce immigration laws.³⁶ The Mexican government has pledged to enforce legal emigration, increase security along its northern and southern borders, and create opportunities for workers in Mexico so that fewer individuals will emigrate. Mexico has aggressively combated transmigration by unauthorized migrants crossing Mexico bound for the United States and worked with U.S. law enforcement to combat alien smuggling and human trafficking. Due to a number of factors, illegal emigration from Mexico is estimated to be at a 40-year low.³⁷ Still, corruption remains endemic within Mexico's National Migration Institute (the entity within the Interior Ministry that enforces immigration laws),³⁸ Mexico's southern border continues to be porous and insecure; and rural poverty and a dearth of formal employment opportunities persist.

President Peña Nieto, like former President Calderón, is unlikely to promise Mexicans that he can affect immigration reform efforts in the U.S. Congress or reach a bilateral accord with the Obama Administration. Both leaders saw how Former President Vicente Fox's failure to secure a bilateral immigration accord with the United States in 2001 proved to be a major blow to his administration.³⁹ Nevertheless, Peña Nieto has pledged his full support for President Obama's pledge to introduce comprehensive reform, and is likely to continue Mexico's efforts to improve border security, enforce its migration policies in a humane way, and create jobs in order to discourage illegal emigration. His government is also likely to continue protesting the excessive use of force by U.S. agents on the border; defending the rights of Mexican migrants in the United States, regardless of their status; and challenging state laws against illegal immigration.⁴⁰

Immigration reform has received substantial attention in both chambers during the 113th session of Congress. On June 27, 2013, the Senate passed the Border Security, Economic Opportunity, and Immigration Modernization Act (S. 744) by a ye-a-nay vote of 68-32. This CIR bill would roughly double recent investments in border security; require all employers eventually to use an electronic employment eligibility verification system similar to the current E-Verify program; establish three different legalization programs designed to potentially offer lawful permanent residency to most existing unauthorized immigrants; and substantially revise rules for both

³⁶ For background, see CRS Report R42560, *Mexican Migration to the United States: Policy and Trends*, coordinated by Marc R. Rosenblum.

³⁷ Researchers attribute this decline to the U.S. recession, stepped-up U.S. border security and interior enforcement, increasing abuses of migrants by smugglers and transnational criminal organizations, and expanding job opportunities in Mexico, among other factors. Jeffrey Passel, D'Vera Cohn, and Ana Gonzalez-Barrera, *Net Migration from Mexico Falls to Zero—And Perhaps Less*, Pew Hispanic Center, 2012, available at <http://www.pewhispanic.org/files/2012/04/PHC-04-23a-Mexican-Migration.pdf>.

³⁸ Edward Fox, "Figures Show Corruption Rife in Mexico's Migration Agency," *Insight Crime*, January 9, 2013.

³⁹ President Fox and President George W. Bush met five times during the first nine months of 2001, and on September 6, 2001, the two presidents announced a framework agreement to negotiate a major bilateral migration accord. The agreement would have included a Mexico-specific temporary worker program, collaborative border enforcement, legalization for certain unauthorized Mexicans in the United States, and new investments in Mexican communities of origin aimed at reducing illegal outflows. The possibility of a U.S.-Mexico migration accord faded after the 9/11 terrorist attacks.

⁴⁰ The Mexican government has filed amicus curiae (i.e., "friend of the court") briefs in lawsuits seeking to block the immigration laws in Arizona, Alabama, Georgia, South Carolina, and Utah.

permanent and temporary immigration to the United States.⁴¹ Many unauthorized Mexicans in the United States would potentially be eligible to obtain legal status under S. 744, and Mexicans also would be among those eligible for new permanent and temporary visas that would be created by the bill. But while border security is seen as a core feature of CIR, some people have argued that S. 744 would devote too much money to border fencing, personnel, and surveillance, possibly to the detriment of border communities and legal cross-border flows.

In the House, five different immigration bills had received committee attention as of August 2013. In May, the House Homeland Security Committee reported favorably on the Border Security Results Act of 2013 (H.R. 1417), which would require the Department of Homeland Security (DHS) to develop a comprehensive strategy to secure the southern border, and to develop and report on new comprehensive border security metrics. The bill had bipartisan support and was reported on a voice vote. The House Judiciary Committee (with jurisdiction over immigration issues) marked up four bills in June 2013. The Strengthen and Fortify Enforcement Act (SAFE Act, H.R. 2278) focuses on interior immigration enforcement. Among other provisions, the SAFE Act would encourage states and localities to play a larger role in immigration enforcement and heighten penalties for violations of federal immigration law, including by establishing a new criminal penalty for illegal presence in the United States. The Agricultural Guest Worker Act (H.R. 1773) would create a new H-2C temporary agricultural worker visa designed to be more flexible than the existing H-2A visa, which eventually would be eliminated under the bill.⁴² The Supplying Knowledge-based Immigrants and Lifting Levels of STEM Visas Act (SKILLS Visa Act, H.R. 2131) would expand permanent and temporary visa programs for high-skilled workers, and would eliminate the existing Diversity Visa program. And the Legal Workforce Act (H.R. 1772) would require all employers eventually to use the E-Verify electronic employment eligibility verification system, while also creating a larger role for states in the enforcement of employment-related immigration laws. All four Judiciary Committee bills were ordered reported on mainly party line votes, and all four bills were referred to other committees with jurisdiction over them. As of August 2013, House Members appeared divided about which of these bills, if any, should be brought to the House floor. Some House Members also favored a legalization program for certain unauthorized immigrants brought to the United States as children.⁴³

As part of this broader debate about immigration policy and border security, one question that may arise is the degree to which U.S. immigration policy should treat Mexico as a “special case” on certain immigration questions given the sheer size of the bilateral flow of migrants and Mexico's status as America's continental neighbor.⁴⁴ Mexico enjoyed such status during and after World War II, when the United States and Mexico negotiated a Mexico-specific temporary worker program, known as the Bracero program. And Mexican President Vicente Fox and U.S. President George W. Bush reached agreement on a bilateral framework for CIR in 2001, though negotiations were abandoned following the September 2001 terrorist attacks against the United

⁴¹ For a fuller discussion, see CRS Report R43097, *Comprehensive Immigration Reform in the 113th Congress: Major Provisions in Senate-Passed S. 744*, by Marc R. Rosenblum and Ruth Ellen Wasem.

⁴² For a fuller discussion, see CRS Report R43161, *Agricultural Guest Workers: Legislative Activity in the 113th Congress*, by Andorra Bruno.

⁴³ See for example, U.S. Congress, House Judiciary, Subcommittee on Immigration and Border Security, *Addressing the Immigration Status of Illegal Immigrants Brought to the United States as Children*, 113th Cong., 1 sess., July 23, 2013.

⁴⁴ For a fuller discussion, see CRS Report R42560, *Mexican Migration to the United States: Policy and Trends*, coordinated by Marc R. Rosenblum.

States. Under S. 744 as passed by the Senate, the U.S. Secretary of State, in coordination with DHS and in consultation with Congress, would be required to develop a strategy to address unauthorized transit migration through Mexico to the United States. The strategy would include steps to enhance the training of border and law enforcement personnel in Mexico and certain Central American states, and to educate the nationals of such countries about certain risks associated with illegal migration to the United States.

As Congress carries out its oversight function, questions that may arise include: How well is Mexico fulfilling its pledges to increase security along its northern and southern borders and to enforce its immigration laws? What is Mexico doing to address the root causes of emigration? What is the current level of bilateral cooperation on border security and immigration matters, and how might that cooperation be improved? Should Mexico be treated as a “special case” on immigration questions?

Security, Drug Trafficking, and the Mérida Initiative⁴⁵

Violence perpetrated by warring criminal organizations has threatened citizen security and governance in parts of Mexico and overwhelmed the country's justice sector institutions. Although the violence has declined since late 2011, it likely claimed more than 60,000 lives during the Calderón Administration.⁴⁶ According to government estimates, at least 6,000 additional organized crime-related deaths occurred during the first six months of the Peña Nieto Administration.⁴⁷ This violence has increased congressional concerns about stability in Mexico and about the possibility of violence spilling over into the United States.

U.S.-Mexican security cooperation has increased significantly as a result of the development and implementation of the Mérida Initiative, a bilateral security partnership announced in 2007 that involves U.S. assistance to Mexico. From FY2008 to FY2012, Congress appropriated \$1.9 billion in Mérida assistance for Mexico, roughly \$1.2 billion of which had been delivered as of April 2013. The Obama Administration asked for \$234.0 million for Mérida programs in its FY2013 budget request and \$183 million in its FY2014 request. Final FY2013 aid amounts are still not yet available, but the House version of the FY2014 State-Foreign Operations appropriations legislation (H.R. 2855/H.Rept. 113-185) recommends fully funding Mérida.

Whereas U.S. assistance initially focused on training and equipping Mexican counterdrug forces, it now places more emphasis on addressing the weak institutions and underlying societal problems that have allowed the drug trade to flourish in Mexico. The current Mérida strategy focuses on four pillars: (1) disrupting organized criminal groups, (2) institutionalizing the rule of law, (3) building a 21st century border, and (4) building strong and resilient communities. While bilateral efforts have yielded some positive results, the weakness of Mexico's criminal justice system has hindered the effectiveness of some anti-crime efforts.

Mexican President Enrique Peña Nieto has vowed to continue U.S.-Mexican security cooperation, albeit with more emphasis on reducing violent crime in Mexico. Peña Nieto has begun to adjust

⁴⁵ For further information, see CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*, by Clare Ribando Seelke and Kristin Finklea.

⁴⁶ Cory Molzahn, Octavio Rodriguez Ferreira, and David A. Shirk, *Drug Violence in Mexico: Data and Analysis Through 2012*, Trans-Border Institute (TBI), February 2013.

⁴⁷ F. Martínez, “Hubo en el País 6,247 Homicidios Dolosos en el Primer Semestre de Peña,” *La Jornada*, June 7, 2013.

the process and priorities of U.S.-Mexican efforts, adjustments which President Obama has pledged to support.⁴⁸ The Interior Ministry is now the primary entity through which Mérida training and equipment requests are coordinated and intelligence is channeled. The Mexican government is requesting increased assistance for judicial reform and prevention efforts, but limiting U.S. involvement in some law enforcement and intelligence operations.⁴⁹ Peña Nieto's security strategy appears to dovetail well with pillars two and four of the Mérida strategy, and his economic plans embrace pillar three's goals for border modernization, but the path forward for efforts under pillar one remains unclear.

President Peña Nieto may also call the U.S. government to task for not adequately fulfilling its domestic pledges under Mérida to address drug demand and the illicit trafficking of firearms and bulk currency to Mexico. His government supports efforts to enact gun control and to combat gun trafficking from the United States to Mexico. It has identified money laundering as an area in which bilateral efforts could be intensified.

The 113th Congress has held hearings⁵⁰ examining how the Mérida Initiative is being adjusted to align with the Peña Nieto government's priorities and is withholding \$95 million in FY2012 Mérida aid pending further information from the Obama Administration on that topic.⁵¹ Congressional approval will be needed should the State Department seek to reprogram some of the roughly \$700 million in the pipeline for Mérida, or seek new funding to align with Mexico's new priorities. Should differences occur between Mexican and U.S. priorities, Congress may choose to weigh in on how those differences should be resolved. While the Peña Nieto government's capture of the leader of Los Zetas may have assuaged some concerns about his commitment to combating organized crime, a Mexican court's reversal of the conviction of Rafael Caro Quintero for killing DEA agent Enrique Camarena in 1985 could damage cooperation.⁵² The U.S. Department of Justice has reportedly requested that Mexico re-arrest Quintero on charges that would merit extradition.⁵³

Possible questions for oversight may include

- After five years, what have been the results of the Mérida Initiative thus far?
- How is the State Department measuring the efficacy of Mérida programs?
- How are Mérida programs being affected by the Peña Nieto government's new security strategy?
- How is coordination going with the new government?

⁴⁸ White House, May 2013.

⁴⁹ CRS interviews with State Department officials in Mexico City, May 2013.

⁵⁰ U.S. Congress, Senate Foreign Relations, Subcommittee on Western Hemisphere and Global Narcotics Affairs, *Security Cooperation with Mexico: Examining the Next Steps in the U.S.-Mexico Security Relationship*, 113th Cong., 1st sess., June 18, 2013; U.S. Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *U.S.-Mexico Security Cooperation: An Overview of the Merida Initiative 2008–Present*, 113th Cong., 1st sess., May 23, 2013.

⁵¹ Jonathan Broder, "Citing Oversight Concerns, Leahy Holds Up Aid to Mexico," *CQ Roll Call*, August 1, 2013.

⁵² Alfredo Corchado, "Drug Lord's Release in DEA Agent's 1985 Death Adds Uncertainty to U.S.-Mexico Relations," *Dallas Morning News*, August 11, 2013.

⁵³ Peter Baker and Randal C. Archibold, "U.S. Seeks Arrest of Mexican Kingpin Who Was Freed in American's Murder," *New York Times*, August 14, 2013.

- To what extent is the Mexican government moving judicial and police reform efforts forward, and how is U.S. assistance supporting those reforms?

Human Rights and Judicial Reform

Congress has expressed ongoing concerns about human rights conditions in Mexico. These concerns have intensified as U.S. security assistance to Mexico has increased under the Mérida Initiative. Congress has conditioned U.S. assistance to the Mexican military and police on compliance with certain human rights standards, while simultaneously providing funding to support human rights training for security forces and to protect groups vulnerable to human rights abuses (such as the press and human rights defenders). The primary goal of these efforts has been to ensure that U.S.-funded anticrime efforts are carried out in a way that respects human rights and strengthens the rule of law in Mexico.

U.S. assistance to Mexico has increasingly focused on supporting the Mexican government's efforts to reform its corrupt and inefficient judicial system, both as a means to make anticrime efforts more effective and to strengthen the rule of law in Mexico.⁵⁴ Congress has targeted money to support Mexico's transition from an inquisitorial justice system to an oral, adversarial, and accusatory system that should strengthen human rights protections for victims and the accused. Congress has also increased funding for rule of law (ROL) programs in Mexico; asked the State Department to report on how U.S. programs are helping to achieve judicial and police reform in Mexico (H.Rept. 112-331), and expressed support for future ROL funding (H.Rept. 113-185).⁵⁵ U.S. policymakers are likely to follow how the Peña Nieto government moves to fulfill its pledges to enact a federal criminal procedure code to hasten reform at the federal level and increase support to states transitioning to the new system.

Despite concerns about his record as governor, some human rights groups have expressed satisfaction that President Enrique Peña Nieto has adopted a pro-human rights discourse and promulgated a law requiring state support for crime victims and their families.⁵⁶ They have urged U.S. policymakers to monitor the Peña Nieto government's compliance with conditions on Mérida assistance and to continue rigorous vetting of Mexican individuals and units slated to receive U.S. training as per Section 620M of the Foreign Assistance Act (FAA) of 1961.⁵⁷ How the Peña Nieto government moves to improve the ability of Mexico's civilian institutions to investigate and prosecute cases of human rights abuses by security forces, enhance enforcement of prohibitions against torture and other mistreatment, and strengthen protection for human rights defenders, the media, and other vulnerable groups is likely to be closely scrutinized.

The 113th Congress may choose to augment Mérida Initiative funding for human rights programs, such as ongoing training programs for military and police, or newer efforts, such as support for

⁵⁴ CRS Report R43001, *Supporting Criminal Justice System Reform in Mexico: The U.S. Role*, by Clare Ribando Seelke.

⁵⁵ See also: U.S. Congress, Majority Staff Report, *Judicial and Police Reforms in Mexico: Essential Building Blocks for a Lawful Society*, prepared for Sen. John Kerry, Chairman, U.S. Senate, Committee on Foreign Relations, 112th Cong., 2nd sess., July 9, 2012, S. Prt. 112-36.

⁵⁶ Human Rights Watch, *Letter to President Enrique Peña Nieto*, December 11, 2012.

⁵⁷ Restrictions on certain aid to Mexico's military and police have been included in each of the Mérida appropriations legislation measures since P.L. 110-252. See CRS Report R41349, *U.S.-Mexican Security Cooperation: The Mérida Initiative and Beyond*.

human rights organizations. Human rights conditions in Mexico, as well as compliance with conditions on Mérida assistance, are also likely to continue to be important oversight issues. S.Rept. 113-81 accompanying the Senate version of the FY2014 State-Foreign Operations appropriations legislation (S. 1372) would withhold 15% of assistance to the Mexican military and police until the State Department reports that progress has been made in meeting four human rights conditions.⁵⁸ H.Rept. 113-185 accompanying the House bill, H.R. 2855, would require a report from the State Department within 60 days of the bill's enactment on progress made in meeting the human rights conditions included in the FY2012 and FY2013 appropriations legislation (P.L. 112-74 and P.L. 113-6).⁵⁹ The State Department submitted a report in August 2012 that met the statutory requirements for FY2012 and FY2013 funding to be released, but withheld \$18 million as a matter of policy pending further progress in key areas.⁶⁰

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

Trade: North American Integration and the Trans-Pacific Partnership (TPP)⁶¹

The bilateral trade relationship with Mexico is of key interest to Congress because of Mexico's proximity, the high volume of trade with Mexico, and the strong cultural and economic ties between the two countries. The U.S. and Mexican economies are linked through the North American Free Trade Agreement (NAFTA), which has been in effect since 1994. Since the implementation of NAFTA, U.S.-Mexico trade has quadrupled, with the value of total bilateral trade reaching some \$494 billion in 2012.⁶² Mexico ranks third as a source of U.S. imports, after China and Canada, and second, after Canada, as an export market for U.S. goods and services. The value of U.S. foreign direct investment (FDI) in Mexico has risen from \$17 billion in 1994 to \$91.4 billion in 2011, a 440% increase.⁶³ Most studies show that the net economic effects of NAFTA on both the U.S. and Mexican economies have been small but positive, though there have been adjustment costs to some sectors within both countries. Congress has monitored the

⁵⁸ Those conditions require the Secretary of State to report that the Mexican government (1) has reformed its military justice system to require that military abuses against civilians are investigated and prosecuted in the civilian justice system; (2) is enforcing prohibitions against torture and the use of testimony obtained through torture; (3) is ensuring that military and police are immediately transferring detainees to the custody of civilian judicial authorities and are cooperating with such authorities in such cases; and, (4) is searching for the victims of enforced and involuntary disappearances and prosecuting those responsible for such crimes.

⁵⁹ Those conditions required the Secretary of State to report that the Mexican government was taking steps to ensure that civilian authorities are investigating and prosecuting members of the federal police and military forces who have been credibly alleged to have committed human rights violations, that the federal police and military forces were fully cooperating with the investigations; and that the government was enforcing prohibitions on the use of testimony obtained through torture or other ill-treatment.

⁶⁰ Those areas include improving the ability of Mexico's civilian institutions to investigate and prosecute cases of human rights abuses; enhancing enforcement of prohibitions against torture and other mistreatment; and strengthening protection for human rights defenders.

⁶¹ This section draws from CRS Report RL32934, *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, by M. Angeles Villarreal.

⁶² Data is from the U.S. International Trade Commission (USITC) Interactive Tariff and Trade DataWeb at <http://daraweb.usitc.gov>.

⁶³ Data is from the U.S. Department of Commerce, Bureau of Economic Analysis.

implementation of NAFTA, the effects of NAFTA on the U.S. and Mexican economies, and the resolution of NAFTA-related trade disputes.

Most analysts expect Mexico's trade policy under the Peña Nieto Administration to be relatively similar to that of the Calderón government, albeit with a more aggressive emphasis on diversifying Mexico's trade partners. President Peña Nieto has put forth proposals for deepening North American integration (such as the establishment of a North American infrastructure fund) and improving efficiency at the U.S.-Mexican border. In May, Presidents Peña Nieto and Obama announced the formation of a High-Level Economic Dialogue chaired by Vice President Joseph Biden aimed at "promoting mutual economic growth, job creation, and competitiveness" that is scheduled to convene its first annual meeting this fall.⁶⁴ President Peña Nieto also supports Mexico's active participation in negotiations for a Trans-Pacific Partnership (TPP) trade agreement.⁶⁵ At the same time, Peña Nieto has vowed to bolster Mexico's trade ties with China, Europe, and Latin America, including trade with the Pacific Alliance (Chile, Peru, and Colombia) and Brazil.

In its legislative and oversight capacities, the 113th Congress may face numerous issues related to trade that could affect U.S.-Mexican economic relations. For example, the Obama Administration has made the proposed Trans-Pacific Partnership (TPP) free trade agreement a top trade priority. The United States, Canada, and Mexico, along with eight other countries,⁶⁶ are participating in the TPP negotiations. If implemented, the TPP potentially could eliminate tariff and non-tariff barriers to trade and investment among the parties and could serve as a template for a future trade pact among Asia-Pacific Economic Cooperation (APEC) members and potentially other countries. If negotiations continue to move forward, they may affect the rules governing North American trade that have been in effect since NAFTA entered into force.

The 113th Congress is also likely to continue monitoring NAFTA's institutions. Those include the bilateral Border Environment Cooperation Commission (BECC), located in Ciudad Juárez, Mexico, and the North American Development Bank (NADBank), headquartered in San Antonio, TX. In 2011, the NADBank's mandate was broadened beyond promoting and financing environmental protection projects along the border to also include projects aimed at developing clean energy. Some U.S. and Mexican policymakers have supported broadening the functions of NADBank further to include other types of infrastructure development; this would likely require approval by both Congresses.

Experts have proposed ideas that Congress might consider to make North American industries more competitive and hasten regional integration. Some proposals that have emerged include calls for rethinking the current trade relationship under NAFTA by broadening the scope of North American integration and cooperation. One idea, for example, is to develop a North American Investment Fund to help close the income gap between Mexico and its northern neighbors. Others include setting up a Customs Union in North America, similar to that of the European Union, with a common external tariff to facilitate trade and deepen North American integration; developing a cooperative approach on immigration; and promoting regulatory convergence.⁶⁷

⁶⁴ The White House, Office of the Press Secretary, "U.S.-Mexico Partnership," Press Release, May 2, 2013.

⁶⁵ See CRS Report R42694, *The Trans-Pacific Partnership Negotiations and Issues for Congress*, coordinated by Ian F. Fergusson.

⁶⁶ Those countries include Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam.

⁶⁷ See Robert A. Pastor, *The North American Idea, A Vision of a Continental Future*, Oxford University Press, 2011.

Finally, Congress may play a significant role in determining when and how outstanding trade disputes with Mexico are resolved. The U.S. and Mexican governments resolved a long-standing trade dispute in 2011 involving NAFTA trucking provisions and settled a tomato trade dispute in early 2013. However, pending disputes include issues related to dolphin-safe tuna labeling and meat labeling, among other issues.

In the trade realm, potential questions for congressional consideration include how U.S.-Mexican trade and economic ties can be deepened, how efficiency on the border can be improved without compromising security, and how weaknesses in NAFTA can be addressed.

Energy Reform and Cooperation: the Transboundary Hydrocarbons Agreement⁶⁸

The future of oil and gas production in Mexico is of great importance for Mexico's economic development and for U.S. energy security, a key congressional interest; Mexico is consistently a top U.S. crude oil supplier. Mexico's state oil company, PEMEX, established in 1938 as the world's first major national oil company, remains an important source of government revenue, but is struggling to counter the country's declining oil production. Policy experts have long urged Mexico to reduce the heavy fiscal burdens on PEMEX and to reform the constitution to enable PEMEX to pursue joint ventures with foreign oil companies that have the technological experience and capital required for deep offshore and unconventional exploration and production. However, numerous stakeholders in Mexico are concerned that increasing private involvement in PEMEX could threaten Mexico's constitutionally protected control over its natural resources. U.S. policymakers are likely to closely follow President Peña Nieto's efforts to reform PEMEX.

While monitoring prospects for energy reform in Mexico is an issue for long-term congressional oversight, the 113th Congress has begun to consider a 2012 U.S.-Mexico energy agreement. Starting in the 1970s through diplomatic relations resulting in a series of treaties, the United States and Mexico have demonstrated mutual interests in oil and gas development in the western Gulf of Mexico. These diplomatic activities, intensified on the part of both countries in 2011 and 2012, culminated in the February 2012 signing of the U.S.-Mexico Transboundary Hydrocarbons Agreement (the Agreement).⁶⁹

The Agreement provides a framework for joint development of the significant offshore oil and gas resources estimated to exist in a narrow corridor (nearly 1.5 million acres) straddling a marine boundary recognized by both countries. To date, jointly managing this "transboundary" area has been achieved through diplomatic channels and by establishing a moratorium on oil and gas development. This ban has been in place since 2001 and is set to expire in 2014, drawing attention to whether or when oil and gas development in the area might commence.

Before the Agreement can take effect, both countries must review and accept it and address domestic obstacles to its implementation.⁷⁰ The Mexican Senate approved the agreement on April 12, 2012. The Agreement awaits similar attention in the United States.

⁶⁸ This section was drafted by Curry L. Hagerty, Specialist in Energy and Natural Resources Policy.

⁶⁹ Department of State, *Summary of the U.S. — Mexico Transboundary Hydrocarbons Agreement* (July 30, 2012). This summary can be found at <http://www.state.gov/r/pa/prs/ps/2012/02/184235.htm>.

⁷⁰ For Mexico, those domestic obstacles would presumably be addressed should the Congress reform Article 27 of the (continued...)

On June 27, 2012, the House passed H.R. 1613, the Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act (H.Rept. 113-101). This bill would approve and implement the Agreement, but would also exempt companies operating in accordance with the Agreement from having to comply with extraction reporting requirements found in Section 13(q) of the Securities Exchange Act of 1934.⁷¹ House activity featured signs of a persistent policy divide between “pro-drilling” arguments to accelerate energy production and “anti-drilling” arguments to maintaining the moratorium in order to provide time for fiscal, safety, and environmental issues to be addressed.

Legislation has been introduced in the Senate, S. 812, which would allow the Secretary of the Interior to implement the Agreement but was silent on the matter of exemptions for companies from the aforementioned Securities and Exchange Commission disclosure requirements. With no indication to date of legislative consideration of S. 812 scheduled in the Senate, it is difficult to predict what, if any, further legislative review might unfold during the 113th Congress.

The following questions arise with respect to how the Agreement might affect U.S. interests: (1) Would the Agreement lead to any new legal or regulatory obligations for U.S. interests? (2) Would existing environmental laws or existing lease terms and conditions in effect in the Gulf of Mexico be affected? and (3) What, if any, fiscal implications (gains or losses) might result from accepting the Agreement and carrying out collaborative projects in the boundary area?

Water Sharing⁷²

Management of shared water resources is significant for U.S. and Mexican interests in the border region, as well as a contributing factor to the level of cooperation or tension between the two countries. Multiple rivers cross or form the U.S.-Mexico border. The two principal basins are the Colorado River, which is predominantly in the United States but passes through Mexico on its way to the Gulf of California (see **Figure 4** below); and the Rio Grande (see **Figure 5** below), which forms the U.S.-Mexico border in Texas. These rivers are covered by long-standing international water sharing agreements. Starting in 1906, agreements emerged to allocate the rivers' water between the two countries. In 1944, the two countries entered into a comprehensive water treaty, the “Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande” (Treaty).⁷³ The 1944 Treaty reconfigured an existing entity into the International Boundary and Water Commission (IBWC), which is responsible for managing water in accordance with the Treaty.⁷⁴ Recent experiences of coordination of international water management in the two basins have contrasted, with advances in cooperation in the Colorado River basin and increased tensions in the Rio Grande basin.

(...continued)

constitution to allow PEMEX to enter into profit-sharing agreements with private companies.

⁷¹ 157 U.S.C. 78m(q).

⁷² Nicole T. Carter, Specialist in Natural Resources Policy contributed to this section.

⁷³ Treaty between the United States of America and Mexico Respecting Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande, U.S.-Mex., Feb. 3, 1944, 59 Stat. 1219 [hereinafter Treaty].

⁷⁴ The IBWC is an international body consisting of a United States and a Mexican section, which are overseen by the State Department and Mexico's Foreign Ministry, respectively.

Colorado River

As depicted in **Figure 4**, the Colorado River flows through seven U.S. states (Arizona, California, Colorado, Nevada, New Mexico, Utah, and Wyoming) and into Mexico before emptying into the Gulf of California; 97% of the basin is in the United States.⁷⁵

Figure 4. Colorado River Basin



Source: The Earth Institute at Columbia University (with minor modification by CRS), available at <http://blogs.ei.columbia.edu/wp-content/uploads/2012/12/CO-River-Basin-REVISED.jpg>

The 1944 Treaty requirement that the United States provide Mexico with 1.5 million acre-feet (AF)⁷⁶ of Colorado River water annually⁷⁷ means that the United States retains roughly 90% of

⁷⁵ When the 1994 Treaty was signed, Colorado River flows were estimated at 16.8 million acre-feet (AF) per year; current flows are closer to 14.4 million AF annually. “U.S., Mexico: The Decline of the Colorado River,” *Stratfor Global Intelligence*, May 13, 2013.

⁷⁶ An acre-foot is about 326,000 gallons of water, enough to cover an acre of land in one foot of water.

the Colorado River's average annual flow. Recent Colorado River basin discussions coalesced around better management and conservation of both the Colorado River itself and the Colorado River Delta. As a result, both governments, along with state officials and conservation groups from both countries, worked with the IBWC to develop an agreement that would allocate water to Mexico based on whether there is a surplus or drought and allow for joint investments to create greater environmental protection, as well as greater water conservation (i.e., ability to store water) for Mexico. These discussions culminated in the signing of Minute 319 on November 20, 2012. Some view the Minute as a step forward in bilateral water management and environmental protection efforts.⁷⁸

Rio Grande

While Colorado River Basin relations have been increasingly collaborative, the delivery of water from Mexico to the United States in the Rio Grande basin has been a source of tension. The Rio Grande is divided into two basins: the western El Paso-Juárez Rio Grande basin and the eastern basin, which encompasses an area from Ft. Quitman to the Gulf of Mexico (see **Figure 5** below). For that eastern portion of the basin, under article 4 of the 1944 Treaty, Mexico's water delivery from designated tributaries must average at least 350,000 AF per year, measured in five-year cycles.⁷⁹ If Mexico fails to meet its delivery obligations for a five-year cycle because of "extraordinary drought"—a term not defined in the Treaty—it must make up the deficiency during the next five-year cycle.

As both the U.S. and Mexican portions of the basin have experienced drought conditions since 2011, deliveries from Mexico per the 1944 Treaty have slowed, raising concerns in Texas about a water debt. The current delivery rate puts Mexico on the path to a water debt at the end of the five-year cycle on October 24, 2015.⁸⁰ As of mid-July 2013, Mexico had fulfilled roughly 51% of prorated deliveries, up from 47% in June 2013. Mexican interests maintain that "extraordinary drought" conditions hamper deliveries, while Texas interests assert that the drought is easing in the Mexican portion of the basin and its deliveries should therefore increase.

The concern is that low deliveries, as occurred in the 1990s and early 2000s, reduce water available for agriculture and communities in the U.S. counties along the Texas-Mexico border. Historically Mexico met its deliveries within the five-year cycles until the 1994 to 2003 drought. During that drought, Mexico accrued a water debt through two water cycles. Diffusion of tensions over the debt was the result of presidential intervention, negotiation of Minutes under the 1944 Treaty, and investments in improved water efficiency; hurricane-induced wet conditions cleared the water debt in 2005.⁸¹

(...continued)

⁷⁷ Treaty, *supra* note 3, art. 10.

⁷⁸ CRS phone interview with Carlos de la Parra, Professor at El Colegio de la Frontera Norte, July 8, 2013.

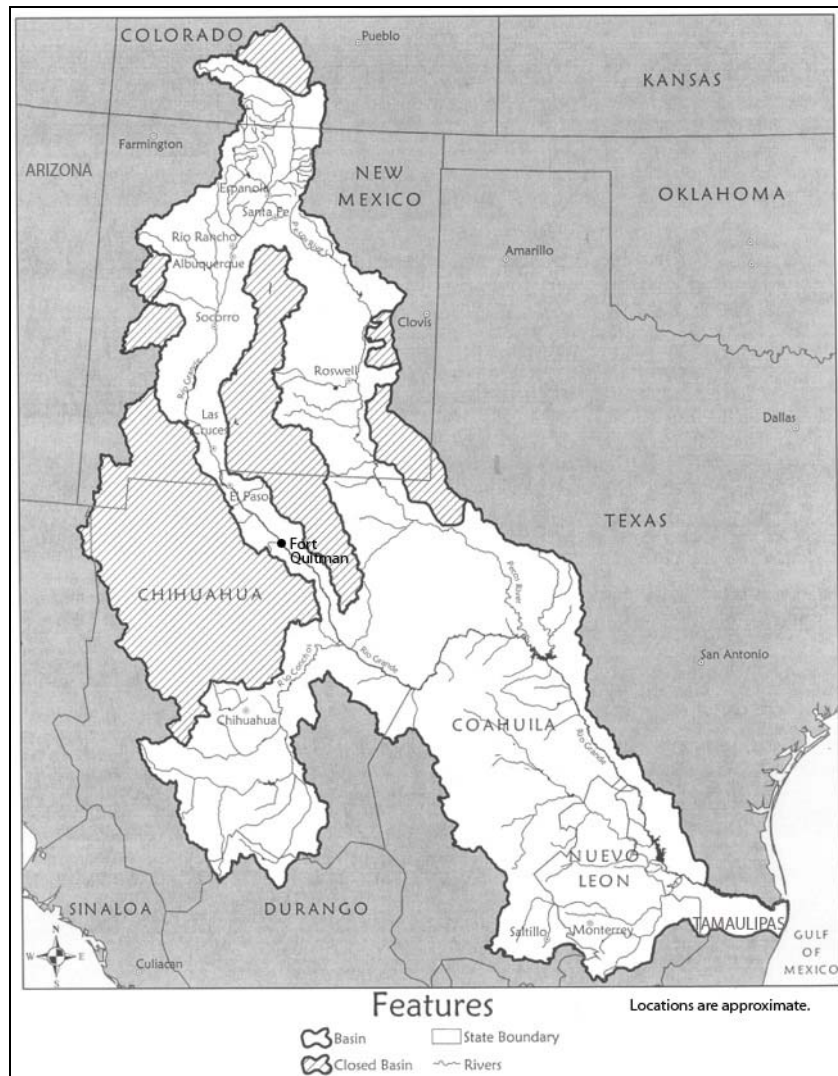
⁷⁹ The 1944 Treaty also establishes Mexico's right to two-thirds of the flows that feed into the Rio Grande from the six major tributaries that enter from Mexico (Id. art. 4(A)(c)), and the United States' right to all flows from Rio Grande tributaries in the United States side and one-third from the six Mexican tributaries (Id. art. 4(B)).

⁸⁰ C. Reed, "The Texas-Mexico Water Dispute and Its Resolution (?): Agricultural Liquid & Land Practice and Discourse along the Rio Conchos, Chihuahua, 1990-2005", (Ph.D. diss., The University of Texas at Austin, 2007).

⁸¹ *Ibid.*

The U.S. and Mexican sections of the IBWC have met regularly since late 2012 to discuss Mexico's water deliveries; bilateral discussions since May also have involved high-level State Department and Mexican government officials. The U.S. Section of the IBWC has developed several proposals for how Mexico might provide additional water deliveries to drought-stricken areas of South Texas. Mexican officials understand that the United States does not want to wait for the end of this five-year delivery period to receive its allotment of Rio Grande water.

Figure 5. Rio Grande Basin



Source: CRS modified New Mexico Museum of Natural History and Science figure, available at http://www.nmnaturalhistory.org/BEG/BEG%20Images/MAP_RGB_pg48.jpg as edited by CRS Graphics.

Members of Congress have written letters to the Administration and introduced legislation related to the Rio Grande water dispute.⁸² On July 11, 2013, the House passed the 2013 farm bill (H.R. 2642); Section 11320 would require the State Department to report within 120 days of enactment

⁸² Letter from Reps. Cuellar, Gallego, Hinojosa, O'Rourke, and Vela, to the Honorable U.S. President Barack Obama, April 11, 2013.

on efforts by Mexico to meet its Rio Grande water deliveries and on the U.S. benefits of implementing Minute 319 and extending Minute 318 (Cooperative Measures to Address the Continued Effects of the April 2010 Earthquake in the Mexicali Valley, Baja, California) through 2017. That language draws from H.R. 1863 (Vela). H.R. 2307/S. 1125, also would prohibit the Secretary of State from continuing to implement Minute 319 if reporting requirements on water deliveries are not met on time.

In addition to proposed legislation, questions that Congress may confront related to the Rio Grande basin include: what are the most effective mechanisms and approaches for achieving a Mexican water delivery regime that provides more benefit to Texas water users, and whether interventions and investment like those employed to manage the previous water debt would be necessary or effective. For the Colorado River basin, issues before Congress may be largely of related to oversight of the impacts and implementation of Minute 319.

Outlook

At the outset of this Mexican Administration, many questions remain about Mexico's future. What type of leader will Enrique Peña Nieto turn out to be? Now that the PRI is back in power, is Mexico still on a path toward reform and modernization? Is Peña Nieto leading a "new PRI" government that is ready to strengthen democracy and combat corruption, or will it fall into the habits that characterized PRI governments in the past? How effective will President Peña Nieto be in securing congressional approval of his proposed reforms? Will the Peña Nieto government be able to reduce violence in Mexico while still combating organized crime? How might this government support efforts to enact comprehensive immigration reform in the United States? Will the Mexican economy perform as well or better under the PRI than under the PAN?

Answers to some of these questions will depend largely upon the actions of President Peña Nieto himself, others will depend upon external factors, while still others will be decided by a mix of domestic and external factors. For example, Mexico would benefit immensely if certain immigration reforms were enacted in the United States, but there is little that the Peña Nieto government can do to support their enactment beyond pledging to reduce illegal emigration and bolster border security. In contrast, Enrique Peña Nieto's domestic policies can have a significant impact on security and economic conditions in Mexico, as well as bilateral efforts in those areas.

Mexico and U.S.-Mexican relations are experiencing a time of transition. This transition may bring about advances in some areas of the bilateral relationship, while setbacks may occur in others. Throughout this process, the 113th Congress is likely to closely monitor conditions in Mexico, as well as U.S.-Mexican cooperation on key issues as part of its legislative and oversight capacities.

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